

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

First quarter of 2025 and 2024

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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.

Table of Contents

Item	Page
I. Cover	1
II. Table of Contents	2
III. Independent Auditors' Review Report	3~4
IV. Consolidated Balance Sheets	5
V. Consolidated Statements of Comprehensive Income	6
VI. Consolidated statements of changes in equity	7
VII. Consolidated statements of cash flows	8~9
VIII. Notes to the Consolidated Financial Statements	
(I) Company History	10
(II) Date and Procedure for Approval of Financial Statements	10
(III) Application of New and Amended Standards and Interpretations	10~12
(IV) Summary of Significant Accounting Policies	12~13
(V) Critical Accounting Judgments, Assumptions, and Key Sources of Estimation Uncertainty	13
(VI) Description of Significant Accounts	13~32
(VII) Related-Party Transactions	33
(VIII) Pledged Assets	34
(IX) Material Contingent Liabilities and Unrecognized Contractual Commitments	34
(X) Major Disaster Losses	34
(XI) Material Events After the Balance Sheet Date	34
(XII) Others	35
(XIII) Additional Disclosures	
1. Information on Related Significant Transactions	35~36
2. Information on Investees	36
3. Information on Investment in Mainland China	37
(XIV) Segment Information	37

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 “Consolidated Company”) as of March 31, 2025 and 2024; the relevant consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2025 and 2024, and relevant notes, including a summary of significant accounting policies (collectively referred to as the “consolidated financial months”). It is the management team’s responsibility to prepare the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports” by Securities Issuers and the IAS 34 “Interim Financial Reporting”, which has been endorsed and issued into effect by the Financial Supervisory Commission (FSC) of Republic of China, to present the consolidated financial position of the Consolidated Company 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 Consolidated Company’s consolidated financial position as of March 31, 2025 and 2024 as well as consolidated financial performance and consolidated cash flows for the three months ended March 31, 2025 and 2024.

KPMG Taiwan

CPA:

Kao Ching-Wen
Tang Tzu-Chieh

Competent Securities Authority's
Approval Document No.

Jin-Guan-Zheng-Shen-Zi No.
: 1060005191
Jin-Guan-Zheng-Liu-Zi No.
0940100754

May 7, 2025

Mildef Crete Inc. and Its Subsidiaries																	
Consolidated Balance Sheets																	
As of March 31, 2025, December 31, 2024, and March 31, 2024										Unit: NT\$1000							
		2025.3.31		2024.12.31		2024.3.31				2025.3.31		2024.12.31		2024.3.31			
Assets		Amount	%	Amount	%	Amount	%	Liabilities and equity		Amount	%	Amount	%	Amount	%		
Current assets:								Current liabilities:									
1100	Cash and cash equivalents (Note 6 (1))	\$	825,364	15	533,521	13	450,369	12	2130	Contract liabilities - current (Notes 6 (14) and 7)	\$	167,752	3	163,573	4	206,589	5
1110	Financial assets at fair value through profit or loss								2150	Notes payable		21,182	-	32,734	1	26,784	1
	- current (Note 6 (2))		222,654	4	210,499	5	150,051	4	2170	Accounts payable		84,851	2	94,676	2	127,598	3
1121	Financial assets at fair value through other comprehensive								2209	Other Payables (Notes 6 (15) and 7)		175,028	3	160,803	4	160,500	5
	income - current (Note 6 (2))		1,917,179	35	-	-	-	-	2230	Current income tax liabilities		232,290	4	123,251	3	162,820	4
1150	Notes and accounts receivable, net (Notes 6 (3) and (14))		226,626	4	63,338	2	110,325	3	2280	Lease liabilities - current (Note 6 (8))		33,664	1	35,771	1	35,482	1
1180	Accounts receivable - related parties, net (Notes 6 (3) &								2399	Other current liabilities		1,426	-	826	-	1,049	-
	(14), 7)		-	-	151,421	4	274,199	7		Total current liabilities		716,193	13	611,634	15	720,822	19
130X	Inventories (Note 6 (4))		1,207,271	23	1,217,761	28	1,178,963	31		Non-current liabilities:							
1476	Other financial assets - current (Note 6 (1))		415,100	8	234,771	6	215,100	6	2552	Provisions for warranty liabilities (Note 6 (9))		12,641	-	21,621	-	17,210	-
1479	Other current assets		20,526	-	18,678	-	18,246	-	2570	Deferred income tax liabilities		381,644	7	237,627	6	177,612	5
	Total current assets		4,834,720	89	2,429,989	58	2,397,253	63	2580	Lease liabilities - non-current (Note 6 (8))		39,676	1	45,763	1	53,675	1
	Non-current assets:								2640	Net defined benefit liabilities — non-current		10,808	-	11,651	-	26,404	1
1517	Financial assets at fair value through other comprehensive									Total non-current liabilities		444,769	8	316,662	7	274,901	7
	income - non-current (Note 6 (2))		93,440	2	1,248,678	30	918,536	24		Total liabilities		1,160,962	21	928,296	22	995,723	26
1600	Property, plant and equipment (Note 6 (5))		350,328	6	343,674	8	288,213	8		Equity attributed to owners of the parent company							
1755	Right-of-use assets (Note 6 (6))		72,607	1	80,804	2	88,608	2		(Notes 6 (2), (12), and 7):							
1780	Intangible assets (Note 6 (7))		5,050	-	5,722	-	5,458	-	3110	Ordinary share capital		586,855	11	586,855	14	586,855	15
1840	Deferred income tax assets		79,322	2	79,013	2	74,107	2	3200	Capital surplus		74,381	1	74,381	2	74,381	2
1990	Other non-current assets (Note 8)		14,556	-	20,967	-	56,451	1	3300	Retained earnings		2,345,003	43	1,925,319	45	1,822,711	48
	Total non-current assets		615,303	11	1,778,858	42	1,431,373	37	3400	Other equity		1,256,750	23	670,399	16	324,084	8
										Equity attributed to owners of the parent company		4,262,989	78	3,256,954	77	2,808,031	73
									36xx	Non-controlling interests		26,072	1	23,597	1	24,872	1
										Total equity		4,289,061	79	3,280,551	78	2,832,903	74
	Total assets	\$	5,450,023	100	4,208,847	100	3,828,626	100		Total liabilities and equity	\$	5,450,023	100	4,208,847	100	3,828,626	100

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

Chairman: Shen Yi-Tong

Manager: Shen Yi-Tong

Accounting Manager: Liu Ya-Ping

Mildef Crete Inc. and Its Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three Months Ended March 31, 2025 and 2024

Unit: NT\$1000

		January to March 2025		January to March 2024	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6 (14), 7 and 14)	\$ 762,695	100	757,955	100
5000	Operating cost (Notes 6(4), (5), (6), (8), (9), (10), (15), 7, and 12)	477,913	63	497,570	66
	Gross operating profit	284,782	37	260,385	34
	Operating expenses (Notes 6 (3), (5), (6), (8), (10), (15), 7, and 12):				
6100	Selling and marketing expenses	40,836	5	40,665	5
6200	General and administrative expenses	20,439	3	15,661	2
6300	Research and development expenses	25,362	3	23,754	3
6450	Reversal of expected credit losses	(248)	-	-	-
	Total operating expenses	86,389	11	80,080	10
	Net operating profit	198,393	26	180,305	24
	Non-operating income and expenses: (Notes 6(8) and (16))				
7100	Interest income	2,793	-	1,888	-
7010	Other income	695	-	577	-
7020	Other gains and losses	9,621	2	14,512	2
7510	Financial cost	(524)	-	(300)	-
	Total non-operating income and expenses	12,585	2	16,677	2
	Net profit before tax	210,978	28	196,982	26
7951	Minus: Income tax expense (Note 6 (11))	42,355	6	37,160	5
	Current net profit	168,623	22	159,822	21
8300	Other comprehensive income (Note 6 (2) and (11)):				
8310	Items not reclassified as income and loss				
	Unrealized gain on investments in equity instruments as at				
8316	fair value through other comprehensive income	1,052,001	138	142,927	19
8349	Minus: Income tax related to items not reclassified	210,847	28	28,585	4
	Total amount of items not reclassified to profit or loss	841,154	110	114,342	15
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences arising from the translation of the financial statements of foreign operations	394	-	(88)	-
	Unrealized valuation losses on debt instrument				
	investments measured at fair value through other				
8367	comprehensive income	(2,076)	-	-	-
8399	Minus: Income tax related to potentially classifiable items	(415)	-	-	-
	Total amount of items that may be reclassified subsequently to profit or loss	(1,267)	-	(88)	-
8300	Other comprehensive income	839,887	110	114,254	15
	Total amount of other current comprehensive gains and losses	<u>\$ 1,008,510</u>	<u>132</u>	<u>274,076</u>	<u>36</u>
	Net profit/(loss) attributable to:				
8610	Owners of the Parent Company	\$ 166,148	22	156,331	21
8620	Non-controlling interests	2,475	-	3,491	-
		<u>\$ 168,623</u>	<u>22</u>	<u>159,822</u>	<u>21</u>
	Total comprehensive income/(loss) attributable to:				
8710	Owners of the Parent Company	\$ 1,006,035	132	270,585	36
8720	Non-controlling interests	2,475	-	3,491	-
		<u>\$ 1,008,510</u>	<u>132</u>	<u>274,076</u>	<u>36</u>
	Earnings per share (NT\$; (Note 6 (13)))				
	Basic earnings per share	<u>\$ 2.83</u>		<u>2.66</u>	
	Diluted earnings per share	<u>\$ 2.80</u>		<u>2.63</u>	

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

Chairman: Shen Yi-Tong

Manager: Shen Yi-Tong

Accounting Manager: Liu Ya-Ping

Mildef Crete Inc. and Its Subsidiaries
Consolidated statements of changes in equity
For the Three Months Ended March 31, 2025 and 2024

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, 2024	\$ 586,855	74,113	542,578	1,091,986	1,634,564	20	252,022	(10,396)	241,646	2,537,178	20,641	2,557,819
Current net profit	-	-	-	156,331	156,331	-	-	-	-	156,331	3,491	159,822
Other comprehensive income	-	-	-	-	-	(88)	114,342	-	114,254	114,254	-	114,254
Total amount of other current comprehensive gains and losses	-	-	-	156,331	156,331	(88)	114,342	-	114,254	270,585	3,491	274,076
Differences between actual equity price paid and book value of subsidiaries	-	268	-	-	-	-	-	-	-	268	(268)	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,008	1,008
Disposal of equity instruments designated at fair value through other comprehensive income(Note 6 (2))	-	-	-	31,816	31,816	-	(31,816)	-	(31,816)	-	-	-
Balance on March 31, 2024	\$ 586,855	74,381	542,578	1,280,133	1,822,711	(68)	334,548	(10,396)	324,084	2,808,031	24,872	2,832,903
Balance on January 1, 2025	\$ 586,855	74,381	589,882	1,335,437	1,925,319	(408)	671,387	(580)	670,399	3,256,954	23,597	3,280,551
Current net profit	-	-	-	166,148	166,148	-	-	-	-	166,148	2,475	168,623
Other comprehensive income	-	-	-	-	-	394	839,493	-	839,887	839,887	-	839,887
Total amount of other current comprehensive gains and losses	-	-	-	166,148	166,148	394	839,493	-	839,887	1,006,035	2,475	1,008,510
Disposal of equity instruments designated at fair value through other comprehensive income(Note 6 (2))	-	-	-	253,536	253,536	-	(253,536)	-	(253,536)	-	-	-
Balance on March 31, 2025	\$ 586,855	74,381	589,882	1,755,121	2,345,003	(14)	1,257,344	(580)	1,256,750	4,262,989	26,072	4,289,061

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

Chairman: Shen Yi-Tong

Manager: Shen Yi-Tong

Accounting Manager: Liu Ya-Ping

Mildef Crete Inc. and Its Subsidiaries
Consolidated statements of cash flows
For the Three Months Ended March 31, 2025 and 2024

Unit: NT\$1000

	January to March 2025	January to March 2024
Cash flows from operating activities:		
Net income before tax	\$ 210,978	196,982
Adjustments for:		
Profit and loss		
Depreciation expense	19,409	15,253
Amortization expense	767	1,958
Reversal of expected credit losses	(248)	-
Net gain on financial assets at fair value through profit or loss	(958)	(51)
Interest expense	524	300
Interest income	(2,793)	(1,888)
Gain on disposal of property, plant and equipment	-	(198)
Lease Modification Benefits	-	(4)
Total profit/(loss)	<u>16,701</u>	<u>15,370</u>
Changes in assets/liabilities related to operating activities:		
Net changes in assets related to operating activities:		
Notes and accounts receivable	(124,511)	9,760
Accounts receivable from related parties	112,892	35,238
Inventories	10,490	18,856
Other current assets	(1,592)	(270)
Other non-current assets	52	46
Total net changes in assets related to operating activities	<u>(2,669)</u>	<u>63,630</u>
Net changes in liabilities related to operating activities		
Contract liabilities	4,179	(31,050)
Notes payable	(11,552)	(7,348)
Accounts payable	(9,825)	8,344
Provisions for warranty liabilities	(8,980)	4,058
Other Accounts Payable and Other Current Liabilities	14,825	10,194
Net defined benefit liabilities	(843)	(3,897)
Total amount of net changes in liabilities related to operating activities	<u>(12,196)</u>	<u>(19,699)</u>
Total amount of net changes in assets and liabilities related to operating activities	<u>(14,865)</u>	<u>43,931</u>
Total adjustments	<u>1,836</u>	<u>59,301</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 cash flows (continued)
For the Three Months Ended March 31, 2025 and 2024

Unit: NT\$1000

	January to March 2025	January to March 2024
Net cash generated from/(used in) operations	212,814	256,283
Interest received	2,537	1,888
Income tax paid	(40)	(13)
Net cash inflow from operating activities	215,311	258,158
Cash flows from investing activities:		
Acquisition of financial assets measured at fair value through other comprehensive income	(19,682)	-
Disposal of financial assets at fair value through other comprehensive income	296,670	90,366
Purchase of financial assets at fair value through profit or loss	-	(150,000)
Acquisition of property, plant and equipment (including prepayment for equipment)	(10,999)	(43,110)
Disposal of property, plant and equipment	-	346
Decrease (increase) in refundable deposits	898	(509)
Acquisition of intangible assets	(95)	(221)
Increase in other financial assets - current	(180,329)	(9,000)
Increase in other non-current assets	-	(3,055)
Dividends received	-	5,004
Net cash inflows (outflows) from investing activities	86,463	(110,179)
Cash flows from financing activities:		
Payment of the principal portion of lease liabilities	(9,600)	(9,386)
Disposal of equity in subsidiaries (without control lost)	-	1,008
Interests paid	(524)	(300)
Net cash outflow from financing activities	(10,124)	(8,678)
Effect of exchange rate changes on cash and cash equivalents	193	(88)
Increase in cash and cash equivalents	291,843	139,213
Beginning cash and cash equivalents balance	533,521	311,156
Ending cash and cash equivalents balance	\$ 825,364	450,369

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

Chairman:
Shen Yi-Tong

Manager:
Shen Yi-Tong

Accounting Manager:
Liu Ya-Ping

Mildef Crete Inc. and Its Subsidiaries
Notes to the Consolidated Financial Statements
First quarter of 2025 and 2024
(In thousands of NT\$, except otherwise specified)

I. Company History

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

II. Date and Procedure for Approval of Financial Statements

The consolidated financial statements were approved and released by the Board of Directors on May 7, 2025.

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 Consolidated Company has applied the following newly revised IFRS accounting standards since January 1, 2025, which has not caused any material impact on its consolidated financial statements.

- Amendments to IAS 21 "Lack of Exchangeability"

- (II) Effect of the IFRSs as endorsed by the FSC, but not yet adopted

The Consolidated Company has evaluated to apply the following newly revised IFRSs effective on January 1, 2026, which will not cause any significant impact on its consolidated financial statements.

- Amendments to IFRS 9 and IFRS 7 - 'Amendments to Classification and Measurement of Financial Instruments' regarding the application guidance of Section 4.1 of IFRS 9 and related disclosure requirements of IFRS 7

- (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 Consolidated Company are as follows:

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

New and amended standards	Main amendments	Effective date announced by the IASB
International Financial Reporting Standard No. 18 "Presentation and Disclosure of Financial Statements"	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="746 719 1241 1211">• 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="746 1218 1241 1682">• 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="746 1688 1241 1989">• 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 Consolidated Company 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 Consolidated Company 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 IFRS 9 and IFRS 7 - 'Amendments to Classification and Measurement of Financial Instruments' regarding the application guidance of Sections 3.1 and 3.3 of IFRS 9 and related disclosure requirements of IFRS 7
- Annual improvements to IFRSs
- Amendments to IFRS 9 and IFRS 7: "Contracts Relying on Renewable Energy Sources"

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 2024 consolidated financial statements. Please refer to Note 4 to the 2024 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		
			2025.3.31	2024.12.31	2024.3.31
The Company	Flexbasis Technology Inc. (Flexbasis)	Manufacturing of metal casings	56.2%	56.2%	56.2%
The Company	MilDef Crete Australasia Pty. Ltd.	Sale of rugged products	100%	100%	100%

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,

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

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 Consolidated Company 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 average 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 about the future (including climate-related risks and opportunities) in accordance with the IAS 34 “Interim Financial Reporting” endorsed by the FSC, which will affect the adoption of accounting policies and the amounts of assets, liabilities, income, and expenses reported. Actual results may differ from estimates.

When the consolidated financial statements were prepared, the critical judgments exercised by the management in adopting the Consolidated Company’s accounting policies and the key sources of estimation uncertainty are consistent with Note 5 to the 2024 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 2024 consolidated financial statements. Please refer to Note 4 to the 2024 consolidated financial statements for relevant information.

(I) Cash and cash equivalents

	2025.3.31	2024.12.31	2024.3.31
Cash on hand	\$ 434	582	424
Checking deposit and demand deposit	612,418	532,939	449,945
Time deposits with original maturities of three months or less	212,512	-	-
	\$ 825,364	533,521	450,369

The Consolidated Company's bank time deposits with the initial duration of more than three months as of March 31, 2025, December 31, 2024, and March 31, 2024 were

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

NT\$415,100 thousand, NT\$234,771 thousand and NT\$215,100 thousand, respectively, which are recognized in other financial assets – current.

(II) Financial instruments

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

	2025.3.31	2024.12.31	2024.3.31
Money funds	\$ 211,302	210,499	150,051
Contingent consideration	11,352	-	-
	\$ 222,654	210,499	150,051

The aforementioned contingent consideration relates to the Consolidated Company's disposal of shares in Roda Computer GmbH, an unlisted company, in March 2025. Under the terms of the share disposal agreement, the Consolidated Company is entitled to receive additional consideration based on Roda Computer GmbH's profitability performance for fiscal year 2024. The contingent consideration is expected to be settled in August 2025.

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

	2025.3.31	2024.12.31	2024.3.31
Debt instruments measured at fair value through other comprehensive income:			
Foreign government bonds	\$ 18,881	-	-
Foreign corporate bonds	18,375	19,449	-
Equity instruments measured at fair value through other comprehensive income:			
Unlisted stocks	-	141,640	18,262
Overseas stocks	1,973,363	1,087,589	900,274
Total	\$ 2,010,619	1,248,678	918,536
Current	\$ 1,917,179	-	-
Non-current	93,440	1,248,678	918,536
	\$ 2,010,619	1,248,678	918,536

(1) Debt instrument investments measured at fair value through other comprehensive income

The Consolidated Company assesses that its bond investments are held within a business model aimed at achieving objectives through the collection of contractual cash flows and the sale of financial assets. Therefore, they are reported as financial assets measured at fair value through other comprehensive income.

(2) Equity investments measured at fair value through other comprehensive income

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

The Consolidated Company holds these equity investments as long-term strategic investments, not for trading purposes. Therefore, they are designated as measured at fair value through other comprehensive income.

During the period from January 1 to March 31 of the 2025 and 2024, the merged company sold a portion of the foreign listed company stocks mentioned above as part of its investment strategy. The fair values at the time of disposal were NT\$97,982 thousand and NT\$90,366 thousand, respectively. The accumulated gains from the disposals (after tax) were NT\$64,665 thousand and NT\$31,816 thousand, respectively. These accumulated gains have been transferred from other equity to retained earnings.

In March 2025, the Consolidated Company disposed of its entire equity interest in Roda Computer GmbH, an unlisted company, to Mildef Consolidated Company AB. The total transaction consideration amounted to NT\$268,304 thousand, comprising cash of NT\$198,688 thousand (EUR 5,600 thousand), 110 thousand shares of Mildef Consolidated Company AB stock (with a fair value of NT\$58,419 thousand), and contingent consideration of NT\$11,197 thousand (refer to Note 6 (2) for details). The cumulative disposal gain (after tax) totaled NT\$188,871 thousand, and the aforementioned cumulative gain has been reclassified from other equity to retained earnings. The aforementioned Mildef Consolidated Company AB shares acquired are subject to a two-year lock-up period (until March 2026).

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

	2025.3.31			2024.12.31			2024.3.31		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
EUR	\$ -	-	-	4,149	34.14	141,640	530	34.46	18,262
SEK	592,602	3.33	1,973,363	363,742	2.99	1,087,589	301,095	2.99	900,274

As of March 31, 2025, December 31, 2024, and March 31, 2024, none of the Consolidated Company's financial assets above had been pledged as collateral.

(III) Notes and accounts receivable (related parties)

	2025.3.31	2024.12.31	2024.3.31
Notes and accounts receivable	\$ 226,876	63,701	110,325
Less: Allowance for losses	(250)	(363)	-
	<u>226,626</u>	<u>63,338</u>	<u>110,325</u>
Accounts receivable - related parties	-	151,556	274,199
Less: Allowance for losses	-	(135)	-
	<u>-</u>	<u>151,421</u>	<u>274,199</u>
	<u>\$ 226,626</u>	<u>214,759</u>	<u>384,524</u>

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

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

	2025.3.31		
	Carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for lifetime expected credit losses
Not past due	\$ 225,106	0.09079%	204
Payment is due within 30 days	1,280	3.27613%	42
Overdue for 31 to 60 days	125	0.00642%	-
Overdue for 61 to 90 days	365	1.00000%	4
	<u>\$ 226,876</u>		<u>250</u>
	2024.12.31		
	Carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for lifetime expected credit losses
Not past due	\$ 206,040	0.09512%	196
Payment is due within 30 days	9,217	3.27620%	302
	<u>\$ 215,257</u>		<u>498</u>
	2024.3.31		
	Carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for lifetime expected credit losses
Not past due	<u>\$ 384,524</u>	0.00000%	<u>-</u>

Changes in allowance for loss on notes and accounts receivable of the Consolidated Company are as follows:

	January to March 2025	January to March 2024
Opening balance	\$ 498	-
Reversal of impairment loss	(248)	-
Ending balance	<u>\$ 250</u>	<u>-</u>

(IV) Inventories

	2025.3.31	2024.12.31	2024.3.31
Merchandise	\$ 159,284	136,035	149,390
Finished goods	1,826	1,380	6,937
Semi-finished goods	152,311	163,208	138,138
Work in process	229,880	241,222	323,665
Raw materials	663,970	675,916	560,833
	<u>\$ 1,207,271</u>	<u>1,217,761</u>	<u>1,178,963</u>

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

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

	January to March 2025	January to March 2024
Costs of inventories sold	\$ 491,820	475,618
Warranty provision (reversal)	(8,747)	4,902
Inventory valuation loss (gain on reversal)	(5,160)	17,050
	\$ 477,913	497,570

The above inventory valuation loss (gain on reversal) refers to the inventory valuation loss recognized by the Consolidated Company due to the write-down of the inventory to the net realizable value; or recovery gains recognized within the scope of previously recorded inventory valuation losses when certain obsolete inventory from the beginning of the period was sold or consumed during the current period, resulting in the reversal of the original valuation to net realizable value.

(V) Property, plant and equipment

Details of changes in the Consolidated Company's property, plant and equipment are as follows:

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Leasehold improvements	Total
Cost:								
Balance on January 1, 2025	\$ 147,478	76,876	181,855	8,355	2,337	120,004	-	536,905
Additions	-	1,818	105	-	-	2,103	1,486	5,512
Reclassification (Note)	-	-	-	-	-	1,374	13,424	14,798
Balance on March 31, 2025	\$ 147,478	78,694	181,960	8,355	2,337	123,481	14,910	557,215
Balance as of January 1, 2024	\$ 147,478	75,609	109,746	7,567	2,212	91,532	-	434,144
Additions	-	-	25,861	1,500	-	10,241	-	37,602
Disposal	-	-	(400)	(1,500)	-	-	-	(1,900)
Balance on March 31, 2024	\$ 147,478	75,609	135,207	7,567	2,212	101,773	-	469,846
Depreciation:								
Balance on January 1, 2025	\$ -	33,359	69,602	5,484	895	83,891	-	193,231
Depreciation	-	741	3,948	308	73	3,811	925	9,806
Reclassification (Note)	-	-	-	-	-	-	3,850	3,850
Balance on March 31, 2025	\$ -	34,100	73,550	5,792	968	87,702	4,775	206,887
Balance as of January 1, 2024	\$ -	30,094	70,428	5,881	632	70,564	-	177,599
Depreciation	-	818	1,873	244	62	2,789	-	5,786
Disposal	-	-	(252)	(1,500)	-	-	-	(1,752)
Balance on March 31, 2024	\$ -	30,912	72,049	4,625	694	73,353	-	181,633
Book value:								
March 31, 2025	\$ 147,478	44,594	108,410	2,563	1,369	35,779	10,135	350,328
January 1, 2025	\$ 147,478	43,517	112,253	2,871	1,442	36,113	-	343,674
March 31, 2024	\$ 147,478	44,697	63,158	2,942	1,518	28,420	-	288,213

(Note) Transferred from prepaid equipment and other non-current assets.

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

(VI) Right-of-use assets

The cost and accumulated depreciation of properties and buildings leased by the Consolidated Company, along with the details of changes, are as follows:

	Buildings
Cost of right-of-use assets:	
Balance on January 1, 2025	\$ 227,929
Additions	1,400
The effects of changes in foreign exchange rates	33
Balance on March 31, 2025	<u>\$ 229,362</u>
Balance as of January 1, 2024	\$ 198,865
Additions	23,726
Decrease	(8,232)
Balance on March 31, 2024	<u>\$ 214,359</u>
Accumulated depreciation of right-of-use assets:	
Balance on January 1, 2025	\$ 147,125
Depreciation in this period	9,603
The effects of changes in foreign exchange rates	27
Balance on March 31, 2025	<u>\$ 156,755</u>
Balance as of January 1, 2024	\$ 123,521
Depreciation in this period	9,467
Decrease	(7,234)
The effects of changes in foreign exchange rates	(3)
Balance on March 31, 2024	<u>\$ 125,751</u>
Book value:	
March 31, 2025	<u>\$ 72,607</u>
January 1, 2025	<u>\$ 80,804</u>
March 31, 2024	<u>\$ 88,608</u>

(VII) Intangible assets

	Computer software
Carrying amount:	
March 31, 2025	<u>\$ 5,050</u>
January 1, 2025	<u>\$ 5,722</u>
March 31, 2024	<u>\$ 5,458</u>

There was no significant addition, disposal, provision for impairment, or reversal of the Consolidated Company's intangible assets during the three months ended March 31, 2025 and 2024. Please refer to the depreciation amount for the current period.

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

Please refer to Note 12(1) for the amortization amount in this period. Please refer to Note 6(7) to the 2024 consolidated financial statements for other relevant information.

(VIII) Lease liabilities

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

	2025.3.31	2024.12.31	2024.3.31
Current	<u>\$ 33,664</u>	<u>35,771</u>	<u>35,482</u>
Non-current	<u>\$ 39,676</u>	<u>45,763</u>	<u>53,675</u>

For maturity analysis, please refer to Note 6 (17) Financial Instruments.

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

	January to March 2025	January to March 2024
Interest expenses on lease liabilities	<u>\$ 281</u>	<u>290</u>
Short-term lease expenses	<u>\$ 119</u>	<u>121</u>

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

	January to March 2025	January to March 2024
Total cash outflow from leases	<u>\$ 10,000</u>	<u>9,797</u>

The Consolidated Company leases retail stores and factories, with lease terms typically ranging from one to five years. Upon expiration of the lease period, the lease agreements are renegotiated for the lease duration and payment terms.

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

(IX) Provision for Liabilities

	Warranty
Balance on January 1, 2025	\$ 21,621
Provision for liabilities used in the current period	(233)
Liability provisions reversed during the period	(8,747)
Balance on March 31, 2025	<u>\$ 12,641</u>
Balance as of January 1, 2024	\$ 13,152
Provision for new liabilities in the current period	4,902
Provision for liabilities used in the current period	(844)
Balance on March 31, 2024	<u>\$ 17,210</u>

The provision for warranty liabilities primarily relates to computer sales. The provision is estimated based on historical warranty data for the sold goods. The Consolidated Company expects that the majority of these liabilities will be incurred gradually over one to three years following the sale.

(X) Employee benefits

1. Defined benefit plan

As there were no major market fluctuation, major reduction, settlement, or

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

other major one-off events after the balance sheet date of the prior year, the Consolidated Company measured and disclosed pension costs for interim periods at the actuarial determined pension costs on December 31, 2024 and 2023.

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

	January to March 2025	January to March 2024
Operating costs	\$ 2	28
Operating expenses	75	103
	<u>\$ 77</u>	<u>131</u>

2. Defined contribution plan

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

	January to March 2025	January to March 2024
Operating costs	\$ 1,102	1,043
Operating expenses	2,217	2,138
	<u>\$ 3,319</u>	<u>3,181</u>

(XI) Income tax

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

	January to March 2025	January to March 2024
Income tax expenses	<u>\$ 42,355</u>	<u>37,160</u>

2. The details of income tax expenses recognized by the Consolidated Company in other comprehensive income are as follows:

	January to March 2025	January to March 2024
Financial assets at fair value through other comprehensive income	<u>\$ 210,432</u>	<u>28,585</u>

3. The Company has submitted tax return applications until the year of 2023, 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 Consolidated Company's capital and other equity during the three months ended March 31, 2025 and 2024. Please refer to Note 6(12) to the 2024 consolidated financial statements for relevant information.

1. 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

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

the paid-in capital of the Company. Furthermore, after the special reserve is set aside or reversed depending on the needs or as per laws and regulations, any remaining profit, together with any cumulative undistributed earnings, shall be adopted by the Company's Board of Directors as the basis for making a distribution proposal, which shall then be submitted to the shareholders' meeting for a resolution before distribution.

The Board of Directors made an earnings distribution proposal for 2024 on March 12, 2025, and the general shareholders' meeting passed a resolution for the 2023 earnings distribution proposal on June 12, 2024. The dividends distributed to owners are as follows:

	Fiscal Year 2024		Fiscal Year 2023	
	Dividend per share (NT\$)	Amount	Dividend per share (NT\$)	Amount
Dividends distributed to owners of ordinary shares:				
Cash	\$ 6.00	<u>\$ 352,113</u>	5.40	<u>316,902</u>

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

2. Other equity (net after-tax)

	Exchange differences arising from the translation of Financial Report of foreign operations	Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	Remeasurement of defined benefit plan	Total
Balance on January 1, 2025	\$ (408)	671,387	(580)	670,399
Exchange differences arising from the net assets of foreign operations	394	-	-	394
Unrealized gains on financial assets at fair value measurement through other comprehensive income	-	839,493	-	839,493
Disposal of equity instruments designated at fair value through other comprehensive income	-	(253,536)	-	(253,536)
Balance on March 31, 2025	<u>\$ (14)</u>	<u>1,257,344</u>	<u>(580)</u>	<u>1,256,750</u>
Balance as of January 1, 2024	\$ 20	252,022	(10,396)	241,646
Exchange differences arising from the net assets of foreign operations	(88)	-	-	(88)
Unrealized gains on financial assets at fair value measurement through other comprehensive income	-	114,342	-	114,342
Disposal of equity instruments designated at fair value through other comprehensive income	-	(31,816)	-	(31,816)
Balance on March 31, 2024	<u>\$ (68)</u>	<u>334,548</u>	<u>(10,396)</u>	<u>324,084</u>

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

(XIII) Earnings per share

1. Basic earnings per share

	January to March 2025	January to March 2024
Net income attributable to holders of the Company's ordinary shares	\$ 166,148	156,331
Weighted average number of outstanding ordinary shares (in thousands of shares)	58,685	58,685
Basic earnings per share (NT\$)	\$ 2.83	2.66

2. Diluted earnings per share

	January to March 2025	January to March 2024
Net income attributable to holders of the Company's ordinary shares	\$ 166,148	156,331
Weighted average number of outstanding ordinary shares (in thousands of shares)	58,685	58,685
The effect of employee remuneration	627	787
Weighted average number of outstanding ordinary shares (after adjustment for the effect of potentially dilutive ordinary shares)	59,312	59,472
Diluted earnings per share (NT\$)	\$ 2.80	2.63

(XIV) Revenue from customer contracts

1. Breakdown of income

	January to March 2025	January to March 2024
Major sales market:		
Asia	\$ 415,300	383,271
Europe	273,067	299,355
Oceania	55,246	1,387
Americas	19,082	73,942
Total	\$ 762,695	757,955
Main product/service lines:		
Business computer	\$ 332,698	322,997
Rugged computer	398,848	416,660
Repair and maintenance services and others	31,149	18,298
	\$ 762,695	757,955

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

2. Contract balance

	2025.3.31	2024.12.31	2024.3.31
Notes and accounts receivable (related parties)	\$ 226,876	215,257	384,524
Less: Allowance for losses	(250)	(498)	-
Total	\$ 226,626	214,759	384,524
Contract liabilities (including related parties)	\$ 167,752	163,573	206,589

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

The contract liabilities mainly arise from advances received from the sales of rugged computers, which will be reclassified to revenue when the Consolidated Company delivers the products to clients. The opening balances of contract liabilities as at January 1, 2025 and 2024 recognized in income for the three months ended March 31, 2025 and 2024 were NT\$15,347 thousand and NT\$41,484 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, when the Company has accumulated losses, an amount shall be reserved in advance to cover such losses. The recipients of the employee remuneration in stock or cash in the preceding paragraph include employees at subsidiaries who meet certain criteria.

The estimated amounts of the Company's employee remuneration for the three months ended March 31, 2025 and 2024 were NT\$21,908 thousand and NT\$19,633 thousand, respectively, and the estimated amounts of directors' remuneration for the periods then ended were NT\$4,391 thousand and NT\$3,935 thousand, respectively. The amounts were estimated based on the Company's net income before tax before the remuneration to employees and directors was deducted for each period, multiplied by the percentages of the profit for employee and directors' remuneration as stipulated in the Company's Articles of Incorporation, and the amounts were recognized in operating costs or operating expenses for the period. If there is a difference between the amounts distributed in the following year and the estimated amounts, it will be treated as a change in accounting estimates, and the difference will be recognized in profit and loss for the following year.

The estimated amounts of the Company's 2024 and 2023 employee remuneration

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

were NT\$67,752 thousand and NT\$61,896 thousand, respectively, and the estimated amounts of directors' remuneration for the periods then ended were NT\$13,579 thousand and NT\$12,634 thousand, respectively. The amounts are the same as those resolved by the Board of Directors and all were distributed in cash. Relevant information is available on the MOPS.

(XVI) Non-operating income and expenses

1. Interest income

	January to March 2025	January to March 2024
Interest income from cash in banks	\$ 1,403	820
Other interest income	1,390	1,068
	<u>\$ 2,793</u>	<u>1,888</u>

2. Other income

	January to March 2025	January to March 2024
Others	<u>\$ 695</u>	<u>577</u>

3. Other gains and losses

	January to March 2025	January to March 2024
Foreign exchange gains	\$ 8,663	14,263
Gains on financial assets measured at fair value through profit or loss	958	51
Gain on disposal of property, plant and equipment	-	198
	<u>\$ 9,621</u>	<u>14,512</u>

4. Financial cost

	January to March 2025	January to March 2024
Interest expense		
Lease liabilities	\$ (281)	(290)
Others	(243)	(10)
	<u>\$ (524)</u>	<u>(300)</u>

(XVII) Financial instruments

Except as stated below, there was no significant change in the fair value of the Consolidated Company's financial instruments and exposure to credit risk, liquidity risk, and market risk due to the financial instruments held. Please refer to Note 6 (17) for relevant information.

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

1. Types of financial instruments

(1) Financial assets

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Financial assets at fair value through profit or loss - current:			
Money funds	\$ 211,302	210,499	150,051
Contingent consideration	11,352	-	-
Financial assets at fair value through other comprehensive income - current			
Overseas listed stocks	1,917,179	-	-
Financial assets at fair value through other comprehensive income - non-current:			
Foreign government bonds	18,881	-	-
Foreign corporate bonds	18,375	19,449	-
Unlisted stocks	-	141,640	18,262
Overseas listed stocks	-	1,087,589	900,274
Overseas listed stocks subject to lock-up period	56,184	-	-
Financial assets at amortized cost:			
Cash and cash equivalents	825,364	533,521	450,369
Notes and accounts receivable (related parties)	226,626	214,759	384,524
Other financial assets - current	415,100	234,771	215,100
Other non-current assets - guarantee deposits paid	8,886	9,784	9,009
Total	<u>\$ 3,709,249</u>	<u>2,452,012</u>	<u>2,127,589</u>

(2) Financial liabilities

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Financial liabilities at amortized cost:			
Lease liabilities	\$ 73,340	81,534	89,157
Notes and accounts payable	106,033	127,410	154,382
Other payables (including related parties)	175,028	160,803	160,500
Total	<u>\$ 354,401</u>	<u>369,747</u>	<u>404,039</u>

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

2. Liquidity risk

The contract maturity date of the Consolidated Company's financial liabilities, including the estimated interest, is analyzed as follows:

	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 year(s)</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
March 31, 2025						
Notes and accounts payable	\$ (106,033)	(106,033)	-	-	-	-
Lease liabilities	(75,239)	(18,917)	(15,452)	(31,604)	(9,266)	-
Other payables (including related parties)	(175,028)	(175,028)	-	-	-	-
	<u>\$ (356,300)</u>	<u>(299,978)</u>	<u>(15,452)</u>	<u>(31,604)</u>	<u>(9,266)</u>	<u>-</u>
December 31, 2024						
Notes and accounts payable	\$ (127,410)	(127,410)	-	-	-	-
Lease liabilities	(83,654)	(19,443)	(17,386)	(34,982)	(11,655)	(188)
Other payables (including related parties)	(160,803)	(160,803)	-	-	-	-
	<u>\$ (371,867)</u>	<u>(307,656)</u>	<u>(17,386)</u>	<u>(34,982)</u>	<u>(11,655)</u>	<u>(188)</u>
March 31, 2024						
Notes and accounts payable	\$ (154,382)	(154,382)	-	-	-	-
Lease liabilities	(91,549)	(19,680)	(16,738)	(25,083)	(30,048)	-
Other payables (including related parties)	(160,500)	(160,500)	-	-	-	-
	<u>\$ (406,431)</u>	<u>(334,562)</u>	<u>(16,738)</u>	<u>(25,083)</u>	<u>(30,048)</u>	<u>-</u>

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

3. Exchange rate risk

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

	2025.3.31				2024.12.31			2024.3.31		
	Foreign currency	Exchange rate	NT\$		Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
<u>Financial assets</u>										
<u>Monetary</u>										
<u>item</u>										
USD	\$	18,490	33.205	613,960	8,616	32.785	282,460	12,190	32.000	390,080
SEK		29,670	3.330	98,800	-	-	-	2	2.990	5
EUR		319	35.970	11,488	6	34.140	203	-	-	-
AUD		170	20.810	3,538	170	20.390	3,461	-	-	-
<u>Financial</u>										
<u>liabilities</u>										
<u>Monetary</u>										
<u>item</u>										
USD		71	33.205	2,358	71	32.785	2,328	43	32.000	1,376

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

Due to the diverse transactional currencies within the consolidated company, the information on foreign exchange gains or losses related to monetary items is disclosed on an aggregated basis. The foreign exchange (losses) gains (including realized and unrealized) for the 2025 and 2024 were NT\$8,663 thousand and NT\$14,263 thousand, respectively.

The Consolidated Company's exchange rate risk primarily arises from foreign-currency-denominated cash and cash equivalents, accounts receivable (including related parties), debt instrument investments at fair value through other comprehensive income (corporate bonds and government bonds), financial instruments measured at fair value through profit or loss (contingent consideration), accounts payable, and other payables (including related parties), leading to foreign exchange gains or losses upon conversion. If the NT\$ depreciated or appreciated by 1% against USD, SEK, EUR, and AUD with all other variables remaining unchanged, the Consolidated Company's net income before tax for the three months ended March 31, 2025 and 2024 would have increased or decreased by NT\$7,254 thousand and NT\$3,887 thousand, respectively. The same basis was used for analyses for both periods.

4. Fair value information

(1) Financial instruments not at fair value

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

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

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

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

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

		2025.3.31			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss:					
Money funds	\$ 211,302	211,302	-	-	211,302
Contingent consideration	11,352	-	-	11,352	11,352
Total	<u>\$ 222,654</u>	<u>211,302</u>	<u>-</u>	<u>11,352</u>	<u>222,654</u>
Financial assets at fair value through other comprehensive income:					
Foreign government bonds	\$ 18,881	-	18,881	-	18,881
Foreign corporate bonds	18,375	-	18,375	-	18,375
Overseas stocks	1,917,179	1,917,179	-	-	1,917,179
Overseas listed stocks subject to lock-up period	56,184	-	-	56,184	56,184
Total	<u>\$ 2,010,619</u>	<u>1,917,179</u>	<u>37,256</u>	<u>56,184</u>	<u>2,010,619</u>
		2024.12.31			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss:					
Money funds	<u>\$ 210,499</u>	<u>210,499</u>	<u>-</u>	<u>-</u>	<u>210,499</u>
Financial assets at fair value through other comprehensive income:					
Foreign corporate bonds	\$ 19,449	-	19,449	-	19,449
Unlisted stocks	141,640	-	-	141,640	141,640
Overseas stocks	1,087,589	1,087,589	-	-	1,087,589
Total	<u>\$ 1,248,678</u>	<u>1,087,589</u>	<u>19,449</u>	<u>141,640</u>	<u>1,248,678</u>
		2024.3.31			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss:					
Money funds	<u>\$ 150,051</u>	<u>150,051</u>	<u>-</u>	<u>-</u>	<u>150,051</u>
Financial assets at fair value through other comprehensive income:					
Unlisted stocks	\$ 18,262	-	-	18,262	18,262
Overseas stocks	900,274	900,274	-	-	900,274
Total	<u>\$ 918,536</u>	<u>900,274</u>	<u>-</u>	<u>18,262</u>	<u>918,536</u>

There were no transfers of financial assets and liabilities within the fair value hierarchy during the three months ended March 31, 2025 and 2024.

(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.

A financial instrument is considered to have a quoted price in an active market if such quotes can be obtained promptly and regularly from exchanges, brokers, underwriters, industry associations, pricing services, or regulatory agencies, and if the price represents actual and frequent fair market transactions. If these conditions are not met, the market is deemed

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

inactive. Generally, wide bid-ask spreads, significant increases in bid-ask spreads, or minimal trading volume are indicators of an inactive market.

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

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

The fair value of foreign government bonds and foreign corporate bonds held by the Consolidated Company is determined based on quotes provided by third-party institutions. The overseas listed stocks subject to lock-up period held by the Consolidated Company are primarily measured based on the market quotations of listed companies, adjusted for the discount effect of lack of marketability of such equity securities. Additionally, contingent consideration and unlisted company stocks in inactive markets is primarily estimated using the income approach, with the discounted cash flow model. The main assumption involves measuring the fair value by discounting the expected future cash flows of the investee at a rate that reflects the time value of money and investment risks.

(4) Details of changes in the level 3

	Contingent consideration measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income Equity instruments
January 1, 2025	\$ -	141,640
Total profit or loss		
Recognized in profit or loss	155	-
Recognized in other comprehensive income	-	124,429
Acquisition	11,197	58,419
Disposal	-	(268,304)
March 31, 2025	<u>\$ 11,352</u>	<u>56,184</u>
March 31, 2024 (i.e., balance as of January 1, 2024)	<u>\$ -</u>	<u>18,262</u>

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

The above total profit or loss is recognized and included under "Other gains and losses" and "Unrealized valuation gain (loss) on equity instrument investments measured at fair value through other comprehensive income" in the statement of comprehensive income. Of which, those related to assets still held as of March 31, 2025 and 2024 are as follows:

	January to March 2025	January to March 2024
Total profit or loss		
Recognized in profit or loss (presented under "Other gains and losses")	\$ 155	-
Recognized in other comprehensive income (presented under "Unrealized valuation gain (loss) on equity instrument investments measured at fair value through other comprehensive income")	(2,235)	-

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

The Consolidated Company's financial instruments measured at fair value and classified as Level 3 consist of financial assets at fair value through profit or loss - contingent consideration and financial assets at fair value through other comprehensive income - overseas listed stocks subject to lock-up period and unlisted company stocks.

Quantitative information on significant unobservable inputs is listed as follows:

Item	Valuation technique	Significant unobservable input	Relations between significant unobservable input and fair value
Financial assets measured at fair value through profit or loss - contingent consideration	Discounted cash flow method	Discount rate (2.9% as of March 31, 2025)	The higher the discount rate, the lower the fair value
Financial assets measured at fair value through other comprehensive income - overseas listed stocks subject to lock-up period	Market approach	Discount for lack of market liquidity (26.03% as of March 31, 2025)	The higher the discount for lack of market liquidity, the lower the fair value
Financial assets at fair value through other comprehensive income - unlisted stocks	Discounted cash flow method	Cost of equity capital (8.51% and 11.22% as of December 31, 2024 and March 31, 2024, respectively)	The higher the cost of equity capital, the lower the fair value

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

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

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

			Changes in fair value reflected in the current period's profit or loss		Changes in fair value reflected in other comprehensive income	
		Increase or decrease change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
	Input					
March 31, 2025						
Financial assets measured at fair value through profit or loss						
Contingent consideration	Discount rate discount	1.00%	\$ 53	55	-	-
Financial assets at fair value through other comprehensive income						
Overseas listed stocks	Market liquidity discount	5.00%	\$ -	-	3,798	3,798
December 31, 2024						
Financial assets at fair value through other comprehensive income						
Unlisted stocks	Cost of equity capital	1.00%	\$ -	-	2,579	2,502
March 31, 2024						
Financial assets at fair value through other comprehensive income						
Unlisted stocks	Cost of equity capital	1.00%	\$ -	-	460	442

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

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

(XVIII) Financial risk management

There is no significant difference between the Consolidated Company's financial risk management goals and policies and those disclosed in Note 6 (18) to the 2024 consolidated financial statements.

(XIX) Capital management

The Consolidated Company's capital management goals, policies, and procedures are consistent with those disclosed in the 2024 consolidated financial statements. There was no significant difference between the aggregate quantitative data on items under capital management and those disclosed in the 2024 consolidated financial statements. Please refer to Note 6 (19) of the 2024 consolidated financial statements for relevant information.

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

- Please refer to Note 6 (6) for details of right-of-use assets acquired by way of leasing.
- The reconciliation of liabilities from financing activities is as follows:

		Non-cash changes				
					The effects of changes in foreign exchange rates	
	2025.1.1	Cash flows	Additions	Decrease		2025.3.31
Lease liabilities	\$ 81,534	(9,600)	1,400	-	6	73,340

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

- Investing activities involving partial cash payments only

	January to March 2025	January to March 2024
Acquisition of property, plant and equipment	\$ 5,512	37,602
Add: Equipment prepayments at end of period	5,670	36,046
Less: Equipment prepayments at beginning of period	(1,557)	(30,538)
Add: Increase in equipment prepayments	1,374	-
Cash paid during the current period	\$ 10,999	43,110

VII. Related-Party Transactions

(I) Name of related party and relations

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

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

(Note) The Consolidated Company disposed of its entire equity interest in Roda Computer GmbH on March 6, 2025. From that date forward, the company is no longer a related party of the Consolidated Company.

(II) Significant Transactions with Related Parties

1. Operating revenue

	<u>January to March 2025</u>	<u>January to March 2024</u>
Other related parties		
Roda Computer GmbH(Note)	<u>\$ 233,235</u>	<u>274,049</u>

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

(Note) No longer a related party from March 6, 2025; therefore, related transaction amounts and related balances are no longer presented from that date forward.

2. Accounts receivable from related parties

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Other related parties			
Roda Computer GmbH	<u>\$ -</u>	<u>151,421</u>	<u>274,199</u>

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

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Other related parties			
Roda Computer GmbH	<u>\$ -</u>	<u>38,093</u>	<u>39,533</u>

4. Repair and maintenance and other operating revenue

	<u>January to March 2025</u>	<u>January to March 2024</u>
Other related parties		
Roda Computer GmbH	<u>\$ 657</u>	<u>1,370</u>

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

All receivables from the above transactions have been received.

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

	Fees on technical service, repair and maintenance, and others		Other accounts payable		
	January to March 2025	January to March 2024	2025.3.31	2024.12.31	2024.3.31
Other related parties	\$ 118	309	-	22	-

6. Equity transaction

On January 26, 2024, the Consolidated Company sold a 1.5% equity interest in its subsidiary Flexbasis to Chou, Yung-Hsiang for cash consideration of NT\$1,008 thousand. The change in net equity value was recognized in capital surplus - difference between actual disposal price and carrying amount of subsidiary shares in the amount of NT\$268 thousand. The aforementioned transaction proceeds have been received in full.

(III) Remuneration to key management personnel

Remuneration to key management personnel includes:

	January to March 2025	January to March 2024
Short-term employee benefits	\$ 6,614	7,010
Post-employment benefits	87	70
	\$ 6,701	7,080

VIII. Pledged Assets

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

Name of asset	Item pledged as collateral	2025.3.31	2024.12.31	2024.3.31
Time deposit (under "other non-current assets")	Customs guarantee	\$ 1,000	1,000	1,000

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

X. Major Disaster Losses: None.

XI. Material Events After the Balance Sheet Date

Between April 1, 2025 and May 7, 2025, the Consolidated Company sold 190 thousand shares of Mildef Consolidated Company AB stock. The fair value at disposal was NT\$150,422 thousand, resulting in cumulative disposal gains (after tax) of NT\$101,716 thousand. The aforementioned cumulative gains will be reclassified from other equity to retained earnings.

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

XII. Others

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

By nature	January to March 2025			January to March 2024		
	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	31,284	52,342	83,626	30,023	46,369	76,392
Labor and health insurance	2,494	4,186	6,680	2,299	3,994	6,293
Pension	1,104	2,292	3,396	1,071	2,241	3,312
Other employee benefits	509	758	1,267	483	710	1,193
Depreciation expense	11,773	7,636	19,409	7,564	7,689	15,253
Amortization expense (Note)	368	399	767	1,071	887	1,958

(Note) Includes amortization expenses for leasehold improvements recorded under other non-current assets.

- (II) Seasonality of operations

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

XIII. Additional Disclosures

- (I) Information on Related Significant Transactions

The material transactions during the three months ended March 31, 2025 the Consolidated Company needs to disclose in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers are as follows:

- Loans to Others: None.
- Endorsements/Guarantees provided to others: None.
- Significant 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	Kingdom of Saudi Arabia Government 5.75% USD Foreign Bond due 01/16/54	-	Financial assets at fair value through other comprehensive income - non-current	6	18,881	-	18,881	
The Company	Verizon Communications Inc. 5.012 04/15/49 Foreign Dollar Bond	-	"	6	18,375	-	18,375	
The Company	Shares of MilDef Consolidated Company AB (lock-up period)	-	"	110	56,184	0.23%	56,184	
The Company	Shares of MilDef Consolidated Company AB	-	Financial assets at fair value through other comprehensive income - current	2,775	1,917,179	5.90%	1,917,179	
The Company	Hua Nan Phoenix Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,727	80,484	-	80,484	
The Company	UPAMC James Bond Money Market Fund	-	"	4,610	80,492	-	80,492	
The Company	Jih Sun Money Market Fund	-	"	3,241	50,326	-	50,326	

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

4. 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
			Purchase (sales) of goods	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	One of the company's three shareholders (Note 2)	(Sale of goods)	233,235	31.33 %	45 days from delivery	(Note 1)	-	-	-	

Note1: 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.

Note2: No longer a related party from March 6, 2025; therefore, related transaction amounts and related balances are no longer presented from that date forward.

5. Receivables from Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital: None.

6. Business Relations and Significant 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				As a percentage of consolidated total revenue or total assets (%)
				Items	Amount	Transaction terms		
0	The Company	MilDef Crete Australasia Pty. Ltd.	1	Sales income	39,135	Delivered in 45 days		5.13
1	Flexbasis	The Company	2	Sales income	27,909	Net 60 days end of the following month		3.66

Note1: Businesses are coded as follows:

- “0” stands for parent company.
- The subsidiaries are coded sequentially beginning from “1” by each individual company.

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

- Parent company to subsidiary
- Subsidiary to parent company

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

Note4: The above transactions were eliminated in the preparation of consolidated financial statements.

(II) Information on Investees:

The information on the Consolidated Company's investees during the three months ended March 31, 2025

Unit: In thousands of shares/thousands of NTS

Name of investor	Name of investee	Location	Main business	Initial investment amount		End of the period holdings			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	23,424	2,080	56.22%	33,473	3,226	3,177	(Note)
The Company	MilDef Crete Australasia Pty. Ltd.	Australia	Trade	12,548	12,548	600	100.00%	26,964	13,136	13,136	(Note)

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.

XIV. Segment Information

The Consolidated Company 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 Consolidated Company'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 Consolidated Company are consistent with those in presented in the financial statements. Please refer to the consolidated balance sheet and the consolidated statements of comprehensive income.