

Mildef Crete Inc. and Its Subsidiaries
Consolidated Financial Statements and
Independent Auditors' Review Report
For the Three Months Ended March 31, 2023 and 2022

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Notice to Reader:

For the convenience of readers, this report has been translated into English from the original Chinese version, prepared and used in the Republic of China. The English version has not been audited or reviewed by independent auditors. If there are any discrepancies between the English version and the original Chinese version, or any difference in the interpretation of the two versions, the Chinese-language report shall prevail.

Table of Contents

Item	Page
I. Cover	1
II. Table of Contents	2
III. Independent Auditors' Review Report	3
IV. Consolidated Balance Sheets	4
V. Consolidated Statements of Comprehensive Income	5
VI. Consolidated statements of changes in equity	6
VII. Consolidated statements of cash flows	7
VIII. Notes to the Consolidated Financial Statements	
(I) Company History	8
(II) Date and Procedure for Approval of Financial Statements	8
(III) Application of New and Amended Standards and Interpretations	8
(IV) Summary of Significant Accounting Policies	9~10
(V) Critical Accounting Judgments, Assumptions, and Key Sources of Estimation Uncertainty	10
(VI) Description of Significant Accounts	10~25
(VII) Related-Party Transactions	25~27
(VIII) Assets pledged	27
(IX) Material Contingent Liabilities and Unrecognized Contractual Commitments	27
(X) Major Disaster Losses	27
(XI) Material Events After the Balance Sheet Date	27
(XII) Others	28
(XIII) Additional Disclosures	
1. Information on Material Transactions	28~30
2. Information on Investees	30
3. Information on Investment in Mainland China	30
4. Information on Major Shareholders	30
(XIV) Segment Information	30

Independent Auditors' Review Report

To the Board of Directors of Mildef Crete Inc.,

Introduction

We have reviewed the accompanying consolidated balance sheets of Mildef Crete Inc. (the "Company") and its subsidiaries (collectively, the "Group") as of March 31, 2023 and 2022; the relevant consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2023 and 2022, and relevant notes, including a summary of significant accounting policies (collectively referred to as the "consolidated financial Months"). It is the management team's responsibility to prepare the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports" by Securities Issuers and the IAS 34 "Interim Financial Reporting", which has been endorsed and issued into effect by the Financial Supervisory Commission (FSC) of Republic of China, to present the consolidated financial position of the Group fairly, while our responsibility is to make a conclusion on the consolidated financial statements based on our review results.

Scope

We conducted our review in accordance with the Standards on Review No. 2410 "Review of Financial Information Performed by the Independent Auditor of the Entity". The procedures performed when we reviewed the consolidated financial statements included inquiries (mainly from personnel in charge of financial and accounting affairs), analytical procedures, and other review procedures. The scope of review work is obviously smaller than that of audit work, so we might not be able to detect all the material matters that could have been identified through audit work, hence we were unable to express an audit opinion.

Conclusion

According to our review results, we have determined that the foregoing consolidated financial statements have been prepared in all material respects in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC, with a fair presentation of the Group's consolidated financial position as of March 31, 2023 and 2022 as well as consolidated financial performance and consolidated cash flows for the three months ended March 31, 2023 and 2022.

KPMG Taiwan

CPA: Ching-Wen Kao
Mei-Yan Chen

Competent Securities Authority's Jin-Guan-Zheng-VI Zi No. 1060005191
Approval Document No. : (88) Tai-Cai-Zheng (VI) No.18311
May 3, 2023

Reviewed only; not audited in accordance with the auditing standards of the Republic of China
Mildef Crete Inc. and Its Subsidiaries

Consolidated Balance Sheets

For the Three Months Ended March 31, 2023 and 2022

Unit: NT \$1000

Assets		2023.3.31		2022.12.31		2022.3.31		Liabilities and equity		2023.3.31		2022.12.31		2022.3.31			
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
Current assets:								Current liabilities:									
1100	Cash and cash equivalents (Note 6 (1))	\$	428,032	13	488,751	15	397,929	13	2130	Contract liabilities - current (Notes 6 (15) and 7)	\$	247,145	8	246,664	7	278,501	9
1110	Financial assets at fair value through profit or loss - current								2150	Notes payable		77,920	2	53,211	2	28,723	1
	(Note 6 (2))		60,152	2	20,030	1	120,134	4	2170	Accounts payable		160,234	5	149,623	5	97,810	3
1150	Net notes and accounts receivable (Note 6 (3) and (15))		100,467	3	96,180	3	63,018	2	2209	Accrued expenses (Note 6 (16))		102,105	3	106,484	3	105,339	3
1180	Net accounts receivable - related parties (Note 6 (3), (15)								2220	Other payables-related party (Note 7)	-	-	-	2,010	-	54	-
	and 7)		44,249	1	11,683	-	11,595	-	2230	Current income tax liabilities		52,202	2	38,596	1	63,161	2
130X	Inventories (Note 6 (4))		1,140,402	35	1,041,074	31	1,012,346	33	2280	Lease liabilities-current (Note 6 (9))		22,881	1	24,808	1	21,563	1
1476	Other financial assets - current (Note 6 (1))		206,100	6	206,100	6	246,020	8	2399	Other current liabilities		938	-	394	-	683	-
1479	Other current assets		29,172	1	25,299	1	23,331	-	2322	Long-term loans due within one year (Notes 6 (8) and 8)		-	-	-	-	1,226	-
Total current assets			2,008,574	61	1,889,117	57	1,874,373	60	Total			663,425	21	621,790	19	597,060	19
Non-current assets:								Non-current liabilities:									
1517	Financial assets at fair value through other comprehensive								2552	Provisions for warrant liabilities (Note 6 (10))		15,979	-	6,855	-	8,531	-
	income - non-current (Note 6 (2))		905,116	28	1,054,500	32	855,091	28	2570	Deferred income tax liabilities		176,772	5	204,124	6	163,269	5
1600	Property, plant and equipment (Notes 6 (5) and 8)		241,202	7	242,500	7	241,643	8	2580	Lease liabilities-non-current (Note 6 (9))		28,024	1	25,088	1	31,629	1
1755	Right-of-use assets (Note 6 (6))		50,609	2	49,668	1	53,192	2	2640	Net defined benefit liabilities—non-current		28,029	1	28,737	1	46,728	2
1780	Intangible assets (Note 6 (7))		8,147	-	9,417	-	9,675	-	Total non-current liabilities			248,804	7	264,804	8	250,157	8
1840	Deferred income tax assets		64,860	2	64,860	3	68,010	2	Total			912,229	28	886,594	27	847,217	27
1990	Other non-current assets (Note 8)		6,266	-	5,600	-	5,482	-	Equity attributed to owners of the parent company (Note								
Total non-current assets			1,276,200	39	1,426,545	43	1,233,093	40	6 (13)):								
									3110	Ordinary share capital		586,855	18	586,855	18	586,855	19
									3200	Capital surplus		74,113	2	72,650	2	72,650	2
									3300	Retained earnings		1,424,060	43	1,372,791	42	1,374,874	44
									3400	Other equity		265,823	8	380,825	11	209,909	7
										Equity attributed to owners of the parent company		2,350,851	71	2,413,121	73	2,244,288	72
									36xx	Non-controlling interests		21,694	1	15,947	-	15,961	1
									Total equity			2,372,545	72	2,429,068	73	2,260,249	73
Total		\$	3,284,774	100	3,315,662	100	3,107,466	100	Total liabilities and equity		\$	3,284,774	100	3,315,662	100	3,107,466	100

(Please refer to notes to the consolidated financial statements for details)

Chairman: Yi-Tong Shen

Manager: Yi-Tong Shen

Accounting Manager: Ya-Ping Liu

Reviewed only; not audited in accordance with the auditing standards of the Republic of China

Mildef Crete Inc. and Its Subsidiaries

Consolidated Statements of Comprehensive Income

For the Three Months Ended March 31, 2023 and 2022

Unit: NT \$1000

		2023 Q1		2022 Q1	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6 (15), 7 and 14)	\$ 634,611	100	546,663	100
5000	Operating cost (Notes 6(4), (6), (9), (10), (11), (16), 7, and 12)	510,736	80	473,666	87
	Gross operating profit	123,875	20	72,997	13
	Operating expenses (Note 6 (6), (9), (11), (16), 7, and 12):				
6100	Selling and marketing expenses	36,174	6	40,093	7
6200	General and administrative expenses	9,437	1	6,592	1
6300	Research and development expenses	17,287	3	15,736	3
	Total operating expenses	62,898	10	62,421	11
	Net operating profit	60,977	10	10,576	2
	Non-operating income and expenses:				
7100	Interest income (Note 6 (17))	1,889	-	2,225	1
7010	Other income (Note 6 (17))	293	-	654	-
7020	Other gains and losses (Note 6 (17))	(1,155)	-	6,158	1
7510	Finance costs (Note 6 (9) and (17))	(192)	-	(167)	-
	Total non-operating income and expenses	835	-	8,870	2
	Net profit before tax	61,812	10	19,446	4
7951	Minus: Income tax expense (Note 6 (12))	13,649	2	4,242	1
	Current net profit	48,163	8	15,204	3
8300	Other comprehensive income/(loss):				
8310	Items not reclassified as income and loss				
	Unrealized gain (loss) on investments in equity instruments as at fair value through other				
8316	comprehensive income	(136,758)	(22)	131,069	24
8349	Minus: Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 6 (12))	(27,352)	(4)	26,214	5
	Total amount of items not reclassified to profit or loss	(109,406)	(18)	104,855	19
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences arising from the translation of the financial statements of foreign operations	(320)	-	-	-
8399	Minus: Income tax relating to items that may be reclassified subsequently to profit or loss	-	-	-	-
	Total amount of items that may be reclassified subsequently to profit or loss	(320)	-	-	-
8300	Other comprehensive income/(loss)	(109,726)	(18)	104,855	19
	Total amount of other current comprehensive gains and losses	\$ (61,563)	(10)	120,059	22
	Net profit/(loss) attributable to				
8610	Owners of the Parent Company	\$ 45,993	8	13,216	3
8620	Non-controlling interests	2,170	-	1,988	-
		\$ 48,163	8	15,204	3
	Total comprehensive income/(loss) attributable to:				
8710	Owners of the Parent Company	\$ (63,733)	(10)	118,071	22
8720	Non-controlling interests	2,170	-	1,988	-
		\$ (61,563)	(10)	120,059	22
	Earnings per share (NT\$: Note 6 (14))				
	Basic earnings per share	\$ 0.78		0.23	
	Diluted earnings per share	\$ 0.77		0.22	

(For details, please refer to notes to the consolidated financial statements)

Chairman: Yi-Tong Shen

Manager: Yi-Tong Shen

Accounting Manager: Ya-Ping Liu

Reviewed only; not audited in accordance with the auditing standards of the Republic of China
Mildef Crete Inc. and Its Subsidiaries

Consolidated statements of changes in equity
For the Three Months Ended March 31, 2023 and 2022

Unit: NT \$1000

	Retained earnings						Other Equity Items						
	Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Unappropri- ated earnings	Total	Exchange differences arising from the translation of Financial Report of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Defined benefits plans remeasure- ment	Total	Total equity attributable to owners of the parent company	Non- controlling interests	Total equity
Balance on January 1, 2022	\$ 586,855	72,650	456,181	44,942	860,535	1,361,658	-	124,064	(19,010)	105,054	2,126,217	13,973	2,140,190
Current net profit	-	-	-	-	13,216	13,216	-	-	-	-	13,216	1,988	15,204
Other comprehensive income/(loss)	-	-	-	-	-	-	-	104,855	-	104,855	104,855	-	104,855
Total amount of other current comprehensive gains and losses	-	-	-	-	13,216	13,216	-	104,855	-	104,855	118,071	1,988	120,059
Balance on March 31, 2022	\$ 586,855	72,650	456,181	44,942	873,751	1,374,874	-	228,919	(19,010)	209,909	2,244,288	15,961	2,260,249
Balance on January 1, 2023	\$ 586,855	72,650	519,751	-	853,040	1,372,791	-	387,473	(6,648)	380,825	2,413,121	15,947	2,429,068
Current net profit	-	-	-	-	45,993	45,993	-	-	-	-	45,993	2,170	48,163
Other comprehensive income/(loss)	-	-	-	-	-	-	(320)	(109,406)	-	(109,726)	(109,726)	-	(109,726)
Total amount of other current comprehensive gains and losses	-	-	-	-	45,993	45,993	(320)	(109,406)	-	(109,726)	(63,733)	2,170	(61,563)
Differences between equity price paid and book value of subsidiaries disposed of	-	1,463	-	-	-	-	-	-	-	-	1,463	(1,463)	-
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	5,040	5,040
Disposal of equity instruments designated at fair value through other comprehensive income/(loss)(Note 6 (2))	-	-	-	-	5,276	5,276	-	(5,276)	-	(5,276)	-	-	-
Balance on March 31, 2023	\$ 586,855	74,113	519,751	-	904,309	1,424,060	(320)	272,791	(6,648)	265,823	2,350,851	21,694	2,372,545

(Please refer to notes to the consolidated financial statements for details)

Chairman: Yi-Tong Shen

Manager: Yi-Tong Shen

Accounting Manager: Ya-Ping Liu

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Mildef Crete Inc. and Its Subsidiaries

Consolidated statements of cash flows

For the Three Months Ended March 31, 2023 and 2022

Unit: NT \$1000

	2023 Q1	2022 Q1
Cash flows from operating activities:		
Net income before tax	\$ 61,812	19,446
Adjustments for:		
Profit and loss		
Depreciation expense	12,701	12,338
Amortization expense	1,383	1,270
Net gain on financial assets at fair value through profit or loss	(122)	(69)
Interest expense	192	167
Interest income	(1,889)	(2,225)
Gain on disposal of property, plant and equipment	-	(44)
Total profit/(loss)	12,265	11,437
Changes in assets/liabilities related to operating activities:		
Net changes in assets related to operating activities:		
Notes and accounts receivable	(4,287)	2,338
Accounts receivable from related parties	(32,566)	(5,219)
Inventories	(99,328)	(111,186)
Other current assets	(3,873)	(3,371)
Total net changes in assets related to operating activities	(140,054)	(117,438)
Net changes in liabilities related to operating activities		
Contract liabilities	481	14,590
Notes payable	24,709	4,135
Accounts payable	10,611	(8,345)
Other payable by related parties	(2,010)	54
Provisions for warranty liabilities	9,124	3,996
Accrued expenses and other current liabilities	(3,835)	(10,533)
Net defined benefit liabilities	(708)	(6,255)
Total amount of net changes in liabilities related to operating activities	38,372	(2,358)
Total amount of net changes in assets and liabilities related to operating activities	(101,682)	(119,796)
Total adjustments	(89,417)	(108,359)
Cash outflow from operations	(27,605)	(88,913)
Interest received	1,889	2,225
Income tax paid	(43)	-
Net cash outflow from operating activities	(25,759)	(86,688)
Cash flows from investing activities:		
Disposal of financial assets at fair value through other comprehensive income	12,626	-
Purchase of financial assets at fair value through profit or loss	(40,000)	-
Acquisition of property, plant and equipment	(3,339)	(3,833)
Disposal of property, plant and equipment	-	152
Acquisition of intangible assets	(113)	(3,180)
(Increase) decrease in other non-current assets	(666)	118
Net cash outflow from financing activities	(31,492)	(6,743)
Cash flows from financing activities:		
Repayments of long-term loans	-	(525)
Payment of the principal portion of lease liabilities	(7,996)	(8,034)
Disposal of equity in subsidiaries (without control lost)	5,040	-
Interests paid	(192)	(167)
Net cash outflow of financing activities	(3,148)	(8,726)
Effect of exchange rate changes on cash and cash equivalents	(320)	-
Decrease in cash and cash equivalents in this period	(60,719)	(102,157)
Opening balance of cash and cash equivalents in the consolidated statements of cash flows	488,751	500,086
Closing balance of cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 428,032</u>	<u>397,929</u>

(Please refer to notes to the consolidated financial statements for details)

Chairman: Yi-Tong Shen

Manager: Yi-Tong Shen

Accounting Manager: Ya-Ping Liu

Reviewed only; not audited in accordance with the auditing standards of the Republic of China

Mildef Crete Inc. and Its Subsidiaries

Notes to the Consolidated Financial Statements

For the Three Months Ended March 31, 2023 and 2022

(In thousands of NTD, except otherwise specified)

I. Company History

Mildef Crete Inc. (hereinafter referred to as the “Company”) was incorporated on March 15, 1990 with the approval of the Ministry of Economic Affairs. Its registered address is 7F, No. 250, Section 3, Beishen Road, Shenkeng District, New Taipei City. The Company and its subsidiaries (hereinafter referred to as the “Group”) mainly engage in the research, design, planning, manufacturing, sales, and import and export of various computer software and hardware and components thereof, as well as computer hardware and software combination, manufacturing, installation, and consulting services, and investment in relevant businesses.

II. Date and Procedure for Approval of Financial Statements

The consolidated financial statements were approved and released by the Board of Directors on May 3, 2023.

III. Application of New and Amended Standards and Interpretations

- (I) Effect of the application of new and amended International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) as endorsed by the Financial Supervisory Commission (FSC)

The Group has applied the following newly revised IFRS since January 1, 2023, which has not caused any material impact on its consolidated financial statements.

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

- (II) New and amended standards and interpretations not yet endorsed by the FSC

The Group does not expect that the new and amended standards below not yet endorsed by the FSC will have a material impact on the consolidated financial statements.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and Amendments to IFRS 17
- Amendments to IAS I Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Contractual Terms”
- Amendment to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

IV. Summary of Significant Accounting Policies

Except as stated below, the significant accounting policies adopted in the consolidated statements are the same as those in the 2022 consolidated financial statements. Please refer to Note 4 to the 2022 consolidated financial statements for relevant information.

(I) Declaration of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and the IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. This consolidated financial statements do not include all the necessary information shall be disclosed in the entire annual consolidated financial statements prepared in accordance with the IFRSs approved and issued into effect by the FSC.

(II) Basis of consolidation

1. Subsidiaries included in the consolidated financial statements include:

Name of investor	Name of subsidiary	Nature of business	% of equity held			Description
			2023.3.31	2022.12.31	2022.3.31	
The Company	Flexbasis Technology Inc. (Flexbasis)	Manufacturing of metal casings	57.7%	65.3%	65.3%	
The Company	Mildef Crete Australasia Pty. Ltd.	Sale of rugged products	100%	- %	- %	(Note)

(Note) It was established with the Company’s investment on January 5, 2023.

2. Subsidiaries included in the consolidated financial statements: None.

(III) Employee benefits

The pension under the defined benefit plan during the interim period is calculated at actuarially determined pension cost rate on the balance sheet date of the prior year, from the beginning of the year to the end of this period and adjusted as per major market fluctuations after the balance sheet date, major reductions, settlements, or other major one-off events.

(IV) Income tax

The Group measured and disclosed income tax expense incurred during the interim period in accordance with paragraph B12 of IAS 34 “Interim Financial Reporting”. Income tax expense is measured by multiplying the net income before tax for the interim reporting period by the management team’s best estimate of the expected effective tax rate for the entire year and is fully recognized as current income tax expense.

Income tax expense recognized directly in equity or other comprehensive income is measured at the tax rate that is expected to be applicable when temporary differences between

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

the carrying amounts of the relevant assets and liabilities and their tax bases at the balance sheet date are realized or settled.

V. Critical Accounting Judgments, Assumptions, and Key Sources of Estimation Uncertainty

In preparing the consolidated financial statements, the management should exercise judgments and make estimates and assumptions in accordance with the IAS 34 “Interim Financial Reporting” endorsed and issued into effect by the FSC, which will affect the adoption of accounting policies and the amounts of assets, liabilities, income, and expenses reported. Actual results may differ from estimates.

When the consolidated financial statements were prepared, the critical judgments exercised by the management in adopting the Group’s accounting policies and the key sources of estimation uncertainty are consistent with Note 5 to the 2022 consolidated financial statements.

VI. Description of Significant Accounts

Except as stated below, there is no significant difference between the description of important accounting titles in these consolidated financial statements and the 2022 consolidated financial statements. Please refer to Note 4 to the 2022 consolidated financial statements for relevant information.

(I) Cash and cash equivalents

	2023.3.31	2022.12.31	2022.3.31
Cash on hand	\$ 379	381	382
Checking deposit and demand deposit	427,653	488,370	397,547
	\$ 428,032	488,751	397,929

The Group's bank time deposits with the initial duration of more than three months as of March 31, 2023, December 31, 2022, and March 31, 2022 were NT\$206,100,000, NT\$206,100,000, and NT\$246,020,000, respectively, which are recognized in other financial assets – current.

(II) Financial instruments

1. Financial assets at fair value through profit or loss - current

	2023.3.31	2022.12.31	2022.3.31
Money funds	\$ 60,152	20,030	120,134

Please refer to Note 6(17) for the amount re-measured at fair value and recognized in profit or loss.

2. Financial assets at fair value through other comprehensive income - non-current

	2023.3.31	2022.12.31	2022.3.31
Unlisted stocks	\$ 19,819	19,819	24,683
Overseas listed stocks	885,297	1,034,681	830,408
Total	\$ 905,116	1,054,500	855,091

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

The above equity instrument investments by the Group are long-term strategic investments and are not held for trading purposes, so they have been designated to be measured at fair value through other comprehensive income.

During the three months ended March 31, 2023, the Group sold part of the stocks of the above overseas listed stocks as an investment strategy. The fair value upon disposal was NT\$12,626,000, and the cumulative disposal gain was NT\$5,276,000. The aforementioned cumulative gain has been reclassified from other equity to retained earnings. The Group did not dispose of its strategic investments during the three months ended March 31, 2022, nor reclassify the cumulative gains and losses within equity during these periods.

Information on significant equity investments in foreign currencies on the balance sheet date is as follows:

	2023.3.31			2022.12.31			2022.3.31		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
EUR	\$ 568	33.15	18,819	575	32.72	18,819	742	31.92	23,683
SEK	301,122	2.94	885,297	351,932	2.94	1,034,681	268,740	3.09	830,408

As of March 31, 2023, December 31, 2022, and March 31, 2022, none of the Group's financial assets above had been pledged as collateral.

(III) Notes and accounts receivable (related parties)

	2023.3.31	2022.12.31	2022.3.31
Notes and accounts receivable	\$ 100,467	96,180	63,741
Accounts receivable - related parties	44,249	11,683	11,595
Less: Allowance for losses	-	-	(723)
	\$ 144,716	107,863	74,613

The Group estimated expected credit losses using a simplified approach for all notes and accounts receivable, i.e., using lifetime expected credit losses, and included forward-looking information. The analysis of expected credit losses on the Group's notes and accounts receivable is as follows:

	2023.3.31		
	Carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for lifetime expected credit losses
Not past due	\$ 136,740	0.00001%	-
Overdue for 1 to 30 days	7,976	0.00011%	-
	\$ 144,716		-

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

	2022.12.31		
	Carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for lifetime expected credit losses
Not past due	\$ 107,212	0.00001%	-
Overdue for more than 1 to 30 days	651	0.00011%	-
	<u>\$ 107,863</u>		<u>-</u>
	2022.3.31		
	Carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for lifetime expected credit losses
Not past due	\$ 74,613	0.0000%	-
Overdue for more than 365 days	723	100%	723
	<u>\$ 75,336</u>		<u>723</u>

There was no change in the Group's allowance for notes receivable and accounts receivable during the three months ended March 31, 2023 and 2022. The relevant circumstances are as follows:

	2023 Q1	2022 Q1
Ending balance (i.e. opening balance)	<u>\$ -</u>	<u>723</u>

(IV) Inventories

	2023.3.31	2022.12.31	2022.3.31
Merchandise	\$ 199,029	181,946	203,473
Finished goods	3,246	4,175	1,183
Semi-finished goods	153,846	155,100	205,077
Work in process	330,889	237,646	164,704
Raw materials	453,392	462,207	437,909
	<u>\$ 1,140,402</u>	<u>1,041,074</u>	<u>1,012,346</u>

The costs of inventories recognized in cost of goods sold during the three months ended March 31, 2023 and 2022 were NT\$486,447,000 and NT\$491,755,000, respectively. During the three months ended on March 31, 2023, due to the inventories reduced to net realizable value, an amount of NT\$24,289,000 was recognized as inventory valuation losses; during the three months ended on March 31, 2022, due to the disposal of the obsolete inventory, said losses were recognized as a gain on inventory value recovery in the amount of NT\$18,089,000 due to the disposal of obsolete inventory.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

(V) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
Carrying amount:							
March 31, 2023	<u>\$ 147,478</u>	<u>45,494</u>	<u>27,950</u>	<u>2,318</u>	<u>756</u>	<u>17,206</u>	<u>241,202</u>
January 1, 2023	<u>\$ 147,478</u>	<u>45,606</u>	<u>29,422</u>	<u>2,598</u>	<u>309</u>	<u>17,087</u>	<u>242,500</u>
March 31, 2022	<u>\$ 147,478</u>	<u>46,890</u>	<u>29,636</u>	<u>3,509</u>	<u>343</u>	<u>13,787</u>	<u>241,643</u>

There was no significant addition, disposal, provision for impairment, or reversal of the Group's property, plant and equipment during the three months ended March 31, 2023 and 2022. Please refer to the depreciation amount for the current period. Please refer to Note 12(1) for the depreciation amount in this period. Please refer to Note 6(6) to the 2022 consolidated financial statements for other relevant information. Please refer to Note 8 for the details of the machinery and equipment used by the Group as collateral for borrowings from non-financial institutions.

(VI) Right-of-use assets

	<u>Buildings</u>
Cost of right-of-use assets:	
Balance on January 1, 2023	\$ 141,471
Additions	<u>9,002</u>
Balance on March 31, 2023	<u>\$ 150,473</u>
Balance on January 1, 2022	\$ 137,776
Additions	9,019
Lease modification	680
Decrease	<u>(17,951)</u>
Balance on March 31, 2022	<u>\$ 129,524</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

Accumulated depreciation of right-of-use assets:

Balance on January 1, 2023	\$ 91,803
Depreciation in this period	8,064
Effect of exchange rate changes	(3)
Balance on March 31, 2023	<u><u>\$ 99,864</u></u>
Balance on January 1, 2022	\$ 86,265
Depreciation in this period	8,018
Decrease	(17,951)
Balance on March 31, 2022	<u><u>\$ 76,332</u></u>
Book value:	
March 31, 2023	<u><u>\$ 50,609</u></u>
January 1, 2023	<u><u>\$ 49,668</u></u>
March 31, 2022	<u><u>\$ 53,192</u></u>

(VII) Intangible assets

	<u>Computer software</u>
Carrying amount:	
March 31, 2023	<u><u>\$ 8,147</u></u>
January 1, 2023	<u><u>\$ 9,417</u></u>
March 31, 2022	<u><u>\$ 9,675</u></u>

There was no significant addition, disposal, provision for impairment, or reversal of the Group's intangible assets during the three months ended March 31, 2023 and 2022. Please refer to the depreciation amount for the current period. Please refer to Note 12(1) for the amortization amount in this period. Please refer to Note 6(8) to the 2022 consolidated financial statements for other relevant information.

(VIII) Long-term borrowings

	<u>2022.3.31</u>			
	<u>Currency</u>	<u>Interest rate range</u>	<u>Year in which borrowings are due</u>	<u>Amount</u>
Secured borrowings from non-financial institutions	NTD	3.79%	109~111	\$ 1,226
Less: The current portion				(1,226)
Total				<u><u>\$ -</u></u>
Facilities undrawn				<u><u>\$ -</u></u>

1. Increase in and repayment of borrowings

It is a loan from subsidiary Flexbasis from Shinshin Credit Corporation (a subsidiary

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

of Taiwan Acceptance Corporation) in 2019. The amount repaid during the three months ended March 31, 2022 was NT\$525,000. Please refer to Note 6(17) for details of interest expenses. The loan was fully repaid in the fourth quarter of 2022.

2. Collateral for borrowings from non-financial institutions

Please refer to Note 8 for the details of subsidiary Flexbasis's assets pledged as collateral for the above-mentioned loan. The guarantee was canceled on December 21, 2022.

(IX) Lease liabilities

The carrying amounts of the Group's lease liabilities are as follows:

	2023.3.31	2022.12.31	2022.3.31
Current	<u>\$ 22,881</u>	<u>24,808</u>	<u>21,563</u>
Non-current	<u>\$ 28,024</u>	<u>25,088</u>	<u>31,629</u>

The amounts of leases recognized in profit or loss are as follows:

	2023 Q1	2022 Q1
Interest expenses on lease liabilities	<u>\$ 185</u>	<u>138</u>
Short-term lease expenses	<u>\$ 203</u>	<u>81</u>
COVID-19-related rent concessions	<u>\$ 15</u>	<u>56</u>

The amounts recognized in the cash flow statement are as follows:

	2023 Q1	2022 Q1
Total cash outflow from leases	<u>\$ 8,384</u>	<u>8,253</u>

The Group leases the stores and plants usually over lease terms ranging from one to three years. At the end of a lease term, the lease term and rent need to be re-negotiated.

The Consolidated Company chose to apply the exemption from recognizing its relevant right-of-use assets and lease liabilities for parking space, which are short-term leases.

(X) Provision for Liabilities

	Warranty
Balance on January 1, 2023	\$ 6,855
Provision for new liabilities in the current period	9,700
Provision for liabilities used in the current period	(576)
Balance on March 31, 2023	<u>\$ 15,979</u>
Balance on January 1, 2022	\$ 4,535
Provision for new liabilities in the current period	4,600
Provision for liabilities used in the current period	(604)
Balance on March 31, 2022	<u>\$ 8,531</u>

The provisions for guarantee liabilities of the are mainly related to computer sales. The provision for guarantee liabilities is estimated based on the historical guarantee data of the goods sold. The Group expects that most of the liabilities will occur successively 1-2 years

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

after the sales.

(XI) Employee benefits

1. Defined benefit plan

As there were no major market fluctuation, major reduction, settlement, or other major one-off events after the balance sheet date of the prior year, the Group measured and disclosed pension costs for interim periods at the actuarially determined pension costs on December 31, 2022 and 2021.

The details of pension expenses under the Group's defined benefit plan are as follows:

	2023 Q1	2022 Q1
Operating costs	\$ 71	33
Operating expenses	80	77
	\$ 151	110

2. Defined contribution plan

The details of pension expenses under the Group's defined contribution plan are as follows:

	2023 Q1	2022 Q1
Operating costs	\$ 871	860
Operating expenses	1,929	1,987
	\$ 2,800	2,847

(XII) Income tax

1. The details of the Group's income tax expenses are as follows:

	2023 Q1	2022 Q1
Income tax expenses	\$ 13,649	4,242

2. The details of income tax expenses (benefits) recognized by the Group in other comprehensive income are as follows:

	2023 Q1	2022 Q1
Financial assets at fair value through other comprehensive income	\$ (27,352)	26,214

3. The Company has submitted tax return applications until the year of 2021, as prescribed by the tax authority, upon settlement and audit.

(XIII) Capital and other equity

Except as stated below, there was no significant change in the Group's capital and other equity during the three months ended March 31, 2023 and 2022. Please refer to Note 6(14) to the 2022 consolidated financial statements for relevant information.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

Earnings distribution:

As per the Articles of Incorporation, the Company shall pay the tax first to make up for the previous losses if there are any earnings in the Company's annual general final accounts, and it shall then set aside 10% of the legal reserve. However, it may not set aside when the legal reserve has reached the amount of the paid-in capital of the Company. Furthermore, after the special reserve is set aside or reversed depending on the needs or as per laws and regulations, any remaining profit, together with any cumulative undistributed earnings, shall be adopted by the Company's Board of Directors as the basis for making a distribution proposal, which shall then be submitted to the shareholders' meeting for a resolution before distribution.

The Board of Directors made an earnings distribution proposal for 2022 on March 23, 2023, and the general shareholders' meeting passed a resolution for the 2021 earnings distribution proposal on June 9, 2022. The dividends distributed to owners are as follows:

	2022		2021	
	Dividend per share (NTD)	Amount	Dividend per share (NTD)	Amount
Dividends distributed to owners of ordinary shares:				
Cash	\$ 3.60	<u><u>\$ 211,268</u></u>	3.70	<u><u>217,137</u></u>

The 2022 earnings distribution proposal is pending a resolution at the shareholders' meeting. Relevant information is available on the Market Observation Post System (MOPS).

(XIV) Earnings per share

1. Basic earnings per share

	2023 Q1	2022 Q1
Net income attributable to holders of the Company's ordinary shares	<u><u>45,993</u></u>	<u><u>13,216</u></u>
Weighted average number of outstanding ordinary shares (in thousands of shares)	<u><u>58,685</u></u>	<u><u>58,685</u></u>
Basic earnings per share (NTD)	<u><u>0.78</u></u>	<u><u>0.23</u></u>

2. Diluted earnings per share

	2023 Q1	2022 Q1
Net income attributable to holders of the Company's ordinary shares	<u><u>45,993</u></u>	<u><u>13,216</u></u>
Weighted average number of outstanding ordinary shares (in thousands of shares)	58,685	58,685
The effect of employee remuneration	683	609
Weighted average number of outstanding ordinary shares (after adjustment for the effect of potentially dilutive ordinary shares)	<u><u>59,368</u></u>	<u><u>59,294</u></u>
Diluted earnings per share (NTD)	<u><u>0.77</u></u>	<u><u>0.22</u></u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

(XV) Revenue from customer contracts

1. Breakdown of income

	<u>2023 Q1</u>	<u>2022 Q1</u>
Major sales market:		
Taiwan	\$ 446,101	479,392
Germany	71,061	19,720
The UK	68,800	7,996
Sweden	24,488	16,769
The U.S.	13,921	21,713
Others	10,240	1,073
Total	<u><u>\$ 634,611</u></u>	<u><u>546,663</u></u>
Main product/service lines:		
Business computer	\$ 362,825	433,865
Rugged computer	257,140	94,995
Repair and maintenance services and others	14,646	17,803
	<u><u>\$ 634,611</u></u>	<u><u>546,663</u></u>

2. Contract balance

	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Notes and accounts receivable (related parties)	\$ 144,716	107,863	75,336
Less: Allowance for losses	-	-	(723)
Total	<u><u>\$ 144,716</u></u>	<u><u>107,863</u></u>	<u><u>74,613</u></u>
Contract liabilities (including related parties)	<u><u>\$ 247,145</u></u>	<u><u>246,664</u></u>	<u><u>278,501</u></u>

Please refer to Note 6(3) for the notes and accounts receivable (including related parties) and impairment thereof disclosed.

The contract liabilities mainly arise from advances received from the sales of rugged computers, which will be reclassified to revenue when the Group delivers the products to clients. The opening balances of contract liabilities as at January 1, 2023 and 2022 recognized in income for the three months ended March 31, 2023 and 2022 were NT\$19,126,000 and NT\$34,819,000, respectively.

(XVI) Remuneration to employees and directors

As per the Company's Articles of Incorporation, if it makes a profit for a year, it shall allocate 5% to 10% of the profit as employee remuneration and no more than 3% as directors' remuneration. However, it shall reserve an amount to compensate a deficit in advance if the Company has a cumulative deficit. The recipients of the employee remuneration in stock or cash in the preceding paragraph include employees at subsidiaries who meet certain criteria.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

The estimated amounts of the Company's employee remuneration for the three months ended March 31, 2023 and 2022 were NT\$6,223,000 and NT\$1,782,000, respectively, and the estimated amounts of directors' remuneration for the periods then ended were NT\$1,247,000 and NT\$357,000, respectively. The amounts were estimated based on the Company's net income before tax before the remuneration to employees and directors was deducted for each period, multiplied by the percentages of the profit for employee and directors' remuneration as stipulated in the Company's Articles of Incorporation, and the amounts were recognized in operating costs or operating expenses for the period. If there is a difference between the amounts distributed in the following year and the estimated amounts, it will be treated as a change in accounting estimates, and the difference will be recognized in profit and loss for the following year.

The estimated amounts of the Company's 2022 and 2021 employee remuneration were NT\$31,608,000 and NT\$42,242,000, respectively, and the estimated amounts of directors' remuneration for the periods then ended were NT\$6,335,000 and NT\$7,312,000, respectively. The amounts are the same as those resolved by the Board of Directors and all were distributed in cash. Relevant information is available on the MOPS.

(XVII) Non-operating income and expenses

1. Interest income

	2023 Q1	2022 Q1
Interest income from cash in banks	\$ 739	487
Other interest income	1,150	1,738
	\$ 1,889	2,225

2. Other income

	2023 Q1	2022 Q1
COVID-19-related rent concessions	\$ 15	56
Others	278	598
	\$ 293	654

3. Other gains and losses

	2023 Q1	2022 Q1
Foreign exchange gains (losses)	\$ (1,254)	6,045
Gain on disposal of property, plant and equipment	-	44
Net gain on financial assets at fair value through profit or loss	122	69
Others	(23)	-
	\$ (1,155)	6,158

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

4. Financial cost

	<u>2023 Q1</u>	<u>2022 Q1</u>
Interest expense:		
Borrowings from non-financial institutions	\$ -	(26)
Lease liabilities	(185)	(138)
Others	(7)	(3)
	<u>\$ (192)</u>	<u>(167)</u>

(XVIII) Financial instruments

Except as stated below, there was no significant change in the fair value of the Group's financial instruments and exposure to credit risk, liquidity risk, and market risk due to the financial instruments held. Please refer to Note 6(19) to the 2022 consolidated financial statements for relevant information.

1. Types of financial instruments

(1) Financial assets

	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Financial assets at fair value through profit or loss - current:			
Money funds	\$ 60,152	20,030	120,134
Financial assets at fair value through other comprehensive income - non-current:			
Unlisted stocks	19,819	19,819	24,683
Overseas listed stocks	885,297	1,034,681	830,408
Financial assets at amortized cost:			
Cash and cash equivalents	428,032	488,751	397,929
Notes and accounts receivable (related parties)	144,716	107,863	74,613
Other financial assets - current	206,100	206,100	246,020
Other current assets - guarantee deposits paid	6,266	5,600	5,482
Total	<u>\$ 1,750,382</u>	<u>1,882,844</u>	<u>1,699,269</u>

(2) Financial liabilities

	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Financial liabilities at amortized cost:			
Borrowings from non-financial institutions	\$ -	-	1,226
Lease liabilities	50,905	49,896	53,192
Payables	341,197	311,328	231,926
Total	<u>\$ 392,102</u>	<u>361,224</u>	<u>286,344</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

2. Liquidity risk

The contractual maturity of the Consolidated Company's financial liabilities is analyzed as follows:

	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6 to 12 months</u>	<u>12 years</u>	<u>25 years</u>	<u>Over 5 years</u>
March 31, 2023						
Notes and accounts payable (including related parties)	\$ (341,197)	(341,197)	-	-	-	-
Lease liabilities	(52,459)	(14,488)	(9,091)	(13,809)	(15,071)	-
	<u>\$ (393,656)</u>	<u>(355,685)</u>	<u>(9,091)</u>	<u>(13,809)</u>	<u>(15,071)</u>	<u>-</u>
December 31, 2022						
Notes and accounts payable (including related parties)	\$ (202,834)	(202,834)	-	-	-	-
Lease liabilities	(50,907)	(15,744)	(9,567)	(12,783)	(12,813)	-
Other payables (including related parties)	(108,494)	(108,494)	-	-	-	-
	<u>\$ (362,235)</u>	<u>(327,072)</u>	<u>(9,567)</u>	<u>(12,783)</u>	<u>(12,813)</u>	<u>-</u>
March 31, 2022						
Notes and accounts payable (including related parties)	\$ (126,533)	(126,533)	-	-	-	-
Lease liabilities	(54,168)	(12,509)	(9,243)	(12,832)	(19,584)	-
Borrowings from non-financial institutions	(1,310)	(1,129)	(180)	-	-	-
Other payables (including related parties)	(105,393)	(105,393)	-	-	-	-
	<u>\$ (287,404)</u>	<u>(245,564)</u>	<u>(9,423)</u>	<u>(12,832)</u>	<u>(19,584)</u>	<u>-</u>

The Consolidated Company does not expect the cash flows analyzed at maturity to be materially earlier or the actual amount to be materially different.

3. Exchange rate risk

The Group's financial assets and liabilities exposed to significant foreign currency exchange rate risk are as follows:

	2023.3.31			2022.12.31			2022.3.31			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
Financial assets										
Monetary item										
USD	\$	7,183	30.45	218,722	4,819	30.71	147,991	6,100	28.63	174,643
Financial liabilities										
Monetary item										
USD		25	30.45	761	18	30.71	553	21	28.63	601

The Group's exchange rate risk mainly comes from cash and cash equivalents, accounts receivable (including related parties), accounts payable, and other payables (including related parties) in foreign currencies, and foreign exchange gains and losses arise during translation. If the NTD depreciated or appreciated by 1% against USD, with all other variables remaining unchanged, the Group's net income before tax for the three months

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

ended March 31, 2023 and 2022 would have increased or decreased by NT\$2,180,000 and NT\$1,740,000, respectively. The same basis was used for analyses for both periods.

The exchange gains and losses of the Group's monetary items mainly arose from the translation of foreign currency transactions in USD into NTD. As of March 31, 2023, December 31, 2022, and March 31, 2022, the unrealized exchange gains on foreign currency transactions in USD are as follows:

	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Unrealized foreign exchange gains at the end of the period	\$ 1,992	4,302	2,572
Exchange rate at the end of the period	30.45	30.71	28.63

Please refer to Note 6(2) for information on exchange rate risk of non-monetary foreign currency assets.

4. Fair value information

(1) Financial instruments not at fair value

The Group's management believes that the carrying amounts of financial assets and financial liabilities at amortized cost in the financial statements approximate their fair values.

(2) Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. The fair value levels are defined as follows:

- A. Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- B. Level 2: Inputs, other than quoted market prices within level 1 that are observable, either directly (i.e. prices) or indirectly (i.e. derived from prices) for assets or liabilities.
- C. Level 3: Unobservable inputs for assets or liabilities not based on observable market data (unobservable inputs).

		<u>2023.3.31</u>			
		<u>Fair value</u>			<u>Total</u>
	<u>Carrying amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets at fair value through profit or loss - current:					
Money funds	\$ 60,152	60,152	-	-	60,152
Financial assets at fair value through other comprehensive income - non-current:					
Unlisted stocks	\$ 19,819	-	-	19,819	19,819
Overseas stocks	885,297	885,297	-	-	885,297
	<u>\$ 905,116</u>	<u>885,297</u>	<u>-</u>	<u>19,819</u>	<u>905,116</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

	2022.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss - current:					
Money funds	<u>\$ 20,030</u>	<u>20,030</u>	<u>-</u>	<u>-</u>	<u>20,030</u>
Financial assets at fair value through other comprehensive income - non-current:					
Unlisted stocks	\$ 19,819	-	-	19,819	19,819
Overseas stocks	1,034,681	1,034,681	-	-	1,034,681
Total	<u>\$ 1,054,500</u>	<u>1,034,681</u>	<u>-</u>	<u>19,819</u>	<u>1,054,500</u>

	2022.3.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss - current:					
Money funds	<u>\$ 120,134</u>	<u>120,134</u>	<u>-</u>	<u>-</u>	<u>120,134</u>
Financial assets at fair value through other comprehensive income - non-current:					
Unlisted (OTC-listed) company shares	\$ 24,683	-	-	24,683	24,683
Overseas stocks	830,408	830,408	-	-	830,408
Total	<u>\$ 855,091</u>	<u>830,408</u>	<u>-</u>	<u>24,683</u>	<u>855,091</u>

There were no transfers of financial assets and liabilities within the fair value hierarchy during the three months ended March 31, 2023 and 2022.

(3) Fair value valuation techniques for financial instruments at fair value

When the quoted market price of a financial instrument is available, the price shall be adopted as the fair value.

There are standard terms and conditions for the money funds and overseas listed stocks held by the Group, and such funds and stocks are traded in active markets; thus, the fair values thereof are determined as per the quoted market prices.

Except for the above-mentioned financial instruments with active markets, the fair value of other financial instruments is obtained through valuation techniques or with reference to the quoted prices of counterparties. For the fair value obtained through the valuation techniques, the Company refers to the current fair value of other financial instruments with similar conditions and characteristics, the discounted cash flow method, or other valuation techniques, including calculations using models based on the market information available at the balance sheet date.

The fair values of the unlisted stocks held by the Group without active markets are mainly valued using the income approach based on a discounted cash flow model. It is mainly assumed that the expected future cash flow from the investees will be discounted

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

and measured at the return on investment that reflects the time value of money and investment risk.

(4) Quantitative information on measurement of significant unobservable fair value input (Level 3)

The Group's financial instruments at fair value and classified as Level 3 are financial assets at fair value through other comprehensive income - unlisted stocks.

Quantitative information on significant unobservable inputs is listed as follows:

Item	Valuation technique	Significant unobservable input	Relations between significant unobservable input and fair value
Financial assets at fair value through other comprehensive income - unlisted stocks	Discounted cash flow method	Cost of equity capital (7.56%, 7.56%, and 8.55% as at March 31, 2023, December 31, 2022, and March 31, 2022, respectively)	• The higher the cost of equity capital, the lower the fair value

(5) Analysis of sensitivity of Level 3 fair value to reasonably possible alternative assumptions

The measurement of fair values of financial instruments by the Group is reasonable, but the use of different valuation models or valuation parameters may result in different valuation results. For financial instruments classified as Level 3, if the valuation parameters change, the effect on other comprehensive income in this period is as follows:

			Changes in fair value reflected in other comprehensive income	
		Increase or decrease change	Favorable change	Unfavorable change
March 31, 2023				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	Cost of equity capital	0.25%	\$ 126	124
December 31, 2022				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	Cost of equity capital	0.25%	126	124
March 31, 2022				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	Cost of equity capital	0.25%	\$ 156	154

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

The Group's favorable and unfavorable changes refer to the fluctuations of fair values, and fair values are calculated with the valuation techniques based on different unobservable inputs. If the fair value of a financial instrument is affected by more than one input, the above table only reflects the effect of changes in a single input without taking into account the correlation and variability between the inputs.

(XIX) Financial risk management

There is no significant difference between the Group's financial risk management goals and policies and those disclosed in Note 6 (20) to the 2022 consolidated financial statements.

(XX) Capital management

The Group's capital management goals, policies, and procedures are consistent with those disclosed in the 2022 consolidated financial statements. There was no significant difference between the aggregate quantitative data on items under capital management and those disclosed in the 2022 consolidated financial statements. Please refer to Note 6(21) to the 2022 consolidated financial statements for relevant information.

(XXI) Non-cash transactions in investing and financing activities

1. Please refer to Note 6(6) for details of right-of-use assets acquired by way of leasing

2. The reconciliation of liabilities from financing activities is as follows:

			<u>Non-cash changes</u>		
	<u>2023.1.1</u>	<u>Cash flows</u>	<u>Additions</u>	<u>Effect of exchange rate changes</u>	<u>2023.3.31</u>
Lease liabilities	\$ 49,896	(7,996)	9,002	3	50,905
Total liabilities from financing activities	<u>\$ 49,896</u>	<u>(7,996)</u>	<u>9,002</u>	<u>3</u>	<u>50,905</u>

				<u>Non-cash changes</u>	
	<u>2022.1.1</u>	<u>Cash flows</u>	<u>Additions</u>	<u>Effect of exchange rate changes</u>	<u>2022.3.31</u>
Long-term borrowings (including the current portion)	\$ 1,751	(525)	-	-	1,226
Lease liabilities	51,527	(8,034)	9,699	-	53,192
Total liabilities from financing activities	<u>\$ 53,278</u>	<u>(8,559)</u>	<u>9,699</u>	<u>-</u>	<u>54,418</u>

VII. Related-Party Transactions

(I) Name of related party and relations

The related parties with transactions with the Group during the period covered by these

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

consolidated financial statements are as follows:

<u>Name of related party</u>	<u>Relations with the Group</u>
Roda Computer GmbH	The Group is one of the company's three shareholders
Chou, Yung-Hsiang	One of the Group's key management personnel

(II) Significant Transactions with Related Parties

1. Operating revenue

	<u>2023 Q1</u>	<u>2022 Q1</u>
Other related parties		
Roda Computer GmbH	<u>\$ 71,061</u>	<u>19,720</u>

The transaction prices of the Group's sales to related parties are not significantly different to regular clients as some product specifications are different and there is no general transaction price available for comparison. In addition, the credit period is about 45 days after the goods are received, which is not significantly different from general transactions.

2. Accounts receivable from related parties

	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Other related parties			
Roda Computer GmbH	<u>\$ 44,249</u>	<u>11,683</u>	<u>11,595</u>

3. Contract liabilities with related party (under contract liabilities)

	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Other related parties			
Roda Computer GmbH	<u>\$ 50,615</u>	<u>53,593</u>	<u>90,681</u>

4. Repair and maintenance and other operating revenue

	<u>2023 Q1</u>	<u>2022 Q1</u>
Other related parties	<u>\$ 2,474</u>	<u>732</u>

All receivables from the above transactions have been received.

5. Technical service fees, repair and maintenance fees, and other payables

	<u>Technical service fees, repair and maintenance fees, and others</u>		<u>Other payables to related parties</u>		
	<u>2023 Q1</u>	<u>2022 Q1</u>	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Other related parties	<u>\$ 405</u>	<u>314</u>	<u>-</u>	<u>2,010</u>	<u>54</u>

The transaction prices of the Group's sales to related parties are not significantly different to regular clients as some product specifications are different and there is no general transaction price available for comparison. In addition, the credit period is about 45

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

days after the goods are received, which is not significantly different from general transactions.

6. Equity transaction

On March 6, 2023, the Group sold 7.6% equity in the subsidiary, Flexbasis, to Chou, Yung-Hsiang for NT\$5,040,000 in cash. Said transaction payment was already received by March 31, 2023.

(III) Remuneration to key management personnel

Remuneration to key management personnel includes:

	<u>2023 Q1</u>	<u>2022 Q1</u>
Short-term employee benefits	\$ 4,596	3,752
Post-employment benefits	74	27
	<u><u>\$ 4,670</u></u>	<u><u>3,779</u></u>

VIII. Assets pledged

The details of the book values of the assets pledged by the Group are as follows:

<u>Name of asset</u>	<u>Item pledged as collateral</u>	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Time deposit	Customs guarantee			
	i	\$ 200	200	200
Property, plant and equipment	Borrowings from non-financial institutions			
		-	-	6,180
		<u><u>\$ 200</u></u>	<u><u>200</u></u>	<u><u>6,380</u></u>

IX. Material Contingent Liabilities and Unrecognized Contractual Commitments: None.

X. Major Disaster Losses: None.

XI. Material Events After the Balance Sheet Date: None.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

XII. Others

- (I) Employee benefits and depreciation and amortization expense are summarized by function as follows:

By nature	By function	2023 Q1			2022 Q1		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary and wages		19,797	34,243	54,040	16,405	34,010	50,415
Labor and health insurance		1,999	3,777	5,776	1,903	4,016	5,919
Pension		942	2,009	2,951	893	2,064	2,957
Other employee benefits		205	563	768	171	457	628
Depreciation expense		5,092	7,609	12,701	4,664	7,674	12,338
Amortization expense		517	866	1,383	219	1,051	1,270

- (II) Seasonality of operations

The Group's operations are not materially affected by seasonal or cyclical factors.

XIII. Additional Disclosures

- (I) Information on Material Transactions

The material transactions during the three months ended March 31, 2023 the Group needs to disclose in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers are as follows:

- Loans to Others: None.
- Endorsements/Guarantees provided to others: None.
- Securities Held at the End of the Period (Excluding Investments in Subsidiaries, Associates, and Joint Ventures):

Unit: In thousands of shares/thousands of units/thousands of NTD

Company	Type and name of securities held	Relations with the securities issuer	Account	End of the period				Remark
				Number of shares	Carrying amount	Shareholding	Fair value/Net worth	
The Company	Shares of Roda Computer GmbH	The Company is one of the company's three shareholders	Financial assets at fair value through other comprehensive income - non-current	8	18,819	8.00%	18,819	
The Company	Shares of Alliance Technology Co., Ltd.	-	"	100	1,000	0.79%	1,000	
The Company	Shares of MilDef Group AB		"	4,296	885,297	10.78%	885,297	
The Company	UPAMC James Bond Money Market Fund		Financial assets at fair value through profit or loss - current	1,179	20,031	-	20,031	
The Company	Hua Nan Phoenix Money Market Fund		"	1,213	20,090	-	20,090	
The Company	Jih Sun Money Market Fund		"	1,325	20,031	-	20,031	

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

4. Marketable Securities Acquired or Sold at Costs or Prices at Least NT\$300 Million or 20% of the Paid-in Capital: None.
5. Acquisition of Individual Property at Costs of at Least NT\$300 Million or 20% of the Paid-in Capital: None.
6. Disposal of Individual Property at Costs of at Least NT\$300 Million or 20% of the Paid-in Capital: None.
7. The amount of goods purchased or sold with related parties amounts to NT \$100 million or 20% or more of the paid-in capital:

Unit: NT \$1000

Buyer/Seller	Counterparty	Relationships	Transaction details				Situation and reason why transaction conditions are different from general trading		Notes and accounts receivable (payable)		Remark
			Purchases (sales)	Amount	As a percentage of total purchases (sales)	Credit period	Unit price	Credit period	Balance	As a percentage of total notes and accounts receivable (payable)	
The Company	Roda Computer GmbH	The Company is one of the company's three shareholders	Sale of goods	71,061	11.20 %	貨到45天	-	-	44,249	30.58%	

8. Receivables from Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital: None.
9. Trading in Derivative Instruments: None.
10. Business Relations and Important Transactions Between Parent Company and Subsidiaries:

Unit: NT \$1000

No. (Note 1)	Name of trader	Transaction counterpart	Relationship with transaction counterpart (Note 2)	Transaction details			
				Account	Amount	Transaction terms	As a percentage of consolidated total revenue or total assets (%)
1	Flexbasis	The Company	2	Accounts receivable	11,774	Net 60 days end of the following month	0.36
1	Flexbasis	The Company	2	Sales income	27,804	Net 60 days end of the following month	4.38
2	The Company	MILDEF CRETE AUSTRALASIA PTY. LTD.	1	Accounts receivable	355	Delivered in 45 days.	0.01
2	The Company	MILDEF CRETE AUSTRALASIA PTY. LTD.	1	Sales income	381	Delivered in 45 days.	0.06
3	MILDEF CRETE AUSTRALASIA PTY. LTD.	The Company	2	Sales income	20	Net 60 days end of the following month	-

Note 1: Businesses are coded as follows:

1. The parent company is coded "0".
2. The subsidiaries are coded sequentially beginning from "1" by each individual company.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

Note 2: The types of relations with the counterparty are indicated as follows:

1. Parent company to subsidiary
2. Subsidiary to parent company

Note 3: The above transactions were eliminated in the preparation of consolidated financial statements.

(II) Information on Investees:

The information on the Group's investees during the three months ended March 31, 2023

Unit: In thousands of shares/thousands of NTD

Name of investor	Name of investee	Location	Main business	Initial investment amount		End of the period			Gain or loss on investee in this period	Investment income or loss recognized in this period	Remark
				End of this period	End of last year	Number of shares	Percentage	Carrying amount			
The Company	Flexbasis Technology Inc.	New Taipei City	Manufacturing	24,054	27,208	2,136	57.73%	29,628	8,556	3,197	(Note)
The Company	MILDEF CRETE AUSTRALASIA PTY. LTD.	Australia	Trade	12,548	-	600	100.00%	10,991	(1,237)	(1,237)	(Note) (Note)

Note: It has been eliminated in the consolidated financial statements.

(III) Information on Investment in Mainland China: None.

(IV) Information on Major Shareholders:

Name of major shareholder	Shares	Number of shares held	Shareholding
Yi- Tong Shen		3,126,244	5.32%

Note: The major shareholders in this table are shareholders holding more than 5% of the ordinary and preference shares with registration of dematerialized securities completed (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's financial statements may differ from the actual number of shares with registration of dematerialized securities completed as a result of different bases of preparation.

XIV. Segment Information

The Group mainly engages in the production and sales of various computer software, hardware, and peripherals. The operating financial information provided to the operating decision makers for review covers a single segment, and the accounting policies adopted by the Group's operating segment are consistent with the summary of significant accounting policies described in Note 4. The operating segment's income or loss is measured based on the operating income or loss before tax, which serves as the basis for evaluating performance. The segment's revenue, income or loss, and total assets under the Group are consistent with those in presented in the financial statements. Please refer to the consolidated balance sheet and the consolidated statements of comprehensive income.