

**ACE PILLAR CO., LTD. AND SUBSIDIARIES****Consolidated Financial Statements****With Independent Auditors' Report  
For the Years Ended December 31, 2023 and 2022**

Address: 12F, No. 558, Zhongyuan Rd., Xinzhuang Dist., New Taipei City 242, Taiwan (R.O.C)  
Telephone: 886-2-2995-8400

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, 2023 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  
February 27, 2024

## **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, 2023 and 2022, the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material 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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of 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 for our opinion.

### **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, 2023 are stated as follows:

#### **Impairment of goodwill**

Please refer to Note 4(n) for accounting policy on impairment of non-financial assets, Note 5 for uncertainty of accounting estimations and assumptions for goodwill impairment and Note 6(m) for related disclosures of goodwill impairment test, respectively, to 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. 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 to assess the impact of variations in key assumptions; and assessing the adequacy of disclosures of related information on evaluation of goodwill impairment.

**Other Matter**

Ace Pillar Co., Ltd. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified audit opinion for the year ended December 31, 2023 and an unmodified audit opinion with Emphasis of Matter section for the year ended December 31, 2022.

**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, IFRIC, 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, design and perform audit procedures responsive to those risks, and obtain 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 Chang, Huei-Chen and Chen, Mei-Yen.

KPMG

Taipei, Taiwan (Republic of China)  
February 27, 2024

#### 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.

The independent auditors' audit 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' audit report and consolidated financial statements, the Chinese version shall prevail.

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

## ACE PILLAR CO., LTD. AND SUBSIDIARIES

## Consolidated Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022				December 31, 2023		December 31, 2022	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 391,843	13	436,095	13	2100	Short-term borrowings (notes 6(n) and 8)	\$ 134,599	5	229,235	7
1110	Financial assets at fair value through profit or loss — current (note 6(b))	1,730	-	163	-	2123	Financial liabilities at fair value through profit or loss — current (note 6(b))	40	-	1,058	-
1136	Financial assets at amortized cost — current (notes 6(d) and 8)	1,000	-	7,848	-	2130	Contract liabilities — current (note 6(u))	44,252	2	108,161	3
1140	Contract assets — current (note 6(u))	812	-	-	-	2150-2170	Notes and accounts payable (note 7)	364,024	12	390,605	12
1150-1170	Notes and accounts receivable (notes 6(e), (u), 7 and 8)	920,711	31	944,003	28	2200	Other payables (note 7)	127,005	4	149,251	5
1200	Other receivables (notes 6(f) and 7)	5,241	-	29,412	1	2230	Current income tax liabilities	39,331	1	55,065	2
130X	Inventories (note 6(g))	668,897	23	896,923	27	2280	Lease liabilities — current (notes 6(p) and 7)	13,500	-	11,367	-
1410-1470	Prepayments and other current assets	28,155	1	45,243	2	2300	Other current liabilities	11,985	-	10,140	-
Total current assets		2,018,389	68	2,359,687	71	2320	Current portion of long-term debt (notes 6(o) and 8)	-	-	653	-
Non-current assets:						Total current liabilities		734,736	24	955,535	29
1517	Financial assets at fair value through other comprehensive income — non-current (note 6(c))	8,655	-	1,434	-	Non-current liabilities:					
1535	Financial assets at amortized cost — non-current (note 6(d))	3,211	-	3,212	-	2540	Long-term debt (notes 6(o) and 8)	50,000	2	100,000	3
1600	Property, plant and equipment (notes 6(h), (j) and 8)	560,875	19	666,613	20	2570	Deferred income tax liabilities (note 6(r))	82,696	3	100,136	3
1755	Right-of-use assets (note 6(k))	53,443	2	52,312	2	2580	Lease liabilities — non-current (notes 6(p) and 7)	24,342	1	25,086	1
1760	Investment property, net (note 6(l))	81,805	3	-	-	Total non-current liabilities		157,038	6	225,222	7
1780	Intangible assets (note 6(m))	187,721	6	196,471	6	Total liabilities		891,774	30	1,180,757	36
1840	Deferred income tax assets (note 6(r))	13,438	1	9,865	-	Equity attributable to shareholders of the Company (notes 6(i) and (s)):					
1920	Refundable deposits	20,894	1	18,755	1	3110	Common stock	1,122,505	38	1,122,505	34
1990	Other non-current assets	7,601	-	9,917	-	3200	Capital surplus	312,314	11	312,233	9
Total non-current assets		937,643	32	958,579	29	3300	Retained earnings	572,289	19	649,360	20
						3400	Other equity	(38,234)	(1)	(35,927)	(1)
						Total equity attributable to shareholders of the Company		1,968,874	67	2,048,171	62
						36XX	Non-controlling interests (note 6(i))	95,384	3	89,338	2
						Total equity		2,064,258	70	2,137,509	64
Total assets		\$ 2,956,032	100	3,318,266	100	Total liabilities and equity		\$ 2,956,032	100	3,318,266	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 (Loss)****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

		<b>2023</b>		<b>2022</b>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Operating revenue (notes 6(u), 7 and 14)</b>	\$ 3,051,803	100	3,762,421	100
5000	<b>Operating costs (notes 6(g), (j), (q), 7 and 12)</b>	<u>(2,429,143)</u>	<u>(80)</u>	<u>(3,023,194)</u>	<u>(80)</u>
	<b>Gross profit</b>	<u>622,660</u>	<u>20</u>	<u>739,227</u>	<u>20</u>
	<b>Operating expenses (notes 6(e), (j), (k), (l), (m), (p), (q), (v), 7 and 12):</b>				
6100	Selling expenses	(421,143)	(14)	(429,537)	(12)
6200	Administrative expenses	(222,952)	(7)	(195,838)	(5)
6300	Research and development expenses	(5,420)	-	(5,805)	-
6450	Gains on reversal of impairment loss (expected credit loss)	<u>13,382</u>	<u>-</u>	<u>(12,321)</u>	<u>-</u>
	<b>Total operating expenses</b>	<u>(636,133)</u>	<u>(21)</u>	<u>(643,501)</u>	<u>(17)</u>
	<b>Operating income (loss)</b>	<u>(13,473)</u>	<u>(1)</u>	<u>95,726</u>	<u>3</u>
	<b>Non-operating income and loss (notes 6(h), (p), (w) and 7):</b>				
7100	Interest income	1,996	-	1,601	-
7010	Other income	21,445	1	9,831	-
7020	Other gains and losses, net	(8,881)	(1)	30,308	1
7050	Finance costs	<u>(7,210)</u>	<u>-</u>	<u>(8,843)</u>	<u>-</u>
	<b>Total non-operating income and loss</b>	<u>7,350</u>	<u>-</u>	<u>32,897</u>	<u>1</u>
	<b>Income (loss) before income tax</b>	<u>(6,123)</u>	<u>(1)</u>	<u>128,623</u>	<u>4</u>
7950	<b>Less: income tax expense (note 6(r))</b>	<u>(10,957)</u>	<u>-</u>	<u>(31,049)</u>	<u>(1)</u>
	<b>Net income (loss)</b>	<u>(17,080)</u>	<u>(1)</u>	<u>97,574</u>	<u>3</u>
	<b>Other comprehensive income (note 6(s)):</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss:</b>				
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	7,222	-	-	-
8349	Less: income tax related to items that will not be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>7,222</u>	<u>-</u>	<u>-</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>				
8361	Exchange differences on translation of foreign operations	(7,359)	-	21,256	-
8399	Less: income tax related to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(7,359)</u>	<u>-</u>	<u>21,256</u>	<u>-</u>
	<b>Other comprehensive income (loss) for the year, net of income tax</b>	<u>(137)</u>	<u>-</u>	<u>21,256</u>	<u>-</u>
	<b>Total comprehensive income (loss) for the year</b>	<u>\$ (17,217)</u>	<u>(1)</u>	<u>118,830</u>	<u>3</u>
	<b>Net income (loss) attributable to:</b>				
8610	Shareholders of the Company	\$ (20,946)	(1)	78,953	2
8615	Former owner of business combination under common control	-	-	3,394	-
8620	Non-controlling interests	<u>3,866</u>	<u>-</u>	<u>15,227</u>	<u>1</u>
		<u>\$ (17,080)</u>	<u>(1)</u>	<u>97,574</u>	<u>3</u>
	<b>Total comprehensive income (loss) attributable to:</b>				
8710	Shareholders of the Company	\$ (23,253)	(1)	99,532	3
8715	Former owner of business combination under common control	-	-	3,394	-
8720	Non-controlling interests	<u>6,036</u>	<u>-</u>	<u>15,904</u>	<u>-</u>
		<u>\$ (17,217)</u>	<u>(1)</u>	<u>118,830</u>	<u>3</u>
	<b>Earnings (loss) per share (in New Taiwan dollars) (note 6(t)):</b>				
9750	Basic earnings (loss) per share	\$ <u>(0.19)</u>		<u>0.70</u>	
9850	Diluted earnings (loss) per share	\$ <u>(0.19)</u>		<u>0.70</u>	

See accompanying notes to the consolidated financial statements.



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

**ACE PILLAR CO., LTD. AND SUBSIDIARIES****Consolidated Statements of Changes in Equity****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	Attributable to shareholders of the Company												Equity attributable to former owner of business combination under common control	Non-controlling interests	Total equity
	Retained earnings						Other equity								
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Foreign currency translation differences	Unrealized gains on financial assets measured at fair value through other comprehensive income	Total	Total equity of the Company					
Balance at January 1, 2022	\$ 1,122,505	315,077	258,267	78,028	335,723	672,018	(56,506)	-	(56,506)	2,053,094	20,310	4,160	2,077,564		
Net income in 2022	-	-	-	-	78,953	78,953	-	-	-	78,953	3,394	15,227	97,574		
Other comprehensive income in 2022	-	-	-	-	-	-	20,579	-	20,579	20,579	-	677	21,256		
Total comprehensive income in 2022	-	-	-	-	78,953	78,953	20,579	-	20,579	99,532	3,394	15,904	118,830		
Appropriation of earnings:															
Legal reserve	-	-	14,790	-	(14,790)	-	-	-	-	-	-	-	-		
Cash dividends to shareholders	-	-	-	-	(101,026)	(101,026)	-	-	-	(101,026)	-	-	(101,026)		
Other changes in capital surplus	-	1	-	-	-	-	-	-	-	1	-	-	1		
Organizational restructuring under common control	-	(2,856)	-	-	-	-	-	-	-	(2,856)	(23,704)	-	(26,560)		
Difference between consideration and the carrying amount arising from acquisition or disposal of shares of subsidiaries	-	-	-	-	(585)	(585)	-	-	-	(585)	-	(4,855)	(5,440)		
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)	-	(35,927)	2,048,171	-	89,338	2,137,509		
Net income (loss) in 2023	-	-	-	-	(20,946)	(20,946)	-	-	-	(20,946)	-	3,866	(17,080)		
Other comprehensive income (loss) in 2023	-	-	-	-	-	-	(6,640)	4,333	(2,307)	(2,307)	-	2,170	(137)		
Total comprehensive income (loss) in 2023	-	-	-	-	(20,946)	(20,946)	(6,640)	4,333	(2,307)	(23,253)	-	6,036	(17,217)		
Appropriation of earnings:															
Legal reserve	-	-	7,837	-	(7,837)	-	-	-	-	-	-	-	-		
Cash dividends to shareholders	-	-	-	-	(56,125)	(56,125)	-	-	-	(56,125)	-	-	(56,125)		
Proceeds from disposal of forfeited employee stock managed by an employee ownership trust	-	81	-	-	-	-	-	-	-	81	-	10	91		
Balance at December 31, 2023	\$ 1,122,505	312,314	280,894	78,028	213,367	572,289	(42,567)	4,333	(38,234)	1,968,874	-	95,384	2,064,258		

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, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Income (loss) before income taxes	\$ (6,123)	128,623
Adjustments for:		
Adjustments to reconcile profit or loss:		
Depreciation	41,393	40,211
Amortization	14,371	11,018
Provision (reversal) of expected credit loss	(13,382)	12,321
Interest expense	7,210	8,843
Interest income	(1,996)	(1,601)
Dividend income	(996)	(944)
Loss (gain) on disposal of property, plant and equipment	69	(187)
Gain on disposal of non-current assets held for sale	-	(23,829)
Loss (gain) on lease modifications	61	(741)
Loss on liquidation of a subsidiary	-	391
<b>Total adjustments for profit or loss</b>	<u>46,730</u>	<u>45,482</u>
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets:		
Financial assets at fair value through profit or loss	(1,567)	(163)
Contract assets	(812)	-
Notes and accounts receivable	59,617	301,305
Other receivables	1,228	(13,686)
Inventories	225,361	(45,728)
Other assets	20,546	5,040
<b>Net changes in operating assets</b>	<u>304,373</u>	<u>246,768</u>
Changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	(1,018)	1,058
Notes and accounts payable	(26,581)	(285,859)
Other payables	(22,126)	(52,210)
Contract liabilities	(63,909)	(30,770)
Other current liabilities	1,845	769
Net defined benefit liabilities	-	(5,671)
<b>Net changes in operating liabilities</b>	<u>(111,789)</u>	<u>(372,683)</u>
<b>Total changes in operating assets and liabilities</b>	<u>192,584</u>	<u>(125,915)</u>
<b>Total adjustments</b>	<u>239,314</u>	<u>(80,433)</u>
Cash provided by operations	233,191	48,190
Interest received	1,901	1,525
Dividends received	996	944
Income taxes paid	(51,526)	(51,990)
<b>Net cash flows provided by (used in) operating activities</b>	<u>184,562</u>	<u>(1,331)</u>

See accompanying notes to the consolidated financial statements.

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

**ACE PILLAR CO., LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows (Continued)**  
**For the years ended December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from investing activities:</b>		
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	(4,468)	(29,954)
Proceeds from disposal of property, plant and equipment	399	348
Decrease (increase) in refundable deposits	(2,139)	9,395
Acquisition of intangible assets	(5,620)	(9,228)
Decrease in financial assets measured at amortized cost — current	6,848	17,721
Decrease in other non-current assets	<u>2,316</u>	<u>15,648</u>
<b>Net cash flows used in investing activities</b>	<u>(2,664)</u>	<u>(90,978)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	187,869	469,918
Decrease in short-term borrowings	(279,937)	(451,697)
Increase in long-term debt	50,000	100,000
Repayments of long-term debt	(100,677)	(133)
Payment of lease liabilities	(14,872)	(15,806)
Cash dividends distributed to shareholders	(56,125)	(101,026)
Proceeds from disposal of forfeited employee stock managed by an employee ownership trust	91	-
Interest paid	(7,330)	(8,747)
Changes in non-controlling interests	<u>-</u>	<u>(5,440)</u>
<b>Net cash flows used in financing activities</b>	<u>(220,981)</u>	<u>(12,931)</u>
<b>Effect of foreign exchange rate changes</b>	<u>(5,169)</u>	<u>20,201</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(44,252)</u>	<u>(85,039)</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>436,095</u>	<u>521,134</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 391,843</u></u>	<u><u>436,095</u></u>

See accompanying notes to the consolidated financial statements.

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

**ACE PILLAR CO., LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2023 and 2022**

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

**1. Organization and business**

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

**2. Authorization of the consolidated financial statements**

These consolidated financial statements were authorized for issue by the Board of Directors on February 27, 2024.

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

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

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

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

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

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(Continued)

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

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

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

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

**4. Summary of material accounting policies:**

The material 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.

(Continued)

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

(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".

(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.

(Continued)

## ACE PILLAR CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ii) List of subsidiaries in the consolidated financial statements

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

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

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

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

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

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

Note 5: Xuchang Ace was liquidated in June 2022.

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

(Continued)

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

(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.

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.

(Continued)



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

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.

(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.

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

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 (SPPI) 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

A debt investment is measured at FVOCI 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 sell financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

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).

(Continued)

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

3) Financial assets at fair value through profit or loss

All financial assets not classified as at amortized cost or FVOCI as described above (e.g. financial assets held for trading and those that are managed and evaluated for performance on a fair value basis) are measured at FVTPL, including derivative financial assets. 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.

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, financial assets measured at amortized cost, 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.

(Continued)

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

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.

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 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.

(Continued)

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

(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.

(Continued)

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

(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.

(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.

(Continued)

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

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

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

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

(k) Investment property

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

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

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

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

(l) 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.

(i) As a lessee

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.

(Continued)

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

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 an extension 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.

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.

(Continued)



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

(ii) As a lessor

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.

(m) Intangible assets

(i) Goodwill

Goodwill arising from the acquisition of subsidiaries is accounted for as intangible assets. Please 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

Patents 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; patents: 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.

(n) 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, contract assets 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.

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

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.

(o) 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.

(ii) Rendering of services

The Group's revenue from providing energy system design and implementation services is recognized in the accounting period in which services are rendered. For performance obligations that are satisfied over time, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided.

(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.

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

(p) 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 1) actuarial gains and losses; 2) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and 3) 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.

(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.

(Continued)

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

(q) 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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS 37.

The Group has determined that the global minimum top-up tax which it is required to pay under Pillar Two legislation is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

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 and liabilities in a transaction that is not a business combination and at the time of the transaction 1) affects neither accounting nor taxable profits (losses) and 2) does not give rise to equal taxable and deductible temporary differences;
- (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.

(Continued)

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

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
- (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.

(r) **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.

(s) **Earnings per share ("EPS")**

The basic and diluted EPS attributable to stockholders of the Company are disclosed in the consolidated 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.

(t) **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 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(m) for further information of the assessment of impairment of goodwill.

**6. Significant account disclosures**

**(a) Cash and cash equivalents**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash on hand	\$ 296	490
Demand deposits and checking accounts	381,547	435,605
Time deposits with original maturities less than three months	10,000	-
	<b><u>\$ 391,843</u></b>	<b><u>436,095</u></b>

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Financial assets at fair value through profit or loss:		
Foreign currency forward contracts	\$ 459	163
Foreign exchange swaps	1,271	-
	<b><u>\$ 1,730</u></b>	<b><u>163</u></b>

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Financial liabilities at fair value through profit or loss:		
Foreign currency forward contracts	\$ (40)	(64)
Foreign exchange swaps	-	(994)
	<b><u>\$ (40)</u></b>	<b><u>(1,058)</u></b>

(Continued)

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

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

<b>December 31, 2023</b>		
	<b>Contract amount (in thousands)</b>	<b>Maturity period</b>
USD Buy / CNY Sell	USD 1,000	2024/01
CNY Buy / USD Sell	USD 2,780	2024/01
USD Buy / EUR Sell	USD 310	2024/01

  

<b>December 31, 2022</b>		
	<b>Contract amount (in thousands)</b>	<b>Maturity period</b>
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

<b>December 31, 2023</b>		
	<b>Contract amount (in thousands)</b>	<b>Maturity period</b>
TWD Swap in / CNY Swap out	CNY 42,000	2024/01

  

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

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

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Equity investments at fair value through other comprehensive income:		
Foreign unlisted stocks	<u>\$ 8,655</u>	<u>1,434</u>

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

There were no disposals of the above strategic investments and no transfers of any cumulative gain or loss within equity relating to these investments for the years ended December 31, 2023 and 2022.

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

(d) Financial assets at amortized cost

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Pledged time deposits	\$ 1,000	616
Time deposits	-	7,232
Corporate bonds	3,211	3,212
	<b><u>\$ 4,211</u></b>	<b><u>11,060</u></b>
Current	\$ 1,000	7,848
Non-current	3,211	3,212
	<b><u>\$ 4,211</u></b>	<b><u>11,060</u></b>

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Notes receivable from operating activities	\$ 292,667	240,323
Accounts receivable measured at amortized cost	650,354	762,692
Less: loss allowance	(22,310)	(59,012)
	<b><u>\$ 920,711</u></b>	<b><u>944,003</u></b>

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:

	<b>December 31, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
Current	\$ 346,552	0%	-
Past due 1-90 days	21,037	0%	-
Past due 91-180 days	6	0~100%	-
Past due 181-270 days	6	0~100%	5
Past due 271-365 days	69	0~100%	69
Past due over 366 days	1,520	100%	1,520
	<b><u>\$ 369,190</u></b>		<b><u>1,594</u></b>

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

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
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
	<b>\$ 413,495</b>		<b>1,732</b>

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

	<b>December 31, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
Current	\$ 511,470	0~1.01%	2,240
Past due 1-90 days	43,575	0~17.85%	2,587
Past due 91-180 days	4,370	0~56.32%	1,957
Past due 181-270 days	2,205	0~84.36%	1,721
Past due 271-365 days	1,582	100%	1,582
Past due over 366 days	10,629	100%	10,629
	<b>\$ 573,831</b>		<b>20,716</b>

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
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
	<b>\$ 589,520</b>		<b>57,280</b>

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

	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 59,012	27,646
Acquisition through business combination	-	3,143
Impairment loss (gain on reversal of impairment loss)	(13,382)	12,321
Write-off	(2)	(7,793)
(Reversal of) insurance claims for accounts receivable	(22,866)	23,434
Effect of exchange rate changes	(452)	261
Balance at December 31	<b>\$ 22,310</b>	<b>59,012</b>

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

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

(f) Other receivables

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Other receivables	\$ 5,241	29,412
Less: loss allowance	<u>-</u>	<u>-</u>
	<b><u>\$ 5,241</u></b>	<b><u>29,412</u></b>

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

(g) Inventories

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Merchandise inventory	<b><u>\$ 668,897</u></b>	<b><u>896,923</u></b>

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

	<b>2023</b>	<b>2022</b>
Cost of inventories sold	\$ 2,355,863	2,960,799
Write-downs of inventories	2,165	6,359
Losses on scrap of inventories	<u>408</u>	<u>-</u>
	<b><u>\$ 2,358,436</u></b>	<b><u>2,967,158</u></b>

The write-downs of inventories arose from 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 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 consideration amounted to \$46,401 and the carrying amount of the property disposed amounted to \$22,572, respectively, resulting in a disposal gain of \$23,829.

In December 2021, the Board of Directors of Tianjin Ace Pillar Co., Ltd. approved a resolution to dispose the factory and land use rights located in China (Tianjin) Pilot Free Trade Zone. 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 carrying amount of the assets classified as held for sale of \$293,347 was reclassified to property, plant and equipment and right-of-use assets.

(Continued)

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

- (i) Acquisition of subsidiaries and non-controlling interests
- (i) Acquisition of subsidiary — Standard Technology Corp. and its subsidiaries
- 1) Consideration transferred

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

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

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

Consideration transferred (cash)	\$ 187,000
Add: Non-controlling interests (measured at non-controlling interest’s proportionate share of the fair value of the identifiable net assets)	79,375
Less: Identifiable net assets acquired at fair value:	
Cash and cash equivalents	\$ 164,493
Notes and accounts receivable, net	124,853
Inventories	112,226
Other current assets	6,750
Financial assets at amortized cost — non-current	21,127
Financial assets at fair value through other comprehensive income — non-current	1,434
Property, plant and equipment	2,841
Right-of-use assets	5,521
Intangible assets — computer software	1,039
Intangible assets — customer relationship	92,585
Deferred income tax assets	2,235
Other non-current assets	699
Short-term borrowings	(122,161)
Accounts payable	(65,200)
Other payables	(75,849)
Contract liabilities — current	(12,069)
Other current liabilities	(6,145)
Lease liabilities (including current and non-current)	(5,464)
Deferred income tax liabilities	(44,806)
Other non-current liabilities	(5,671)
	<u>198,438</u>
Goodwill	<u>\$ 67,937</u>

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

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

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.

(ii) Acquisition of subsidiary—BlueWalker GmbH

1) Consideration transferred

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

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

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

Consideration transferred (Cash)	\$ 127,200
Less: Identifiable net assets acquired at fair value:	
Cash and cash equivalents	\$ 34,958
Notes and accounts receivable, net	27,389
Inventories	72,990
Prepayments and other current assets	2,746
Property, plant and equipment	636
Intangible assets—computer software	18
Intangible assets—customer relationship	12,151
Intangible assets—patents	12,822
Other non-current assets	1,273
Accounts payable	(33,314)
Other payables (including dividends payable)	(14,545)
Current income 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)
	<u>108,504</u>
Goodwill	<u>\$ 18,696</u>

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**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 — patents are amortized on a straight-line basis over the estimated future economic useful life of 9.75 years and 10 years, respectively.

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

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

1) Consideration transferred

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

2) Identifiable net assets acquired in a business combination

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

Consideration transferred (cash)	\$	32,000
Less: Identifiable net assets acquired at fair value:		
Cash and cash equivalents	\$	24,856
Financial assets at amortized cost — current		6,000
Notes and accounts receivable, net		17,355
Prepayments and other current assets		2,389
Property, plant and equipment		3,748
Other non-current assets		793
Accounts payable		(5,727)
Other payables		(12,312)
Contract liabilities — current		(6,029)
Other current liabilities		(1,062)
Lease liabilities — current		(1,452)
		<u>28,559</u>
Capital surplus and retained earnings	\$	<u><u>3,441</u></u>

The combination is an organizational restructuring 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.

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

(j) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment and other equipment</u>	<u>Lease</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:						
Balance at January 1, 2023	\$ 256,927	526,392	173,724	102,532	229	1,059,804
Additions	-	-	4,468	-	-	4,468
Disposals	-	-	(101,611)	(102,532)	-	(204,143)
Reclassification	(63,339)	(35,882)	2,894	-	(229)	(96,556)
Effect of exchange rate changes	-	(5,572)	(401)	-	-	(5,973)
Balance at December 31, 2023	<u>\$ 193,588</u>	<u>484,938</u>	<u>79,074</u>	<u>-</u>	<u>-</u>	<u>757,600</u>
Balance at January 1, 2022	\$ 219,768	247,048	150,322	102,532	6,122	725,792
Acquisition through business combination	-	-	15,401	-	-	15,401
Additions	-	20,963	8,991	-	-	29,954
Disposals	-	-	(7,979)	-	-	(7,979)
Reclassification from non-current assets held for sale	37,159	254,085	-	-	-	291,244
Reclassification	-	-	5,893	-	(5,893)	-
Effect of exchange rate changes	-	4,296	1,096	-	-	5,392
Balance at December 31, 2022	<u>\$ 256,927</u>	<u>526,392</u>	<u>173,724</u>	<u>102,532</u>	<u>229</u>	<u>1,059,804</u>
Accumulated depreciation and impairment loss:						
Balance at January 1, 2023	\$ -	136,316	154,343	102,532	-	393,191
Depreciation	-	16,685	8,585	-	-	25,270
Disposals	-	-	(101,143)	(102,532)	-	(203,675)
Reclassification	-	(16,175)	-	-	-	(16,175)
Effect of exchange rate changes	-	(1,618)	(268)	-	-	(1,886)
Balance at December 31, 2023	<u>\$ -</u>	<u>135,208</u>	<u>61,517</u>	<u>-</u>	<u>-</u>	<u>196,725</u>
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	<u>\$ -</u>	<u>136,316</u>	<u>154,343</u>	<u>102,532</u>	<u>-</u>	<u>393,191</u>
Carrying amounts:						
Balance at December 31, 2023	<u>\$ 193,588</u>	<u>349,730</u>	<u>17,557</u>	<u>-</u>	<u>-</u>	<u>560,875</u>
Balance at December 31, 2022	<u>\$ 256,927</u>	<u>390,076</u>	<u>19,381</u>	<u>-</u>	<u>229</u>	<u>666,613</u>

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

(Continued)

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

(k) Right-of-use assets

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2023	\$ 18,466	45,440	2,844	66,750
Additions	-	14,978	2,568	17,546
Disposals	-	(9,884)	(2,806)	(12,690)
Effect of exchange rates changes	(297)	(153)	(12)	(462)
Balance at December 31, 2023	<u>\$ 18,169</u>	<u>50,381</u>	<u>2,594</u>	<u>71,144</u>
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 rate changes	640	373	11	1,024
Balance at December 31, 2022	<u>\$ 18,466</u>	<u>45,440</u>	<u>2,844</u>	<u>66,750</u>
Accumulated depreciation:				
Balance at January 1, 2023	\$ 1,595	10,619	2,224	14,438
Depreciation	451	13,259	1,172	14,882
Disposals	-	(9,320)	(2,133)	(11,453)
Effect of exchange rates changes	(114)	(41)	(11)	(166)
Balance at December 31, 2023	<u>\$ 1,932</u>	<u>14,517</u>	<u>1,252</u>	<u>17,701</u>
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	<u>\$ 1,595</u>	<u>10,619</u>	<u>2,224</u>	<u>14,438</u>
Carrying amounts:				
Balance at December 31, 2023	<u>\$ 16,237</u>	<u>35,864</u>	<u>1,342</u>	<u>53,443</u>
Balance at December 31, 2022	<u>\$ 16,871</u>	<u>34,821</u>	<u>620</u>	<u>52,312</u>

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

(l) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance at January 1, 2023	\$ -	-	-
Reclassification	63,339	35,882	99,221
Balance at September 30, 2023	<u>\$ 63,339</u>	<u>35,882</u>	<u>99,221</u>
Accumulated depreciation:			
Balance at January 1, 2023	\$ -	-	-
Depreciation	-	1,241	1,241
Reclassification	-	16,175	16,175
Balance at December 31, 2023	<u>\$ -</u>	<u>17,416</u>	<u>17,416</u>
Carrying amount:			
Balance at December 31, 2023	<u>\$ 63,339</u>	<u>18,466</u>	<u>81,805</u>
Fair value:			
Balance at December 31, 2023			<u>\$ 169,348</u>

For the year ended December 31, 2023, the fair value of the investment property is determined by referring to the market price of similar real estate transaction in the same area by management, wherein the inputs, which are used in the fair value measurement, were classified to Level 3.

(m) Intangible assets

	<u>Goodwill</u>	<u>Computer software</u>	<u>Patents</u>	<u>Customer relationship</u>	<u>Total</u>
Cost:					
Balance at January 1, 2023	\$ 98,273	16,731	12,822	81,942	209,768
Additions	-	5,620	-	-	5,620
Disposals	-	(1,341)	-	-	(1,341)
Effect of exchange rates changes	-	19	-	-	19
Balance at December 31, 2023	<u>\$ 98,273</u>	<u>21,029</u>	<u>12,822</u>	<u>81,942</u>	<u>214,066</u>
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	<u>\$ 98,273</u>	<u>16,731</u>	<u>12,822</u>	<u>81,942</u>	<u>209,768</u>
Accumulated amortization:					
Balance at January 1, 2023	\$ -	6,035	962	6,300	13,297
Amortization	-	5,448	1,282	7,641	14,371
Disposals	-	(1,341)	-	-	(1,341)
Effect of exchange rates changes	-	18	-	-	18
Balance at December 31, 2023	<u>\$ -</u>	<u>10,160</u>	<u>2,244</u>	<u>13,941</u>	<u>26,345</u>

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

	<u>Goodwill</u>	<u>Computer software</u>	<u>Patents</u>	<u>Customer relationship</u>	<u>Total</u>
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	<u>\$ -</u>	<u>6,035</u>	<u>962</u>	<u>6,300</u>	<u>13,297</u>
Carrying amounts:					
Balance at December 31, 2023	<u>\$ 98,273</u>	<u>10,869</u>	<u>10,578</u>	<u>68,001</u>	<u>187,721</u>
Balance at December 31, 2022	<u>\$ 98,273</u>	<u>10,696</u>	<u>11,860</u>	<u>75,642</u>	<u>196,471</u>

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, 2023 and 2022 were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
STC	\$ 76,149	76,149
BlueWalker GmbH	22,124	22,124
	<u>\$ 98,273</u>	<u>98,273</u>

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, 2023 and 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.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
STC:		
Revenue growth rate	14.68%~27.9%	5.78%~15%
Pre-tax discount rate	16.48%	22.78%
BlueWalker GmbH:		
Revenue growth rate	2.09%~3%	1%~4%
Pre-tax discount rate	24.32%	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.

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

(n) Short-term borrowings

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Unsecured bank loans	\$ 53,695	117,432
Secured bank loans	80,904	111,803
	<u><b>\$ 134,599</b></u>	<u><b>229,235</b></u>
Unused credit facilities	<u><b>\$ 2,304,216</b></u>	<u><b>2,521,803</b></u>
Interest rate	0.95%~3.9%	1.6%~4.1%

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

(o) Long-term debt

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Unsecured bank loans	\$ 50,000	100,000
Secured bank loans	-	653
Less: current portion of long-term debt	-	(653)
	<u><b>\$ 50,000</b></u>	<u><b>100,000</b></u>
Unused credit facilities	<u><b>\$ 400,000</b></u>	<u><b>100,000</b></u>
Interest rate	<u><b>1.95%</b></u>	<u><b>1.72%~5.83%</b></u>
Maturity year	<u><b>2026</b></u>	<u><b>2024</b></u>

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

(p) Lease liabilities

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current	<u><b>\$ 13,500</b></u>	<u><b>11,367</b></u>
Non-current	<u><b>\$ 24,342</b></u>	<u><b>25,086</b></u>

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

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

The amounts recognized in profit or loss were as follows:

	<u>2023</u>	<u>2022</u>
Interest expense on lease liabilities	\$ <u>810</u>	<u>559</u>
Expenses relating to short-term leases	\$ <u>15,459</u>	<u>16,570</u>

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

	<u>2023</u>	<u>2022</u>
Total cash outflows for leases	\$ <u>31,141</u>	<u>32,935</u>

(i) Real estate leases

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

(ii) Other leases

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

(q) Employee benefits

(i) Defined benefit plans

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

The expenses recognized in profit or loss were as follows:

	<u>2023</u>
Operating costs	\$ <u>30</u>

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

(ii) Defined contribution plans

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.

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

For the years ended December 31, 2023 and 2022, the Group recognized the pension expenses of \$23,106 and \$22,476, respectively, in relation to the defined contribution plans.

(r) Income taxes

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

	<u>2023</u>	<u>2022</u>
Current income tax expense	\$ 30,286	46,959
Surtax on undistributed earnings	1,589	1,604
Adjustments for prior years	<u>95</u>	<u>345</u>
	<u>31,970</u>	<u>48,908</u>
Deferred income tax expense (benefit)		
Origination and reversal of temporary differences	<u>(21,013)</u>	<u>(17,859)</u>
Income tax expense	<u><u>\$ 10,957</u></u>	<u><u>31,049</u></u>

In 2023 and 2022, there was no income tax recognized directly in equity or other comprehensive income.

Reconciliation of income tax expense and income (loss) before income tax for the years ended December 31, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Income (loss) before income tax	\$ <u><u>(6,123)</u></u>	<u><u>128,623</u></u>
Income tax (benefit) using the Company's statutory tax rate	\$ (1,225)	25,725
Effect of different tax rates in foreign jurisdictions	2,751	722
Surtax on undistributed earnings	1,589	1,604
Land transactions income exemption	-	(4,188)
Investment income recorded under equity method	(6,165)	(6,092)
Changes in unrecognized tax losses	18,531	11,788
Changes in unrecognized temporary differences	(3,473)	-
Adjustments for prior periods	95	345
Others	<u>(1,146)</u>	<u>1,145</u>
	<u><u>\$ 10,957</u></u>	<u><u>31,049</u></u>

(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, 2023 and 2022, 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 sufficient to allow for the utilization of loss carryforwards as of the reporting dates, no deferred income tax assets are recognized.

(Continued)

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

Unrecognized deferred income tax assets:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Tax losses	<u><u>\$ 95,283</u></u>	<u><u>82,858</u></u>

Unrecognized deferred income tax liabilities:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Aggregate amount of temporary differences related to investments in subsidiaries	<u><u>\$ 14,122</u></u>	<u><u>10,649</u></u>

As of December 31, 2023, the unrecognized tax losses and the respective expiry years were as follows:

<b>Unrecognized tax losses</b>	<b>Year of expiry</b>
\$ 126,076	2024
61,014	2025
56,845	2026
59,004	2027
77,673	2028
14,200	2029
1,604	2030
<u><u>\$ 396,416</u></u>	

2) Recognized deferred income tax assets and liabilities

Deferred income tax assets:

	<b>Write-downs of inventories</b>	<b>Loss allowance of receivables</b>	<b>Others</b>	<b>Total</b>
<b>Balance at January 1, 2023</b>	\$ 4,485	5,014	366	9,865
Recognized in profit or loss	3,588	(360)	345	3,573
<b>Balance at December 31, 2023</b>	<u><u>\$ 8,073</u></u>	<u><u>4,654</u></u>	<u><u>711</u></u>	<u><u>13,438</u></u>
<b>Balance at January 1, 2022</b>	\$ 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
<b>Balance at December 31, 2022</b>	<u><u>\$ 4,485</u></u>	<u><u>5,014</u></u>	<u><u>366</u></u>	<u><u>9,865</u></u>

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

Deferred income tax liabilities:

	<b>Gains from investments in subsidiaries</b>	<b>Others</b>	<b>Total</b>
<b>Balance at January 1, 2023</b>	\$ 82,602	17,534	100,136
Recognized in profit or loss	(16,257)	(1,183)	(17,440)
<b>Balance at December 31, 2023</b>	<b>\$ 66,345</b>	<b>16,351</b>	<b>82,696</b>
<b>Balance at January 1, 2022</b>	\$ 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
<b>Balance at December 31, 2022</b>	<b>\$ 82,602</b>	<b>17,534</b>	<b>100,136</b>

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

(s) Capital and other equity

(i) Common stock

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

(ii) Capital surplus

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Paid-in capital in excess of par value	\$ 275,225	275,225
Changes in ownership interests in subsidiaries	29	11
Employee stock options	7,354	7,354
Unclaimed dividends reclassified to capital surplus	107	107
Treasury share transactions	29,454	29,454
Others	145	82
	<b>\$ 312,314</b>	<b>312,233</b>

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.

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

(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. In accordance with the Company's Articles of Incorporation amended on August 24, 2021, the dividend distribution policy shall be based on the Company's needs for business operation and growth as well as capital budget. 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, 2023 and 2022.

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.

(Continued)

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

3) Earnings distribution

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

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

The appropriation of 2023 earnings was resolved by the Board of Directors on February 27, 2024. The resolved appropriation of the cash dividends per share was as follows:

	<u>2023</u>	
	<u>Dividends per share (in dollars)</u>	<u>Amount</u>
Dividends per share:		
Cash dividends	\$ 0.30	<u>33,675</u>

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

(iv) Other equity items (net after tax)

	<u>Foreign currency translation differences</u>	<u>Unrealized gains on financial assets measured at fair value through other comprehensive income</u>	<u>Total</u>
Balance at January 1, 2023	\$ (35,927)	-	(35,927)
Foreign exchange differences arising from translation of foreign operations	(6,640)	-	(6,640)
Unrealized gains on financial assets measured at fair value through other comprehensive income	-	4,333	4,333
Balance at December 31, 2023	\$ <u>(42,567)</u>	<u>4,333</u>	<u>(38,234)</u>
Balance at January 1, 2022	\$ (56,506)	-	(56,506)
Foreign exchange differences arising from translation of foreign operations	20,579	-	20,579
Balance at December 31, 2022	\$ <u>(35,927)</u>	<u>-</u>	<u>(35,927)</u>

(Continued)



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

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

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 89,338	4,160
Equity attributable to non-controlling interests		
Net income	3,866	15,227
Changes in ownership interests in subsidiaries	10	229
Foreign currency translation differences	(719)	677
Difference between consideration and the carrying amount arising from acquisition or disposal of shares of subsidiaries	-	(4,855)
Unrealized gains on financial assets measured at fair value through other comprehensive income	2,889	-
Increase in non-controlling interests in acquisition of subsidiaries	-	73,900
Balance at December 31	<u>\$ 95,384</u>	<u>89,338</u>

(t) Earnings (loss) per share ("EPS")

(i) Basic (loss) earnings per share

	<u>2023</u>	<u>2022</u>
Net income (loss) attributable to shareholders of the Company	\$ <u>(20,946)</u>	<u>78,953</u>
Weighted-average number of common shares outstanding (in thousands)	<u>112,250</u>	<u>112,250</u>
Basic earnings (loss) per share (in dollars)	<u>\$ (0.19)</u>	<u>0.70</u>

(ii) Diluted (loss) earnings per share

	<u>2023</u>	<u>2022</u>
Net income (loss) attributable to shareholders of the Company	\$ <u>(20,946)</u>	<u>78,953</u>
Weighted-average number of common shares outstanding (in thousands)	112,250	112,250
Effect of dilutive potential common shares:		
Effect of employee remuneration in stock	-	83
Weighted-average number of common shares outstanding (in thousands) (including effect of dilutive potential common stock)	<u>112,250</u>	<u>112,333</u>
Diluted earnings (loss) per share (in dollars)	<u>\$ (0.19)</u>	<u>0.70</u>

The Company did not calculate the effect of dilutive potential common stock on earnings per share as it incurred net loss for the year ended December 31, 2023.

(Continued)

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

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2023</u>	<u>2022</u>
Major products / services lines:		
Automation control	\$ 1,287,813	1,692,653
Mechanical transmission	783,648	1,167,569
Sales of semiconductor equipment consumables and equipment repair services	516,026	548,580
Energy management products	460,206	349,631
Others	4,110	3,988
	<u><u>\$ 3,051,803</u></u>	<u><u>3,762,421</u></u>

(ii) Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Notes and accounts receivable	\$ 943,021	1,003,015	1,133,033
Less: loss allowance	(22,310)	(59,012)	(27,646)
	<u><u>\$ 920,711</u></u>	<u><u>944,003</u></u>	<u><u>1,105,387</u></u>
Contract assets	<u><u>\$ 812</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Contract liabilities — advance receipts	<u><u>\$ 44,252</u></u>	<u><u>108,161</u></u>	<u><u>126,238</u></u>

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

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

The amounts of revenue recognized for the years ended December 31, 2023 and 2022, which were included in the contract liabilities balance at the beginning of the period, were \$82,646 and \$107,963, respectively.

(v) Remuneration to employees and directors

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

(Continued)

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

The Company did not accrue any remuneration to employees and directors for the year ended December 31, 2023 as it incurred a net loss in 2023. For the year ended December 31, 2022, the Company accrued its remuneration to employees amounting to \$1,845, and the remuneration to directors amounting to \$922. The estimated amounts mentioned above are calculated based on the income before income tax, excluding the remuneration to employees and directors of the 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 was the same as the amount approved by the Board of Directors and were paid in cash. Related information is available at the Market Observation Post System website.

(w) Non-operating income and loss

(i) Interest income

	<b>2023</b>	<b>2022</b>
Interest income from bank deposits	\$ 1,820	1,246
Interest income from financial assets measured at amortized cost	95	76
Others	81	279
	<b>\$ 1,996</b>	<b>1,601</b>

(ii) Other income

	<b>2023</b>	<b>2022</b>
Dividend income	\$ 996	944
Payables and advance receipts reclassified to income	13,244	-
Miscellaneous income	7,205	8,887
	<b>\$ 21,445</b>	<b>9,831</b>

(iii) Other gains and losses

	<b>2023</b>	<b>2022</b>
Losses on liquidation of subsidiary	\$ -	(391)
Gains (losses) on lease modifications	(61)	741
Foreign currency exchange gains (losses), net	(2,406)	8,174
Losses on financial instruments at fair value through profit or loss	(5,865)	(1,950)
Gains (losses) on disposal of fixed assets	(69)	187
Gains on disposal of non-current assets held for sale	-	23,829
Others	(480)	(282)
	<b>\$ (8,881)</b>	<b>30,308</b>

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

(iv) Finance costs

	<b>2023</b>	<b>2022</b>
Interest expense on bank loans	\$ (6,400)	(8,284)
Interest expense on lease liabilities	(810)	(559)
	<u><b>\$ (7,210)</b></u>	<u><b>(8,843)</b></u>

(x) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Financial assets at fair value through profit or loss — current	\$ 1,730	163
Financial assets at fair value through other comprehensive income — non-current	8,655	1,434
Financial assets measured at amortized cost:		
Cash and cash equivalents	391,843	436,095
Financial assets measured at amortized cost (including current and non-current)	4,211	11,060
Notes and accounts receivable	920,711	944,003
Other receivables	5,241	29,412
Refundable deposits	20,894	18,755
	<u><b>\$ 1,353,285</b></u>	<u><b>1,440,922</b></u>

2) Financial liabilities

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Financial liabilities at fair value through profit or loss \$ — current	40	1,058
Financial liabilities measured at amortized cost:		
Short-term borrowings	134,599	229,235
Notes and accounts payable	364,024	390,605
Other payables	127,005	149,251
Lease liabilities (including current and non-current)	37,842	36,453
Long-term debt (including current portion)	50,000	100,653
	<u><b>\$ 713,510</b></u>	<u><b>907,255</b></u>

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

(ii) Fair value information

1) Financial instruments not measured at fair value

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

2) Financial instruments measured at fair value

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

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

		December 31, 2023				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:						
Derivatives — foreign currency forward contracts	\$	459	-	459	-	459
Derivatives — foreign exchange swap		1,271	-	1,271	-	1,271
	\$	<u>1,730</u>	<u>-</u>	<u>1,730</u>	<u>-</u>	<u>1,730</u>
Financial liabilities at fair value through profit or loss:						
Derivatives — foreign currency forward contracts	\$	<u>(40)</u>	<u>-</u>	<u>(40)</u>	<u>-</u>	<u>(40)</u>
Financial assets at fair value through other comprehensive income:						
Foreign unlisted stocks	\$	8,655	-	-	8,655	8,655

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

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

3) Valuation techniques and assumptions used in fair value measurement

a) 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 net worth, operating activities and the market value of other assets and liabilities of the investee. 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.

b) Derivative financial instruments

The fair value of derivative financial instruments is determined using the valuation techniques generally accepted by market participants. The fair values of foreign currency forward contracts and foreign exchange swaps are usually determined by the forward exchange rate.

4) Transfers between levels of the fair value hierarchy

There were no transfers among fair value hierarchies for the years ended December 31, 2023 and 2022.

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

5) Movement in financial assets included in Level 3 fair value hierarchy

Financial assets at fair value through other comprehensive income:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Balance at January 1	\$ 1,434	-
Acquisition through business combination	-	1,434
Recognized in other comprehensive income	7,221	-
Balance at December 31	<u><u>\$ 8,655</u></u>	<u><u>1,434</u></u>

(y) 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.

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.

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(f) for ECL assessment.

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

(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, 2023 and 2022, the Group had unused credit facilities of \$2,704,216 and \$2,621,803, respectively.

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

	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>December 31, 2023</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 135,353	135,353	-	-	-
Long-term debt (including current portion)	52,126	1,004	975	50,147	-
Notes and accounts payable	364,024	364,024	-	-	-
Other payables	127,005	127,005	-	-	-
Lease liabilities (including current and non-current)	39,304	14,287	10,914	14,103	-
	<u>\$ 717,812</u>	<u>641,673</u>	<u>11,889</u>	<u>64,250</u>	<u>-</u>
Derivative financial instruments:					
Foreign currency forward contracts:					
Outflow	\$ 128,328	128,328	-	-	-
Inflow	(128,747)	(128,747)	-	-	-
Foreign exchange swaps:					
Outflow	181,772	181,772	-	-	-
Inflow	(183,043)	(183,043)	-	-	-
	<u>\$ (1,690)</u>	<u>(1,690)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>December 31, 2022</b>					
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	-
	<u>\$ 830,771</u>	<u>703,772</u>	<u>108,997</u>	<u>18,002</u>	<u>-</u>
Derivative financial instruments:					
Foreign currency forward contracts:					
Outflow	\$ 125,269	125,269	-	-	-
Inflow	(125,368)	(125,368)	-	-	-
Foreign exchange swaps:					
Inflow	207,245	207,245	-	-	-
Outflow	(206,251)	(206,251)	-	-	-
	<u>\$ 895</u>	<u>895</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)



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

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).

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):

<b>December 31, 2023</b>					
	<b>Foreign currency (in thousands)</b>	<b>Exchange rate</b>	<b>TWD (in thousands)</b>	<b>Change in magnitude</b>	<b>Pre-tax effect on profit or loss (in thousands)</b>
<u>Financial assets</u>					
<u>Monetary items</u>					
CNY	\$ 42,002	4.3364	182,137	1 %	1,821
USD	5,020	30.75	154,365	1 %	1,544
JPY	10,083	0.2175	2,193	1 %	22
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	3,310	30.75	101,783	1 %	1,018
JPY	33,129	0.2175	7,206	1 %	72

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**ACE PILLAR CO., LTD. AND SUBSIDIARIES**  
**Notes to the 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)
<u>Financial assets</u>					
<u>Monetary items</u>					
CNY	\$ 47,620	4.4057	209,799	1 %	2,098
USD	5,585	30.73	171,627	1 %	1,716
JPY	35,609	0.2330	8,297	1 %	83
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	4,467	30.73	137,271	1 %	1,373
JPY	53,467	0.2330	12,458	1 %	125

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, 2023 and 2022, the aggregate of realized and unrealized foreign exchange gains were \$(2,406) and \$8,174, respectively.

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 the note on liquidity risk management for details on interest rate exposure of the Group's financial liabilities. The following sensitivity analysis is based on the risk exposure to non-derivative financial instruments on the reporting date. The sensitivity analysis assumes the liabilities carrying floating interest rates 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, 2023 and 2022 would have been \$1,846 and \$3,299, respectively, lower/higher, which mainly resulted from the borrowings with floating interest rates.

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

(z) 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.

(aa) Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2023	Cash flows	Non-cash changes			December 31, 2023
			Effect of foreign exchange rate	Additions to lease liabilities	Disposals of lease liabilities	
Short-term borrowings	\$ 229,235	(92,068)	(2,568)	-	-	134,599
Long-term debt (including current portion)	100,653	(50,677)	24	-	-	50,000
Lease liabilities	36,453	(14,872)	(109)	17,546	(1,176)	37,842
Total liabilities from financing activities	<u>\$ 366,341</u>	<u>(157,617)</u>	<u>(2,653)</u>	<u>17,546</u>	<u>(1,176)</u>	<u>222,441</u>

	January 1, 2022	Cash flows	Acquisition through business combination	Non-cash changes			December 31, 2022
				Effect of foreign exchange rate	Additions to lease liabilities	Disposals of lease liabilities	
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	<u>\$ 108,299</u>	<u>102,282</u>	<u>128,417</u>	<u>1,380</u>	<u>35,717</u>	<u>(9,754)</u>	<u>366,341</u>

**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 December 31, 2023 and 2022. Qisda Corporation (“Qisda”) is the ultimate controlling party of the Group. DFI and Qisda have issued the consolidated financial statements for public use.

(b) Name and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Qisda Corporation (“Qisda”)	The Group’s ultimate controlling party
DFI Inc. (“DFI”)	The Group’s parent company

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

<b>Name of related party</b>	<b>Relationship with the Group</b>
Yan Ying Hao Trading (ShenZhen) Co., Ltd. (“DYTH”)	Qisda’s subsidiary
Qisda Optronics (Suzhou) Co., Ltd. (“QCOS”)	Qisda’s subsidiary
Qisda (Suzhou) Co., Ltd. (“QCSZ”)	Qisda’s subsidiary
Suzhou BenQ Hospital Co., Ltd. (“SMH”)	Qisda’s subsidiary
BenQ Material Corp. (“BMC”)	Qisda’s subsidiary
BenQ Corp. (“BenQ”)	Qisda’s subsidiary
BenQ Co., Ltd. (“BQC”)	Qisda’s subsidiary (Note 1)
BenQ Technology (Shanghai) Co., Ltd. (“BQIs”)	Qisda’s subsidiary
BenQ Asia Pacific Corp. (“BQP”)	Qisda’s subsidiary
Metaguru Corporation (“MRU”)	Qisda’s subsidiary
Guru Systems (Suzhou) Co., Ltd. (“GSS”)	Qisda’s subsidiary
BenQ AB DentCare Corporation (“BABD”)	Qisda’s subsidiary
MetaAge Corporation (“MetaAge”)	Qisda’s subsidiary
AdvancedTEK International Corp. (“AdvancedTEK”)	Qisda’s subsidiary
Concord Medical Co., Ltd. (“Concord”)	Qisda’s subsidiary
Partner Tech Corp. (“PTT”)	Qisda’s subsidiary
Global Intelligence Network Co., Ltd. (“Ginnet”)	Qisda’s subsidiary
Darly Venture Inc. (“APV”)	Qisda’s subsidiary
Darly2 Venture Co., Ltd. (“Darly2”)	Qisda’s subsidiary
Darly Consulting Corporation (“Darly C”)	Qisda’s subsidiary
Visco Vision Inc. (“Visco Vision”)	Qisda’s associate
AU Optronics Corp. (“AU”)	A corporate director of Qisda that accounted its investment in Qisda using the equity method.
AU Optronics (Xiamen) Corp. (“AUXM”)	AU’s subsidiary
AUO Crystal Corp. (“ACTW”)	AU’s subsidiary
TD HiTech Energy Inc (“TDI”)	DFN’s subsidiary
Symbio Inc. (“Symbio”)	The Company’s director is Symbio’s key management
Pro Accutech Co., Ltd. (“Pro Accutech”)	The Company’s director is Pro Accutech’s key management
Avatack Co., Ltd. (“Avatack”)	The Company’s director is Avatack’s key management
Four Pillars Enterprise Co., Ltd. (“Four Pillars”)	The Company’s director is Four Pillars’ key management

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

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

(c) Significant related-party transactions

(i) Revenue

	<b>2023</b>	<b>2022</b>
Ultimate controlling party	\$ 10,174	43,094
Parent company	5,770	-
Other related parties	78,168	51,466
	<b><u>\$ 94,112</u></b>	<b><u>94,560</u></b>

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

	<b>2023</b>	<b>2022</b>
Parent company	\$ 8,693	14,302
Other related parties	2,273	7,213
	<b><u>\$ 10,966</u></b>	<b><u>21,515</u></b>

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

(iii) Receivables from related parties

<b>Account</b>	<b>Related-party categories</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Accounts receivable	Ultimate controlling party	\$ 840	11,836
	Parent company	606	-
	Other related parties	21,253	13,273
Other receivables	Other related parties	112	-
		<b><u>\$ 22,811</u></b>	<b><u>25,109</u></b>

(iv) Payables to related parties

<b>Account</b>	<b>Related-party categories</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Notes and accounts payable	Parent company	\$ 131	1,684
	Other related parties	442	32
Other payables	Ultimate controlling party	199	177
	Parent company	700	700
	Other related parties	902	535
		<b><u>\$ 2,374</u></b>	<b><u>3,128</u></b>

(Continued)

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

(v) Lease

The Group leased office from BQC and Qisda and the rent is paid monthly with reference to the nearby office rental rates. For the years ended December 31, 2023 and 2022, the related interest expense on lease liabilities amounted to \$10 and \$49, respectively. As of December 31, 2023 and 2022, the balances of the lease liabilities amounted to \$482 and \$611, respectively.

The Group leased its office to related parties. For the year ended December 31, 2023, the rental income amounted to \$2,700 and was recognized in other income.

(vi) Equity transaction

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

(d) Compensation for key management personnel

	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 12,047	20,851
Post-employment benefits	203	203
	<b>\$ 12,250</b>	<b>21,054</b>

**8. Pledged assets**

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

<b>Pledged assets</b>	<b>Pledged to secure</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Pledged time deposits (recognized in financial assets measured at amortized cost—current)	Guarantee for import VAT	\$ 1,000	616
Other equipment	Long-term debt	-	199
Notes receivable	Short-term borrowings	80,904	111,803
Property, plant and equipment	Guarantee for procurement	24,146	29,979
		<b>\$ 106,050</b>	<b>142,597</b>

(Continued)

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

**9. Significant commitments and contingencies**

As of December 31, 2023 and 2022, the Group had issued promissory notes amounting to \$2,305,750 and \$2,286,380, 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:

	<b>2023</b>			<b>2022</b>		
	<b>Cost of sales</b>	<b>Operating expenses</b>	<b>Total</b>	<b>Cost of sales</b>	<b>Operating expenses</b>	<b>Total</b>
Employee benefits:						
Salaries	-	337,206	337,206	4,834	331,317	336,151
Insurance	-	39,670	39,670	326	35,710	36,036
Pension	-	23,106	23,106	193	22,313	22,506
Others	-	11,026	11,026	204	12,813	13,017
Depreciation	2,819	38,574	41,393	8,482	31,729	40,211
Amortization	-	14,371	14,371	-	11,018	11,018

(Continued)

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

**13. Additional disclosures:**

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

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

(Continued)



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

**14. Segment information**

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

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

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

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

2023							
			Sales of semiconductor equipment consumables and equipment repair services	Energy saving and storage	Others	Adjustments and eliminations	Total
	Taiwan	Mainland China					
External revenue	\$ 868,543	1,206,046	516,026	460,206	982	-	3,051,803
Intra-group revenue	482	71,337	4,638	-	-	(76,457)	-
Total segment revenue	<u>\$ 869,025</u>	<u>1,277,383</u>	<u>520,664</u>	<u>460,206</u>	<u>982</u>	<u>(76,457)</u>	<u>3,051,803</u>
Segment profit (loss)	<u>\$ (18,141)</u>	<u>(41,281)</u>	<u>25,376</u>	<u>36,652</u>	<u>(1,352)</u>	<u>(7,377)</u>	<u>(6,123)</u>
2022							
			Sales of semiconductor equipment consumables and equipment repair services	Energy saving and storage	Others	Adjustments and eliminations	Total
	Taiwan	Mainland China					
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	<u>\$ 1,296,748</u>	<u>1,884,271</u>	<u>557,810</u>	<u>349,631</u>	<u>69,197</u>	<u>(395,236)</u>	<u>3,762,421</u>
Segment profit (loss)	<u>\$ 113,828</u>	<u>(66,351)</u>	<u>55,287</u>	<u>32,538</u>	<u>2,667</u>	<u>(9,346)</u>	<u>128,623</u>

(Continued)

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

(a) Product information

Revenues from external customers are detailed below:

<b>Products and services</b>	<b>2023</b>	<b>2022</b>
Automation control	\$ 1,287,813	1,692,653
Mechanical transmission	783,648	1,167,569
Sales of semiconductor equipment consumables and equipment repair services	516,026	548,580
Energy management products	460,206	349,631
Others	4,110	3,988
	<b>\$ 3,051,803</b>	<b>3,762,421</b>

(b) 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.

<b>Products and services</b>	<b>2023</b>	<b>2022</b>
Revenues from external customers are detailed below:		
Mainland China	\$ 1,409,540	1,743,056
Taiwan	1,265,420	1,681,539
Europe	354,238	256,904
Others	22,605	80,922
	<b>\$ 3,051,803</b>	<b>3,762,421</b>

Non-current assets:

<b>Products and services</b>	<b>2023</b>	<b>2022</b>
Mainland China	\$ 288,823	298,620
Taiwan	592,129	612,880
Europe	681	2,127
Others	9,812	11,686
	<b>\$ 891,445</b>	<b>925,313</b>

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

(c) Major customer information

There was no single customer representing at least 10% of revenue in the consolidated statements of comprehensive income.

**ACE PILLAR CO., LTD. AND SUBSIDIARIES**  
**Financing provided to other parties**  
**For the year ended December 31, 2023**  
(Amounts in thousands of New Taiwan dollars, unless specified otherwise)

Table 1

No.	Financing Company	Counter-Party	Financial Statement Account	Related Parties	Maximum Balance for the Period	Ending Balance	Actual Drawdown Amounts	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Short-term Financing	Loss Allowance	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
0	The Company	Tianjin Ace Pillar	Other receivables from related parties	Yes	354,504	195,138	151,774	0%	2	-	Operating requirement	-		-	393,775	787,550
0	The Company	Suzhou Super Pillar	Other receivables from related parties	Yes	173,212	86,728	30,355	0%	2	-	Operating requirement	-		-	393,775	787,550
1	Cyber South	Tianjin Ace Pillar	Other receivables from related parties	Yes	22,698	21,525	21,525	0%	2	-	Operating requirement	-		-	537,147	537,147
2	Porton Inc.	Tianjin Ace Pillar	Other receivables from related parties	Yes	12,970	12,300	12,300	0%	2	-	Operating requirement	-		-	417,001	417,001

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

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

Note 3: Nature of Financing

1 Business transaction purpose

2 Short-term financing purpose

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

ACE PILLAR CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2023

(Amounts in thousands of New Taiwan dollars / shares / units, unless specified otherwise)

Table 2

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2023				Maximum percentage of ownership during 2023		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	1.71%	-	27	1.71%	-
STC	Stock: COMPITEK CORP PTE LTD. (CPL)	-	Financial assets at fair value through other comprehensive income—non-current	36	8,655	6.28%	8,655	36	6.28%	-
STCBVI	Corporate bond: Biogen Inc.	-	Financial assets at amortized cost—non-current	USD 100	3,211	-	3,211	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, 2023**

**(Amounts in thousands of New Taiwan dollars, unless specified otherwise)**

Table 3

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate Amount	Overdue		Amounts Received in Subsequent Period	Loss Allowance
					Amount	Action Taken		
The Company	Tianjin Ace Pillar	Parent/Subsidiary	151,774	-	-		-	-

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, 2023**  
**(Amounts in thousands of New Taiwan dollars, unless specified otherwise)**

Table 4

No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			
				Financial Statements Account	Amount (Note 3)	Payment Terms	Percentage of Consolidated Operating Revenue or Total Assets (Note 4)
0	The Company	Tianjin Ace Pillar	1	Other receivables — loans	151,774	1 year	5.13%
0	The Company	Suzhou Super Pillar	1	Other receivables — loans	30,355	1 year	1.03%
1	Advancedtek Ace	Tianjin Ace Pillar	3	Revenue	69,198	T/T 30 days	2.27%

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

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

Note 2: The relationships with counterparties are as follows:

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

Note 3: Intercompany relationships and significant intercompany transactions are disclosed only for the amounts that exceed 1% of consolidated operating revenue or total assets.  
The corresponding purchases and accounts payables are not disclosed.

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

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

**ACE PILLAR CO., LTD. AND SUBSIDIARIES**  
**Information on investees (excluding information on investments in Mainland China)**  
**For the year ended December 31, 2023**  
**(Amounts in thousands of New Taiwan dollars / shares, unless specified otherwise)**

Table 5

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount (Note)		Balances as of December 31, 2023			Maximum percentage of ownership during 2023		Net Income (Loss) of the Investee	Share of Profit/ (Loss) of the Investee	Note
				December 31, 2023	December 31, 2022	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%	537,147	4,669	100.00%	(36,131)	(34,775)	Note 1
The Company	Hong Kong Ace Pillar	Hong Kong	Sales of automation mechanical transmission system and component	5,120	5,120	1,200	100.00%	4,714	1,200	100.00%	(1,320)	(1,320)	Note 1
Cyber South	Proton	SAMOA	Investment and holding activity	527,665	527,665	17,744	100.00%	417,001	17,744	100.00%	(36,653)	Note 2	Note 1
Cyber South	Ace Tek	Hong Kong	Investment and holding activity	4,938	4,938	150	100.00%	2,595	150	100.00%	457	Note 2	Note 1
The Company	STC	Taiwan	Sales of semiconductor, optoelectronics and machinery equipment and equipment repair	187,000	187,000	6,084	60.00%	218,794	6,084	60.00%	15,044	5,746	Note 1
STC	STCBVI	B.V.I.	Investment and holding activity	21,727	21,727	600	100.00%	111,374	600	100.00%	14,578	Note 2	Note 1
The Company	AEG	Taiwan	Energy technology service	166,760	166,760	4,993	99.86%	204,487	4,993	99.86%	25,114	25,078	Note 1
AEG	BWA	Germany	Sales and service of energy management products	138,804	138,804	Note 3	100.00%	170,924	Note 3	100.00%	24,094	Note 2	Note 1

Note: Original investment amounts include capitalization of retained earnings.

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

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

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

**ACE PILLAR CO., LTD. AND SUBSIDIARIES**  
**Information on investment in Mainland China**  
**For the year ended December 31, 2023**  
**(Amounts in thousands of New Taiwan dollars and other currencies)**

Table 6

1. Information on investments in Mainland China:

Name of Investee	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Maximum percentage of ownership during 2023		Investment Income (Loss) (Note 3)	Carrying Value as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow				Shares	Percentage of Ownership			
Tianjin Ace Pillar	Sales of automation mechanical transmission system and component	1,085,383 (USD 35,297)	Direct and indirect investment	59,963 (USD 1,950)	-	-	59,963 (USD 1,950)	(43,543)	100.00%	Note 5	100%	(43,543)	493,717	125,533
Grace Transmission	Manufacture of automation mechanical transmission system and component	7,242 (RMB 1,670)	Indirect investment	4,920 (USD 160)	-	-	4,920 (USD 160)	2	100.00%	Note 5	100%	2 (USD 0.4)	4,099 (USD 133)	-
Advancedtek Ace	Electronic system integration	9,225 (USD 300)	Indirect investment	4,613 (USD 150)	-	-	4,613 (USD 150)	456	100.00%	Note 5	100%	456 (USD 15)	2,568 (USD 84)	-
Suzhou Super Pillar	Manufacture and technology service of automation mechanical transmission system and control products	44,588 (USD 1,450)	Indirect investment	(Note 2)	-	-	(Note 2)	1,461	100.00%	Note 5	100%	1,461 (USD 49)	107,603 (USD 3,499)	-
Shanghai STC	Sales of semiconductor, optoelectronics and machinery equipment and equipment repair	14,760 (USD 480)	Indirect investment	14,760 (USD 480)	-	-	14,760 (USD 480)	14,473	100.00%	Note 5	100%	14,473	107,939	134,972

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

Note 4: The amounts were translated into New Taiwan dollars at the exchange rates of US\$1=NT\$30.75 and CNY\$1=NT\$4.3364.

Note 5: There were no shares as the company is a limited liability company.

2. Limits on investments in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 3)
ACE	157,409 (USD 5,119)	157,409 (USD 5,119)	1,238,555
STC	14,760 (USD 480)	14,760 (USD 480)	113,103

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\$30.75.

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.