

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

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

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## **Independent Auditors' Review Report**

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

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Ace Pillar Co., Ltd. and its subsidiaries as of March 31, 2023 and 2022 (restated), and the related consolidated statements of comprehensive income, as well as the consolidated statements of changes in equity and cash flows for the three months ended March 31, 2023 and 2022 (restated), and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

Except as explained in the section of the Basis for Qualified Conclusion of the Restated Consolidated Financial Statements for the Three Months Ended March 31, 2022, we conducted our reviews in accordance with the Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for Qualified Conclusion of the Restated Consolidated Financial Statements for the Three Months Ended March 31, 2022**

As stated in Note 4(b) to the consolidated financial statements, the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These restated financial statements reflect total assets amounting to \$628,838 thousand, constituting 17.49% of the restated consolidated total assets, total restated liabilities amounting to \$331,198 thousand, constituting 22.53% of the restated consolidated total liabilities as of March 31, 2022, and total restated comprehensive income amounting to \$6,795 thousand, constituting 9.68% of the restated total comprehensive income for the three months ended March 31, 2022.

**Qualified Conclusion and Unqualified Conclusion**

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain non-significant consolidated subsidiaries described in the section of the Basis for Qualified Conclusion of the Restated Consolidated Financial Statements for the Three Months Ended March 31, 2022, been reviewed by independent auditors, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Ace Pillar Co., Ltd. and its subsidiaries as of March 31, 2023 and 2022 (restated), and their consolidated financial performance, as well as their consolidated cash flows for the three months ended March 31, 2023 and 2022 (restated), in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

**Emphasis of Matter**

As stated in Note 4(b) and 6(i), Ace Pillar Co., Ltd. acquired 100% equity ownership of Qisda Corporation’s subsidiary, ACE Energy Co., Ltd. on July 1, 2022. Pursuant to the Interpretations (2012) No. 301 issued by Accounting Research and Development Foundation, the aforementioned transaction is an organizational reorganization under common control that Ace Pillar Co., Ltd. owns the entire equity interests of ACE Energy Co., Ltd. from beginning. Ace Pillar Co., Ltd. and its subsidiaries restated the consolidated financial statements for the first quarter ended March 31, 2022, accordingly. Our conclusion is not modified in respect of this matter.

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

KPMG

Taipei, Taiwan (Republic of China)

May 3, 2023

**Notes to Readers**

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

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

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

**Reviewed only, not audited in accordance with Standards on Auditing as of March 31, 2023 and 2022****ACE PILLAR CO., LTD. AND SUBSIDIARIES****Consolidated Balance Sheets****March 31, 2023, December 31, and March 31, 2022****(Expressed in Thousands of New Taiwan Dollars)**

	March 31, 2023		December 31, 2022		March 31, 2022 (Restated)			March 31, 2023		December 31, 2022		March 31, 2022 (Restated)		
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%	
<b>Assets</b>								<b>Liabilities and Equity</b>						
<b>Current assets:</b>								<b>Current liabilities:</b>						
1100 Cash and cash equivalents (note 6(a))	\$ 466,591	14	436,095	13	438,476	12	2100 Short-term borrowings (notes 6(n) and 8)	\$ 210,642	7	229,235	7	258,058	7	
1110 Financial assets at fair value through profit or loss—current (note 6(b))	297	-	163	-	-	-	2123 Financial liabilities at fair value through profit or loss—current (note 6(b))	276	-	1,058	-	-	-	
1136 Financial assets at amortized cost—current (notes 6(d) and 8)	5,968	-	7,848	-	27,191	1	2130 Contract liabilities—current (note 6(u))	80,754	2	108,161	3	129,494	4	
1140 Contract assets—current (note 6(u))	4,006	-	-	-	-	-	2150-2170 Notes and accounts payable (note 7)	415,141	13	390,605	12	607,238	17	
1150-1170 Notes and accounts receivable, net (notes 6(e), (u), 7 and 8)	942,349	29	944,003	28	1,246,988	35	2200 Other payables (note 7)	108,593	3	149,251	5	115,370	3	
1200 Other receivables (note 6(f))	13,861	1	29,412	1	10,461	-	2216 Cash dividends payable (note 7)	56,125	2	-	-	136,425	4	
130X Inventories (note 6(g))	825,229	26	896,923	27	812,020	23	2230 Current income tax liabilities	57,984	2	55,065	2	66,523	2	
1461 Non-current assets held for sale (note 6(h))	-	-	-	-	303,747	8	2280 Lease liabilities—current (notes 6(p) and 7)	10,896	-	11,367	-	16,266	-	
1410-1470 Prepayments and other current assets	36,530	1	45,243	2	124,775	3	2300 Other current liabilities	9,829	-	10,140	-	9,764	-	
<b>Total current assets</b>	<b>2,294,831</b>	<b>71</b>	<b>2,359,687</b>	<b>71</b>	<b>2,963,658</b>	<b>82</b>	2320 Current portion of long-term debt (notes 6(o) and 8)	608	-	653	-	-	-	
<b>Non-current assets:</b>								<b>Total current liabilities</b>	<b>950,848</b>	<b>29</b>	<b>955,535</b>	<b>29</b>	<b>1,339,138</b>	<b>37</b>
1517 Financial assets at fair value through other comprehensive income—non-current (note 6(c))	1,434	-	1,434	-	1,434	-	<b>Non-current liabilities:</b>							
1535 Financial assets at amortized cost—non-current (note 6(d))	3,209	-	3,212	-	3,013	-	2540 Long-term debt (notes 6(o) and 8)	80,000	2	100,000	3	-	-	
1600 Property, plant and equipment (notes 6(h), (j) and 8)	579,660	18	666,613	20	387,419	11	2570 Deferred income tax liabilities	99,690	3	100,136	3	119,060	4	
1755 Right-of-use assets (note 6(k))	51,072	2	52,312	2	27,471	1	2580 Lease liabilities—non-current (notes 6(p) and 7)	23,667	1	25,086	1	6,415	-	
1760 Investment property, net (note 6(l))	82,859	2	-	-	-	-	2640 Net defined benefit liabilities—non-current (note 6(q))	-	-	-	-	5,675	-	
1780 Intangible assets (note 6(m))	193,441	6	196,471	6	164,684	5	<b>Total non-current liabilities</b>	<b>203,357</b>	<b>6</b>	<b>225,222</b>	<b>7</b>	<b>131,150</b>	<b>4</b>	
1840 Deferred income tax assets	9,869	-	9,865	-	11,475	-	<b>Total liabilities</b>	<b>1,154,205</b>	<b>35</b>	<b>1,180,757</b>	<b>36</b>	<b>1,470,288</b>	<b>41</b>	
1980 Other financial assets—non-current	19,108	1	18,755	1	17,873	-	<b>Equity attributable to shareholders of the Company (note 6(s)):</b>							
1990 Other non-current assets	9,123	-	9,917	-	19,402	1	3110 Common stock	1,122,505	35	1,122,505	34	1,122,505	31	
<b>Total non-current assets</b>	<b>949,775</b>	<b>29</b>	<b>958,579</b>	<b>29</b>	<b>632,771</b>	<b>18</b>	3200 Capital surplus	312,233	10	312,233	9	315,077	9	
							3300 Retained earnings	594,610	18	649,360	20	610,824	17	
							3400 Other equity	(29,644)	(1)	(35,927)	(1)	(28,385)	(1)	
							<b>Total equity attributable to shareholders of the Company</b>	<b>1,999,704</b>	<b>62</b>	<b>2,048,171</b>	<b>62</b>	<b>2,020,021</b>	<b>56</b>	
							35XX <b>Equity attributable to former owner of business combination under common control</b>	-	-	-	-	19,697	1	
							36XX <b>Non-controlling interests</b>	90,697	3	89,338	2	86,423	2	
							<b>Total equity</b>	<b>2,090,401</b>	<b>65</b>	<b>2,137,509</b>	<b>64</b>	<b>2,126,141</b>	<b>59</b>	
<b>Total assets</b>	<b>\$ 3,244,606</b>	<b>100</b>	<b>3,318,266</b>	<b>100</b>	<b>3,596,429</b>	<b>100</b>	<b>Total liabilities and equity</b>	<b>\$ 3,244,606</b>	<b>100</b>	<b>3,318,266</b>	<b>100</b>	<b>3,596,429</b>	<b>100</b>	

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with Standards on Auditing

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

**Consolidated Statements of Comprehensive Income**

**For the three months ended March 31, 2023 and 2022**

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

		For the three months ended March 31			
		2023		2022 (Restated)	
		Amount	%	Amount	%
4000	<b>Operating revenue (notes 6(u), 7 and 14)</b>	\$ 800,140	100	948,302	100
5000	<b>Operating costs (notes 6(g), (q), 7 and 12)</b>	<u>(643,173)</u>	<u>(80)</u>	<u>(774,579)</u>	<u>(82)</u>
	<b>Gross profit</b>	<u>156,967</u>	<u>20</u>	<u>173,723</u>	<u>18</u>
	<b>Operating expenses (notes 6(e), (j), (k), (l), (m), (p), (q), (v) and 12):</b>				
6100	Selling expenses	(105,171)	(13)	(80,757)	(9)
6200	Administrative expenses	(54,638)	(7)	(50,049)	(5)
6300	Research and development expenses	(1,528)	-	(1,650)	-
6450	Gains on reversal of credit loss (expected credit loss)	<u>12,313</u>	<u>1</u>	<u>(3,392)</u>	<u>-</u>
	<b>Total operating expenses</b>	<u>(149,024)</u>	<u>(19)</u>	<u>(135,848)</u>	<u>(14)</u>
	<b>Operating income</b>	<u>7,943</u>	<u>1</u>	<u>37,875</u>	<u>4</u>
	<b>Non-operating income and loss (notes 6(p), (w) and 7):</b>				
7100	Interest income	231	-	150	-
7010	Other income	2,647	-	1,546	-
7020	Other gains and losses, net	(900)	-	16,356	2
7050	Finance costs	<u>(2,229)</u>	<u>-</u>	<u>(1,447)</u>	<u>-</u>
	<b>Total non-operating income and loss</b>	<u>(251)</u>	<u>-</u>	<u>16,605</u>	<u>2</u>
	<b>Income before income tax</b>	<u>7,692</u>	<u>1</u>	<u>54,480</u>	<u>6</u>
7950	<b>Less: income tax expense (note 6(r))</b>	<u>(5,266)</u>	<u>(1)</u>	<u>(13,262)</u>	<u>(2)</u>
	<b>Net income</b>	<u>2,426</u>	<u>-</u>	<u>41,218</u>	<u>4</u>
	<b>Other comprehensive income (note 6(s)):</b>				
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>				
8361	Exchange differences on translation of foreign operations	6,591	1	29,010	3
8399	Less: income tax related to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Other comprehensive income for the period, net of income tax</b>	<u>6,591</u>	<u>1</u>	<u>29,010</u>	<u>3</u>
	<b>Total comprehensive income for the period</b>	<u>\$ 9,017</u>	<u>1</u>	<u>70,228</u>	<u>7</u>
	<b>Net income attributable to:</b>				
8610	Shareholders of the Company	1,375	-	39,832	4
8615	Former owner of business combination under common control	-	-	(613)	-
8620	Non-controlling interests	<u>1,051</u>	<u>-</u>	<u>1,999</u>	<u>-</u>
		<u>\$ 2,426</u>	<u>-</u>	<u>41,218</u>	<u>4</u>
	<b>Total comprehensive income attributable to:</b>				
8710	Shareholders of the Company	7,658	1	67,953	7
8715	Former owner of business combination under common control	-	-	(613)	-
8720	Non-controlling interests	<u>1,359</u>	<u>-</u>	<u>2,888</u>	<u>-</u>
		<u>\$ 9,017</u>	<u>1</u>	<u>70,228</u>	<u>7</u>
	<b>Earnings per share (in New Taiwan dollars) (note 6(t)):</b>				
9750	Basic earnings per share	<u>\$ 0.01</u>		<u>0.35</u>	
9850	Diluted earnings per share	<u>\$ 0.01</u>		<u>0.35</u>	

See accompanying notes to the consolidated financial statements.

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

**Reviewed only, not audited in accordance with Standards on Auditing****ACE PILLAR CO., LTD. AND SUBSIDIARIES****Consolidated Statements of Changes in Equity****For the three months ended March 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	Attributable to shareholders of the Company						Foreign currency translation differences	Total equity of the Company	Equity attributable to former owner of business combination under common control	Non- controlling interests	Total equity
	Retained earnings					Other equity					
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total					
<b>Balance at January 1, 2022 (restated)</b>	\$ 1,122,505	315,077	258,267	78,028	335,723	672,018	(56,506)	2,053,094	20,310	4,160	2,077,564
Net income for the period	-	-	-	-	39,832	39,832	-	39,832	(613)	1,999	41,218
Other comprehensive income for the period	-	-	-	-	-	-	28,121	28,121	-	889	29,010
Total comprehensive income for the period	-	-	-	-	39,832	39,832	28,121	67,953	(613)	2,888	70,228
Appropriation of earnings:											
Cash dividends distributed to shareholders	-	-	-	-	(101,026)	(101,026)	-	(101,026)	-	-	(101,026)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	79,375	79,375
<b>Balance at March 31, 2022 (restated)</b>	\$ 1,122,505	315,077	258,267	78,028	274,529	610,824	(28,385)	2,020,021	19,697	86,423	2,126,141
<b>Balance at January 1, 2023</b>	\$ 1,122,505	312,233	273,057	78,028	298,275	649,360	(35,927)	2,048,171	-	89,338	2,137,509
Net income for the period	-	-	-	-	1,375	1,375	-	1,375	-	1,051	2,426
Other comprehensive income for the period	-	-	-	-	-	-	6,283	6,283	-	308	6,591
Total comprehensive income for the period	-	-	-	-	1,375	1,375	6,283	7,658	-	1,359	9,017
Appropriation of earnings:											
Cash dividends distributed to shareholders	-	-	-	-	(56,125)	(56,125)	-	(56,125)	-	-	(56,125)
<b>Balance at March 31, 2023</b>	\$ 1,122,505	312,233	273,057	78,028	243,525	594,610	(29,644)	1,999,704	-	90,697	2,090,401

See accompanying notes to the consolidated financial statements.

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

**Reviewed only, not audited in accordance with Standards on Auditing**

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

**Consolidated Statements of Cash Flows**

**For the three months ended March 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<b>2023</b>	<b>2022</b>
		<b>(Restated)</b>
<b>Cash flows from operating activities:</b>		
<b>Income before income taxes</b>	\$ 7,692	54,480
<b>Adjustments for:</b>		
<b>Adjustments to reconcile profit or loss:</b>		
Depreciation	9,743	13,372
Amortization	3,381	1,044
(Reversal of) expected credit loss	(12,313)	3,392
Interest expense	2,229	1,447
Interest income	(231)	(150)
Loss on disposal of property, plant and equipment	269	7
Gain on disposal of non-current assets held for sale	-	(7,392)
Gain on lease modifications	(2)	-
<b>Total adjustments for profit or loss</b>	<u>3,076</u>	<u>11,720</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Financial assets at fair value through profit or loss	(134)	-
Contract assets	(4,006)	-
Notes and accounts receivable	13,967	(20,140)
Other receivables	15,551	5,265
Inventories	71,694	(33,815)
Other current assets	8,713	(75,453)
<b>Net changes in operating assets</b>	<u>105,785</u>	<u>(124,143)</u>
<b>Changes in operating liabilities:</b>		
Financial liabilities at fair value through profit or loss	(782)	-
Notes and accounts payable	24,536	(35,912)
Other payables	(40,628)	(37,918)
Contract liabilities	(27,407)	(8,813)
Other current liabilities	(311)	704
Net defined benefit liabilities	-	4
<b>Net changes in operating liabilities</b>	<u>(44,592)</u>	<u>(81,935)</u>
<b>Total changes in operating assets and liabilities</b>	<u>61,193</u>	<u>(206,078)</u>
<b>Total adjustments</b>	<u>64,269</u>	<u>(194,358)</u>
Cash provided by (used in) operations	71,961	(139,878)
Interest received	208	143
Income taxes paid	(2,644)	(2,614)
<b>Net cash flows provided by (used in) operating activities</b>	<u>69,525</u>	<u>(142,349)</u>

See accompanying notes to the consolidated financial statements.



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

**Reviewed only, not audited in accordance with Standards on Auditing**

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

**Consolidated Statements of Cash Flows (Continued)**

**For the three months ended March 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<b>2023</b>	<b>2022 (Restated)</b>
<b>Cash flows from investing activities:</b>		
Acquisition of subsidiaries, net of cash received	-	(22,507)
Proceeds from disposal of non-current assets held for sale	-	24,583
Acquisition of property, plant and equipment	(395)	(19,422)
Proceeds from disposal of property, plant and equipment	89	-
Acquisition of intangible assets	(350)	-
Decrease in other financial assets — current	1,880	8,990
Increase in other financial assets — non-current	(353)	(334)
Decrease in other non-current assets	794	5,696
<b>Net cash flows provided by (used in) investing activities</b>	<b>1,665</b>	<b>(2,994)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	30,000	80,325
Decrease in short-term borrowings	(49,804)	(36,317)
Increase in long-term debt	50,000	-
Repayments of long-term debt	(70,055)	-
Payment of lease liabilities	(4,271)	(3,750)
Interest paid	(2,259)	(1,431)
<b>Net cash flows provided by (used in) financing activities</b>	<b>(46,389)</b>	<b>38,827</b>
<b>Effect of foreign exchange rate changes</b>	<b>5,695</b>	<b>23,858</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>30,496</b>	<b>(82,658)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>436,095</b>	<b>521,134</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 466,591</b>	<b>438,476</b>

See accompanying notes to the consolidated financial statements.

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

**Reviewed only, not audited in accordance with Standards on Auditing**

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

**Notes to the Consolidated Financial Statements**

**For the three months ended March 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 May 3, 2023.

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

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

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

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

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

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

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

(Continued)

## ACE PILLAR CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS 16 “Requirements for Sale and Leaseback Transactions”

#### 4. Summary of significant accounting policies:

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

##### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”) and IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

##### (b) Basis of consolidation

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

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

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

(Continued)

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

Name of Investor	Name of Subsidiaries	Principal Activities	Percentage of Ownership			Note
			March 31, 2023	December 31, 2022	March 31, 2022	
Cyber South	Proton Inc. (“Proton”, Samoa)	Investment and holding activity	100.00 %	100.00 %	100.00 %	-
Cyber South	Ace Tek (HK) Holding Co., Ltd. (“Ace Tek”, Hong Kong)	Investment and holding activity	100.00 %	100.00 %	100.00 %	-
Cyber South	Suzhou Super Pillar Automation Equipment Co., Ltd. (“Suzhou Super Pillar”, China)	Manufacture and technology of automation mechanical transmission system and control products	100.00 %	100.00 %	100.00 %	-
Cyber South	Grace Transmission (Tianjin) Co., Ltd. (“Grace Transmission”, China)	Manufacture of automation mechanical transmission system and component	100.00 %	100.00 %	100.00 %	-
Cyber South	Xuchang Ace AI Equipment Co., Ltd. (“Xuchang Ace”, China)	Wholesale of industrial robot and component	-	-	100.00 %	Note 5
Ace Tek	Advancedtek Ace (TJ) Inc. (“Advancedtek Ace”, China)	Electronic system integration	100.00 %	100.00 %	100.00 %	-
The Company	Standard Technology Corp. (“STC”, Taiwan)	Sales of semiconductor, optoelectronics and machinery equipment and equipment repair	60.00 %	60.00 %	60.00 %	Notes 1 and 6
STC	Standard Technology Corp. (“STCBVI”, BVI)	Investment and holding activity	60.00 %	60.00 %	60.00 %	Notes 1 and 6
STCBVI	Standard International Trading (Shanghai) Co., Ltd. (“Shanghai STC”, China)	Sales of semiconductor, optoelectronics and machinery equipment and equipment repair	60.00 %	60.00 %	60.00 %	Notes 1 and 6
The Company	ACE Energy Co., Ltd. (“AEG”, Taiwan) (formerly BenQ ESCO Corp.)	Energy technology service	99.86 %	99.86 %	83.00 %	Notes 3, 4 and 6
AEG	BlueWalker GmbH (“BWA”, Germany)	Sales and service of energy management products	99.86 %	99.86 %	-	Note 2

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

Note 2: The Group acquired 100% equity ownership of BWA on April 1, 2022 and obtained control over it. In addition, AEG directly owned the entire equity ownership of BWA on December 1, 2022 by reorganization under common control.

Note 3: Referring to note 6(i), the Group acquired 100% equity ownership of AEG on July 1, 2022 and obtained control over AEG. The transaction is an organizational reorganization under common control that Ace Pillar Co., Ltd. owns the entire equity interests of ACE Energy Co., Ltd. from beginning. The consolidated financial statements for the three months ended March 31, 2022 have been restated for comparison with the financial statements for the three months ended March 31, 2023.

Note 4: In November 2022, AEG increased its share capital and reserved the 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.

(ii) 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**

(c) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

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

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

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

(d) Investment property

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

(Continued)

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

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

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

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

(e) Employee benefits

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

(f) Income taxes

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

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

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

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

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

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

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

**6. Significant account disclosures**

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

(a) Cash and cash equivalents

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Cash on hand	\$ 415	490	308
Demand deposits and checking accounts	466,176	435,605	429,168
Time deposits with original maturities less than three months	-	-	9,000
	<b><u>\$ 466,591</u></b>	<b><u>436,095</u></b>	<b><u>438,476</u></b>

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

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Financial assets at fair value through profit or loss:			
Foreign currency forward contracts	\$ 194	163	-
Foreign exchange swaps	103	-	-
	<b><u>\$ 297</u></b>	<b><u>163</u></b>	<b><u>-</u></b>

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Financial liabilities at fair value through profit or loss:			
Foreign currency forward contracts	\$ (215)	(64)	-
Foreign exchange swaps	(61)	(994)	-
	<b><u>\$ (276)</u></b>	<b><u>(1,058)</u></b>	<b><u>-</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>March 31, 2023</b>	
	<b>Contract amount (in thousands)</b>	<b>Maturity period</b>
USD Buy / CNY Sell	USD 1,000	2023/04
USD Buy / EUR Sell	USD 2,000	2023/04
CNY Buy / USD Sell	USD 2,700	2023/04
	<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>March 31, 2023</b>	
	<b>Contract amount (in thousands)</b>	<b>Maturity period</b>
TWD Swap in / CNY Swap out	CNY 47,000	2023/04
	<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>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Equity investments at fair value through other comprehensive income:			
Foreign unlisted stocks	\$ 1,434	1,434	1,434

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

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

(Continued)



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

(d) Financial assets at amortized cost

	March 31, 2023	December 31, 2022	March 31, 2022
Pledged time deposits	\$ 1,616	616	10,611
Time deposits	4,352	7,232	16,580
Corporate bonds	3,209	3,212	3,013
	<u>\$ 9,177</u>	<u>11,060</u>	<u>30,204</u>
Current	\$ 5,968	7,848	27,191
Non-current	3,209	3,212	3,013
	<u>\$ 9,177</u>	<u>11,060</u>	<u>30,204</u>

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

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

(e) Notes and accounts receivable

	March 31, 2023	December 31, 2022	March 31, 2022
Notes receivable from operating activities	\$ 264,519	240,323	226,069
Accounts receivable measured at amortized cost	709,402	762,692	1,055,216
Less: loss allowance	(31,572)	(59,012)	(34,297)
	<u>\$ 942,349</u>	<u>944,003</u>	<u>1,246,988</u>

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

	March 31, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 375,542	0%~0.46%	53
Past due 1-90 days	13,213	0%~31.36%	2
Past due 91-180 days	216	0%~100%	-
Past due 181-270 days	461	0%~100%	-
Past due over 271 days	2,143	100%	2,143
	<u>\$ 391,575</u>		<u>2,198</u>

(Continued)

**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>
	<b>March 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
Current	\$ 530,115	0.0%~1.07%	48
Past due 1-90 days	20,787	0.0%~0.22%	10
Past due 91-180 days	191	0.0%~23.8%	-
Past due over 271 days	4,273	100%	4,273
	<b>\$ 555,366</b>		<b>4,331</b>

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

	<b>March 31, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
Current	\$ 483,459	0%~1.07%	1,282
Past due 1-90 days	71,746	0%~21.08%	3,321
Past due 91-180 days	3,673	0%~61.09%	1,478
Past due 181-270 days	1,908	0%~100%	1,733
Past due over 271 days	21,560	100%	21,560
	<b>\$ 582,346</b>		<b>29,374</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>

(Continued)

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

	<b>March 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
Current	\$ 554,785	0%~0.43%	1,145
Past due 1-90 days	141,674	0%~21%	5,353
Past due 91-180 days	7,984	0%~67%	2,771
Past due 181-270 days	4,592	79%~100%	3,813
Past due over 271 days	16,884	100%	16,884
	<b>\$ 725,919</b>		<b>29,966</b>

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

	<b>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 59,012	27,646
Acquisition through business combination	-	3,140
Impairment loss (gain on reversal of impairment loss)	(12,313)	3,392
Write-off	-	(882)
Insurance claims for accounts receivable	(14,331)	-
Effect of exchange rate changes	(796)	1,001
Balance at March 31	<b>\$ 31,572</b>	<b>34,297</b>

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

(f) Other receivables

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Other receivables	\$ 13,861	29,412	10,461
Less: loss allowance	-	-	-
	<b>\$ 13,861</b>	<b>29,412</b>	<b>10,461</b>

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

(Continued)

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

(g) Inventories

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
Merchandise inventory	<u>\$ 825,229</u>	<u>896,923</u>	<u>812,020</u>

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

	<u>For the three months ended</u> <u>March 31,</u>	
	<u>2023</u>	<u>2022</u>
Cost of inventories sold	\$ 621,722	769,577
Reversal of write-downs of inventories	(4,790)	(4,320)
	<u>\$ 616,932</u>	<u>765,257</u>

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

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

In May 2021, the Company's Board of Directors approved a resolution to dispose of land and buildings located at Sanchong District of New Taipei City. The assets amounting to \$73,452 were classified as non-current assets held for sale. Part of the abovementioned assets have been sold in January and June 2022, of which the considerations amounted to \$46,941 and the carrying amounts amounted to \$22,572, respectively.

In December 2021, the Board of Directors of Tianjin Ace Pillar Co., Ltd. approved a resolution to dispose factories located in China (Tianjin) Pilot Free Trade Zone and land-use rights. The abovementioned assets, with the carrying amount of \$242,467 (CNY 55,035), were classified as non-current assets held for sale.

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

(i) Acquisition of subsidiaries and non-controlling interests

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

1) Consideration transferred

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

(Continued)

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

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

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

Consideration transferred:

Cash \$ 187,000

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

Less: Identifiable net assets acquired at fair value:

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

Goodwill \$ 67,937

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

3) Intangible assets

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

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

(Continued)

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

(ii) Acquisition of subsidiary – BlueWalker GmbH

1) Consideration transferred

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

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

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

Consideration transferred:

Cash	\$	127,200
Less: Identifiable net assets acquired at fair value:		
Cash and cash equivalents	\$	34,958
Notes and accounts receivable, net		27,389
Inventories		72,990
Prepayments and other current assets		2,746
Property, plant and equipment		636
Intangible assets – computer software		18
Intangible assets – customer relationship		12,151
Intangible assets – patent		12,822
Other non-current assets		1,273
Accounts payable		(33,314)
Other payables (including dividends payable)		(14,545)
Current tax liabilities		(1,036)
Contract liabilities – current		(624)
Other current liabilities		(311)
Current portion of long-term debt		(249)
Long-term debt		(601)
Deferred income tax liabilities		(4,994)
Other non-current liabilities		(805)
		<u>108,504</u>
Goodwill		<u>\$ 18,696</u>

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

(Continued)

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

3) Goodwill

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

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

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

1) Consideration transferred

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

2) Identifiable net assets acquired in a business combination

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

Consideration transferred:

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

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

(Continued)

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

(j) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment and other equipment</u>	<u>Lease</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:						
Balance at January 1, 2023	\$ 256,927	526,392	173,724	102,532	229	1,059,804
Additions	-	-	395	-	-	395
Disposals	-	-	(11,103)	-	-	(11,103)
Reclassification	(63,339)	(35,882)	-	-	-	(99,221)
Effect of exchange rate changes	-	2,366	545	-	-	2,911
Balance at March 31, 2023	<u>\$ 193,588</u>	<u>492,876</u>	<u>163,561</u>	<u>102,532</u>	<u>229</u>	<u>952,786</u>
Balance at January 1, 2022	\$ 219,768	247,048	150,322	102,532	6,122	725,792
Acquisition through business combination	-	-	10,226	-	-	10,226
Additions	-	19,332	90	-	-	19,422
Disposals	-	-	(2,587)	-	-	(2,587)
Reclassification	-	-	5,893	-	(5,893)	-
Effect of exchange rate changes	-	5,007	2,319	-	-	7,326
Balance at March 31, 2022	<u>\$ 219,768</u>	<u>271,387</u>	<u>166,263</u>	<u>102,532</u>	<u>229</u>	<u>760,179</u>
Accumulated depreciation and impairment loss:						
Balance at January 1, 2023	\$ -	136,316	154,343	102,532	-	393,191
Depreciation	-	4,310	1,562	-	-	5,872
Disposals	-	-	(10,745)	-	-	(10,745)
Reclassification	-	(16,175)	-	-	-	(16,175)
Effect of exchange rate changes	-	515	468	-	-	983
Balance at March 31, 2023	<u>\$ -</u>	<u>124,966</u>	<u>145,628</u>	<u>102,532</u>	<u>-</u>	<u>373,126</u>
Balance at January 1, 2022	\$ -	114,208	137,672	100,458	-	352,338
Acquisition through business combination	-	-	7,385	-	-	7,385
Depreciation	-	2,763	6,736	533	-	10,032
Disposals	-	-	(2,580)	-	-	(2,580)
Effect of exchange rate changes	-	3,569	2,016	-	-	5,585
Balance at March 31, 2022	<u>\$ -</u>	<u>120,540</u>	<u>151,229</u>	<u>100,991</u>	<u>-</u>	<u>372,760</u>
Carrying amount:						
Balance at January 1, 2023	<u>\$ 256,927</u>	<u>390,076</u>	<u>19,381</u>	<u>-</u>	<u>229</u>	<u>666,613</u>
Balance at March 31, 2023	<u>\$ 193,588</u>	<u>367,910</u>	<u>17,933</u>	<u>-</u>	<u>229</u>	<u>579,660</u>
Balance at January 1, 2022	<u>\$ 219,768</u>	<u>132,840</u>	<u>12,650</u>	<u>2,074</u>	<u>6,122</u>	<u>373,454</u>
Balance at March 31, 2022	<u>\$ 219,768</u>	<u>150,847</u>	<u>15,034</u>	<u>1,541</u>	<u>229</u>	<u>387,419</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	-	2,057	402	2,459
Disposals	-	(4,652)	(1,612)	(6,264)
Effect of exchange rates changes	<u>1,552</u>	<u>90</u>	<u>6</u>	<u>1,648</u>
Balance at March 31, 2023	<u>\$ 20,018</u>	<u>42,935</u>	<u>1,640</u>	<u>64,593</u>
Balance at January 1, 2022	\$ 7,265	32,454	3,053	42,772
Acquisition through business combination	-	6,237	443	6,680
Additions	-	3	-	3
Disposals	-	(1,158)	-	(1,158)
Effect of exchange rate changes	<u>295</u>	<u>931</u>	<u>27</u>	<u>1,253</u>
Balance at March 31, 2022	<u>\$ 7,560</u>	<u>38,467</u>	<u>3,523</u>	<u>49,550</u>
Accumulated depreciation:				
Balance at January 1, 2023	\$ 1,595	10,619	2,224	14,438
Depreciation	113	3,276	295	3,684
Disposals	-	(4,530)	(1,612)	(6,142)
Effect of exchange rates changes	<u>1,501</u>	<u>36</u>	<u>4</u>	<u>1,541</u>
Balance at March 31, 2023	<u>\$ 3,209</u>	<u>9,401</u>	<u>911</u>	<u>13,521</u>
Balance at January 1, 2022	544	16,403	1,155	18,102
Acquisition through business combination	-	1,132	27	1,159
Depreciation	46	2,995	299	3,340
Disposals	-	(1,158)	-	(1,158)
Effect of exchange rates changes	<u>68</u>	<u>560</u>	<u>8</u>	<u>636</u>
Balance at March 31, 2022	<u>\$ 658</u>	<u>19,932</u>	<u>1,489</u>	<u>22,079</u>
Carrying amount:				
Balance at January 1, 2023	<u>\$ 16,871</u>	<u>34,821</u>	<u>620</u>	<u>52,312</u>
Balance at March 31, 2023	<u>\$ 16,809</u>	<u>33,534</u>	<u>729</u>	<u>51,072</u>
Balance at January 1, 2022	<u>\$ 6,721</u>	<u>16,051</u>	<u>1,898</u>	<u>24,670</u>
Balance at March 31, 2022	<u>\$ 6,902</u>	<u>18,535</u>	<u>2,034</u>	<u>27,471</u>

(Continued)

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

## (l) Investment property

	<u>Construction in progress</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance at January 1, 2023	\$ -	-	-
Reclassification	63,339	35,882	99,221
Balance at December 31, 2023	<u>\$ 63,339</u>	<u>35,882</u>	<u>99,221</u>
Accumulated depreciation:			
Balance at January 1, 2023	\$ -	-	-
Depreciation	-	187	187
Reclassification	-	16,175	16,175
Balance at March 31, 2023	<u>\$ -</u>	<u>16,362</u>	<u>16,362</u>
Carrying amount:			
Balance at March 31, 2023	<u>\$ 63,339</u>	<u>\$ 19,520</u>	<u>82,859</u>
Fair value:			
Balance at March 31, 2023			<u>\$ 164,892</u>

For the three months ended March 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>Patent</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	-	350	-	-	350
Disposals	-	(1,023)	-	-	(1,023)
Effect of exchange rates changes	-	9	-	-	9
Balance at March 31, 2023	<u>\$ 98,273</u>	<u>16,067</u>	<u>12,822</u>	<u>81,942</u>	<u>209,104</u>
Balance at January 1, 2022	\$ -	5,687	-	-	5,687
Acquisition through business combination	67,937	2,014	-	92,585	162,536
Effect of exchange rates changes	-	6	-	-	6
Balance at March 31, 2022	<u>\$ 67,937</u>	<u>7,707</u>	<u>-</u>	<u>92,585</u>	<u>168,229</u>
Accumulated amortization:					
Balance at January 1, 2023	\$ -	6,035	962	6,300	13,297
Amortization	-	1,150	321	1,910	3,381
Disposals	-	(1,023)	-	-	(1,023)
Effect of exchange rates changes	-	8	-	-	8
Balance at March 31, 2023	<u>\$ -</u>	<u>6,170</u>	<u>1,283</u>	<u>8,210</u>	<u>15,663</u>

(Continued)

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

	<b>Goodwill</b>	<b>Computer software</b>	<b>Patent</b>	<b>Customer relationship</b>	<b>Total</b>
Balance at January 1, 2022	\$ -	1,520	-	-	1,520
Amortization	-	524	-	520	1,044
Acquisition through business combination	-	975	-	-	975
Effect of exchange rates changes	-	6	-	-	6
Balance at March 31, 2022	<u>\$ -</u>	<u>3,025</u>	<u>-</u>	<u>520</u>	<u>3,545</u>
Carrying amount:					
Balance at January 1, 2023	<u>\$ 98,273</u>	<u>10,696</u>	<u>11,860</u>	<u>75,642</u>	<u>196,471</u>
Balance at March 31, 2023	<u>\$ 98,273</u>	<u>9,897</u>	<u>11,539</u>	<u>73,732</u>	<u>193,441</u>
Balance at January 1, 2022	<u>\$ -</u>	<u>4,167</u>	<u>-</u>	<u>-</u>	<u>4,167</u>
Balance at March 31, 2022	<u>\$ 67,937</u>	<u>4,682</u>	<u>-</u>	<u>92,065</u>	<u>164,684</u>

According to IAS 36, goodwill arising from a business combination is tested at least annually. Based on the results of impairment tests conducted by the Group as of December 31, 2022, there were no impairment losses. Please refer to note 6(1) of the consolidated financial statements for the year ended December 31, 2022. As of March 31, 2023, the Group assessed the achievement of expected revenue and operating income of the respective cash generating units for the three months ended March 31, 2023, and concluded that there were no indications of impairment.

(n) Short-term borrowings

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Unsecured bank loans	\$ 130,885	117,432	147,453
Secured bank loans	79,757	111,803	110,605
	<u>\$ 210,642</u>	<u>229,235</u>	<u>258,058</u>
Unused credit facilities	<u>\$ 2,509,000</u>	<u>2,521,803</u>	<u>2,382,246</u>
Interest rate	1.87%~4.1%	1.6%~4.1%	0.85%~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>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Unsecured bank loans	\$ 80,000	100,000	-
Secured bank loans	608	653	-
Less: current portion of long-term debt	(608)	(653)	-
	<u>\$ 80,000</u>	<u>200,653</u>	<u>-</u>
Unused credit facilities	<u>\$ 50,000</u>	<u>100,000</u>	<u>-</u>
Interest rate	<u>1.825%~5.83%</u>	<u>1.72%~5.83%</u>	<u>-</u>
Maturity year	<u>2024~2026</u>	<u>2024</u>	<u>-</u>

(Continued)

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

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>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Current	<u>\$ 10,896</u>	<u>11,367</u>	<u>16,266</u>
Non-current	<u>\$ 23,667</u>	<u>25,086</u>	<u>6,415</u>

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

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Interest expense on lease liabilities	<u>\$ 188</u>	<u>190</u>
Expenses relating to short-term leases	<u>\$ 3,865</u>	<u>1,800</u>

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

	<b>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Total cash outflows for leases	<u>\$ 8,324</u>	<u>5,740</u>

(i) Real estate leases

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

(ii) Other leases

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

(Continued)

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

(q) Employee benefits

(i) Defined benefit plans

On March 1, 2022, the Group obtained control over STC.

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

The expenses recognized in profit or loss were as follows:

	<b>For the three months ended March 31, 2022</b>
Operating costs	<u>\$ <u>4</u></u>

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

(ii) Defined contribution plans

For the three months ended March 31, 2023 and 2022, the Group recognized the pension expenses of \$5,855 and \$4,915, respectively, in relation to the defined contribution plans.

(r) Income taxes

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

	<b>For the three months ended March 31,</b>	
	2023	2022
Current income tax expense	<u>\$ <u>5,266</u></u>	<u><u>13,262</u></u>

(ii) For the three months ended March 31, 2023 and 2022, there was no income tax expense recognized directly in equity or other comprehensive income.

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

(Continued)

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

(s) Capital and other equity

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

(i) Common stock

As of March 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>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Paid-in capital in excess of par value	\$ 275,225	275,225	278,081
Changes in ownership interests in subsidiaries	11	11	-
Employee stock options	7,354	7,354	7,354
Unclaimed dividends reclassified to capital surplus	107	107	107
Treasury share transactions	29,454	29,454	29,454
Others	82	82	81
	<b><u>\$ 312,233</u></b>	<b><u>312,233</u></b>	<b><u>315,077</u></b>

(iii) Retained earnings

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

(Continued)

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

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

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

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

(iv) Other equity items (net after tax)

	<b>Foreign currency translation differences</b>
Balance at January 1, 2023	\$ (35,927)
Foreign exchange differences arising from translation of foreign operations	6,283
Balance at March 31, 2023	<b>\$ (29,644)</b>
Balance at January 1, 2022	\$ (56,506)
Foreign exchange differences arising from translation of foreign operations	28,121
Balance at March 31, 2022	<b>\$ (28,385)</b>

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

	<b>For the three months ended, March 31</b>	
	2023	2022
Balance at January 1	\$ 89,338	4,160
Equity attributable to non-controlling interests		
Net income	1,051	1,999
Foreign currency translation differences	308	889
Increase in non-controlling interests in acquisition of subsidiaries	-	79,375
Balance at March 31	<b>\$ 90,697</b>	<b>86,423</b>

(Continued)

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

## (t) Earnings per share (“EPS”)

## (i) Basic earnings per share

	<b>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Net income attributable to shareholders of the Company	\$ <u>1,375</u>	<u>39,832</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>112,250</u>	<u>112,250</u>
Basic earnings per share (in dollars)	\$ <u>0.01</u>	<u>0.35</u>

## (ii) Diluted earnings per share

	<b>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Net income attributable to shareholders of the Company	\$ <u>1,375</u>	<u>39,832</u>
Weighted-average number of ordinary shares outstanding (in thousands)	112,250	112,250
Effect of dilutive potential ordinary shares:		
Effect of employee remuneration in stock	44	118
Weighted-average number of ordinary shares outstanding (in thousands) (including effect of dilutive potential common stock)	<u>112,294</u>	<u>112,368</u>
Diluted earnings per share (in dollars)	\$ <u>0.01</u>	<u>0.35</u>

## (u) Revenue from contracts with customers

## (i) Disaggregation of revenue

	<b>2023</b>	<b>2022</b>
Major products / services lines:		
Automation control	\$ 304,695	532,053
Mechanical transmission	226,187	335,754
Sales and service of semiconductor equipment material	131,333	64,245
Energy management products	137,218	15,402
Others	<u>707</u>	<u>848</u>
	<u>\$ 800,140</u>	<u>948,302</u>

(Continued)



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

(ii) Contract balances

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Notes and accounts receivable	\$ 973,921	1,003,015	1,281,285
Less: loss allowance	(31,572)	(59,012)	(34,297)
	<u>\$ 942,349</u>	<u>944,003</u>	<u>1,246,988</u>
Contract assets	<u>\$ 4,006</u>	<u>-</u>	<u>-</u>
Contract liabilities — advanced receipts	<u>\$ 80,754</u>	<u>108,161</u>	<u>129,494</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 three months ended March 31, 2023 and 2022, which were included in the contract liabilities balance at the beginning of the period, were \$52,966 and \$47,282, 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.

For the three months ended March 31, 2023 and 2022, the Company accrued its remuneration to employees amounting to \$73 and \$1,037, respectively, and the remuneration to directors amounting to \$15 and \$518, respectively. The estimated amounts mentioned above are calculated based on the income before income tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles, and recognized them as operating expenses. The difference between accrual and actual payment, if any, will be accounted for as change in accounting estimate and be recognized in profit or loss in the following year. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

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

(Continued)

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

(w) Non-operating income and loss

(i) Interest income

	<b>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Interest income from bank deposits	\$ 174	143
Interest income from financial assets measured at amortized cost	23	7
Others	34	-
	<b>\$ 231</b>	<b>150</b>

(ii) Other income

	<b>For the three months ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Miscellaneous income	<b>\$ 2,647</b>	<b>1,546</b>

(iii) Other gains and losses

	<b>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Foreign currency exchange gains, net	\$ 2,573	9,030
Losses on financial instruments at fair value through profit or loss	(3,161)	-
Losses on disposal of fixed assets	(269)	(7)
Gains on disposal of non-current assets held for sale	-	7,392
Others	(43)	(59)
	<b>\$ (900)</b>	<b>16,356</b>

(iv) Finance costs

	<b>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Interest expense on bank loans	\$ (2,041)	(1,257)
Interest expense on lease liabilities	(188)	(190)
	<b>\$ (2,229)</b>	<b>(1,447)</b>

(Continued)

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

(x) Financial instruments

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

(i) Categories of financial instruments

1) Financial assets

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
Financial assets at fair value through profit or loss – current	\$ 297	163	-
Financial assets at fair value through other comprehensive income – non-current	1,434	1,434	1,434
Financial assets measured at amortized cost:			
Cash and cash equivalents	466,591	436,095	438,476
Financial assets measured at amortized cost (including current and non-current)	9,177	11,060	30,204
Notes and accounts receivable	942,349	944,003	1,246,988
Other receivables	13,861	29,412	10,461
Other financial assets – non-current	19,108	18,755	17,873
	<u>\$ 1,452,817</u>	<u>1,440,922</u>	<u>1,745,436</u>

2) Financial liabilities

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
Financial liabilities at fair value through profit or loss – current	\$ 276	1,058	-
Financial liabilities measured at amortized cost:			
Short-term borrowings	210,642	229,235	258,058
Notes and accounts payable	415,141	390,605	607,238
Other payables	108,593	149,251	115,370
Cash dividends payable	56,125	-	136,425
Lease liabilities (including current and non-current)	34,563	36,453	22,681
Long-term debt (including current portion)	80,608	100,653	-
	<u>\$ 905,948</u>	<u>907,255</u>	<u>1,139,772</u>

(Continued)

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

(ii) Fair value information

1) Financial instruments not measured at fair value

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

2) Financial instruments measured at fair value

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

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

	<b>March 31, 2023</b>				
	<b>Carrying amount</b>	<b>Fair Value</b>			<b>Total</b>
<b>Level 1</b>		<b>Level 2</b>	<b>Level 3</b>		
Financial assets at fair value through profit or loss:					
Derivatives – foreign currency forward contracts	\$ 194	-	194	-	194
Derivatives – foreign exchange swaps	103	-	103	-	103
	<u>\$ 297</u>	<u>-</u>	<u>297</u>	<u>-</u>	<u>297</u>
Financial liabilities at fair value through profit or loss:					
Derivatives – foreign currency forward contracts	\$ (215)	-	(215)	-	(215)
Derivatives – foreign exchange swaps	(61)	-	(61)	-	(61)
	<u>\$ (276)</u>	<u>-</u>	<u>(276)</u>	<u>-</u>	<u>(276)</u>
Financial assets at fair value through other comprehensive income:					
Foreign unlisted stocks	<u>\$ 1,434</u>	<u>-</u>	<u>-</u>	<u>1,434</u>	<u>1,434</u>

(Continued)



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

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>March 31, 2023</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 211,905	211,905	-	-	-
Notes and accounts payable	415,141	415,141	-	-	-
Other payables	108,593	108,593	-	-	-
Cash dividends payable	56,125	56,125	-	-	-
Lease liabilities (including current and non-current)	35,927	11,501	8,075	16,351	-
Long-term debt (including current portion)	84,082	2,143	31,114	50,825	-
	<u>\$ 911,773</u>	<u>805,408</u>	<u>39,189</u>	<u>67,176</u>	<u>-</u>
Derivative financial instruments:					
Foreign currency forward contracts:					
Outflow	\$ 172,617	172,617	-	-	-
Inflow	(172,596)	(172,596)	-	-	-
Foreign exchange swaps:					
Outflow	208,368	208,368	-	-	-
Inflow	(208,410)	(208,410)	-	-	-
	<u>\$ (21)</u>	<u>(21)</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:					
Outflow	207,245	207,245	-	-	-
Inflow	(206,251)	(206,251)	-	-	-
	<u>\$ 895</u>	<u>895</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>March 31, 2022</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 259,347	259,347	-	-	-
Notes and accounts payable	607,238	607,238	-	-	-
Other payables	115,370	115,370	-	-	-
Cash dividends payable	136,425	136,425	-	-	-
Lease liabilities (including current and non-current)	23,226	16,719	5,291	1,216	-
	<u>\$ 1,141,606</u>	<u>1,135,099</u>	<u>5,291</u>	<u>1,216</u>	<u>-</u>

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

(Continued)

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

(v) Foreign currency risk

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

<b>March 31, 2023</b>					
	<b>Foreign currency (in thousands)</b>	<b>Exchange rate</b>	<b>TWD (in thousands)</b>	<b>Change in magnitude</b>	<b>Effect on profit or loss (in thousands)</b>
<u>Financial assets</u>					
<u>Monetary items</u>					
CNY	\$ 47,636	4.4377	211,394	1 %	2,114
USD	5,803	30.48	176,875	1 %	1,769
JPY	35,981	0.2286	8,225	1 %	82
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	\$ 5,505	30.48	167,792	1 %	1,678
JPY	15,653	0.2286	3,578	1 %	36
<b>December 31, 2022</b>					
	<b>Foreign currency (in thousands)</b>	<b>Exchange rate</b>	<b>TWD (in thousands)</b>	<b>Change in magnitude</b>	<b>Effect on profit or loss (in thousands)</b>
<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
<b>March 31, 2022</b>					
	<b>Foreign currency (in thousands)</b>	<b>Exchange rate</b>	<b>TWD (in thousands)</b>	<b>Change in magnitude</b>	<b>Effect on profit or loss (in thousands)</b>
<u>Financial assets</u>					
<u>Monetary items</u>					
CNY	\$ 1,211	4.50	5,450	1 %	55
USD	13,142	28.60	375,861	1 %	3,759
JPY	40,736	0.2349	9,569	1 %	96
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	9,348	28.60	267,353	1 %	2,674
JPY	31,417	0.2349	7,380	1 %	74

(Continued)

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

As the Group deal in diverse foreign currencies, gains and losses on foreign exchange were summarized as a single amount. The aggregate of realized and unrealized foreign exchange gain (loss) for the three months ended March 31, 2023 and 2022 were \$2,573 and \$9,030, respectively.

(y) Financial risk management

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

(z) Capital management

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

(aa) Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2023	Cash flows	Acquisition through business combination	Non-cash changes			March 31, 2023
				Effect of foreign exchange rate	Additions to lease liabilities	Disposals of lease liabilities	
Short-term borrowings	\$ 229,235	(19,804)	-	1,211	-	-	210,642
Long-term debt (including current portion)	100,653	(20,055)	-	10	-	-	80,608
Lease liabilities	36,453	(4,271)	-	46	2,459	(124)	34,563
Total liabilities from financing activities	<u>\$ 366,341</u>	<u>(44,130)</u>	<u>-</u>	<u>1,267</u>	<u>2,459</u>	<u>(124)</u>	<u>325,813</u>

	January 1, 2022	Cash flows	Acquisition through business combination	Non-cash changes			March 31, 2022
				Effect of foreign exchange rate	Additions to lease liabilities	Disposals of lease liabilities	
Short-term borrowings	\$ 87,723	44,008	122,161	4,166	-	-	258,058
Lease liabilities	20,576	(3,750)	5,464	388	3	-	22,681
Total liabilities from financing activities	<u>\$ 108,299</u>	<u>40,258</u>	<u>127,625</u>	<u>4,554</u>	<u>3</u>	<u>-</u>	<u>280,739</u>

(Continued)



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

**7. Related-party transactions**

(a) Parent company and ultimate controlling party

DFI Inc. (“DFI”) is the parent company of the Group and owns 48.06% of the outstanding shares of the Company as of both March 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
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
Darly Venture Inc. (“APV”)	Qisda’s subsidiary
Darly2 Venture Co., Ltd. (“Darly 2”)	Qisda’s subsidiary
Darly Consulting Corporation (“Darly C”)	Qisda’s subsidiary
Visco Vision Inc. (“Visco Vision”)	Qisda’s associate
AU Optronics Corp. (“AU”)	A corporate director of Qisda that accounted its investment in Qisda using the equity method.
AUO Crystal Corp. (“ACTW”)	AU’s subsidiary
Yan Ying Hao Trading (ShenZhen) Co., Ltd. (“DYTH”)	AU’s subsidiary
Global Intelligence Network Co., Ltd. (“Ginnet”)	MetaAge’s subsidiary
Epic Cloud Co., Ltd. (“Epic Cloud”)	MetaAge’s subsidiary
Symbio Inc. (“Symbio”)	The Company’s director is Symbio’s key management

(Continued)

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Pro Accutech Co., Ltd. (“Pro Accutech”)	The Company’s director is Pro Accutech’s key management
Avatack Co., Ltd. (“Avatack”)	The Company’s director is Avatack’s key management
Four Pillars Enterprise Co., Ltd. (“Four Pillars”)	The Company’s director is Four Pillars’ key management

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

(c) Significant related-party transactions

(i) Revenue

	<b>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Ultimate controlling party	\$ 3,213	831
Other related parties	17,610	11,102
	<b>\$ 20,823</b>	<b>11,933</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>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Parent company	\$ 5,149	4,453
Other related parties	135	3,005
	<b>\$ 5,284</b>	<b>7,458</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

<u>Account</u>	<u>Related-party categories</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Accounts receivable	Ultimate controlling party	\$ 2,812	11,836	198
	Other related parties	18,930	13,273	22,258
		<b>\$ 21,742</b>	<b>25,109</b>	<b>22,456</b>

(Continued)

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

## (iv) Payables

<u>Account</u>	<u>Related-party categories</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Notes and accounts payable	Parent company	\$ 4,550	1,684	4,034
	Other related parties	-	32	3,491
Other payables	Ultimate controlling party	93	177	387
	Parent company	1,287	700	700
	Other related parties	624	535	381
	Dividends payable	26,979	-	48,562
		<u>\$ 33,533</u>	<u>3,128</u>	<u>57,555</u>

## (v) Lease

The Group leased office from BQC and Qisda and the rent is paid monthly with reference to the nearby office rental rates. For the three months ended March 31, 2023 and 2022, the related interest expense on lease liabilities amounted to \$3 and \$18, respectively. As of March 31, 2023, December 31, March 31, 2022, the balance of the lease liabilities amounted to \$579, \$611 and \$1,547, respectively.

The Group leased its office to related parties. For the three months ended March 31, 2023, the rental income amounted to \$429.

## (vi) Equity transaction

Referring to note 6(i), on July 1, 2022, the Group acquired 83% equity ownership of AEG from Qisda's subsidiaries, APV, Darly 2 and Darly C, for a cash consideration of \$26,560. In addition, the Group acquired 17% ownership of AEG from AU for a cash consideration of \$5,440. The related payables have been fully paid as of December 31, 2022.

## (d) Compensation for key management personnel

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 3,490	6,526
Post-employment benefits	51	51
	<u>\$ 3,541</u>	<u>6,577</u>

(Continued)

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

**8. Pledged assets**

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

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Pledged time deposits (recognized in financial assets measured at amortized cost – current)	Guarantee payment for import VAT	\$ 1,616	616	611
Pledged time deposits (recognized in financial assets measured at amortized cost – current)	Credit lines of bank loans	-	-	10,000
Other equipment	Long-term debt	152	199	-
Notes receivable	Short-term borrowings	79,757	111,803	70,605
Property, plant and equipment	Guarantee payment for procurement	30,197	29,979	-
		<u>\$ 111,722</u>	<u>142,597</u>	<u>81,216</u>

**9. Significant commitments and contingencies**

As of March 31, 2023, December 31 and March 31, 2022, the Group had issued promissory notes amounting to \$2,284,880, \$2,286,380 and \$2,285,975, respectively, as collateral for obtaining credit facilities from financial institutions.

**10. Significant losses due to major disasters: None**

**11. Significant subsequent events: None**

**12. Others:**

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

	For the three months ended March 31, 2023			For the three months ended March 31, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	-	81,912	81,912	2,374	73,856	76,230
Insurance	-	10,211	10,211	178	7,681	7,859
Pension	-	5,855	5,855	96	4,823	4,919
Others	-	2,863	2,863	135	3,076	3,211
Depreciation	91	9,652	9,743	6,561	6,811	13,372
Amortization	-	3,381	3,381	-	1,044	1,044

(b) Seasonality operations

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

(Continued)

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

**13. Additional disclosures:**

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

<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. 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:

<b>For the three months ended March 31, 2023</b>							
	<b>Taiwan</b>	<b>Mainland China</b>	<b>Sales and service of semiconductor equipment material</b>	<b>Energy saving and storage</b>	<b>Others</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
External revenue	\$ 235,001	296,531	131,333	137,218	57	-	800,140
Intra-group revenue	336	14,025	1,050	-	-	(15,411)	-
Total segment revenue	<u>\$ 235,337</u>	<u>310,556</u>	<u>132,383</u>	<u>137,218</u>	<u>57</u>	<u>(15,411)</u>	<u>800,140</u>
Segment profit (loss)	<u>\$ 2,166</u>	<u>(15,071)</u>	<u>5,470</u>	<u>16,252</u>	<u>(270)</u>	<u>(855)</u>	<u>7,692</u>

<b>For the three months ended March 31, 2022</b>							
	<b>Taiwan</b>	<b>Mainland China</b>	<b>Sales and service of semiconductor equipment material</b>	<b>Energy saving and storage</b>	<b>Others</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
External revenue	\$ 417,524	430,466	64,245	15,402	20,665	-	948,302
Intra-group revenue	3,021	166,363	1,120	-	-	(170,504)	-
Total segment revenue	<u>\$ 420,545</u>	<u>596,829</u>	<u>65,365</u>	<u>15,402</u>	<u>20,665</u>	<u>(170,504)</u>	<u>948,302</u>
Segment profit (loss)	<u>\$ 42,393</u>	<u>6,050</u>	<u>7,751</u>	<u>(739)</u>	<u>978</u>	<u>(1,953)</u>	<u>54,480</u>

**ACE PILLAR CO., LTD. AND SUBSIDIARIES**  
**Financing provided to other parties**  
**For the three months ended March 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	222,650	221,885	177,508	0%	2	-	Operating requirement	-	-	-	399,941	799,882
0	The Company	Suzhou Super Pillar	Other receivables from related parties	Yes	89,060	88,754	31,064	0%	2	-	Operating requirement	-	-	-	399,941	799,882
1	Cyber South	Tianjin Ace Pillar	Other receivables from related parties	Yes	21,385	21,336	21,336	0%	2	-	Operating requirement	-	-	-	572,746	572,746
2	Porton Inc.	Tianjin Ace Pillar	Other receivables from related parties	Yes	12,220	12,192	12,192	0%	2	-	Operating requirement	-	-	-	449,365	449,365

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 three months ended March 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	March 31, 2022				Note
				Shares/ Units	Carrying Value	Percentage of Ownership	Fair value	
STC	Stock: Intelligent fluids GmbH	-	Financial assets at fair value through other comprehensive income – non-current	27	Note 1	1.71%	-	-
STC	Stock: COMPITEK CORP PTE LTD. (CPL)	-	Financial assets at fair value through other comprehensive income – non-current	36	1,434	6.28%	1,434	-
STCBVI	Corporate bond: Biogen Inc.	-	Financial assets at amortized cost – non-current	USD 100	3,209	-	3,209	-

Note 1: The impairment loss was fully recognized.



**ACE PILLAR CO., LTD. AND SUBSIDIARIES**  
**Receivables from related parties which exceed \$100 million or 20% of the paid-in capital**  
**For the three months ended March 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	Overdue		Amounts Received in Subsequent Period	Loss Allowance
					Amount	Action Taken		
The Company	Tianjin Ace Pillar	Parent/Subsidiary	177,508	-	-	-	-	-

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 three months ended March 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	177,508	1 year	5.47%

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

1. "0" represents the Company.
2. Subsidiaries are numbered from "1".

Note 2: The relationships with counterparties are as follows:

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

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

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

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

**ACE PILLAR CO., LTD. AND SUBSIDIARIES**  
**Information of investees (excluding information on investments in Mainland China)**  
**For the three months ended March 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 March 31, 2023			Net Income (Loss) of the Investee	Share of Profit/ (Losses) of the Investee	Note
				March 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value			
The Company	Cyber South	SAMOA	Investment and holding activity	107,041	107,041	4,669	100.00%	572,746	(12,829)	(11,510)	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%	46,367	(270)	(270)	Note 1
Cyber South	Proton	SAMOA	Investment and holding activity	527,665	527,665	17,744	100.00%	449,365	(13,516)	Note 2	Note 1
Cyber South	Ace Tek	Hong Kong	Investment and holding activity	4,938	4,938	150	100.00%	2,285	94	Note 2	Note 1
The Company	STC	Taiwan	Sales of semiconductor, optoelectronics and machinery equipment and equipment repair	187,000	187,000	4,680	60.00%	211,796	3,950	1,550	Note 1
STC	STC	B.V.I.	Investment and holding activity	21,727	21,727	600	100.00%	117,304	1,647	Note 2	Note 1
AEG	BWA	Germany	Sales and service of energy management products	138,804	138,804	Note 3	100.00%	152,827	7,266	Note 2	Note 1
The Company	AEG	Taiwan	Energy technology service	166,760	166,760	4,993	99.86%	189,115	12,246	12,229	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 three months ended March 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 March 31, 2023	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss) (Note 3)	Carrying Value as of March 31, 2023	Accumulated Inward Remittance of Earnings as of March 31, 2023
					Outflow	Inflow						
Tianjin Ace Pillar	Sales of automation mechanical transmission system and component	1,075,853 (USD 35,297)	Direct and indirect investment	59,436 (USD 1,950)	-	-	59,436 (USD 1,950)	(16,360)	100.00%	(16,360)	532,767	125,533
Grace Transmission	Manufacture of automation mechanical transmission system and component	7,411 (RMB 1,670)	Indirect investment	4,877 (USD 160)	-	-	4,877 (USD 160)	7	100.00%	7 (USD 0)	4,200 (USD 138)	-
Advancedtek Ace	Electronic system integration	9,144 (USD 300)	Indirect investment	4,572 (USD 150)	-	-	4,572 (USD 150)	94	100.00%	94 (USD 3)	2,259 (USD 74)	-
Suzhou Super Pillar	Manufacture and technology of automation mechanical transmission system and control products	44,196 (USD 1,450)	Indirect investment	Note 2	-	-	Note 2	1,106	100.00%	1,106 (USD 36)	109,748 (USD 3,601)	-
Shanghai STC	Sales of semiconductor, optoelectronics and machinery equipment and equipment repair	14,630 (USD 480)	Indirect investment	14,630 (USD 480)	-	-	14,630 (USD 480)	1,623	100.00%	1,623	113,979	118,686

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

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

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

Note 4: The amounts were translated into New Taiwan dollars at the exchange rates of US\$1=NT\$30.48 and CNY\$1=NT\$4.4377.

2. Limits on investments in Mainland China:

Company Name	Accumulated Investment in Mainland China as of March 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 3)
ACE	156,027 (USD 5,119)	156,027 (USD 5,119)	1,254,241
STC	14,630 (USD 480)	14,630 (USD 480)	103,644

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\$30.48.

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.