

Mildef Crete Inc. and Its Subsidiaries
Consolidated Financial Statements and
Independent Auditors' Review Report

First quarter of 2024 and 2023

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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 March 31, 2024 and 2023; the relevant consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2024 and 2023, 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, 2024 and 2023 as well as consolidated financial performance and consolidated cash flows for the three months ended March 31, 2024 and 2023.

KPMG Taiwan

CPA: Ching-Wen Kao
Mei-Yan Chen

Competent Securities Authority's : FSC Review Letter No. 1060005191
Approval Document No. (88) Securities and Futures Commission
(6) No. 18311

May 8, 2024

Mildef Crete Inc. and Its Subsidiaries																	
Consolidated Balance Sheets																	
As of March 31, 2024, December 31, 2023, and March 31, 2023										Unit: NT\$1000							
		2024.3.31		2023.12.31		2023.3.31				2024.3.31		2023.12.31		2023.3.31			
Assets		Amount	%	Amount	%	Amount	%	Liabilities and equity		Amount	%	Amount	%	Amount	%		
Current assets:								Current liabilities:									
1100	Cash and cash equivalents (Note 6 (1))	\$	450,369	12	311,156	9	428,032	13	2130	Contract liabilities - current (Notes 6 (14) and 7)	\$	206,589	5	237,639	7	247,145	8
1110	Financial assets at fair value through profit or loss								2150	Notes payable		26,784	1	34,132	1	77,920	2
	- current (Note 6 (2))		150,051	4	-	-	60,152	2	2170	Accounts payable		127,598	3	119,254	3	160,234	5
1150	Notes and accounts receivable, net (Notes 6 (3) and (14))		110,325	3	120,085	3	100,467	3	2209	Other Payables (Notes 6 (15) and 7)		160,500	5	150,795	5	102,105	3
1180	Accounts receivable - related parties, net (Notes 6 (3) & (14), 7)		274,199	7	309,437	9	44,249	1	2230	Current income tax liabilities		162,820	4	107,867	3	52,202	2
			274,199	7	309,437	9	44,249	1	2280	Lease liabilities - current (Note 6 (8))		35,482	1	33,798	1	22,881	1
1212	Other payables-related party (Note 7)		-	-	5,004	-	-	-	2399	Other current liabilities		1,049	-	560	-	938	-
130X	Inventories (Note 6 (4))		1,178,963	31	1,197,819	34	1,140,402	35		Total current liabilities		720,822	19	684,045	20	663,425	21
1476	Other financial assets - current (Note 6 (1))		215,100	6	206,100	6	206,100	6		Non-current liabilities:							
1479	Other current assets		18,246	-	17,976	1	29,172	1	2552	Provisions for warranty liabilities (Note 6 (9))		17,210	-	13,152	-	15,979	-
	Total current assets		2,397,253	63	2,167,577	62	2,008,574	61	2570	Deferred income tax liabilities		177,612	5	166,833	5	176,772	5
	Non-current assets:								2580	Lease liabilities - non-current (Note 6 (8))		53,675	1	42,018	1	28,024	1
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6 (2))		918,536	24	865,975	26	905,116	28	2640	Net defined benefit liabilities— non-current		26,404	1	30,301	1	28,029	1
			918,536	24	865,975	26	905,116	28		Total non-current liabilities		274,901	7	252,304	7	248,804	7
1600	Property, plant and equipment (Note 6 (5))		288,213	8	256,545	7	241,202	7		Total liabilities		995,723	26	936,349	27	912,229	28
1755	Right-of-use assets (Note 6 (6))		88,608	2	75,344	2	50,609	2		Equity attributed to owners of the parent company (Note 6 (12)):							
1780	Intangible assets (Note 6 (7))		5,458	-	6,458	-	8,147	-									
1840	Deferred income tax assets		74,107	2	74,107	2	64,860	2	3110	Ordinary share capital		586,855	15	586,855	17	586,855	18
1990	Other non-current assets (Note 8)		56,451	1	48,162	1	6,266	-	3200	Capital surplus		74,381	2	74,113	2	74,113	2
	Total non-current assets		1,431,373	37	1,326,591	38	1,276,200	39	3300	Retained earnings		1,822,711	48	1,634,564	47	1,424,060	43
			1,431,373	37	1,326,591	38	1,276,200	39	3400	Other equity		324,084	8	241,646	7	265,823	8
										Equity attributed to owners of the parent company		2,808,031	73	2,537,178	73	2,350,851	71
									36xx	Non-controlling interests		24,872	1	20,641	-	21,694	1
										Total equity		2,832,903	74	2,557,819	73	2,372,545	72
Total assets		\$	3,828,626	100	3,494,168	100	3,284,774	100	Total liabilities and equity		\$	3,828,626	100	3,494,168	100	3,284,774	100

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

Chairman: Shen Yi-Tong

Manager: Shen Yi-Tong

Accounting Manager: Liu Ya-Ping

Mildef Crete Inc. and Its Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three Months Ended March 31, 2024 and 2023

Unit: NT\$1000

		January to March 2024		January to March 2023	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6 (14), 7 and 14)	\$ 757,955	100	634,611	100
5000	Operating cost (Notes 6(4), (5), (6), (8), (9), (10), (15), 7, and 12)	497,570	66	510,736	80
	Gross operating profit	260,385	34	123,875	20
	Operating expenses (Note 6(5), (6), (8), (10), (15), 7, and 12):				
6100	Selling and marketing expenses	40,665	5	36,174	6
6200	General and administrative expenses	15,661	2	9,437	1
6300	Research and development expenses	23,754	3	17,287	3
	Total operating expenses	80,080	10	62,898	10
	Net operating profit	180,305	24	60,977	10
	Non-operating income and expenses:				
7100	Interest income (Note 6 (16))	1,888	-	1,889	-
7010	Other income (Note 6(8) and (16))	577	-	293	-
7020	Other gains and losses (Note 6 (16))	14,512	2	(1,155)	-
7510	Financial costs (Note 6 (8) and (16))	(300)	-	(192)	-
	Total non-operating income and expenses	16,677	2	835	-
	Net profit before tax	196,982	26	61,812	10
7951	Minus: Income tax expense (Note 6 (11))	37,160	5	13,649	2
	Current net profit	159,822	21	48,163	8
8300	Other Comprehensive Income (Note 6(11)):				
8310	Items not reclassified as income and loss				
8316	Unrealized gain (loss) on investments in equity instruments as at fair value through other comprehensive income	142,927	19	(136,758)	(22)
8349	Minus: Income tax related to items not reclassified	28,585	4	(27,352)	(4)
	Total amount of items not reclassified to profit or loss	114,342	15	(109,406)	(18)
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	(88)	-	(320)	-
8399	Minus: Income tax related to potentially classifiable items	-	-	-	-
	Total amount of items that may be reclassified subsequently to profit or loss	(88)	-	(320)	-
8300	Other comprehensive income	114,254	15	(109,726)	(18)
	Total amount of other current comprehensive gains and losses	\$ 274,076	36	(61,563)	(10)
	Net profit/(loss) attributable to:				
8610	Owners of the Parent Company	\$ 156,331	21	45,993	8
8620	Non-controlling interests	3,491	-	2,170	-
		\$ 159,822	21	48,163	8
	Total comprehensive income/(loss) attributable to:				
8710	Owners of the Parent Company	\$ 270,585	36	(63,733)	(10)
8720	Non-controlling interests	3,491	-	2,170	-
		\$ 274,076	36	(61,563)	(10)
	Earnings per share (NT\$; (Note 6 (13))				
	Basic earnings per share	\$ 2.66		0.78	
	Diluted earnings per share	\$ 2.63		0.77	

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

Chairman: Shen Yi-Tong

Manager: Shen Yi-Tong

Accounting Manager: Liu Ya-Ping

Mildef Crete Inc. and Its Subsidiaries
Consolidated statements of changes in equity
For the Three Months Ended March 31, 2024 and 2023

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 remeasure ment	Total	Total equity attributable to owners of the parent company	Non- controlling interests	Total equity
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	-	-	-	-	-	-	(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 actual equity price paid and book value of subsidiaries	-	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(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
Balance on January 1, 2024	\$ 586,855	74,113	542,578	-	1,091,986	1,634,564	20	252,022	(10,396)	241,646	2,537,178	20,641	2,557,819
Current net profit	-	-	-	-	156,331	156,331	-	-	-	-	156,331	3,491	159,822
Other comprehensive income	-	-	-	-	-	-	(88)	114,342	-	114,254	114,254	-	114,254
Total amount of other current comprehensive gains and losses	-	-	-	-	156,331	156,331	(88)	114,342	-	114,254	270,585	3,491	274,076
Differences between actual equity price paid and book value of subsidiaries	-	268	-	-	-	-	-	-	-	-	268	(268)	-
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1,008	1,008
Disposal of equity instruments designated at fair value through other comprehensive income(Note 6 (2))	-	-	-	-	31,816	31,816	-	(31,81)	-	(31,816)	-	-	-
Balance on March 31, 2024	\$ 586,855	74,381	542,578	-	1,280,133	1,822,711	(68)	334,5	(10,396)	324,084	2,808,031	24,872	2,832,903

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

Chairman: Shen Yi-Tong

Manager: Shen Yi-Tong

Accounting Manager: Liu Ya-Ping

Mildef Crete Inc. and Its Subsidiaries
Consolidated statements of cash flows
For the Three Months Ended March 31, 2024 and 2023

Unit: NT\$1000

	January to March 2024	January to March 2023
Cash flows from operating activities:		
Net income before tax	\$ 196,982	61,812
Adjustments for:		
Profit and loss		
Depreciation expense	15,253	12,701
Amortization expense	1,221	1,383
Net gain on financial assets at fair value through profit or loss	(51)	(122)
Interest expense	300	192
Interest income	(1,888)	(1,889)
Gain on disposal of property, plant and equipment	(198)	-
Lease Modification Benefits	(4)	-
Total profit/(loss)	14,633	12,265
Changes in assets/liabilities related to operating activities:		
Net changes in assets related to operating activities:		
Notes and accounts receivable	9,760	(4,287)
Accounts receivable from related parties	35,238	(32,566)
Inventories	18,856	(99,328)
Other current assets	(270)	(3,873)
Total net changes in assets related to operating activities	63,584	(140,054)
Net changes in liabilities related to operating activities		
Contract liabilities	(31,050)	481
Notes payable	(7,348)	24,709
Accounts payable	8,344	10,611
Provisions for warranty liabilities	4,058	9,124
Other Accounts Payable and Other Current Liabilities	10,194	(5,845)
Net defined benefit liabilities	(3,897)	(708)
Total amount of net changes in liabilities related to operating activities	(19,699)	38,372
Total amount of net changes in assets and liabilities related to operating activities	43,885	(101,682)
Total adjustments	58,518	(89,417)
Cash inflow (outflow) from operations	255,500	(27,605)
Interest received	1,888	1,889
Income tax paid	(13)	(43)
Net cash inflow (outflow) from operating activities	257,375	(25,759)
Cash flows from investing activities:		
Disposal of financial assets at fair value through other comprehensive income	90,366	12,626
Purchase of financial assets at fair value through profit or loss	(150,000)	(40,000)
Acquisition of property, plant and equipment	(37,602)	(3,339)
Disposal of property, plant and equipment	346	-
Acquisition of intangible assets	(221)	(113)
Increase in other financial assets - current	(9,000)	-
Increase in other non-current assets	(509)	(666)
Increase in Prepayments for Renovation and Equipment	(7,780)	-
Dividends received	5,004	-
Net cash outflow from investing activities	(109,396)	(31,492)
Cash flows from financing activities:		
Payment of the principal portion of lease liabilities	(9,386)	(7,996)
Disposal of equity in subsidiaries (without control lost)	1,008	5,040
Interests paid	(300)	(192)
Net cash outflow from financing activities	(8,678)	(3,148)
Effect of exchange rate changes on cash and cash equivalents	(88)	(320)
Increase (decrease) in cash and cash equivalents	139,213	(60,719)
Opening balance of cash and cash equivalents in the consolidated statements of cash flows	311,156	488,751
Closing balance of cash and cash equivalents in the consolidated statements of cash flows	\$ 450,369	428,032

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

Chairman: Shen Yi-Tong

Manager: Shen Yi-Tong

Accounting Manager: Liu Ya-Ping

Mildef Crete Inc. and Its Subsidiaries
Notes to the Consolidated Financial Statements
First quarter of 2024 and 2023
(In thousands of NT\$, 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 “Consolidated Company”) 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 8, 2024.

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 accounting standards since January 1, 2024, which has not caused 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”

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

The standards and interpretations that have been issued and amended by the International Accounting Standards Board (IASB) but have not yet been endorsed by the FSC, while may be relevant to the Group are as follows:

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

New and amended standards	Main amendments	Effective date announced by the IASB
International Financial Reporting Standard No. 18 'Presentation and Disclosure of Financial Statements'	<p>The new guidelines introduce three categories of income and expenses, two subtotals on the income statement, and a single footnote regarding management performance measurement. These three amendments and enhancements to the guidance on segmenting information in financial statements lay the foundation for providing users with improved and consistent information, and will have an impact on all companies.</p> <ul style="list-style-type: none"> • A more structured income statement: The company currently uses various formats to express its financial performance, which makes it challenging for investors to compare the financial performance of different companies. The new guidelines have implemented a more structured income statement. They have introduced a new subtotal called 'operating profit' and require that all revenues and expenses be classified into three new categories based on the company's main business activities. • Management Performance Measurement (MPM): The new criteria introduce the concept of management performance measurement. Companies are now required to provide an explanation, in a single footnote in the financial statements, regarding the usefulness of each measurement indicator, its calculation method, and how it is adjusted for amounts recognized in accordance with international financial reporting standards accounting principles. • More detailed information: The new guidelines provide instructions on how companies can improve the organization of information in financial statements. This guidance includes determining whether the information should be included in the primary financial statements or further disaggregated in the notes. 	January 1, 2027

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

The Group is currently evaluating the impacts of the above standards and interpretations on its financial position and operating results and will disclose relevant impacts when completing the evaluation.

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 2023 consolidated financial statements. Please refer to Note 4 to the 2023 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 accounting standards 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
			2024.3.31	2023.12.31	2023.3.31	
The Company	Flexbasis Technology Inc. (Flexbasis)	Manufacturing of metal casings	56.2%	57.7%	57.7%	(Note)
The Company	MILDEF CRETE AUSTRALASI A PTY. LTD.	Sale of rugged products	100%	100%	100%	

(Note) This refers to the sale of equity to the key management personnel of the merged company.

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 vary from estimates, and we will continually assess and adapt based on historical experience and other factors.

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 2021 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 2023 consolidated financial statements. Please refer to Note 6 to the 2023 consolidated financial statements for relevant information.

(I) Cash and cash equivalents

	2024.3.31	2023.12.31	2023.3.31
Cash on hand	\$ 424	551	379
Checking deposit and demand deposit	449,945	310,605	427,653
	\$ 450,369	311,156	428,032

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

The Group's bank time deposits with the initial duration of more than three months as of March 31, 2024, December 31, 2023, and March 31, 2023 were NT\$215,100 thousand, NT\$206,100 thousand and NT\$206,100 thousand, respectively, which are recognized in other financial assets – current.

(II) Financial instruments

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

	2024.3.31	2023.12.31	2023.3.31
Money funds	<u>\$ 150,051</u>	<u>-</u>	<u>60,152</u>

Please refer to Note 6 (16) 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

	2024.3.31	2023.12.31	2023.3.31
Unlisted stocks	\$ 18,262	18,262	19,819
Overseas stocks	900,274	847,713	885,297
Total	<u>\$ 918,536</u>	<u>865,975</u>	<u>905,116</u>

The above equity instrument investments by the Consolidated Company 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 period from January 1 to March 31 of the 2024 and 2023, the merged company sold a portion of the foreign listed company stocks mentioned above as part of its investment strategy. The fair values at the time of disposal were NT\$90,366 thousand and NT\$12,626 thousand, respectively. The accumulated gains from the disposals were NT\$31,816 thousand and NT\$5,276 thousand, respectively. These accumulated gains have been transferred from other equity to retained earnings.

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

2024.3.31				2023.12.31			2023.3.31		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
EUR	\$ 530	34.46	18,262	537	33.98	18,262	568	33.15	18,819
SEK	301,095	2.99	900,274	275,231	3.08	847,713	301,122	2.94	885,297

As of March 31, 2024, December 31, 2023, and March 31, 2023, none of the Group's financial assets above had been pledged as collateral.

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

(III) Notes and accounts receivable (related parties)

	<u>2024.3.31</u>	<u>2023.12.31</u>	<u>2023.3.31</u>
Notes and accounts receivable	\$ 110,325	120,085	100,467
Accounts receivable-related parties	274,199	309,437	44,249
Less: Allowance for losses	-	-	-
	<u><u>\$ 384,524</u></u>	<u><u>429,522</u></u>	<u><u>144,716</u></u>

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

	<u>2024.3.31</u>		
	Carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for lifetime expected credit losses
Not past due	<u><u>\$ 384,524</u></u>	0.00000%	<u><u>-</u></u>
	<u>2023.12.31</u>		
	Carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for lifetime expected credit losses
Not past due	\$ 395,173	0.00000%	-
Less than 30 days overdue	34,309	0.00003%	-
Overdue for 31 to 60 days	<u>40</u>	0.00792%	<u>-</u>
	<u><u>\$ 429,522</u></u>		<u><u>-</u></u>
	<u>2023.3.31</u>		
	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%	-
Less than 30 days overdue	<u>7,976</u>	0.00011%	<u>-</u>
	<u><u>\$ 144,716</u></u>		<u><u>-</u></u>

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

(IV) Inventories

	2024.3.31	2023.12.31	2023.3.31
Merchandise	\$ 149,390	111,765	199,029
Finished goods	6,937	1,689	3,246
Semi-finished goods	138,138	131,130	153,846
Work in process	323,665	386,932	330,889
Raw materials	560,833	566,303	453,392
	<u>\$ 1,178,963</u>	<u>1,197,819</u>	<u>1,140,402</u>

The breakdown of the cost of goods sold is as follows:

	January to March 2024	January to March 2023
Costs of inventories sold	\$ 475,618	476,747
Warranty provision	4,902	9,700
Inventory valuation loss	17,050	24,289
	<u>\$ 497,570</u>	<u>510,736</u>

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	Transportation equipment	Office equipment	Other equipment	Total
Cost:							
Balance as of January 1, 2024	\$ 147,478	75,609	109,746	7,567	2,212	91,532	434,144
Additions	-	-	25,861	1,500	-	10,241	37,602
Disposal	-	-	(400)	(1,500)	-	-	(1,900)
Balance on March 31, 2024	<u>\$ 147,478</u>	<u>75,609</u>	<u>135,207</u>	<u>7,567</u>	<u>2,212</u>	<u>101,773</u>	<u>469,846</u>
Balance on January 1, 2023	\$ 147,478	72,775	93,919	7,567	762	83,242	405,743
Additions	-	491	-	-	461	2,387	3,339
Disposal	-	-	-	-	-	4,746	4,746
Balance on March 31, 2023	<u>\$ 147,478</u>	<u>73,266</u>	<u>93,919</u>	<u>7,567</u>	<u>1,223</u>	<u>90,375</u>	<u>413,828</u>
Accumulated depreciation:							
Balance as of January 1, 2024	\$ -	30,094	70,428	5,881	632	70,564	177,599
Depreciation	-	818	1,873	244	62	2,789	5,786
Disposal	-	-	(252)	(1,500)	-	-	(1,752)
Balance on March 31, 2024	<u>\$ -</u>	<u>30,912</u>	<u>72,049</u>	<u>4,625</u>	<u>694</u>	<u>73,353</u>	<u>181,633</u>
Balance on January 1, 2023	\$ -	27,169	64,497	4,969	453	66,155	163,243
Depreciation	-	603	1,472	280	14	2,268	4,637
Disposal	-	-	-	-	-	4,746	4,746
Balance on March 31, 2023	<u>\$ -</u>	<u>27,772</u>	<u>65,969</u>	<u>5,249</u>	<u>467</u>	<u>73,169</u>	<u>172,626</u>
Book value:							
March 31, 2024	<u>\$ 147,478</u>	<u>44,697</u>	<u>63,158</u>	<u>2,942</u>	<u>1,518</u>	<u>28,420</u>	<u>288,213</u>
January 1, 2024	<u>\$ 147,478</u>	<u>45,515</u>	<u>39,318</u>	<u>1,686</u>	<u>1,580</u>	<u>20,968</u>	<u>256,545</u>
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>

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

(VI) Right-of-use assets

	<u>Buildings</u>
Cost of right-of-use assets:	
Balance as of January 1, 2024	\$ 198,865
Additions	23,726
Decrease	<u>(8,232)</u>
Balance on March 31, 2024	<u>\$ 214,359</u>
Balance on January 1, 2023	\$ 141,471
Additions	<u>9,002</u>
Balance on March 31, 2023	<u>\$ 150,473</u>
Accumulated depreciation of right-of-use assets:	
Balance as of January 1, 2024	\$ 123,521
Depreciation in this period	9,467
Decrease	<u>(7,234)</u>
The effects of changes in foreign exchange rates	<u>(3)</u>
Balance on March 31, 2024	<u>\$ 125,751</u>
Balance on January 1, 2023	\$ 91,803
Depreciation in this period	8,064
The effects of changes in foreign exchange rates	<u>(3)</u>
Balance on March 31, 2023	<u>\$ 99,864</u>
Book value:	
March 31, 2024	<u>\$ 88,608</u>
January 1, 2024	<u>\$ 75,344</u>
March 31, 2023	<u>\$ 50,609</u>

(VII) Intangible assets

	<u>Computer software</u>
Carrying amount:	
March 31, 2024	<u>\$ 5,458</u>
January 1, 2024	<u>\$ 6,458</u>
March 31, 2023	<u>\$ 8,147</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, 2024 and 2023. 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(7) to the 2023 consolidated financial statements for other relevant information.

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

(VIII) Lease liabilities

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

	2024.3.31	2023.12.31	2023.3.31
Current	<u>\$ 35,482</u>	<u>33,798</u>	<u>22,881</u>
Non-current	<u>\$ 53,675</u>	<u>42,018</u>	<u>28,024</u>

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

	January to March 2024	January to March 2023
Interest expenses on lease liabilities	<u>\$ 290</u>	<u>185</u>
Short-term lease expenses	<u>\$ 121</u>	<u>203</u>
COVID-19-related rent concessions	<u>\$ -</u>	<u>15</u>

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

	January to March 2024	January to March 2023
Total cash outflow from leases	<u>\$ 9,797</u>	<u>8,384</u>

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

(IX) Provision for Liabilities

	Warranty
Balance as of January 1, 2024	\$ 13,152
Provision for new liabilities in the current period	4,902
Provision for liabilities used in the current period	<u>(844)</u>
Balance on March 31, 2024	<u>\$ 17,210</u>
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	<u>(576)</u>
Balance on March 31, 2023	<u>\$ 15,979</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 Consolidated Company 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)

(X) 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 actuarial determined pension costs on December 31, 2023 and 2022.

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

	January to March 2024	January to March 2023
Operating costs	\$ 28	71
Operating expenses	103	80
	<u>\$ 131</u>	<u>151</u>

2. Defined contribution plan

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

	January to March 2024	January to March 2023
Operating costs	\$ 1,043	871
Operating expenses	2,138	1,929
	<u>\$ 3,181</u>	<u>2,800</u>

(XI) Income tax

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

	January to March 2024	January to March 2023
Income tax expenses	<u>\$ 37,160</u>	<u>13,649</u>

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

	January to March 2024	January to March 2023
Financial assets at fair value through other comprehensive income	<u>\$ 28,585</u>	<u>(27,352)</u>

3. The Company has submitted tax return applications until the year of 2022, as prescribed by the tax authority, upon settlement and audit.

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

(XII) 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, 2024 and 2023. Please refer to Note 6(13) to the 2023 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.

The Board of Directors made an earnings distribution proposal for 2023 on March 23, 2024, and the general shareholders' meeting passed a resolution for the 2022 earnings distribution proposal on June 14, 2023. The dividends distributed to owners are as follows:

	Fiscal Year 2023		Fiscal Year 2022	
	Dividend per share (NT\$)	Amount	Dividend per share (NT\$)	Amount
Dividends distributed to owners of ordinary shares:				
Cash	\$ 5.40	<u>\$ 316,902</u>	3.60	<u>211,268</u>

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

(XIII) Earnings per share

1. Basic earnings per share

	January to March 2024	January to March 2023
Net income attributable to holders of the Company's ordinary shares	<u>\$ 156,331</u>	<u>45,993</u>
Weighted average number of outstanding ordinary shares (in thousands of shares)	<u>58,685</u>	<u>58,685</u>
Basic earnings per share (NT\$)	<u>\$ 2.66</u>	<u>0.78</u>

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

2. Diluted earnings per share

	January to March 2024	January to March 2023
Net income attributable to holders of the Company's ordinary shares	\$ 156,331	45,993
Weighted average number of outstanding ordinary shares (in thousands of shares)	58,685	58,685
The effect of employee remuneration	787	683
Weighted average number of outstanding ordinary shares (after adjustment for the effect of potentially dilute ordinary shares)	59,472	59,368
Diluted earnings per share (NT\$)	\$ 2.63	0.77

(XIV) Revenue from customer contracts

1. Breakdown of income

	January to March 2024	January to March 2023
Major sales market:		
Taiwan	\$ 381,901	446,101
Germany	275,419	71,061
U.S.	73,942	13,921
Sweden	21,043	24,488
The UK	2,893	68,800
Other Countries	2,757	10,240
Total	\$ 757,955	634,611
Main product/service lines:		
Business computer	\$ 322,997	362,825
Rugged computer	416,660	257,140
Repair and maintenance services and others	18,298	14,646
	\$ 757,955	634,611

2. Contract balance

	2024.3.31	2023.12.31	2023.3.31
Notes and accounts receivable (related parties)	\$ 384,524	429,522	144,716
Less: Allowance for losses	-	-	-
Total	\$ 384,524	429,522	144,716
Contract liabilities (including related parties)	\$ 206,589	237,639	247,145

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

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 Consolidated Company delivers the products to clients. The opening balances of contract liabilities as at January 1, 2024 and 2023 recognized in income for the three months ended March 31, 2024 and 2023 were NT\$41,484 thousand and NT\$19,126 thousand, respectively.

(XV) 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 ended March 31, 2024 and 2023 were NT\$19,633 and NT\$6,223 thousand, respectively, and the estimated amounts of directors' remuneration for the periods then ended were NT\$3,935 thousand and NT\$1,247 thousand, 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 2023 and 2022 employee remuneration were NT\$61,896 thousand and NT\$31,608 thousand, respectively, and the estimated amounts of directors' remuneration for the periods then ended were NT\$12,634 thousand and NT\$6,335 thousand, 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.

(XVI) Non-operating income and expenses

1. Interest income

	January to March 2024	January to March 2023
Interest income from cash in banks	\$ 820	739
Other interest income	1,068	1,150
	<u>\$ 1,888</u>	<u>1,889</u>

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

2. Other income

	January to March 2024	January to March 2023
COVID-19-related rent concessions	\$ -	15
Others	577	278
	<u>\$ 577</u>	<u>293</u>

3. Other gains and losses

	January to March 2024	January to March 2023
Foreign exchange gains (losses)	\$ 14,263	(1,254)
Net gain on financial assets at fair value through profit or loss	51	122
Gain on disposal of property, plant and equipment	198	-
Others	-	(23)
	<u>\$ 14,512</u>	<u>(1,155)</u>

4. Financial cost

	January to March 2024	January to March 2023
Interest expense:		
Lease liabilities	\$ (290)	(185)
Others	(10)	(7)
	<u>\$ (300)</u>	<u>(192)</u>

(XVII) 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(18) of the consolidated financial report for the year 2023 for relevant information.

1. Types of Financial Instruments

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

(1) Financial assets

	<u>2024.3.31</u>	<u>2023.12.31</u>	<u>2023.3.31</u>
Financial assets at fair value through profit or loss - current:			
Money funds	\$ 150,051	-	60,152
Financial assets at fair value through other comprehensive income - non-current:			
Unlisted stocks	18,262	18,262	19,819
Overseas listed stocks	900,274	847,713	885,297
Financial assets at amortized cost:			
Cash and cash equivalents	450,369	311,156	428,032
Notes and accounts receivable (related parties)	384,524	429,522	144,716
Other payables (including related parties)	-	5,004	-
Other financial assets - current	215,100	206,100	206,100
Other non-current assets - guarantee deposits paid	9,009	8,500	6,266
Total	<u>\$ 2,127,589</u>	<u>1,826,257</u>	<u>1,750,382</u>

(2) Financial liabilities

	<u>2024.3.31</u>	<u>2023.12.31</u>	<u>2023.3.31</u>
Financial liabilities at amortized cost:			
Lease liabilities	\$ 89,157	75,816	50,905
Notes and accounts payable	154,382	153,386	238,154
Other payables (including related parties)	160,500	150,795	102,105
Total	<u>\$ 404,039</u>	<u>379,997</u>	<u>391,164</u>

2. Liquidity risk

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

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

	Contractual cash flows	Less than 6 months	6-12 months	1-2 year(s)	2-5 years
March 31, 2024					
Notes and accounts payable	\$ (154,382)	(154,382)	-	-	-
Lease liabilities	(91,549)	(19,680)	(16,738)	(25,083)	(30,048)
Other payables (including related parties)	(160,500)	(160,500)	-	-	-
	<u>\$ (406,431)</u>	<u>(334,562)</u>	<u>(16,738)</u>	<u>(25,083)</u>	<u>(30,048)</u>
December 31, 2023					
Notes and accounts payable	\$ (153,386)	(153,386)	-	-	-
Lease liabilities	(77,837)	(17,901)	(16,831)	(22,884)	(20,221)
Other payables (including related parties)	(150,795)	(150,795)	-	-	-
	<u>\$ (382,018)</u>	<u>(322,082)</u>	<u>(16,831)</u>	<u>(22,884)</u>	<u>(20,221)</u>
March 31, 2023					
Notes and accounts payable	\$ (238,154)	(238,154)	-	-	-
Lease liabilities	(52,459)	(14,488)	(9,091)	(13,809)	(15,071)
Other payables (including related parties)	(102,105)	(102,105)	-	-	-
	<u>\$ (392,718)</u>	<u>(354,747)</u>	<u>(9,091)</u>	<u>(13,809)</u>	<u>(15,071)</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:

2024.3.31				2023.12.31				2023.3.31			
Foreign currency		Exchange rate	NT\$	Foreign currency		Exchange rate	NT\$	Foreign currency		Exchange rate	NT\$
<u>Financial assets</u>											
<u>Monetary</u>											
<u>item</u>											
USD	\$	12,190	32.000	390,080	13,645	30.705	418,970	7,183	30.450	218,722	
<u>Financial</u>											
<u>liabilities</u>											
<u>Monetary</u>											
<u>item</u>											
USD		43	32.000	1,376	91	30.705	2,794	25	30.450	761	

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 NT\$ depreciated or appreciated by 1% against USD, with all other variables remaining unchanged, the Group's net income before tax for the three

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

months ended March 31, 2024 and 2023 would have increased or decreased by NT\$3,887 thousand and NT\$2,180 thousand, respectively. The same basis was used for analyses for both periods.

Due to the diverse functional currencies within the consolidated company, the information on foreign exchange gains or losses related to monetary items is disclosed on an aggregated basis. The foreign exchange (losses) gains (including realized and unrealized) for the 2024 and 2023 were NT\$14,263 thousand and (NT\$1,254 thousand), respectively.

4. Fair value information

(1) Financial instruments not at fair value

The Consolidated Company'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 Consolidated Company'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).

		2024.3.31			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss - current:					
Money funds	\$ 150,051	150,051	-	-	150,051
Financial assets at fair value through other comprehensive income - non-current:					
Unlisted stocks	\$ 18,262	-	-	18,262	18,262
Overseas stocks	900,274	900,274	-	-	900,274
Total	\$ 918,536	900,274	-	18,262	918,536

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

		2023.12.31				
		Fair value				
	Carrying amount	Level 1	Level 2	Level 3	Total	
Financial assets at fair value through other comprehensive income - non-current:						
Unlisted stocks	\$ 18,262	-	-	18,262	18,262	
Overseas stocks	847,713	847,713	-	-	847,713	
Total	\$ 865,975	847,713	-	18,262	865,975	
		2023.3.31				
		Fair value				
	Carrying amount	Level 1	Level 2	Level 3	Total	
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	
Total	\$ 905,116	885,297	-	19,819	905,116	

There were no transfers of financial assets and liabilities within the fair value hierarchy during the three months ended March 31, 2024 and 2023.

(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 Consolidated Company, 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

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

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 Consolidated Company'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 (as of March 31, 2024, December 31, 2023 and March 31, 2023 was 11.22%, 11.22% and 7.56%), 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 Consolidated Company 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, 2024				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	Cost of equity capital	0.25%	<u>\$ 113</u>	<u>112</u>
December 31, 2023				
Financial assets at fair value through other comprehensive income				

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

		Increase or decrease change	Changes in fair value reflected in other comprehensive income	
Input			Favorable change	Unfavorable change
Unlisted stocks	Cost of equity capital	0.25%	<u>113</u>	<u>112</u>

March 31, 2023

Financial assets at fair
value through other
comprehensive
income

Unlisted stocks	Cost of equity capital	0.25%	<u>\$ 126</u>	<u>124</u>
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The Consolidated Company'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.

(XVIII) Financial risk management

There is no significant difference between the Group's financial risk management goals and policies and those disclosed in Note 6 (19) to the 2023 consolidated financial statements.

(XIX) Capital management

The Group's capital management goals, policies, and procedures are consistent with those disclosed in the 2023 consolidated financial statements. There was no significant difference between the aggregate quantitative data on items under capital management and those disclosed in the 2023 consolidated financial statements. Please refer to Note 6(20) of the 2023 consolidated financial statements for relevant information.

(XX) 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:

Non-cash changes				The effects of changes in foreign exchange rates	2024.3.31
2024.1.1	Cash flows	Additions	Decrease		
Lease liabilities	\$ 75,816	(9,386)	23,726	(1,002)	3 89,157

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

	<u>2023.1.1</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>The effects of changes in foreign exchange rates</u>	<u>2023.3.31</u>
			<u>Additions</u>	<u>Decrease</u>		
Lease liabilities	<u>\$ 49,896</u>	<u>(7,996)</u>	<u>9,002</u>	<u>-</u>	<u>3</u>	<u>50,905</u>

VII. Related-Party Transactions

(I) Name of related party and relations

The related parties with transactions with the Consolidated Company during the period covered by these consolidated financial statements are as follows:

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

(II) Significant Transactions with Related Parties

1. Operating revenue

	<u>January to March 2024</u>	<u>January to March 2023</u>
Other related parties		
Roda Computer GmbH	<u>\$ 274,049</u>	<u>71,061</u>

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>2024.3.31</u>	<u>2023.12.31</u>	<u>2023.3.31</u>
Other related parties			
Roda Computer GmbH	<u>\$ 274,199</u>	<u>309,437</u>	<u>44,249</u>

3. Other payables (including related parties)

	<u>2024.3.31</u>	<u>2023.12.31</u>	<u>2023.3.31</u>
Other related parties			
Roda Computer GmbH	<u>\$ -</u>	<u>5,004</u>	<u>-</u>

Accrued dividends that are payable to related parties.

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

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

	<u>2024.3.31</u>	<u>2023.12.31</u>	<u>2023.3.31</u>
Other related parties			
Roda Computer GmbH	\$ 39,533	43,694	50,615

5. Repair and maintenance and other operating revenue

	<u>January to March 2024</u>	<u>January to March 2023</u>
Other related parties		
Roda Computer GmbH	\$ 1,370	2,474

All receivables from the above transactions have been received.

6. Technical service, repair and maintenance, and other fees

	Fees on technical service, repair and maintenance, and others		Other accounts payable		
	January to March 2024	January to March 2023	2024.3.31	2023.12.31	2023.3.31
Other related parties	\$ 309	405	-	95	-

7. Equity transaction

On January 26, 2024 and March 6, 2023, the Group sold 1.5% and 7.6% of its subsidiary Flexbasis to Chou, Yung-Hsiang for cash amounts of NT\$1,008 thousand and NT\$5,040 thousand, respectively. The company has received the aforementioned transaction amounts.

(III) Remuneration to key management personnel

Remuneration to key management personnel includes:

	<u>January to March 2024</u>	<u>January to March 2023</u>
Short-term employee benefits	\$ 14,018	4,596
Post-employment benefits	70	74
	\$ 14,088	4,670

VIII. Pledged Assets

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

<u>Name of asset</u>	<u>Item pledged as collateral</u>	<u>2024.3.31</u>	<u>2023.12.31</u>	<u>2023.3.31</u>
Time deposit (under “other non-current assets”)	Customs guarantee	\$ 1,000	1,000	200

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

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

X. Major Disaster Losses: None.

XI. Material Events After the Balance Sheet Date

The Group intends to sell all of its shares in Roda Computer Gmb to Mildef Group AB in 2024.

XII. Others

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

By function By nature	January to March 2024			January to March 2023		
	Related to operating costs	Related to operating expenses	Total	Related to operating costs	Related to operating expenses	Total
Cost of Employee benefits						
Salary and wages	30,023	46,369	76,392	19,797	34,243	54,040
Labor and health insurance	2,299	3,994	6,293	1,999	3,777	5,776
Pension	1,071	2,241	3,312	942	2,009	2,951
Other employee benefits	483	710	1,193	205	563	768
Depreciation expense	7,564	7,689	15,253	5,092	7,609	12,701
Amortization expense	537	684	1,221	517	866	1,383

- (II) Seasonality of operations

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

XIII. Additional Disclosures

- (I) Information on Related Significant Transactions

The material transactions during the three months ended March 31, 2024 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):

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

Unit: In thousands of shares/thousands of units/thousands of NT\$

Company	Type and name of securities held	Relations with the securities issuer	Account items	End of the period				Remark
				Number of shares	Carrying amount	Shareholding ratio	Fair value/ Net worth	
The Company	Roda Computer GmbH Shares	The Company is one of the company's three shareholders	Financial assets at fair value through other comprehensive income - non-current	8	18,262	8.00%	18,262	
The Company	Shares of Alliance Technology Co., Ltd.	-	"	100	-	0.79%	-	
The Company	Shares of MilDef Group AB	-	"	3,783	900,274	9.49%	900,274	
The Company	UPAMC James Bond Money Market Fund		Financial assets at fair value through profit or loss - current	2,908	50,017	-	50,017	
The Company	Hua Nan Phoenix Money Market Fund		"	2,981	50,017	-	50,017	
The Company	Jih Sun Money Market Fund		"	3,268	50,017	-	50,017	

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. 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

Unit: 14,31000

The company engaged in the purchase (or sale) of goods.	Transaction counterparty	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	274,049	36.16 %	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)	-	274,199	71.30%	

(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 counterparty	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	274,199	3.76	-		94,178	-

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

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 counterparty	Relationship with transaction counterparty (Note 2)	Transaction details			
				Items	Amount	Transaction terms	As a percentage of consolidated total revenue or total assets (%)
1	Flexbasis	The Company	2	Sales income	18,246	Net 60 days end of the following month	2.41

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 counterparty are indicated as follows:

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

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 three months ended March 31, 2024

Unit: In thousands of shares/thousands of NT\$

Name of investor	Name of investee	Location	Main business	Initial investment amount		Holdings at 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	Flexbasis Technology Inc.	New Taipei City	Manufacturing	23,424	24,054	2,080	56.22%	31,931	3,509	4,482	(Note)
The Company	MILDEF CRETE AUSTRALASIA PTY. LTD.	Australia	Trade	12,548	12,548	600	100.00%	10,171	(713)	(713)	(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 percentage
Shen Yi-Tong		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.

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

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.