

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

Second 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 June 30, 2024 and 2023; the relevant consolidated statements of comprehensive income for the three months and six months ended June 30, 2024 and 2023, and the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2024 and 2023, 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 June 30, 2024 and 2023 as well as consolidated financial performance for the three months and six months ended June 30, 2024 and 2023, and consolidated cash flows for six months ended June 30, 2024 and 2023.

KPMG Taiwan

CPA:

Ching-Wen Kao
Mei-Yan Chen

Competent Securities Authority's
Approval Document No.

: FSC Review Letter No. 1060005191
(88) Securities and Futures Commission
(6) No. 18311

August 7, 2024

Mildef Crete Inc. and Its Subsidiaries

Consolidated Balance Sheets

As of June 30, 2024, December 31, 2023, and June 30, 2023

Unit: NT\$1000

		2024.6.30		2023.12.31		2023.6.30				2024.6.30		2023.12.31		2023.6.30			
Assets		Amount	%	Amount	%	Amount	%	Liabilities and equity		Amount	%	Amount	%	Amount	%		
Current assets:								Current liabilities:									
1100	Cash and cash equivalents (Note 6 (1))	\$	569,824	15	311,156	9	436,129	13	2130	Contract liabilities - current (Notes 6 (14) and 7)	\$	171,002	4	237,639	7	257,260	8
1110	Financial assets at fair value through profit or loss - current (Note 6 (2))		150,560	4	-	-	60,333	2	2150	Notes payable		37,200	1	34,132	1	68,734	2
1150	Notes and accounts receivable, net (Notes 6 (3) and (14))		62,978	2	120,085	3	63,711	2	2170	Accounts payable		137,757	4	119,254	3	153,301	5
1180	Accounts receivable - related parties, net (Notes 6 (3) & (14), 7)		298,915	8	309,437	9	129,101	4	2209	Other payables (Notes 6 (15) and 7)		186,274	5	150,795	5	121,305	4
1212	Other payables - related parties (Note 7)		40,888	1	5,004	-	-	-	2216	Dividends payables (Note 6 (12))		316,902	8	-	-	211,268	6
130X	Inventories (Note 6 (4))		1,182,988	31	1,197,819	34	1,227,027	36	2230	Current income tax liabilities		106,169	3	107,867	3	50,005	1
1476	Other financial assets - current (Note 6 (1))		215,100	6	206,100	6	206,100	6	2280	Lease liabilities - current (Note 6 (8))		33,499	1	33,798	1	28,423	1
1479	Other current assets		18,370	-	17,976	1	20,960	1	2399	Other current liabilities		1,347	-	560	-	820	-
Total current assets			2,539,623	67	2,167,577	62	2,143,361	64	Total current liabilities			990,150	26	684,045	20	891,116	27
Non-current assets:								Non-current liabilities:									
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6 (2))		722,496	19	865,975	26	819,808	25	2552	Provisions for warranty liabilities (Note 6 (9))		15,983	-	13,152	-	13,202	-
1600	Property, plant and equipment (Note 6 (5))		346,124	9	256,545	7	249,567	7	2570	Deferred income tax liabilities		138,598	4	166,833	5	161,348	5
1755	Right-of-use assets (Note 6 (6))		81,052	2	75,344	2	63,885	2	2580	Lease liabilities - non-current (Note 6 (8))		48,200	1	42,018	1	35,800	1
1780	Intangible assets (Note 6 (7))		6,904	-	6,458	-	7,447	-	2640	Net defined benefit liabilities — non-current		24,962	1	30,301	1	27,259	1
1840	Deferred income tax assets		74,107	2	74,107	2	64,860	2	Total non-current liabilities			227,743	6	252,304	7	237,609	7
1990	Other non-current assets (Note 8)		23,721	1	48,162	1	6,269	-	Total liabilities			1,217,893	32	936,349	27	1,128,725	34
Total non-current assets			1,254,404	33	1,326,591	38	1,211,836	36	Equity attributed to owners of the parent company (Note 6 (12)):								
								3110	Ordinary share capital		586,855	15	586,855	17	586,855	17	
								3200	Capital surplus		74,381	2	74,113	2	74,113	2	
								3300	Retained earnings		1,697,509	45	1,634,564	47	1,343,651	40	
								3400	Other equity		197,057	5	241,646	7	200,988	6	
									Equity attributed to owners of the parent company		2,555,802	67	2,537,178	73	2,205,607	65	
								36xx	Non-controlling interests		20,332	1	20,641	-	20,865	1	
								Total equity			2,576,134	68	2,557,819	73	2,226,472	66	
Total assets		\$	3,794,027	100	3,494,168	100	3,355,197	100	Total liabilities and equity		\$	3,794,027	100	3,494,168	100	3,355,197	100

Mildef Crete Inc. and Its Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three Months and Six Months Ended June 30, 2024 and 2023

Unit: NT\$1000

		April to June 2024		April to June 2023		January to June 2024		January to June 2023	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (Notes 6 (14), 7 and 14)	\$ 727,442	100	686,793	100	1,485,397	100	1,321,404	100
5000	Operating cost (Notes 6(4), (5), (6), (8), (9), (10), (15), 7, and 12)	<u>481,497</u>	<u>66</u>	<u>458,285</u>	<u>67</u>	<u>979,067</u>	<u>66</u>	<u>969,021</u>	<u>73</u>
	Gross operating profit	<u>245,945</u>	<u>34</u>	<u>228,508</u>	<u>33</u>	<u>506,330</u>	<u>34</u>	<u>352,383</u>	<u>27</u>
	Operating expenses (Notes 6(5), (6), (8), (10), (15), 7, and 12):								
6100	Selling and marketing expenses	43,748	6	38,949	6	84,413	6	75,123	5
6200	General and administrative expenses	18,255	3	14,028	2	33,916	2	23,465	2
6300	Research and development expenses	<u>29,751</u>	<u>4</u>	<u>19,857</u>	<u>3</u>	<u>53,505</u>	<u>3</u>	<u>37,144</u>	<u>3</u>
	Total operating expenses	<u>91,754</u>	<u>13</u>	<u>72,834</u>	<u>11</u>	<u>171,834</u>	<u>11</u>	<u>135,732</u>	<u>10</u>
	Net operating profit	<u>154,191</u>	<u>21</u>	<u>155,674</u>	<u>22</u>	<u>334,496</u>	<u>23</u>	<u>216,651</u>	<u>17</u>
	Non-operating income and expenses:								
7100	Interest income (Note 6 (16))	3,510	-	3,142	-	5,398	-	5,031	-
7010	Other income (Notes 6 (8) and (16))	61,249	9	159	-	61,826	4	452	-
7020	Other gains and losses (Note 6 (16))	6,257	1	6,441	2	20,769	1	5,286	-
7510	Financial costs (Notes 6 (8) and (16))	<u>(343)</u>	<u>-</u>	<u>(190)</u>	<u>-</u>	<u>(643)</u>	<u>-</u>	<u>(382)</u>	<u>-</u>
	Total non-operating income and expenses	<u>70,673</u>	<u>10</u>	<u>9,552</u>	<u>2</u>	<u>87,350</u>	<u>5</u>	<u>10,387</u>	<u>-</u>
	Net profit before tax	224,864	31	165,226	24	421,846	28	227,038	17
7951	Minus: Income tax expense (Note 6 (11))	<u>54,172</u>	<u>8</u>	<u>33,790</u>	<u>5</u>	<u>91,332</u>	<u>6</u>	<u>47,439</u>	<u>4</u>
	Current net profit	<u>170,692</u>	<u>23</u>	<u>131,436</u>	<u>19</u>	<u>330,514</u>	<u>22</u>	<u>179,599</u>	<u>13</u>
8300	Other comprehensive income (Note 6 (11)):								
8310	Items not reclassified as income and loss								
	Unrealized gain (loss) on investments in equity instruments as at								
8316	fair value through other comprehensive income	(132,627)	(18)	(77,121)	(11)	10,300	1	(213,879)	(16)
8349	Minus: Income tax related to items not reclassified	<u>(26,525)</u>	<u>(4)</u>	<u>(15,424)</u>	<u>(2)</u>	<u>2,060</u>	<u>-</u>	<u>(42,776)</u>	<u>(3)</u>
	Total amount of items not reclassified to profit or loss	<u>(106,102)</u>	<u>(14)</u>	<u>(61,697)</u>	<u>(9)</u>	<u>8,240</u>	<u>1</u>	<u>(171,103)</u>	<u>(13)</u>
8360	Items that may be reclassified subsequently to profit or loss								
	Exchange differences arising from the translation of the financial								
8361	statements of foreign operations	403	-	148	-	315	-	(172)	-
8399	Minus: Income tax related to potentially classifiable items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total amount of items that may be reclassified subsequently to profit or loss	<u>403</u>	<u>-</u>	<u>148</u>	<u>-</u>	<u>315</u>	<u>-</u>	<u>(172)</u>	<u>-</u>
8300	Other comprehensive income	<u>(105,699)</u>	<u>(14)</u>	<u>(61,549)</u>	<u>(9)</u>	<u>8,555</u>	<u>1</u>	<u>(171,275)</u>	<u>(13)</u>
	Total amount of other current comprehensive gains and losses	<u>\$ 64,993</u>	<u>9</u>	<u>69,887</u>	<u>10</u>	<u>339,069</u>	<u>23</u>	<u>8,324</u>	
	Net profit/(loss) attributable to:								
8610	Owners of the Parent Company	\$ 170,372	23	127,573	18	326,703	22	173,566	13
8620	Non-controlling interests	<u>320</u>	<u>-</u>	<u>3,863</u>	<u>1</u>	<u>3,811</u>	<u>-</u>	<u>6,033</u>	<u>-</u>
		<u>\$ 170,692</u>	<u>23</u>	<u>131,436</u>	<u>19</u>	<u>330,514</u>	<u>22</u>	<u>179,599</u>	<u>13</u>
	Total comprehensive income/(loss) attributable to:								
8710	Owners of the Parent Company	\$ 64,673	9	66,024	9	335,258	23	2,291	-
8720	Non-controlling interests	<u>320</u>	<u>-</u>	<u>3,863</u>	<u>1</u>	<u>3,811</u>	<u>-</u>	<u>6,033</u>	<u>-</u>
		<u>\$ 64,993</u>	<u>9</u>	<u>69,887</u>	<u>10</u>	<u>339,069</u>	<u>23</u>	<u>8,324</u>	<u>-</u>
	Earnings per share (NT\$; (Note 6 (13))								
	Basic earnings per share	<u>\$ 2.90</u>		<u>2.17</u>		<u>5.57</u>		<u>2.96</u>	
	Diluted earnings per share	<u>\$ 2.88</u>		<u>2.16</u>		<u>5.50</u>		<u>2.92</u>	

(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 Six Months Ended June 30, 2024 and 2023

Unit: NT\$1000

	Retained earnings					Other Equity Items						
	Ordinary share capital	Capital surplus	Legal 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, 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	-	-	-	173,566	173,566	-	-	-	-	173,566	6,033	179,599
Other comprehensive income	-	-	-	-	-	(172)	(171,103)	-	(171,275)	(171,275)	-	(171,275)
Total amount of other current comprehensive gains and losses	-	-	-	173,566	173,566	(172)	(171,103)	-	(171,275)	2,291	6,033	8,324
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 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
Cash dividends on acquiring subsidiaries with non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,692)	(4,692)
Disposal of equity instruments designated at fair value through other comprehensive income(Note 6 (2))	-	-	-	8,562	8,562	-	(8,562)	-	(8,562)	-	-	-
Balance on June 30, 2023	\$ 586,855	74,113	542,578	801,073	1,343,651	(172)	207,808	(6,648)	200,988	2,205,607	20,865	2,226,472
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	-	-	-	326,703	326,703	-	-	-	-	326,703	3,811	330,514
Other comprehensive income	-	-	-	-	-	315	8,240	-	8,555	8,555	-	8,555
Total amount of other current comprehensive gains and losses	-	-	-	326,703	326,703	315	8,240	-	8,555	335,258	3,811	339,069
Appropriation and distribution of earnings:												
Legal reserve	-	-	47,303	(47,303)	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	(316,902)	(316,902)	-	-	-	-	(316,902)	-	(316,902)
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
Cash dividends on acquiring subsidiaries with non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,860)	(4,860)
Disposal of equity instruments designated at fair value through other comprehensive income(Note 6 (2))	-	-	-	53,144	53,144	-	(53,144)	-	(53,144)	-	-	-
Balance on June 30, 2024	\$ 586,855	74,381	589,881	1,107,628	1,697,509	335	207,118	(10,396)	197,057	2,555,802	20,332	2,576,134

(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 Six Months Ended June 30, 2024 and 2023

Unit: NT\$1000

	January to June 2024	January to June 2023
Cash flows from operating activities:		
Net income before tax	\$ 421,846	227,038
Adjustments for:		
Profit and loss		
Depreciation expense	32,851	25,893
Amortization expense	2,323	2,714
Net gain on financial assets at fair value through profit or loss	(560)	(303)
Interest expense	643	382
Interest income	(5,398)	(5,031)
Dividend income	(61,203)	-
Gain on disposal of property, plant and equipment	(198)	-
Lease modification benefits	(4)	-
Others	(46)	-
Total profit/(loss)	(31,592)	23,655
Changes in assets/liabilities related to operating activities:		
Net changes in assets related to operating activities:		
Notes and accounts receivable	57,107	32,469
Accounts receivable - related parties	10,522	(117,418)
Inventories	14,831	(185,953)
Other current assets	(394)	4,339
Total net changes in assets related to operating activities	82,066	(266,563)
Net changes in liabilities related to operating activities		
Contract liabilities	(66,637)	10,596
Notes payable	3,068	15,523
Accounts payable	18,503	3,678
Other payable - related parties	-	(2,010)
Provisions for warranty liabilities	2,831	6,347
Other accounts payable and other current liabilities	36,266	15,247
Net defined benefit liabilities	(5,339)	(1,478)
Total amount of net changes in liabilities related to operating activities	(11,308)	47,903
Total amount of net changes in assets and liabilities related to operating activities	70,758	(218,660)
Total adjustments	39,166	(195,005)
Net cash generated from/(used in) operations	461,012	32,033
Interest received	5,398	5,031
Income tax paid	(108,121)	(36,030)
Net cash inflow from operating activities	358,289	1,034
Cash flows from investing activities:		
Disposal of financial assets at fair value through other comprehensive income	153,779	20,813
Purchase of financial assets at fair value through profit or loss	(150,000)	(40,000)
Acquisition of property, plant and equipment	(75,330)	(16,585)
Disposal of property, plant and equipment	346	-
Acquisition of intangible assets	(2,769)	(744)
Increase in other financial assets - current	(9,000)	-
Increase in other non-current assets	(378)	(669)
Increase in prepayments for renovation and equipment	(3,148)	-
Dividends received	10,161	-
Net cash outflow from investing activities	(76,339)	(37,185)
Cash flows from financing activities:		
Payment of the principal portion of lease liabilities	(19,102)	(16,265)
Dividends paid to non-controlling interests	(4,860)	(4,692)
Disposal of equity in subsidiaries (without control lost)	1,008	5,040
Interests paid	(643)	(382)
Net cash outflow from financing activities	(23,597)	(16,299)
Effect of exchange rate changes on cash and cash equivalents	315	(172)
Increase (decrease) in cash and cash equivalents	258,668	(52,622)
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	\$ 569,824	436,129

(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
Second 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 “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 August 7, 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) 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, 2025, which will not cause any significant impact on its consolidated financial statements.

- Amendments to IAS 21 “Lack of Exchangeability”

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 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:

New and amended standards	Main amendments	Effective date announced by the IASB
International Financial Reporting Standard No. 18 "Presentation and Disclosure of Financial Statements"	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.	January 1, 2027
International Financial Reporting Standard No. 18 "Presentation and Disclosure of Financial Statements"	<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”
- Amendments to IFRS 17 “Insurance Contracts” and IFRS 17
- IFRS 19 "Subsidiaries without Public Accountability: Disclosures"
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)
- Annual improvements to IFRSs

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
			2024.6.30	2023.12.31	2023.6.30	
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%	

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

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

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

(III) Employee benefits

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

(IV) Income tax

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

Income tax expense recognized directly in equity or other comprehensive income is measured at the tax rate that is expected to be applicable when temporary differences between 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 2023 consolidated financial statements.

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

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

	<u>2024.6.30</u>	<u>2023.12.31</u>	<u>2023.6.30</u>
Cash on hand	\$ 437	551	432
Checking deposit and demand deposit	569,387	310,605	435,697
	<u><u>\$ 569,824</u></u>	<u><u>311,156</u></u>	<u><u>436,129</u></u>

The Group's bank time deposits with the initial duration of more than three months as of June 30, 2024, December 31, 2023, and June 30, 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

	<u>2024.6.30</u>	<u>2023.12.31</u>	<u>2023.6.30</u>
Money funds	<u><u>\$ 150,560</u></u>	<u><u>-</u></u>	<u><u>60,333</u></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

	<u>2024.6.30</u>	<u>2023.12.31</u>	<u>2023.6.30</u>
Unlisted stocks	\$ 18,262	18,262	19,819
Overseas stocks	704,234	847,713	799,989
Total	<u><u>\$ 722,496</u></u>	<u><u>865,975</u></u>	<u><u>819,808</u></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 period from January 1 to June 30, 2024 and 2023, the Group sold a portion of the overseas listed stocks mentioned above as part of its investment strategy. The fair values at the time of disposal were NT\$153,779 thousand and NT\$20,813

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

thousand, respectively. The accumulated gains from the disposal were NT\$53,144 thousand and NT\$8,562 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:

	2024.6.30			2023.12.31			2023.6.30		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
EUR	\$ 526	34.71	18,262	537	33.98	18,262	556	33.81	18,819
SEK	230,896	3.05	704,234	275,231	3.08	847,713	278,742	2.87	799,989

As of June 30, 2024, December 31, 2023 and June 30, 2023, none of the Group's financial assets above had been pledged as collateral.

(III) Notes and accounts receivable (related parties)

	2024.6.30	2023.12.31	2023.6.30
Notes and accounts receivable	\$ 62,978	120,085	63,711
Accounts receivable - related parties	298,915	309,437	129,101
Less: Allowance for losses	-	-	-
	<u>\$ 361,893</u>	<u>429,522</u>	<u>192,812</u>

The Group 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 Groups notes and accounts receivable is as follows:

	2024.6.30		
	Carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for lifetime expected credit losses
Not past due	\$ 361,881	0.00000%	-
Payment is due within 30 days	12	0.00002%	-
	<u>\$ 361,893</u>		<u>-</u>

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

		2023.12.31		
		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%	-
Payment is due within 30 days		34,309	0.00003%	-
Overdue for 31 to 60 days		40	0.00792%	-
	\$	429,522		-
		2023.6.30		
		Carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for lifetime expected credit losses
Not past due	\$	192,809	0.00001%	-
Payment is due within 30 days		3	0.00011%	-
	\$	192,812		-
(IV) Inventories				
		2024.6.30	2023.12.31	2023.6.30
Merchandise	\$	162,568	111,765	188,828
Finished goods		4,774	1,689	7,582
Semi-finished goods		136,579	131,130	143,617
Work in process		293,219	386,932	393,599
Raw materials		585,848	566,303	493,401
	\$	1,182,988	1,197,819	1,227,027

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

	April to June 2024	April to June 2023	January to June 2024	January to June 2023
Costs of inventories sold	\$ 473,249	464,531	948,867	941,278
Warranty provision (reversal)	(992)	(2,062)	3,910	7,638
Inventory valuation loss (gain on reversal)	9,240	(4,184)	26,290	20,105
	\$ 481,497	458,285	979,067	969,021

The above inventory valuation loss (gain on reversal) refers to the inventory valuation loss recognized by the Group due to the write-down of the inventory to the net realizable value; or it is due to the fact that the inventory at the beginning of the period was sold in the current period, resulting in a decrease in the allowance for inventory

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

valuation loss that should be recognized at the end of the period, so the gain on reversal occurred and was 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 as of January 1, 2024	\$ 147,478	75,609	109,746	7,567	2,212	91,532	434,144
Additions	-	-	53,472	1,500	-	20,358	75,330
Disposal	-	-	(400)	(1,500)	-	-	(1,900)
Reclassification (Note)	-	-	26,958	-	-	1,009	27,967
Balance on June 30, 2024	\$ 147,478	75,609	189,776	7,567	2,212	112,899	535,541
Balance on January 1, 2023	\$ 147,478	72,775	93,919	7,567	762	83,242	405,743
Additions	-	2,413	3,732	-	1,367	9,073	16,585
Disposal	-	-	-	-	-	(4,746)	(4,746)
Balance on June 30, 2023	\$ 147,478	75,188	97,651	7,567	2,129	87,569	417,582
Accumulated depreciation:							
Balance as of January 1, 2024	\$ -	30,094	70,428	5,881	632	70,564	177,599
Depreciation	-	1,636	5,306	513	124	5,991	13,570
Disposal	-	-	(252)	(1,500)	-	-	(1,752)
Balance on June 30, 2024	\$ -	31,730	75,482	4,894	756	76,555	189,417
Balance on January 1, 2023	\$ -	27,169	64,497	4,969	453	66,155	163,243
Depreciation	-	1,296	2,954	524	52	4,692	9,518
Disposal	-	-	-	-	-	(4,746)	(4,746)
Balance on June 30, 2023	\$ -	28,465	67,451	5,493	505	66,101	168,015
Book value:							
June 30, 2024	\$ 147,478	43,879	114,294	2,673	1,456	36,344	346,124
January 1, 2024	\$ 147,478	45,515	39,318	1,686	1,580	20,968	256,545
June 30, 2023	\$ 147,478	46,723	30,200	2,074	1,624	21,468	249,567

(Note) This amount has been transferred from the payments for prepaid equipment.

(VI) Right-of-use assets

	Buildings
Cost of right-of-use assets:	
Balance as of January 1, 2024	\$ 198,865
Additions	25,978
Decrease	(8,232)
The effects of changes in foreign exchange rates	33
Balance on June 30, 2024	\$ 216,644
Balance on January 1, 2023	\$ 141,471
Additions	30,593
Decrease	(1,777)
The effects of changes in foreign exchange rates	(1)
Balance on June 30, 2023	\$ 170,286
Accumulated depreciation of right-of-use assets:	
Balance as of January 1, 2024	\$ 123,521
Depreciation in this period	19,281
Decrease	(7,234)

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

	Buildings
The effects of changes in foreign exchange rates	24
Balance on June 30, 2024	<u>\$ 135,592</u>
Balance on January 1, 2023	\$ 91,803
Depreciation in this period	16,375
Decrease	<u>(1,777)</u>
Balance on June 30, 2023	<u>\$ 106,401</u>
Book value:	
June 30, 2024	<u>\$ 81,052</u>
January 1, 2024	<u>\$ 75,344</u>
June 30, 2023	<u>\$ 63,885</u>

(VII) Intangible assets

	Computer software
Carrying amount:	
June 30, 2024	<u>\$ 6,904</u>
January 1, 2024	<u>\$ 6,458</u>
June 30, 2023	<u>\$ 7,447</u>

There was no significant addition, disposal, provision for impairment, or reversal of the Group's intangible assets during the six months ended June 30, 2024 and 2023. 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.

(VIII) Lease liabilities

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

	2024.6.30	2023.12.31	2023.6.30
Current	<u>\$ 33,499</u>	<u>33,798</u>	<u>28,423</u>
Non-current	<u>\$ 48,200</u>	<u>42,018</u>	<u>35,800</u>

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

	April to June 2024	April to June 2023	January to June 2024	January to June 2023
Interest expenses on lease liabilities	<u>\$ 334</u>	<u>183</u>	<u>624</u>	<u>368</u>
Short-term lease expenses	<u>\$ 77</u>	<u>55</u>	<u>198</u>	<u>258</u>
COVID-19-related rent concessions	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>15</u>

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

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

	January to June 2024	January to June 2023
Total cash outflow from leases	<u>\$ 19,924</u>	<u>16,891</u>

The Group 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 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.

(IX) Provision for Liabilities

	Warranty
Balance as of January 1, 2024	\$ 13,152
Provision for new liabilities in the current period	3,910
Provision for liabilities used in the current period	(1,079)
Balance on June 30, 2024	<u>\$ 15,983</u>

	Warranty
Balance on January 1, 2023	\$ 6,855
Provision for new liabilities in the current period	7,638
Provision for liabilities used in the current period	(1,291)
Balance on June 30, 2023	<u>\$ 13,202</u>

The provisions for guarantee liabilities 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.

(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.

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

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

	April to June 2024	April to June 2023	January to June 2024	January to June 2023
Operating costs	\$ -	74	28	145
Operating expenses	131	79	234	159
	<u>\$ 131</u>	<u>153</u>	<u>262</u>	<u>304</u>

2. Defined contribution plan

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

	April to June 2024	April to June 2023	January to June 2024	January to June 2023
Operating costs	\$ 1,136	934	2,179	1,805
Operating expenses	2,053	1,987	4,191	3,916
	<u>\$ 3,189</u>	<u>2,921</u>	<u>6,370</u>	<u>5,721</u>

(XI) Income tax

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

	April to June 2024	April to June 2023	January to June 2024	January to June 2023
Income tax expenses	<u>\$ 54,172</u>	<u>33,790</u>	<u>91,332</u>	<u>47,439</u>

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

	April to June 2024	April to June 2023	January to June 2024	January to June 2023
Financial assets at fair value through other comprehensive income	<u>\$ (26,525)</u>	<u>(15,424)</u>	<u>2,060</u>	<u>(42,776)</u>

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

(XII) Capital and other equity

Except as stated below, there was no significant change in the Group's capital and other equity during the six months ended June 30, 2024 and 2023. Please refer to Note 6 (13) to the 2023 consolidated financial statements for relevant information.

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

Earnings distribution:

As per the Articles of Incorporation, the Company shall pay the tax first to make up for the previous losses if there are any earnings in the Company's annual general final accounts, and it shall then set aside 10% of the legal reserve. However, it may not be 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 annual shareholders' meeting passed the resolutions for the 2023 and 2022 earnings distribution proposals on June 12, 2024 and June 14, 2023, respectively. 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

	April to June 2024	April to June 2023	January to June 2024	January to June 2023
Net income attributable to holders of the Company's ordinary shares	<u>\$ 170,372</u>	<u>127,573</u>	<u>326,703</u>	<u>173,566</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 (NT\$)	<u>\$ 2.90</u>	<u>2.17</u>	<u>5.57</u>	<u>2.96</u>

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

2. Diluted earnings per share

	April to June 2024	April to June 2023	January to June 2024	January to June 2023
Net income attributable to holders of the Company's ordinary shares	\$ 170,372	127,573	326,703	173,566
Weighted average number of outstanding ordinary shares (in thousands of shares)	58,685	58,685	58,685	58,685
The effect of employee remuneration	389	387	673	668
Weighted average number of outstanding ordinary shares (after adjustment for the effect of potentially dilutive ordinary shares)	59,074	59,072	59,358	59,353
Diluted earnings per share (NT\$)	\$ 2.88	2.16	5.50	2.92

(XIV) Revenue from customer contracts

1. Breakdown of income

	April to June 2024	April to June 2023	January to June 2024	January to June 2023
Major sales market:				
Taiwan	\$ 359,195	472,603	741,096	918,704
Germany	303,839	165,535	579,258	236,596
U.S.	37,074	983	111,016	14,904
Sweden	12,534	29,087	33,577	53,575
The UK	2,471	18,289	5,364	87,089
Other Countries	12,329	296	15,086	10,536
Total	\$ 727,442	686,793	1,485,397	1,321,404
Main product/service lines:				
Business computer	\$ 326,545	340,513	649,542	703,338
Rugged computer	386,770	331,891	803,430	589,031
Repair and maintenance services and others	14,127	14,389	32,425	29,035
	\$ 727,442	686,793	1,485,397	1,321,404

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

2. Contract balance

	<u>2024.6.30</u>	<u>2023.12.31</u>	<u>2023.6.30</u>
Notes and accounts receivable (related parties)	\$ 361,893	429,522	192,812
Less: Allowance for losses	-	-	-
Total	<u>\$ 361,893</u>	<u>429,522</u>	<u>192,812</u>
Contract liabilities (including related parties)	<u>\$ 171,002</u>	<u>237,639</u>	<u>257,260</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 of January 1, 2024 and 2023 recognized in income for the six months ended June 30, 2024 and 2023 were NT\$81,438 thousand and NT\$47,453 thousand, respectively.

(XV) Remuneration to employees and directors

In accordance with the provisions of the Articles of Incorporation of the Company, in case of profit earned in the year, 5% ~ 10% of the profit shall be allocated as employee's remuneration, while no more than 3% of the profit shall be allocated as the director's 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 six months ended June 30, 2024 and 2023 were NT\$24,282 thousand, NT\$17,150 thousand, NT\$43,915 thousand, and NT\$23,373 thousand, respectively, and the estimated amounts of directors' remuneration for the periods then ended were NT\$4,866 thousand, NT\$3,437 thousand, NT\$8,801 thousand, and NT\$4,684 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.

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

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

	April to June 2024	April to June 2023	January to June 2024	January to June 2023
Interest income from cash in banks	\$ 2,388	2,117	3,208	2,856
Other interest income	1,122	1,025	2,190	2,175
	<u>\$ 3,510</u>	<u>3,142</u>	<u>5,398</u>	<u>5,031</u>

2. Other income

	April to June 2024	April to June 2023	January to June 2024	January to June 2023
Dividend income	\$ 61,203	-	61,203	-
COVID-19-related rent concessions	-	-	-	15
Others	46	159	623	437
	<u>\$ 61,249</u>	<u>159</u>	<u>61,826</u>	<u>452</u>

3. Other gains and losses

	April to June 2024	April to June 2023	January to June 2024	January to June 2023
Foreign exchange gains	\$ 5,748	6,256	20,011	5,002
Net gain on financial assets at fair value through profit or loss	509	181	560	303
Gain on disposal of property, plant and equipment	-	-	198	-
Others	-	4	-	(19)
	<u>\$ 6,257</u>	<u>6,441</u>	<u>20,769</u>	<u>5,286</u>

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

4. Financial cost

	<u>April to June 2024</u>	<u>April to June 2023</u>	<u>January to June 2024</u>	<u>January to June 2023</u>
Interest expense:				
Lease liabilities	\$ (334)	(183)	(624)	(368)
Others	(9)	(7)	(19)	(14)
	<u>\$ (343)</u>	<u>(190)</u>	<u>(643)</u>	<u>(382)</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

(1) Financial assets

	<u>2024.6.30</u>	<u>2023.12.31</u>	<u>2023.6.30</u>
Financial assets at fair value through profit or loss - current:			
Money funds	\$ 150,560	-	60,333
Financial assets at fair value through other comprehensive income - non-current:			
Unlisted stocks	18,262	18,262	19,819
Overseas listed stocks	704,234	847,713	799,989
Financial assets at amortized cost:			
Cash and cash equivalents	569,824	311,156	436,129
Notes and accounts receivable (related parties)	361,893	429,522	192,812
Other payables (including related parties)	40,888	5,004	-
Other financial assets - current	215,100	206,100	206,100
Other non-current assets - guarantee deposits paid	8,878	8,500	6,269
Total	<u>\$ 2,069,639</u>	<u>1,826,257</u>	<u>1,721,451</u>

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

(2) Financial liabilities

	<u>2024.6.30</u>	<u>2023.12.31</u>	<u>2023.6.30</u>
Financial liabilities at amortized cost:			
Lease liabilities	\$ 81,699	75,816	64,223
Notes and accounts payable	174,957	153,386	222,035
Other payables (including related parties) and dividends payables	503,176	150,795	332,573
Total	<u>\$ 759,832</u>	<u>379,997</u>	<u>618,831</u>

2. Liquidity risk

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

	Contractual cash flows	Less than 6 months	6-12 months	1-2 year(s)	2-5 years
June 30, 2024					
Notes and accounts payable	\$ (174,957)	(174,957)	-	-	-
Lease liabilities	(83,923)	(19,646)	(14,843)	(23,200)	(26,234)
Other payables (including related parties) and dividends payables	(503,176)	(503,176)	-	-	-
	<u>\$ (762,056)</u>	<u>(697,779)</u>	<u>(14,843)</u>	<u>(23,200)</u>	<u>(26,234)</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>
June 30, 2023					
Notes and accounts payable	\$ (222,035)	(222,035)	-	-	-
Lease liabilities	(65,923)	(16,108)	(13,127)	(20,233)	(16,455)
Other payables (including related parties) and dividends payables	(332,573)	(332,573)	-	-	-
	<u>\$ (620,531)</u>	<u>(570,716)</u>	<u>(13,127)</u>	<u>(20,233)</u>	<u>(16,455)</u>

The Group 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:

	2024.6.30				2023.12.31			2023.6.30		
	Foreign currency	Exchang e rate	NT\$		Foreign currency	Exchang e rate	NT\$	Foreign currency	Exchang e rate	NT\$
<u>Financial assets</u>										
<u>Monetary item</u>										
USD	\$	11,302	32.450	366,750	13,645	30.705	418,970	8,271	31.140	257,559
<u>Financial liabilities</u>										
<u>Monetary item</u>										
USD		62	32.450	2,012	91	30.705	2,794	29	31.140	903

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 arising during translation. If the NTD depreciated or appreciated by 1% against USD as of June 30, 2024 and 2023, with all other variables remaining unchanged, the Group's net income before tax for the six months ended June 30, 2024 and 2023 would have increased or decreased by NT\$3,647 thousand and NT\$2,567 thousand, respectively. The same basis was used for analyses for both periods.

Due to the diverse functional currencies within the Group, the information on foreign exchange gains or losses related to monetary items is disclosed on an aggregated basis. The foreign exchange gains or losses (including realized and unrealized) for the six months ended June 30, 2024 and 2023 were NT\$20,011 thousand and NT\$5,002 thousand, respectively.

4. Fair value information

(1) Financial instruments not at fair value

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

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

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

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

- 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).

2024.6.30					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss - current:					
Money funds	\$ 150,560	150,560	-	-	150,560
Financial assets at fair value through other comprehensive income - non-current:					
Unlisted stocks	\$ 18,262	-	-	18,262	18,262
Overseas stocks	704,234	704,234	-	-	704,234
Total	\$ 722,496	704,234	-	18,262	722,496
2023.12.31					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
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
2023.6.30					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss - current:					
Money funds	\$ 60,333	60,333	-	-	60,333
Financial assets at fair value through other comprehensive income - non-current:					
Unlisted stocks	\$ 19,819	-	-	19,819	19,819
Overseas stocks	799,989	799,989	-	-	799,989
Total	\$ 819,808	799,989	-	19,819	819,808

There were no transfers of financial assets and liabilities within the fair value hierarchy during the six months ended June 30, 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.

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

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. Furthermore, the significant unobservable input is primarily the cost of equity. However, as potential changes in the cost of equity would not have a significant financial impact, we do not intend to disclose its quantitative information.

(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.

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

(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:

		<u>Non-cash changes</u>					
						<u>The effects of changes in foreign exchange rates</u>	
	<u>2024.1.1</u>	<u>Cash flows</u>	<u>Additions</u>	<u>Decrease</u>			<u>2024.6.30</u>
Lease liabilities	<u>\$ 75,816</u>	<u>(19,102)</u>	<u>25,978</u>	<u>(1,002)</u>		<u>9</u>	<u>81,699</u>

		<u>Non-cash changes</u>					
						<u>The effects of changes in foreign exchange rates</u>	
	<u>2023.1.1</u>	<u>Cash flows</u>	<u>Additions</u>	<u>Decrease</u>			<u>2023.6.30</u>
Lease liabilities	<u>\$ 49,896</u>	<u>(16,265)</u>	<u>30,593</u>	<u>-</u>		<u>(1)</u>	<u>64,223</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>April to June 2024</u>	<u>April to June 2023</u>	<u>January to June 2024</u>	<u>January to June 2023</u>
Other related parties				
Roda Computer GmbH	<u>\$ 301,992</u>	<u>165,535</u>	<u>576,041</u>	<u>236,596</u>

The Group'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

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

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>2024.6.30</u>	<u>2023.12.31</u>	<u>2023.6.30</u>
Other related parties			
Roda Computer GmbH	<u>\$ 298,915</u>	<u>309,437</u>	<u>129,101</u>

3. Other payables (including related parties)

	<u>2024.6.30</u>	<u>2023.12.31</u>	<u>2023.6.30</u>
Other related parties			
Roda Computer GmbH	<u>\$ 40,888</u>	<u>5,004</u>	<u>-</u>

Accrued dividends that are payable to related parties.

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

	<u>2024.6.30</u>	<u>2023.12.31</u>	<u>2023.6.30</u>
Other related parties			
Roda Computer GmbH	<u>\$ 37,544</u>	<u>43,694</u>	<u>56,569</u>

5. Repair and maintenance and other operating revenue

	<u>April to June 2024</u>	<u>April to June 2023</u>	<u>January to June 2024</u>	<u>January to June 2023</u>
Other related parties				
Roda Computer GmbH	<u>\$ 1,847</u>	<u>525</u>	<u>3,217</u>	<u>2,999</u>

All receivables from the above transactions have been received.

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

	<u>Fees on technical service, repair and maintenance, and others</u>				<u>Other accounts payable</u>		
	<u>April to June 2024</u>	<u>April to June 2023</u>	<u>January to June 2024</u>	<u>January to June 2023</u>	<u>2024.6.30</u>	<u>2023.12.31</u>	<u>2023.6.30</u>
Other related parties	<u>\$ 140</u>	<u>110</u>	<u>449</u>	<u>515</u>	<u>-</u>	<u>95</u>	<u>-</u>

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.

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

(III) Remuneration to key management personnel

Remuneration to key management personnel includes:

	April to June 2024	April to June 2023	January to June 2024	January to June 2023
Short-term employee benefits	\$ 6,296	5,114	13,306	9,710
Post-employment benefits	70	75	140	149
	\$ 6,366	5,189	13,446	9,859

VIII. Pledged Assets

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

Name of asset	Item pledged as collateral	2024.6.30	2023.12.31	2023.6.30
Time deposit (under “other non-current assets”)	Customs guarantee	\$ 1,000	1,000	200

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	April to June 2024			April to June 2023		
	Related to operating costs	Related to operating expenses	Total	Related to operating costs	Related to operating expenses	Total
By nature						
Cost of Employee benefits						
Salary and wages	31,686	52,498	84,184	27,840	45,458	73,298
Labor and health insurance	2,484	3,860	6,344	2,087	4,182	6,269
Pension	1,136	2,184	3,320	1,008	2,066	3,074
Other employee benefits	430	700	1,130	220	567	787
Depreciation expense	9,811	7,787	17,598	5,605	7,587	13,192
Amortization expense	538	564	1,102	527	804	1,331

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

By function By nature	January to June 2024			January to June 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	61,709	98,867	160,576	47,637	79,701	127,338
Labor and health insurance	4,783	7,854	12,637	4,086	7,959	12,045
Pension	2,207	4,425	6,632	1,950	4,075	6,025
Other employee benefits	913	1,410	2,323	425	1,130	1,555
Depreciation expense	17,375	15,476	32,851	10,697	15,196	25,893
Amortization expense	1,075	1,248	2,323	1,044	1,670	2,714

(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 six months ended June 30, 2024 that 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 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	-	"	3,483	704,234	8.74%	704,234	
The Company	UPAMC James Bond Money Market Fund		Financial assets at fair value through profit or loss - current	2,908	50,188	-	50,188	
The Company	Hua Nan Phoenix Money Market Fund		"	2,981	50,184	-	50,184	
The Company	Jih Sun Money Market Fund		"	3,268	50,188	-	50,188	

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

4. Marketable Securities Acquired or Sold at Costs or Prices at Least NT\$300 Million or 20% of the Paid-in Capital:

Unit: thousands of shares/NT\$ thousand

Buyer/ Seller	Type and name of securities held	Account items	Transaction counterparty	Relationships	Beginning of period		Purchase		Sell				End of the period	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book cost (Note 1)	Disposal of gains and losses (Note 2)	Number of shares	Amount
The Company	Shares of MilDef Group AB	Financial assets at fair value through other comprehensive income - non-current	-	-	4,196	847,713	-	-	713	153,779	153,779	-	3,483	704,234

Note 1: Includes profits measured at fair value.

Note 2: Accumulated gains on disposal are directly transferred from other equity to retained earnings.

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

Goods purchasing (sales) company	Transaction counterparty	Relationships	Transaction details				Situation and reason why transaction conditions are different from general transactions		Notes and accounts receivable (payable)		Remark
			Purchases/sales	Amount	Ratio of total purchases (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	576,041	38.78 %	The original credit period was 45 days from delivery, but starting from July 2023, it may be extended to 90 days based on the sales conditions.	(Note)	-	298,915	82.60%	

(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.

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

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	298,915	3.79	-		80,609	-

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 (%)
0	The Company	MILDEF CRETE AUSTRALASIA PTY. LTD.	1	Sales income	9,788	Delivered in 45 days	0.66
1	Flexbasis	The Company	2	Sales income	41,046	Net 60 days end of the following month	2.76

Note 1: Businesses are coded as follows:

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

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

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

Note 3: 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.

Note 4: 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 six months ended June 30, 2024 is as follows:

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	Remarks
				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%	26,102	4,366	4,893	(註)
The Company	MILDEF CRETE AUSTRALASIA PTY. LTD.	Australia	Trade	12,548	12,548	600	100.00%	12,619	1,333	1,333	(註)

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

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

(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.

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.