

**ACE PILLAR CO., LTD. AND SUBSIDIARIES****Consolidated Financial Statements****With Independent Auditors' Review Report  
For the Three Months Ended March 31, 2022 and 2021**

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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, 2022 and 2021, and the related consolidated statements of comprehensive income, change in equity and cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

Except as explained in the Basis for Qualified Conclusion section, we conducted our reviews in accordance with Statement of Auditing Standard 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 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for Qualified Conclusion of the consolidated financial statements for the first quarter 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 financial statements reflect the total assets amounting to \$581,226 thousand, constituting 16.38% of the consolidated total assets as of March 31, 2022; and the total liabilities amounting to \$307,317 thousand, constituting 21.25% of the consolidated total liabilities as of March 31, 2022; as well as the total comprehensive income amounting to \$7,534 thousand, constituting 10.6% of the consolidated 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 Basis for Qualified Conclusion section 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, 2022 and 2021, and their consolidated financial performance and their consolidated cash flows for the three months ended March 31, 2022 and 2021, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)  
May 3, 2022

**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 generally accepted auditing standards**

**ACE PILLAR CO., LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the three months ended March 31, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

		For the three months ended March 31			
		2022		2021	
		Amount	%	Amount	%
4000	<b>Operating revenue (notes 6(r), 7 and 14)</b>	\$ 934,706	100	878,085	100
5000	<b>Operating costs (notes 6(f) and 7)</b>	<u>(765,257)</u>	<u>(82)</u>	<u>(708,818)</u>	<u>(81)</u>
	<b>Gross profit</b>	<u>169,449</u>	<u>18</u>	<u>169,267</u>	<u>19</u>
	<b>Operating expenses (notes 6(d), (i), (j), (k), (m), (n), (s), 7 and 12):</b>				
6100	Selling expenses	(77,429)	(9)	(74,578)	(9)
6200	Administrative expenses	(49,684)	(5)	(37,425)	(4)
6450	Gain on reversal of impairment loss (expected credit loss)	<u>(3,392)</u>	<u>-</u>	<u>4,633</u>	<u>1</u>
	<b>Total operating expenses</b>	<u>(130,505)</u>	<u>(14)</u>	<u>(107,370)</u>	<u>(12)</u>
	<b>Operating income</b>	<u>38,944</u>	<u>4</u>	<u>61,897</u>	<u>7</u>
	<b>Non-operating income and loss (notes 6(m), (t) and 7):</b>				
7100	Interest income	130	-	108	-
7010	Other income	1,202	-	1,064	-
7020	Other gains and losses, net	16,356	2	263	-
7050	Finance costs	<u>(1,413)</u>	<u>-</u>	<u>(1,411)</u>	<u>-</u>
	<b>Total non-operating income and loss</b>	<u>16,275</u>	<u>2</u>	<u>24</u>	<u>-</u>
	<b>Income before income tax</b>	<u>55,219</u>	<u>6</u>	<u>61,921</u>	<u>7</u>
7950	Income tax expenses (note 6(o))	<u>(13,262)</u>	<u>(1)</u>	<u>(12,722)</u>	<u>(1)</u>
	<b>Net income</b>	<u>41,957</u>	<u>5</u>	<u>49,199</u>	<u>6</u>
	<b>Other comprehensive income (note 6(p)):</b>				
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>				
8361	Exchange differences on translation of foreign operations	29,010	3	2,406	-
8399	Less: income tax related to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>29,010</u>	<u>3</u>	<u>2,406</u>	<u>-</u>
	<b>Other comprehensive income, net of income tax</b>	<u>29,010</u>	<u>3</u>	<u>2,406</u>	<u>-</u>
	<b>Total comprehensive income</b>	<u>\$ 70,967</u>	<u>8</u>	<u>51,605</u>	<u>6</u>
	<b>Net income attributable to:</b>				
8610	Shareholders of the Company	\$ 39,832	5	49,199	6
8620	Non-controlling interests	<u>2,125</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 41,957</u>	<u>5</u>	<u>49,199</u>	<u>6</u>
	<b>Total comprehensive income attributable to:</b>				
8710	Shareholders of the Company	\$ 67,953	8	51,605	6
8720	Non-controlling interests	<u>3,014</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 70,967</u>	<u>8</u>	<u>51,605</u>	<u>6</u>
	<b>Earnings per share (in New Taiwan dollars) (note 6(q)) :</b>				
9750	Basic earnings per share	<u>\$ 0.35</u>		<u>0.44</u>	
9850	Diluted earnings per share	<u>\$ 0.35</u>		<u>0.44</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 generally accepted auditing standards

**ACE PILLAR CO., LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the three months ended March 31, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Attributable to shareholders of the Company						Forein currency translation differences	Total equity of the Company	Non- controlling interests	Total equity
	Retained earnings					Total				
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total				
<b>Balance at January 1, 2021</b>	\$ 1,122,505	315,077	247,286	78,028	266,159	591,473	(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
Total comprehensive income for the period	-	-	-	-	49,199	49,199	2,406	51,605	-	51,605
<b>Balance at 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>2,022,020</b>	<b>-</b>	<b>2,022,020</b>
<b>Balance at January 1, 2022</b>	\$ 1,122,505	315,077	258,267	78,028	335,723	672,018	(56,506)	2,053,094	-	2,053,094
Net income for the period	-	-	-	-	39,832	39,832	-	39,832	2,125	41,957
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	3,014	70,967
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</b>	<b>\$ 1,122,505</b>	<b>315,077</b>	<b>258,267</b>	<b>78,028</b>	<b>274,529</b>	<b>610,824</b>	<b>(28,385)</b>	<b>2,020,021</b>	<b>82,389</b>	<b>2,102,410</b>

See accompanying notes to the 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 Cash Flows**

**For the three months ended March 31, 2022 and 2021**

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

	For the three months ended March 31	
	2022	2021
<b>Cash flows from operating activities:</b>		
Income before income taxes	\$ 55,219	61,921
<b>Adjustments for:</b>		
<b>Adjustments to reconcile profit or loss:</b>		
Depreciation	6,811	6,982
Amortization	1,044	-
Expected credit loss (gain on reversal of impairment loss)	3,392	(4,633)
Gain arising from financial liabilities at fair value through profit or loss	-	(288)
Interest expense	1,413	1,411
Interest income	(130)	(108)
Loss on disposal of property, plant and equipment	7	213
Gain on disposal of non-current assets held for sale	(7,392)	-
<b>Total adjustments for profit or loss</b>	5,145	3,577
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Notes and accounts receivable	(33,760)	(196,321)
Other receivables	3,911	(2,446)
Inventories	(33,815)	53,714
Prepayments and other current assets	(74,931)	(11,653)
<b>Net changes in operating assets</b>	(138,595)	(156,706)
<b>Changes in operating liabilities:</b>		
Notes and accounts payable	(16,244)	32,395
Other payables	(34,055)	(11,915)
Contract liabilities	247	15,246
Other current liabilities	910	1,642
Increase in net defined benefit liabilities	4	-
<b>Net changes in operating liabilities</b>	(49,138)	37,368
<b>Total changes in operating assets and liabilities</b>	(187,733)	(119,338)
<b>Total adjustments</b>	(182,588)	(115,761)
Cash used in operations	(127,369)	(53,840)
Interest received	123	108
Income taxes paid	(2,614)	(373)
<b>Net cash flows used in operating activities</b>	(129,860)	(54,105)

See accompanying notes to the consolidated financial statements.

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

**ACE PILLAR CO., LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows (Continued)**  
**For the three months ended March 31, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

	For the three months ended March 31	
	2022	2021
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at amortized cost	(10)	-
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	(19,422)	(309)
Decrease (increase) in other financial assets	(334)	1,741
Decrease (increase) in other non-current assets	6,435	(3,170)
<b>Net cash flows used in investing activities</b>	<b>(11,255)</b>	<b>(1,738)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	80,325	107,627
Decrease in short-term borrowings	(36,317)	(23,426)
Payment of lease liabilities	(3,151)	(3,474)
Interest paid	(1,399)	(1,562)
<b>Net cash flows provided by financing activities</b>	<b>39,458</b>	<b>79,165</b>
<b>Effect of foreign exchange rate changes</b>	<b>23,858</b>	<b>1,909</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(77,799)</b>	<b>25,231</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>493,109</b>	<b>876,458</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 415,310</b>	<b>901,689</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 generally accepted auditing standards**

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

**Notes to the Consolidated Financial Statements**

**For the three months ended March 31, 2022 and 2021**

**(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 of automation control and mechanical transmission.

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

These consolidated financial statements were authorized for issue by the Board of Directors on May 3, 2022.

**3. Application of New and Revised Accounting Standards and Interpretations:**

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

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

- (b) The impact of IFRS 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:

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the standards by helping companies determine whether, in the 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.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	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 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” and amendments to IFRS 17 “ Insurance Contracts”
- 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”

**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, 2021. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2021.

(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.

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**ACE PILLAR CO., LTD. AND SUBSIDIARIES**  
**Notes to the 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, 2022	December 31, 2021	March 31, 2021	
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 %	-
The Company	Standard Technology Corp. (“STC, Taiwan”)	Sales of semiconductor, optoelectronics and machinery equipment and equipment repair	60.00 %	-	-	Notes 1 and 2
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 of automation mechanical transmission system and component	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 %	100.00 %	100.00 %	-
Ace Tek	Advancedtek Ace (TJ) Inc. (“Advancedtek Ace, China”)	Electronic system integration	100.00 %	100.00 %	100.00 %	-
STC	Standard Technology Corp. (“STCBVI, BVI”)	Investment and holding activity	100.00 %	-	-	Notes 1 and 2
STCBVI	Standard International Trading (Shanghai) Co., Ltd. (“Shanghai STC, China”)	Sales of semiconductor, optoelectronics and machinery equipment and equipment repair	100.00 %	-	-	Notes 1 and 2

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

Note 2: This is a non-significant subsidiary for which financial statements were not reviewed as of and for the three months ended March 31, 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) Impairment of non-financial assets

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

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

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

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

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

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

(d) Business combinations

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

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

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

(Continued)

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

In a business combination achieved in stages, the Group shall re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss in profit or loss. The amount previously recognized in other comprehensive income in relation to the changes in the value of the Group's equity interest should be reclassified to profit or loss on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

(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, 2021 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, 2021. Please refer to note 6 of the consolidated financial statements for the year ended December 31, 2021.

(a) Cash and cash equivalents

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Cash on hand	\$ 308	270	328
Demand deposits and checking accounts	415,002	492,839	626,371
Time deposits with original maturities less than three months	-	-	274,990
	<b><u>\$ 415,310</u></b>	<b><u>493,109</u></b>	<b><u>901,689</u></b>

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

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Equity investments at fair value through other comprehensive income:			
Foreign unlisted stocks	<b><u>\$ 1,434</u></b>	<u>-</u>	<u>-</u>

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

There was 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, 2022.

(c) Financial assets at amortized cost

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Pledged time deposits	\$ 10,611	-	-
Time deposits	7,580	-	-
Corporate bonds	3,013	-	-
	<b><u>\$ 21,204</u></b>	<u>-</u>	<u>-</u>
Current	\$ 18,191	-	-
Non-current	3,013	-	-
	<b><u>\$ 21,204</u></b>	<u>-</u>	<u>-</u>

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

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

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

(d) Notes and accounts receivable

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Notes receivable	\$ 226,069	297,594	304,188
Accounts receivable	1,046,256	812,859	837,662
Less: loss allowance	<u>(34,239)</u>	<u>(27,588)</u>	<u>(33,159)</u>
	<u><u>\$ 1,238,086</u></u>	<u><u>1,082,865</u></u>	<u><u>1,108,691</u></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 Taiwan's operation was as follows:

	<u>March 31, 2022</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance</u>
Current	\$ 525,657	0%	-
Past due 1-90 days	16,285	0%~0.04%	-
Past due 91-180 days	191	0%~23.8%	-
Past due over 271 days	<u>4,273</u>	100%	<u>4,273</u>
	<u><u>\$ 546,406</u></u>		<u><u>4,273</u></u>
	<u>December 31, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance</u>
Current	\$ 453,694	0%	-
Past due 1-90 days	21,213	0.01%~0.04%	-
Past due 91-180 days	23	0.4%~26%	-
Past due over 271 days	<u>1,935</u>	100%	<u>1,935</u>
	<u><u>\$ 476,865</u></u>		<u><u>1,935</u></u>

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

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

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

	<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>

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

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

	<b>March 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance</b>
Current	\$ 578,758	0%~0.52%	1,265
Past due 1-90 days	50,436	0%~9%	2,278
Past due 91-180 days	2,382	0%~38%	426
Past due 181-270 days	4,735	56%~100%	3,191
Past due over 271 days	21,906	100%	21,906
	<b>\$ 658,217</b>		<b>29,066</b>

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

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 27,588	39,761
Acquisition through business combination	3,140	-
Impairment loss (gain on reversal of impairment loss)	3,392	(4,633)
Write-off	(882)	(2,076)
Effect of exchange rate changes	1,001	107
Balance at March 31	<b>\$ 34,239</b>	<b>33,159</b>

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

(e) Other receivables

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Other receivables	\$ 10,461	13,360	8,858
Less: loss allowance	-	-	-
	<b>\$ 10,461</b>	<b>13,360</b>	<b>8,858</b>

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

(Continued)

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

(f) Inventories

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Merchandise inventory	<u>\$ 812,020</u>	<u>665,979</u>	<u>398,082</u>

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

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Cost of inventories sold	\$ 769,577	731,437
Reversal of write-downs of inventories	(4,320)	(22,619)
	<u>\$ 765,257</u>	<u>708,818</u>

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

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

On May 21, 2021, the Company's Board of Directors approved a resolution to dispose of land and buildings located at Sanchong District of New Taipei City. Since the lands and buildings are expected to be disposed within one year, the assets amounting to \$73,452 were classified as non-current assets held for sale as of March 31, 2022. Part of the abovementioned assets have been sold on January 25, 2022, of which the consideration and carrying amount amounted to \$24,876 and \$17,191, respectively.

On December 23, 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. Since the factories are expected to be disposed within one year, the abovementioned assets, with the carrying amount of \$247,486 (CNY 55,035), were classified as non-current assets held for sale as of March 31, 2022.

(h) Acquisition of subsidiaries and non-controlling interests

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

1) The cost of acquisition

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

(Continued)

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

2) Identifiable net assets acquired in a business combination

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

Consideration transferred:

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

The fair value of the abovementioned assets and liabilities was the provisional amount and will be finalized until the completion of valuation.

If there is any information discovered within one year from the acquisition date about facts and circumstances that existed at the acquisition date which leads to an adjustment to the above provisional amounts, or any additional liability provisions existed as at the acquisition date, the acquisition accounting will be revised.

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

3) Intangible assets

Intangible assets – customer relationship are amortized on a straight-line basis over the estimated future economic useful life of 14.84 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, neither of which qualifies as an identifiable intangible asset. None of the goodwill recognized is expected to be deductible for income tax purposes.

4) Pro forma information

From the acquisition date to March 31, 2022, STC and its subsidiaries had contributed the revenue of \$64,245 and the net income of \$5,312 to the Group. If this acquisition had occurred on January 1, 2022, the management estimates that consolidated revenue and consolidated net income would have been \$1,047,883 and \$45,534, respectively.

(i) Property, plant and equipment

	Land	Buildings	Transportation equipment and other equipment	Construction in progress	Total
Cost:					
Balance at January 1, 2022	\$ 219,768	247,048	69,430	-	536,246
Acquisition through business combination	-	-	10,226	-	10,226
Additions	-	19,332	90	-	19,422
Disposals	-	-	(2,587)	-	(2,587)
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>79,478</u>	<u>-</u>	<u>570,633</u>
Balance at January 1, 2021	\$ 89,594	202,638	72,479	228,086	592,797
Additions	-	-	309	-	309
Disposals	-	-	(3,686)	-	(3,686)
Effect of exchange rate changes	-	551	226	752	1,529
Balance at March 31, 2021	<u>\$ 89,594</u>	<u>203,189</u>	<u>69,328</u>	<u>228,838</u>	<u>590,949</u>
Accumulated depreciation:					
Balance at January 1, 2022	\$ -	(114,208)	(59,541)	-	(173,749)
Acquisition through business combination	-	-	(7,385)	-	(7,385)
Depreciation	-	(2,763)	(708)	-	(3,471)
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>(67,070)</u>	<u>-</u>	<u>(187,610)</u>
Balance at January 1, 2021	\$ -	(118,226)	(62,804)	-	(181,030)
Depreciation	-	(2,248)	(766)	-	(3,014)
Disposals	-	-	3,473	-	3,473
Effect of exchange rate changes	-	(367)	(202)	-	(569)
Balance at March 31, 2021	<u>\$ -</u>	<u>(120,841)</u>	<u>(60,299)</u>	<u>-</u>	<u>(181,140)</u>
Carrying amount:					
Balance at January 1, 2022	<u>\$ 219,768</u>	<u>132,840</u>	<u>9,889</u>	<u>-</u>	<u>362,497</u>
Balance at March 31, 2022	<u>\$ 219,768</u>	<u>150,847</u>	<u>12,408</u>	<u>-</u>	<u>383,023</u>
Balance at January 1, 2021	<u>\$ 89,594</u>	<u>84,412</u>	<u>9,675</u>	<u>228,086</u>	<u>411,767</u>
Balance at March 31, 2021	<u>\$ 89,594</u>	<u>82,348</u>	<u>9,029</u>	<u>228,838</u>	<u>409,809</u>

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

## (j) Right-of-use assets

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:				
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 rates 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>
Balance at 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 exchange rate changes	<u>73</u>	<u>92</u>	<u>-</u>	<u>165</u>
Balance at March 31, 2021	<u>17,796</u>	<u>37,664</u>	<u>2,624</u>	<u>58,084</u>
Accumulated depreciation:				
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>
Balance at January 1, 2021	856	14,268	1,557	16,681
Depreciation	107	3,613	248	3,968
Disposals	-	(932)	(464)	(1,396)
Effect of exchange rates changes	<u>2</u>	<u>44</u>	<u>1</u>	<u>47</u>
Balance at March 31, 2021	<u>\$ 965</u>	<u>16,993</u>	<u>1,342</u>	<u>19,300</u>
Carrying amount:				
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>
Balance at January 1, 2021	<u>\$ 16,867</u>	<u>25,504</u>	<u>1,117</u>	<u>43,488</u>
Balance at March 31, 2021	<u>\$ 16,831</u>	<u>20,671</u>	<u>1,282</u>	<u>38,784</u>

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

## (k) Intangible assets

	<u>Goodwill</u>	<u>Computer software</u>	<u>Customer relationship</u>	<u>Total</u>
Costs:				
Balance at January 1, 2022	\$ -	5,474	-	5,474
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>7,494</u>	<u>92,585</u>	<u>168,016</u>
Accumulated amortization and impairment loss:				
Balance at January 1, 2022	\$ -	1,307	-	1,307
Amortization	-	524	520	1,044
Acquisition through business combination	-	975	-	975
Effect of exchange rates changes	-	6	-	6
Balance at December 31, 2022	<u>\$ -</u>	<u>2,812</u>	<u>520</u>	<u>3,332</u>
Carrying amount:				
Balance at January 1, 2022	<u>\$ -</u>	<u>4,167</u>	<u>-</u>	<u>4,167</u>
Balance at March 31, 2022	<u>\$ 67,937</u>	<u>4,682</u>	<u>92,065</u>	<u>164,684</u>

## (l) Short-term borrowings

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Unsecured bank loans	\$ 147,453	69,527	124,605
Secured bank loans	110,605	18,196	58,811
	<u>\$ 258,058</u>	<u>87,723</u>	<u>183,416</u>
Unused credit facilities	<u>\$ 2,382,246</u>	<u>2,259,307</u>	<u>1,981,817</u>
Interest rate	0.85%~4.10%	2.4%~4.25%	0.93%~4.25%

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

## (m) Lease liabilities

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Current	<u>\$ 14,206</u>	<u>9,881</u>	<u>11,607</u>
Non-current	<u>\$ 6,415</u>	<u>8,036</u>	<u>10,769</u>

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

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

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2022</b>	<b>2021</b>
Interest on lease liabilities	\$ <u>156</u>	<u>200</u>
Expenses relating to short-term leases	\$ <u>1,602</u>	<u>1,983</u>

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

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2022</b>	<b>2021</b>
Total cash outflows for leases	\$ <u>4,909</u>	<u>5,657</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 3 to 5 years.

(ii) Other leases

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

(n) Employee benefits

(i) Defined benefit plans

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

	<b>December 31,</b>
	<b>2021</b>
Present value of defined benefit obligations	\$ 29,668
Fair value of plan assets	<u>(23,993)</u>
Net defined benefit liabilities	<u>\$ 5,675</u>

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.

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**ACE PILLAR CO., LTD. AND SUBSIDIARIES**  
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The expenses recognized in profit or loss were as follows:

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

(ii) Defined contribution plans

For the three months ended March 31, 2022 and 2021, the Group recognized the pension expenses of \$4,671 and \$3,835, respectively, in relation to the defined contribution plans.

(o) Income taxes

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

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Current income tax expense	\$ <b>13,262</b>	<b>12,722</b>

(ii) For the three months ended March 31, 2022 and 2021, 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 2020 have been examined and approved by the R.O.C. income tax authorities.

(p) 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, 2022 and 2021. For the related information, please refer to note 6(o) of the consolidated financial statements for the year ended December 31, 2021.

(i) Common stock

As of March 31, 2022, December 31 and March 31, 2021, the Company's authorized shares of common stock amounted to \$2,000,000 in total, at par value of \$10 (Dollars) per share, and consisted of 200,000 thousand shares, of which 112,250 thousand shares were issued.

(ii) Capital surplus

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Paid-in capital in excess of par value	\$ 278,081	278,081	278,081
Employee stock options	7,354	7,354	7,354
Overdue dividends transferred to capital surplus	107	107	107
Treasury share transactions	29,454	29,454	29,454
Others	81	81	81
	\$ <b>315,077</b>	<b>315,077</b>	<b>315,077</b>

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

(iii) Retained earnings

The Company's Articles of Incorporation stipulate that at least 10% of annual net income after deducting an accumulated deficit, if any, must be retained as a legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve should be set aside or reversed in accordance with applicable laws and regulations. The remaining balance of the annual net income, together with unappropriated earnings from previous years, if any, can be distributed as dividends after the earnings distribution plan proposed by the Board of Directors and approved during the stockholders' meeting. In addition, pursuant to the Company's Articles of incorporation, amended on June 12, 2020, the abovementioned distribution of earnings by way of cash dividends could be approved by the Company's Board of Directors and then reported to the Company's shareholders in its meeting.

In accordance with the Company's previous Articles of Incorporation, the dividend distribution policy shall be based on the Company's needs for business operation and growth as well as capital budget and demands. The distribution ratio for cash dividends shall not be less than 20% of the total distribution. The Company's Articles of Incorporation, amended on August 24, 2021, stipulate that the Company's requirements for business operation and growth as well as capital budget and requirements are the primary factors that the Company considers when appropriating its retained earnings. If the Company has annual earnings and the distributable earnings for the years achieves 2% of capital, the dividend distribution shall not be less than 10% of the distributable earnings for the year, of which of the percentage of cash dividends shall not be less than 20% of the total dividends for the year.

The appropriation of 2021 and 2020 earnings was resolved by the Board of Directors on March 2, 2022 and April 29, 2021, respectively. The resolved appropriation of the dividend per share were as follows:

	2021		2020	
	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)	Amount
Cash dividends	\$ 0.9	101,026	0.6	67,350

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

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

(iv) Other equity items (net after tax)

	<b>Foreign currency translation differences</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>
Balance at January 1, 2021	\$ (58,640)
Foreign exchange differences arising from translation of foreign operations	2,406
Balance at March 31, 2021	<b>\$ (56,234)</b>

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

	<b>For the three months ended, March 31</b>
	<b>2022</b>
Balance at January 1	\$ -
Equity attributable to non-controlling interests	
Net income	2,125
Foreign currency translation differences	889
Increase in non-controlling interests in acquisition of subsidiaries	79,375
Balance at March 31	<b>\$ 82,389</b>

(q) Earnings per share (“EPS”)

(i) Basic earnings per share

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Net income attributable to shareholders of the Company	<b>\$ 39,832</b>	<b>49,199</b>
Weighted-average number of ordinary shares outstanding (in thousands)	<b>112,250</b>	<b>112,250</b>
Basic earnings per share (in dollars)	<b>\$ 0.35</b>	<b>0.44</b>

(Continued)

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

## (ii) Diluted earnings per share

	For the three months ended March 31,	
	2022	2021
Net income attributable to shareholders of the Company	\$ 39,832	49,199
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	118	116
Weighted-average number of ordinary shares outstanding (in thousands) (including effect of dilutive potential common stock)	112,368	112,366
Diluted earnings per share (in dollars)	\$ 0.35	0.44

## (r) Revenue from contracts with customers

## (i) Disaggregation of revenue

	For the three months ended March 31, 2022			
	Operating Segment			
	Taiwan	Mainland China	Others	Total
Major products/ services lines:				
Automation control	\$ 350,062	183,797	-	533,859
Mechanical transmission	68,545	246,544	20,665	335,754
Semiconductor equipment material sales and service	-	-	64,245	64,245
Others	723	125	-	848
	\$ 419,330	430,466	84,910	934,706
	For the three months ended March 31, 2021			
	Operating Segment			
	Taiwan	Mainland China	Others	Total
Major products/ services lines:				
Automation control	\$ 332,177	175,569	-	507,746
Mechanical transmission	71,575	296,438	824	368,837
Others	926	576	-	1,502
	\$ 404,678	472,583	824	878,085

(Continued)

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

(ii) Contract balances

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Notes and accounts receivable	\$ 1,272,325	1,110,453	1,141,850
Less: loss allowance	<u>(34,239)</u>	<u>(27,588)</u>	<u>(33,159)</u>
	<b><u>\$ 1,238,086</u></b>	<b><u>1,082,865</u></b>	<b><u>1,108,691</u></b>
	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Contract liabilities – advanced receipts	<b><u>\$ 125,751</u></b>	<b><u>113,435</u></b>	<b><u>84,873</u></b>

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

The amount of revenue recognized for the three months ended March 31, 2022 and 2021, that was included in the contract liabilities balance at the beginning of the period, were \$37,047 and \$40,240, respectively.

(s) Remuneration to employees and directors

The Company's Articles of Incorporation requires that earnings 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. 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, 2022 and 2021, the Company accrued its remuneration to employees amounting to \$1,037 and \$1,271, respectively, and the remuneration to directors amounting to \$518 and \$636, 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 2021 and 2020 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**

(t) Non-operating income and loss

(i) Interest income

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Interest income from bank deposits	123	108
Interest income from financial assets measured at amortized cost	7	-
	<b>\$ 130</b>	<b>108</b>

(ii) Other income

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Miscellaneous income	<b>\$ 1,202</b>	<b>1,064</b>

(iii) Other gains and losses

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Foreign exchange gains (losses), net	9,030	1,117
Gain on disposal of non-current assets held for sale	7,392	-
Net loss on financial instruments at fair value through profit or loss	-	(500)
Others	(66)	(354)
	<b>\$ 16,356</b>	<b>263</b>

(iv) Finance costs

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Interest expense on bank loans	\$ (1,257)	(1,211)
Interest expense on lease liabilities	(156)	(200)
	<b>\$ (1,413)</b>	<b>(1,411)</b>

(Continued)

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

(u) 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(u) and 6(v) of the consolidated financial statements for the year ended December 31, 2021.

(i) Categories of financial instruments

1) Financial assets

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Financial assets at fair value through other comprehensive income — non-current	1,434	-	-
Financial assets measured at amortized cost:			
Cash and cash equivalents	415,310	493,109	901,689
Financial assets measured at amortized cost (including current and non-current)	21,204	-	-
Notes and accounts receivable	1,238,086	1,082,865	1,108,691
Other receivables	10,461	13,360	8,858
Other financial assets — non-current	17,873	17,077	16,583
	<b><u>\$ 1,704,368</u></b>	<b><u>1,606,411</u></b>	<b><u>2,035,821</u></b>

2) Financial liabilities

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Financial liabilities measured at amortized cost:			
Short-term borrowings	258,058	87,723	183,416
Notes and accounts payable	600,052	551,096	427,644
Other payables	105,810	99,402	84,586
Cash dividends payable	136,425	-	-
Lease liabilities (including current and non-current)	20,621	17,917	22,376
	<b><u>\$ 1,120,966</u></b>	<b><u>756,138</u></b>	<b><u>718,022</u></b>

(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 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, 2022</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 other comprehensive income:					
Foreign unlisted stocks	\$ <b>1,434</b>	-	-	<b>1,434</b>	<b>1,434</b>

3) Valuation techniques and assumptions used in fair value measurement

Non-derivative financial instruments

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

(Continued)

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

(iii) Credit risk

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

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Group manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of the loan agreements. As of March 31, 2022, December 31 and March 31, 2021, the Group had unused credit facilities of \$2,382,246, \$2,259,307 and \$1,981,817, respectively.

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

	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>March 31, 2022</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 259,347	259,347	-	-	-
Notes and accounts payable	600,052	600,052	-	-	-
Other payables	105,810	105,810	-	-	-
Cash dividends payable	136,425	136,425	-	-	-
Lease liabilities (including current and non-current)	21,111	14,604	5,291	1,216	-
	<u>\$ 1,122,745</u>	<u>1,116,238</u>	<u>5,291</u>	<u>1,216</u>	<u>-</u>
<b>December 31, 2021</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 88,146	88,146	-	-	-
Notes and accounts payable	551,096	551,096	-	-	-
Other payables	99,402	99,402	-	-	-
Lease liabilities (including current and non-current)	18,516	10,334	6,398	1,784	-
	<u>\$ 757,160</u>	<u>748,978</u>	<u>6,398</u>	<u>1,784</u>	<u>-</u>
<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	-
	<u>\$ 719,297</u>	<u>708,225</u>	<u>7,522</u>	<u>3,550</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, 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
<b>December 31, 2021</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	\$ 4,658	4.35	20,262	1 %	203
USD	8,690	27.68	240,539	1 %	2,405
JPY	31,877	0.2404	7,663	1 %	77
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	7,951	27.68	220,084	1 %	2,201
JPY	26,577	0.2404	6,389	1 %	64

(Continued)

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

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

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, 2022 and 2021 were \$9,030 and \$1,117, respectively.

(v) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(v) of the consolidated financial statements for the year ended December 31, 2021.

(w) 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, 2021. There were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2021. Please refer to note 6(w) of the consolidated financial statements for the year ended December 31, 2021 for related details.

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

- (x) Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities was as follows:

	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	17,917	(3,151)	5,464	388	3	-	20,621
	<u>\$ 105,640</u>	<u>40,857</u>	<u>127,625</u>	<u>4,554</u>	<u>3</u>	<u>-</u>	<u>278,679</u>

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

**7. Related-party transactions**

- (a) Parent company and ultimate controlling party

DFI Inc. (“DFI”) is the parent company of the Group and owns 48.06% and 34.27%, respectively, of the outstanding shares of the Company as of March 31, 2022 and 2021. Qisda Corporation (“Qisda”) is the ultimate controlling party of the Group. DFI and Qisda have issued the consolidated financial statements for public use.

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

(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 (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
BenQ Healthcare Corporation	Qisda’s subsidiary
BenQ GURU Corp.	Qisda’s subsidiary
Guru Systems (Suzhou) Co., Ltd.	Qisda’s subsidiary
BenQ Intelligent Technology (Shanghai) Co., Ltd.	Qisda’s subsidiary
Sysage Technology Co., Ltd. (“Sysage”)	Qisda’s subsidiary
AdvancedTEK International Corp.	Qisda’s subsidiary
Golden Spirit Co., Ltd.	Qisda’s subsidiary
Concord Medical Co., Ltd.	Qisda’s subsidiary
Darfon Electronics Corp. (“DFN”)	Qisda’s associate
AU Optronics Corp. (“AU”)	Qisda’s associate/ AU accounted the investment in Qisda using the equity method. (Note)
AU Optronics (Kunshan) Co., Ltd.	AU’s subsidiary (Note)
AU Optronics (Xiamen) Corp.	AU’s subsidiary (Note)
AU Optronics (Suzhou) Corp.	AU’s subsidiary (Note)
AUO Crystal Corp.	AU’s subsidiary (Note)
AUO Education Service Corp.	AU’s subsidiary (Note)
Darwin Precisions Corporation	AU’s subsidiary (Note)
Aewin Technologies Co., Ltd.	DFI’s subsidiary
Yan Ying Hao Trading (ShenZhen) Co., Ltd.	DFI’s subsidiary
Darfon Electronics (Suzhou) Co., Ltd.	DFN’s subsidiary
Global Intelligence Network Co., Ltd.	Sysage’s subsidiary

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

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

(c) Significant related-party transactions

(i) Revenue

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
	<u>2022</u>	<u>2021</u>
Other related parties	\$ <u>11,709</u>	<u>2,761</u>

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

(ii) Purchases

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
	<u>2022</u>	<u>2021</u>
Parent company	\$ 4,437	1,238
Other related parties	<u>3,005</u>	<u>4,096</u>
	<u>\$ 7,442</u>	<u>5,334</u>

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

(iii) Receivables

<u>Account</u>	<u>Related-party categories</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Accounts receivable	Ultimate controlling party	\$ -	6,407	-
	Other related parties	<u>21,021</u>	<u>6,716</u>	<u>4,453</u>
		<u>\$ 21,021</u>	<u>13,123</u>	<u>4,453</u>

(iv) Payables

<u>Account</u>	<u>Related-party categories</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Notes and accounts payable	Parent company	\$ 4,017	3,953	684
	Other related parties	3,491	7,407	3,224
Other payables	Ultimate controlling party	79	263	520
	Parent company	700	700	1,406
	Other related parties	262	92	94
Dividends payable	Parent company	<u>48,562</u>	<u>-</u>	<u>-</u>
		<u>\$ 57,111</u>	<u>12,415</u>	<u>5,928</u>

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

(v) Lease

The Group leased office from BQC and the rent is paid monthly with reference to the nearby office rental rates. For the three months ended March 31, 2022 and 2021, the related interest expense on lease liabilities amounted to \$18 and \$32, respectively. As of March 31, 2022, December 31, March 31, 2021, the balance of the lease liabilities amounted to \$1,547, \$1,805, and \$2,709, respectively.

(d) Compensation for key management personnel

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 6,526	6,084
Post-employment benefits	51	72
	<b><u>\$ 6,577</u></b>	<b><u>6,156</u></b>

**8. Pledged assets :**

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

<u>Pledged assets</u>	<u>Pledged to secure</u>	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Pledged time deposits (recognized in financial assets measured at amortized cost – current)	Guarantee payment for import VAT	\$ 611	-	-
Pledged time deposits (recognized in financial assets measured at amortized cost – current)	Credit lines of bank loans	10,000	-	-
Notes receivable	Short-term borrowings	<u>70,605</u>	<u>18,196</u>	<u>58,811</u>
		<b><u>\$ 81,216</u></b>	<b><u>18,196</u></b>	<b><u>58,811</u></b>

**9. Significant commitments and contingencies:**

As of March 31, 2022, December 31, March 31, 2021, the Group had issued promissory notes amounting to \$2,285,975, \$1,938,400 and \$1,470,000, respectively, as collateral for obtaining credit facilities from financial institutions.

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

**11. Significant subsequent events:**

In order to enhance product diversification and expand sales regions, and to improve overall operating efficiency, the Group's Board of Directors approved the acquisition of 100% of the shares of BlueWalker GmbH for EUR 4,000 thousand on March 14, 2022, which was fully paid and registered on April 1, 2022.

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

**12. Others:**

- (a) Employee benefits, depreciation, and amortization (recognized in operating expense) categorized by function were as follows:

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2022</b>	<b>2021</b>
Employee benefits:		
Salaries	\$ 70,120	59,313
Labor and health insurances	7,371	6,208
Pension	4,675	3,835
Others	2,526	2,036
Depreciation	6,811	6,982
Amortization	1,044	-

- (b) Seasonality operations

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

**13. Additional disclosures:**

- (a) Information on significant transactions:

The followings were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three months ended March 31, 2022:

- (i) Financing provided to other parties:

(In Thousands of New Taiwan Dollars)

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	252,225	171,600	171,600	0%	2	-	Operating requirement	-	-	-	404,004	808,008
0	The Company	Suzhou Super Pillar	Other receivables from related parties	yes	28,600	28,600	28,600	0%	2	-	Operating requirement	-	-	-	404,004	808,008

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 shall not exceed 10% of the latest audited or reviewed net worth of subsidiaries, within which the individual financing amount shall not exceed 5% of the abovementioned net worth of the subsidiaries.

Note 3: There is no restriction of financing provided between foreign subsidiaries which the parent company has 100% of direct or indirect voting rights. However, the aggregate financing amount and the individual financing amount shall not exceed the net worth of the subsidiaries.

Note 4: Nature of Financing  
1 for entities the Company has business transactions with  
2 for entities with short-term financing needs

Note 5: The above transactions are eliminated when preparing the consolidated financial statements.

(Continued)

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

(ii) Guarantee and endorsement provided to other parties:

(In Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Guarantee Party		Limitation on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
0	The Company	Tianjin Ace Pillar	2	808,008	190,125	107,200	29,230	-	5.31 %	1,010,011	Y	N	Y

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

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

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

(In Thousands of New Taiwan Dollars/ Shares/ Units)

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	-	2.64 %	-	-
STC	Stock: COMPITEK CORP PTE LTD (CPL)	-	Financial assets at fair value through other comprehensive income — non-current	36	1,434	6.28 %	1,434	-
STCBVI	Corporate bond: Biogen Inc.	-	Financial assets at amortized — non- current	100	3,013	-	3,013	-

(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

(Continued)

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

- (vii) Total purchases from and sales to related parties which exceed \$100 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/ (Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Notes/Accounts Receivable or (Payable)	
Advancedtek Ace	Tianjin Ace Pillar	Affiliate	(Sales)	(164,859)	100.00 %	T/T 30 days	-	-	113,708	98.74 %	
Tianjin Ace Pillar	Advancedtek Ace	Affiliate	Purchases	164,859	46.28 %	T/T 30 days	-	-	(113,708)	(44.25)%	

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

(In Thousands of New Taiwan Dollars)

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	Subsidiary	171,600	-	-	-	-	-
Advancedtek Ace	Tianjin Ace Pillar	Affiliate	113,708	5.22	113,708	-	59,089	-

- (ix) Information about derivative instrument transactions: None
- (x) Business relationships and significant intercompany transactions:

Number (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			Percentage of Consolidated Operating Revenue or Total Assets (Note 4)
				Financial Statements Account	Amount (Note 3)	Payment Terms	
0	The Company	Tianjin Ace Pillar	1	Other receivables – loans	171,600	1 year	4.84 %
1	Advancedtek Ace	Tianjin Ace Pillar	3	Revenue	164,859	T/T 30 days	17.64 %
1	Advancedtek Ace	Tianjin Ace Pillar	3	Accounts receivable	113,708	T/T 30 days	3.20 %

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

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

Note 2: The relationships with counterparties are as follows:

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

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

Note 4: Based on the transaction amount divided by consolidated operating revenues or consolidated total assets.

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

(Continued)

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

(b) Information on investees:

The following are names, locations, and related information of investees over which the Company exercises significant influence for the three months ended March 31, 2022 (excluding investee companies in Mainland China):

(In Thousands of New Taiwan Dollars/ Shares)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount (Note)		Balance as of March 31, 2022			Net Income (Loss) of the Investee	Share of Profit/ (Losses) of the Investee	Note
				March 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value			
The Company	Cyber South	Samoa	Investment and holding activity	107,041	107,041	4,669	100.00 %	651,622	4,158	3,149	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 %	41,886	979	979	Note 1
Cyber South	Proton	Samoa	Investment and holding activity	527,665	527,665	17,744	100.00 %	531,789	2,248	Note 2	Note 1
Cyber South	Ace Tek	Hong Kong	Investment and holding activity	4,938	4,938	150	100.00 %	869	1,449	Note 2	Note 1
The Company	STC	Taiwan	Sales of semiconductor, optoelectronics and machinery equipment and equipment repair	187,000	-	4,680	60.00 %	191,520	10,136	3,187	Note 1
STC	STCBVI	B.V.I.	Investment and holding activity	21,727	-	600	100.00 %	136,992	5,571	Note 2	Note 1

Note: Original investment amounts include capitalization of retained earnings.

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

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

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**ACE PILLAR CO., LTD. AND SUBSIDIARIES**  
**Notes to 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:

(Amounts In Thousands of New Taiwan Dollars/ foreign currency)

Name of Investee	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2022	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss) (Note 5)	Carrying Value as of March 31, 2022	Accumulated Inward Remittance of Earnings as of March 31, 2022
					Outflow	Inflow						
Tianji Ace Pillar	Sales of automation mechanical transmission system and component	1,009,494 (USD 35,297)	Direct and indirect investment	55,770 (USD 1,950)	-	-	55,770 (USD 1,950)	3,350	100.00 %	3,350	635,781	125,533
Grace Transmission	Manufacture of automation mechanical transmission system and component	7,510 (RMB 1,670)	Indirect investment	4,576 (USD 160)	-	-	4,576 (USD 160)	(2,500)	100.00 %	(2,500) (USD 90))	4,702 (USD164)	-
Advancedtek Ace	Electronic system integration	8,580 (USD 300)	Indirect investment	4,290 (USD 150)	-	-	4,290 (USD 150)	1,449	100.00 %	1,449 (USD 52)	844 (USD 30)	-
Suzhou Super Pillar	Manufacture of automation mechanical transmission system and component	41,470 (USD 1,450)	Indirect investment	(Note 2)	-	-	(Note 2)	2,984	100.00 %	2,984 (USD 108)	105,075 (USD 3,674)	-
Xuchang Ace	Wholesale of industrial robot and component	8,580 (USD 300)	Indirect investment	(Note 2)	-	-	(Note 2)	(129)	100.00 %	(129) (USD 5) thousand)	2,098 (USD 73 thousand)	-
Shanghai STC	Sales of semiconductor, optoelectronics and machinery equipment and equipment repair	13,728 (USD 480)	Indirect investment	(USD 10,000) (Note 6)	-	-	(USD 10,000) (Note 6)	5,777	100.00 %	1,601	97,985	83,401

Note 1: Total amounts of paid-in capital includes direct investment and capitalization of liabilities. The amount were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$28.6.

Note 2: Established by Cyber South's reinvestment.

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

Note 4: The dissolution of Xuchang Ace was approved by the Board of Directors on November 23, 2021, the liquidation procedures is still in process.

Note 5: Except for investment income or loss of Shanghai STC investment income or loss was recognized based on the audited financial statements by the auditors of the Company.

Note 6: Established by STC's reinvestment.

- (ii) Limits on investments in Mainland China:

(Amounts In Thousands of New Taiwan Dollars/ foreign currency)

Company Name	Accumulated Investment in Mainland China as of March 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
ACE	146,403 (USD 5,119)	146,403 (USD 5,119)	1,261,446
STC	13,728 (USD 480)	13,728 (USD 480)	79,392

Note: 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.

(Continued)

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

(iii) 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.

(d) Major shareholders:

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

**14. Segment information:**

The Group has two reportable segments: the Taiwan operating segment and the China operating segment. The Taiwan operating segment is an agent for the sale of inverters and automation control and mechanical transmission systems in Taiwan, while the China operating segment is an agent for the sale of mechanical transmission and automation control systems and the wholesale and retail of industrial robotics related products in China. The Group has other operating segments that have not yet reached the quantitative threshold, mainly engaged in the sales of semiconductor, optoelectronic equipment and consumables, as well as 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.

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

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

	<b>For the three months ended March 31, 2022</b>				
	<b>Taiwan</b>	<b>Mainland China</b>	<b>Others</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
External revenue	\$ 419,330	430,466	84,910	-	934,706
Intra-group revenue	1,215	166,363	1,120	(168,698)	-
Total segment revenue	<b>\$ 420,545</b>	<b>596,829</b>	<b>86,030</b>	<b>(168,698)</b>	<b>934,706</b>
<b>Segment profit (loss)</b>	<b>\$ 42,393</b>	<b>6,050</b>	<b>8,729</b>	<b>(1,953)</b>	<b>55,219</b>
	<b>For the three months ended March 31, 2021</b>				
	<b>Taiwan</b>	<b>Mainland China</b>	<b>Others</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
External revenue	\$ 404,678	472,583	824	-	878,085
Intra-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>
<b>Segment profit (loss)</b>	<b>\$ 31,340</b>	<b>32,006</b>	<b>(536)</b>	<b>(889)</b>	<b>61,921</b>