

**Mildef Crete Inc. and Its Subsidiaries**  
**Consolidated Financial Statements and**  
**Independent Auditors' Review Report**  
**For the Nine Months Ended September 30, 2023 and 2022**

**Company Address: 7 / F, No. 250, section 3, Beishan Road, Shengkeng District,  
Xinbei City**  
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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.

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## **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 September 30, 2023 and 2022; the relevant consolidated statements of comprehensive income for the three months and nine months ended September 30, 2023 and 2022, and the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2023 and 2022, and relevant notes, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). 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 September 30, 2023 and 2022 as well as consolidated financial performance for the three months and nine months ended September 30, 2023 and 2022, and consolidated cash flows for nine months ended September 30, 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  
November 1, 2023

**Mildef Crete Inc. and Its Subsidiaries**  
**Consolidated Balance Sheets**  
**As of September 30, 2023, December 31, 2022, and September 30, 2022**

**Unit: NT \$1000**

		<u>2023.9.30</u>		<u>2022.12.31</u>		<u>2022.9.30</u>				<u>2023.9.30</u>		<u>2022.12.31</u>		<u>2022.9.30</u>	
<b>Assets</b>		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<b>Liabilities and equity</b>		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Current assets:</b>								<b>Current liabilities:</b>							
1100	Cash and cash equivalents (Note 6 (1) )	\$ 234,958	7	488,751	15	189,967	6	2130	Contract liabilities - current (Notes 6 (15) and 7)	\$ 251,316	7	246,664	7	246,467	9
1110	Financial assets at fair value through profit or loss							2150	Notes payable	76,581	2	53,211	2	21,837	-
	- current (Note 6 (2) )	-	-	20,030	1	-	-	2170	Accounts payable	131,636	4	149,623	5	141,183	5
1150	Notes and accounts receivable, net (Notes 6 (3) and (15))	99,885	3	96,180	3	135,552	5	2209	Accrued expenses (Note 6 (16))	111,129	4	106,484	3	79,598	3
1180	Accounts receivable - related parties, net (Notes 6 (3), (15) and (7))	238,992	7	11,683	-	58,788	2	2220	Other payables-related party (Note 7)	-	-	2,010	-	109	-
130X	Inventories (Note 6 (4))	1,218,131	36	1,041,074	31	1,100,888	38	2230	Current income tax liabilities	61,490	2	38,596	1	31,925	1
1476	Other financial assets - current (Note 6 (1))	206,100	7	206,100	6	206,100	7	2280	Lease liabilities-current (Note 6 (9))	29,289	1	24,808	1	26,060	1
1479	Other current assets	32,813	1	25,299	1	21,853	1	2399	Other current liabilities	865	-	394	-	721	-
	<b>Total current assets</b>	<u>2,030,879</u>	<u>61</u>	<u>1,889,117</u>	<u>57</u>	<u>1,713,148</u>	<u>59</u>	2322	Long-term loans due within one year (Notes 6 (8) and 8)	-	-	-	-	175	-
<b>Non-current assets:</b>									<b>Total</b>	<u>662,306</u>	<u>20</u>	<u>621,790</u>	<u>19</u>	<u>548,075</u>	<u>19</u>
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6 (2))	909,142	27	1,054,500	32	804,718	28	2552	Provisions for warranty liabilities (Note 6 (10))	15,631	-	6,855	-	7,237	-
1600	Property, plant and equipment (Notes 6 (5) and 8)	249,082	7	242,500	7	243,072	8	2570	Deferred income tax liabilities	175,143	5	204,124	6	153,195	5
1755	Right-of-use assets (Note 6 (6))	72,546	2	49,668	1	53,526	2	2580	Lease liabilities-non-current (Note 6 (9))	43,663	2	25,088	1	27,619	1
1780	Intangible assets (Note 6 (7))	7,263	-	9,417	-	8,213	-	2640	Net defined benefit liabilities — non-current	26,461	1	28,737	1	45,040	2
1840	Deferred income tax assets	64,860	2	64,860	3	68,010	3		<b>Total non-current liabilities</b>	<u>260,898</u>	<u>8</u>	<u>264,804</u>	<u>8</u>	<u>233,091</u>	<u>8</u>
1990	Other non-current assets (Note 8)	18,072	1	5,600	-	5,736	-		<b>Total</b>	<u>923,204</u>	<u>28</u>	<u>886,594</u>	<u>27</u>	<u>781,166</u>	<u>27</u>
	<b>Total non-current assets</b>	<u>1,320,965</u>	<u>39</u>	<u>1,426,545</u>	<u>43</u>	<u>1,183,275</u>	<u>41</u>	<b>Equity attributed to owners of the parent company (Note 6 (13)):</b>							
								3110	Ordinary share capital	586,855	18	586,855	18	586,855	20
								3200	Capital surplus	74,113	2	72,650	2	72,650	3
								3300	Retained earnings	1,466,621	44	1,372,791	42	1,270,451	44
								3400	Other equity	278,049	8	380,825	11	169,611	6
									Equity attributed to owners of the parent company	<u>2,405,638</u>	<u>72</u>	<u>2,413,121</u>	<u>73</u>	<u>2,099,567</u>	<u>73</u>
								36xx	Non-controlling interests	23,002	-	15,947	-	15,690	-
									<b>Total equity</b>	<u>2,428,640</u>	<u>72</u>	<u>2,429,068</u>	<u>73</u>	<u>2,115,257</u>	<u>73</u>
<b>Total</b>		<u><u>\$ 3,351,844</u></u>	<u><u>100</u></u>	<u><u>3,315,662</u></u>	<u><u>100</u></u>	<u><u>2,896,423</u></u>	<u><u>100</u></u>		<b>Total liabilities and equity</b>	<u><u>\$ 3,351,844</u></u>	<u><u>100</u></u>	<u><u>3,315,662</u></u>	<u><u>100</u></u>	<u><u>2,896,423</u></u>	<u><u>100</u></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

**Mildef Crete Inc. and Its Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**For the Three Months and Nine Months Ended September 30, 2023 and 2022**

**Unit: NT \$1000**

		For the Three Months Ended September 30, 2023		For the Three Months Ended September 30, 2022		For the Nine Months Ended September 30, 2023		For the Nine Months Ended September 30, 2022	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	<b>Operating revenue (Notes 6 (15), 7 and 14)</b>	\$ 918,970	100	761,576	100	2,240,374	100	2,007,027	100
5000	<b>Operating cost (Notes 6(4), (5), (6), (9), (10), (11), (16), 7, and 12)</b>	686,861	75	600,815	79	1,655,882	74	1,642,599	82
	<b>Gross operating profit</b>	232,109	25	160,761	21	584,492	26	364,428	18
	<b>Operating expenses (Note 6 (5), (6), (9), (11), (16), 7, and 12):</b>								
6100	Selling and marketing expenses	46,080	5	45,606	6	121,203	5	130,009	6
6200	General and administrative expenses	15,627	1	12,523	2	39,092	2	28,210	2
6300	Research and development expenses	23,399	3	16,796	2	60,543	3	49,742	2
	<b>Total operating expenses</b>	85,106	9	74,925	10	220,838	10	207,961	10
	<b>Net operating profit</b>	147,003	16	85,836	11	363,654	16	156,467	8
	<b>Non-operating income and expenses:</b>								
7100	Interest income (Note 6 (17))	2,246	-	2,342	-	7,277	-	6,830	-
7010	Other income (Note 6 (17))	90	-	839	-	542	-	10,820	1
7020	Other gains and losses (Note 6 (17))	10,537	1	10,481	2	15,823	1	20,740	1
7510	Finance costs (Note 6 (9) and (17))	(242)	-	(238)	-	(624)	-	(606)	-
	<b>Total non-operating income and expenses</b>	12,631	1	13,424	2	23,018	1	37,784	2
	<b>Net profit before tax</b>	159,634	17	99,260	13	386,672	17	194,251	10
7951	<b>Minus: Income tax expense (Note 6 (12))</b>	36,506	4	21,171	2	83,945	4	61,468	3
	<b>Current net profit</b>	123,128	13	78,089	11	302,727	13	132,783	7
8300	<b>Other comprehensive income/(loss):</b>								
8310	<b>Items not reclassified as income and loss</b>								
	Unrealized gain (loss) on investments in equity instruments as								
8316	at fair value through other comprehensive income	98,848	11	56,306	7	(115,031)	(5)	80,697	4
	Minus: Income tax relating to items that will not be reclassified								
8349	subsequently to profit or loss (Note 6 (12))	19,770	2	11,262	2	(23,006)	(1)	16,140	1
	<b>Total amount of items not reclassified to profit or loss</b>	79,078	9	45,044	5	(92,025)	(4)	64,557	3
8360	<b>Items that may be reclassified subsequently to profit or loss</b>								
	Exchange differences arising from the translation of the financial								
8361	statements of foreign operations	(38)	-	-	-	(210)	-	-	-
	Minus: Income tax relating to items that may be reclassified								
8399	subsequently to profit or loss	-	-	-	-	-	-	-	-
	<b>Total amount of items that may be reclassified subsequently to profit or loss</b>	(38)	-	-	-	(210)	-	-	-
8300	<b>Other comprehensive income/(loss)</b>	79,040	9	45,044	5	(92,235)	(4)	64,557	3
	<b>Total amount of other current comprehensive gains and losses</b>	<u>\$ 202,168</u>	<u>22</u>	<u>123,133</u>	<u>16</u>	<u>210,492</u>	<u>9</u>	<u>197,340</u>	<u>10</u>
	<b>Net profit/(loss) attributable to</b>								
8610	Owners of the Parent Company	\$ 120,991	13	76,839	11	294,557	13	125,930	7
8620	Non-controlling interests	2,137	-	1,250	-	8,170	-	6,853	-
		<u>\$ 123,128</u>	<u>13</u>	<u>78,089</u>	<u>11</u>	<u>302,727</u>	<u>13</u>	<u>132,783</u>	<u>7</u>
	<b>Total comprehensive income/(loss) attributable to:</b>								
8710	Owners of the Parent Company	\$ 200,031	22	121,883	16	202,322	9	190,487	10
8720	Non-controlling interests	2,137	-	1,250	-	8,170	-	6,853	-
		<u>\$ 202,168</u>	<u>22</u>	<u>123,133</u>	<u>16</u>	<u>210,492</u>	<u>9</u>	<u>197,340</u>	<u>10</u>
	<b>Earnings per share (NT\$: (Note 6 (14))</b>								
	<b>Basic earnings per share</b>	<u>\$ 2.06</u>		<u>1.31</u>		<u>5.02</u>		<u>2.15</u>	
	<b>Diluted earnings per share</b>	<u>\$ 2.04</u>		<u>1.30</u>		<u>4.96</u>		<u>2.12</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

**Mildef Crete Inc. and Its Subsidiaries**  
**Consolidated statements of changes in equity**  
**For the Nine Months Ended September 30, 2023 and 2022**

**Unit: NT \$1000**

	Retained earnings						Other Equity Items						
	Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated 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 remeasurement	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	-	-	-	-	125,930	125,930	-	-	-	-	125,930	6,853	132,783
Other comprehensive income/(loss)	-	-	-	-	-	-	-	64,557	-	64,557	64,557	-	64,557
Total amount of other current comprehensive gains and losses	-	-	-	-	125,930	125,930	-	64,557	-	64,557	190,487	6,853	197,340
Appropriation and distribution of earnings:													
Legal reserve	-	-	63,570	-	(63,570)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(44,942)	44,942	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(217,137)	(217,137)	-	-	-	-	(217,137)	-	(217,137)
Cash dividends on acquiring subsidiaries with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5,136)	(5,136)
Balance on September 30, 2022	\$ 586,855	72,650	519,751	-	750,700	1,270,451	-	188,621	(19,010)	169,611	2,099,567	15,690	2,115,257
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	-	-	-	-	294,557	294,557	-	-	-	-	294,557	8,170	302,727
Other comprehensive income/(loss)	-	-	-	-	-	-	(210)	(92,025)	-	(92,235)	(92,235)	-	(92,235)
Total amount of other current comprehensive gains and losses	-	-	-	-	294,557	294,557	(210)	(92,025)	-	(92,235)	202,322	8,170	210,492
Appropriation and distribution of earnings:													
Legal reserve	-	-	22,827	-	(22,827)	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(211,268)	(211,268)	-	-	-	-	(211,268)	-	(211,268)
Differences between equity price paid and book value of subsidiaries disposed of	-	1,463	-	-	-	-	-	-	-	-	1,463	(1,463)	-
Cash dividends on acquiring subsidiaries with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,692)	(4,692)
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))	-	-	-	-	10,541	10,541	-	(10,541)	-	(10,541)	-	-	-
Balance on September 30, 2023	\$ 586,855	74,113	542,578	-	924,043	1,466,621	(210)	284,907	(6,648)	278,049	2,405,638	23,002	2,428,640

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

**Chairman: Yi-Tong Shen**

**Manager: Yi-Tong Shen**

**Accounting Manager: Ya-Ping Liu**

**Mildef Crete Inc. and Its Subsidiaries**  
**Consolidated statements of cash flows**  
**For the Nine Months Ended September 30, 2023 and 2022**

**Unit: NT \$1000**

	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022
<b>Cash flows from operating activities:</b>		
Net income before tax	\$ 386,672	194,251
Adjustments for:		
Profit and loss		
Depreciation expense	40,051	36,360
Amortization expense	4,118	3,902
Net gain on financial assets at fair value through profit or loss	(339)	(195)
Interest expense	624	606
Interest income	(7,277)	(6,830)
Dividend income	-	(9,130)
Others	46	(48)
Total profit/(loss)	37,223	24,665
Changes in assets/liabilities related to operating activities:		
Net changes in assets related to operating activities:		
Notes and accounts receivable	(3,705)	(70,196)
Accounts receivable from related parties	(227,309)	(52,412)
Inventories	(177,057)	(199,728)
Other current assets	(7,514)	(1,893)
Total net changes in assets related to operating activities	(415,585)	(324,229)
Net changes in liabilities related to operating activities		
Contract liabilities	4,652	(17,444)
Notes payable	23,370	(2,751)
Accounts payable	(17,987)	35,028
Other payable by related parties	(2,010)	109
Provisions for warranty liabilities	8,776	2,702
Accrued expenses and other current liabilities	5,116	(36,236)
Net defined benefit liabilities	(2,276)	(7,943)
Total amount of net changes in liabilities related to operating activities	19,641	(26,535)
Total amount of net changes in assets and liabilities related to operating activities	(395,944)	(350,764)
Total adjustments	(358,721)	(326,099)
Cash inflow (outflow) from operations	27,951	(131,848)
Interest received	7,277	6,830
Income tax paid	(67,026)	(88,462)
Net cash inflow (outflow) from operating activities	(31,798)	(213,480)
<b>Cash flows from investing activities:</b>		
Disposal of financial assets at fair value through other comprehensive income	30,327	-
Purchase of financial assets at fair value through profit or loss	(40,000)	-
Disposal of financial assets at fair value through profit or loss	60,369	120,260
Acquisition of property, plant and equipment	(21,990)	(13,946)
Disposal of property, plant and equipment	100	152
Acquisition of intangible assets	(1,964)	(4,350)
Other financial assets - current	-	39,920
Increase in other non-current assets	(12,472)	(136)
Dividends received	-	9,130
Net cash inflow from investing activities	14,370	151,030
<b>Cash flows from financing activities:</b>		
Decrease in long term liabilities due within one year	-	(1,576)
Payment of the principal portion of lease liabilities	(24,611)	(23,214)
Payments of cash dividends	(211,268)	(217,137)
Dividends paid to non-controlling interests	(4,692)	(5,136)
Disposal of equity in subsidiaries (without control lost)	5,040	-
Interests paid	(624)	(606)
Net cash outflow from financing activities	(236,155)	(247,669)
Effect of exchange rate changes on cash and cash equivalents	(210)	-
Decrease in cash and cash equivalents in this period	(253,793)	(310,119)
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	\$ 234,958	189,967

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

Chairman: Yi-Tong Shen

Manager: Yi-Tong Shen

Accounting Manager: Ya-Ping Liu

**Mildef Crete Inc. and Its Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the Nine Months Ended September 30, 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 7/F, 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 November 1, 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”
- The amendment to IFRS 12, “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction,” has been applied to the consolidated company from May 23, 2023, and has not had a significant impact on the consolidated financial statements.
- Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules”

(II) Effect of the IFRSs as endorsed by the FSC but not yet adopted The Group has evaluated to apply the following newly revised IFRSs effective since January 1, 2024, which will not cause any material impact on its consolidated financial statements.

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Contractual Terms”
- Amendments to IAS 7 and IFRS 7 “supplier finance arrangements”
- 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)

### (III) 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
- Amendment to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”
- Amendments to IAS 21 "Lack of Exchangeability"

### IV. Summary of Significant Accounting Policies

Except as stated below, the significant accounting policies adopted in the consolidated financial 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
			2023.9.30	2022.12.31	2022.9.30	
The Company	Flexbasis Technology Inc. (Flexbasis)	Manufacturing of metal casings	57.7%	65.3%	65.3%	
The Company	MILDEF CRETE AUSTRALASI A PTY. LTD.	Sale of rugged products	100%	- %	- %	(Note)

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

2. Subsidiaries not included in the consolidated financial statements: None.

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

### **(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 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 6 to the 2022 consolidated financial statements for relevant information.

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

(I) Cash and cash equivalents

	<u>2023.9.30</u>	<u>2022.12.31</u>	<u>2022.9.30</u>
Cash on hand	\$ 419	381	377
Checking deposit and demand deposit	234,539	488,370	189,590
	<u><b>\$ 234,958</b></u>	<u><b>488,751</b></u>	<u><b>189,967</b></u>

The Group's bank time deposits with the initial duration of more than three months as of September 30, 2023, December 31, 2022, and September 30, 2022 were NT\$206,100,000 respectively, which are recognized in other financial assets – current.

(II) Financial instruments

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

	<u>2023.9.30</u>	<u>2022.12.31</u>	<u>2022.9.30</u>
Money funds	<u><b>\$ -</b></u>	<u><b>20,030</b></u>	<u><b>-</b></u>

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

	<u>2023.9.30</u>	<u>2022.12.31</u>	<u>2022.9.30</u>
Unlisted stocks	\$ 19,819	19,819	24,683
Overseas stocks	889,323	1,034,681	780,035
Total	<u><b>\$ 909,142</b></u>	<u><b>1,054,500</b></u>	<u><b>804,718</b></u>

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 six months ended September 30, 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\$30,327,000, and the cumulative disposal gain was NT\$10,541,000.

The aforementioned cumulative gain has been reclassified from other equity to retained earnings. The Group did not dispose of its strategic investments during the six months ended September 30, 2022, nor reclassify the cumulative gains and losses within equity during these periods.

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

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

	2023.9.30			2022.12.31			2022.9.30		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
EUR	\$ 555	33.91	18,819	575	32.72	18,819	758	31.26	23,683
SEK	303,523	2.93	889,323	351,932	2.94	1,034,681	271,789	2.87	780,035

As of September 30, 2023, December 31, 2022, and September 30, 2022, none of the Group's financial assets above had been pledged as collateral.

### (III) Notes and accounts receivable (related parties)

	2023.9.30	2022.12.31	2022.9.30
Notes and accounts receivable	\$ 99,885	96,180	135,552
Accounts receivable-related parties	238,992	11,683	58,788
Less: Allowance for losses	-	-	-
	<b>\$ 338,877</b>	<b>107,863</b>	<b>194,340</b>

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:

	2023.9.30		
	Carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for lifetime expected credit losses
Not past due	<u>\$ 338,877</u>	0.00001%	<u>-</u>
	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 1 to 30 days	<u>651</u>	0.00011%	<u>-</u>
	<u>\$ 107,863</u>		<u>-</u>

(Continued on next page)

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

(Continued from last page)

	<b>2022.9.30</b>		
	<b>Carrying amount of notes and accounts receivable</b>	<b>Weighted average expected credit loss ratio</b>	<b>Allowance for lifetime expected credit losses</b>
Not past due	\$ 154,320	0.00001%	-
Overdue for 1 to 30 days	40,010	0.000012%	-
Overdue for 31 to 60 days	10	0.1734%	-
	<b><u>\$ 194,340</u></b>		<b><u>-</u></b>

There was no change in the Group's allowance for notes receivable and accounts receivable during the nine months ended September 30, 2023 and 2022 are as follows:

	<b>For the Nine Months Ended September 30, 2023</b>	<b>For the Nine Months Ended September 30, 2022</b>
Opening balance	\$ -	723
Amount written off due to irrecoverability for the year	-	(723)
Ending balance	<b><u>\$ -</u></b>	<b><u>-</u></b>

(IV) Inventories

	<b>2023.9.30</b>	<b>2022.12.31</b>	<b>2022.9.30</b>
Merchandise	\$ 160,850	181,946	270,430
Finished goods	3,644	4,175	4,103
Semi-finished goods	139,352	155,100	155,011
Work in process	376,382	237,646	273,494
Raw materials	537,903	462,207	397,850
	<b><u>\$ 1,218,131</u></b>	<b><u>1,041,074</u></b>	<b><u>1,100,888</u></b>

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

The costs of inventories recognized in profit and loss in the current period are as follows:

	For the Three Months Ended September 30, 2023	For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022
Costs of inventories sold	\$ 645,514	584,470	1,586,792	1,631,390
Warranty provision	3,189	1,950	10,827	5,197
Inventory valuation loss	38,158	14,395	58,263	6,012
	<b><u>\$ 686,861</u></b>	<b><u>600,815</u></b>	<b><u>1,655,882</u></b>	<b><u>1,642,599</u></b>

The above inventory valuation loss is recognized by the consolidated company due to the write-down of the inventory to the net realizable value and is recognized under the accounts of operating costs.

### (V) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transport ation equipment	Office equipment	Other equipment	Total
Cost:							
Balance on January 1, 2023	\$ 147,478	72,775	93,919	7,567	762	83,242	405,743
Additions	-	2,833	5,775	-	1,451	11,931	21,990
Disposal	-	-	-	-	-	(4,896)	(4,896)
Balance on September 30, 2023	<b><u>\$ 147,478</u></b>	<b><u>75,608</u></b>	<b><u>99,694</u></b>	<b><u>7,567</u></b>	<b><u>2,213</u></b>	<b><u>90,277</u></b>	<b><u>422,837</u></b>
Balance on January 1, 2022	\$ 147,478	72,299	89,500	7,252	762	71,273	388,564
Additions	-	476	1,088	695	-	11,687	13,946
Disposal	-	-	-	(380)	-	-	(380)
Balance on September 30, 2022	<b><u>\$ 147,478</u></b>	<b><u>72,775</u></b>	<b><u>90,588</u></b>	<b><u>7,567</u></b>	<b><u>762</u></b>	<b><u>82,960</u></b>	<b><u>402,130</u></b>
Accumulated depreciation:							
Balance on January 1, 2023	\$ -	27,169	64,497	4,969	453	66,155	163,243
Depreciation	-	2,650	4,368	849	117	7,278	15,262
Disposal	-	-	-	-	-	(4,750)	(4,750)
Balance on September 30, 2023	<b><u>\$ -</u></b>	<b><u>29,819</u></b>	<b><u>68,865</u></b>	<b><u>5,818</u></b>	<b><u>570</u></b>	<b><u>68,683</u></b>	<b><u>173,755</u></b>
Balance on January 1, 2022	\$ -	24,824	58,497	4,038	405	58,562	146,326
Depreciation	-	1,751	4,473	900	37	5,843	13,004
Disposal	-	-	-	(272)	-	-	(272)
Balance on September 30, 2022	<b><u>\$ -</u></b>	<b><u>26,575</u></b>	<b><u>62,970</u></b>	<b><u>4,666</u></b>	<b><u>442</u></b>	<b><u>64,405</u></b>	<b><u>159,058</u></b>
Book value:							
September 30, 2023	<b><u>\$ 147,478</u></b>	<b><u>45,789</u></b>	<b><u>30,829</u></b>	<b><u>1,749</u></b>	<b><u>1,643</u></b>	<b><u>21,594</u></b>	<b><u>249,082</u></b>
January 1, 2023	<b><u>\$ 147,478</u></b>	<b><u>45,606</u></b>	<b><u>29,422</u></b>	<b><u>2,598</u></b>	<b><u>309</u></b>	<b><u>17,087</u></b>	<b><u>242,500</u></b>
September 30, 2022	<b><u>\$ 147,478</u></b>	<b><u>46,200</u></b>	<b><u>27,618</u></b>	<b><u>2,901</u></b>	<b><u>320</u></b>	<b><u>18,555</u></b>	<b><u>243,072</u></b>

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.

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

(VI) Right-of-use assets

	<u><b>Buildings</b></u>
Cost of right-of-use assets:	
Balance on January 1, 2023	\$ 141,471
Additions	47,668
Decrease	(1,777)
The effects of changes in foreign exchange rates	(4)
Balance on September 30, 2023	<u><b>\$ 187,358</b></u>
Balance on January 1, 2022	\$ 137,776
Additions	30,844
Lease modification	680
Decrease	(31,866)
Balance on September 30, 2022	<u><b>\$ 137,434</b></u>
Accumulated depreciation of right-of-use assets:	
Balance on January 1, 2023	\$ 91,803
Depreciation in this period	24,789
Decrease	(1,777)
The effects of changes in foreign exchange rates	(3)
Balance on September 30, 2023	<u><b>\$ 114,812</b></u>
Balance on January 1, 2022	\$ 86,265
Depreciation in this period	23,356
Decrease	(25,713)
Balance on September 30, 2022	<u><b>\$ 83,908</b></u>
Book value:	
September 30, 2023	<u><b>\$ 72,546</b></u>
January 1, 2023	<u><b>\$ 49,668</b></u>
September 30, 2022	<u><b>\$ 53,526</b></u>

(VII) Intangible assets

	<u><b>Computer software</b></u>
Carrying amount:	
September 30, 2023	<u><b>\$ 7,263</b></u>
January 1, 2023	<u><b>\$ 9,417</b></u>
September 30, 2022	<u><b>\$ 8,213</b></u>

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

There was no significant addition, disposal, provision for impairment, or reversal of the Group's intangible assets during the nine months ended September 30, 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

<b>2022.9.30</b>				
	<b>Currency</b>	<b>Interest rate range</b>	<b>Year in which borrowings are due</b>	<b>Amount</b>
Secured borrowings from non-financial institutions	NTD	3.79%	109~111	\$ 175
Less: The current portion				(175)
Total				<u>\$ -</u>
Facilities undrawn				<u>\$ -</u>

#### 1. Increase in and repayment of borrowings

It is a loan from subsidiary Flexbasis from Shinshin Credit Corporation (a subsidiary of Taiwan Acceptance Corporation) in 2019. The amounts repaid during the six months ended September 30, 2022 was NT\$1,576,000. 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:

	<b>2023.9.30</b>	<b>2022.12.31</b>	<b>2022.9.30</b>
Current	<u>\$ 29,289</u>	<u>24,808</u>	<u>26,060</u>
Non-current	<u>\$ 43,663</u>	<u>25,088</u>	<u>27,619</u>



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

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

	For the Three Months Ended September 30, 2023	For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022
Interest expenses on lease liabilities	\$ 235	209	603	518
Short-term lease expenses	\$ 80	14	338	289
COVID-19-related rent concessions	\$ -	98	15	200

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

	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022
Total cash outflow from leases	\$ 25,552	24,021

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 Group leases parking spaces for scooters, and these leases are low-value leases. The Group elects to apply recognition exemptions and does not recognize its relevant right-of-use assets and lease liabilities.

### (X) Provision for Liabilities

	Warranty
Balance on January 1, 2023	\$ 6,855
Provision for new liabilities in the current period	10,827
Provision for liabilities used in the current period	(2,051)
Balance on September 30, 2023	<u>\$ 15,631</u>
Balance on January 1, 2022	\$ 4,535
Provision for new liabilities in the current period	5,197
Provision for liabilities used in the current period	(2,495)
Balance on September 30, 2022	<u>\$ 7,237</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 after the sales.

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

## (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:

	<b>For the Three Months Ended September 30, 2023</b>	<b>For the Three Months Ended September 30, 2022</b>	<b>For the Nine Months Ended September 30, 2023</b>	<b>For the Nine Months Ended September 30, 2022</b>
Operating costs	\$ 87	55	232	129
Operating expenses	65	55	224	201
	<b>\$ 152</b>	<b>110</b>	<b>456</b>	<b>330</b>

### 2. Defined contribution plan

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

	<b>For the Three Months Ended September 30, 2023</b>	<b>For the Three Months Ended September 30, 2022</b>	<b>For the Nine Months Ended September 30, 2023</b>	<b>For the Nine Months Ended September 30, 2022</b>
Operating costs	\$ 1,020	870	2,825	2,598
Operating expenses	2,062	1,907	5,978	5,835
	<b>\$ 3,082</b>	<b>2,777</b>	<b>8,803</b>	<b>8,433</b>

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

### (XII) Income tax

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

	<b>For the Three Months Ended September 30, 2023</b>	<b>For the Three Months Ended September 30, 2022</b>	<b>For the Nine Months Ended September 30, 2023</b>	<b>For the Nine Months Ended September 30, 2022</b>
Current income tax expenses				
Income tax from current income	\$ 36,506	21,171	83,945	41,471
Unappropriated earnings	-	-	-	19,997
Income tax expenses	<b><u>\$ 36,506</u></b>	<b><u>21,171</u></b>	<b><u>83,945</u></b>	<b><u>61,468</u></b>

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

	<b>For the Three Months Ended September 30, 2023</b>	<b>For the Three Months Ended September 30, 2022</b>	<b>For the Nine Months Ended September 30, 2023</b>	<b>For the Nine Months Ended September 30, 2022</b>
Financial assets at fair value through other comprehensive income	<b><u>\$ 19,770</u></b>	<b><u>11,262</u></b>	<b><u>(23,006)</u></b>	<b><u>16,140</u></b>

3. The Company's profit-seeking enterprise income tax returns filed have been approved by the tax authority up to 2021.

### (XIII) Capital and other equity

Except as stated below, there was no significant change in the Group's capital and other equity during the nine months ended September 30, 2023 and 2022. Please refer to Note 6(14) to the 2022 consolidated financial statements for relevant information.

#### 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.

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

The general shareholders' meeting passed the resolutions for the 2022 and 2021 earnings distribution proposal on June 14, 2023 and June 9, 2022, respectively. 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>\$ 211,268</u>	3.70	<u>217,137</u>

Relevant information of the earnings distribution is available on the Market Observation Post System (MOPS).

### (XIV) Earnings per share

#### 1. Basic earnings per share

	For the Three Months Ended September 30, 2023	For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022
Net income attributable to holders of the Company's ordinary shares	<u>\$ 120,991</u>	<u>76,839</u>	<u>294,557</u>	<u>125,930</u>
Weighted average number of outstanding ordinary shares (in thousands of shares)	<u>58,685</u>	<u>58,685</u>	<u>58,685</u>	<u>58,685</u>
Basic earnings per share (NTD)	<u>\$ 2.06</u>	<u>1.31</u>	<u>5.02</u>	<u>2.15</u>

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

### 2. Diluted earnings per share

	For the Three Months Ended September 30, 2023	For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022
Net income attributable to holders of the Company's ordinary shares	<u>\$ 120,991</u>	<u>76,839</u>	<u>294,557</u>	<u>125,930</u>
Weighted average number of outstanding ordinary shares (in thousands of shares)	58,685	58,685	58,685	58,685
The effect of employee remuneration	539	476	725	666
Weighted average number of outstanding ordinary shares (after adjustment for the effect of potentially dilute ordinary shares)	<u>59,224</u>	<u>59,161</u>	<u>59,410</u>	<u>59,351</u>
Diluted earnings per share (NTD)	<u>\$ 2.04</u>	<u>1.30</u>	<u>4.96</u>	<u>2.12</u>

### (XV) Revenue from customer contracts

#### 1. Breakdown of income

	For the Three Months Ended September 30, 2023	For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022
Major sales market:				
Taiwan	\$ 580,492	545,575	1,499,196	1,594,012
Germany	246,119	116,691	482,715	209,620
The UK	16,837	7,619	103,926	21,463
Sweden	39,529	32,348	93,104	68,685
U.S.	35,500	57,501	50,404	106,447
Others	493	1,842	11,029	6,800
Total	<u>\$ 918,970</u>	<u>761,576</u>	<u>2,240,374</u>	<u>2,007,027</u>
Main product/service lines:				
Business computer	\$ 440,873	491,302	1,144,211	1,440,294
Rugged computer	460,228	252,103	1,049,259	511,720
Repair and maintenance services and others	17,869	18,171	46,904	55,013
	<u>\$ 918,970</u>	<u>761,576</u>	<u>2,240,374</u>	<u>2,007,027</u>

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

2. Contract balance

	<u>2023.9.30</u>	<u>2022.12.31</u>	<u>2022.9.30</u>
Notes and accounts receivable (related parties)	\$ 338,877	107,863	194,340
Less: Allowance for losses	-	-	-
Total	<u>\$ 338,877</u>	<u>107,863</u>	<u>194,340</u>
Contract liabilities (including related parties)	<u>\$ 251,316</u>	<u>246,664</u>	<u>246,467</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 nine months ended September 30, 2023 and 2022 were NT\$55,230,000 and NT\$69,144,000, 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.

The estimated amounts of the Company's employee remuneration for the three months and nine months ended September 30, 2023 and 2022 were NT\$16,484,000, NT\$10,398,000, NT\$39,857,000, and NT\$19,746,000, respectively, and the estimated amounts of directors' remuneration for the periods then ended were NT\$3,304,000, NT\$2,083,000, NT\$7,988,000 and NT\$3,957,000, 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.

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

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

	For the Three Months Ended September 30, 2023	For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022
Interest income from cash in banks	\$ 818	638	3,674	1,837
Other interest income	1,428	1,704	3,603	4,993
	<u>\$ 2,246</u>	<u>2,342</u>	<u>7,277</u>	<u>6,830</u>

#### 2. Other income

	For the Three Months Ended September 30, 2023	For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022
Dividend income	\$ -	-	-	9,130
COVID-19-related rent concessions	-	98	15	200
Others	90	741	527	1,490
	<u>\$ 90</u>	<u>839</u>	<u>542</u>	<u>10,820</u>

#### 3. Other gains and losses

	For the Three Months Ended September 30, 2023	For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022
Foreign exchange gains	\$ 10,547	10,459	15,549	20,497
Net gain on financial assets at fair value through profit or loss	36	22	339	195
Others	(46)	-	(65)	48
	<u>\$ 10,537</u>	<u>10,481</u>	<u>15,823</u>	<u>20,740</u>

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

4. Financial cost

	For the Three Months Ended September 30, 2023	For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022
Interest expense:				
Borrowings from non-financial institutions	\$ -	(26)	-	(78)
Lease liabilities	(235)	(209)	(603)	(518)
Others	(7)	(3)	(21)	(10)
	<u>\$ (242)</u>	<u>(238)</u>	<u>(624)</u>	<u>(606)</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

	2023.9.30	2022.12.31	2022.9.30
Financial assets at fair value through profit or loss - current:			
Money funds	\$ -	20,030	-
Financial assets at fair value through other comprehensive income - non-current:			
Unlisted stocks	19,819	19,819	24,683
Overseas listed stocks	889,323	1,034,681	780,035
Financial assets at amortized cost:			
Cash and cash equivalents	234,958	488,751	189,967
Notes and accounts receivable (related parties)	338,877	107,863	194,340
Other financial assets - current	206,100	206,100	206,100
Other current assets - guarantee deposits paid	7,799	5,600	5,736
Total	<u>\$ 1,696,876</u>	<u>1,882,844</u>	<u>1,400,861</u>



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

### (2) Financial liabilities

	<u>2023.9.30</u>	<u>2022.12.31</u>	<u>2022.9.30</u>
Financial liabilities at amortized cost:			
Borrowings from non-financial institutions	\$ -	-	175
Lease liabilities	72,952	49,896	53,679
Payables	319,346	311,328	242,727
Total	<u><u>\$ 392,298</u></u>	<u><u>361,224</u></u>	<u><u>296,581</u></u>

### 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 - 12 months</u>	<u>1 - 2 year(s)</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
<b>September 30, 2023</b>						
Notes and accounts payable (including related parties)	\$ (208,217)	(208,217)	-	-	-	-
Lease liabilities	(75,044)	(15,930)	(14,280)	(20,278)	(24,556)	-
Other payables (including related parties)	(111,129)	(111,129)	-	-	-	-
	<u><u>\$ (394,390)</u></u>	<u><u>(335,276)</u></u>	<u><u>(14,280)</u></u>	<u><u>(20,278)</u></u>	<u><u>(24,556)</u></u>	<u><u>-</u></u>
<b>December 31, 2022</b>						
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><u>\$ (362,235)</u></u>	<u><u>(327,072)</u></u>	<u><u>(9,567)</u></u>	<u><u>(12,783)</u></u>	<u><u>(12,813)</u></u>	<u><u>-</u></u>
<b>September 30, 2022</b>						
Notes and accounts payable (including related parties)	\$ (163,020)	(163,020)	-	-	-	-
Lease liabilities	(52,997)	(15,113)	(11,526)	(12,631)	(13,727)	-
Borrowings from non-financial institutions	(177)	(177)	-	-	-	-
Other payables (including related parties)	(79,707)	(79,707)	-	-	-	-
	<u><u>\$ (295,901)</u></u>	<u><u>(258,017)</u></u>	<u><u>(11,526)</u></u>	<u><u>(12,631)</u></u>	<u><u>(13,727)</u></u>	<u><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.

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

### 3. Exchange rate risk

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

	2023.9.30				2022.12.31			2022.9.30		
	Foreign currency	Exchange rate	NTD		Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>										
Monetary item										
USD	\$	10,257	32.27	330,993	4,819	30.71	147,991	6,479	31.75	205,708
<u>Financial liabilities</u>										
Monetary item										
USD		77	32.27	2,485	18	30.71	553	25	31.75	794

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 as of September 30, 2023 and 2022, with all other variables remaining unchanged, the Group's net income before tax for the nine months ended September 30, 2023 and 2022 would have increased or decreased by NT\$3,285,000 and NT\$2,049,000, 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 September 30, 2023, December 31, 2022 and September 30, 2022, the unrealized exchange gains on foreign currency transactions in USD are as follows:

	2023.9.30	2022.12.31	2022.9.30
Unrealized foreign exchange losses (gains) at the end of the period	\$ 9,259	4,302	15,276
Exchange rate at the end of the period	32.27	30.71	31.75

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.

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

(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).

<b>2023.9.30</b>					
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through other comprehensive income - non-current:					
Unlisted stocks	\$ 19,819	-	-	19,819	19,819
Overseas stocks	889,323	889,323	-	-	889,323
	<b>\$ 909,142</b>	<b>889,323</b>	<b>-</b>	<b>19,819</b>	<b>909,142</b>

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

<b>2022.9.30</b>					
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through other comprehensive income - non-current:					
Unlisted stocks	\$ 24,683	-	-	24,683	24,683
Overseas stocks	780,035	780,035	-	-	780,035
Total	<b>\$ 804,718</b>	<b>780,035</b>	<b>-</b>	<b>24,683</b>	<b>804,718</b>

There were no transfers of financial assets and liabilities within the fair value hierarchy during the nine months ended September 30, 2023 and 2022.

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

(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 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 of 2023.9.30, 2022.12.31 and 2022.9.30, respectively)	• The higher the cost of equity capital, the lower the fair value

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

- (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:

	Input	Increase or decrease change	Changes in fair value reflected in other comprehensive income	
			Favorable change	Unfavorable change
<b>September 30, 2023</b>				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	Cost of equity capital	0.25%	<u>\$ 126</u>	<u>124</u>
<b>December 31, 2022</b>				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	Cost of equity capital	0.25%	<u>126</u>	<u>124</u>
<b>September 30, 2022</b>				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	Cost of equity capital	0.25%	<u>\$ 156</u>	<u>154</u>

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.

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

(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>		
			The effects of changes in foreign exchange		
	<u>2023.1.1</u>	<u>Cash flows</u>	<u>Additions</u>	<u>rates</u>	<u>2023.9.30</u>
Lease liabilities	\$ 49,896	(24,611)	47,668	(1)	72,952
Total liabilities from financing activities	<u>\$ 49,896</u>	<u>(24,611)</u>	<u>47,668</u>	<u>(1)</u>	<u>72,952</u>

			<u>Non-cash changes</u>		
			Additions	Decrease	
	<u>2022.1.1</u>	<u>Cash flows</u>			<u>2022.9.30</u>
Long-term borrowings (including the current portion)	\$ 1,751	(1,576)	-	-	175
Lease liabilities	51,527	(23,214)	31,524	(6,158)	53,679
Total liabilities from financing activities	<u>\$ 53,278</u>	<u>(24,790)</u>	<u>31,524</u>	<u>(6,158)</u>	<u>53,854</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 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>For the Three Months Ended September 30, 2023</u>	<u>For the Three Months Ended September 30, 2022</u>	<u>For the Nine Months Ended September 30, 2023</u>	<u>For the Nine Months Ended September 30, 2022</u>
Other related parties				
Roda Computer GmbH	<u>\$ 241,855</u>	<u>115,493</u>	<u>478,451</u>	<u>206,329</u>

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

The consolidated company's sales transactions with related parties, except for certain product specifications that lack comparable market prices, are generally not significantly different from regular market prices. Additionally, the credit period, originally set at 45 days from delivery, have been extended to up to 90 days starting from July 2023 based on the sales conditions.

2. Accounts receivable from related parties

	<u>2023.9.30</u>	<u>2022.12.31</u>	<u>2022.9.30</u>
Other related parties			
Roda Computer GmbH	\$ <u>238,992</u>	<u>11,683</u>	<u>58,788</u>

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

	<u>2023.9.30</u>	<u>2022.12.31</u>	<u>2022.9.30</u>
Other related parties			
Roda Computer GmbH	\$ <u>54,838</u>	<u>53,593</u>	<u>48,730</u>

4. Repair and maintenance and other operating revenue

	<u>For the Three Months Ended September 30, 2023</u>	<u>For the Three Months Ended September 30, 2022</u>	<u>For the Nine Months Ended September 30, 2023</u>	<u>For the Nine Months Ended September 30, 2022</u>
Other related parties				
Roda Computer GmbH	\$ <u>1,265</u>	<u>1,198</u>	<u>4,264</u>	<u>3,291</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>For the Three Months Ended September 30, 2023</u>	<u>For the Three Months Ended September 30, 2022</u>	<u>For the Nine Months Ended September 30, 2023</u>	<u>For the Nine Months Ended September 30, 2022</u>	<u>2023.9.30</u>	<u>2022.12.31</u>	<u>2022.9.30</u>
Other related parties	\$ <u>62</u>	<u>272</u>	<u>577</u>	<u>798</u>	<u>-</u>	<u>2,010</u>	<u>109</u>

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.

**Notes to the Consolidated Financial Statements of  
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(III) Remuneration to key management personnel

Remuneration to key management personnel includes:

	For the Three Months Ended September 30, 2023	For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022
Short-term employee benefits	\$ 5,124	4,291	14,834	11,315
Post-employment benefits	74	27	223	81
	<b>\$ 5,198</b>	<b>4,318</b>	<b>15,057</b>	<b>11,396</b>

**VIII. Assets pledged**

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

Name of asset	Item pledged as collateral	2023.9.30	2022.12.31	2022.9.30
Time deposit (under “other non-current assets”)	Customs guarantee	\$ 200	200	200
Property, plant and equipment	Borrowings from non-financial institutions	-	-	5,773
		<b>\$ 200</b>	<b>200</b>	<b>5,973</b>

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

**X. Major Disaster Losses: None.**

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

**XII. Others**

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

By function  By nature	For the Three Months Ended September 30, 2023			For the Three Months Ended September 30, 2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary and wages	30,365	47,755	78,120	22,344	43,610	65,954
Labor and health insurance	2,367	4,487	6,854	2,233	4,423	6,656
Pension	1,107	2,127	3,234	925	1,962	2,887
Other employee benefits	289	921	1,210	228	640	868
Depreciation expense	6,443	7,715	14,158	4,771	7,603	12,374
Amortization expense	586	818	1,404	312	983	1,295



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

By function  By nature	For the Nine Months Ended September 30, 2023			For the Nine Months Ended September 30, 2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary and wages	78,002	127,456	205,458	58,523	119,049	177,572
Labor and health insurance	6,453	12,446	18,899	5,980	12,151	18,131
Pension	3,057	6,202	9,259	2,727	6,036	8,763
Other employee benefits	714	2,051	2,765	610	1,705	2,315
Depreciation expense	17,140	22,911	40,051	14,070	22,290	36,360
Amortization expense	1,630	2,488	4,118	834	3,068	3,902

(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 nine months ended September 30, 2023 the Group needs to disclose in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers are as follows:

1. Loans to Others: None.
2. Endorsements/Guarantees provided to others: None.
3. 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	-	"	4,216	889,323	10.58%	889,323	

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.

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

7. Total Purchases from or Sales to Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital:

Unit: NT \$1000

Company Name	Transaction counterpart	Relationships	Transaction details				Situation and reason of why transaction conditions are different from general transactions		Notes and accounts receivable (payable)		Remark
			Purchases/sales	Amount	Ratio of total purchase (sales)	Credit period	Unit price	Credit period	Balance	Ratio to Total Notes/Accounts Receivable (Payable)	
The Company	Roda Computer GmbH	The Company is one of the company's three shareholders	Sale of goods	478,451	21.36 %	The original credit period were 45 days from delivery, but starting from July 2023, they may be extended to 90 days based on the sales conditions.	(Note)	-	238,992	70.52%	

(Note) The prices at which the Company sells goods to related parties, except for certain product specifications that lack comparable market prices, are generally not significantly different from regular market prices.

8. Receivables from Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital:

Unit: NT \$1000

Company Name	Transaction counterpart	Relationships	Balance of accounts receivables from related parties	Turnover	Overdue accounts receivables from related parties		Amount recovered after the due date of accounts receivables from related parties	Provision for loss allowance
					Amount	Treatment Method		
The Company	Roda Computer GmbH	The Company is one of the company's three shareholders	238,992	5.09	-		-	-

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 (%)
0	The Company	MILDEF CRETE AUSTRALASIA PTY. LTD.	1	Accounts receivable	29,698	Delivered in 45 days.	0.89
0	The Company	MILDEF CRETE AUSTRALASIA PTY. LTD.	1	Sales income	44,652	Delivered in 45 days.	1.99
1	Flexbasis	The Company	2	Accounts receivable	36,662	Net 60 days end of the following month	1.09
1	Flexbasis	The Company	2	Sales income	129,768	Net 60 days end of the following month	5.80

Note1: 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.

Note2: The types of relations with the counterpart are indicated as follows:

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

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

Note3: In disclosing the business relationships and significant transactions between the parent and subsidiary companies, only information related to sales and accounts receivable representing 0.5% or more of the consolidated revenue or assets is disclosed. Detailed information about corresponding purchases and accounts payable is not provided.

Note4: 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 nine months ended September 30, 2023 is as follows:

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 (loss) recognized in this period	Remark
				End of this period	End of last year	Number of shares	Percentage	Carrying amount			
The Company The Company	Flexbasis Technology Inc.	New Taipei City	Manufacturing	24,054	27,208	2,136	57.73%	31,417	41,080	11,394	(Note)
	MILDEF CRETE AUSTRALASIA PTY. LTD.	Australia	Trade	12,548	-	600	100.00%	11,453	(884)	(884)	(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.