

Stock Code : 8374

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**With Independent Auditor's Report  
For the Years Ended March 31, 2021 and 2020**

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

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## Independent Auditor’s 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. (“the Company”) and its subsidiaries (“the Group”) as of March 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for three months ended March 31, 2021 and 2020, 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 the International Accounting Standard 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 review.

### Scope of Review

We conducted our review in accordance with Statement on Auditing Standard No. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. 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 generally accepted auditing standards 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.

### Conclusion

Based on our reviews, 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 the Group as of March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standards 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the review resulting in this independent auditor’s review report are Wei-Ming Shih and Mei-Yen Chen.

KPMG

Taipei, Taiwan (Republic of China)

April 29, 2021

#### Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial statements of financial position, financial performance and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with International Accounting Standard 34, “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditor’s 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 auditor’s 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 generally accepted auditing standards

**ACE PILLAR CO., LTD AND SUBSIDIARIES**  
**Consolidated Balance Sheets**

**March 31, 2021, December 31, 2020 and March 31, 2020**

(Expressed in thousands of New Taiwan dollars)

	<u>March 31, 2021</u>		<u>December 31, 2020</u>		<u>March 31, 2020</u>				<u>March 31, 2021</u>		<u>December 31, 2020</u>		<u>March 31, 2020</u>		
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	
<b>Assets</b>								<b>Liabilities and Equity</b>							
<b>Current assets:</b>								<b>Current liabilities:</b>							
1100	Cash and cash equivalents (Note 6(a))	\$ 901,689	31	876,458	32	1,056,646	35	2100	Short-term borrowings (Note6(i) and 8)	\$ 183,416	6	98,876	4	343,459	12
1110	Financial assets at fair value through profit or loss – current (Note 6(b))	-	-	-	-	1,769	-	2123	Financial liabilities at fair value through profit or loss – current (Note6(b))	-	-	288	-	664	-
1136	Financial assets at amortized cost – current (Note8)	-	-	-	-	43,901	2	2150-2170	Notes and accounts payable (Note7)	427,644	15	395,249	14	455,809	15
1150-1170	Notes and accounts receivable, net (Note6(d), (p), 7 and 8)	1,108,691	38	907,737	33	843,630	29	2200	Other payables (Note7)	84,586	3	96,652	4	85,768	3
1200	Other receivables (Note6(e))	8,858	-	6,412	-	9,723	-	2230	Current tax liabilities	43,776	2	31,233	1	45,802	2
130X	Inventories (Note6(f))	398,082	13	451,797	16	518,236	17	2130	Contract liabilities – current (Note6(p))	84,873	3	69,627	3	57,935	2
1410-1470	Prepayments and other current assets	29,354	1	17,700	1	14,600	-	2280	Lease liabilities – current (Note6(j))	10,390	-	11,336	-	12,661	-
	<b>Total current assets</b>	<b>2,446,674</b>	<b>83</b>	<b>2,260,104</b>	<b>82</b>	<b>2,488,505</b>	<b>83</b>	2282	Lease liabilities to related parties – current (Note6(j) and 7)	1,217	-	1,199	-	-	-
	<b>Non-current assets:</b>							2300	Other current liabilities	11,478	-	9,836	-	10,796	-
1517	Financial assets at fair value through other comprehensive income – non-current (Note6(e))	-	-	-	-	21,769	1		<b>Total current liabilities</b>	<b>847,380</b>	<b>29</b>	<b>714,296</b>	<b>26</b>	<b>1,012,894</b>	<b>34</b>
1600	Property, plant and equipment (Note6(g))	409,809	14	411,767	15	415,309	14		<b>Non-current liabilities:</b>						
1755	Right-of-use assets (Note6(h))	38,784	1	43,488	2	42,970	1	2570	Deferred tax liabilities	61,148	2	61,148	2	51,341	2
1840	Deferred tax assets	11,599	-	11,599	-	11,982	-	2580	Lease liabilities – non-current (Note6(j))	9,277	-	12,325	1	13,071	-
1980	Other financial assets – non-current	16,583	1	18,324	1	16,381	1	2582	Lease liabilities to related parties – non-current (Note6(j) and 7)	1,492	-	1,796	-	-	-
1990	Other non-current assets	17,868	1	14,698	-	9,251	-		<b>Total non-current liabilities</b>	<b>71,917</b>	<b>2</b>	<b>75,269</b>	<b>3</b>	<b>64,412</b>	<b>2</b>
	<b>Total non-current assets</b>	<b>494,643</b>	<b>17</b>	<b>499,876</b>	<b>18</b>	<b>517,662</b>	<b>17</b>		<b>Total liabilities</b>	<b>919,297</b>	<b>31</b>	<b>789,565</b>	<b>29</b>	<b>1,077,306</b>	<b>36</b>
									<b>Equity attributable to owners of parent (Note6(c) and (m)) :</b>						
								3110	Common stocks	1,122,505	38	1,122,505	41	1,122,255	37
								3200	Capital surplus	315,077	11	315,077	11	314,792	10
								3300	Retained earnings	640,672	22	591,473	21	526,106	18
								3400	Other equity	(56,234)	(2)	(58,640)	(2)	(34,292)	(1)
									<b>Total equity</b>	<b>2,022,020</b>	<b>69</b>	<b>1,970,415</b>	<b>71</b>	<b>1,928,861</b>	<b>64</b>
									<b>Total liabilities and equity</b>	<b>\$ 2,941,317</b>	<b>100</b>	<b>2,759,980</b>	<b>100</b>	<b>3,006,167</b>	<b>100</b>
	<b>Total Assets</b>	<b>\$ 2,941,317</b>	<b>100</b>	<b>2,759,980</b>	<b>100</b>	<b>3,006,167</b>	<b>100</b>								

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with generally accepted auditing standards**  
**ACE PILLAR CO., LTD AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the Three Months Ended March 31, 2021 and 2020**

(Expressed in thousands of New Taiwan dollars, Except for Earnings Per Share)

		<b>For the three months ended March 31</b>			
		<b>2021</b>		<b>2020</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue (Note6(p), 7 and 14)</b>	\$ 878,085	100	632,795	100
5000	<b>Operating costs (Note6(f) and 7)</b>	(708,818)	(81)	(512,434)	(81)
	<b>Gross profit from operations</b>	169,267	19	120,361	19
	<b>Operating expenses (Note6(d), (g), (h), (j), (k), (q), 7 and 12) :</b>				
6100	Selling expenses	(74,578)	(9)	(64,332)	(10)
6200	Administrative expenses	(37,425)	(4)	(32,327)	(5)
6450	Reversal of impairment loss (expected credit loss)	4,633	1	(7,138)	(1)
	<b>Total operating expenses</b>	(107,370)	(12)	(103,797)	(16)
	<b>Net operating income</b>	61,897	7	16,564	3
	<b>Non-operating income and loss (Note6(j), (r) and 7) :</b>				
7100	Interest income	108	-	465	-
7010	Other income	1,064	-	851	-
7020	Other gains and losses, net	263	-	(385)	-
7050	Finance costs	(1,411)	-	(3,870)	(1)
	<b>Total non-operating income and loss</b>	24	-	(2,939)	(1)
	<b>Income before income tax</b>	61,921	7	13,625	2
7950	<b>Less: Income tax expenses (Note6(l))</b>	(12,722)	(1)	(2,848)	-
	<b>Net income</b>	49,199	6	10,777	2
	<b>Other comprehensive income (Note6(m)) :</b>				
8310	<b>Items that may not be reclassified subsequently to profit or loss:</b>				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	-	-	(2,686)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		-	-	(2,686)	-
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>				
8361	Exchange differences on translation of foreign operations	2,406	-	(3,706)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
		2,406	-	(3,706)	(1)
	<b>Other comprehensive income</b>	2,406	-	(6,392)	(1)
	<b>Total comprehensive income (loss)</b>	<b>\$ 51,605</b>	<b>6</b>	<b>4,385</b>	<b>1</b>
	<b>Net income (loss) attributable to:</b>				
8610	Shareholders of the Company	<b>\$ 49,199</b>	<b>6</b>	<b>10,777</b>	<b>2</b>
	<b>Total comprehensive income attributable to:</b>				
8710	Shareholders of the Company	<b>\$ 51,605</b>	<b>6</b>	<b>4,385</b>	<b>1</b>
	<b>Earnings per share (in New Taiwan dollars) (Note6(o))</b>				
9750	<b>Basic earnings per share</b>	<b>\$ 0.44</b>		<b>0.10</b>	
9850	<b>Diluted earnings per share</b>	<b>\$ 0.44</b>		<b>0.10</b>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
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**ACE PILLAR CO., LTD AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the Three Months Ended March 31, 2021 and 2020**

(Expressed in thousands of New Taiwan dollars)

	Equity Attributable to Shareholders of the Company						Other equity		Equity attributable to the shareholders of the Company	Total Equity	
	Retained Earnings					Foreign currency translation differences	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total			
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings						Total
<b>Balance on January 1, 2020</b>	\$ 1,122,255	314,792	247,286	78,028	190,015	515,329	(48,577)	20,677	(27,900)	1,924,476	1,924,476
Net income for the period	-	-	-	-	10,777	10,777	-	-	-	10,777	10,777
Other comprehensive income for the period	-	-	-	-	-	-	(3,706)	(2,686)	(6,392)	(6,392)	(6,392)
Total comprehensive income for the period	-	-	-	-	10,777	10,777	(3,706)	(2,686)	(6,392)	4,385	4,385
<b>Balance on March 31, 2020</b>	<b>\$ 1,122,255</b>	<b>314,792</b>	<b>247,286</b>	<b>78,028</b>	<b>200,792</b>	<b>526,106</b>	<b>(52,283)</b>	<b>17,991</b>	<b>(34,292)</b>	<b>1,928,861</b>	<b>1,928,861</b>
<b>Balance on January 1, 2021</b>	\$ 1,122,505	315,077	247,286	78,028	266,159	591,473	(58,640)	-	(58,640)	1,970,415	1,970,415
Net income for the period	-	-	-	-	49,199	49,199	-	-	-	49,199	49,199
Other comprehensive income for the period	-	-	-	-	-	-	2,406	-	2,406	2,406	2,406
Total comprehensive income for the period	-	-	-	-	49,199	49,199	2,406	-	2,406	51,605	51,605
<b>Balance on March 31, 2021</b>	<b>\$ 1,122,505</b>	<b>315,077</b>	<b>247,286</b>	<b>78,028</b>	<b>315,358</b>	<b>640,672</b>	<b>(56,234)</b>	<b>-</b>	<b>(56,234)</b>	<b>2,022,020</b>	<b>2,022,020</b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with generally accepted auditing standards  
**ACE PILLAR CO., LTD AND SUBSIDIARIES**

**Consolidated Statements of Cash Flow**

**For the Three Months Ended March 31, 2021 and 2020**

(Expressed in thousands of New Taiwan dollars)

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
<b>Income before income tax</b>	\$ 61,921	13,625
<b>Adjustments for:</b>		
Adjustments to reconcile profit (loss)		
Depreciation expense	6,982	9,647
Expected credit loss (reversal of impairment loss)	(4,633)	7,138
Gain on financial liabilities at fair value through profit or loss	(288)	-
Interest expense	1,411	3,870
Interest income	(108)	(465)
Loss on disposal of property, plant and equipment	213	33
Loss on lease changes	-	7
Total adjustment to reconcile profit	3,577	20,230
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets:		
Financial assets at fair value through profit or loss	-	(1,769)
Notes and accounts receivable	(196,321)	(41,334)
Other receivables	(2,446)	(5,290)
Inventories	53,714	67,708
Prepayments and other current assets	(11,653)	5,282
Net change in operating assets	(156,706)	24,597
Changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	-	664
Notes and accounts payable	32,395	428
Other payables	(11,915)	(7,468)
Contract liabilities	15,246	(14,050)
Other current liabilities	1,642	3,530
Net change in operating liabilities	37,368	(16,896)
Total changes in operating assets and liabilities	(119,338)	7,701
Total adjustments	(115,761)	27,931
Cash inflow (outflow) generated from operations	(53,840)	41,556
Interest received	108	465
Income tax paid	(373)	(76)
<b>Net cash flows from operating activities</b>	(54,105)	41,945

(continued)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with generally accepted auditing standards

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

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

**For the Three Months Ended March 31, 2021 and 2020**

(Expressed in thousands of New Taiwan dollars)

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from investing activities:</b>		
Acquisitions of property, plant and equipment	(309)	(703)
Decrease in financial assets at amortized cost – current	-	1,425
Decrease (increase) in other financial assets – non-current	1,741	(2)
Decrease (increase) in other non-current assets	(3,170)	574
Net cash flows from investing activities	<u>(1,738)</u>	<u>1,294</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	107,627	56,504
Decrease in short-term borrowings	(23,426)	(33,673)
Payment of lease principal	(3,474)	(4,164)
Interest paid	(1,562)	(3,870)
Net cash flows from financing activities	<u>79,165</u>	<u>14,797</u>
Effect of foreign exchange rate changes	1,909	(1,543)
Net increase in cash and cash equivalents	25,231	56,493
Cash and cash equivalents at the beginning of period	876,458	1,000,153
Cash and cash equivalents at the end of period	<u><b>\$ 901,689</b></u>	<u><b>1,056,646</b></u>

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

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

**NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For The Three Months Ended March 31, 2021 and 2020**

(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 2F, No. 7, Lane 83, Sec. 1, Guangfu Rd., Sanchong Dist., New Taipei City 241, Taiwan. The Company and subsidiaries (collectively the “Group”) are engaged in the tests, processing, sales, repairment, as well as the electromechanical integration for the automatic control and industrial transmission system.

**(2) Approval Date and Procedures of the Consolidated Financial Statements**

These consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2021.

**(3) New Standards, Amendments and Interpretations Adopted**

(a) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”)

In preparing the accompanying consolidated financial statements, the Group adopted the following revised International Financial Reporting Standards (“IFRS”) on January 1, 2021, without causing any material impact on the consolidated financial statements.

- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)
- Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

(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.

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to International Accounting Standards (IAS) 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

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 expects that following new and amended standards, which haven't yet to be endorsed by the FSC, don't have a significant impact on its consolidated financial statements.

- Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture (Amendments to IRFS 10 and IAS 28)
- Insurance Contracts (IFRS 17 and Amendments to IFRS 17)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)
- Covid-19 Related Rent Concessions (Amendment to IFRS 16)
- Annual Improvements to IFRS Standards 2018–2020
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- The Disclosure of Accounting Policies (Amendments to IAS 1)
- The Definition of Accounting Estimates (Amendments to IAS 8)

#### **(4) Summary of Significant Accounting Policies**

Except for the following information, the significant accounting policies applied in the consolidated financial statements are the same as those applied in the consolidated financial statements for the year ended December 31, 2020. The relevant information in detail can refer to Note 4 of the consolidated financial statements for the year ended December 31, 2020.

##### **(a) Statement of compliance**

The Group's accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers (the "Regulations") and IAS 34, Interim Financial Reporting, as endorsed and issued into effect by the FSC. The consolidated financial statements do not include all the disclosures required by IFRS, IAS, interpretation as well as related guidance, which are endorsed by the FSC (collectively as "Taiwan-IFRSs"), for the preparation of annual consolidated financial statements.

##### **(b) Basis of consolidation**

Principles of preparation of the consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2020. Refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2020 for the details.

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

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1. List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Major business and products	Shareholding		
			March 31, 2021	December 31, 2020	March 31, 2021
The Company	Cyber South Management Ltd. (Cyber South, Samoa)	Holding activity	100.00%	100.00%	100.00%
The Company/ Proton	Tianjin Ace Pillar Co., Ltd. (TJ ACE, China)	Sales of automation mechanical transmission system and component	100.00%	100.00%	100.00%
The Company	Hong Kong Ace Pillar Enterprise Company Limited (HK ACE, Hong Kong)	Sales of automation mechanical transmission system and component	100.00%	100.00%	100.00%
Cyber South	Proton Inc. (Proton, Samoa)	Holding activity	100.00%	100.00%	100.00%
Cyber South	Ace Tek (HK) Holding Co., Ltd. (Ace Tek, Hong Kong)	Holding activity	100.00%	100.00%	100.00%
Cyber South	Suzhou Super Pillar Automation Equipment Co., Ltd. (SZ ACE, China)	Process and technical service for mechanical transmission and control products	100.00%	100.00%	100.00%
Cyber South	Grace Transmission (Tianjin) Co., Ltd. (Grace Transmission, China)	Manufacturer and process of mechanical transmission product	100.00%	100.00%	100.00%
Cyber South	Xuchang Ace AI Equipment Co., Ltd. (Xuchang Ace, China)	Wholesale and retail of industrial robot-related products	100.00%	100.00%	100.00%
Ace Tek	Advancedtek ACE (TJ) Inc. (AD ACE, China)	Integrate the electronic system	100.00%	100.00%	100.00%

2. List of subsidiaries which are not included in the consolidated interim financial statements:

None.

(c) Income taxes

The Company measures and discloses interim period income tax expense in accordance with paragraph B12 of IAS 34, Interim Financial Reporting.

Income taxes of the interim financial reporting is multiplying pre-tax income of the interim period by a projected annual effective tax rate, which is the best estimated by the management, and is recognized as current tax expenses.

Income taxes that are recognized directly in equity or other comprehensive income are measured in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases at the tax rates that are expected to be applied in the year in which the asset is realized or the liability is settled.

(5) Major Sources of Accounting Assumptions, Judgements and Estimation Uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and IAS 34, Interim Financial Reporting, as endorsed and issued into effect by the 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.

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In preparing the consolidated financial statements, critical accounting judgments and key sources of estimations and assumptions uncertainty used by management in the application of accounting policies are consistent with those described in note 5 of the consolidated financial statements for the year ended December 31, 2020.

**(6) Explanation of Significant Accounts**

Except for the described below, the explanation of significant accounts in consolidated financial statements does not have material variances with the consolidated financial statement for the year ended December 31, 2020. For the relevant information, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2020.

(a) Cash and cash equivalents

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Cash on hand	\$ 328	321	1,209
Saving accounts and checking accounts	626,371	876,137	995,781
Term deposits within three months	<u>274,990</u>	<u>-</u>	<u>59,656</u>
	<u><b>\$ 901,689</b></u>	<u><b>876,458</b></u>	<u><b>1,056,646</b></u>

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Financial assets at fair value through profit or loss			
Foreign currency forward contracts	<u>\$ -</u>	<u>-</u>	<u>1,769</u>
Financial liabilities at fair value through profit or loss			
Foreign currency forward contracts	<u>\$ -</u>	<u>288</u>	<u>664</u>

The Group entered into derivatives contracts to manage foreign currency exchange risk resulting from its operating and financing activities. The derivatives financial instruments that did not conform to the criteria for hedge accounting, so it was reported as the financial liabilities as fair value through profit or loss. At the reporting date, the outstanding derivative contracts consisted of the following:

	<u>December 31, 2020</u>	
	<u>Contract amount</u>	
	<u>(in thousands)</u>	<u>Maturity</u>
USD Buy / CNY Sell	USD 2,540	January 2021

	<u>March 31, 2020</u>	
	<b>Contract amount</b>	
	<u>(in thousands)</u>	<u>Maturity</u>
USD Buy / CNY Sell	USD 11,703	April 2020

Refer to note 6(r) for the amount of gain (loss) recognized related to financial assets measured at fair value.

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Equity instruments at fair value through other comprehensive income:			
Domestic listed stocks	<u>\$ -</u>	<u>-</u>	<u>21,769</u>

The Group designated the investments shown above as financial assets measured at fair value through other comprehensive income because these equity investments are held for long-term for strategic purpose and not for trading.

The Group disposed of the above strategic investment in July 2020 because of the operating strategy. The investment sold for \$26,410; the gain on disposal was \$22,632, transferred from other equity to retained earnings.

(d) Notes and accounts receivable

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Notes receivable – resulting from the business	\$ 304,188	286,907	260,154
Accounts receivable - measured as amortized cost	837,662	660,591	701,499
Less: loss allowance	<u>(33,159)</u>	<u>(39,761)</u>	<u>(118,023)</u>
	<u><b>\$ 1,108,691</b></u>	<u><b>907,737</b></u>	<u><b>843,630</b></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. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information. Analysis of expected credit losses in Taiwan on notes and accounts receivable was as follows:

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	<b>March 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted expected loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 470,414	0.04%	-
Past due 1 – 90 days	8,911	0.33%~15%	-
Past due 91 – 180 days	215	16%~23%	-
Over 271 days past due	<u>4,093</u>	100%	<u>4,093</u>
	<b><u>\$ 483,633</u></b>		<b><u>4,093</u></b>

	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted expected loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 387,075	0.045%	176
Past due 1 – 90 days	6,327	0.43%~20%	157
Past due 91 – 180 days	5	21%	1
Past due 181 – 270 days	55	36%~55%	26
Over 271 days past due	<u>6,643</u>	100%	<u>6,643</u>
	<b><u>\$ 400,105</u></b>		<b><u>7,003</u></b>

	<b>March 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted expected loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 423,500	0.044%	187
Past due 1 – 90 days	7,219	0.43%~20%	126
Past due 91 – 180 days	70	21%~24%	15
Past due 181 – 270 days	89	24%~52%	29
Over 271 days past due	<u>7,047</u>	100%	<u>7,047</u>
	<b><u>\$ 437,925</u></b>		<b><u>7,404</u></b>

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Analysis of expected credit losses in China on notes and accounts receivable was as follows:

	<b>March 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted expected loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 578,758	0.22%	1,265
Past due 1 – 90 days	50,436	3%~9%	2,278
Past due 91 – 180 days	2,382	17%~38%	426
Past due 181 – 270 days	4,735	56%~100%	3,191
Over 271 days past due	<u>21,906</u>	100%	<u>21,906</u>
	<b><u>\$ 658,217</u></b>		<b><u>29,066</u></b>
	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted expected loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 474,796	0.57%	2,711
Past due 1 – 90 days	42,349	9%~19%	4,286
Past due 91 – 180 days	7,197	39%~55%	3,077
Past due 181 – 270 days	1,608	66%~100%	1,241
Over 271 days past due	<u>21,443</u>	100%	<u>21,443</u>
	<b><u>\$ 547,393</u></b>		<b><u>32,758</u></b>
	<b>March 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted expected loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 354,433	1.35%	4,767
Past due 1 – 90 days	71,270	17%~39%	13,336
Past due 91 – 180 days	13,857	60%~82%	8,849
Past due 181 – 270 days	4,408	88%~100%	3,907
Over 271 days past due	<u>79,760</u>	100%	<u>79,760</u>
	<b><u>\$ 523,728</u></b>		<b><u>110,619</u></b>

The movement in the allowance for notes and accounts receivable was as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 39,761	114,704
Impairment losses (reverse) recognized	(4,633)	7,138
Amounts written off	(2,076)	(2,342)
Effect of exchange rate changes	107	(1,477)
Balance at March 31	<b><u>\$ 33,159</u></b>	<b><u>118,023</u></b>

Refer to Note 8 for the pledged accounts receivable.

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(e) Other receivables

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Other receivables	\$ 8,858	6,412	9,723
Less: loss allowance	-	-	-
	<b>\$ 8,858</b>	<b>6,412</b>	<b>9,723</b>

No expected credit loss was provided for other receivables after management's assessment.

(f) Inventories

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Finished goods	<b>\$ 398,082</b>	<b>451,797</b>	<b>518,236</b>

The details of operating cost were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Cost of goods sold	\$ 731,437	531,888
Gain on recovery	(22,619)	(19,454)
	<b>\$ 708,818</b>	<b>512,434</b>

The gain from the inventory recovery was caused by selling the obsolescence inventory, so the gain was recognized within the range of the original inventory amount and the write-down of inventory to net realizable value.

(g) Property, plant and equipment

	<b>Land</b>	<b>Buildings</b>	<b>Transportation equipment and other equipment</b>	<b>Construction in progress</b>	<b>Total</b>
Carrying amount					
January 1, 2021	<b>\$ 89,594</b>	<b>84,412</b>	<b>9,675</b>	<b>228,086</b>	<b>411,767</b>
March 31, 2021	<b>\$ 89,594</b>	<b>82,348</b>	<b>9,029</b>	<b>228,838</b>	<b>409,809</b>
January 1, 2020	<b>\$ 89,594</b>	<b>94,029</b>	<b>10,988</b>	<b>226,545</b>	<b>421,156</b>
March 31, 2020	<b>\$ 89,594</b>	<b>91,279</b>	<b>10,545</b>	<b>223,891</b>	<b>415,309</b>

The Group's property, plant and equipment did not have significant add, dispose, impair or reverse for the three months ended March 31, 2021 and 2020. Refer to note 12 (a) for the depreciation expense; refer to note 6(g) for other information of the consolidated financial statements for the year ended December 31, 2020.

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(h) Right-of-use assets

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
<b>Cost</b>				
Balance as of January 1, 2021	\$ 17,723	39,772	2,674	60,169
Additions	-	2,984	431	3,415
Disposals	-	(5,184)	(481)	(5,665)
Effect of changes in foreign exchange rates	73	92	-	165
Balance as of March 31, 2021	<u>\$ 17,796</u>	<u>37,664</u>	<u>2,624</u>	<u>58,084</u>
Balance as of January 1, 2020	\$ 17,991	56,823	1,491	76,305
Additions	-	17	-	17
Disposals	-	(455)	-	(455)
Effect of changes in foreign exchange rates	(132)	(531)	(5)	(668)
Balance as of March 31, 2020	<u>\$ 17,859</u>	<u>55,854</u>	<u>1,486</u>	<u>75,199</u>
<b>Accumulated depreciation</b>				
Balance as of January 1, 2021	\$ 856	14,268	1,557	16,681
Depreciation	107	3,613	248	3,968
Disposals	-	(932)	(464)	(1,396)
Effect of changes in foreign exchange rates	2	44	1	47
Balance as of March 31, 2021	<u>\$ 965</u>	<u>16,993</u>	<u>1,342</u>	<u>19,300</u>
Balance as of January 1, 2020	\$ 434	25,011	629	26,074
Depreciation	108	6,182	158	6,448
Effect of changes in foreign exchange rates	(4)	(286)	(3)	(293)
Balance as of March 31, 2020	<u>\$ 538</u>	<u>30,907</u>	<u>784</u>	<u>32,229</u>
<b>Carrying amount</b>				
Balance as of January 1, 2021	<u>\$ 16,867</u>	<u>25,504</u>	<u>1,117</u>	<u>43,488</u>
Balance as of March 31, 2021	<u>\$ 16,831</u>	<u>20,671</u>	<u>1,282</u>	<u>38,784</u>
Balance as of January 1, 2020	<u>\$ 17,557</u>	<u>31,812</u>	<u>862</u>	<u>50,231</u>
Balance as of March 31, 2020	<u>\$ 17,321</u>	<u>24,947</u>	<u>702</u>	<u>42,970</u>

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(i) Short-term borrowings

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Unsecured bank loans	\$ 124,605	59,318	-
Secured bank loans	58,811	39,558	343,459
	<u>\$ 183,416</u>	<u>98,876</u>	<u>343,459</u>
Unused credit facilities	<u>\$ 1,981,817</u>	<u>1,816,947</u>	<u>720,940</u>
Range of interest rates	0.93%~4.25%	0.75%~4%	1.2%~4.6%

Refer to note 8 for the Group's pledged assets as collateral to secure the bank loans.

(j) Lease liabilities

Lease liabilities of the Group carrying amounts were as follows: :

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Current:			
Related parties	\$ 1,217	1,199	-
Non-related parties	10,390	11,336	12,661
	<u>\$ 11,607</u>	<u>12,535</u>	<u>12,661</u>
Non-current:			
Related parties	\$ 1,492	1,796	-
Non-related parties	9,277	12,325	13,071
	<u>\$ 10,769</u>	<u>14,121</u>	<u>13,071</u>

Please refer to note 6 (s) for the maturity analysis.

The amounts recognized in profit or loss were as follows:

	<u>Three Months Ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Interest on lease liabilities	<u>\$ 200</u>	<u>279</u>
Expenses relating to short-term leases	<u>\$ 1,983</u>	<u>876</u>
Expenses relating to leases of low value	<u>\$ -</u>	<u>14</u>

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

	<b>Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	<b>\$ 5,657</b>	<b>5,333</b>

1. Real estate leases

The Group leases land and buildings for its office, storage, and factory. The lease term of land is 50 years, and that of office, factory, and storage are 3 to 5 years.

2. Other leases

The Group leases transportation equipment for 1 to 3 years. In addition, regarding the lease of short-term transportation equipment and low-value office equipment, the Group has chosen to apply for exemption and not to recognize right-of-use assets and lease liabilities.

(k) Employee benefits

The Company contributes monthly an amount equal to 6% of each employee's monthly wages to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act ("Defined Contribution Plan"). Foreign subsidiaries comply with local regulations to contribute to employee's pensions. Under these plans, the Group contributes a fixed amount based on the related policy; the Group does not pay for the extra regulated amount or presumed obligation.

For the three months ended March 31, 2021, and 2020, the Group set aside \$3,835 and \$3,084, respectively, under the defined contribution plan to the Bureau of the Labor Insurance.

(l) Income taxes

1. Income tax expense recognized in profits or losses

	<b>Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Current income tax expenses	<b>\$ 12,722</b>	<b>2,848</b>

2. For three months ended March 31, 2021 and 2020, there was no income tax recognized directly in equity or other comprehensive income of the Group.

3. The Company's tax returns for the years through 2019 were examined and approved by the Taipei National Tax Administration.

(m) Capital and other equity

Except for described below, the capital and other equity of the Group for three months ended March 31, 2021 and 2020 did not have significant changes. Please refer to note 6(m) of the consolidated financial statements for the year ended December 31, 2020.

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1. Common stock

As of March 31, 2021, December 31, 2020 and March 31, 2020, the Company’s authorized shares of common stock consisted of 200,000,000 shares, of which 112,250,000 shares were issued and outstanding. The par value of the Company’s common stock is \$10 (dollars) per share.

2. Capital surplus

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
New stocks issued at premium	\$ 278,081	278,081	277,616
Changes in equity of associates accounted for using the equity method	81	81	81
Employee stock options	7,354	7,354	7,534
Unclaimed share dividends transfer to capital surplus	107	107	107
Treasury stocks transactions	29,454	29,454	29,454
	<b><u>\$ 315,077</u></b>	<b><u>315,077</u></b>	<b><u>314,792</u></b>

3. Retained earnings

The Company’s article of incorporation stipulate that at least 10% of annual net income after deducting an accumulated deficit, if any, must be retained as 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 is approved during the stockholders’ meeting.

According to the Company’s article of incorporation amended on June 12, 2020, the abovementioned distribution of earnings by way of cash dividends should be approved by the Company’s Board of Directors and should be reported to the Company’s shareholders in its meeting. The Company’s earning distribution policy is based on the demand for operating and growth, and considers the future capital expenditures and capital needs, of which the cash dividend shall not be less than 20% of the total distribution.

The amount of cash dividends of appropriations of earnings for 2020 and 2019 that had been approved in the meeting of the board of directors on April 29, 2021 and June 12, 2020, respectively. The resolved appropriation of the dividend per share were as follows:

	<b>2020</b>		<b>2019</b>	
	<b>Dividend per share (dollars)</b>	<b>Amount</b>	<b>Dividend per share (dollars)</b>	<b>Amount</b>
Cash	\$ 0.6	<b><u>67,350</u></b>	0.3	<b><u>33,668</u></b>

The above earnings distribution information can be searched on the Market Observation Post System.

4. Other equity, net of tax

	<b>Foreign currency translation differences</b>	<b>Unrealized gains (losses) on financial assets measured at FVOCI</b>
Balance at January 1, 2021	\$ (58,640)	-
Exchange differences on foreign operations	2,406	-
Balance at March 31, 2021	<b><u>\$ (56,234)</u></b>	-
Balance at January 1, 2020	\$ (48,577)	20,677
Exchange differences on foreign operations	(3,706)	-
Unrealized gains (losses) on financial assets measured at FVOCI	-	<u>(2,686)</u>
Balance at March 31, 2020	<b><u>\$ (52,283)</u></b>	<b><u>17,991</u></b>

(n) Share-based payment

The Company issued 3,000 units of the employee stock options in August 2014, and each unit is 1,000 shares. For relevant information, please refer to note 6(n) of the consolidated financial statements for the year ended December 31, 2020.

The information of employee stock options outstanding are as follows:

	<b>Three Months Ended March 31, 2020</b>	
	<b>Number (unit)</b>	<b>Weighted – average exercise price per share</b>
Outstanding, beginning of year	958	\$ 21.40
Invalidated	<u>(27)</u>	21.40
Outstanding, end of year	<b><u>931</u></b>	\$ 21.40
Exercisable, end of year	<b><u>931</u></b>	\$ 21.40
Weighted-average remaining contractual years	<b><u>0.42</u></b>	

The aforementioned employee stock options program ended in August 2020 because of the termination of the contract.

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(o) Earnings per share

1. Basic earnings per share

	<b>Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Profit attributable to common stockholders of the Company	<b>\$ 49,199</b>	<b>10,777</b>
Weighted average number of ordinary shares (thousands)	<b>112,250</b>	<b>112,225</b>
Basic earnings per share (dollars)	<b>\$ 0.44</b>	<b>0.10</b>

2. Diluted earnings per share

	<b>Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Profit attributable to common stockholders of the Company	<b>\$ 49,199</b>	<b>10,777</b>
Weighted-average number of ordinary shares (thousands)	112,250	112,225
Effect of dilutive potential common stock:		
Effect of employee share compensations	116	16
Weighted-average number of ordinary shares (thousands) (including effect of dilutive potential common stock)	<b>112,366</b>	<b>112,241</b>
Diluted earnings per share (dollar)	<b>\$ 0.44</b>	<b>0.10</b>

(p) Revenue from contracts with customers

1. Disaggregation of revenue

	<b>Three Months Ended March 31, 2021</b>			
	<b>Taiwan operating segment</b>	<b>China operating segment</b>	<b>Other segment</b>	<b>Total</b>
Major product/services:				
Automatic control	\$ 332,177	175,569	-	507,746
Industrial transmission	71,575	296,438	824	368,837
Others	926	576	-	1,502
	<b>\$ 404,678</b>	<b>472,583</b>	<b>824</b>	<b>878,085</b>
	<b>Three Months Ended March 31, 2020</b>			
	<b>Taiwan operating segment</b>	<b>China operating segment</b>	<b>Other segment</b>	<b>Total</b>
Major product/services:				
Automatic control	\$ 259,716	104,824	-	364,540
Industrial transmission	106,688	159,281	1,358	267,327
Others	754	174	-	928
	<b>\$ 367,158</b>	<b>264,279</b>	<b>1,358</b>	<b>632,795</b>

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2. Contract balance

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Notes and accounts receivable	\$ 1,141,850	947,498	961,653
Less: loss allowance	(33,159)	(39,761)	(118,023)
Total	<u>\$ 1,108,691</u>	<u>907,737</u>	<u>843,630</u>
	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Contracts liabilities – advance receipt	<u>\$ 84,873</u>	<u>69,627</u>	<u>57,935</u>

Refer to note 6(d) for notes and accounts receivable and the impairment.

The amount of revenue recognized for the years ended March 31, 2021, and 2020 that were included in the contract liability balance on January 1, 2021, and 2020 were \$40,240 and \$32,402, respectively.

(q) Rewards of employees, directors and supervisors

The Company’s amended article of incorporation requires that earnings (income after deducting the remuneration of employees and directors and before income tax expenses) shall first to be offset against any deficit, including unadjusted undistributed surplus, then, a range from 2% to 20% will be distributed as remuneration to its employees and no more than 1% to its directors. Employees are entitled to receive the abovementioned employee remuneration in shares or cash, while the directors are entitled to receive the remuneration in cash.

For the year ended March 31, 2021, and 2020, the Company estimated its remuneration to employees amounting to \$1,271 and \$278, respectively, and the remuneration to directors and supervisors amounting to \$636 and \$139, respectively. The abovementioned estimated amounts are calculated based on the income before tax (after deducting the remuneration to employees, directors, and supervisors) and multiplied by a certain percentage of the remuneration to employees, directors, and supervisors following the article of incorporation. The amount shall be reported as operating expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in next year. If the board of directors decides to use stocks to pay employees' remuneration, the basis for calculating the number of shares for stock compensation is based on the closing price of common stocks on the day before the board of directors' resolutions.

For the year ended December 31, 2020, the Company estimated its remuneration to employees and the remuneration to directors and supervisors amounting to \$2,221 and \$1,110, respectively, there is no difference from the actual distribution. Since 2019 was the operating deficit, the Company did not estimate the remuneration of employees and directors. The related information can refer to the Market Observation Post System.

(r) Non-operating income and expenses

1. Interest income

	For the three months ended March 31	
	2021	2020
Interest income from bank deposit	\$ 108	465

2. Other income

	For the three months ended March 31	
	2021	2020
Others	\$ 1,064	851

3. Other gains and losses, net

	For the three months ended March 31	
	2021	2020
Foreign currency exchange gains (losses)	\$ 1,117	(9,680)
Loss on financial instruments at fair value through profit or loss	(500)	9,879
Others	(354)	(584)
	\$ 263	(385)

4. Finance costs

	For the three months ended March 31	
	2021	2020
Interest expense of bank loans	\$ (1,211)	(3,591)
Interest expense on lease liabilities	(200)	(279)
	\$ (1,411)	(3,870)

(s) Financial instruments

Except for the following, the Group's fair value of financial instruments and the exposure to credit risk and market risk due to financial instruments have no significant fluctuations. For relevant information, please refer to note 6(s) and (t) of the consolidated financial statements for the year ended December 31, 2020.

1. Categories of financial instruments

1) Financial assets

	March 31, 2021	December 31, 2020	March 31, 2020
Financial assets measured at fair value through profit or loss	\$ -	-	1,769

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	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Financial assets measured at FVOCI	-	-	21,769
Financial assets at amortized cost:			
Cash and cash equivalents	901,689	876,458	1,056,646
Financial assets measured at amortized cost			
– current	-	-	43,901
Notes and accounts receivable	1,108,691	907,737	843,630
Other receivables	8,858	6,412	9,723
Other financial assets – non-current	16,583	18,324	16,381
	<b><u>\$ 2,035,821</u></b>	<b><u>1,808,931</u></b>	<b><u>1,993,819</u></b>

2) Financial liabilities

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Financial liabilities measured at FVTPL:			
Foreign currency forward contracts	\$ -	288	664
Financial liabilities measured at amortized cost:			
Short-term borrowings	183,416	98,876	343,459
Notes and accounts payable	427,644	395,249	455,809
Other payables	84,586	96,652	85,768
Lease liabilities (including current and non-current)	22,376	26,656	25,732
	<b><u>\$ 718,022</u></b>	<b><u>617,721</u></b>	<b><u>911,432</u></b>

2. Fair value information

1) Financial instruments not measured at fair value

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

2) Financial instruments measured at fair value

When measuring the fair value of financial instruments, the Group usually uses market observable data. The table below analyze financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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		December 31, 2020				
		Book Value	Fair Value			Total
		Level 1	Level 2	Level 3		
<b>Financial liabilities at fair value through profit or loss</b>						
Derivative instrument - Foreign currency forward contracts						
	\$	(288)	-	(288)	-	(288)
		March 31, 2020				
		Book Value	Fair Value			Total
		Level 1	Level 2	Level 3		
<b>Financial assets at fair value through profit or loss</b>						
Derivative instrument - Foreign currency forward contracts						
	\$	1,769	-	1,769	-	1,769
<b>Financial assets at fair value through other comprehensive income</b>						
Domestic listed company						
		21,769	21,769	-	-	21,769
	\$	23,538	21,769	1,769	-	23,538
<b>Financial liabilities at fair value through profit or loss</b>						
Derivative instrument - Foreign currency forward contracts						
	\$	(664)	-	(664)	-	(664)

3) Valuation techniques and assumptions used in fair value measurement

a) Non-derivative financial instrument

For listed stock and financial bonds with standard terms and conditions and traded in active market. The fair value is based on quoted market prices.

b) Derivative financial instrument

The fair value of derivative financial instruments is determined using a valuation technique, with estimates and assumptions consistent with those used by market participants and that are readily available to the Group. The fair value of foreign currency forward contracts is valued by the current forward rate.

3. Credit Risk

For the credit exposure of notes and accounts receivables, please refer to note 6(d). For the financial assets measured at amortized cost, including other receivables and certificate of deposit (reported at Financial assets at amortized cost – current); since the financial assets are low credit risk, the loss allowance are measured using 12-months ECL. Please refer to note 6(e) for the ECL.

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4. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Group manages liquidity risk by monitoring regularly the current and mid to long-term cash demand, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of the loan agreements. As of March 31, 2021, December 31, 2020, and March 31, 2020, the Group had unused credit facilities of \$1,981,817, \$1,816,947 and \$720,940, respectively.

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

	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>More than 5 years</b>
<b>March 31, 2021</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 183,813	183,813	-	-	-
Notes and accounts payable	427,644	427,644	-	-	-
Other payables	84,586	84,586	-	-	-
Lease liabilities (including current and non-current)	23,254	12,182	7,522	3,550	-
	<b>\$ 719,297</b>	<b>708,225</b>	<b>7,522</b>	<b>3,550</b>	<b>-</b>
<b>December 31, 2020</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 100,336	100,336	-	-	-
Notes and accounts payable	395,249	395,249	-	-	-
Other payables	96,652	96,652	-	-	-
Lease liabilities (including current and non-current)	27,722	13,223	13,967	532	-
Derivative financial liabilities:					
Foreign currency forward contract:					
Outflow	73,003	73,003	-	-	-
Inflow	(72,715)	(72,715)	-	-	-
	288	288	-	-	-
	<b>\$ 620,247</b>	<b>605,748</b>	<b>13,967</b>	<b>532</b>	<b>-</b>

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	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>More than 5 years</b>
<b>March 31, 2020</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 346,608	346,608	-	-	-
Notes and accounts payable	455,809	455,809	-	-	-
Other payables	85,768	85,768	-	-	-
Lease liabilities (including current and non-current)	27,174	13,420	11,009	2,745	-
Derivative financial liabilities:					
Foreign currency forward contract:					
Outflow	354,076	354,076	-	-	-
Inflow	(355,181)	(355,181)	-	-	-
	(1,105)	(1,105)	-	-	-
	<b>\$ 914,254</b>	<b>900,500</b>	<b>11,009</b>	<b>2,745</b>	<b>-</b>

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

5. Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. The functional currencies of the Group entities are mainly the New Taiwan Dollar and China Yuan; the transactions of the non-functional currencies are the mainly the US Dollar, Japanese Yen, and China Yuan.

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

<b>March 31, 2021</b>					
	<b>Foreign currency (thousands of dollars)</b>	<b>Exchange rate</b>	<b>TWD</b>	<b>Change in magnitude</b>	<b>Effect on profit or loss (before tax)</b>
<u>Financial assets</u>					
<u>Monetary items</u>					
CNY	\$ 18,878	4.33	81,742	1%	817
USD	6,611	28.53	188,612	1%	1,886
JPY	54,664	0.2579	14,098	1%	141
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	4,322	28.53	123,307	1%	1,233
JPY	18,302	0.2579	4,720	1%	47

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<b>December 31, 2020</b>						
	<b>Foreign currency (thousands of dollars)</b>	<b>Exchange rate</b>	<b>TWD</b>	<b>Change in magnitude</b>	<b>Effect on profit or loss (before tax)</b>	
<u>Financial assets</u>						
<u>Monetary items</u>						
CNY	\$ 21,057	4.32	90,966	1%	910	
USD	6,878	28.35	194,991	1%	1,950	
JPY	66,283	0.2749	18,221	1%	182	
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	6,424	28.35	182,120	1%	1,821	
JPY	23,251	0.2749	6,392	1%	64	
<b>March 31, 2020</b>						
	<b>Foreign currency (thousands of dollars)</b>	<b>Exchange rate</b>	<b>TWD</b>	<b>Change in magnitude</b>	<b>Effect on profit or loss (before tax)</b>	
<u>Financial assets</u>						
<u>Monetary items</u>						
CNY	\$ 50,633	4.26	215,697	1%	2,157	
USD	4,476	30.25	135,399	1%	1,354	
JPY	151,195	0.28	42,335	1%	423	
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	11,905	30.25	360,126	1%	3,601	
JPY	156,023	0.28	43,686	1%	437	

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 gains (losses) for the years ended March 31, 2021, and 2020 were \$1,117 and \$(9,680), respectively.

(t) Financial risk management

There were no significant changes in the Group objectives and policies applied in the financial risk management as compared to Note 6(t) of the annual financial statements for the year ended December 31, 2020.

(u) Capital management

The Group's objectives, policies, and procedures for capital management were consistent with the consolidated financial statements for the year ended December 31, 2020. There were no significant changes in the quantified factors of capital management as compared to the consolidated financial statements for the year ended December 31, 2020. For other information about capital management, please refer to note 6(u) of the consolidated financial statements for the year ended December 31, 2020.

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(v) Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flows	Non-cash changes			March 31, 2021
			Effect of foreign exchange rate	Lease liabilities increase	Lease liabilities decrease	
Short-term borrowings	\$ 98,876	84,201	339	-	-	183,416
Lease liabilities	26,656	(3,474)	48	3,415	(4,269)	22,376
<b>Total</b>	<b>\$ 125,532</b>	<b>80,727</b>	<b>387</b>	<b>3,415</b>	<b>(4,269)</b>	<b>205,792</b>

	January 1, 2020	Cash flows	Non-cash changes			March 31, 2020
			Effect of foreign exchange rate	Lease liabilities increase	Lease liabilities decrease	
Short-term borrowings	\$ 322,075	22,831	(1,447)	-	-	343,459
Lease liabilities	30,578	(4,164)	(251)	17	(448)	25,732
<b>Total</b>	<b>\$ 352,653</b>	<b>18,667</b>	<b>(1,698)</b>	<b>17</b>	<b>(448)</b>	<b>369,191</b>

**(7) Related-Party Transactions**

(a) Parent company and ultimate controlling party

DFI Inc. (“DFI”) has become the Company’s parent company since November 2019 and holds outstanding common stocks of 34.27%; Qisda Corporation (“Qisda”) is the ultimate controlling party of the Company. DFI and Qisda have prepared the consolidated financial reports for the public use.

(b) Names and relationship with related parties

Name of related party	Relationship with the Group
Qisda Corporation	The Company’s ultimate controlling party
DFI Inc.	The Company’s parent company
Qisda Optronics (Suzhou) Co., Ltd.	Qisda’s subsidiary
BenQ Material Corp.	Qisda’s subsidiary
BenQ Co., Ltd. (“BQC”)	Qisda’s subsidiary
BenQ Technology (Shanghai) Co., Ltd.	Qisda’s subsidiary
BenQ Asia Pacific Corp.	Qisda’s subsidiary
BenQ Esco Corp.	Qisda’s subsidiary
Guru Systems (Suzhou) Co., Ltd.	Qisda’s subsidiary
SYSAGE TECHNOLOGY CO., LTD.	Qisda’s subsidiary
ADVANCEDTEK INTERNATIONAL CORP.	Qisda’s subsidiary
Darfon Electronics Corp.	Qisda’s associate
AU Optronics Corp.	Qisda’s associate

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Name of related party	Relationship with the Group
AU Optronics (Kunshan) Co., Ltd	AU' subsidiary
AU Optronics (Xiamen) Corp.	AU' subsidiary
AU Optronics (Suzhou) Corp., Ltd.	AU' subsidiary
AUO Crystal Corp.	AU' subsidiary
Yan Ying Hao Trading (Shenzhen) Co., Ltd.	DFI' subsidiary
Darfon Electronics (Suzhou) Co., Ltd.	Darfon's subsidiary

(c) Related-party transactions

1. Sales revenue

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Other related parties	<u>\$ 2,761</u>	<u>1,928</u>

The above-mentioned related parties' sales price and transaction conditions depend on the economic environment and market competition in each region, so they cannot compare with normal sales price and transaction conditions.

2. Purchases

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Parent company	\$ 1,238	1,430
Other related parties	4,096	6,345
	<u>\$ 5,334</u>	<u>7,775</u>

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

3. Receivables from related parties

Account item	Related-party categories	March 31, 2021	December 31, 2020	March 31, 2020
Accounts receivable	Ultimate controlling party	\$ -	2,279	-
	Other related parties	4,453	4,880	2,154
		<u>\$ 4,453</u>	<u>7,159</u>	<u>2,154</u>

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4. Payables to related parties

<u>Account item</u>	<u>Related-party categories</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Accounts payable	Parent company	\$ 684	589	-
	Other related parties	3,224	4,742	9,129
Other payables	Ultimate controlling party	520	593	504
	Parent company	1,406	700	1,073
	Other related parties	94	182	-
		<u>\$ 5,928</u>	<u>6,806</u>	<u>10,706</u>

5. Lease

The Company leased an office from BQC in June 2019, and the rent is paid monthly with reference to the nearby office rental rates. For the three month ended March 31, 2021, the rental expenses amounted to \$32, and, as of March 31, 2021, the lease liabilities were \$2,709.

(d) Related-party transactions

	<u>Three Months Ended March 31, 2021</u>	<u>Three Months Ended March 31, 2020</u>
Short-term employee benefits	\$ 6,084	5,145
Post-employment benefits	72	71
	<u>\$ 6,156</u>	<u>5,216</u>

(8) Restricted Assets

The following assets were restricted in use:

<u>Assets</u>	<u>Purpose of Pledge</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Certificate of deposit and restricted cash in banks (reported under financial assets measured at amortized cost – current)	Short-term borrowings and letters of credit	\$ -	-	43,901
Notes receivable	Short-term borrowings	58,811	39,558	67,484
		<u>\$ 58,811</u>	<u>39,558</u>	<u>111,385</u>

(9) Significant Contingencies and Commitments

On March 31, 2021, December 31, 2020, and March 31, 2020, the Group issued the secured promissory note of \$1,470,000, \$1,270,000 and \$511,016, respectively, as collateral for obtaining credit facilities from banks.

**(10) Significant Catastrophic Losses: None.**

**(11) Significant Subsequent Events: None.**

**(12) Others**

(a) Employee benefits, depreciation, and amortization expenses, categorized as operating cost or expense, were as follows:

	<b>Three Months Ended March 31, 2021</b>	<b>Three Months Ended March 31, 2020</b>
Employee benefits		
Salary	\$ 59,313	55,005
Labor and health insurance	6,208	5,746
Pension	3,835	3,084
Others employee benefits	2,036	2,319
Depreciation	6,982	9,647
Amortization	-	-

(b) Seasonality of operations:

The operations of the Group are not affected by seasonal or cyclical factors.

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**(13) Additional disclosures**

**(a) Information on significant transactions**

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

**(i) Loans to other parties:**

(In Thousands of New Taiwan Dollar)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	TJ ACE	Other receivable from related parties	Yes	231,883	231,883	146,293	0%-4.35%	2	-	Operating requirements	-		-	404,404	808,808
0	The Company	SZ ACE	Other receivable from related parties	Yes	28,530	28,530	-	0%	2	-	Operating requirements	-		-	404,404	808,808
1	Cyber South	SZ ACE	Other receivable from related parties	Yes	15,692	15,692	15,692	1.15%	2	-	Operating requirements	-		-	597,432	597,432
2	Grace Transmission	AD ACE	Other receivable from related parties	Yes	2,602	2,602	2,602	1.8%	2	-	Operating requirements	-		-	38,694	38,694
2	Grace Transmission	TJ ACE	Other receivable from related parties	Yes	13,008	13,008	13,008	1.8%	2	-	Operating requirements	-		-	38,694	38,694
3	HK ACE	TJ ACE	Other receivable from related parties	Yes	17,344	17,344	-	1.8%	2	-	Operating requirements	-		-	40,797	40,797

Note 1: The aggregate financing amount of the Company to others shall not exceed 40% of the most recent worth of the Company; the individual financing amount of the Company to foreign subsidiaries shall not exceed 20% of the most recent worth of the Company.

Note 2: The aggregate financing amount of subsidiaries to others shall not exceed 10% of the most recent worth of the subsidiary; the individual financing amount of the subsidiaries to others shall not exceed 5% of the most recent worth of the subsidiary.

Note 3: For foreign subsidiaries that directly or indirectly hold 100% by the Company and the parent company that directly or indirectly holds 100% of the Company, due to the necessity of financing funds, the amount is not subject to the Note 1 and 2.

However, the aggregate financing amounts and the individual financing amount shall not exceed the most recent worth of the subsidiary.

Note 4: Purposes of fund financing are as follows:

1. Business transaction purpose.
2. Short-term financing purpose.

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

## Notes to the Consolidated Financial Statements

## (ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollar)

No	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	TJ ACE	2	808,808	249,710	249,710	55,933	-	12.35%	1,011,010	Y	N	Y

Note 1: The aggregate endorsement / guarantee amount provide by the Company and its subsidiaries shall not exceed 50% of the most recent worth of the company; the amount to the individual entity shall not exceed 40% of the most recent worth of the company.

Note 2: Relationship between the guarantor and guaranteee:

2. Companies that directly or indirectly hold 50% by the Company

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- (iii) Securities held as of March 31, 2021 (excluding investment in subsidiaries, associates and joint ventures): None.
- (iv) Individual securities for which the accumulated purchase or sale amounts for the year exceed \$300 million or 20% of the paid-in capital stock: None.
- (v) Acquisition of individual real estate which exceeds \$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate which exceeds \$300 million or 20% of the paid-in capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding \$100 million or 20% of the paid-in capital stock: None.
- (viii) Receivables from related parties which amount exceeds \$100 million or 20% of the paid-in capital stock:

(In Thousands of New Taiwan Dollar)

Name of Company	Related Parties	Nature of Relationship	Ending Balance	Turnover days	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
The Company	TJ ACE	Parent/Subsidiary	148,119	-	-		-	-

- (ix) Trading in derivative instruments: None.
- (x) Business relationships and significant intercompany transactions

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount (Note 3)	Trading terms	Percentage of the consolidated net revenue or total assets (Note 4)
0	The Company	TJ ACE	1	Other Receivable-loan	148,119	One year	5.04%
1	AD ACE	TJ ACE	3	Revenue	57,781	T/T 30	6.58%

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

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

Note 2: The relationships with counter party are as follows:

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

Note 3: Intercompany relationship and significant intercompany transactions are only disclosed only for the sales and accounts receivable that account for more than 1%(inclusive) of consolidated operating revenue or consolidated assets. The corresponding purchases and accounts payables are not disclosed.

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Note 4: Base on the transaction amount divided by consolidated operating revenue or consolidated assets.

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

(b) Information on investees:

The following is the information on investees for the March 31, 2021 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollar)

Name of Company	Name of investee	Location	Main business and product	Original investment amount (note)		Balance as of March 31, 2021			Net income (loss) of investee	Share of profit/loss of investee	Note
				March 31, 2021	December 31, 2020	Shares (thousands)	Investee	Carrying Value			
The Company	Cyber South	SAMOA	Investment and holding activity	107,041	107,041	4,669	100.00%	597,432	26,141	26,141	
The Company	HK ACE	Hong Kong	Sales of automation mechanical transmission system and component	5,120	5,120	1,200	100.00%	40,797	(536)	(536)	
Cyber South	Proton Inc.	SAMOA	Investment and holding activity	527,665	527,665	17,744	100.00%	478,895	21,581	21,581	
Cyber South	Ace Tek (HK) Holding Co., Ltd.	Hong Kong	Investment and holding activity	4,938	4,938	150	100.00%	(3,851)	413	413	

Note: Original investment amount included surplus capital increase.

Note 1: The investment below has been eliminated when preparing the consolidated financial statements.

## ACE PILLAR CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

## (c) Information on investment in mainland China:

## (i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollar)

Name of Investee	Main business and product	Total amount of capital surplus	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2021 (Note1)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value on March 31, 2021	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Tianjin Ace Pillar Co., Ltd.	Sales of mechanical transmission system and component	USD 34,180,000	Direct and Indirect investment	55,634 (USD 1,950,000)	-	-	55,634 (USD 1,950,000)	26,750	100.00 %	26,750	549,293	125,533
Grace Transmission (Tianjin) Co., Ltd.	Manufacture and process of mechanical transmission product	CNY1,670,000	Indirect Investment	4,565 (USD 160,000)	-	-	4,565 (USD 160,000)	370	100.00 %	370 (USD 13,000)	38,694 (USD1,356,000)	-
Advancedtex Ace (TJ) Inc..	Integrate the electronic system	USD 300,000	Indirect Investment	4,280 (USD 150,000)	-	-	4,280 (USD 150,000)	413	100.00 %	413 (USD 15,000)	(3,877) (USD (136,000))	-
Suzhou Super Pillar Automation Equipment Co., Ltd.	Process and technical service for mechanical transmission and control products	USD 1,450,000	Indirect Investment	(Note 2)	-	-	(Note 2)	4,193	100.00 %	4,193 (USD 150,000)	92,050 (USD 3,226,000)	-
Xuchang Ace AI Equipment Co., Ltd.	Wholesale and retail of industrial robot-related products	USD 300,000	Indirect Investment	(Note 2)	-	-	(Note 2)	16	100.00 %	16 (USD 1,000)	2,877 (USD 101,000)	-

(Note 1) Including the amount remitted through the overseas holding company.

The exchange rate of US dollar to Taiwan dollar is 1:28.53.

(Note 2) It was reinvested and established by Cyber South.

(Note 3) It is a limited company with no share data.

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(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of March 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
146,045 (USD 5,119,000)	146,045 (USD 5,119,000)	1,213,212

Note: The investment of Delta Greentech (China) Co., Ltd was authorized by MOEA to invest USD 2,859,000. The Company's shares of the company were sold in 2011, and submitted to the MOEA on August 5, 2011 to complete the filing. However, the investment quota has not yet been cancelled.

(iii) Significant transactions

The Company's significant transactions with investees in Mainland China, please refer to Note13(a).

(d) Major shareholders

Shareholder's Name	Shareholding	Shares	Percentage
DFI Inc.		38,471,000	34.27%
Hanyu Investment Co., Ltd.		11,176,013	9.95%
Qifu Investment Co., Ltd.		7,329,443	6.52%
Ruiduo Investment Co., Ltd.		5,711,538	5.08%

Note1: The information on major shareholders is based on the number of ordinary shares and special shares held by shareholders with ownership of 5% or more that have been issued without physical registration (including treasury shares) by the Company as of March 31, 2021. The share capital in consolidated financial report may differ from the actual number of shares that have been issued without physical registration due to different preparation basis.

Note2: Regarding to the above matter, if the shareholders deliver the shares to the trust company, those shares will be disclosed by the trustee who opened the trust account separately. As for the shareholders conducting an insider equity declaration in accordance with the Securities Exchange Act, the number of shares delivered by the shareholders to the trust which has discretion over the use of the trust assets. The information of the insider trading would be available at the Market Observation Post System website.

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**(14) Segment Information**

(a) General information

The Group's reportable segments are Taiwan operating segment and China operating segment. Taiwan operating segment is responsible for selling the variable-frequency driver, automatic driver, and transmission system as an agent in Taiwan. China operating segment acts as an agent in China to sell the automatic system of machinery transmission and the industrial robots of wholesale and retail. Other segments, which do not meet the quantitative reporting threshold, mainly engage in acting as agents in other regions to sell the automatic control system of machinery transmission.

The Group's the organizational operation of the business activities is divided by the sales regions. Since customer attribution and the marketing strategy's need is different in each sales region, the Group manages them respectively.

There was no material inconsistency between the accounting policies adopted for the operating segments and the accounting policies described in note 4. The operating segment's profit or loss is measured at income before tax and use as the basis of evaluating performance. The reporting amount is the same as the management's report. In the Group, the transaction and transfer between the segments are viewed as third-party transactions.

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

	<b>Three Months Ended March 31, 2021</b>				<b>Total</b>
	<b>Taiwan operating segment</b>	<b>China operating segment</b>	<b>Other segment</b>	<b>Adjustment and elimination</b>	
External revenue	\$ 404,678	472,583	824	-	878,085
In-group revenue	1,720	62,411	-	(64,131)	-
Total segment revenue	<b>\$ 406,398</b>	<b>534,994</b>	<b>824</b>	<b>(64,131)</b>	<b>878,085</b>
Segment profit (loss)	<b>\$ 31,340</b>	<b>32,006</b>	<b>(536)</b>	<b>(889)</b>	<b>61,921</b>

	<b>Three Months Ended March 31, 2020</b>				<b>Total</b>
	<b>Taiwan operating segment</b>	<b>China operating segment</b>	<b>Other segment</b>	<b>Adjustment and elimination</b>	
External revenue	\$ 367,158	264,279	1,358	-	632,795
In-group revenue	6,976	2,918	-	(9,894)	-
Total segment revenue	<b>\$ 374,134</b>	<b>267,197</b>	<b>1,358</b>	<b>(9,894)</b>	<b>632,795</b>
Segment profit (loss)	<b>\$ 34,100</b>	<b>(19,527)</b>	<b>(565)</b>	<b>(383)</b>	<b>13,625</b>