Stock Code:8374

ACE PILLAR CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021

Address: 12F., No. 558, Zhongyuan Rd., Xinzhuang Dist., New Taipei City 242, Taiwan (R.O.C)
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The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of Ace Pillar Co., Ltd. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 " Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Ace Pillar Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Ace Pillar Co., Ltd.
Chang-Hong Lee
Chairman
March 1, 2023

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Ace Pillar Co., Ltd. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2022 and 2021 (restated), the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ace Pillar Co., Ltd. and its subsidiaries as of December 31, 2022 and 2021 (restated), and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Ace Pillar Co., Ltd. and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Emphasis of Matter

As stated in note 4(c), Ace Pillar Co., Ltd. acquired 100% equity ownership of Qisda Corporation's subsidiary, ACE Energy Co., Ltd., by cash on July 1, 2022. Pursuant to the Interpretations (2012) No. 301 issued by Accounting Research and Development Foundation, the aforementioned transaction is an organizational reorganization under common control and had been regarded as a combination from beginning. Ace Pillar Co., Ltd. and its subsidiaries restated the consolidated financial statements for the year ended December 31, 2021, accordingly. Our conclusion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the consolidated financial statements for the year ended December 31, 2022 are stated as follows:

1. Business combinations

   Refer to Note 4(q) for accounting policy on business combinations and Note 6(i) for related disclosures of the notes to the consolidated financial statements.

   Description of key audit matter:

   For the year ended December 31, 2022, Ace Pillar Co., Ltd. acquired 60% equity ownership of Standard Technology Corp. (“STC”) and 100% equity ownership of BlueWalker GmbH (“BWA”), wherein Ace Pillar Co., Ltd. obtained control over STC and BWA. To adopt accounting treatment of business combination, the management needs to assess and determine the fair value of the identifiable assets and liabilities. The assessment is complex and involves significant assumptions and estimation. Accordingly, the assessment of business combinations has been identified as one of the key audit matters.

   How the matter was addressed in our audit:

   In relation to the key audit matter above, our principal audit procedures included obtaining the purchase price allocation report with the valuation on intangible assets conducted by an external expert engaged by the management; evaluating the acquired assets and liabilities identified by the management including any fair value adjustment at the acquisition date. In doing so, we have consulted internal valuation specialists to assist us in evaluating the reasonableness of the valuation model and key assumptions used. We have also assessed whether correct accounting treatment has been applied, and appropriate disclosures with respect to the acquisition have been made.

2. Impairment of goodwill

   Refer to Note 4(m) for accounting policy on impairment of non-financial assets, Note 5 for uncertainty of accounting estimations and assumptions for goodwill impairment and Note 6(l) for related disclosures of the notes to the consolidated financial statements.

   Description of key audit matter:

   Goodwill arising from the acquisition of subsidiaries is subject to impairment test annually or at the time there are indications that goodwill may have been impaired. The assessment of the recoverable amount of the cash-generating unit of goodwill involves management’ s judgment and estimation with respect to key assumptions which are subjective and involve significant uncertainty. Accordingly, the assessment of impairment of goodwill has been identified as one of the key audit matters.

   How the matter was addressed in our audit:

   In relation to the key audit matter above, our principal audit procedures included obtaining the assessment of goodwill impairment provided by the management; assessing the appropriateness of the valuation model and key assumptions, including the discount rate, expected sales growth rate and future cash flow projections, used by the management in measuring the recoverable amount; performing a sensitivity analysis of key assumptions and results; and assessing the adequacy of disclosures of related information on evaluation of goodwill.

Other Matter

Ace Pillar Co., Ltd. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified audit opinion with the paragraph on Emphasis of Matter for the year ended December 31, 2022 and an unmodified audit opinion for the year ended December 31, 2021.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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 with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing Ace Pillar Co., Ltd. and its subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Ace Pillar Co., Ltd. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing Ace Pillar Co., Ltd. and its subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ace Pillar Co., Ltd. and its subsidiaries' internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Ace Pillar Co., Ltd. and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Ace Pillar Co., Ltd. and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Ace Pillar Co., Ltd. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Wei-Ming Shih and Mei-Yen Chen.

KPMG

Taipei, Taiwan (Republic of China)
March 1, 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

ACE PILLAR CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2022 Amount	%	December 31, 2021 (Restated) Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 436,095	13	521,134	17
1110	Financial assets at fair value through profit or loss－current (note 6(b))	163	-	-	-
1136	Financial assets at amortized cost－current (notes 6(d) and 8)	7,848	-	18,000	1
1150-1170	Notes and accounts receivable, net (notes 6(e), (t), 7 and 8)	944,003	28	1,105,387	35
1200	Other receivables (note 6(f))	29,412	1	14,714	1
130X	Inventories (note 6(g))	896,923	27	665,979	21
1461	Non-current assets held for sale (note 6(h))	-	-	312,601	10
1410-1470	Prepayments and other current assets	45,243	2	43,584	1
	Total current assets	2,359,687	71	2,681,399	86
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income－non-current (note 6(c))	1,434	-	-	-
1535	Financial assets at amortized cost－non-current (note 6(d))	3,212	-	-	-
1600	Property, plant and equipment (notes (j) and 8)	666,613	20	373,454	12
1755	Right-of-use assets (note 6(k))	52,312	2	24,670	1
1780	Intangible assets (note 6(l))	196,471	6	4,167	-
1840	Deferred income tax assets (note 6(q))	9,865	-	9,234	-
1980	Other financial assets－non-current	18,755	1	17,077	-
1990	Other non-current assets	9,917	-	24,861	1
	Total non-current assets	958,579	29	453,463	14
	Total assets	$ 3,318,266	100	3,134,862	100

	Liabilities and Equity	December 31, 2022 Amount	%	December 31, 2021 (Restated) Amount	%
	Current liabilities:				
2100	Short-term borrowings (notes (m) and 8)	$ 229,235	7	87,723	3
2123	Financial liabilities at fair value through profit or loss－current (note 6(b))	1,058	-	-	-
2130	Contract liabilities－current (note 6(t))	108,161	3	126,238	4
2150-2170	Notes and accounts payable (note 7)	390,605	12	577,950	18
2200	Other payables (note 7)	149,251	5	112,822	4
2230	Current income tax liabilities	55,065	2	48,747	2
2280	Lease liabilities－current (notes (o) and 7)	11,367	-	12,330	-
2300	Other current liabilities	10,140	-	8,884	-
2320	Current portion of long-term debt (notes 6(n) and 8)	653	-	-	-
	Total current liabilities	955,535	29	974,694	31
	Non-current liabilities:				
2540	Long-term debt (notes 6(n) and 8)	100,000	3	-	-
2570	Deferred income tax liabilities (note 6(q))	100,136	3	74,358	3
2580	Lease liabilities－non-current (notes 6(o) and 7)	25,086	1	8,246	-
	Total non-current liabilities	225,222	7	82,604	3
	Total liabilities	1,180,757	36	1,057,298	34
	Equity attributable to shareholders of the Company (note 6(r)):				
3110	Common stock	1,122,505	34	1,122,505	36
3200	Capital surplus	312,233	9	315,077	10
3300	Retained earnings	649,360	20	672,018	21
3400	Other equity	(35,927)	(1)	(56,506)	(2)
	Total equity attributable to shareholders of the Company	2,048,171	62	2,053,094	65
35XX	**Equity attributable to former owner of business combination under common control**	-	-	20,310	1
36XX	**Non-controlling interests**	89,338	2	4,160	-
	Total equity	2,137,509	64	2,077,564	66
	Total liabilities and equity	$ 3,318,266	100	3,134,862	100

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 years ended December 31, 2022 and 2021

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

		2022		2021 (Restated)	
		Amount	%	Amount	%
4000	**Operating revenue (notes 6(t), 7 and 14)**	$ 3,762,421	100	3,658,704	100
5000	**Operating costs (notes 6(g), (j), (p), 7 and 12)**	(3,023,194)	(80)	(3,000,362)	(82)
	Gross profit	739,227	20	658,342	18
	Operating expenses (notes 6(e), (j), (k), (l), (o), (p), (u), 7 and 12):				
6100	Selling expenses	(429,537)	(12)	(311,587)	(9)
6200	Administrative expenses	(195,838)	(5)	(153,454)	(4)
6300	Research and development expenses	(5,805)	-	(8,738)	-
6450	Gains on reversal of impairment loss (expected credit loss)	(12,321)	-	5,458	-
	Total operating expenses	(643,501)	(17)	(468,321)	(13)
	Operating income	95,726	3	190,021	5
	Non-operating income and loss (notes 6(o), (v) and 7):				
7100	Interest income	1,601	-	1,253	-
7010	Other income	9,831	-	5,171	-
7020	Other gains and losses, net	30,308	1	(830)	-
7050	Finance costs	(8,843)	-	(4,622)	-
	Total non-operating income and loss	32,897	1	972	-
	Income before income tax	128,623	4	190,993	5
7950	**Less: income tax expense (note 6(q))**	(31,049)	(1)	(41,142)	(1)
	Net income	97,574	3	149,851	4
	Other comprehensive income (note 6(r)):				
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operations	21,256	-	2,134	-
8399	Less: income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
		21,256	-	2,134	-
	Other comprehensive income for the year, net of income tax	21,256	-	2,134	-
	Total comprehensive income for the year	**$ 118,830**	**3**	**151,985**	**4**
	Net income attributable to:				
8610	Shareholders of the Company	78,953	2	147,895	4
8615	Former owner of business combination under common control	3,394	-	1,623	-
8620	Non-controlling interests	15,227	1	333	-
		$ 97,574	**3**	**149,851**	**4**
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	99,532	3	150,029	4
8715	Former owner of business combination under common control	3,394	-	1,623	-
8720	Non-controlling interests	15,904	-	333	-
		$ 118,830	**3**	**151,985**	**4**
	Earnings per share (in New Taiwan dollars) (note 6(s)):				
9750	Basic earnings per share	**$ 0.70**		**1.32**	
9850	Diluted earnings per share	**$ 0.70**		**1.32**	

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 years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company										
			Retained earnings				Other equity				
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Foreign currency translation differences	Total equity of the Company	Equity attributable to former owner of business combination under common control	Non-controlling interests	Total equity
Balance at January 1, 2021 (restated)	$ 1,122,505	315,077	247,286	78,028	266,159	591,473	(58,640)	1,970,415	18,687	3,827	1,992,929
Net income in 2021	-	-	-	-	147,895	147,895	-	147,895	1,623	333	149,851
Other comprehensive income in 2021	-	-	-	-	-	-	2,134	2,134	-	-	2,134
Total comprehensive income in 2021	-	-	-	-	147,895	147,895	2,134	150,029	1,623	333	151,985
Appropriation of earnings:											
Legal reserve	-	-	10,981	-	(10,981)	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(67,350)	(67,350)	-	(67,350)	-	-	(67,350)
Balance at December 31, 2021 (restated)	1,122,505	315,077	258,267	78,028	335,723	672,018	(56,506)	2,053,094	20,310	4,160	2,077,564
Net income in 2022	-	-	-	-	78,953	78,953	-	78,953	3,394	15,227	97,574
Other comprehensive income in 2022	-	-	-	-	-	-	20,579	20,579	-	677	21,256
Total comprehensive income in 2022	-	-	-	-	78,953	78,953	20,579	99,532	3,394	15,904	118,830
Appropriation of earnings:											
Legal reserve	-	-	14,790	-	(14,790)	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(101,026)	(101,026)	-	(101,026)	-	-	(101,026)
Other changes in capital surplus	-	1	-	-	-	-	-	1	-	-	1
Difference between consideration and the carrying amount arising from acquisition or disposal of shares of subsidiaries	-	-	-	-	(585)	(585)	-	(585)	-	(4,855)	(5,440)
Reorganization under common control	-	(2,856)	-	-	-	-	-	(2,856)	(23,704)	-	(26,560)
Changes in ownership interests in subsidiaries	-	11	-	-	-	-	-	11	-	229	240
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	73,900	73,900
Balance at December 31, 2022	**$ 1,122,505**	**312,233**	**273,057**	**78,028**	**298,275**	**649,360**	**(35,927)**	**2,048,171**	**-**	**89,338**	**2,137,509**

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 years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021 (Restated)
Cash flows from operating activities:		
Income before income taxes	$ 128,623	190,993
Adjustments for:		
Adjustments to reconcile profit or loss:		
Depreciation	40,211	42,980
Amortization	11,018	1,307
(Reversal of) expected credit loss	12,321	(5,458)
Interest expense	8,843	4,622
Interest income	(1,601)	(1,253)
Dividend income	(944)	-
Loss (gain) on disposal of property, plant and equipment	(187)	349
Gain on lease modifications	(741)	(1)
Gain on disposal of non-current assets held for sale	(23,829)	-
Loss on liquidation of subsidiary	391	-
Total adjustments for profit or loss	45,482	42,546
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	(163)	-
Notes and accounts receivable	301,305	(173,477)
Other receivables	(13,686)	(6,338)
Inventories	(45,728)	(214,182)
Other current assets	5,040	(25,680)
Net changes in operating assets	246,768	(419,677)
Changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	1,058	(288)
Notes and accounts payable	(285,859)	175,968
Other payables	(52,210)	5,294
Contract liabilities	(30,770)	29,549
Other current liabilities	769	(2,882)
Other non-current liabilities	-	(1,375)
Net defined benefit liabilities	(5,671)	-
Net changes in operating liabilities	(372,683)	206,266
Total changes in operating assets and liabilities	(125,915)	(213,411)
Total adjustments	(80,433)	(170,865)
Cash provided by operations	48,190	20,128
Interest received	1,525	1,253
Dividends received	944	-
Income taxes paid	(51,990)	(7,398)
Net cash flows provided by (used in) operating activities	(1,331)	13,983

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 years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021 (Restated)
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	(29,954)	(265,237)
Proceeds from disposal of property, plant and equipment	348	18
Acquisition of intangible assets	(9,228)	(5,474)
Decrease (increase) in other financial assets－current	17,721	(6,000)
Decrease in other financial assets－non-current	9,395	1,247
Decrease (increase) in other non-current assets	15,648	(9,899)
Net cash flows used in investing activities	(90,978)	(285,345)
Cash flows from financing activities:		
Increase in short-term borrowings	469,918	244,957
Decrease in short-term borrowings	(451,697)	(256,161)
Increase in long-term debt	100,000	-
Repayments of long-term debt	(133)	-
Payment of lease liabilities	(15,806)	(18,391)
Cash dividends distributed to shareholders	(101,026)	(67,350)
Interest paid	(8,747)	(4,728)
Changes in non-controlling interests	(5,440)	-
Net cash flows used in financing activities	(12,931)	(101,673)
Effect of foreign exchange rate changes	20,201	225
Net decrease in cash and cash equivalents	(85,039)	(372,810)
Cash and cash equivalents at beginning of year	521,134	893,944
Cash and cash equivalents at end of year	$ **436,095**	**521,134**

See accompanying notes to the consolidated financial statements.

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 and electromechanical integration of automation control and mechanical transmission system.

2. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on March 1, 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, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment—Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(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, 2023, would not have a significant impact on its consolidated financial statements:

- 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"

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments have removed the requirement for a right to be unconditional and instead now require that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other 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”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS 16 “Requirements for Sale and Leaseback Transactions”

4. Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized as follows and have been applied consistently to all periods presented in these financial statements.

(a) Statement of compliance

The Group's accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations") and the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC (collectively as "Taiwan-IFRSs").

(b) Basis of preparation

(i) Basis of measurement

The accompanying consolidated financial statements have been prepared on a historical cost basis except for the following items in the balance sheets:

1) Financial instruments measured at fair value through profit or loss (including derivative financial instruments); and
2) Financial assets at fair value through other comprehensive income.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(iii) Business combination under common control

The business combinations under common control often occur as the ownership of a company change to another, with both companies being controlled by the same ultimate parent company. These combinations are treated as the later of either the earliest comparative period in financial statements or the date under common control to restate comparative information of prior period. Under common control, assets and liabilities are recognized at their original carrying amount. The consolidated financial statements do not recognize the goodwill or the fair value of acquirer's share of the acquiree's interest in the acquiree's identifiable assets, liabilities, and contingent liabilities in excess of the common controlled carrying amount.

In preparing the consolidated balance sheet, the equity from acquisition is recognized in "equity attributable to the former owner of business combination under common control". In preparing the consolidated statements of comprehensive income, the profit or loss which belongs to former controlling shareholders is recorded as "profit (loss) attributable to the former owner of business combination under common control".

(Continued)

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

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The accompanying consolidated financial statements incorporate the financial statements of the Company and its controlled entities (the subsidiaries) in which the Company is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions, balances and resulting unrealized income and loss are eliminated on consolidation. Total comprehensive income (loss) of a subsidiary is attributed to the shareholders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, financial statements of subsidiaries are adjusted to align their accounting policies with those adopted by the Company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the adjustment of the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the Company.

(ii) List of subsidiaries in the consolidated financial statements

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

			Percentage of Ownership		
Name of Investor	**Name of Subsidiaries**	**Principal Activities**	**December 31, 2022**	**December 31, 2021**	**Note**
The Company	Cyber South Management Ltd. ("Cyber South", Samoa)	Investment and holding activity	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 %	-
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 %	-
The Company	Standard Technology Corp. ("STC", Taiwan)	Sales of semiconductor, optoelectronics and machinery equipment and equipment repair	60.00 %	-	Note 1
The Company	ACE Energy Co., Ltd. ("AEG", Taiwan) (formerly BenQ ESCO Corp.)	Service of energy technology	99.86 %	-	Notes 3 and 4
Cyber South	Proton Inc. ("Proton", Samoa)	Investment and holding activity	100.00 %	100.00 %	-
Cyber South	Ace Tek (HK) Holding Co., Ltd. ("Ace Tek", Hong Kong)	Investment and holding activity	100.00 %	100.00 %	-
Cyber South	Suzhou Super Pillar Automation Equipment Co., Ltd. ("Suzhou Super Pillar", China)	Manufacture of automation mechanical transmission system and component	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 %	-

(Continued)

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

Name of Investor	Name of Subsidiaries	Principal Activities	Percentage of Ownership December 31, 2022	Percentage of Ownership December 31, 2021	Note
Cyber South	Xuchang Ace AI Equipment Co., Ltd. (“Xuchang Ace”, China)	Wholesale of industrial robot and component	-	100.00 %	Note 5
Ace Tek	Advancedtek Ace (TJ) Inc. (“Advancedtek Ace”, China)	Electronic system integration	100.00 %	100.00 %	-
STC	Standard Technology Corp. (“STCBVI”, BVI)	Investment and holding activity	100.00 %	-	Note 1
STCBVI	Standard International Trading (Shanghai) Co., Ltd. (“Shanghai STC”, China)	Sales of semiconductor, optoelectronics and machinery equipment and equipment repair	100.00 %	-	Note 1
AEG	BlueWalker GmbH (“BWA”, Germany)	Sales and service of energy management products	100.00 %	-	Note 2

Note 1: The Group acquired 60% equity ownership of STC on March 1, 2022 and obtained control over it. Therefore, STC has been included in the Group’s consolidated entities.

Note 2: The Group acquired 100% equity ownership of BWA on April 1, 2022 and obtained control over it. Therefore, BWA has been included in the Group’s consolidated entities. In addition, AEG directly owned the entire equity ownership of BWA on December 1, 2022 by reorganization under common control.

Note 3: Referring to note 7(c)(vi), the Group acquired 100% equity ownership of AEG on July 1, 2022 and obtained control over AEG. The transaction is an organizational reorganization under common control and had been regarded as a combination from beginning. The consolidated financial statements for the year ended December 31, 2021 have been restated for comparison with the financial statements for the year ended December 31, 2022.

Note 4: In December 2022, AEG increased its share capital and reserved the partial new shares for subscription by its employees and for the stock options exercised 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.

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

(d) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period (“the reporting date”), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into the presentation currency of the Group’s consolidated financial statements at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated into the presentation currency of the Group’s consolidated financial statements at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

(Continued)

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the accumulated exchange differences related to that foreign operation is reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary, the proportionate share of the accumulated exchange differences is reclassified to non-controlling interests. For a partial disposal of the Group's ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current when one of following criteria is met; all other assets are classified as non-current assets.

(i) It is expected to be realized, or sold or consumed in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is expected to be realized within twelve months after the reporting period; or
(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

A liability is classified as current when one of following criteria is met; all other liabilities are classified as non-current liabilities:

(i) It is expected to be settled in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is due to be settled within twelve months after the reporting date; or
(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash consists of cash on hand, checking deposits, and demand deposits. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the aforesaid criteria and are not held for investing purposes are also classified as cash equivalents.

(g) Financial instruments

Accounts receivable is initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issuance. An accounts receivable without a significant financing component is initially measured at the transaction price.

(Continued)

(i) Financial assets

On initial recognition, financial assets are classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). A regular way purchases or sales of financial assets is recognized or derecognized on a trade-date basis.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, these assets are measured at amortized cost, using the effective interest method less impairment loss. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets at fair value through other comprehensive income

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present the subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity is reclassified to retained earnings and is never reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive the dividends is established (usually the ex-dividend date).

3) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortized cost or at FVOCI described as above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(Continued)

These assets are subsequently measured at fair value. Net gains and losses, including any dividend and interest income, are recognized in profit or loss.

4) Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial assets on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses ("ECL") on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables and other financial assets).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following financial assets which are measured using 12-month ECL:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group measures loss allowances for accounts receivable at an amount equal to lifetime ECL.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. The information includes both quantitative and qualitative information and analysis based on the Group's historical experience and credit assessment, as well as forward-looking information.

(Continued)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

6) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights of the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets; in these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement and the definitions of a financial liability and an equity instrument.

2) Equity transactions

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recognized at the amount of consideration received, less, the direct issuing cost.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iii) Derivative financial instruments

The Group uses derivative financial instrument to hedge its foreign currency exposures. Derivatives are initially measured at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and included in non-operating income and loss. If the valuation of a derivative instrument is in a positive fair value, it is classified as a financial asset, otherwise, it is classified as a financial liability.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated based on the weighted-average method and includes expenditure incurred in bringing them to the location and condition ready for sale. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses.

(Continued)

(i) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through a sale transaction, rather than through continuing use, are reclassified as non-current assets held for sale. Non-current assets or disposal groups under this classification must be available for instant sale, which is highly probable within a year under current condition. The assets are measured at the lower of their carrying amount and fair value, less, costs to sell and are no longer amortized or depreciated when they are classified as held for sale.

(j) 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 and other equipment: 3 to 10 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.

(k) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(Continued)

(i) As a leasee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically evaluated and reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when:

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

— there is a change of the Group's assessment on whether it will exercise a extension an option to purchase the underlying asset; or

— there is a change in the lease term resulting from a change of the Group's assessment on whether it will exercise an extension or termination option; or

— there is any lease modification in lease subject, scope of the lease or other terms.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

(Continued)

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference in profit or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the consolidated balance sheets.

The Group has elected not to recognize right-of-use assets and lease liabilities for the short-term and low-value leases for transportation equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a leasor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease.

For operating lease, the Group recognizes rental income on a straight-line basis over the lease term.

(l) Intangible assets

(i) Goodwill

Goodwill arising from the acquisition of subsidiaries is accounted for as intangible assets. Refer to note 4(r) for the description of the measurement of goodwill at initial recognition. Goodwill is not amortized but is measured at cost, less accumulated impairment losses.

(ii) Other intangible assets

Patent and customer relationship acquired in a business combination are measured at fair value at the acquisition date. Other intangible assets are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the following estimated useful lives: acquired software: 3 to 5 years; patent: 10 years; customer relationship: 9.75 to 11 years.

The residual value, amortization period, and amortization method are reviewed at least at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

(m) Impairment of non-financial assets

The Group assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets (other than inventories and deferred tax assets) may be impaired. If any such indication exists, then the asset’ s recoverable amount is estimated. Goodwill is tested annually or when there are indications of impairment.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. Goodwill arising from a business combination is allocated to cash-generating units (“CGUs”) or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an individual asset or CGU is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an impairment loss is reversed only to the extent that the asset’s carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(n) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good to a customer.

(i) Sale of goods

The Group recognizes revenue when control of the goods has been transferred to the customer, being when the goods are delivered to the customer, and there is no unfulfilled obligation that could affect the customer’s acceptance of the goods. Delivery occurs when the customer has accepted the goods in accordance with the terms of sales, the risks of obsolescence and loss have been transferred to the customer, and the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(Continued)

(ii) Rendering of services

The Group' s revenue from providing system implementation or integration services is recognized in the accounting period in which services are rendered.

(iii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer, and the payment by the customer, exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed during the year in which employees render services.

(ii) Defined benefit plans

The liability recognized in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date, less, the fair value of plan assets. The discount rate for calculating the present value of the defined benefit obligation refers to the interest rate of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the term of the related pension obligation. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method.

When the benefits of a plan are improved, the expense related to the increased obligations resulting from the services rendered by employees in the past years are recognized in profit or loss immediately.

The remeasurements of the net defined benefit liability (asset) comprise (i) actuarial gains and losses; (ii) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (iii) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). The remeasurements of the net defined benefit liabilities (asset) are recognized in other comprehensive income and then transferred to retained earnings.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

(Continued)

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to make such payments as a result of past service provided by the employees, and the obligation can be estimated reliably.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for:

(i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

(ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(Continued)

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(q) Business combinations

The Group accounts for business combinations using the acquisition method. Goodwill is measured as the excess of the acquisition-date fair value of consideration transferred (including any non-controlling interest in the acquiree) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed and recognize any additional assets or liabilities that are identified in that review, and shall recognize a gain on the bargain purchase thereafter.

Acquisition-related costs are expensed as incurred except for the costs related to issuance of debt or equity instruments.

Non-controlling interests in an acquire that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's net identifiable assets. All other non-controlling interest is measured at its acquisition date fair value or other measurement basis in accordance with Taiwan-IFRSs.

(r) Earnings per share ("EPS")

The basic and diluted EPS attributable to stockholders of the Company are disclosed in the financial statements. Basic EPS is calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to stockholders of the Company and weighted average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Group's dilutive potential common shares are employee stock options or profit sharing for employees to be settled in the form of common stock.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions on the allocation of resources to the segment and to assess its performance for which discrete financial information is available.

(Continued)

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

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

The preparation of the consolidated financial statements 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and the future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included as follows:

Impairment of goodwill

The assessment of impairment of goodwill requires the Group to make subjective judgments to identify cash-generating units, allocate the goodwill to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Any changes in these estimates based on changed economic conditions or business strategies could result in significant adjustments in future years. Please refer to note 6(l) for further information of the assessment of impairment of goodwill.

6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	$ 490	270
Demand deposits and checking accounts	435,605	520,864
	$ 436,095	**521,134**

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

	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss:		
Foreign currency forward contracts	**$ 163**	**-**

	December 31, 2022	December 31, 2021
Financial liabilities at fair value through profit or loss:		
Foreign currency forward contracts	$ (64)	-
Foreign exchange swaps	(994)	-
	$ (1,058)	**-**

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

	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

(ii) Foreign exchange swaps

	December 31, 2022		
	Contract amount (in thousands)		**Maturity period**
TWD Buy / CNY Sell	CNY	47,000	2023/01

Please refer to note 6(v) 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

	December 31, 2022	**December 31, 2021**
Equity investments at fair value through other comprehensive income:		
Foreign unlisted stocks	$ **1,434**	**-**

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 year ended December 31, 2022.

(d) Financial assets at amortized cost

	December 31, 2022	**December 31, 2021**
Pledged time deposits	$ 616	-
Time deposits	7,232	18,000
Corporate bonds	3,212	-
	$ **11,060**	**18,000**
Current	$ 7,848	18,000
Non-current	3,212	-
	$ **11,060**	**18,000**

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	December 31, 2022	December 31, 2021
Notes receivable from operating activities	$ 240,323	297,594
Accounts receivable measured at amortized cost	762,692	835,439
Less: loss allowance	(59,012)	(27,646)
	$ 944,003	1,105,387

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:

	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
	$ 413,495		1,732

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	$ 475,954	0%~0.18%	48
Past due 1-90 days	21,533	0.01%~3.08%	10
Past due 91-180 days	23	0.4%~26%	-
Past due over 271 days	1,935	100%	1,935
	$ 499,445		1,993

(Continued)

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

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

	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**

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	$ 541,237	0%~0.43%	1,121
Past due 1-90 days	66,355	0%~20%	3,122
Past due 91-180 days	7,033	0%~69%	2,547
Past due 181-270 days	647	75%~100%	547
Past due over 271 days	18,316	100%	18,316
	$ 633,588		**25,653**

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

	2022	2021
Balance at January 1	$ 27,646	41,357
Acquisition through business combination	3,143	-
Impairment loss (gain on reversal of impairment loss)	12,321	(5,458)
Write-off	(7,793)	(8,381)
Insurance claims for accounts receivable	23,434	-
Effect of exchange rate changes	261	128
Balance at December 31	**$ 59,012**	**27,646**

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

(f) Other receivables

	December 31, 2022	December 31, 2021
Other receivables	$ 29,412	14,714
Less: loss allowance	-	-
	$ 29,412	**14,714**

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

(Continued)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
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(g) Inventories

		December 31, 2022	December 31, 2021
Merchandise inventory	$	896,923	665,979

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

		2022	2021
Cost of inventories sold	$	2,960,799	2,985,833
Write-downs (reversal) of inventories		6,359	(105,535)
Losses on scrap of inventories		-	37,519
	$	2,967,158	2,917,817

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 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 $46,941 and the carrying amounts amounted to $22,572.

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 $242,467 (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 asset amounting to $293,347 was reclassified to property, plant and equipment and right-of-use assets. The reclassification would not have a significant impact on the Group's financing and operating activities for the years ended December 31, 2022 and 2021.

(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 trading of semiconductor, optoelectronics equipment and consumables and equipment repair services. 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.

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

2) Identifiable net assets acquired in a business combination

The fair value of identifiable assets acquired and liabilities assumed from the acquisition on the acquisition date and the measurement of goodwill at initial recognition 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)	198,438
Goodwill		**$ 67,937**

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

4) Pro forma information

From the acquisition date to December 31, 2022, STC and its subsidiaries had contributed the revenue of $548,580 and the net income of $36,298 to the Group. If this acquisition had occurred on January 1, 2022, the management estimates that consolidated revenue and consolidated net income would have been $3,875,598 and $101,072, respectively.

(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 in a business combination

The fair value of identifiable assets acquired and liabilities assumed from the acquisition on the acquisition date and the measurement of goodwill at initial recognition 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)	108,504
Goodwill		**$ 18,696**

(Continued)

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

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.

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.

4) Pro forma information

From the acquisition date to December 31, 2022, BWA had contributed the revenue of $256,336 and the net income of $13,896 to the Group. If this acquisition had occurred on January 1, 2022, the management estimates that consolidated revenue and consolidated net income would have been $3,840,314 and $97,773, respectively.

(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)	28,559
Capital surplus and retained earnings		**$ 3,441**

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

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.

(j) Property, plant and equipment

		Land	Buildings	Transportation equipment and other equipment	Lease	Construction in progress	Total
Cost:							
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	8,991	-	-	29,954
Disposals		-	-	(7,979)	-	-	(7,979)
Reclassification from non-current assets held for sale		37,159	254,085	-	-	-	291,244
Other reclassification		-	-	5,893	-	(5,893)	-
Effect of exchange rate changes		-	4,296	1,096	-	-	5,392
Balance at December 31, 2022	**$**	**256,927**	**526,392**	**173,724**	**102,532**	**229**	**1,059,804**
Balance at January 1, 2021	$	89,594	202,638	144,595	102,532	242,984	782,343
Additions		181,650	79,483	3,999	-	105	265,237
Disposals		-	-	(7,417)	-	-	(7,417)
Reclassification		-	-	8,776	-	(8,776)	-
Reclassification to non-current assets held for sale		(51,476)	(35,159)	-	-	(229,710)	(316,345)
Effect of exchange rate changes		-	86	369	-	1,519	1,974
Balance at December 31, 2021	**$**	**219,768**	**247,048**	**150,322**	**102,532**	**6,122**	**725,792**
Accumulated depreciation and impairment loss:							
Balance at January 1, 2022	$	-	(114,208)	(137,672)	(100,458)	-	(352,338)
Acquisition through business combination		-	-	(11,924)	-	-	(11,924)
Depreciation		-	(11,387)	(11,573)	(2,074)	-	(25,034)
Reclassification from non-current assets held for sale		-	(7,733)	-	-	-	(7,733)
Disposals		-	-	7,818	-	-	7,818
Effect of exchange rate changes		-	(2,988)	(992)	-	-	(3,980)
Balance at December 31, 2022	**$**	**-**	**(136,316)**	**(154,343)**	**(102,532)**	**-**	**(393,191)**
Balance at January 1, 2021	$	-	(118,226)	(130,559)	(95,275)	-	(344,060)
Depreciation		-	(9,073)	(13,838)	(5,183)	-	(28,094)
Disposals		-	-	7,050	-	-	7,050
Reclassification to non-current assets held for sale		-	13,183	-	-	-	13,183
Effect of exchange rate changes		-	(92)	(325)	-	-	(417)
Balance at December 31, 2021	**$**	**-**	**(114,208)**	**(137,672)**	**(100,458)**	**-**	**(352,338)**
Carrying amount:							
Balance at December 31, 2022	**$**	**256,927**	**390,076**	**19,381**	**-**	**229**	**666,613**
Balance at December 31, 2021	**$**	**219,768**	**132,840**	**12,650**	**2,074**	**6,122**	**373,454**

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

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

(k) Right-of-use assets

	Land	Buildings	Transportation equipment	Total
Cost:				
Balance at January 1, 2022	$ 7,265	32,454	3,053	42,772
Acquisition through business combination	-	6,237	443	6,680
Additions	-	35,717	-	35,717
Reclassification from non-current assets held for sale	10,561	-	-	10,561
Disposals	-	(29,341)	(663)	(30,004)
Effect of exchange rates changes	640	373	11	1,024
Balance at December 31, 2022	**$ 18,466**	**45,440**	**2,844**	**66,750**
Balance at January 1, 2021	$ 17,723	39,772	2,674	60,169
Additions	-	8,106	2,323	10,429
Reclassification to non-current assets held for sale	(10,429)	-	-	(10,429)
Disposals	-	(15,569)	(1,944)	(17,513)
Effect of exchange rate changes	(29)	145	-	116
Balance at December 31, 2021	**$ 7,265**	**32,454**	**3,053**	**42,772**
Accumulated depreciation:				
Balance at January 1, 2022	$ 544	16,403	1,155	18,102
Acquisition through business combination	-	1,132	27	1,159
Depreciation	190	13,670	1,317	15,177
Disposals	-	(20,715)	(276)	(20,991)
Reclassification from non-current assets held for sale	725	-	-	725
Effect of exchange rates changes	136	129	1	266
Balance at December 31, 2022	**$ 1,595**	**10,619**	**2,224**	**14,438**
Balance at January 1, 2021	856	14,268	1,557	16,681
Depreciation	406	13,370	1,110	14,886
Disposals	-	(11,310)	(1,517)	(12,827)
Effect of exchange rates changes	(716)	-	-	(716)
Reclassification to non-current assets held for sale	(2)	75	5	78
Balance at December 31, 2021	**$ 544**	**16,403**	**1,155**	**18,102**
Carrying amount:				
Balance at December 31, 2022	**$ 16,871**	**34,821**	**620**	**52,312**
Balance at December 31, 2021	**$ 6,721**	**16,051**	**1,898**	**24,670**

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

(l) Intangible assets

	Goodwill	Computer software	Patent	Customer relationship	Total
Cost:					
Balance at January 1, 2022	$ -	5,687	-	-	5,687
Additions	-	9,228	-	-	9,228
Acquisition through business combination	86,633	2,535	12,822	104,736	206,726
Adjustment of business combination during the measurement period	11,640	-	-	(22,794)	(11,154)
Disposals	-	(725)	-	-	(725)
Effect of exchange rates changes	-	6	-	-	6
Balance at December 31, 2022	**$ 98,273**	**16,731**	**12,822**	**81,942**	**209,768**
Balance at January 1, 2021	$ -	213	-	-	213
Additions	-	5,474	-	-	5,474
Balance at December 31, 2021	**$ -**	**5,687**	**-**	**-**	**5,687**
Accumulated amortization:					
Balance at January 1, 2022	$ -	1,520	-	-	1,520
Amortization	-	3,756	962	6,300	11,018
Acquisition through business combination	-	1,478	-	-	1,478
Disposals	-	(725)	-	-	(725)
Effect of exchange rates changes	-	6	-	-	6
Balance at December 31, 2022	**$ -**	**6,035**	**962**	**6,300**	**13,297**
Balance at January 1, 2021	$ -	213	-	-	213
Amortization	-	1,307	-	-	1,307
Balance at December 31, 2021	**$ -**	**1,520**	**-**	**-**	**1,520**
Carrying amount:					
Balance at December 31, 2022	**$ 98,273**	**10,696**	**11,860**	**75,642**	**196,471**
Balance at December 31, 2021	**$ -**	**4,167**	**-**	**-**	**4,167**

Impairment test on goodwill

The carrying amount of goodwill arising from business combinations and the respective CGUs to which the goodwill was allocated for impairment test purpose as of December 31, 2022 were as follows:

	December 31, 2022
STC	$ 76,149
BlueWalker GmbH	22,124
	$ 98,273

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Each CGU to which the goodwill is allocated represents the lowest level within the Group, at which the goodwill is monitored for internal management purpose. As of December 31, 2022, based on the results of impairment tests conducted by the Group, the recoverable amount of CGUs exceeded its carrying amount; as a result, no impairment loss was recognized. The recoverable amount of a CGU was determined based on the value in use.

	December 31, 2022
STC:	
Revenue growth rate	5.78%~15%
Pre-tax discount rate	22.78%

	December 31, 2022
BlueWalker GmbH:	
Revenue growth rate	1%~4%
Pre-tax discount rate	23.77%

(i) The cash flow projections were based on future financial budgets, covering a period of 5 years, approved by management. Cash flows beyond that 5-year period have been extrapolated using 0% growth rate.

(ii) The estimation of discount rate is based on the weighted average cost of capital.

(m) Short-term borrowings

	December 31, 2022	**December 31, 2021**
Unsecured bank loans	$ 117,432	69,527
Secured bank loans	111,803	18,196
	$ 229,235	**87,723**
Unused credit facilities	**$ 2,521,803**	**2,259,307**
Interest rate	1.6%~4.1%	2.4%~4.25%

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

(n) Long-term debt

	December 31, 2022	December 31, 2021
Unsecured bank loans	$ 100,000	-
Secured bank loans	653	-
Less: current portion of long-term debt	(653)	-
	$ 100,000	**-**
Unused credit facilities	**$ 100,000**	**-**
Interest rate	**1.72%~5.83%**	**-**
Maturity year	**2024**	**-**

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

(o) Lease liabilities

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

	December 31, 2022	December 31, 2021
Current	**$ 11,367**	**12,330**
Non-current	**$ 25,086**	**8,246**

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

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest expense on lease liabilities	**$ 559**	**992**
Expenses relating to short-term leases	**$ 16,570**	**10,884**

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

	2022	2021
Total cash outflows for leases	**$ 32,935**	**30,267**

(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

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.

(p) Employee benefits

(i) Defined benefit plans

On March 1, 2022, the Group obtained control over STC. The reconciliation between the present value of defined benefit obligations and fair value of plan assets for defined benefit plans of STC for the year ended December 31, 2021 was as follows:

	December 31, 2021
Present value of defined benefit obligations	$ 29,658
Fair value of plan assets	(23,993)
Net defined benefit liabilities	**$ 5,665**

In 2022, STC reached an agreement with its employees on the early settlement of the defined benefit plan regulated by the Labor Pension Act, wherein STC recognized a gain of $3,767 on the settlement of defined benefit plan.

(ii) Defined contribution plans

The Company contributes monthly an amount equal to 6% of each employee’s monthly wages to the employee’ s individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Foreign subsidiaries make contributions in compliance with their respective local regulations. Under this defined contribution plan, the Group has no legal or constructive obligation to pay additional amounts after contributing a fixed amount.

For the years ended December 31, 2022 and 2021, the Group recognized the pension expenses of $22,476 and $17,078, respectively, in relation to the defined contribution plans.

(q) Income taxes

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

	2022	**2021**
Current income tax expense	$ 46,959	25,536
Surtax on undistributed earnings	1,604	-
Adjustments for prior years	345	31
	48,908	25,567
Deferred income tax expense (benefit)		
Origination and reversal of temporary differences	(17,859)	15,575
Income tax expense	**$ 31,049**	**41,142**

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For the years ended December 31, 2022 and 2021, there was no income tax expense recognized directly in equity or other comprehensive income.

Reconciliation of income tax expense and income before income tax for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Income before income tax	$ 128,623	190,993
Income tax using the Company's statutory tax rate	$ 25,725	38,199
Effect of different tax rates in foreign jurisdictions	722	3,662
Surtax on undistributed earnings	1,604	-
Land transactions income exemption	(4,188)	-
Investment income recorded under equity method	(6,092)	-
Changes in unrecognized tax losses	11,788	(235)
Adjustments for prior periods	345	31
Others	1,145	(515)
	$ 31,049	41,142

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets and liabilities

As the Company is able to control the timing of the reversal of the temporary differences associated with investments in certain subsidiaries as of December 31, 2022 and 2021, and management considers that it is probable that the temporary differences will not reverse in the foreseeable future, such temporary differences are not recognized as deferred income tax liabilities. In addition, as certain subsidiaries determined that it is not probable that future taxable profits will be available against which the temporary differences and operating loss carryforwards can be utilized, these items were not recognized as deferred income tax assets.

Unrecognized deferred income tax assets:

	December 31, 2022	December 31, 2021
Tax losses	$ 82,858	71,070

Unrecognized deferred income tax liabilities:

	December 31, 2022	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	$ 10,191	10,191

(Continued)

As of December 31, 2022, the unrecognized tax losses and the respective expiry years were as follows:

Unrecognized tax losses	Year of expiry
$ 22,472	2023
126,076	2024
61,014	2025
56,845	2026
59,004	2027
2,893	2028
14,200	2029
1,604	2030
$ 344,108	

2) Recognized deferred income tax assets and liabilities

Deferred income tax assets:

	Write-downs of inventories	Loss allowance	Others	Total
Balance at January 1, 2022	$ 3,005	5,014	1,215	9,234
Recognized in profit or loss	843	(454)	(1,993)	(1,604)
Acquisition through business combination	637	454	1,144	2,235
Balance at December 31, 2022	**$ 4,485**	**5,014**	**366**	**9,865**
Balance at January 1, 2021	$ 4,741	5,698	1,160	11,599
Recognized in profit or loss	(1,736)	(684)	55	(2,365)
Balance at December 31, 2021	**$ 3,005**	**5,014**	**1,215**	**9,234**

Deferred income tax liabilities:

	Gains from investments in subsidiaries	Others	Total
Balance at January 1, 2022	$ 74,358	-	74,358
Recognized in profit or loss	(18,044)	(1,419)	(19,463)
Acquisition through business combination	26,288	18,953	45,241
Balance at December 31, 2022	**$ 82,602**	**17,534**	**100,136**
Balance at January 1, 2021	$ 61,148	-	61,148
Recognized in profit or loss	13,210	-	13,210
Balance at December 31, 2021	**$ 74,358**	**-**	**74,358**

(iii) The Company's income tax returns for the years through 2020 have been examined and approved by the R.O.C. income tax authorities.

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(r) Capital and other equity

(i) Common stock

As of December 31, 2022 and 2021, 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.

(ii) Capital surplus

	December 31, 2022	December 31, 2021
Paid-in capital in excess of par value	$ 275,225	278,081
Changes in ownership interests in subsidiaries	11	-
Employee stock options	7,354	7,354
Unclaimed dividends reclassified to capital surplus	107	107
Treasury share transactions	29,454	29,454
Others	82	81
	$ 312,233	**315,077**

Pursuant to the Company Act, any realized capital surplus is initially used to cover an accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends based on the original shareholding ratio or distributed as cash dividends based on a resolution approved by the stockholders. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations from stockholders received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(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.

1) Legal reserve

If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve to shareholders by issuing new shares or by distributing cash for the portion in excess of 25% of the paid-in capital.

2) Special reserve

When the Company adopted IFRSs endorsed by FSC for the first time, Company elected to use the exemption items applied to the first-time adoption the IFRSs in IFRS 1. At the date of transition to IFRSs, the accumulated translation adjustment amount of $78,330 was transferred to retained earnings and the same amount was recognized in special reserve. When the related assets were used, disposed, or reclassified, the Company should proportionally reserve the original special reserve contribution and distribute it as earnings. The aforementioned special reserve was $78,028 as of both December 31, 2022 and 2021.

In accordance with the requirements issued by the FSC, a portion of earnings shall be allocated as special reserve during earnings distribution. If the Company has already reclassified a portion of earnings to special reserve under the preceding subparagraph, it shall make supplemental allocation of special reserve for any difference between the amount it has already allocated and the amount of the current-period total net reduction of other shareholders' equity. An equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than the after-tax net profit in the period, that are included in the undistributed current-period earnings and the undistributed prior-period earnings. A portion of the undistributed prior-period earnings shall be reclassified to special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior periods. The amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The appropriation of 2022 and 2021 earnings was resolved by the Board of Directors on March 1, 2023 and March 2, 2022, respectively. The resolved appropriation of the cash dividends per share was as follows:

	2022		2021	
	Dividends per share (in dollars)	**Amount**	**Dividends per share (in dollars)**	**Amount**
Cash dividends	$ 0.5	**56,125**	0.9	**101,026**

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

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(iv) Other equity items (net after tax)

	Foreign currency translation differences
Balance at January 1, 2022	$ (56,506)
Foreign exchange differences arising from translation of foreign operations	20,579
Balance at December 31, 2022	**$ (35,927)**
Balance at January 1, 2021	$ (58,640)
Foreign exchange differences arising from translation of foreign operations	2,134
Balance at December 31, 2021	**$ (56,506)**

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

	2022	2021
Balance at January 1	$ 4,160	3,827
Equity attributable to non-controlling interests		
Net income	15,227	333
Changes in ownership interests in subsidiaries	229	-
Foreign currency translation differences	677	-
Difference between consideration and the carrying amount arising from acquisition or disposal of shares of subsidiaries	(4,855)	-
Increase in non-controlling interests in acquisition of subsidiaries	73,900	-
Balance at December 31	**$ 89,338**	**4,160**

(s) Earnings per share (“EPS”)

(i) Basic earnings per share

	2022	2021
Net income attributable to shareholders of the Company	**$ 78,953**	**147,895**
Weighted-average number of ordinary shares outstanding (in thousands)	**112,250**	**112,250**
Basic earnings per share (in dollars)	**$ 0.70**	**1.32**

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(ii) Diluted earnings per share

	2022	2021
Net income attributable to shareholders of the Company	$ 78,953	147,895
Weighted-average number of ordinary shares outstanding (in thousands)	112,250	112,250
Effect of dilutive potential ordinary shares:		
Effect of employee remuneration in stock	83	140
Weighted-average number of ordinary shares outstanding (in thousands) (including effect of dilutive potential common stock)	112,333	112,390
Diluted earnings per share (in dollars)	$ 0.70	1.32

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	2022	2021
Major products / services lines:		
Automation control	$ 1,692,653	2,083,880
Mechanical transmission	1,167,569	1,461,821
Sales and service of semiconductor equipment material	548,580	-
Energy management products	349,631	107,812
Others	3,988	5,191
	$ 3,762,421	3,658,704

(ii) Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes and accounts receivable	$ 1,003,015	1,133,033	967,809
Less: loss allowance	(59,012)	(27,646)	(41,357)
	$ 944,003	1,105,387	926,452

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities－advanced receipts	$ 108,161	126,238	96,689

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

The amount of revenue recognized for the years ended December 31, 2022 and 2021, that was included in the contract liabilities balance at the beginning of the period, were $107,963 and $73,465, respectively.

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(u) Remuneration to employees and directors

The Company' s Articles of Incorporation requires that earnings, which refer to income before income tax excluding the renumeration to employees, directors and supervisors, shall first to be offset against any deficit, then a range from 2% to 20% will be distributed as renumeration 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 years ended December 31, 2022 and 2021, the Company accrued its remuneration to employees amounting to $1,845 and $3,818, respectively, and the remuneration to directors amounting to $922 and $1,909, 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.

(v) Non-operating income and loss

(i) Interest income

	2022	2021
Interest income from bank deposits	$ 1,246	1,253
Interest income from financial assets measured at amortized cost	76	-
Others	279	-
	$ 1,601	**1,253**

(ii) Other income

	2022	2021
Dividend income	$ 944	-
Miscellaneous income	8,887	5,171
	$ 9,831	**5,171**

(Continued)

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(iii) Other gains and losses

	2022	2021
Losses on liquidation of subsidiary	$ (391)	-
Gains on lease modifications	741	1
Foreign currency exchange gains, net	8,174	1,046
Losses on financial instruments at fair value through profit or loss	(1,950)	(499)
Gains on disposal of non-current assets held for sale	23,829	-
Others	(95)	(1,378)
	$ 30,308	**(830)**

(iv) Finance costs

	2022	2021
Interest expense on bank loans	$ (8,284)	(3,630)
Interest expense on lease liabilities	(559)	(992)
	$ (8,843)	**(4,622)**

(w) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss －current	$ 163	-
Financial assets at fair value through other comprehensive income－non-current	1,434	-
Financial assets measured at amortized cost:		
Cash and cash equivalents	436,095	521,134
Financial assets measured at amortized cost (including current and non-current)	11,060	18,000
Notes and accounts receivable	944,003	1,105,387
Other receivables	29,412	14,714
Other financial assets－non-current	18,755	17,077
	$ 1,440,922	**1,676,312**

(Continued)

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2) Financial liabilities

	December 31, 2022	December 31, 2021
Financial liabilities at fair value through profit or loss －current	$ 1,058	-
Financial liabilities measured at amortized cost:		
Short-term borrowings	229,235	87,723
Notes and accounts payable	390,605	577,950
Other payables	149,251	112,822
Lease liabilities (including current and non-current)	36,453	20,576
Long-term debt (including current portion)	100,653	-
	$ 907,255	**799,071**

(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).

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	December 31, 2022				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivatives－foreign currency forward contracts	$ 163	-	163	-	163
Financial liabilities at fair value through profit or loss:					
Derivatives－foreign currency forward contracts	$ (64)	-	(64)	-	(64)
Derivatives－foreign exchange swaps	(994)	-	(994)	-	(994)
	$ (1,058)	-	(1,058)	-	(1,058)
Financial assets at fair value through other comprehensive income:					
Foreign unlisted stocks	$ 1,434	-	-	1,434	1,434

3) Valuation techniques and assumptions used in fair value measurement

Non-derivative financial instruments

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.

(x) Financial risk management

The Group is exposed to credit risk, liquidity risk, and market risk (including currency risk, interest rate risk, and other market price risk). The Group has disclosed the information on exposure to the aforementioned risks and the Group’s policies and procedures to measure and manage those risks as well as the quantitative information below.

The Company’s Board of Directors is responsible for developing and monitoring the Group’s risk management policies. The Group’s risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor adherence to the controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s operations.

(Continued)

The Group's management monitors and reviews financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company's Board of Directors.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, receivables from customers, and other receivables. The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets.

The Group maintains cash and cash equivalents with reputable financial institutions. Therefore, the exposure related to potential default by those counter-parties is not considered significant.

In order to reduce credit risk of accounts receivable, the Group has established a credit policy under which each customer is analyzed individually for creditworthiness for the purpose of setting the credit limit. Additionally, the Group continuously evaluates the credit quality of customers and utilizes insurance to minimize the credit risk.

The Company believes that there is no significant concentration of credit risk due to the Company's relation to a wide range of customers and large geographical regions.

Please refer to note 6(e) for credit risk exposure of accounts receivable. Other financial assets amortized at cost includes other receivables and refundable deposits (included in other financial assets－non-current). The abovementioned financial assets are considered low-credit risk financial assets; therefore, the loss allowances are measured using 12 months ECL. Please refer to note 6(d) for ECL assessment.

(ii) 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 December 31, 2022 and 2021, the Group had unused credit facilities of $2,621,803 and $2,259,307, respectively.

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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
December 31, 2022					
Non-derivative financial liabilities:					
Short-term borrowings	$ 230,468	230,468	-	-	-
Long-term debt (including current portion)	103,521	2,470	101,051	-	-
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	-
	$ 830,771	**703,772**	**108,997**	**18,002**	**-**
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)	-	-	-
	$ 895	**895**	**-**	**-**	**-**
December 31, 2021					
Non-derivative financial liabilities:					
Short-term borrowings	$ 88,146	88,146	-	-	-
Notes and accounts payable	577,950	577,950	-	-	-
Other payables	112,822	112,822	-	-	-
Lease liabilities (including current and non-current)	21,266	12,872	6,610	1,784	-
	$ 800,184	**791,790**	**6,610**	**1,784**	**-**

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

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and bank loans that are denominated in a currency other than the respective functional currency of the Group's entities. The functional currency of the Group's entities consists mainly of New Taiwan dollar (NTD) and Chinese yuan renminbi (CNY) and the currency other than the functional currency used in these transactions consists mainly of US dollar (USD), Japanese yen (JPY) and Chinese yuan renminbi (CNY).

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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):

	December 31, 2022				
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousands)
Financial assets					
Monetary items					
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
Financial liabilities					
Monetary items					
USD	4,467	30.73	137,271	1 %	1,373
JPY	53,467	0.2330	12,458	1 %	125

	December 31, 2021				
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousands)
Financial assets					
Monetary items					
CNY	$ 4,658	4.35	20,262	1 %	203
USD	8,690	27.68	240,539	1 %	2,405
JPY	31,877	0.2404	7,663	1 %	77
Financial liabilities					
Monetary items					
USD	7,951	27.68	220,084	1 %	2,201
JPY	26,577	0.2404	6,389	1 %	64

As the Group deals in diverse foreign currencies, gains and losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2022 and 2021, the aggregate of realized and unrealized foreign exchange gains were $8,174 and $1,046, respectively.

(Continued)

2) Interest rate risk

The Group's bank loans carried floating interest rates. To manage the interest rate risk, the Group periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. The Group also strengthens the management of working capital to reduce the dependence on bank loans, as well as the risk arising from fluctuation of interest rates.

Please refer to note 6(x)(ii) for the interest rate risk exposure of financial liabilities. The following sensitivity analysis is based on the risk exposure to floating-interest-rate on the reporting date. The sensitivity analysis assumes the liabilities recorded at the reporting date had been outstanding for the entire period. The change in interest rate reported to the key management in the Group is based on 100 basis points (1%), which is consistent with the assessment made by the key management in respect of the possible change in interest rate.

If interest rates had been 100 basis points (1%) higher/lower, with all other variables held constant, pre-tax income for the years ended December 31, 2022 and 2021 would have been $3,299 and $877, respectively, lower/higher, which mainly resulted from the borrowings with floating interest rates.

(y) Capital management

In consideration of the industry dynamics and future developments, as well as external environment factors, the Group manages its capital in a manner to ensure that it has sufficient and necessary financial resources and business plans to fund its future working capital needs, capital expenditures, repayment of debts, dividend payments, and other business requirements. The management determines the optimal capital structure by utilizing the appropriate debt-to-equity ratio to enhance long-term shareholder value on the basis of a stable capital structure.

(z) Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities was as follows:

				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**	**December 31, 2022**
Short-term borrowings	$ 87,723	18,221	122,161	1,130	-	-	229,235
Long-term debt (including current portion)	-	99,867	792	(6)	-	-	100,653
Lease liabilities	20,576	(15,806)	5,464	256	35,717	(9,754)	36,453
Total liabilities from financing activities	**$ 108,299**	**102,282**	**128,417**	**1,380**	**35,717**	**(9,754)**	**366,341**

(Continued)

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

	January 1, 2021	Cash flows	Non-cash changes: Effect of foreign exchange rate	Non-cash changes: Additions to lease liabilities	Non-cash changes: Disposals of lease liabilities	December 31, 2021
Short-term borrowings	$ 98,876	(11,204)	51	-	-	87,723
Lease liabilities	33,157	(18,391)	67	10,429	(4,686)	20,576
Total liabilities from financing activities	**$ 132,033**	**(29,595)**	**118**	**10,429**	**(4,686)**	**108,299**

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 December 31, 2022 and 2021. 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.

Name of related party	Relationship with the Group
Qisda Corporation ("Qisda")	The Group's ultimate controlling party
DFI Inc. ("DFI")	The Group's parent company
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
BenQ Healthcare Corporation ("BHS")	Qisda's subsidiary
Metaguru Corporation ("MRU") (formerly BenQ GURU Corp.)	Qisda's subsidiary
Guru Systems (Suzhou) Co., Ltd. ("GSS")	Qisda's subsidiary
BenQ Intelligent Technology (Shanghai) Co., Ltd. ("BQC_RO")	Qisda's subsidiary
MetaAge Corporation ("MetaAge") (formerly Sysage Technology Co., Ltd.)	Qisda's subsidiary
AdvancedTEK International Corp. ("AdvancedTEK")	Qisda's subsidiary
Golden Spirit Co., Ltd. ("GSC")	Qisda's subsidiary
Concord Medical Co., Ltd. ("Concord")	Qisda's subsidiary
Partner Tech Corp. ("PTT")	Qisda's subsidiary
Darly Venture Inc. ("APV")	Qisda's subsidiary

(Continued)

Name of related party	Relationship with the Group
Darly2 Venture Co., Ltd. ("Darly 2")	Qisda's subsidiary
Darly Consulting Corporation ("Darly C")	Qisda's subsidiary
Visco Vision Inc. ("Visco Vision")	Qisda's associate
AU Optronics Corp. ("AU")	Qisda's associate/ AU accounted the investment in Qisda using the equity method. (Note 2)
AU Optronics (Kunshan) Co., Ltd. ("AUKS")	AU's subsidiary (Note 2)
AU Optronics (Xiamen) Corp. ("AUXM")	AU's subsidiary (Note 2)
AU Optronics (Suzhou) Corp. ("AUSZ")	AU's subsidiary (Note 2)
AUO Crystal Corp. ("ACTW")	AU's subsidiary (Note 2)
AUO Education Service Corp.	AU's subsidiary (Note 2)
Darwin Precisions Corporation ("Darwin")	AU's subsidiary (Note 2)
Yan Ying Hao Trading (ShenZhen) Co., Ltd. ("DYTH")	DFI's subsidiary
Darfon Electronics (Suzhou) Co., Ltd. ("DFS")	DFN's subsidiary
Global Intelligence Network Co., Ltd. ("Ginnet")	MetaAge's subsidiary

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.

Note 2: Prior to May 12, 2021, AU was an associate of Qisda. Since May 12, 2021, AU was no longer an associate of Qisda. Since January 2021, AU accounted the investment in Qisda using the equity method.

(c) Significant related-party transactions

(i) Revenue

	2022	2021
Ultimate controlling party	$ 43,094	44,577
Parent company	-	2,750
Other related parties	51,466	11,257
	$ 94,560	**58,584**

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.

(ii) Purchases

	2022	2021
Parent company	$ 14,302	9,558
Other related parties	7,213	17,607
	$ 21,515	**27,165**

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.

(Continued)

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

(iii) Receivables

Account	Related-party categories		December 31, 2022	December 31, 2021
Accounts receivable	Ultimate controlling party	$	11,836	25,016
	Parent company		-	-
	Other related parties		13,273	2,450
		$	**25,109**	**27,466**

(iv) Payables

Account	Related-party categories		December 31, 2022	December 31, 2021
Notes and accounts payable	Parent company	$	1,684	3,953
	Other related parties		32	7,407
Other payables	Ultimate controlling party		177	735
	Parent company		700	700
	Other related parties		535	307
		$	**3,128**	**13,102**

(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 years ended December 31, 2022 and 2021, the related interest expense on lease liabilities amounted to $49 and $107, respectively. As of December 31, 2022 and 2021, the balance of the lease liabilities amounted to $611 and $1,805, respectively.

(vi) Equity transaction

Referring to note 6(i), on July 1, 2022, the Group acquired 83% equity ownership of AEG from Qisda’s subsidiaries, APV, Darly 2 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

		2022	2021
Short-term employee benefits	$	20,851	24,578
Post-employment benefits		203	268
	$	**21,054**	**24,846**

ACE PILLAR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

8. Pledged assets

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

Pledged assets	Pledged to secure	December 31, 2022	December 31, 2021
Pledged time deposits (recognized in financial assets measured at amortized cost－current)	Guarantee payment for import VAT	$ 616	-
Other equipment	Credit lines of bank loans	199	-
Notes receivable	Short-term borrowings	111,803	18,196
Property, plant and equipment	Guarantee payment for procurement	29,979	-
		$ 142,597	18,196

9. Significant commitments and contingencies

As of December 31, 2022 and 2021, the Group had issued promissory notes amounting to $2,286,380 and $1,938,400, 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:

	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	4,834	331,317	336,151	11,925	260,920	272,845
Insurance	326	35,710	36,036	741	25,257	25,998
Pension	193	22,313	22,506	439	16,639	17,078
Others	204	12,813	13,017	445	10,444	10,889
Depreciation	8,482	31,729	40,211	15,560	27,420	42,980
Amortization	-	11,018	11,018	-	1,307	1,307

(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: Table 2 (attached)

(iii) Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities): Table 3 (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: Table 4 (attached)

(viii) Receivables from related parties which exceed $100 million or 20% of the paid-in capital: Table 5 (attached)

(ix) Information about derivative instrument transactions: Please refer to note 6(b)

(x) Business relationships and significant intercompany transactions: Table 6 (attached)

(b) Information on investees: Table 7 (attached)

(c) Information on investment in Mainland China: Table 8 (attached)

(d) Major shareholders:

Shareholding / Major Shareholder's Name	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)

14. Segment information

(a) General 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 an agent for the sale of inverters and automation control and mechanical transmission systems in Taiwan, while the China operating segment is an agent 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 trading of semiconductor, optoelectronic equipment and consumables 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. 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:

	2022						
	Taiwan	**Mainland China**	**Sales and service of semiconductor equipment material**	**Energy saving and storage**	**Others**	**Adjustments and eliminations**	**Total**
External revenue	$ 1,290,262	1,504,751	548,580	349,631	69,197	-	3,762,421
Intra-group revenue	6,486	379,520	9,230	-	-	(395,236)	-
Total segment revenue	**$ 1,296,748**	**1,884,271**	**557,810**	**349,631**	**69,197**	**(395,236)**	**3,762,421**
Segment profit (loss)	**$ 113,828**	**(66,351)**	**55,287**	**32,538**	**2,667**	**(9,346)**	**128,623**

	2021					
	Taiwan	**Mainland China**	**Energy saving and storage**	**Others**	**Adjustments and eliminations**	**Total**
External revenue	$ 1,614,977	1,927,549	107,812	8,366	-	3,658,704
Intra-group revenue	11,584	467,819	-	-	(479,403)	-
Total segment revenue	**$ 1,626,561**	**2,395,368**	**107,812**	**8,366**	**(479,403)**	**3,658,704**
Segment profit (loss)	**$ 119,319**	**72,989**	**1,956**	**(259)**	**(3,012)**	**190,993**

(Continued)

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

(b) Product information

Revenues from external customers are detailed below:

Products and services	2022	2021
Automation control	$ 1,692,653	2,083,880
Mechanical transmission	1,167,569	1,461,821
Sales and services of semiconductor equipment material	548,580	-
Energy management products	349,631	107,812
Others	3,988	5,191
	$ 3,762,421	**3,658,704**

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of business, and segment assets are based on the geographical location of the assets.

Products and services	2022	2021
Revenues from external customers are detailed below:		
Mainland China	$ 1,731,661	1,927,549
Taiwan	1,705,227	1,722,789
Europe	256,336	-
Others	69,197	8,366
	$ 3,762,421	**3,762,421**

Non-current assets:

Products and services	2022	2021
Mainland China	$ 56,153	64,241
Taiwan	562,000	350,691
Europe	2,127	-
Others	11,686	12,220
	$ 631,966	**427,152**

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other assets, but do not include financial instruments and deferred income tax assets.

(d) Major customer information

The Company does not have a single customer representing at least 10% of revenue in the statements of comprehensive income.

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Financing provided to other parties
For the year ended December 31, 2022
(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	309,505	220,285	176,228	0%	2	-	Operating requirement	-	-	-	409,634	819,268
0	The Company	Suzhou Super Pillar	Other receivables from related parties	Yes	121,278	88,114	30,840	0%	2	-	Operating requirement	-	-	-	409,634	819,268
1	STC	Intelligent fluids GmbH	Other receivables	No	625	-	-	20%	1	659	Business transactions	-	-	-	16,803	33,605
2	Cyber South	Tianjin Ace Pillar	Other receivables from related parties	Yes	22,551	21,511	21,511	0%	2	-	Operating requirement	-	-	-	580,218	580,218
3	Porton Inc.	Tianjin Ace Pillar	Other receivables from related parties	Yes	12,886	12,292	12,292	0%	2	-	Operating requirement	-	-	-	459,880	459,880

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 STC shall not exceed 20% and 10%, respectively, of the most recent net worth of the Company.
Note 3: 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 4: Nature of Financing
1 Business transaction purpose
2 Short-term financing purpose
Note 5: The above transactions are eliminated when preparing the consolidated financial statements.

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Guarantee and endorsement provided to other parties
For the year ended December 31, 2022
(Amounts in thousands of New Taiwan dollars, unless specified otherwise)

Table 2

No.	Endorsement/ Guarantee Provider	Guarantee Party		Limitation on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
0	The Company	Tianjin Ace Pillar	2	819,268	190,125	-	-	-	-	1,024,085	Y	N	Y

Note 1: The endorsement/guarantee amount provided in aggregate shall not exceed 50% of the most recent audited or reviewed net worth of the Company or subsidiaries, within which the endorsement/guarantee amount provided to individual guarantee party shall not exceed 40% of the abovementioned net worth of the Company or subsidiaries.

Note 2: Relationships between the endorsement/guarantee provider and the guaranteed party:
2 for entities directly or indirectly owned by the Company over 50%

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities)
For the year ended December 31, 2022
(Amounts in thousands of New Taiwan dollars / shares / units, unless specified otherwise)

Table 3

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2022				Maximum percentage of ownership during 2022		Note
				Shares/ Units	Carrying Value	Percentage of Ownership	Fair value	Shares	Percentage of Ownership	
STC	Stock: Intelligent fluids GmbH	-	Financial assets at fair value through other comprehensive income －non-current	27	Note 1	2.64%	-	27	2.64%	-
STC	Stock: COMPITEK CORP PTE LTD. (CPL)	-	Financial assets at fair value through other comprehensive income －non-current	36	1,434	6.28%	1,434	36	6.28%	-
STCBVI	Corporate bond: Biogen Inc.	-	Financial assets at amortized cost－non-current	USD 100	3,212	-	3,212	USD 100	-	-

Note 1: The impairment loss was fully recognized.

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital
For the year ended December 31, 2022
(Amounts in thousands of New Taiwan dollars, unless specified otherwise)

Table 4

Company Name	Related Party	Nature of Relationship	Transnsaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/ (Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Notes/Accounts Receivable or (Payable)	
Advancedtek Ace	Tianjin Ace Pillar	Affiliates	(Sales)	(374,578)	(99.84)%	T/T 30 days	-	-	12,555	88.77%	Note
Tianjin Ace Pillar	Advancedtek Ace	Affiliates	Purchases	374,578	34.35%	T/T 30 days	-	-	(12,555)	(14.39)%	Note

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

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Receivables from related parties which exceed $100 million or 20% of the paid-in capital
For the year ended December 31, 2022
(Amounts in thousands of New Taiwan dollars, unless specified otherwise)

Table 5

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	Parent/Subsidiary	176,228	-	-		-	-

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 year ended December 31, 2022
(Amounts in thousands of New Taiwan dollars, unless specified otherwise)

Table 6

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	176,228	1 year	5.31%
1	Advancedtek Ace	Tianjin Ace Pillar	3	Revenue	374,578	T/T 30 days	9.96%

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: 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 on investees
For the year ended December 31, 2022
(Amounts in thousands of New Taiwan dollars / shares, unless specified otherwise)

Table 7

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount (Note)		Balances as of December 31, 2022			Maximum percentage of ownership during 2022		Net Income (Loss) of the Investee	Share of Profit/ (Losses) of the Investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
The Company	Cyber South	SAMOA	Investment and holding activity	107,041	107,041	4,669	100.00%	580,218	4,669	100.00%	(56,336)	(56,787)	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%	47,336	1,200	100.00%	3,068	3,068	Note 1
Cyber South	Proton	SAMOA	Investment and holding activity	527,665	527,665	17,744	100.00%	459,880	17,744	100.00%	(61,249)	Note 2	Note 1
Cyber South	Ace Tek	Hong Kong	Investment and holding activity	4,938	4,938	150	100.00%	2,176	150	100.00%	2,787	Note 2	Note 1
The Company	STC	Taiwan	Sales of semiconductor, optoelectronics and m achinery equipment and equipment repair	187,000	-	4,680	60.00%	209,788	4,680	60.00%	45,262	21,778	Note 1
STC	STC	B.V.I.	Investment and holding activity	21,727	-	600	100.00%	114,895	600	100.00%	19,354	Note 2	Note 1
The Company	BWA	Germany	Sale and service of energy management products	-	-	-	-	-	Note 3	100.00%	15,766	11,604	Note 1
AEG	BWA	Germany	Sale and service of energy management products	138,804	-	Note 3	100.00%	144,174	Note 3	100.00%	15,766	Note 2	Note 1
The Company	AEG	Taiwan	Service of energy technology	166,760	-	4,993	99.86%	175,085	10,000	100.00%	12,782	8,681	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 was no shares as the company is a limited liability company.

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Information on investment in Mainland China
For the year ended December 31, 2022
(Amounts in thousands of New Taiwan dollars and other currencies)

Table 8

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, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Maximum percentage of ownership during 2022		Investment Income (Loss) (Note 5)	Carrying Value as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow				Shares	Percentage of Ownership			
Tianjin Ace Pillar	Sales of automation mechanical transmission system and component	1,084,677 (USD 35,297)	Direct and indirect investment	59,924 (USD 1,950)	-	-	59,924 (USD 1,950)	(74,508)	100.00%	Note 4	100%	(74,508)	545,110	125,533
Grace Transmission	Manufacture of automation mechanical transmission system and component	7,358 (RMB 1,670)	Indirect investment	4,917 (USD 160)	-	-	4,917 (USD 160)	(2,951)	100.00%	Note 4	100%	(2,951) (USD (106))	4,163 (USD 135)	-
Advancedtek Ace	Electronic system integration	9,219 (USD 300)	Indirect investment	4,610 (USD 150)	-	-	4,610 (USD 150)	2,787	100.00%	Note 4	100%	2,787 (USD 98)	2,149 (USD 70)	-
Suzhou Super Pillar	Manufacture of automation mechanical transmission system and component	44,559 (USD 1,450)	Indirect investment	Note 2	-	-	Note 2	7,917	100.00%	Note 4	100%	7,917 (USD 268)	107,855 (USD 3,510)	-
Xuchang Ace	Wholesale of industrial robot and component	9,219 (USD 300)	Indirect investment	Note 2	-	-	Note 2	(75)	Note 3	Note 4	100%	(75) (USD (3))	-	-
Shanghai STC	Sales of semiconductor, optoelectronics and machinery equipment and equipment repair	14,750 (USD 480)	Indirect investment	14,750 (USD 480)	-	-	14,750 (USD 480)	21,485	100.00%	Note 4	100%	17,309	111,566	118,686

Note 1: Total amounts of paid-in capital includes direct investment and capitalization of liabilities.
Note 2: Established by Cyber South's reinvestment.
Note 3: The dissolution of Xuchang Ace was approved by the Board of Directors in November 2021 and the liquidation procedures were completed in June, 2022.
Note 4: There was no shares as the company is a limited liability company.
Note 5: Investment income or loss recognized based on the financial statements audited by the auditors of the Company.
Note 6: The amounts were translated into New Taiwan dollars at the exchange rates of US$1=NT$30.73 and CNY$1=NT$4.4057.

2. Limits on investments in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 3)
ACE	157,307 (USD 5,119)	157,307 (USD 5,119)	1,282,505
STC	14,750 (USD 480)	14,750 (USD 480)	100,816

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$30.73.
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.