

ACE PILLAR CO., LTD. AND SUBSIDIARIES**Consolidated Financial Statements**

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2023 and 2022**

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

To the Board of Directors of
Ace Pillar Co., Ltd.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Ace Pillar Co., Ltd. and its subsidiaries as of September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the consolidated statements of changes in equity and cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the section of the Basis for Qualified Conclusion of the Consolidated Financial Statements for the Nine Months Ended September 30, 2022, we conducted our reviews in accordance with the Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion of the Consolidated Financial Statements for the Nine Months Ended September 30, 2022

As stated in Note 4(b) to the accompanying consolidated financial statements, the consolidated financial statements for the nine months ended September 30, 2022 included the financial statements of a non-significant subsidiary, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$210,895 thousand, constituting 5.84% of the consolidated total assets, and the total liabilities amounting to \$79,196 thousand, constituting 5.45% of the consolidated total liabilities as of September 30, 2022, as well as the total comprehensive income amounting to \$3,864 thousand and \$4,499 thousand, constituting 21.14% and 3.39% of the consolidated total comprehensive income for the three months and nine months ended September 30, 2022, respectively.

Unqualified Conclusion and Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain non-significant consolidated subsidiaries described in the section of the Basis for Qualified Conclusion of the Consolidated Financial Statements for the Nine Months Ended September 30, 2022, been reviewed by independent auditors, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Ace Pillar Co., Ltd. and its subsidiaries as of September 30, 2023 and 2022, and their consolidated financial performance for the three months and nine months then ended, as well as their consolidated cash flows for the nine months then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ report are Huei-Chen Chang and Mei-Yen Chen.

KPMG

Taipei, Taiwan (Republic of China)
October 31, 2023

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors’ review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors’ review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ACE PILLAR CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2023, December 31, and September 30, 2022

(Expressed in Thousands of New Taiwan Dollars)

		September 30, 2023		December 31, 2022		September 30, 2022				September 30, 2023		December 31, 2022		September 30, 2022	
Assets		Amount	%	Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 402,441	13	436,095	13	476,190	13	2100	Short-term borrowings (notes 6(n) and 8)	\$ 154,523	5	229,235	7	373,724	10
1110	Financial assets at fair value through profit or loss — current (note 6(b))	85	-	163	-	250	-	2123	Financial liabilities at fair value through profit or loss — current (note 6(b))	2,625	-	1,058	-	1,074	-
1136	Financial assets at amortized cost — current (notes 6(d) and 8)	1,000	-	7,848	-	14,209	1	2130	Contract liabilities — current (note 6(u))	56,174	2	108,161	3	131,775	4
1140	Contract assets — current (note 6(u))	16,453	1	-	-	-	-	2150-2170	Notes and accounts payable (note 7)	425,874	14	390,605	12	502,197	14
1150-1170	Notes and accounts receivable (notes 6(e), (u), 7 and 8)	958,287	31	944,003	28	1,094,603	31	2200	Other payables (note 7)	121,318	4	149,251	5	135,077	4
1200	Other receivables (note 6(f))	10,521	-	29,412	1	8,596	-	2230	Current income tax liabilities	42,791	1	55,065	2	58,056	2
130X	Inventories (note 6(g))	713,088	23	896,923	27	985,266	27	2280	Lease liabilities — current (notes 6(p) and 7)	12,714	-	11,367	-	9,179	-
1461	Non-current assets held for sale (note 6(h))	-	-	-	-	297,238	8	2300	Other current liabilities	14,660	1	10,140	-	11,091	-
1410-1470	Prepayments and other current assets	41,263	2	45,243	2	71,870	2	2320	Current portion of long-term debt (notes 6(o) and 8)	505	-	653	-	244	-
Total current assets		<u>2,143,138</u>	<u>70</u>	<u>2,359,687</u>	<u>71</u>	<u>2,948,222</u>	<u>82</u>	Total current liabilities		<u>831,184</u>	<u>27</u>	<u>955,535</u>	<u>29</u>	<u>1,222,417</u>	<u>34</u>
Non-current assets:								Non-current liabilities:							
1517	Financial assets at fair value through other comprehensive income — non-current (note 6(c))	7,312	-	1,434	-	1,434	-	2540	Long-term debt (notes 6(o) and 8)	50,000	2	100,000	3	100,466	3
1535	Financial assets at amortized cost — non-current (note 6(d))	3,396	-	3,212	-	3,344	-	2570	Deferred income tax liabilities	98,798	3	100,136	3	123,225	3
1600	Property, plant and equipment (notes 6(h), (j) and 8)	569,341	18	666,613	20	384,301	11	2580	Lease liabilities — non-current (notes 6(p) and 7)	24,168	1	25,086	1	2,793	-
1755	Right-of-use assets (note 6(k))	52,942	2	52,312	2	19,078	-	2640	Net defined benefit liabilities — non-current (note 6(q))	-	-	-	-	2,682	-
1760	Investment property, net (note 6(l))	82,156	3	-	-	-	-	2670	Other non-current liabilities	-	-	-	-	787	-
1780	Intangible assets (note 6(m))	191,402	6	196,471	6	210,667	6	Total non-current liabilities		<u>172,966</u>	<u>6</u>	<u>225,222</u>	<u>7</u>	<u>229,953</u>	<u>6</u>
1840	Deferred income tax assets	9,867	-	9,865	-	11,314	-	Total liabilities		<u>1,004,150</u>	<u>33</u>	<u>1,180,757</u>	<u>36</u>	<u>1,452,370</u>	<u>40</u>
1920	Refundable deposits	20,525	1	18,755	1	20,181	1	Equity attributable to shareholders of the Company (note 6(s)):							
1990	Other non-current assets	7,632	-	9,917	-	10,432	-	3110	Common stock	1,122,505	36	1,122,505	34	1,122,505	31
Total non-current assets		<u>944,573</u>	<u>30</u>	<u>958,579</u>	<u>29</u>	<u>660,751</u>	<u>18</u>	3200	Capital surplus	312,249	10	312,233	9	312,222	9
Total assets		<u>\$ 3,087,711</u>	<u>100</u>	<u>3,318,266</u>	<u>100</u>	<u>3,608,973</u>	<u>100</u>	3300	Retained earnings	578,666	19	649,360	20	656,589	18
								3400	Other equity	(25,621)	(1)	(35,927)	(1)	(26,914)	(1)
								Total equity attributable to shareholders of the Company		<u>1,987,799</u>	<u>64</u>	<u>2,048,171</u>	<u>62</u>	<u>2,064,402</u>	<u>57</u>
								Non-controlling interests		<u>95,762</u>	<u>3</u>	<u>89,338</u>	<u>2</u>	<u>92,201</u>	<u>3</u>
								Total equity		<u>2,083,561</u>	<u>67</u>	<u>2,137,509</u>	<u>64</u>	<u>2,156,603</u>	<u>60</u>
								Total liabilities and equity		<u>\$ 3,087,711</u>	<u>100</u>	<u>3,318,266</u>	<u>100</u>	<u>3,608,973</u>	<u>100</u>

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ACE PILLAR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		For the three months ended September 30				For the nine months ended September 30			
		2023		2022		2023		2022	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (notes 6(u), 7 and 14)	\$ 780,090	100	897,756	100	2,375,661	100	2,899,045	100
5000	Operating costs (notes 6(g), (j), (q), 7 and 12)	(628,261)	(81)	(720,484)	(80)	(1,908,132)	(80)	(2,323,913)	(80)
	Gross profit	151,829	19	177,272	20	467,529	20	575,132	20
	Operating expenses (notes 6(e), (j), (k), (l), (m), (p), (q), (v), 7 and 12):								
6100	Selling expenses	(102,563)	(13)	(112,724)	(13)	(311,905)	(13)	(310,073)	(11)
6200	Administrative expenses	(57,397)	(7)	(45,990)	(5)	(167,107)	(8)	(146,625)	(5)
6300	Research and development expenses	(1,260)	-	(1,373)	-	(4,125)	-	(4,580)	-
6450	Gains on reversal of impairment loss (expected credit loss)	(452)	-	(3,325)	-	12,417	1	(8,656)	-
	Total operating expenses	(161,672)	(20)	(163,412)	(18)	(470,720)	(20)	(469,934)	(16)
	Operating income (loss)	(9,843)	(1)	13,860	2	(3,191)	-	105,198	4
	Non-operating income and loss (notes 6(p), (w) and 7):								
7100	Interest income	289	-	253	-	1,184	-	721	-
7010	Other income	2,295	-	1,798	-	16,389	1	4,727	-
7020	Other gains and losses, net	(2,260)	-	92	-	(4,857)	-	33,018	1
7050	Finance costs	(1,559)	-	(2,865)	-	(5,693)	(1)	(6,380)	-
	Total non-operating income and loss	(1,235)	-	(722)	-	7,023	-	32,086	1
	Income before income tax	(11,078)	(1)	13,138	2	3,832	-	137,284	5
7950	Less: income tax expense (note 6(r))	(5,037)	(1)	(6,347)	(1)	(14,493)	(1)	(35,612)	(1)
	Net income (loss)	(16,115)	(2)	6,791	1	(10,661)	(1)	101,672	4
	Other comprehensive income (note 6(s)):								
8310	Items that will not be reclassified subsequently to profit or loss:								
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	5,878	-	-	-
8349	Less: income tax related to items that will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
		-	-	-	-	5,878	-	-	-
8360	Items that may be reclassified subsequently to profit or loss:								
8361	Exchange differences on translation of foreign operations	22,815	3	11,488	1	6,939	1	31,017	1
8399	Less: income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
		22,815	3	11,488	1	6,939	1	31,017	1
	Other comprehensive income for the period, net of income tax	22,815	3	11,488	1	12,817	1	31,017	1
	Total comprehensive income for the period	\$ 6,700	1	18,279	2	2,156	-	132,689	5
	Net income (loss) attributable to:								
8610	Shareholders of the Company	\$ (17,568)	(2)	2,663	1	(14,569)	(1)	86,182	3
8615	Former owner of business combination under common control	-	-	-	-	-	-	3,394	-
8620	Non-controlling interests	1,453	-	4,128	-	3,908	-	12,096	1
		\$ (16,115)	(2)	6,791	1	(10,661)	(1)	101,672	4
	Total comprehensive income (loss) attributable to:								
8710	Shareholders of the Company	\$ 3,982	1	13,682	2	(4,263)	-	115,774	4
8715	Former owner of business combination under common control	-	-	-	-	-	-	3,394	-
8720	Non-controlling interests	2,718	-	4,597	-	6,419	-	13,521	1
		\$ 6,700	1	18,279	2	2,156	-	132,689	5
	Earnings (loss) per share (in New Taiwan dollars) (note 6(t)):								
9750	Basic earnings (loss) per share	\$ (0.16)		0.03		(0.13)		0.77	
9850	Diluted earnings (loss) per share	\$ (0.16)		0.03		(0.13)		0.77	

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ACE PILLAR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company												Equity attributable to former owner of business combination under common control	Non-controlling interests	Total equity
	Retained earnings						Other equity								
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Foreign currency translation differences	Unrealized gains on financial assets measured at fair value through other comprehensive income	Total	Total equity of the Company					
Balance at January 1, 2022 (restated)	\$ 1,122,505	315,077	258,267	78,028	335,723	672,018	(56,506)	-	(56,506)	2,053,094	20,310	4,160	2,077,564		
Net income for the period	-	-	-	-	86,182	86,182	-	-	-	86,182	3,394	12,096	101,672		
Other comprehensive income for the period	-	-	-	-	-	-	29,592	-	29,592	29,592	-	1,425	31,017		
Total comprehensive income for the period	-	-	-	-	86,182	86,182	29,592	-	29,592	115,774	3,394	13,521	132,689		
Appropriation of earnings:															
Legal reserve	-	-	14,789	-	(14,789)	-	-	-	-	-	-	-	-		
Cash dividends distributed to shareholders	-	-	-	-	(101,026)	(101,026)	-	-	-	(101,026)	-	-	(101,026)		
Other changes in capital surplus	-	1	-	-	-	-	-	-	-	1	-	-	1		
Reorganization under common control	-	(2,856)	-	-	-	-	-	-	-	(2,856)	(23,704)	-	(26,560)		
Difference between consideration and the carrying amount arising from acquisition or disposal of shares of subsidiaries	-	-	-	-	(585)	(585)	-	-	-	(585)	-	(4,855)	(5,440)		
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	79,375	79,375		
Balance at September 30, 2022	\$ 1,122,505	312,222	273,056	78,028	305,505	656,589	(26,914)	-	(26,914)	2,064,402	-	92,201	2,156,603		
Balance at January 1, 2023	\$ 1,122,505	312,233	273,057	78,028	298,275	649,360	(35,927)	-	(35,927)	2,048,171	-	89,338	2,137,509		
Net income (loss) for the period	-	-	-	-	(14,569)	(14,569)	-	-	-	(14,569)	-	3,908	(10,661)		
Other comprehensive income for the period	-	-	-	-	-	-	6,779	3,527	10,306	10,306	-	2,511	12,817		
Total comprehensive income (loss) for the period	-	-	-	-	(14,569)	(14,569)	6,779	3,527	10,306	(4,263)	-	6,419	2,156		
Appropriation of earnings:															
Legal reserve	-	-	7,837	-	(7,837)	-	-	-	-	-	-	-	-		
Cash dividends distributed to shareholders	-	-	-	-	(56,125)	(56,125)	-	-	-	(56,125)	-	-	(56,125)		
Proceeds from disposal of forfeited employee stock managed by an employee ownership trust	-	7	-	-	-	-	-	-	-	7	-	-	7		
Changes in ownership interests in subsidiaries	-	9	-	-	-	-	-	-	-	9	-	5	14		
Balance at September 30, 2023	\$ 1,122,505	312,249	280,894	78,028	219,744	578,666	(29,148)	3,527	(25,621)	1,987,799	-	95,762	2,083,561		

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ACE PILLAR CO., LTD. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the nine months ended September 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the nine months ended September 30	
	2023	2022
Cash flows from operating activities:		
Income before income taxes	\$ 3,832	137,284
Adjustments for:		
Adjustments to reconcile profit or loss:		
Depreciation	31,220	30,163
Amortization	10,617	7,263
(Reversal of) expected credit loss	(12,417)	8,656
Interest expense	5,693	6,380
Interest income	(1,184)	(721)
Dividend income	(996)	(944)
Loss (gain) on disposal of property, plant and equipment	279	(72)
Gain on disposal of non-current assets held for sale	-	(23,829)
Loss (gain) on lease modifications	65	(691)
Loss on liquidation of subsidiary	-	391
Total adjustments for profit or loss	33,277	26,596
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	78	(250)
Contract assets	(16,453)	-
Notes and accounts receivable	16,678	154,370
Other receivables	347	7,130
Inventories	181,864	(134,071)
Other assets	24,498	(16,994)
Net changes in operating assets	207,012	10,185
Changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	1,567	1,074
Notes and accounts payable	35,269	(174,267)
Other payables	(27,858)	(68,281)
Contract liabilities	(51,987)	(7,156)
Other current liabilities	4,520	1,720
Net defined benefit liabilities	-	(2,989)
Net changes in operating liabilities	(38,489)	(249,899)
Total changes in operating assets and liabilities	168,523	(239,714)
Total adjustments	201,800	(213,118)
Cash provided by (used in) operations	205,632	(75,834)
Interest received	1,113	669
Dividends received	996	944
Income taxes paid	(44,925)	(41,375)
Net cash flows provided by (used in) operating activities	162,816	(115,596)

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ACE PILLAR CO., LTD. AND SUBSIDIARIES**Consolidated Statements of Cash Flows (Continued)****For the nine months ended September 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the nine months ended September 30	
	2023	2022
Cash flows from investing activities:		
Acquisition of subsidiaries, net of cash received	-	(141,309)
Proceeds from disposal of non-current assets held for sale	-	46,401
Acquisition of property, plant and equipment	(2,524)	(24,910)
Proceeds from disposal of property, plant and equipment	162	101
Increase in refundable deposits	(1,770)	(2,642)
Acquisition of intangible assets	(5,548)	(8,517)
Decrease in financial assets measured at amortized cost — current	6,848	21,972
Decrease in other non-current assets	-	15,939
Net cash flows used in investing activities	(2,832)	(92,965)
Cash flows from financing activities:		
Increase in short-term borrowings	119,785	298,176
Decrease in short-term borrowings	(194,647)	(138,829)
Increase in long-term debt	50,000	100,000
Repayments of long-term debt	(100,166)	(120)
Payment of lease liabilities	(11,005)	(11,906)
Cash dividends distributed to shareholders	(56,125)	(101,026)
Proceeds from disposal of forfeited employee stock managed by an employee ownership trust	21	-
Interest paid	(5,768)	(6,238)
Changes in non-controlling interests	-	(5,440)
Net cash flows provided by (used in) financing activities	(197,905)	134,617
Effect of foreign exchange rate changes	4,267	29,000
Net decrease in cash and cash equivalents	(33,654)	(44,944)
Cash and cash equivalents at beginning of period	436,095	521,134
Cash and cash equivalents at end of period	\$ 402,441	476,190

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ACE PILLAR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Organization and business

Ace Pillar Co., Ltd. (the “Company”) was incorporated on March 31, 1984 as a company limited by shares under the laws of the Republic of China (“R.O.C.”) and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is 12F., No. 558, Zhongyuan Rd., Xinzhuang Dist., New Taipei City, Taiwan (R.O.C.). The Company and its subsidiaries (collectively the “Group”) are primarily engaged in the tests, processing, sales, repairment, electromechanical integration of automation control and mechanical transmission system and intelligent technology service, the sales of semiconductor, optoelectronics and machinery equipment and equipment repair, energy technology service, as well as the sales and service of energy management products.

2. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on October 31, 2023.

3. Application of new and revised accounting standards and interpretations:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023.

- (b) The impact of IFRS endorsed by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant 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 Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS 21 “Lack of Exchangeability”

4. Summary of material accounting policies:

Except for the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31, 2022. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

- (a) Statement 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 IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

- (b) Basis of consolidation

- (i) List of subsidiaries in the consolidated financial statements

The subsidiaries included in the consolidated financial statements were as follows:

Name of Investor	Name of Subsidiaries	Principal Activities	Percentage of Ownership			Note
			September 30, 2023	December 31, 2022	September 30, 2022	
The Company	Cyber South Management Ltd. (“Cyber South”, Samoa)	Investment and holding activity	100.00 %	100.00 %	100.00 %	-
The Company/ Proton/ Cyber South	Tianjin Ace Pillar Co., Ltd. (“Tianjin Ace Pillar”, China)	Sales of automation mechanical transmission system and component	100.00 %	100.00 %	100.00 %	-
The Company	Hong Kong Ace Pillar Enterprise Limited. (“Hong Kong Ace Pillar”, Hong Kong)	Sales of automation mechanical transmission system and component	100.00 %	100.00 %	100.00 %	-

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiaries	Principal Activities	Percentage of Ownership			Note
			September 30, 2023	December 31, 2022	September 30, 2022	
Cyber South	Proton Inc. ("Proton", Samoa)	Investment and holding activity	100.00 %	100.00 %	100.00 %	-
Cyber South	Ace Tek (HK) Holding Co., Ltd. ("Ace Tek", Hong Kong)	Investment and holding activity	100.00 %	100.00 %	100.00 %	-
Cyber South	Suzhou Super Pillar Automation Equipment Co., Ltd. ("Suzhou Super Pillar", China)	Manufacture and technology service of automation mechanical transmission system and control products	100.00 %	100.00 %	100.00 %	-
Cyber South	Grace Transmission (Tianjin) Co., Ltd. ("Grace Transmission", China)	Manufacture of automation mechanical transmission system and component	100.00 %	100.00 %	100.00 %	-
Cyber South	Xuchang Ace AI Equipment Co., Ltd. ("Xuchang Ace", China)	Wholesale of industrial robot and component	-	-	-	Note 5
Ace Tek	Advancedtek Ace (TJ) Inc. ("Advancedtek Ace", China)	Electronic system integration	100.00 %	100.00 %	100.00 %	-
The Company	Standard Technology Corp. ("STC", Taiwan)	Sales of semiconductor, optoelectronics and machinery equipment and equipment repair	60.00 %	60.00 %	60.00 %	Note 1
STC	Standard Technology Corp. ("STCBVI", BVI)	Investment and holding activity	60.00 %	60.00 %	60.00 %	Note 1
STCBVI	Standard International Trading (Shanghai) Co., Ltd. ("Shanghai STC", China)	Sales of semiconductor, optoelectronics and machinery equipment and equipment repair	60.00 %	60.00 %	60.00 %	Note 1
The Company	ACE Energy Co., Ltd. ("AEG", Taiwan) (formerly BenQ ESCO Corp.)	Energy technology service	99.86 %	99.86 %	100.00 %	Notes 3 and 4
AEG	BlueWalker GmbH ("BWA", Germany)	Sales and service of energy management products	99.86 %	99.86 %	100.00 %	Notes 2 and 6

Note 1: The Company acquired 60% equity ownership of STC and its subsidiaries on March 1, 2022 and obtained control over it.

Note 2: The Company acquired 100% equity ownership of BWA on April 1, 2022. In addition, AEG acquired the entire equity ownership of BWA from the Company on December 1, 2022 due to organizational restructuring.

Note 3: Referring to note 6(i), the Company acquired 100% equity ownership of AEG on July 1, 2022. The transaction is an organizational reorganization under common control that the Company owns the entire equity interests of AEG from beginning.

Note 4: In November 2022, AEG increased its share capital and reserved partial new shares for subscription by its employees, which resulted in a decrease in the Group's ownership interest in AEG.

Note 5: Xuchang Ace was liquidated in June 2022.

Note 6: A non-significant subsidiary whose financial statements as of and for the nine months ended September 30, 2022 were not reviewed by independent auditors.

(ii) List of subsidiaries which are not included in the consolidated financial statements: None.

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ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less, accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of assets less their residual values and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated. The estimated useful lives for property, plant and equipment are as follows: transportation equipment: 3 to 5 years; other equipment: 3 to 10 years; and lease assets: 3 to 6 years. Buildings are depreciated over the following useful lives of significant individual components: main structure: 10 to 54 years and mechanical, electrical power equipment and other equipment: 10 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

(iv) A property is reclassified to investment property at its carrying amount when the purpose of the property changes from owner-occupied to investment.

(d) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at cost on initial recognition. Subsequent to initial recognition, investment property is measured at initial acquisition cost less accumulated depreciation and accumulated impairment losses. The methods for depreciating and determining the useful life and residual value of investment property are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property, bringing the investment property to the condition necessary for it to be available for use, and any borrowing cost that is eligible for capitalization.

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

An investment property is reclassified to property, plant and equipment at its carrying amount when the purpose of the investment property has been changed from investment to owner-occupied.

(e) Employee benefits

The defined benefit pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time, as well as significant curtailments, settlements, or other significant one-time events.

(f) Income taxes

The income tax expenses in the interim financial statements have been measured and disclosed in accordance with paragraph B12 of IAS 34 “Interim Financial Reporting”.

Income tax expenses for an interim period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. It is recognized fully as current tax expense for the current period.

When income tax expenses are recognized directly in equity or other comprehensive income in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, the related amounts shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled.

5. Critical of accounting judgments, and key sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and IAS 34 “Interim financial reporting” endorsed by FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

When preparing the interim consolidated financial statements, same critical accounting judgments and key sources of estimation uncertainties as mentioned in the note 5 of the consolidated financial statements for the year ended December 31, 2022 have been followed.

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ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6. Significant account disclosures

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2022. Please refer to note 6 of the consolidated financial statements for the year ended December 31, 2022.

(a) Cash and cash equivalents

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	\$ 281	490	358
Demand deposits and checking accounts	392,160	435,605	472,832
Time deposits with original maturities less than three months	10,000	-	3,000
	<u>\$ 402,441</u>	<u>436,095</u>	<u>476,190</u>

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

	September 30, 2023	December 31, 2022	September 30, 2022
Financial assets at fair value through profit or loss:			
Foreign currency forward contracts	\$ <u>85</u>	<u>163</u>	<u>250</u>

	September 30, 2023	December 31, 2022	September 30, 2022
Financial liabilities at fair value through profit or loss:			
Foreign currency forward contracts	\$ (73)	(64)	(854)
Foreign exchange swaps	(2,552)	(994)	(220)
	<u>\$ (2,625)</u>	<u>(1,058)</u>	<u>(1,074)</u>

The Group entered into derivative contracts to manage foreign currency exchange risk resulting from its operating activities. The derivative financial instruments did not conform to the criteria for hedge accounting. At each reporting date, the outstanding derivative contracts consisted of the following:

(i) Foreign currency forward contracts

	September 30, 2023	
	Contract amount (in thousands)	Maturity period
USD Buy / EUR Sell	USD 1,250	2023/10
CNY Buy / USD Sell	USD 2,050	2023/10

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2022		
	Contract amount (in thousands)	Maturity period
USD Buy / CNY Sell	USD 950	2023/01
USD Buy / EUR Sell	USD 800	2023/01
CNY Buy / USD Sell	USD 2,350	2023/01

September 30, 2022		
	Contract amount (in thousands)	Maturity period
USD Buy / EUR Sell	USD 909	2022/10
CNY Buy / USD Sell	USD 2,250	2022/10

(ii) Foreign exchange swaps

September 30, 2023		
	Contract amount (in thousands)	Maturity period
TWD Swap in / CNY Swap out	CNY 47,000	2023/10

December 31, 2022		
	Contract amount (in thousands)	Maturity period
TWD Swap in / CNY Swap out	CNY 47,000	2023/01

September 30, 2022		
	Contract amount (in thousands)	Maturity period
TWD Swap in / CNY Swap out	CNY 20,000	2022/12

Please refer to note 6(w) for the amounts of gains (losses) recognized related to financial assets measured at fair value.

(c) Financial assets at fair value through other comprehensive income — non-current

	September 30, 2023	December 31, 2022	September 30, 2022
Equity investments at fair value through other comprehensive income:			
Foreign unlisted stocks	\$ <u>7,312</u>	<u>1,434</u>	<u>1,434</u>

The Group designated the abovementioned investments as at fair value through other comprehensive income because these equity investments are held for strategic purposes and not for trading.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the nine months ended September 30, 2023 and 2022.

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Financial assets at amortized cost

	September 30, 2023	December 31, 2022	September 30, 2022
Pledged time deposits	\$ 1,000	616	616
Time deposits	-	7,232	13,593
Corporate bonds	3,396	3,212	3,344
	<u>\$ 4,396</u>	<u>11,060</u>	<u>17,553</u>
Current	\$ 1,000	7,848	14,209
Non-current	3,396	3,212	3,344
	<u>\$ 4,396</u>	<u>11,060</u>	<u>17,553</u>

The Group has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets carried at cost.

Please refer to note 8 for details of financial assets pledged as collateral.

(e) Notes and accounts receivable

	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivable from operating activities	\$ 248,232	240,323	260,142
Accounts receivable measured at amortized cost	738,171	762,692	867,145
Less: loss allowance	(28,116)	(59,012)	(32,684)
	<u>\$ 958,287</u>	<u>944,003</u>	<u>1,094,603</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. Forward-looking information is taken into consideration as well. Analysis of expected credit losses on notes and accounts receivable of operation in Taiwan and Europe was as follows:

	September 30, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 360,534	0%~0.06%	3
Past due 1-90 days	17,174	0%~35.97%	22
Past due 91-180 days	6	0%~100%	-
Past due 181-270 days	68	0%~100%	-
Past due 271-365 days	216	0%~100%	-
Past due over 366 days	1,413	100%	1,413
	<u>\$ 379,411</u>		<u>1,438</u>

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 382,932	0%~0.47%	9
Past due 1-90 days	25,406	0%~32.07%	86
Past due 91-180 days	2,785	0%~100%	110
Past due 181-270 days	845	0%~100%	-
Past due over 271 days	1,527	100%	1,527
	<u>\$ 413,495</u>		<u>1,732</u>

	September 30, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 449,419	0%~0.48%	54
Past due 1-90 days	25,295	0%~36.37%	30
Past due 91-180 days	1,101	0%~100%	-
Past due 181-270 days	5	0%~100%	-
Past due over 271 days	1,656	100%	1,656
	<u>\$ 477,476</u>		<u>1,740</u>

Analysis of expected credit losses on notes and accounts receivable of China's operation was as follows:

	September 30, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 538,706	0%~1.01%	2,355
Past due 1-90 days	43,292	0%~17.85%	2,646
Past due 91-180 days	4,581	0%~57.44%	1,751
Past due 181-270 days	2,965	0%~93.67%	2,478
Past due 271-365 days	1,228	100%	1,228
Past due over 366 days	16,220	100%	16,220
	<u>\$ 606,992</u>		<u>26,678</u>

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	\$ 487,394	0%~0.68%	1,762
Past due 1-90 days	49,926	0%~17.79%	5,302
Past due 91-180 days	22,688	0%~60.28%	21,064
Past due 181-270 days	18,745	0%~100%	18,385
Past due over 271 days	10,767	100%	10,767
	\$ 589,520		57,280

	September 30, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	\$ 333,021	0%~0.52%	921
Past due 1-90 days	275,157	0%~15.06%	4,618
Past due 91-180 days	24,313	0%~59.43%	8,956
Past due 181-270 days	5,269	0%~98.96%	4,398
Past due over 271 days	12,051	100%	12,051
	\$ 649,811		30,944

Movements of the loss allowance for notes and accounts receivable were as follows:

	For the nine months ended September 30,	
	2023	2022
Balance at January 1	\$ 59,012	27,646
Acquisition through business combination	-	3,143
Impairment loss (gain on reversal of impairment loss)	(12,417)	8,656
Write-off	-	(7,586)
Insurance claims for accounts receivable	(18,440)	-
Effect of exchange rate changes	(39)	825
Balance at September 30	\$ 28,116	32,684

Please refer to note 8 for details of notes receivable pledged as collateral.

(f) Other receivables

	September 30, 2023	December 31, 2022	September 30, 2022
Other receivables	\$ 10,521	29,412	8,596
Less: loss allowance	-	-	-
	\$ 10,521	29,412	8,596

There is no loss allowance provided for other receivables after the management's assessment.

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Inventories

	September 30, 2023	December 31, 2022	September 30, 2022
Merchandise inventory	<u>\$ 713,088</u>	<u>896,923</u>	<u>985,266</u>

The amounts of inventories recognized as costs of revenue were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Cost of inventories sold	\$ 595,646	701,701	1,834,405	2,319,393
Write-downs (reversal) of inventories	12,772	13,608	10,882	(13,559)
Losses on scrap of inventories	408	-	408	-
	<u>\$ 608,826</u>	<u>715,309</u>	<u>1,845,695</u>	<u>2,305,834</u>

The write-downs of inventories arose from the write-downs of inventories to net realizable value. The reversal of write-downs of inventories arose from the sale of slow-moving inventories and the write-downs of inventories were reversed to the extent of the write-downs of inventories to net realizable value.

(h) Non-current assets classified as held for sale

In May 2021, the Company's Board of Directors approved a resolution to dispose of land and buildings located at Sanchong District of New Taipei City. The assets amounting to \$73,452 were classified as non-current assets held for sale. Part of the abovementioned assets have been sold in January and June 2022, of which the considerations amounted to \$46,401 and the carrying amounts of the property disposed amounted to \$22,572, respectively, resulting in a disposal gain of \$23,829.

In December 2021, the Board of Directors of Tianjin Ace Pillar Co., Ltd. approved a resolution to dispose factories located in China (Tianjin) Pilot Free Trade Zone and land-use rights. The abovementioned assets, with the carrying amount of \$246,358 (CNY 55,035), were classified as non-current assets held for sale.

For the year ended December 31, 2022, under the impact of Covid-19 pandemic and the overall economic environment, the management assessed that the abovementioned assets no longer meet the criteria of classification of assets as held for sale. Therefore, the carrying amounts of the assets classified as held for sale of \$293,347 were reclassified to property, plant and equipment and right-of-use assets.

(i) Acquisition of subsidiaries and non-controlling interests

(i) Acquisition of subsidiary — Standard Technology Corp. and its subsidiaries

1) Consideration transferred

On March 1, 2022 (the acquisition date), the Group acquired 4,680 thousand shares of Standard Technology Corp. ("STC"), constituting 60% of equity ownership of STC, for a cash consideration of \$187,000 and obtained control over it since then. Thereafter, STC has been included in the Group's consolidated entities since the acquisition date. STC and its subsidiaries are primarily engaged in the sales of semiconductor, optoelectronics and machinery equipment and equipment repair. The acquisition of STC enables the Group to optimize its business deployment in the semiconductor industry, expand its business capacity and provide customers with a full range of products and services.

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Identifiable net assets acquired and goodwill recognized in a business combination

The fair value of identifiable assets acquired, liabilities assumed and goodwill recognized from the acquisition on the acquisition date are as follows:

Consideration transferred:

Cash	\$ 187,000
Add: Non-controlling interests (measured at non-controlling interest's proportionate share of the fair value of the identifiable net assets)	79,375

Less: Identifiable net assets acquired at fair value:

Cash and cash equivalents	\$ 164,493
Notes and accounts receivable, net	124,853
Inventories	112,226
Other current assets	6,750
Financial assets at amortized cost — non-current	21,127
Financial assets at fair value through other comprehensive income — non-current	1,434
Property, plant and equipment	2,841
Right-of-use assets	5,521
Intangible assets — computer software	1,039
Intangible assets — customer relationship	92,585
Deferred income tax assets	2,235
Other non-current assets	699
Short-term borrowings	(122,161)
Accounts payable	(65,200)
Other payables	(75,849)
Contract liabilities — current	(12,069)
Other current liabilities	(6,145)
Lease liabilities (including current and non-current)	(5,464)
Deferred income tax liabilities	(44,806)
Other non-current liabilities	(5,671)
	<u>198,438</u>
Goodwill	<u>\$ 67,937</u>

The Group continuously reviews the abovementioned items during the measurement period. As of December 31, 2022, intangible assets — customer relationship, non-controlling interests and other net liabilities decreased by \$18,509, \$5,475 and \$4,822, respectively, resulting in an increase of \$8,212 in goodwill.

3) Intangible assets

Intangible assets — customer relationship are amortized on a straight-line basis over the estimated future economic useful life of 10.84 years.

Goodwill arising from the acquisition of STC is due to the profitability, the synergies of the business combination, future market development and value of assembled workforce. None of the goodwill recognized is expected to be deductible for income tax purposes.

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Acquisition of subsidiary — BlueWalker GmbH

1) Consideration transferred

On April 1, 2022 (the acquisition date), the Group acquired 100% ownership of BlueWalker GmbH (“BWA”), for a cash consideration of \$127,200 (EUR 4,000 thousand), and obtained control over it since then. Thereafter, BWA has been included in the Group’s consolidated entities since the acquisition date. BWA is primarily engaged in the sales and service of energy management products. The acquisition of BWA enables the Group to enhance product diversification and expand sales regions, and to improve overall operating efficiency.

2) Identifiable net assets acquired and goodwill recognized in a business combination

The fair value of identifiable assets acquired, liabilities assumed and goodwill recognized from the acquisition on the acquisition date are as follows:

Consideration transferred:

Cash	\$ 127,200
Less: Identifiable net assets acquired at fair value:	
Cash and cash equivalents	\$ 34,958
Notes and accounts receivable, net	27,389
Inventories	72,990
Prepayments and other current assets	2,746
Property, plant and equipment	636
Intangible assets — computer software	18
Intangible assets — customer relationship	12,151
Intangible assets — patent	12,822
Other non-current assets	1,273
Accounts payable	(33,314)
Other payables (including dividends payable)	(14,545)
Current tax liabilities	(1,036)
Contract liabilities — current	(624)
Other current liabilities	(311)
Current portion of long-term debt	(249)
Long-term debt	(601)
Deferred income tax liabilities	(4,994)
Other non-current liabilities	(805)
Goodwill	<u>\$ 18,696</u>

The Group continuously reviews the abovementioned items during the measurement period. As of December 31, 2022, intangible assets — customer relationship and deferred income tax liabilities decreased by \$4,285 and \$857, respectively, resulting in an increase of \$3,428 in goodwill.

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Goodwill

Intangible assets — customer relationship and intangible assets — patent are amortized on a straight-line basis over the estimated future economic useful life of 9.75 years and 10 years, respectively.

Goodwill arising from the acquisition of BWA is due to the profitability, the synergies of the business combination, future market development and value of assembled workforce. None of the goodwill recognized is expected to be deductible for income tax purposes.

(iii) Acquisition of subsidiary — ACE Energy Co., Ltd.

1) Consideration transferred

On July 1, 2022 (the acquisition date), the Group acquired 100% equity ownership of ACE Energy Co., Ltd. (“AEG”) (formerly BenQ ESCO Corp.), for a cash consideration of \$32,000, and obtained control over it since then. AEG is primarily engaged in the service of energy technology. The acquisition of AEG enables the Group to respond to long-term operational development of the Group and enhance the capability of group integration.

2) Identifiable net assets acquired in a business combination

The carrying amount of identifiable assets acquired and liabilities assumed from the acquisition on the acquisition date are as follows:

Consideration transferred:

Cash	\$	32,000
Less: Identifiable net assets acquired at fair value:		
Cash and cash equivalents	\$	24,856
Financial assets at amortized cost — current		6,000
Notes and accounts receivable, net		17,355
Prepayments and other current assets		2,389
Property, plant and equipment		3,748
Other non-current assets		793
Accounts payable		(5,727)
Other payables		(12,312)
Contract liabilities — current		(6,029)
Other current liabilities		(1,062)
Lease liabilities — current		(1,452)
Capital surplus and retained earnings		<u>\$ 3,441</u>

The combination is an organizational reorganization under common control. According, the difference between the consideration paid and the carrying amount of the net identifiable assets of AEG is debited to the capital surplus of \$2,856 and retained earnings of \$585.

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment and other equipment</u>	<u>Lease</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:						
Balance at January 1, 2023	\$ 256,927	526,392	173,724	102,532	229	1,059,804
Additions	-	-	2,524	-	-	2,524
Disposals	-	-	(156,304)	-	-	(156,304)
Reclassification	(63,339)	(35,882)	1,971	-	-	(97,250)
Effect of exchange rate changes	-	2,329	454	-	-	2,783
Balance at September 30, 2023	<u><u>\$ 193,588</u></u>	<u><u>492,839</u></u>	<u><u>22,369</u></u>	<u><u>102,532</u></u>	<u><u>229</u></u>	<u><u>811,557</u></u>
Balance at January 1, 2022	\$ 219,768	247,048	150,322	102,532	6,122	725,792
Acquisition through business combination	-	-	15,401	-	-	15,401
Additions	-	20,963	3,947	-	-	24,910
Disposals	-	-	(4,203)	-	-	(4,203)
Reclassification	-	-	5,893	-	(5,893)	-
Effect of exchange rate changes	-	7,139	1,810	-	-	8,949
Balance at September 30, 2022	<u><u>\$ 219,768</u></u>	<u><u>275,150</u></u>	<u><u>173,170</u></u>	<u><u>102,532</u></u>	<u><u>229</u></u>	<u><u>770,849</u></u>
Accumulated depreciation and impairment loss:						
Balance at January 1, 2023	\$ -	136,316	154,343	102,532	-	393,191
Depreciation	-	12,538	6,784	-	-	19,322
Disposals	-	-	(155,863)	-	-	(155,863)
Reclassification	-	(16,175)	-	-	-	(16,175)
Effect of exchange rate changes	-	1,334	407	-	-	1,741
Balance at September 30, 2023	<u><u>\$ -</u></u>	<u><u>134,013</u></u>	<u><u>5,671</u></u>	<u><u>102,532</u></u>	<u><u>-</u></u>	<u><u>242,216</u></u>
Balance at January 1, 2022	\$ -	114,208	137,672	100,458	-	352,338
Acquisition through business combination	-	-	11,924	-	-	11,924
Depreciation	-	8,503	9,751	1,560	-	19,814
Disposals	-	-	(4,174)	-	-	(4,174)
Effect of exchange rate changes	-	5,087	1,559	-	-	6,646
Balance at September 30, 2022	<u><u>\$ -</u></u>	<u><u>127,798</u></u>	<u><u>156,732</u></u>	<u><u>102,018</u></u>	<u><u>-</u></u>	<u><u>386,548</u></u>
Carrying amount:						
Balance at January 1, 2023	<u><u>\$ 256,927</u></u>	<u><u>390,076</u></u>	<u><u>19,381</u></u>	<u><u>-</u></u>	<u><u>229</u></u>	<u><u>666,613</u></u>
Balance at September 30, 2023	<u><u>\$ 193,588</u></u>	<u><u>358,826</u></u>	<u><u>16,698</u></u>	<u><u>-</u></u>	<u><u>229</u></u>	<u><u>569,341</u></u>
Balance at January 1, 2022	<u><u>\$ 219,768</u></u>	<u><u>132,840</u></u>	<u><u>12,650</u></u>	<u><u>2,074</u></u>	<u><u>6,122</u></u>	<u><u>373,454</u></u>
Balance at September 30, 2022	<u><u>\$ 219,768</u></u>	<u><u>147,352</u></u>	<u><u>16,438</u></u>	<u><u>514</u></u>	<u><u>229</u></u>	<u><u>384,301</u></u>

Please refer to note 8 for a description of the Group's property, plant and equipment pledged as collateral for long-term debt and guarantee payment for procurement.

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Right-of-use assets

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2023	\$ 18,466	45,440	2,844	66,750
Additions	-	9,877	1,980	11,857
Disposals	-	(8,985)	(2,055)	(11,040)
Effect of exchange rates changes	<u>203</u>	<u>124</u>	<u>2</u>	<u>329</u>
Balance at September 30, 2023	<u>\$ 18,669</u>	<u>46,456</u>	<u>2,771</u>	<u>67,896</u>
Balance at January 1, 2022	\$ 7,265	32,454	3,053	42,772
Acquisition through business combination	-	6,237	443	6,680
Additions	-	5,969	-	5,969
Disposals	-	(22,970)	-	(22,970)
Effect of exchange rate changes	<u>893</u>	<u>466</u>	<u>23</u>	<u>1,382</u>
Balance at September 30, 2022	<u>\$ 8,158</u>	<u>22,156</u>	<u>3,519</u>	<u>33,833</u>
Accumulated depreciation:				
Balance at January 1, 2023	\$ 1,595	10,619	2,224	14,438
Depreciation	337	9,802	869	11,008
Disposals	-	(8,422)	(2,028)	(10,450)
Effect of exchange rates changes	<u>(60)</u>	<u>16</u>	<u>2</u>	<u>(42)</u>
Balance at September 30, 2023	<u>\$ 1,872</u>	<u>12,015</u>	<u>1,067</u>	<u>14,954</u>
Balance at January 1, 2022	\$ 544	16,403	1,155	18,102
Acquisition through business combination	-	1,132	27	1,159
Depreciation	141	9,205	1,003	10,349
Disposals	-	(15,321)	-	(15,321)
Effect of exchange rates changes	<u>196</u>	<u>263</u>	<u>7</u>	<u>466</u>
Balance at September 30, 2022	<u>\$ 881</u>	<u>11,682</u>	<u>2,192</u>	<u>14,755</u>
Carrying amount:				
Balance at January 1, 2023	<u>\$ 16,871</u>	<u>34,821</u>	<u>620</u>	<u>52,312</u>
Balance at September 30, 2023	<u>\$ 16,797</u>	<u>34,441</u>	<u>1,704</u>	<u>52,942</u>
Balance at January 1, 2022	<u>\$ 6,721</u>	<u>16,051</u>	<u>1,898</u>	<u>24,670</u>
Balance at September 30, 2022	<u>\$ 7,277</u>	<u>10,474</u>	<u>1,327</u>	<u>19,078</u>

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Investment property

	Construction in progress	Buildings	Total
Cost:			
Balance at January 1, 2023	\$ -	-	-
Reclassification	<u>63,339</u>	<u>35,882</u>	<u>99,221</u>
Balance at September 30, 2023	<u><u>\$ 63,339</u></u>	<u><u>35,882</u></u>	<u><u>99,221</u></u>
Accumulated depreciation:			
Balance at January 1, 2023	\$ -	-	-
Depreciation	-	890	890
Reclassification	<u>-</u>	<u>16,175</u>	<u>16,175</u>
Balance at September 30, 2023	<u><u>\$ -</u></u>	<u><u>17,065</u></u>	<u><u>17,065</u></u>
Carrying amount:			
Balance at September 30, 2023	<u><u>\$ 63,339</u></u>	<u><u>18,817</u></u>	<u><u>82,156</u></u>
Fair value:			
Balance at September 30, 2023			<u><u>\$ 164,892</u></u>

For the nine months ended September 30, 2023, the fair value of the investment property is determined by referring to the market price of similar real estate transaction in the same area by management, wherein the inputs, which are used in the fair value measurement, were classified to Level 3.

(m) Intangible assets

	Goodwill	Computer software	Patent	Customer relationship	Total
Cost:					
Balance at January 1, 2023	\$ 98,273	16,731	12,822	81,942	209,768
Additions	-	5,548	-	-	5,548
Disposals	-	(1,341)	-	-	(1,341)
Effect of exchange rates changes	<u>-</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>18</u>
Balance at September 30, 2023	<u><u>\$ 98,273</u></u>	<u><u>20,956</u></u>	<u><u>12,822</u></u>	<u><u>81,942</u></u>	<u><u>213,993</u></u>
Balance at January 1, 2022	\$ -	5,687	-	-	5,687
Additions	-	8,517	-	-	8,517
Acquisition through business combination	86,633	2,535	12,822	104,736	206,726
Effect of exchange rates changes	<u>-</u>	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>(9)</u>
Balance at September 30, 2022	<u><u>\$ 86,633</u></u>	<u><u>16,730</u></u>	<u><u>12,822</u></u>	<u><u>104,736</u></u>	<u><u>220,921</u></u>
Accumulated amortization:					
Balance at January 1, 2023	\$ -	6,035	962	6,300	13,297
Amortization	-	3,926	961	5,730	10,617
Disposals	-	(1,341)	-	-	(1,341)
Effect of exchange rates changes	<u>-</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>18</u>
Balance at September 30, 2023	<u><u>\$ -</u></u>	<u><u>8,638</u></u>	<u><u>1,923</u></u>	<u><u>12,030</u></u>	<u><u>22,591</u></u>

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Goodwill	Computer software	Patent	Customer relationship	Total
Balance at January 1, 2022	\$ -	1,520	-	-	1,520
Amortization	-	2,597	641	4,025	7,263
Acquisition through business combination	-	1,478	-	-	1,478
Effect of exchange rates changes	-	(7)	-	-	(7)
Balance at September 30, 2022	<u>\$ -</u>	<u>5,588</u>	<u>641</u>	<u>4,025</u>	<u>10,254</u>
Carrying amount:					
Balance at January 1, 2023	<u>\$ 98,273</u>	<u>10,696</u>	<u>11,860</u>	<u>75,642</u>	<u>196,471</u>
Balance at September 30, 2023	<u>\$ 98,273</u>	<u>12,318</u>	<u>10,899</u>	<u>69,912</u>	<u>191,402</u>
Balance at January 1, 2022	<u>\$ -</u>	<u>4,167</u>	<u>-</u>	<u>-</u>	<u>4,167</u>
Balance at September 30, 2022	<u>\$ 86,633</u>	<u>11,142</u>	<u>12,181</u>	<u>100,711</u>	<u>210,667</u>

According to IAS 36, goodwill arising from a business combination is tested at least annually. Based on the results of impairment tests conducted by the Group as of December 31, 2022, there were no impairment losses. Please refer to note 6(l) of the consolidated financial statements for the year ended December 31, 2022. As of September 30, 2023, the Group assessed the achievement of expected revenue and operating income of the respective cash generating units for the nine months ended September 30, 2023, and concluded that there were no indications of impairment.

(n) Short-term borrowings

	September 30, 2023	December 31, 2022	September 30, 2022
Unsecured bank loans	\$ 94,520	117,432	246,230
Secured bank loans	60,003	111,803	127,494
	<u>\$ 154,523</u>	<u>229,235</u>	<u>373,724</u>
Unused credit facilities	<u>\$ 2,270,164</u>	<u>2,521,803</u>	<u>2,520,019</u>
Interest rate	1.53%~4.2%	1.6%~4.1%	1.23%~4.74%

Please refer to note 8 for a description of the Group's assets pledged as collateral to secure the bank loans.

(o) Long-term debt

	September 30, 2023	December 31, 2022	September 30, 2022
Unsecured bank loans	\$ 50,000	100,000	100,000
Secured bank loans	505	653	710
Less: current portion of long-term debt	(505)	(653)	(244)
	<u>\$ 50,000</u>	<u>100,000</u>	<u>100,466</u>
Unused credit facilities	<u>\$ 300,000</u>	<u>100,000</u>	<u>-</u>
Interest rate	<u>1.95%~5.83%</u>	<u>1.72%~5.83%</u>	<u>1.595%~5.83%</u>
Maturity year	<u>2026</u>	<u>2024</u>	<u>2024</u>

Please refer to note 8 for a description of the Group's assets pledged as collateral to secure the bank loans.

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ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Lease liabilities

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

	September 30, 2023	December 31, 2022	September 30, 2022
Current	\$ <u>12,714</u>	<u>11,367</u>	<u>9,179</u>
Non-current	\$ <u>24,168</u>	<u>25,086</u>	<u>2,793</u>

For the maturity analysis, please refer to note 6(x).

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interest expense on lease liabilities	\$ <u>211</u>	<u>(6)</u>	<u>582</u>	<u>358</u>
Expenses relating to short-term leases	\$ <u>4,159</u>	<u>4,072</u>	<u>11,664</u>	<u>12,317</u>

The amounts recognized in the statements of cash flows for the Group were as follows:

	For the nine months ended September 30,	
	2023	2022
Total cash outflows for leases	\$ <u>23,251</u>	<u>24,581</u>

(i) Real estate leases

The Group leases lands and buildings for its office, factory and warehouses. The leases for land-use rights typically run for a period of 50 years. The leases for office, factory and warehouses typically run for a period of 2 to 6 years.

(ii) Other leases

The Group leases transportation equipment, with lease terms of 2 to 3 years. For the short-term lease of transportation equipment and office, the Group has elected to apply exemption and not to recognize right-of-use assets and lease liabilities for these leases.

(q) Employee benefits

(i) Defined benefit plans

On March 1, 2022, the Group acquired a subsidiary, STC, which has provided a retirement plan for its employees upon retirement.

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2021.

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The expenses recognized in profit or loss were as follows:

	For the three months ended September 30, 2022	For the nine months ended September 30, 2022
Operating costs	\$ <u>12</u>	<u>27</u>

In the fourth quarter of 2022, STC reached an agreement with its employees on the early settlement of the defined benefit plan regulated by the Labor Pension Act. The labor fund account balance at Bank of Taiwan was entirely withdrawn and paid to employees.

(ii) Defined contribution plans

For the three months and nine months ended September 30, 2023 and 2022, the Group recognized the pension expenses of \$5,644, \$5,811, \$17,164, and \$16,619, respectively, in relation to the defined contribution plans.

(r) Income taxes

(i) The components of income tax expense were as follows:

	For the three months ended September 30, 2023	For the three months ended September 30, 2022	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
Current income tax expense	\$ <u>5,037</u>	<u>6,347</u>	<u>14,493</u>	<u>35,612</u>

(ii) For the nine months ended September 30, 2023 and 2022, there was no income tax expense recognized directly in equity or other comprehensive income.

(iii) The Company's income tax returns for the years through 2021 have been examined and approved by the R.O.C. income tax authorities.

(s) Capital and other equity

Except for the contents mentioned below, there were no significant changes in capital and other equity for the nine months ended September 30, 2023 and 2022. For the related information, please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2022.

(i) Common stock

As of September 30, 2023, December 31 and September 30, 2022, the Company's authorized shares of common stock amounted to \$2,000,000 in total, at par value of \$10 (Dollars) per share, and consisted of 200,000 thousand shares, of which 112,250 thousand shares were issued.

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ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Capital surplus

	September 30, 2023	December 31, 2022	September 30, 2022
Paid-in capital in excess of par value	\$ 275,225	275,225	275,225
Changes in ownership interests in subsidiaries	20	11	-
Employee stock options	7,354	7,354	7,354
Unclaimed dividends reclassified to capital surplus	107	107	107
Treasury share transactions	29,454	29,454	29,455
Others	89	82	81
	<u>\$ 312,249</u>	<u>312,233</u>	<u>312,222</u>

(iii) Retained earnings

The Company's Articles of Incorporation stipulate that at least 10% of annual net income after deducting an accumulated deficit, if any, must be retained as a legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve should be set aside or reversed in accordance with applicable laws and regulations. The remaining balance of the annual net income, together with unappropriated earnings from previous years, if any, can be distributed as dividends after the earnings distribution plan proposed by the Board of Directors and approved during the stockholders' meeting. The abovementioned distribution of earnings by way of cash dividends could be approved by the Company's Board of Directors and then reported to the Company's shareholders in its meeting. If the Company has annual earnings and the distributable earnings for the years achieves 2% of capital, the dividend distribution shall not be less than 10% of the distributable earnings for the year, of which of the percentage of cash dividends shall not be less than 20% of the total dividends for the year.

The appropriations of cash dividends of 2022 and 2021 earnings were approved by the Company's Board of Directors on March 1, 2023 and March 2, 2022, respectively. Other appropriations of 2022 and 2021 earnings were approved by the shareholders during their meeting on May 26, 2023 and June 14, 2022, respectively. The resolved appropriations were as follows:

	2022		2021	
	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)	Amount
Legal reserve		\$ <u>7,837</u>		<u>14,789</u>
Dividends per share:				
Cash dividends	\$ 0.5	<u>56,125</u>	0.9	<u>101,026</u>

The related information can be accessed on the Market Observation Post System website.

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ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Other equity items (net after tax)

	Foreign currency translation differences	Unrealized gains on financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2023	\$ (35,927)	-	(35,927)
Foreign exchange differences arising from translation of foreign operations	6,779	-	6,779
Unrealized gains on financial assets measured at fair value through other comprehensive income	-	3,527	3,527
Balance at September 30, 2023	<u>\$ (29,148)</u>	<u>3,527</u>	<u>(25,621)</u>
Balance at January 1, 2022	\$ (56,506)	-	(56,506)
Foreign exchange differences arising from translation of foreign operations	29,592	-	29,592
Balance at September 30, 2022	<u>\$ (26,914)</u>	<u>-</u>	<u>(26,914)</u>

(v) Non-controlling interests (net after tax)

	For the nine months ended September 30,	
	2023	2022
Balance at January 1	\$ 89,338	4,160
Equity attributable to non-controlling interests		
Net income	3,908	12,096
Foreign currency translation differences	160	1,425
Difference between consideration and the carrying amount arising from acquisition or disposal of shares of subsidiaries	-	(4,855)
Unrealized gains on financial assets measured at fair value through other comprehensive income	2,351	-
Increase in non-controlling interests in acquisition of subsidiaries	-	79,375
Changes in ownership interests in subsidiaries	5	-
Balance at September 30	<u>\$ 95,762</u>	<u>92,201</u>

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ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Earnings (loss) per share (“EPS”)

(i) Basic (loss) earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Net income (loss) attributable to shareholders of the Company	\$ <u>(17,568)</u>	<u>2,663</u>	<u>(14,569)</u>	<u>86,182</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>112,250</u>	<u>112,250</u>	<u>112,250</u>	<u>112,250</u>
Basic earnings (loss) per share (in dollars)	\$ <u>(0.16)</u>	<u>0.03</u>	<u>(0.13)</u>	<u>0.77</u>

(ii) Diluted (loss) earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Net income (loss) attributable to shareholders of the Company	\$ <u>(17,568)</u>	<u>2,663</u>	<u>(14,569)</u>	<u>86,182</u>
Weighted-average number of ordinary shares outstanding (in thousands)	112,250	112,250	112,250	112,250
Effect of dilutive potential ordinary shares:				
Effect of employee remuneration in stock	-	74	-	102
Weighted-average number of ordinary shares outstanding (in thousands) (including effect of dilutive potential common stock)	<u>112,250</u>	<u>112,324</u>	<u>112,250</u>	<u>112,352</u>
Diluted earnings (loss) per share (in dollars)	\$ <u>(0.16)</u>	<u>0.03</u>	<u>(0.13)</u>	<u>0.77</u>

The Company did not calculate the effect of dilutive potential common stock on earnings per share as it incurred net loss for the three months and nine months ended September 30, 2023.

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ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Major products / services lines:				
Automation control	\$ 300,093	370,832	1,042,907	1,367,033
Mechanical transmission	223,621	261,467	566,567	928,795
Sales and service of semiconductor equipment material	139,165	178,084	408,790	414,107
Energy management products	116,118	85,960	354,494	186,050
Others	1,093	1,413	2,903	3,060
	<u>\$ 780,090</u>	<u>897,756</u>	<u>2,375,661</u>	<u>2,899,045</u>

(ii) Contract balances

	September 30, 2023	December 31, 2022	September 30, 2022
Notes and accounts receivable	\$ 986,403	1,003,015	1,127,287
Less: loss allowance	(28,116)	(59,012)	(32,684)
	<u>\$ 958,287</u>	<u>944,003</u>	<u>1,094,603</u>
Contract assets	<u>\$ 16,453</u>	<u>-</u>	<u>-</u>
Contract liabilities — advance receipts	<u>\$ 56,174</u>	<u>108,161</u>	<u>131,775</u>

For details on notes and accounts receivable and its loss allowance, please refer to note 6(e).

The major changes in the balance of contract liabilities arose from the timing difference between the satisfaction of performance obligation and the receipt of customer's payment.

The amounts of revenue recognized for the nine months ended September 30, 2023 and 2022, which were included in the contract liabilities balance at the beginning of the period, were \$75,912 and \$99,645, respectively.

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ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Remuneration to employees and directors

The Company's Articles of Incorporation requires that earnings, which refer to income before income tax excluding the remuneration to employees, directors and supervisors, shall first to be offset against any deficit, then a range from 2% to 20% will be distributed as remuneration to its employees and no more than 1% to its directors. Nevertheless, the profits in the current period should be reserved for offsetting the accumulated deficit, with the unappropriated earnings from the previous years, if any, prior to distributing the remuneration to the employees and directors. The abovementioned remuneration to employees shall be paid in shares or cash and remuneration to directors shall be paid in cash.

For the three months and nine months ended September 30, 2023 and 2022, the Company accrued its remuneration to employees amounting to \$(151), \$36, \$0 and \$2,159, respectively, and the remuneration to directors amounting to \$(30), \$19, \$0 and \$1,080, respectively. The estimated amounts mentioned above are calculated based on the income before income tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles, and recognized them as operating expenses. The difference between accrual and actual payment, if any, will be accounted for as change in accounting estimate and be recognized in profit or loss in the following year. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

The estimated remuneration to employees and directors for 2022 and 2021 were the same as the amount approved by the Board of Directors and were paid in cash. Related information is available at the Market Observation Post System website.

(w) Non-operating income and loss

(i) Interest income

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interest income from bank deposits	\$ 250	230	1,047	669
Interest income from financial assets measured at amortized cost	24	23	71	52
Others	15	-	66	-
	\$ 289	253	1,184	721

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Other income

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Dividend income	\$ -	944	996	944
Payables and advance receipts reclassified to income	-	-	9,481	-
Miscellaneous income	2,295	854	5,912	3,783
	<u>\$ 2,295</u>	<u>1,798</u>	<u>16,389</u>	<u>4,727</u>

(iii) Other gains and losses

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Losses on liquidation of subsidiary	\$ -	-	-	(391)
Gains (losses) on lease modifications	(67)	687	(65)	691
Foreign currency exchange gains, net	4,333	1,662	1,893	10,125
Losses on financial instruments at fair value through profit or loss	(6,593)	(2,232)	(6,348)	(1,071)
Gains (losses) on disposal of fixed assets	(78)	85	(279)	72
Gains on disposal of non-current assets held for sale	-	-	-	23,829
Others	145	(110)	(58)	(237)
	<u>\$ (2,260)</u>	<u>92</u>	<u>(4,857)</u>	<u>33,018</u>

(iv) Finance costs

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interest expense on bank loans	\$ (1,348)	(2,871)	(5,111)	(6,022)
Interest expense on lease liabilities	(211)	6	(582)	(358)
	<u>\$ (1,559)</u>	<u>(2,865)</u>	<u>(5,693)</u>	<u>(6,380)</u>

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Financial instruments

Except for the content mentioned below, there were no significant changes in the fair value of the Group's financial instruments and the degree of exposure to credit risk and market risk arising from financial instruments. For the related information, please refer to notes 6(w) and 6(x) of the consolidated financial statements for the year ended December 31, 2022.

(i) Categories of financial instruments

1) Financial assets

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Financial assets at fair value through profit or loss — current	\$ 85	163	250
Financial assets at fair value through other comprehensive income — non-current	7,312	1,434	1,434
Financial assets measured at amortized cost:			
Cash and cash equivalents	402,441	436,095	476,190
Financial assets measured at amortized cost (including current and non-current)	4,396	11,060	17,553
Notes and accounts receivable	958,287	944,003	1,094,603
Other receivables	10,521	29,412	8,596
Other financial assets — non-current	20,525	18,755	20,181
	<u>\$ 1,403,567</u>	<u>1,440,922</u>	<u>1,618,807</u>

2) Financial liabilities

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Financial liabilities at fair value through profit or loss — current	\$ 2,625	1,058	1,074
Financial liabilities measured at amortized cost:			
Short-term borrowings	154,523	229,235	373,724
Notes and accounts payable	425,874	390,605	502,197
Other payables	121,318	149,251	135,077
Lease liabilities (including current and non-current)	36,882	36,453	11,972
Long-term debt (including current portion)	50,505	100,653	100,710
	<u>\$ 791,727</u>	<u>907,255</u>	<u>1,124,754</u>

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Fair value information

1) Financial instruments not measured at fair value

The Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

2) Financial instruments measured at fair value

The financial assets at fair value through profit or loss and the financial instruments at fair value through other comprehensive income are measured on a recurring basis. The table below analyzes financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

		September 30, 2023			
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivatives — foreign exchange swaps	\$ <u>85</u>	<u>-</u>	<u>85</u>	<u>-</u>	<u>85</u>
Financial liabilities at fair value through profit or loss:					
Derivatives — foreign currency forward contracts	\$ (73)	-	(73)	-	(73)
Derivatives — foreign exchange swaps	<u>(2,552)</u>	<u>-</u>	<u>(2,552)</u>	<u>-</u>	<u>(2,552)</u>
	<u>\$ (2,625)</u>	<u>-</u>	<u>(2,625)</u>	<u>-</u>	<u>(2,625)</u>
Financial assets at fair value through other comprehensive income:					
Foreign unlisted stocks	\$ <u>7,312</u>	<u>-</u>	<u>-</u>	<u>7,312</u>	<u>7,312</u>

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ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2022				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivatives — foreign currency forward contracts	\$ <u>163</u>	<u>-</u>	<u>163</u>	<u>-</u>	<u>163</u>
Financial liabilities at fair value through profit or loss:					
Derivatives — foreign currency forward contracts	\$ (64)	-	(64)	-	(64)
Derivatives — foreign exchange swaps	<u>(994)</u>	<u>-</u>	<u>(994)</u>	<u>-</u>	<u>(994)</u>
	<u>\$ (1,058)</u>	<u>-</u>	<u>(1,058)</u>	<u>-</u>	<u>(1,058)</u>
Financial assets at fair value through other comprehensive income:					
Foreign unlisted stocks	\$ <u>1,434</u>	<u>-</u>	<u>-</u>	<u>1,434</u>	<u>1,434</u>
	September 30, 2022				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivatives — foreign currency forward contracts	\$ <u>250</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>250</u>
Financial liabilities at fair value through profit or loss:					
Derivatives — foreign currency forward contracts	(854)	-	(854)	-	(854)
Derivatives — foreign exchange swaps	<u>(220)</u>	<u>-</u>	<u>(220)</u>	<u>-</u>	<u>(220)</u>
	<u>\$ (1,074)</u>	<u>-</u>	<u>(1,074)</u>	<u>-</u>	<u>(1,074)</u>
Financial assets at fair value through other comprehensive income:					
Foreign unlisted stocks	\$ <u>1,434</u>	<u>-</u>	<u>-</u>	<u>1,434</u>	<u>1,434</u>

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Valuation techniques and assumptions used in fair value measurement

The fair value of unlisted stock held by the Group is estimated by using the market approach and is determined by reference to valuations of similar companies, net worth and operating activities. The significant unobservable inputs is primarily the liquidity discounts. No quantitative information is disclosed due to that the possible changes in liquidity discounts would not cause significant potential financial impact.

(iii) Credit risk

Please refer to note 6(e) for credit risk exposure of notes and accounts receivable. Other financial assets amortized at cost includes other receivables. The abovementioned financial assets are considered low-credit-risk financial assets; therefore, the loss allowance are measured using 12 months ECL. Please refer to note 6(f) for ECL assessment.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Group manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of the loan agreements. As of September 30, 2023, December 31 and September 30, 2022, the Group had unused credit facilities of \$2,570,164, \$2,621,803 and \$2,520,019, respectively.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including principal and interest.

	Contractual cash flows	Within 1 year	1-2 years	2-5 years	More than 5 years
September 30, 2023					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 155,606	155,606	-	-	-
Notes and accounts payable	425,874	425,874	-	-	-
Other payables	121,318	121,318	-	-	-
Lease liabilities (including current and non-current)	38,295	13,429	9,858	15,008	-
Long-term debt (including current portion)	52,875	1,507	975	50,393	-
	\$ 793,968	717,734	10,833	65,401	-
Derivative financial instruments:					
Foreign currency forward contracts:					
Outflow	\$ 105,578	105,578	-	-	-
Inflow	(105,590)	(105,590)	-	-	-
Foreign exchange swaps:					
Outflow	207,409	207,409	-	-	-
Inflow	(204,857)	(204,857)	-	-	-
	\$ 2,540	2,540	-	-	-

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
December 31, 2022					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 230,468	230,468	-	-	-
Notes and accounts payable	309,605	309,605	-	-	-
Other payables	149,251	149,251	-	-	-
Lease liabilities (including current and non-current)	37,926	11,978	7,946	18,002	-
Long-term debt (including current portion)	103,521	2,470	101,051	-	-
	<u>\$ 830,771</u>	<u>703,772</u>	<u>108,997</u>	<u>18,002</u>	<u>-</u>
Derivative financial instruments:					
Foreign currency forward contracts:					
Outflow	\$ 125,269	125,269			
Inflow	(125,368)	(125,368)	-	-	-
Foreign exchange swaps:					
Outflow	207,245	207,245	-	-	-
Inflow	(206,251)	(206,251)	-	-	-
	<u>\$ 895</u>	<u>895</u>	<u>-</u>	<u>-</u>	<u>-</u>
September 30, 2022					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 375,982	375,982	-	-	-
Notes and accounts payable	502,197	502,197	-	-	-
Other payables	135,077	135,077	-	-	-
Lease liabilities (including current and non-current)	12,165	9,335	2,436	394	-
Long-term debt (including current portion)	103,722	1,879	101,843	-	-
	<u>\$ 1,129,143</u>	<u>1,024,470</u>	<u>104,279</u>	<u>394</u>	<u>-</u>
Derivative financial instruments:					
Foreign currency forward contracts:					
Outflow	94,754	94,754	-	-	-
Inflow	(94,150)	(94,150)	-	-	-
Foreign currency forward contracts:					
Inflow	89,270	89,270	-	-	-
Outflow	(89,050)	(89,050)	-	-	-
	<u>\$ 824</u>	<u>824</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Foreign currency risk

At the reporting date, the carrying amounts of the Group's significant monetary assets and liabilities denominated in a currency, other than the respective functional currencies of the Group entities, were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

September 30, 2023					
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Change in magnitude	Effect on profit or loss (in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
HKD	\$ 1,482	4.1238	6,111	1 %	61
CNY	47,001	4.4182	207,660	1 %	2,077
USD	4,674	32.27	150,830	1 %	1,508
JPY	14,746	0.2161	3,187	1 %	32
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	\$ 3,455	32.27	111,493	1 %	1,115
JPY	7,580	0.2161	1,638	1 %	16
December 31, 2022					
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Change in magnitude	Effect on profit or loss (in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
CNY	\$ 47,620	4.4057	209,799	1 %	2,098
USD	5,585	30.73	171,627	1 %	1,716
JPY	35,609	0.2330	8,297	1 %	83
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	\$ 4,467	30.73	137,271	1 %	1,373
JPY	53,467	0.2330	12,458	1 %	125
September 30, 2022					
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Change in magnitude	Effect on profit or loss (in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
CNY	\$ 20,554	4.4764	92,008	1 %	920
USD	10,472	31.75	332,486	1 %	3,325
JPY	38,054	0.2201	8,376	1 %	84
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	\$ 8,072	31.75	256,286	1 %	2,563
JPY	14,108	0.2201	3,105	1 %	31

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ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As the Group deals in diverse foreign currencies, gains and losses on foreign exchange were disclosed in an aggregate amount. Please refer to note 6(w) for the aggregate amount of realized and unrealized foreign exchange gain (loss) for the nine months ended September 30, 2023 and 2022.

(y) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(x) of the consolidated financial statements for the year ended December 31, 2022.

(z) Capital management

The objectives, policies and processes of capital management of the Group are in conformity with those disclosed in the consolidated financial statements for the year ended December 31, 2022. Please refer to note 6(y) of the consolidated financial statements for the year ended December 31, 2022 for related details.

(aa) Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities was as follows:

				Non-cash changes			
	January 1, 2023	Cash flows	Acquisition through business combination	Effect of foreign exchange rate	Additions to lease liabilities	Disposals of lease liabilities	September 30, 2023
Short-term borrowings	\$ 229,235	(74,862)	-	150	-	-	154,523
Long-term debt (including current portion)	100,653	(50,166)	-	18	-	-	50,505
Lease liabilities	36,453	(11,005)	-	102	11,857	(525)	36,882
Total liabilities from financing activities	<u>\$ 366,341</u>	<u>(136,033)</u>	<u>-</u>	<u>270</u>	<u>11,857</u>	<u>(525)</u>	<u>241,910</u>

				Non-cash changes			
	January 1, 2022	Cash flows	Acquisition through business combination	Effect of foreign exchange rate	Additions to lease liabilities	Disposals of lease liabilities	September 30, 2022
Short-term borrowings	\$ 87,723	159,347	122,161	4,493	-	-	373,724
Long-term debt (including current portion)	-	99,880	850	(20)	-	-	100,710
Lease liabilities	20,576	(11,906)	5,464	209	5,969	(8,340)	11,972
Total liabilities from financing activities	<u>\$ 108,299</u>	<u>247,321</u>	<u>128,475</u>	<u>4,682</u>	<u>5,969</u>	<u>(8,340)</u>	<u>486,406</u>

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ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

7. Related-party transactions

(a) Parent company and ultimate controlling party

DFI Inc. (“DFI”) is the parent company of the Group and owns 48.06% of the outstanding shares of the Company as of both September 30, 2023 and 2022. Qisda Corporation (“Qisda”) is the ultimate controlling party of the Group. DFI and Qisda have issued the consolidated financial statements for public use.

(b) Name and relationship with related parties

The following are entities that have had transactions with the Group during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Qisda Corporation (“Qisda”)	The Group’s ultimate controlling party
DFI Inc. (“DFI”)	The Group’s parent company
Yan Ying Hao Trading (ShenZhen) Co., Ltd. (“DYTH”)	Qisda’s subsidiary
Qisda Optronics (Suzhou) Co., Ltd. (“QCOS”)	Qisda’s subsidiary
Qisda (Suzhou) Co., Ltd. (“QCSZ”)	Qisda’s subsidiary
Suzhou BenQ Hospital Co., Ltd. (“SMH”)	Qisda’s subsidiary
BenQ Material Corp. (“BMC”)	Qisda’s subsidiary
BenQ Corp. (“BenQ”)	Qisda’s subsidiary
BenQ Co., Ltd. (“BQC”)	Qisda’s subsidiary (Note 1)
BenQ Technology (Shanghai) Co., Ltd. (“BQls”)	Qisda’s subsidiary
BenQ Asia Pacific Corp. (“BQP”)	Qisda’s subsidiary
Metaguru Corporation (“MRU”)	Qisda’s subsidiary
Guru Systems (Suzhou) Co., Ltd. (“GSS”)	Qisda’s subsidiary
BenQ AB DentCare Corporation (“BABD”)	Qisda’s subsidiary
MetaAge Corporation (“MetaAge”)	Qisda’s subsidiary
AdvancedTEK International Corp. (“AdvancedTEK”)	Qisda’s subsidiary
Epic Cloud Co., Ltd. (“Epic Cloud”)	Qisda’s subsidiary
Concord Medical Co., Ltd. (“Concord”)	Qisda’s subsidiary
Partner Tech Corp. (“PTT”)	Qisda’s subsidiary
Global Intelligence Network Co., Ltd. (“Ginnet”)	Qisda’s subsidiary

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ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Name of related party</u>	<u>Relationship with the Group</u>
Darly Venture Inc. (“APV”)	Qisda’s subsidiary
Darly2 Venture Co., Ltd. (“Darly2”)	Qisda’s subsidiary
Darly Consulting Corporation (“Darly C”)	Qisda’s subsidiary
Visco Vision Inc. (“Visco Vision”)	Qisda’s associate
AU Optronics Corp. (“AU”)	A corporate director of Qisda that accounted its investment in Qisda using the equity method.
AU Optronics (Xiamen) Corp. (“AUXM”)	AU’s subsidiary
AUO Crystal Corp. (“ACTW”)	AU’s subsidiary
Symbio Inc. (“Symbio”)	The Company’s director is Symbio’s key management
Pro Accutech Co., Ltd. (“Pro Accutech”)	The Company’s director is Pro Accutech’s key management
Avatack Co., Ltd. (“Avatack”)	The Company’s director is Avatack’s key management
Four Pillars Enterprise Co., Ltd. (“Four Pillars”)	The Company’s director is Four Pillars’ key management

Note 1: BenQ disposed the entire ownership of BQC on September 30, 2022 and therefore BQC was no longer a related party of the Group.

(c) Significant related-party transactions

(i) Revenue

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Ultimate controlling party	\$ 4,767	4,086	8,952	6,895
Parent company	2,792	-	5,770	-
Other related parties	<u>20,777</u>	<u>10,488</u>	<u>57,523</u>	<u>38,999</u>
	<u><u>\$ 28,336</u></u>	<u><u>14,574</u></u>	<u><u>72,245</u></u>	<u><u>45,894</u></u>

The selling prices and payment terms of sales to related parties depend on the economic environment and market competition, and are not comparable to those with third-party customers.

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ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Purchases

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Parent company	\$ 827	5,712	8,554	12,235
Other related parties	597	972	1,536	7,169
	<u>\$ 1,424</u>	<u>6,684</u>	<u>10,090</u>	<u>19,404</u>

There are no significant differences between the purchase prices for related parties and those for third-party vendors. The payment terms of 2 months show no significant difference between related parties and third-party vendors.

(iii) Receivables

Account	Related-party categories	September 30, 2023	December 31, 2022	September 30, 2022
Accounts receivable	Ultimate controlling party	\$ 3,372	11,836	394
	Other related parties	22,684	13,273	11,944
		<u>\$ 26,056</u>	<u>25,109</u>	<u>12,338</u>

(iv) Payables

Account	Related-party categories	September 30, 2023	December 31, 2022	September 30, 2022
Notes and accounts payable	Parent company	\$ 620	1,684	5,164
	Other related parties	233	32	957
Other payables	Ultimate controlling party	111	177	92
	Parent company	700	700	700
	Other related parties	1,157	535	1,047
		<u>\$ 2,821</u>	<u>3,128</u>	<u>7,960</u>

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Lease

The Group leased office from BQC and Qisda and the rent is paid monthly with reference to the nearby office rental rates. For the three months and nine months ended September 30, 2023 and 2022, the related interest expense on lease liabilities amounted to \$3, \$14, \$8 and \$47, respectively. As of September 30, 2023, December 31 and September 30, 2022, the balance of the lease liabilities amounted to \$515, \$611 and \$643, respectively.

The Group leased its office to related parties. For the three months and nine months ended September 30, 2023, the rental income amounted to \$709 and \$1,848, respectively and was recognized in other income.

(vi) Equity transaction

Referring to note 6(i)(iii), on July 1, 2022, the Group acquired 83% equity ownership of AEG from Qisda's subsidiaries, APV, Darly2 and Darly C, for a cash consideration of \$26,560. In addition, the Group acquired 17% ownership of AEG from AU for a cash consideration of \$5,440. The related payables have been fully paid as of December 31, 2022.

(d) Compensation for key management personnel

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Short-term employee benefits	\$ 2,751	4,974	9,414	16,869
Post-employment benefits	51	51	152	152
	\$ 2,802	5,025	9,566	17,021

8. Pledged assets

The carrying amounts of the assets pledged as collateral are detailed below:

Pledged assets	Pledged to secure	September 30, 2023	December 31, 2022	September 30, 2022
Pledged time deposits (recognized in financial assets measured at amortized cost – current)	Guarantee payment for import VAT	\$ 1,000	616	616
Other equipment	Long-term debt	51	199	254
Notes receivable	Short-term borrowings	60,003	111,803	127,494
Property, plant and equipment	Guarantee payment for procurement	25,967	29,979	32,012
		\$ 87,021	142,597	160,376

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

9. Significant commitments and contingencies

As of September 30, 2023, December 31 and September 30, 2022, the Group had issued promissory notes amounting to \$2,295,620, \$2,286,380 and \$2,318,280, respectively, as collateral for obtaining credit facilities from financial institutions.

10. Significant losses due to major disasters: None

11. Significant subsequent events: None

12. Others:

(a) Employee benefits, depreciation, and amortization categorized by function were as follows:

	For the three months ended September 30, 2023			For the three months ended September 30, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	-	83,471	83,471	-	84,858	84,858
Insurance	-	9,985	9,985	-	9,432	9,432
Pension	-	5,644	5,644	-	5,823	5,823
Others	-	2,659	2,659	-	3,035	3,035
Depreciation	2,397	9,374	11,771	584	6,979	7,563
Amortization	-	3,751	3,751	-	3,173	3,173

	For the nine months ended September 30, 2023			For the nine months ended September 30, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	-	249,202	249,202	4,834	247,335	252,169
Insurance	-	29,632	29,632	326	26,195	26,521
Pension	-	17,164	17,164	193	16,453	16,646
Others	-	8,251	8,251	204	9,754	9,958
Depreciation	2,541	28,679	31,220	7,793	22,370	30,163
Amortization	-	10,617	10,617	-	7,263	7,263

(b) Seasonality operations

The Group's operations were not significantly influenced by seasonality or cyclicity factors.

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

13. Additional disclosures:

- (a) Information on significant transactions:
- (i) Financing provided to other parties: Table 1 (attached)
 - (ii) Guarantee and endorsement provided to other parties: None
 - (iii) Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities): Table 2 (attached)
 - (iv) Marketable securities for which the accumulated purchase or sale amounts exceed \$300 million or 20% of the paid-in capital: None
 - (v) Acquisition of real estate which exceeds \$300 million or 20% of the paid-in capital: None
 - (vi) Disposal of real estate which exceeds \$300 million or 20% of the paid-in capital: None
 - (vii) Total purchases from and sales to related parties which exceed \$100 million or 20% of the paid-in capital: None
 - (viii) Receivables from related parties which exceed \$100 million or 20% of the paid-in capital: Table 3 (attached)
 - (ix) Information about derivative instrument transactions: Please refer to note 6(b)
 - (x) Business relationships and significant intercompany transactions: Table 4 (attached)
- (b) Information on investees: Table 5 (attached)
- (c) Information on investment in Mainland China: Table 6 (attached)
- (d) Major shareholders:

Major Shareholder's Name	Shareholding	Shares	Percentage
DFI Inc.		53,958,069	48.06 %
Han-Yu Investment Co., Ltd.		10,176,013	9.06 %
Chief Investment Co., Ltd.		7,329,443	6.52 %
Rido Investment Co., Ltd.		5,711,538	5.08 %

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

14. Segment information

The Group has four reportable segments: the Taiwan operating segment, the China operating segment, the sales and service of semiconductor equipment material segment, and the energy saving and storage segment. The Taiwan operating segment is a distributor for the sale of inverters and automation control and mechanical transmission systems in Taiwan, while the China operating segment is a distributor for the sale of mechanical transmission and automation control systems and the wholesale and retail of industrial robotics related products in China. The sales and service of semiconductor equipment material segment engages mainly in the sales of semiconductor, optoelectronics and machinery equipment in Taiwan and China. The energy saving and storage segment engages mainly in the sales and service of energy management products. The Group has other operating segments that have not yet reached the quantitative threshold, mainly engaged in the sales of mechanical transmission and automation control systems in other regions.

The classification of the segments is based on the geographical location or products and services. Each segment manages and caters to the different needs of their customers, as well as the needs of different marketing strategies, and thus, should be managed separately.

The operating segment accounting policies are similar to those described in note 4. The Group uses income (loss) before income tax as the measurement for each segment's profit and the basis of resource allocation and performance assessment. The reporting amount is consistent with the report used by chief operating decision maker. Sales and transfer among reportable segments are recorded in line with sales to third-party customers.

The Group's operating segment information and reconciliation are as follows:

For the three months ended September 30, 2023							
	Taiwan	Mainland China	Sales and service of semiconductor equipment material	Energy saving and storage	Others	Adjustments and eliminations	Total
External revenue	\$ 216,568	308,239	139,165	116,118	-	-	780,090
Intra-group revenue	128	22,295	2,269	-	-	(24,692)	-
Total segment revenue	<u>\$ 216,696</u>	<u>330,534</u>	<u>141,434</u>	<u>116,118</u>	<u>-</u>	<u>(24,692)</u>	<u>780,090</u>
Segment profit (loss)	<u>\$ (5,758)</u>	<u>(16,739)</u>	<u>8,063</u>	<u>6,107</u>	<u>(528)</u>	<u>(2,223)</u>	<u>(11,078)</u>

For the three months ended September 30, 2022							
	Taiwan	Mainland China	Sales and service of semiconductor equipment material	Energy saving and storage	Others	Adjustments and eliminations	Total
External revenue	\$ 289,973	324,772	178,084	85,960	18,967	-	897,756
Intra-group revenue	1,360	75,882	1,936	-	-	(79,178)	-
Total segment revenue	<u>\$ 291,333</u>	<u>400,654</u>	<u>180,020</u>	<u>85,960</u>	<u>18,967</u>	<u>(79,178)</u>	<u>897,756</u>
Segment profit (loss)	<u>\$ 30,668</u>	<u>(37,622)</u>	<u>17,083</u>	<u>4,986</u>	<u>584</u>	<u>(2,561)</u>	<u>13,138</u>

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2023							
	Taiwan	Mainland China	Sales and service of semiconductor equipment material	Energy saving and storage	Others	Adjustments and eliminations	Total
External revenue	\$ 660,251	951,144	408,790	354,494	982	-	2,375,661
Intra-group revenue	470	55,699	4,255	-	-	(60,424)	-
Total segment revenue	<u>\$ 660,721</u>	<u>1,006,843</u>	<u>413,045</u>	<u>354,494</u>	<u>982</u>	<u>(60,424)</u>	<u>2,375,661</u>
Segment profit (loss)	<u>\$ (2,214)</u>	<u>(37,605)</u>	<u>21,542</u>	<u>28,695</u>	<u>(1,384)</u>	<u>(5,202)</u>	<u>3,832</u>

For the nine months ended September 30, 2022							
	Taiwan	Mainland China	Sales and service of semiconductor equipment material	Energy saving and storage	Others	Adjustments and eliminations	Total
External revenue	\$ 1,043,943	1,191,393	414,107	186,050	63,552	-	2,899,045
Intra-group revenue	5,240	343,610	6,869	-	-	(355,719)	-
Total segment revenue	<u>\$ 1,049,183</u>	<u>1,535,003</u>	<u>420,976</u>	<u>186,050</u>	<u>63,552</u>	<u>(355,719)</u>	<u>2,899,045</u>
Segment profit (loss)	<u>\$ 111,795</u>	<u>(28,178)</u>	<u>44,088</u>	<u>14,283</u>	<u>2,097</u>	<u>(6,801)</u>	<u>137,284</u>

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Financing provided to other parties
For the nine months ended September 30, 2023
(Amounts in thousands of New Taiwan dollars, unless specified otherwise)

Table 1

No.	Financing Company	Counter-Party	Financial Statement Account	Related Parties	Maximum Balance for the Period	Ending Balance	Actual Drawdown Amounts	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Short-term Financing	Loss Allowance	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
0	The Company	Tianjin Ace Pillar	Other receivables from related parties	Yes	353,456	353,456	176,728	0%	2	-	Operating requirement	-	-	-	397,560	795,120
0	The Company	Suzhou Super Pillar	Other receivables from related parties	Yes	173,212	88,634	30,927	0%	2	-	Operating requirement	-	-	-	397,560	795,120
1	Cyber South	Tianjin Ace Pillar	Other receivables from related parties	Yes	22,589	22,589	0	0%	2	-	Operating requirement	-	-	-	551,291	551,291
2	Porton Inc.	Tianjin Ace Pillar	Other receivables from related parties	Yes	12,908	12,908	0	0%	2	-	Operating requirement	-	-	-	428,696	428,696

Note 1: The aggregate financing amount shall not exceed 40% of the latest audited or reviewed net worth of the Company, within which the short-term financing amount to subsidiaries shall not exceed 20% of net worth of the abovementioned net worth of the Company.

Note 2: The aggregate financing amount and the individual financing amount of subsidiaries shall not exceed 10% and 5%, respectively, of the most recent net worth of subsidiaries. For the subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, which are not located in Taiwan, for the purpose of lending operating capital, the amount of financing offered to a single company owned by the Company shall not exceed 100% of the net worth of subsidiaries.

Note 3: Nature of Financing

1 Business transaction purpose

2 Short-term financing purpose

Note 4: The above transactions are eliminated when preparing the consolidated financial statements.

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities)
September 30, 2023
(Amounts in thousands of New Taiwan dollars / shares / units, unless specified otherwise)

Table 2

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	September 30, 2023				Note
				Shares/ Units	Carrying Value	Percentage of Ownership	Fair value	
STC	Stock: Intelligent fluids GmbH	-	Financial assets at fair value through other comprehensive income — non-current	27	Note 1	1.71%	-	-
STC	Stock: COMPITEK CORP PTE LTD. (CPL)	-	Financial assets at fair value through other comprehensive income — non-current	36	7,312	6.28%	7,312	-
STCBVI	Corporate bond: Biogen Inc.	-	Financial assets at amortized cost — non-current	USD 100	3,396	-	3,396	-

Note 1: The impairment loss was fully recognized.

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Receivables from related parties which exceed \$100 million or 20% of the paid-in capital
September 30, 2023
(Amounts in thousands of New Taiwan dollars, unless specified otherwise)

Table 3

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate Amount	Overdue		Amounts Received in Subsequent Period	Loss Allowance
					Amount	Action Taken		
The Company	Tianjin Ace Pillar	Parent/Subsidiary	176,728	-	-		-	-

Note: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Business relationships and significant intercompany transactions
For the nine months ended September 30, 2023
(Amounts in thousands of New Taiwan dollars, unless specified otherwise)

Table 4

No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			
				Financial Statements Account	Amount (Note 3)	Payment Terms	Percentage of Consolidated Operating Revenue or Total Assets (Note 4)
0	The Company	Tianjin Ace Pillar	1	Other receivables—loans	176,728	1 year	5.72%
0	The Company	Suzhou Super Pillar	1	Other receivables—loans	30,927	1 year	1.00%
1	Advancedtek Ace	Tianjin Ace Pillar	3	Revenue	54,550	T/T 30 days	2.23%

Note 1: Parties to the intercompany transactions are identified and numbered as follows:

1. “0” represents the Company.
2. Subsidiaries are numbered from “1”.

Note 2: The relationships with counterparties are as follows:

- No. “1” represents the transactions from the Company to subsidiary.
No. “2” represents the transactions from subsidiary to the Company.
No. “3” represents the transactions between subsidiaries.

Note 3: Intercompany relationships and significant intercompany transactions are disclosed only for the amounts that exceed 1% of consolidated operating revenue or total assets.

The corresponding purchases and accounts payables are not disclosed.

Note 4: The percentage is based on the transaction amount divided by consolidated operating revenues or consolidated total assets.

Note 5: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Information of investees (excluding information on investments in Mainland China)
For the nine months ended September 30, 2023
(Amounts in thousands of New Taiwan dollars / shares, unless specified otherwise)

Table 5

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount (Note)		Balances as of September 30, 2023			Net Income (Loss) of the Investee	Share of Profit/ (Loss) of the Investee	Note
				September 30, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value			
The Company	Cyber South	SAMOA	Investment and holding activity	107,041	107,041	4,669	100.00%	551,291	(32,545)	(31,211)	Note 1
The Company	Hong Kong Ace Pillar	Hong Kong	Sales of automation mechanical transmission system and component	5,120	5,120	1,200	100.00%	4,933	(1,325)	(1,325)	Note 1
Cyber South	Proton	SAMOA	Investment and holding activity	527,665	527,665	17,744	100.00%	428,696	(33,556)	Note 2	Note 1
Cyber South	Ace Tek	Hong Kong	Investment and holding activity	4,938	4,938	150	100.00%	2,581	393	Note 2	Note 1
The Company	STC	Taiwan	Sales of semiconductor, optoelectronics and machinery equipment and equipment repair	187,000	187,000	6,084	60.00%	219,372	13,798	5,819	Note 1
STC	STCBVI	B.V.I.	Investment and holding activity	21,727	21,727	600	100.00%	111,321	12,330	Note 2	Note 1
AEG	BWA	Germany	Sales and service of energy management products	138,804	138,804	Note 3	100.00%	163,260	16,306	Note 2	Note 1
The Company	AEG	Taiwan	Energy technology service	166,760	166,760	4,993	99.86%	199,771	20,688	20,659	Note 1

Note: Original investment amounts include capitalization of retained earnings.

Note 1: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

Note 2: The share of profit or losses of the investee company is not disclosed herein as such amount is already included in the share of profit or losses of the investor company.

Note 3: There were no shares as the company is a limited liability company.

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Information on investment in Mainland China
For the nine months ended September 30, 2023
(Amounts in thousands of New Taiwan dollars and other currencies)

Table 6

1. Information on investments in Mainland China:

Name of Investee	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2023	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss) (Note 3)	Carrying Value as of September 30, 2023	Accumulated Inward Remittance of Earnings as of September 30, 2023
					Outflow	Inflow						
Tianjin Ace Pillar	Sales of automation mechanical transmission system and component	1,139,034 (USD 35,297)	Direct and indirect investment	62,927 (USD 1,950)	-	-	62,927 (USD 1,950)	(40,260)	100.00%	(40,260)	506,336	125,533
Grace Transmission	Manufacture of automation mechanical transmission system and component	7,378 (RMB 1,670)	Indirect investment	5,163 (USD 160)	-	-	5,163 (USD 160)	(6)	100.00%	(6) (USD (0.2))	4,169 (USD 129)	-
Advancedtek Ace	Electronic system integration	9,681 (USD 300)	Indirect investment	4,841 (USD 150)	-	-	4,841 (USD 150)	393	100.00%	393 (USD 13)	2,553 (USD 79)	-
Suzhou Super Pillar	Manufacture and technology service of automation mechanical transmission system and control products	46,792 (USD 1,450)	Indirect investment	Note 2	-	-	Note 2	1,934	100.00%	1,934 (USD 64)	110,106 (USD 3,412)	-
Shanghai STC	Sales of semiconductor, optoelectronics and machinery equipment and equipment repair	15,490 (USD 480)	Indirect investment	15,490 (USD 480)	-	-	15,490 (USD 480)	12,260	100.00%	12,260	107,751	134,972

Note 1: Total amounts of paid-in capital includes direct investment and capitalization of liabilities.

Note 2: Suzhou Super Pillar was established by Cyber South's reinvestment.

Note 3: Investment income or loss was recognized based on the financial statements audited by the auditors of the Company.

Note 4: The amounts were translated into New Taiwan dollars at the exchange rates of US\$1=NT\$32.27 and CNY\$1=NT\$4.4182.

2. Limits on investments in Mainland China:

Company Name	Accumulated Investment in Mainland China as of September 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 3)
ACE	165,190 (USD 5,119)	165,190 (USD 5,119)	1,250,137
STC	15,490 (USD 480)	15,489 (USD 480)	112,860

Note 1: The Group's investment in Delta Greentech (China) Co., Ltd. for USD 2,859 thousand was authorized by Investment Commission, MOEA.

In 2011, the Group sold all of its equity interest in Delta Greentech (China) Co., Ltd. which was reported to Investment Commission, MOEA on August 5, 2011 but the investment was not yet retired.

Note 2: The amounts were translated into New Taiwan dollars at the exchange rates of US\$1=NT\$32.27.

Note 3: Pursuant to "Principle of Investment or Technical Cooperation in Mainland China", investment amounts in Mainland China shall not exceed the 60% net worth of the company.

3. Significant transactions with investee companies in Mainland China:

The transactions between parent and investee companies in Mainland China (the intercompany transaction) have been eliminated when preparing the consolidated financial statements. Please refer to section "Information on significant transactions" and "Business relationships and significant intercompany transactions" for detail description.