

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

Third quarter of 2024 and 2023

Company Address: 7F, No. 250, Section 3, Beishan Road, Shenkeng District, New Taipei City
Tel: (02)2662-6074

Notice to Reader:

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

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Independent Auditors' Review Report

To the Board of Directors of Mildef Crete Inc.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Mildef Crete Inc. (the "Company") and its subsidiaries (collectively, the "Group") as of September 30, 2024 and 2023; the relevant consolidated statements of comprehensive income for the three months and nine months ended September 30, 2024 and 2023, and the consolidated statements of changes in equity and cash flows for the nine months ended September 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 September 30, 2024 and 2023 as well as consolidated financial performance for the three months and nine months ended September 30, 2024 and 2023, and consolidated cash flows for nine months ended September 30, 2024 and 2023.

KPMG Taiwan

CPA:

Kao Ching-Wen
Chen Mei-Yan

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

November 6, 2024

Mildef Crete Inc. and Its Subsidiaries
Consolidated Balance Sheets
As of September 30, 2024, December 31, 2023, and September 30, 2024

Unit: NT\$1000

Assets	2024.9.30		2023.12.31		2023.9.30	
	Amount	%	Amount	%	Amount	%
Current assets:						
Cash and cash equivalents (Note 6 (1))	\$ 527,666	14	311,156	9	234,958	7
Notes and accounts receivable, net (Notes 6 (3) and (14))	89,569	2	120,085	3	99,885	3
Accounts receivable - related parties, net (Notes 6 (3) & (14), 7)	276,716	8	309,437	9	238,992	7
Other payables-related party (Note 7)	-	-	5,004	-	-	-
Inventories (Note 6 (4))	1,216,399	33	1,197,819	34	1,218,131	36
Other financial assets - current (Note 6 (1))	215,100	6	206,100	6	206,100	7
Other current assets	<u>18,747</u>	<u>1</u>	<u>17,976</u>	<u>1</u>	<u>32,813</u>	<u>1</u>
Total current assets	<u>2,344,197</u>	<u>64</u>	<u>2,167,577</u>	<u>62</u>	<u>2,030,879</u>	<u>61</u>
Non-current assets:						
Financial assets at fair value through other comprehensive income - non-current (Note 6 (2))	798,914	22	865,975	26	909,142	27
Property, plant and equipment (Note 6 (5))	347,893	9	256,545	7	249,082	7
Right-of-use assets (Note 6 (6))	71,923	2	75,344	2	72,546	2
Intangible assets (Note 6 (7))	5,783	-	6,458	-	7,263	-
Deferred income tax assets	74,107	2	74,107	2	64,860	2
Other non-current assets (Note 8)	<u>20,804</u>	<u>1</u>	<u>48,162</u>	<u>1</u>	<u>18,072</u>	<u>1</u>
Total non-current assets	1,319,424	36	1,326,591	38	1,320,965	39
Total assets	<u><u>\$ 3,663,621</u></u>	<u><u>100</u></u>	<u><u>3,494,168</u></u>	<u><u>100</u></u>	<u><u>3,351,844</u></u>	<u><u>100</u></u>

Liabilities and equity	2024.9.30		2023.12.31		2023.9.30	
	Amount	%	Amount	%	Amount	%
Current liabilities:						
Contract liabilities - current (Notes 6 (14) and 7)	\$ 157,992	4	237,639	7	251,316	7
Notes payable	44,005	1	34,132	1	76,581	2
Accounts payable	94,309	3	119,254	3	131,636	4
Other Payables (Notes 6 (15) and 7)	128,333	3	150,795	5	111,129	4
Current income tax liabilities	145,861	4	107,867	3	61,490	2
Lease liabilities - current (Note 6 (8))	30,951	1	33,798	1	29,289	1
Other current liabilities	<u>1,167</u>	<u>-</u>	<u>560</u>	<u>-</u>	<u>865</u>	<u>-</u>
Total current liabilities	<u>602,618</u>	<u>16</u>	<u>684,045</u>	<u>20</u>	<u>662,306</u>	<u>20</u>
Non-current liabilities:						
Provisions for warranty liabilities (Note 6 (9))	19,242	1	13,152	-	15,631	-
Deferred income tax liabilities	154,248	4	166,833	5	175,143	5
Lease liabilities - non-current (Note 6 (8))	41,684	1	42,018	1	43,663	2
Net defined benefit liabilities — non-current	<u>24,764</u>	<u>1</u>	<u>30,301</u>	<u>1</u>	<u>26,461</u>	<u>1</u>
Total non-current liabilities	<u>239,938</u>	<u>7</u>	<u>252,304</u>	<u>7</u>	<u>260,898</u>	<u>8</u>
Total liabilities	<u>842,556</u>	<u>23</u>	<u>936,349</u>	<u>27</u>	<u>923,204</u>	<u>28</u>
Equity attributed to owners of the parent company (Note 6 (12)):						
Ordinary share capital	586,855	16	586,855	17	586,855	18
Capital surplus	74,381	2	74,113	2	74,113	2
Retained earnings	1,826,281	50	1,634,564	47	1,466,621	44
Other equity	<u>314,023</u>	<u>9</u>	<u>241,646</u>	<u>7</u>	<u>278,049</u>	<u>8</u>
Equity attributed to owners of the parent company	<u>2,801,540</u>	<u>77</u>	<u>2,537,178</u>	<u>73</u>	<u>2,405,638</u>	<u>72</u>
Non-controlling interests	<u>19,525</u>	<u>-</u>	<u>20,641</u>	<u>-</u>	<u>23,002</u>	<u>-</u>
Total equity	<u>2,821,065</u>	<u>77</u>	<u>2,557,819</u>	<u>73</u>	<u>2,428,640</u>	<u>72</u>
Total liabilities and equity	<u><u>\$ 3,663,621</u></u>	<u><u>100</u></u>	<u><u>3,494,168</u></u>	<u><u>100</u></u>	<u><u>3,351,844</u></u>	<u><u>100</u></u>

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

Chairman: Shen I-Tung

Manager: Shen I-Tung

Accounting Manager: Liu Ya-Ping

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

Unit: NT\$1000

	For the Three Months Ended September 30, 2024		For the Three Months Ended September 30, 2023		For the Nine Months Ended September 30, 2024		For the Nine Months Ended September 30, 2023	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenue (Notes 6 (14), 7 and 14)	\$ 723,280	100	918,970	100	2,208,677	100	2,240,374	100
Operating cost (Notes 6(4), (5), (6), (8), (9), (10), (15), 7, and 12)	544,724	75	686,861	75	1,523,791	69	1,655,882	74
Gross operating profit	178,556	25	232,109	25	684,886	31	584,492	26
Operating expenses (Notes 6 (3), (5), (6), (8), (10), (15), 7, and 12):								
Selling and marketing expenses	46,212	6	46,080	5	130,625	6	121,203	5
General and administrative expenses	16,862	2	15,627	1	50,778	2	39,092	2
Research and development expenses	22,593	4	23,399	3	76,098	4	60,543	3
Total operating expenses	85,667	12	85,106	9	257,501	12	220,838	10
Net operating profit	92,889	13	147,003	16	427,385	19	363,654	16
Non-operating income and expenses:								
Interest income (Note 6 (16))	2,460	-	2,246	-	7,858	-	7,277	-
Other income (Note 6(8) and (16))	164	-	90	-	61,990	3	542	-
Other gains and losses (Note 6 (16))	(9,647)	(1)	10,537	1	11,122	1	15,823	1
Financial costs (Note 6 (8) and (16))	(309)	-	(242)	-	(952)	-	(624)	-
Total non-operating income and expenses	(7,332)	(1)	12,631	1	80,018	4	23,018	1
Net profit before tax	85,557	12	159,634	17	507,403	23	386,672	17
Minus: Income tax expense (Note 6 (11))	16,884	2	36,506	4	108,216	5	83,945	4
Current net profit	68,673	10	123,128	13	399,187	18	302,727	13
Other comprehensive income (Note 6 (11)):								
Items not reclassified as income and loss								
Unrealized gain (loss) on investments in equity instruments as at fair value through other comprehensive income	220,118	30	98,848	11	230,418	10	(115,031)	(5)
Minus: Income tax related to items not reclassified	44,024	6	19,770	2	46,084	2	(23,006)	(1)
Total amount of items not reclassified to profit or loss	176,094	24	79,078	9	184,334	8	(92,025)	(4)
Items that may be reclassified subsequently to profit or loss								
Exchange differences arising from the translation of the financial statements of foreign operations	164	-	(38)	-	479	-	(210)	-
Minus: Income tax related to potentially classifiable items	-	-	-	-	-	-	-	-
Total amount of items that may be reclassified subsequently to profit or loss	164	-	(38)	-	479	-	(210)	-
Other comprehensive income	176,258	24	79,040	9	184,813	8	(92,235)	(4)
Total amount of other current comprehensive gains and losses	\$ 244,931 34		202,168 22		584,000 26		210,492 9	
Net profit/(loss) attributable to:								
Owners of the Parent Company	\$ 69,480	10	120,991	13	396,183	18	294,557	13
Non-controlling interests	(807)	-	2,137	-	3,004	-	8,170	-
	\$ 68,673 10		123,128 13		399,187 18		302,727 13	
Total comprehensive income/(loss) attributable to:								
Owners of the Parent Company	\$ 245,738	34	200,031	21	580,996	26	202,322	9
Non-controlling interests	(807)	-	2,137	-	3,004	-	8,170	-
	\$ 244,931 34		202,168 21		584,000 26		210,492 9	
Earnings per share (NT\$; (Note 6 (13))								
Basic earnings per share	\$ 1.18		2.06		6.75		5.02	
Diluted earnings per share	\$ 1.17		2.04		6.67		4.96	

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

Chairman: Shen I-Tung

Manager: Shen I-Tung

Accounting Manager: Liu Ya-Ping

Mildef Crete Inc. and Its Subsidiaries
Consolidated statements of changes in equity
For the Nine Months Ended September 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	-	-	-	294,557	294,557	-	-	-	-	294,557	8,170	302,727
Other comprehensive income	-	-	-	-	-	(210)	(92,025)	-	(92,235)	(92,235)	-	(92,235)
Total amount of other current comprehensive gains and losses	-	-	-	294,557	294,557	(210)	(92,025)	-	(92,235)	202,322	8,170	210,492
Appropriation and distribution of earnings:												
Appropriation of 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))	-	-	-	10,541	10,541	-	(10,541)	-	(10,541)	-	-	-
Balance on September 30, 2023	\$ 586,855	74,113	542,578	924,043	1,466,621	(210)	284,907	(6,648)	278,049	2,405,638	23,002	2,428,640
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	-	-	-	396,183	396,183	-	-	-	-	396,183	3,004	399,187
Other comprehensive income	-	-	-	-	-	479	184,334	-	184,813	184,813	-	184,813
Total amount of other current comprehensive gains and losses	-	-	-	396,183	396,183	479	184,334	-	184,813	580,996	3,004	584,000
Appropriation and distribution of earnings:												
Appropriation of 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))	-	-	-	112,436	112,436	-	(112,436)	-	(112,436)	-	-	-
Balance on September 30, 2024	\$ 586,855	74,381	589,881	1,236,400	1,826,281	499	323,920	(10,396)	314,023	2,801,540	19,525	2,821,065

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

Chairman: Shen I-Tung

Manager: Shen I-Tung

Accounting Manager: Liu Ya-Ping

Mildef Crete Inc. and Its Subsidiaries
Consolidated statements of cash flows
For the Nine Months Ended September 30, 2024 and 2023

Unit: NT\$1000

	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Cash flows from operating activities:		
Net income before tax	\$ 507,403	386,672
Adjustments for:		
Profit and loss		
Depreciation expense	51,350	40,051
Amortization expense	3,445	4,118
Expected credit loss	574	-
Net gain on financial assets at fair value through profit or loss	(1,010)	(339)
Interest expense	952	624
Interest income	(7,858)	(7,277)
Dividend income	(61,203)	-
Gain on disposal of property, plant and equipment	(198)	-
Lease Modification Benefits	(4)	-
Others	-	46
Total profit/(loss)	(13,952)	37,223
Changes in assets/liabilities related to operating activities:		
Net changes in assets related to operating activities:		
Notes and accounts receivable	30,358	(3,705)
Accounts receivable from related parties	32,305	(227,309)
Inventories	(18,580)	(177,057)
Other current assets	(771)	(7,514)
Total net changes in assets related to operating activities	43,312	(415,585)
Net changes in liabilities related to operating activities		
Contract liabilities	(79,647)	4,652
Notes payable	9,873	23,370
Accounts payable	(24,945)	(17,987)
Other payable by related parties	-	(2,010)
Provisions for warranty liabilities	6,090	8,776
Other Accounts Payable and Other Current Liabilities	(21,855)	5,116
Net defined benefit liabilities	(5,537)	(2,276)
Total amount of net changes in liabilities related to operating activities	(116,021)	19,641
Total amount of net changes in assets and liabilities related to operating activities	(72,709)	(395,944)
Total adjustments	(86,661)	(358,721)
Net cash generated from/(used in) operations	420,742	27,951
Interest received	7,858	7,277
Income tax paid	(128,890)	(67,026)
Net cash inflow (outflow) from operating activities	299,710	(31,798)
Cash flows from investing activities:		
Disposal of financial assets at fair value through other comprehensive income	297,478	30,327
Purchase of financial assets at fair value through profit or loss	(200,000)	(40,000)
Disposal of financial assets at fair value through profit or loss	201,010	60,369
Acquisition of property, plant and equipment (including prepayment for decoration and equipment)	(85,905)	(21,990)
Disposal of property, plant and equipment	346	100
Acquisition of intangible assets	(2,770)	(1,964)
Increase in other financial assets - current	(9,000)	-
Increase in other non-current assets	(453)	(12,472)
Dividends received	66,207	-
Net cash inflow from investing activities	266,913	14,370
Cash flows from financing activities:		
Payment of the principal portion of lease liabilities	(28,886)	(24,611)
Payments of cash dividends	(316,902)	(211,268)
Dividends paid to non-controlling interests	(4,860)	(4,692)
Disposal of equity in subsidiaries (without control lost)	1,008	5,040
Interests paid	(952)	(624)
Net cash outflow from financing activities	(350,592)	(236,155)
Effect of exchange rate changes on cash and cash equivalents	479	(210)
Increase (decrease) in cash and cash equivalents	216,510	(253,793)
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	\$ 527,666	234,958

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

Chairman: Shen I-Tung

Manager: Shen I-Tung

Accounting Manager: Liu Ya-Ping

Mildef Crete Inc. and Its Subsidiaries
Notes to the Consolidated Financial Statements
Third 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 November 6, 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"> <li data-bbox="767 943 1235 1317">• 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. <li data-bbox="767 1339 1235 1713">• 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. <li data-bbox="767 1736 1235 1982">• 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
			2024.9.30	2023.12.31	2023.9.30	
The Company	Flexbasis Technology Inc. (Flexbasis)	Manufacturing of metal casings	56.2%	57.7%	57.7%	(Note)
The Company	MILDEF CRETE AUSTRALASIA PTY. LTD.	Sale of rugged products	100%	100%	100%	

(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.

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 2023 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

	2024.9.30	2023.12.31	2023.9.30
Cash on hand	\$ 413	551	419
Checking deposit and demand deposit	527,253	310,605	234,539
	<u>\$ 527,666</u>	<u>311,156</u>	<u>234,958</u>

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 September 30, 2024, December 31, 2023, and September 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

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

		2024.9.30	2023.12.31	2023.9.30
Unlisted stocks	\$	18,262	18,262	19,819
Overseas stocks		780,652	847,713	889,323
Total	\$	798,914	865,975	909,142

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 September 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\$297,478 thousand and NT\$30,327 thousand, respectively. The accumulated gains from the disposal were NT\$112,436 thousand and NT\$10,541 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:

	2024.9.30			2023.12.31			2023.9.30		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
EUR	\$ 516	35.38	18,262	537	33.98	18,262	555	33.91	18,819
SEK	248,615	3.14	780,652	275,231	3.08	847,713	303,523	2.93	889,323

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

(III) Notes and accounts receivable (related parties)

		2024.9.30	2023.12.31	2023.9.30
Notes and accounts receivable	\$	89,727	120,085	99,885
Less: Allowance for losses		(158)	-	-
		89,569	120,085	99,885
Accounts receivable - related parties		277,132	309,437	238,992
Less: Allowance for losses		(416)	-	-
		276,716	309,437	238,992
	\$	366,285	429,522	338,877

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

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:

2024.9.30			
	Carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for lifetime expected credit losses
Not past due	\$ 263,936	0.09079%	240
Payment is due within 30 days	10,029	3.27611%	328
Overdue for 31 to 60 days	92,894	0.00642%	6
	<u>\$ 366,859</u>		<u>574</u>
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%	-
	<u>\$ 429,522</u>		<u>-</u>
2023.9.30			
	Carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for lifetime expected credit losses
Not past due	<u>\$ 338,877</u>	0.00001%	<u>-</u>

There was no change in the Group's allowance for notes receivable and accounts receivable during the nine months ended September 30, 2024 and 2023 are as follows:

	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Opening balance	\$ -	-
Recognized impairment loss	574	-
Ending balance	<u>\$ 574</u>	<u>-</u>

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

(IV) Inventories

	2024.9.30	2023.12.31	2023.9.30
Merchandise	\$ 159,244	111,765	160,850
Finished goods	4,486	1,689	3,644
Semi-finished goods	149,021	131,130	139,352
Work in process	276,582	386,932	376,382
Raw materials	627,066	566,303	537,903
	<u>\$ 1,216,399</u>	<u>1,197,819</u>	<u>1,218,131</u>

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

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Costs of inventories sold	\$ 528,185	645,514	1,477,052	1,586,792
Warranty provision	3,813	3,189	7,723	10,827
Inventory valuation loss	12,726	38,158	39,016	58,263
	<u>\$ 544,724</u>	<u>686,861</u>	<u>1,523,791</u>	<u>1,655,882</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	-	-	56,501	2,288	125	24,447	83,361
Disposal	-	-	(13,398)	(1,500)	-	-	(14,898)
Reclassification (Note)	-	-	29,346	-	-	1,009	30,355
Balance on September 30, 2024	<u>\$ 147,478</u>	<u>75,609</u>	<u>182,195</u>	<u>8,355</u>	<u>2,337</u>	<u>116,988</u>	<u>532,962</u>
Balance on January 1, 2023	\$ 147,478	72,775	93,919	7,567	762	83,242	405,743
Additions	-	2,833	5,775	-	1,451	11,931	21,990
Disposal	-	-	-	-	-	(4,896)	(4,896)
Balance on September 30, 2023	<u>\$ 147,478</u>	<u>75,608</u>	<u>99,694</u>	<u>7,567</u>	<u>2,213</u>	<u>90,277</u>	<u>422,837</u>
Depreciation:							
Balance as of January 1, 2024	\$ -	30,094	70,428	5,881	632	70,564	177,599
Depreciation	-	2,454	9,201	795	190	9,580	22,220
Disposal	-	-	(13,250)	(1,500)	-	-	(14,750)

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

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Total
Balance on September 30, 2024	\$ -	32,548	66,379	5,176	822	80,144	185,069
Balance on January 1, 2023	\$ -	27,169	64,497	4,969	453	66,155	163,243
Depreciation	-	2,650	4,368	849	117	7,278	15,262
Disposal	-	-	-	-	-	(4,750)	(4,750)
Balance on September 30, 2023	\$ -	29,819	68,865	5,818	570	68,683	173,755
Book value:							
September 30, 2024	\$ 147,478	43,061	115,816	3,179	1,515	36,844	347,893
January 1, 2024	\$ 147,478	45,515	39,318	1,686	1,580	20,968	256,545
September 30, 2023	\$ 147,478	45,789	30,829	1,749	1,643	21,594	249,082

(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	26,701
Decrease	(8,232)
The effects of changes in foreign exchange rates	51
Balance on September 30, 2024	<u>\$ 217,385</u>
Balance on January 1, 2023	\$ 141,471
Additions	47,668
Decrease	(1,777)
The effects of changes in foreign exchange rates	(4)
Balance on September 30, 2023	<u>\$ 187,358</u>
Accumulated depreciation of right-of-use assets:	
Balance as of January 1, 2024	\$ 123,521
Depreciation in this period	29,130
Decrease	(7,234)
The effects of changes in foreign exchange rates	45
Balance on September 30, 2024	<u>\$ 145,462</u>
Balance on January 1, 2023	\$ 91,803
Depreciation in this period	24,789
Decrease	(1,777)
The effects of changes in foreign exchange rates	(3)
Balance on September 30, 2023	<u>\$ 114,812</u>
Book value:	
September 30, 2024	<u>\$ 71,923</u>
January 1, 2024	<u>\$ 75,344</u>
September 30, 2023	<u>\$ 72,546</u>

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

(VII) Intangible assets

	<u>Computer software</u>
Carrying amount:	
September 30, 2024	<u>\$ 5,783</u>
January 1, 2024	<u>\$ 6,458</u>
September 30, 2023	<u>\$ 7,263</u>

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

	<u>2024.9.30</u>	<u>2023.12.31</u>	<u>2023.9.30</u>
Current	<u>\$ 30,951</u>	<u>33,798</u>	<u>29,289</u>
Non-current	<u>\$ 41,684</u>	<u>42,018</u>	<u>43,663</u>

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

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Interest expenses on lease liabilities	<u>\$ 300</u>	<u>235</u>	<u>924</u>	<u>603</u>
Short-term lease expenses	<u>\$ 39</u>	<u>80</u>	<u>237</u>	<u>338</u>
COVID-19-related rent concessions	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>15</u>

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

	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Total cash outflow from leases	<u>\$ 30,047</u>	<u>25,552</u>

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

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	7,723
Provision for liabilities used in the current period	<u>(1,633)</u>
Balance on September 30, 2024	<u>\$ 19,242</u>

	Warranty
Balance on January 1, 2023	\$ 6,855
Provision for new liabilities in the current period	10,827
Provision for liabilities used in the current period	<u>(2,051)</u>
Balance on September 30, 2023	<u>\$ 15,631</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.

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

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Operating costs	\$ -	87	28	232
Operating expenses	<u>130</u>	<u>65</u>	<u>364</u>	<u>224</u>
	<u>\$ 130</u>	<u>152</u>	<u>392</u>	<u>456</u>

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

2. Defined contribution plan

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

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Operating costs	\$ 1,117	1,020	3,296	2,825
Operating expenses	2,104	2,062	6,295	5,978
	<u>\$ 3,221</u>	<u>3,082</u>	<u>9,591</u>	<u>8,803</u>

(XI) Income tax

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

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Income tax expenses	<u>\$ 16,884</u>	<u>36,506</u>	<u>108,216</u>	<u>83,945</u>

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

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Financial assets at fair value through other comprehensive income	<u>\$ 44,024</u>	<u>19,770</u>	<u>46,084</u>	<u>(23,006)</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 nine months ended September 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

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Net income attributable to holders of the Company's ordinary shares	<u>\$ 69,480</u>	<u>120,991</u>	<u>396,183</u>	<u>294,557</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>\$ 1.18</u>	<u>2.06</u>	<u>6.75</u>	<u>5.02</u>

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

2. Diluted earnings per share

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Net income attributable to holders of the Company's ordinary shares	\$ 69,480	120,991	396,183	294,557
Weighted average number of outstanding ordinary shares (in thousands of shares)	58,685	58,685	58,685	58,685
The effect of employee remuneration	488	539	677	725
Weighted average number of outstanding ordinary shares (after adjustment for the effect of potentially dilutive ordinary shares)	59,173	59,224	59,362	59,410
Diluted earnings per share (NT\$)	\$ 1.17	2.04	6.67	4.96

(XIV) Revenue from customer contracts

1. Breakdown of income

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Major sales market:				
Taiwan	\$ 455,712	580,492	1,196,808	1,499,196
Germany	189,627	246,119	768,885	482,715
U.S.	44,724	35,500	155,740	50,404
Sweden	29,349	39,529	62,926	93,104
The UK	1,589	16,837	6,953	103,926
Other Countries	2,279	493	17,365	11,029
Total	\$ 723,280	918,970	2,208,677	2,240,374
Main product/service lines:				
Business computer	\$ 415,579	440,873	1,065,121	1,144,211
Rugged computer	280,557	460,228	1,083,987	1,049,259
Repair and maintenance services and others	27,144	17,869	59,569	46,904
	\$ 723,280	918,970	2,208,677	2,240,374

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

2. Contract balance

	<u>2024.9.30</u>	<u>2023.12.31</u>	<u>2023.9.30</u>
Notes and accounts receivable (related parties)	\$ 366,859	429,522	338,877
Less: Allowance for losses	(574)	-	-
Total	<u>\$ 366,285</u>	<u>429,522</u>	<u>338,877</u>
Contract liabilities (including related parties)	<u>\$ 157,992</u>	<u>237,639</u>	<u>251,316</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 nine months ended September 30, 2024 and 2023 were NT\$88,634 thousand and NT\$55,230 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 nine months ended September 30, 2024 and 2023 were NT\$9,475 thousand, NT\$16,484 thousand, NT\$53,390 thousand, and NT\$39,857 thousand, respectively, and the estimated amounts of directors' remuneration for the periods then ended were NT\$1,899 thousand, NT\$3,304 thousand, NT\$10,700 thousand and NT\$7,988 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

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Interest income from cash in banks	\$ 910	818	4,118	3,674
Other interest income	1,550	1,428	3,740	3,603
	<u>\$ 2,460</u>	<u>2,246</u>	<u>7,858</u>	<u>7,277</u>

2. Other income

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Dividend income	\$ -	-	61,203	-
COVID-19-related rent concessions	-	-	-	15
Others	164	90	787	527
	<u>\$ 164</u>	<u>90</u>	<u>61,990</u>	<u>542</u>

3. Other gains and losses

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Foreign exchange gains (losses)	\$ (10,067)	10,547	9,944	15,549
Gains on financial assets measured at fair value through profit or loss	450	36	1,010	339
Gain on disposal of property, plant and equipment	-	-	198	-
Others	(30)	(46)	(30)	(65)
	<u>\$ (9,647)</u>	<u>10,537</u>	<u>11,122</u>	<u>15,823</u>

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

4. Financial cost

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Interest expense:				
Lease liabilities	\$ (300)	(235)	(924)	(603)
Others	(9)	(7)	(28)	(21)
Net financial cost	<u>\$ (309)</u>	<u>(242)</u>	<u>(952)</u>	<u>(624)</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>2024.9.30</u>	<u>2023.12.31</u>	<u>2023.9.30</u>
Financial assets at fair value through other comprehensive income - non-current:			
Unlisted stocks	\$ 18,262	18,262	19,819
Overseas listed stocks	780,652	847,713	889,323
Financial assets at amortized cost:			
Cash and cash equivalents	527,666	311,156	234,958
Notes and accounts receivable (related parties)	366,285	429,522	338,877
Other payables (including related parties)	-	5,004	-
Other financial assets - current	215,100	206,100	206,100
Other non-current assets - guarantee deposits paid	8,953	8,500	7,799
Total	<u>\$ 1,916,918</u>	<u>1,826,257</u>	<u>1,696,876</u>

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

(2) Financial liabilities

	<u>2024.9.30</u>	<u>2023.12.31</u>	<u>2023.9.30</u>
Financial liabilities at amortized cost:			
Lease liabilities	\$ 72,635	75,816	72,952
Notes and accounts payable	138,314	153,386	208,217
Other payables (including related parties)	128,333	150,795	111,129
Total	<u>\$ 339,282</u>	<u>379,997</u>	<u>392,298</u>

2. Liquidity risk

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

	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 year(s)</u>	<u>2-5 years</u>
September 30, 2024					
Notes and accounts payable	\$ (138,314)	(138,314)	-	-	-
Lease liabilities	(74,564)	(17,567)	(14,300)	(31,458)	(11,239)
Other payables (including related parties)	(128,333)	(128,333)	-	-	-
	<u>\$ (341,211)</u>	<u>(284,214)</u>	<u>(14,300)</u>	<u>(31,458)</u>	<u>(11,239)</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>
September 30, 2023					
Notes and accounts payable	\$ (208,217)	(208,217)	-	-	-
Lease liabilities	(75,044)	(15,930)	(14,280)	(20,278)	(24,556)
Other payables (including related parties)	(111,129)	(111,129)	-	-	-
	<u>\$ (394,390)</u>	<u>(335,276)</u>	<u>(14,280)</u>	<u>(20,278)</u>	<u>(24,556)</u>

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

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

3. Exchange rate risk

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

	2024.9.30				2023.12.31			2023.9.30				
	Foreign currency		Exchange rate	NT\$	Foreign currency		Exchange rate	NT\$	Foreign currency		Exchange rate	NT\$
Financial assets												
Monetary												
item												
USD	\$	11,286	31.650	357,202	13,645	30.705	418,970	10,257	32.270			330,993
Financial												
liabilities												
Monetary												
item												
USD		104	31.650	3,292	91	30.705	2,794	77	32.270			2,485

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 September 30, 2024 and 2023, with all other variables remaining unchanged, the Group's net income before tax for the nine months ended September 30, 2024 and 2023 would have increased or decreased by NT\$3,539 thousand and NT\$3,285 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 nine months ended September 30, 2024 and 2023 were NT\$9,944 thousand and NT\$15,549 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 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.

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

- 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).

2024.9.30					
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	780,652	780,652	-	-	780,652
Total	\$ 798,914	780,652	-	18,262	798,914
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
2023.9.30					
Carrying amount	Fair value				Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through other comprehensive income - non-current:					
Unlisted stocks	\$ 19,819	-	-	19,819	19,819
Overseas stocks	889,323	889,323	-	-	889,323
Total	\$ 909,142	889,323	-	19,819	909,142

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

There are standard terms and conditions for the 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.

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

(Continued)

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.

(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	2024.9.30
	2024.1.1	Cash flows	Additions	Decrease			
Lease liabilities	\$ 75,816	(28,886)	26,701	(1,002)	6		72,635

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>2023.9.30</u>
			<u>Additions</u>	<u>Decrease</u>		
Lease liabilities	\$ 49,896	(24,611)	47,668	-	(1)	72,952

VII. Related-Party Transactions

(I) Name of related party and relations

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

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

(II) Significant Transactions with Related Parties

1. Operating revenue

	<u>For the Three Months Ended September 30, 2024</u>	<u>For the Three Months Ended September 30, 2023</u>	<u>For the Nine Months Ended September 30, 2024</u>	<u>For the Nine Months Ended September 30, 2023</u>
Other related parties				
Roda Computer GmbH	\$ 189,263	241,855	765,304	478,451

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 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>2024.9.30</u>	<u>2023.12.31</u>	<u>2023.9.30</u>
Other related parties			
Roda Computer GmbH	\$ 276,716	309,437	238,992

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

3. Other payables (including related parties)			
	2024.9.30	2023.12.31	2023.9.30
Other related parties			
Roda Computer GmbH	\$ -	5,004	-

Accrued dividends that are payable to related parties.

4. Contract liabilities with related party (under contract liabilities)			
	2024.9.30	2023.12.31	2023.9.30
Other related parties			
Roda Computer GmbH	\$ 30,274	43,694	54,838

5. Repair and maintenance and other operating revenue				
	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Other related parties				
Roda Computer GmbH	\$ 364	1,265	3,581	4,264

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		
	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023	2024.9.30	2023.12.31	2023.9.30
Other related parties	\$ 1,153	62	1,602	577	1,134	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.

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:

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Short-term employee benefits	\$ 2,181	5,124	15,487	14,834
Post-employment benefits	69	74	209	223
	\$ 2,250	5,198	15,696	15,057

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	2024.9.30	2023.12.31	2023.9.30
Time deposit (under “other 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: None.

XII. Others

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

By function By nature	For the Three Months Ended September 30, 2024			For the Three Months Ended September 30, 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	24,201	44,638	68,839	30,365	47,755	78,120
Labor and health insurance	2,925	4,816	7,741	2,367	4,487	6,854
Pension	1,117	2,234	3,351	1,107	2,127	3,234
Other employee benefits	442	514	956	289	921	1,210
Depreciation expense	10,635	7,864	18,499	6,443	7,715	14,158
Amortization expense	537	585	1,122	586	818	1,404

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

By nature	By function	For the Nine Months Ended September 30, 2024			For the Nine Months Ended September 30, 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		85,910	143,505	229,415	78,002	127,456	205,458
Labor and health insurance		7,708	12,670	20,378	6,453	12,446	18,899
Pension		3,324	6,659	9,983	3,057	6,202	9,259
Other employee benefits		1,355	1,924	3,279	714	2,051	2,765
Depreciation expense		28,010	23,340	51,350	17,140	22,911	40,051
Amortization expense		1,612	1,833	3,445	1,630	2,488	4,118

(II) Seasonality of operations

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

(III) The Group, on September 18, 2024, authorized the Chairman to sell all the shares of Roda Computer Gmb to Mildef Group AB. The total transaction amount is expected to be between NT\$227,360 thousand and NT\$264,306 thousand. This transaction is expected to be completed in fiscal year 2025.

XIII. Additional Disclosures

(I) Information on Related Significant Transactions

The material transactions during the nine months ended September 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	-	"	2,915	780,652	7.30%	780,652	

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	-	-	1,281	297,478	297,478	(Note 2)	2,915	780,652

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	765,304	34.65 %	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)	-	276,716	75.55%	

(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	276,716	3.48	100,519		141,513	416

9. Trading in Derivative Instruments: None.

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

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	57,363	Net 60 days end of the following month	2.60

Note 1: Businesses are coded as follows:

1. "0" stands for parent company.
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 nine months ended September 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	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%	25,066	2,314	3,857	(Note)
The Company	MILDEF CRETE AUSTRALASIA PTY. LTD.	Australia	Trade	12,548	12,548	600	100.00%	10,590	(541)	(541)	(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 I-Tung		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.