

ACE PILLAR CO., LTD. AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Review Report
For the Nine Months Ended September 30, 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 September 30, 2022 and 2021 (restated), and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2022 and 2021 (restated), as well as the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2022 and 2021 (restated), and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the 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 Third Quarter Ended September 30, 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 \$210,895 thousand, constituting 5.84% of the consolidated total assets as of September 30, 2022; and the total liabilities amounting to \$79,196 thousand, constituting 5.45% of the consolidated total liabilities as of September 30, 2022; as well as the total comprehensive income amounting to \$3,864 thousand and \$4,499 thousand, constituting 21.14% and 3.39% of the consolidated total comprehensive income for the three months and nine months ended September 30, 2022, respectively.

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 September 30, 2022 and 2021 (restated), and their consolidated financial performance for the three months and nine months then ended, as well as their consolidated cash flows for the nine months then ended, 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.

Emphasis of Matter

As stated in Note 4(b), Ace Pillar Co., Ltd. acquired 100% equity ownership of Qisda Corporation’s subsidiary, ACE Energy Co., Ltd., by cash on July 1, 2022. Pursuant to the Interpretations (2012) No. 301 issued by Accounting Research and Development Foundation, the aforementioned transaction is an organizational reorganization under common control and had been regarded as a combination from beginning. Ace Pillar Co., Ltd. and its subsidiaries restated the consolidated financial statements for the third quarter ended September 30, 2021, accordingly. Our conclusion is not modified in respect of this matter.

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)

November 2, 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 the generally accepted auditing standards as of September 30, 2022 and 2021

ACE PILLAR CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2022, December 31, and September 30, 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		September 30, 2022		December 31, 2021 (Restated)		September 30, 2021 (Restated)		Liabilities and Equity		September 30, 2022		December 31, 2021 (Restated)		September 30, 2021 (Restated)	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 476,190	13	521,134	17	548,494	18	2100	Short-term borrowings (notes (m) and 8)	\$ 373,724	10	87,723	3	100,447	3
1110	Financial assets at fair value through profit or loss – current (note 6(b))	250	-	-	-	-	-	2123	Financial liabilities at fair value through profit or loss – current (note 6(b))	1,074	-	-	-	-	-
1136	Financial assets at amortized cost – current (notes 6(d) and 8)	14,209	1	18,000	1	9,000	-	2130	Contract liabilities – current (note 6(t))	131,775	4	126,238	4	153,639	5
1150-1170	Notes and accounts receivable, net (notes 6(e), (t), 7 and 8)	1,094,603	31	1,105,387	35	1,196,578	39	2150-2170	Notes and accounts payable (note 7)	502,197	14	577,950	18	500,939	16
1200	Other receivables (note 6(f))	8,596	-	14,714	1	10,145	-	2200	Other payables (note 7)	135,077	4	112,822	4	103,720	3
130X	Inventories (note 6(g))	985,266	27	665,979	21	488,602	16	2230	Current income tax liabilities	58,056	2	48,747	2	58,190	2
1461	Non-current assets held for sale (note 6(h))	297,238	8	312,601	10	73,452	3	2280	Lease liabilities – current (notes (o) and 7)	9,179	-	12,330	-	12,437	1
1410-1470	Prepayments and other current assets	71,870	2	43,584	1	32,029	1	2300	Other current liabilities	11,091	-	8,884	-	12,346	1
	Total current assets	<u>2,948,222</u>	<u>82</u>	<u>2,681,399</u>	<u>86</u>	<u>2,358,300</u>	<u>77</u>	2320	Current portion of long-term debt (notes 6(n) and 8)	244	-	-	-	-	-
Non-current assets:									Total current liabilities	<u>1,222,417</u>	<u>34</u>	<u>974,694</u>	<u>31</u>	<u>941,718</u>	<u>31</u>
1517	Financial assets at fair value through other comprehensive income – non-current (note 6(c))	1,434	-	-	-	-	-		Non-current liabilities:						
1535	Financial assets at amortized cost – non-current (note 6(d))	3,344	-	-	-	-	-	2540	Long-term debt (notes 6(n) and 8)	100,466	3	-	-	-	-
1600	Property, plant and equipment (notes (j) and 8)	384,301	11	373,454	12	612,525	20	2570	Deferred income tax liabilities	123,225	3	74,358	3	61,148	2
1755	Right-of-use assets (note 6(k))	19,078	-	24,670	1	35,395	1	2580	Lease liabilities – non-current (notes 6(o) and 7)	2,793	-	8,246	-	10,225	-
1780	Intangible assets (note 6(l))	210,667	6	4,167	-	3,995	-	2640	Net defined benefit liabilities – non-current (note 6(p))	2,682	-	-	-	-	-
1840	Deferred income tax assets	11,314	-	9,234	-	11,599	-	2670	Other non-current liabilities	787	-	-	-	344	-
1980	Other financial assets – non-current	20,181	1	17,077	-	17,096	1		Total non-current liabilities	<u>229,953</u>	<u>6</u>	<u>82,604</u>	<u>3</u>	<u>71,717</u>	<u>2</u>
1990	Other non-current assets	10,432	-	24,861	1	15,485	1		Total liabilities	<u>1,452,370</u>	<u>40</u>	<u>1,057,298</u>	<u>34</u>	<u>1,013,435</u>	<u>33</u>
	Total non-current assets	<u>660,751</u>	<u>18</u>	<u>453,463</u>	<u>14</u>	<u>696,095</u>	<u>23</u>		Equity attributable to shareholders of the Company (note 6(r)):						
								3110	Common stock	1,122,505	31	1,122,505	36	1,122,505	37
								3200	Capital surplus	312,222	9	315,077	10	315,077	10
								3300	Retained earnings	656,589	18	672,018	21	646,527	21
								3400	Other equity	(26,914)	(1)	(56,506)	(2)	(63,752)	(2)
									Total equity attributable to shareholders of the Company	<u>2,064,402</u>	<u>57</u>	<u>2,053,094</u>	<u>65</u>	<u>2,020,357</u>	<u>66</u>
								35XX	Equity attributable to former owner of business combination under common control	-	-	20,310	1	17,101	1
								36XX	Non-controlling interests	92,201	3	4,160	-	3,502	-
									Total equity	<u>2,156,603</u>	<u>60</u>	<u>2,077,564</u>	<u>66</u>	<u>2,040,960</u>	<u>67</u>
Total assets		<u>\$ 3,608,973</u>	<u>100</u>	<u>3,134,862</u>	<u>100</u>	<u>3,054,395</u>	<u>100</u>	Total liabilities and equity		<u>\$ 3,608,973</u>	<u>100</u>	<u>3,134,862</u>	<u>100</u>	<u>3,054,395</u>	<u>100</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 Comprehensive Income

For the three months and nine months ended September 30, 2022 and 2021

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

	For the three months ended September 30				For the nine months ended September 30				
	2022		2021 (Restated)		2022		2021 (Restated)		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (notes 6(t), 7 and 14)								
5000	\$	897,756	100	920,371	100	2,899,045	100	2,795,405	100
		(720,484)	(80)	(762,973)	(83)	(2,323,913)	(80)	(2,291,219)	(82)
		<u>177,272</u>	<u>20</u>	<u>157,398</u>	<u>17</u>	<u>575,132</u>	<u>20</u>	<u>504,186</u>	<u>18</u>
	Operating expenses (notes 6(e), (j), (k), (l), (o), (p), (u), 7 and 12):								
6100		(112,724)	(13)	(77,899)	(9)	(310,073)	(11)	(231,828)	(8)
6200		(45,990)	(5)	(38,588)	(4)	(146,625)	(5)	(115,132)	(4)
6300		(1,373)	-	(1,911)	-	(4,580)	-	(5,366)	-
6450		(3,325)	-	2,352	-	(8,656)	-	5,808	-
		<u>(163,412)</u>	<u>(18)</u>	<u>(116,046)</u>	<u>(13)</u>	<u>(469,934)</u>	<u>(16)</u>	<u>(346,518)</u>	<u>(12)</u>
	Operating income								
		<u>13,860</u>	<u>2</u>	<u>41,352</u>	<u>4</u>	<u>105,198</u>	<u>4</u>	<u>157,668</u>	<u>6</u>
	Non-operating income and loss (notes 6(o), (v) and 7):								
7100		253	-	323	-	721	-	806	-
7010		1,798	-	614	-	4,727	-	3,066	-
7020		92	-	(566)	-	33,018	1	(3,028)	-
7050		(2,865)	-	(1,094)	-	(6,380)	-	(3,678)	-
		<u>(722)</u>	<u>-</u>	<u>(723)</u>	<u>-</u>	<u>32,086</u>	<u>1</u>	<u>(2,834)</u>	<u>-</u>
	Income before income tax								
		13,138	2	40,629	4	137,284	5	154,834	6
7950		(6,347)	(1)	(10,735)	(1)	(35,612)	(1)	(34,341)	(2)
	Net income								
		<u>6,791</u>	<u>1</u>	<u>29,894</u>	<u>3</u>	<u>101,672</u>	<u>4</u>	<u>120,493</u>	<u>4</u>
	Other comprehensive income (note 6(r)):								
8360	Items that may be reclassified subsequently to profit or loss:								
8361		11,488	1	(1,465)	-	31,017	1	(5,112)	-
8399		-	-	-	-	-	-	-	-
		<u>11,488</u>	<u>1</u>	<u>(1,465)</u>	<u>-</u>	<u>31,017</u>	<u>1</u>	<u>(5,112)</u>	<u>-</u>
	Other comprehensive income (loss), net of income tax								
		<u>11,488</u>	<u>1</u>	<u>(1,465)</u>	<u>-</u>	<u>31,017</u>	<u>1</u>	<u>(5,112)</u>	<u>-</u>
	Total comprehensive income								
	\$	<u>18,279</u>	<u>2</u>	<u>28,429</u>	<u>3</u>	<u>132,689</u>	<u>5</u>	<u>115,381</u>	<u>4</u>
	Net income attributable to:								
8610		2,663	1	31,958	3	86,182	3	122,404	4
8615		-	-	(1,713)	-	3,394	-	(1,586)	-
8620		4,128	-	(351)	-	12,096	1	(325)	-
	\$	<u>6,791</u>	<u>1</u>	<u>29,894</u>	<u>3</u>	<u>101,672</u>	<u>4</u>	<u>120,493</u>	<u>4</u>
	Total comprehensive income attributable to:								
8710		13,682	2	30,493	3	115,774	4	117,292	4
8715		-	-	(1,713)	-	3,394	-	(1,586)	-
8720		4,597	-	(351)	-	13,521	1	(325)	-
	\$	<u>18,279</u>	<u>2</u>	<u>28,429</u>	<u>3</u>	<u>132,689</u>	<u>5</u>	<u>115,381</u>	<u>4</u>
	Earnings per share (in New Taiwan dollars) (note 6(s)):								
9750		<u>0.03</u>		<u>0.28</u>		<u>0.77</u>		<u>1.09</u>	
9850		<u>0.03</u>		<u>0.28</u>		<u>0.77</u>		<u>1.09</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 nine months ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company						Foreign currency translation differences	Total equity of the Company	Equity attributable to former owner of business combination under common control		
	Retained earnings					Other equity			Non- controlling interests	Total equity	
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings						Total
Balance at January 1, 2021 (restated)	\$ 1,122,505	315,077	247,286	78,028	266,159	591,473	(58,640)	1,970,415	18,687	3,827	1,992,929
Net income for the period	-	-	-	-	122,404	122,404	-	122,404	(1,586)	(325)	120,493
Other comprehensive income for the period	-	-	-	-	-	-	(5,112)	(5,112)	-	-	(5,112)
Total comprehensive income for the period	-	-	-	-	122,404	122,404	(5,112)	117,292	(1,586)	(325)	115,381
Appropriation of earnings:											
Legal reserve	-	-	10,981	-	(10,981)	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(67,350)	(67,350)	-	(67,350)	-	-	(67,350)
Balance at September 30, 2021 (restated)	\$ 1,122,505	315,077	258,267	78,028	310,232	646,527	(63,752)	2,020,357	17,101	3,502	2,040,960
Balance at January 1, 2022 (restated)	\$ 1,122,505	315,077	258,267	78,028	335,723	672,018	(56,506)	2,053,094	20,310	4,160	2,077,564
Net income for the period	-	-	-	-	86,182	86,182	-	86,182	3,394	12,096	101,672
Other comprehensive income for the period	-	-	-	-	-	-	29,592	29,592	-	1,425	31,017
Total comprehensive income for the period	-	-	-	-	86,182	86,182	29,592	115,774	3,394	13,521	132,689
Appropriation of earnings:											
Legal reserve	-	-	14,789	-	(14,789)	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(101,026)	(101,026)	-	(101,026)	-	-	(101,026)
Other changes in capital surplus:											
Other changes in capital surplus	-	1	-	-	-	-	-	1	-	-	1
Reorganization under common control	-	(2,856)	-	-	-	-	-	(2,856)	(23,704)	-	(26,560)
Difference between consideration and the carrying amount arising from acquisition or disposal of shares of subsidiaries	-	-	-	-	(585)	(585)	-	(585)	-	(4,855)	(5,440)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	79,375	79,375
Balance at September 30, 2022	\$ 1,122,505	312,222	273,056	78,028	305,505	656,589	(26,914)	2,064,402	-	92,201	2,156,603

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 Cash Flows

For the nine months ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2022	2021 (Restated)
Cash flows from operating activities:		
Income before income taxes	\$ 137,284	154,834
Adjustments for:		
Adjustments to reconcile profit or loss:		
Depreciation	30,163	26,404
Amortization	7,263	851
Expected credit loss (gain on reversal of impairment loss)	8,656	(5,808)
Interest expense	6,380	3,678
Interest income	(721)	(806)
Dividend income	(944)	-
Loss (gain) on disposal of property, plant and equipment	(72)	334
Gain on lease modifications	(691)	(1)
Gain on disposal of non-current assets held for sale	(23,829)	-
Loss on liquidation of subsidiary	391	-
Total adjustments for profit or loss	26,596	24,652
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	(250)	-
Notes and accounts receivable	154,370	(264,318)
Other receivables	7,130	(1,769)
Inventories	(134,071)	(36,805)
Other current assets	(16,994)	(14,125)
Net changes in operating assets	10,185	(317,017)
Changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	1,074	(288)
Notes and accounts payable	(174,267)	98,957
Other payables	(68,281)	(3,774)
Contract liabilities	(7,156)	56,950
Other current liabilities	1,720	581
Other non-current liabilities	-	(1,031)
Decrease in net defined benefit liabilities	(2,989)	-
Net changes in operating liabilities	(249,899)	151,395
Total changes in operating assets and liabilities	(239,714)	(165,622)
Total adjustments	(213,118)	(140,970)
Cash provided by (used in) operations	(75,834)	13,864
Interest received	669	806
Dividends received	944	-
Income taxes paid	(41,375)	(6,877)
Net cash flows provided by (used in) operating activities	(115,596)	7,793

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 Cash Flows (Continued)

For the nine months ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2022	2021 (Restated)
Cash flows from investing activities:		
Acquisition of subsidiaries, net of cash received	(141,309)	-
Proceeds from disposal of non-current assets held for sale	46,401	-
Acquisition of property, plant and equipment	(24,910)	(264,512)
Proceeds from disposal of property, plant and equipment	101	18
Acquisition of intangible assets	(8,517)	(4,846)
Decrease in other financial assets—current	21,972	3,000
Decrease (increase) in other financial assets—non-current	(2,642)	1,228
Decrease (increase) in other non-current assets	15,939	(524)
Net cash flows used in investing activities	(92,965)	(265,636)
Cash flows from financing activities:		
Increase in short-term borrowings	298,176	169,418
Decrease in short-term borrowings	(138,829)	(167,515)
Increase in long-term debt	100,000	-
Repayments of long-term debt	(120)	-
Payment of lease liabilities	(11,906)	(13,996)
Cash dividends distributed to shareholders	(101,026)	(67,350)
Interest paid	(6,238)	(3,818)
Changes in non-controlling interests	(5,440)	-
Net cash flows provided by (used in) financing activities	134,617	(83,261)
Effect of foreign exchange rate changes	29,000	(4,346)
Net decrease in cash and cash equivalents	(44,944)	(345,450)
Cash and cash equivalents at beginning of period	521,134	893,944
Cash and cash equivalents at end of period	\$ 476,190	548,494

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 nine months ended September 30, 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 and electromechanical integration of automation control and mechanical transmission system.

2. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on November 2, 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 endorsed by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

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

(Continued)

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	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 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”
- IFRS 16 “Requirements for Sale and Leaseback Transactions”

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

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.

(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
			September 30, 2022	December 31, 2021	September 30, 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 %	-	-	Note 1
The Company	BlueWalker GmbH (“BWA”, Germany)	Sales and service of energy management products	100.00 %	-	-	Notes 2 and 4
The Company	ACE Energy Co., Ltd. (“AEG”, Taiwan)	Service of energy technology	100.00 %	-	-	Note 3
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 %	-

(Continued)

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

Name of Investor	Name of Subsidiaries	Principal Activities	Percentage of Ownership			Note
			September 30, 2022	December 31, 2021	September 30, 2021	
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 %	Note 5
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 %	-	-	Note 1
STCBVI	Standard International Trading (Shanghai) Co., Ltd. (“Shanghai STC”, China)	Sales of semiconductor, optoelectronics and machinery equipment and equipment repair	100.00 %	-	-	Note 1

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

Note 2: The Group acquired 100% equity ownership of BWA on April 1, 2022 and obtained control over it. Therefore, BWA has been included in the Group’s consolidated entities.

Note 3: Referring to note 7(f), the Group acquired 100% equity ownership of AEG on July 1, 2022 and obtained control over AEG. The transaction is an organizational reorganization under common control and had been regarded as a combination from beginning. The consolidated financial statements for the nine months ended September 30, 2021 have been restated for comparison with the financial statements for the nine months ended September 30, 2022.

Note 4: This is a non-significant subsidiary for which financial statements were not reviewed as of and for the nine months ended September 30, 2022.

Note 5: Xuchang Ace was liquidated in June, 2022.

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

(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.

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

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 under common control

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

In preparing the consolidated balance sheet, the equity from acquisition record as "Equity attributable to former owner of business combination under common control"; In preparing the consolidated statements of comprehensive income, the profit or loss belong to former controlling shareholders record as "profit (loss), attributable to former owner of business combination under common control".

(e) Business combinations

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

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

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

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

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.

(f) 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.

(g) 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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash on hand	\$ 358	270	332
Demand deposits and checking accounts	472,832	520,864	539,162
Time deposits with original maturities less than three months	3,000	-	9,000
	<u>\$ 476,190</u>	<u>521,134</u>	<u>548,494</u>

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Financial assets at fair value through profit or loss:			
Foreign currency forward contracts	\$ <u>250</u>	<u>-</u>	<u>-</u>
Financial liabilities at fair value through profit or loss:			
Foreign currency forward contracts	\$ (854)	-	-
Foreign exchange swaps	(220)	-	-
	<u>\$ (1,074)</u>	<u>-</u>	<u>-</u>

The Group entered into derivative contracts to manage foreign currency exchange risk resulting from its operating activities. The derivative financial instruments did not conform to the criteria for hedge accounting. At each reporting date, the outstanding derivative contracts consisted of the following:

(i) Foreign currency forward contracts

	<u>September 30, 2022</u>	
	<u>Contract amount (in thousands)</u>	<u>Maturity period</u>
USD Buy / EUR Sell	USD 909	2022/10
CNY Buy / USD Sell	USD 2,250	2022/10

(Continued)

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

(ii) Foreign exchange swaps

	September 30, 2022	
	Contract amount	Maturity period
	(in thousands)	
TWD Buy / CNY Sell	CNY 20,000	2022/12

Please refer to note 6(v) for the amounts of gain (loss) recognized related to financial assets measured at fair value.

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

	September 30, 2022	December 31, 2021	September 30, 2021
Equity investments at fair value through other comprehensive income:			
Foreign unlisted stocks	\$ <u>1,434</u>	<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 nine months ended September 30, 2022.

(d) Financial assets at amortized cost

	September 30, 2022	December 31, 2021	September 30, 2021
Pledged time deposits	\$ 616	-	-
Time deposits	13,593	18,000	9,000
Corporate bonds	3,344	-	-
	<u>\$ 17,553</u>	<u>18,000</u>	<u>9,000</u>
Current	\$ 14,209	18,000	9,000
Non-current	3,344	-	-
	<u>\$ 17,553</u>	<u>18,000</u>	<u>9,000</u>

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

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

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

(e) Notes and accounts receivable

	September 30, 2022	December 31, 2021	September 30, 2021
Notes receivable	\$ 260,142	297,594	355,593
Accounts receivable	867,145	835,439	869,947
Less: loss allowance	<u>(32,684)</u>	<u>(27,646)</u>	<u>(28,962)</u>
	<u>\$ 1,094,603</u>	<u>1,105,387</u>	<u>1,196,578</u>

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

September 30, 2022			
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 449,419	0%~0.48%	54
Past due 1-90 days	25,295	0%~36.37%	30
Past due 91-180 days	1,101	0%~100%	-
Past due 181-270 days	5	0%~100%	-
Past due over 271 days	<u>1,656</u>	100%	<u>1,656</u>
	<u>\$ 477,476</u>		<u>1,740</u>
December 31, 2021			
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 475,954	0.00%~0.18%	48
Past due 1-90 days	21,533	0.01%~3.08%	10
Past due 91-180 days	23	0.4%~26%	-
Past due over 271 days	<u>1,935</u>	100%	<u>1,935</u>
	<u>\$ 499,445</u>		<u>1,993</u>
September 30, 2021			
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 482,288	0.03%~2.01%	166
Past due 1-90 days	17,290	0.21%~8.12%	7
Past due 91-180 days	40	9%~100%	32
Past due over 271 days	<u>3,908</u>	100%	<u>3,908</u>
	<u>\$ 503,526</u>		<u>4,113</u>

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

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

	September 30, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 333,021	0%~0.52%	921
Past due 1-90 days	275,157	0%~15.06%	4,618
Past due 91-180 days	24,313	0%~59.43%	8,956
Past due 181-270 days	5,269	0%~98.96%	4,398
Past due over 271 days	<u>12,051</u>	100%	<u>12,051</u>
	<u>\$ 649,811</u>		<u>30,944</u>
	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 541,237	0%~0.43%	1,121
Past due 1-90 days	66,355	0%~20%	3,122
Past due 91-180 days	7,033	0%~69%	2,547
Past due 181-270 days	647	75%~100%	547
Past due over 271 days	<u>18,316</u>	100%	<u>18,316</u>
	<u>\$ 633,588</u>		<u>25,653</u>
	September 30, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 598,425	0.21%	1,250
Past due 1-90 days	100,368	4%~22%	2,367
Past due 91-180 days	3,444	34%~70%	1,487
Past due 181-270 days	347	79%~100%	315
Past due over 271 days	<u>19,430</u>	100%	<u>19,430</u>
	<u>\$ 722,014</u>		<u>24,849</u>

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ACE PILLAR CO., LTD. AND SUBSIDIARIES
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Movements of the loss allowance for notes and accounts receivable were as follows:

	For the nine months ended September 30,	
	2022	2021
Balance at January 1	\$ 27,646	41,357
Acquisition through business combination	3,143	-
Impairment loss (gain on reversal of impairment loss)	8,656	(5,808)
Write-off	(7,586)	(6,459)
Effect of exchange rate changes	825	(128)
Balance at September 30	<u>\$ 32,684</u>	<u>28,962</u>

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

(f) Other receivables

	September 30, 2022	December 31, 2021	September 30, 2021
Other receivables	\$ 8,596	14,714	10,145
Less: loss allowance	-	-	-
	<u>\$ 8,596</u>	<u>14,714</u>	<u>10,145</u>

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

(g) Inventories

	September 30, 2022	December 31, 2021	September 30, 2021
Merchandise inventory	\$ 985,266	665,979	488,602

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Cost of inventories sold	\$ 701,701	766,317	2,319,393	2,314,698
Write-downs (reversal) of inventories	13,608	(11,163)	(13,559)	(81,704)
Loss on scrap of inventories	-	343	-	34,362
	<u>\$ 715,309</u>	<u>755,497</u>	<u>2,305,834</u>	<u>2,267,356</u>

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

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ACE PILLAR CO., LTD. AND SUBSIDIARIES
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(h) 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 September 30, 2022. Part of the abovementioned assets have been sold in January and June 2022, of which the considerations amounted to \$24,876 and \$22,065, respectively, and the carrying amounts amounted to \$17,191 and \$5,381, 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 \$246,358 (CNY 55,035), were classified as non-current assets held for sale as of September 30, 2022.

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

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

2) Identifiable net assets acquired in a business combination

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

Consideration transferred:

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

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

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.

3) Goodwill

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

4) Pro forma information

From the acquisition date to September 30, 2022, STC and its subsidiaries had contributed the revenue of \$414,107 and the net income of \$28,503 to the Group. If this acquisition had occurred on January 1, 2022, the management estimates that consolidated revenue and consolidated net income would have been \$3,012,222 and \$105,249, respectively.

(ii) Acquisition of subsidiary – BlueWalker GmbH

1) The cost of acquisition

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

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

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.

3) Goodwill

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

4) Pro forma information

From the acquisition date to September 30, 2022, BWA had contributed the revenue of \$147,938 and the net income of \$6,432 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 \$2,976,938 and \$101,878, respectively.

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

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

1) The cost of acquisition

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

2) Identifiable net assets acquired in a business combination

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

Consideration transferred:

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

The combination is an organizational reorganization under common control. According, the difference between the consideration paid and the carrying amount of the net identifiable assets of AEG is debited to the capital surplus and retained earnings of \$3,441.

(Continued)

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

(j) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment and other equipment</u>	<u>Lease</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:						
Balance at January 1, 2022	\$ 219,768	247,048	150,322	102,532	6,122	725,792
Acquisition through business combination	-	-	15,401	-	-	15,401
Additions	-	20,963	3,947	-	-	24,910
Disposals	-	-	(4,203)	-	-	(4,203)
Reclassification	-	-	5,893	-	(5,893)	-
Effect of exchange rate changes	-	7,139	1,810	-	-	8,949
Balance at September 30, 2022	<u>\$ 219,768</u>	<u>275,150</u>	<u>173,170</u>	<u>102,532</u>	<u>229</u>	<u>770,849</u>
Balance at January 1, 2021	\$ 89,594	202,638	144,595	102,532	242,984	782,343
Additions	181,650	79,483	3,379	-	-	264,512
Disposals	-	-	(6,459)	-	-	(6,459)
Reclassification	-	-	8,776	-	(8,776)	-
Reclassification to non-current assets held for sale	(51,476)	(35,159)	-	-	-	(86,635)
Effect of exchange rate changes	-	(1,052)	(330)	-	(1,164)	(2,546)
Balance at September 30, 2021	<u>\$ 219,768</u>	<u>245,910</u>	<u>149,961</u>	<u>102,532</u>	<u>233,044</u>	<u>951,215</u>
Accumulated depreciation and impairment loss:						
Balance at January 1, 2022	\$ -	(114,208)	(137,672)	(100,458)	-	(352,338)
Acquisition through business combination	-	-	(11,924)	-	-	(11,924)
Depreciation	-	(8,503)	(9,751)	(1,560)	-	(19,814)
Disposals	-	-	4,174	-	-	4,174
Effect of exchange rate changes	-	(5,087)	(1,559)	-	-	(6,646)
Balance at September 30, 2022	<u>\$ -</u>	<u>(127,798)</u>	<u>(156,732)</u>	<u>(102,018)</u>	<u>-</u>	<u>(386,548)</u>
Balance at January 1, 2021	\$ -	(118,226)	(130,559)	(95,275)	-	(344,060)
Depreciation	-	(6,787)	(3,905)	(4,224)	-	(14,916)
Disposals	-	-	6,107	-	-	6,107
Reclassification to non-current assets held for sale	-	13,183	-	-	-	13,183
Effect of exchange rate changes	-	710	286	-	-	996
Balance at September 30, 2021	<u>\$ -</u>	<u>(111,120)</u>	<u>(128,071)</u>	<u>(99,499)</u>	<u>-</u>	<u>(338,690)</u>
Carrying amount:						
Balance at January 1, 2022	<u>\$ 219,768</u>	<u>132,840</u>	<u>12,650</u>	<u>2,074</u>	<u>6,122</u>	<u>373,454</u>
Balance at September 30, 2022	<u>\$ 219,768</u>	<u>147,352</u>	<u>16,438</u>	<u>514</u>	<u>229</u>	<u>384,301</u>
Balance at January 1, 2021	<u>\$ 89,594</u>	<u>84,412</u>	<u>14,036</u>	<u>7,257</u>	<u>242,984</u>	<u>438,283</u>
Balance at September 30, 2021	<u>\$ 219,768</u>	<u>134,790</u>	<u>21,890</u>	<u>3,033</u>	<u>233,044</u>	<u>612,525</u>

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

(Continued)

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

(k) Right-of-use assets

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2022	\$ 7,265	32,454	3,053	42,772
Acquisition through business combination	-	6,237	443	6,680
Additions	-	5,969	-	5,969
Disposals	-	(22,970)	-	(22,970)
Effect of exchange rates changes	<u>893</u>	<u>466</u>	<u>23</u>	<u>1,382</u>
Balance at September 30, 2022	<u>\$ 8,158</u>	<u>22,156</u>	<u>3,519</u>	<u>33,833</u>
Balance at January 1, 2021	\$ 17,723	39,772	2,674	60,169
Additions	-	5,953	2,323	8,276
Disposals	-	(9,292)	(1,943)	(11,235)
Effect of exchange rate changes	<u>(151)</u>	<u>(108)</u>	<u>(9)</u>	<u>(268)</u>
Balance at September 30, 2021	<u>\$ 17,572</u>	<u>36,325</u>	<u>3,045</u>	<u>56,942</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	141	9,205	1,003	10,349
Disposals	-	(15,321)	-	(15,321)
Effect of exchange rates changes	<u>196</u>	<u>263</u>	<u>7</u>	<u>466</u>
Balance at September 30, 2022	<u>\$ 881</u>	<u>11,682</u>	<u>2,192</u>	<u>14,755</u>
Balance at January 1, 2021	\$ 856	14,268	1,557	16,681
Depreciation	320	10,330	838	11,488
Disposals	-	(5,033)	(1,517)	(6,550)
Effect of exchange rates changes	<u>(12)</u>	<u>(65)</u>	<u>5</u>	<u>(72)</u>
Balance at September 30, 2021	<u>\$ 1,164</u>	<u>19,500</u>	<u>883</u>	<u>21,547</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 September 30, 2022	<u>\$ 7,277</u>	<u>10,474</u>	<u>1,327</u>	<u>19,078</u>
Balance at January 1, 2021	<u>\$ 16,867</u>	<u>25,504</u>	<u>1,117</u>	<u>43,488</u>
Balance at September 30, 2021	<u>\$ 16,408</u>	<u>16,825</u>	<u>2,162</u>	<u>35,395</u>

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

(l) Intangible assets

	<u>Goodwill</u>	<u>Computer software</u>	<u>Patent</u>	<u>Customer relationship</u>	<u>Total</u>
Costs:					
Balance at January 1, 2022	\$ -	5,687	-	-	5,687
Additions	-	8,517	-	-	8,517
Acquisition through business combination	86,633	2,535	12,822	104,736	206,726
Effect of exchange rates changes	-	(9)	-	-	(9)
Balance at September 30, 2022	<u>\$ 86,633</u>	<u>16,730</u>	<u>12,822</u>	<u>104,736</u>	<u>220,921</u>
Balance at January 1, 2021	\$ -	213	-	-	213
Additions	-	4,846	-	-	4,846
Balance at September 30, 2021	<u>\$ -</u>	<u>5,059</u>	<u>-</u>	<u>-</u>	<u>5,059</u>
Accumulated amortization and impairment loss:					
Balance at January 1, 2022	\$ -	1,520	-	-	1,520
Amortization	-	2,597	641	4,025	7,263
Acquisition through business combination	-	1,478	-	-	1,478
Effect of exchange rates changes	-	(7)	-	-	(7)
Balance at September 30, 2022	<u>\$ -</u>	<u>5,588</u>	<u>641</u>	<u>4,025</u>	<u>10,254</u>
Balance at January 1, 2021	\$ -	213	-	-	213
Amortization	-	851	-	-	851
Balance at September 30, 2021	<u>\$ -</u>	<u>1,064</u>	<u>-</u>	<u>-</u>	<u>1,064</u>
Carrying amount:					
Balance at January 1, 2022	<u>\$ -</u>	<u>4,167</u>	<u>-</u>	<u>-</u>	<u>4,167</u>
Balance at September 30, 2022	<u>\$ 86,633</u>	<u>11,142</u>	<u>12,181</u>	<u>100,711</u>	<u>210,667</u>
Balance at January 1, 2021	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at September 30, 2021	<u>\$ -</u>	<u>3,995</u>	<u>-</u>	<u>-</u>	<u>3,995</u>

(m) Short-term borrowings

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Unsecured bank loans	\$ 246,230	69,527	70,847
Secured bank loans	127,494	18,196	29,600
	<u>\$ 373,724</u>	<u>87,723</u>	<u>100,447</u>
Unused credit facilities	<u>\$ 2,520,019</u>	<u>2,259,307</u>	<u>1,834,052</u>
Interest rate	1.23%~4.74%	2.4%~4.25%	0.88%~4.25%

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

(Continued)

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

(n) Long-term debt

	September 30, 2022	December 31, 2021	September 30, 2021
Unsecured bank loans	\$ 100,000	-	-
Secured bank loans	710	-	-
Less: current portion of long-term debt	<u>(244)</u>	<u>-</u>	<u>-</u>
	<u>\$ 100,466</u>	<u>-</u>	<u>-</u>
Unused credit facilities	<u>\$ -</u>	<u>-</u>	<u>-</u>
Interest rate	<u>1.595%~5.83%</u>	<u>-</u>	<u>-</u>
Maturity year	<u>2024</u>	<u>-</u>	<u>-</u>

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

(o) Lease liabilities

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

	September 30, 2022	December 31, 2021	September 30, 2021
Current	<u>\$ 9,179</u>	<u>12,330</u>	<u>12,437</u>
Non-current	<u>2,793</u>	<u>8,246</u>	<u>10,225</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Interest on lease liabilities	<u>\$ (6)</u>	<u>233</u>	<u>358</u>	<u>783</u>
Expenses relating to short-term leases	<u>4,072</u>	<u>2,815</u>	<u>12,317</u>	<u>7,538</u>

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

	For the nine months ended September 30,	
	2022	2021
Total cash outflows for leases	<u>\$ 24,581</u>	<u>22,317</u>

(Continued)

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

(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

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.

(p) Employee benefits

(i) Defined benefit plans

On March 1, 2022, the Group obtained control over STC. Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2021.

The reconciliation between the present value of defined benefit obligations and fair value of plan assets for defined benefit plans of STC was as follows:

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

The expenses recognized in profit or loss were as follows:

	For the three months ended September 30, 2022	For the nine months ended September 30, 2022
Operating cost	\$ 12	27

(ii) Defined contribution plans

For the three months and nine months ended September 30, 2022 and 2021, the Group recognized the pension expenses of \$5,811, \$4,339, \$16,619 and \$12,669, respectively, in relation to the defined contribution plans.

(Continued)

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

(q) Income taxes

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Current income tax expense	<u>\$ 6,347</u>	<u>10,735</u>	<u>35,612</u>	<u>34,341</u>

(ii) For the nine months ended September 30, 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.

(r) Capital and other equity

Except for the contents mentioned below, there were no significant change in capital and other equity for the nine months ended September 30, 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 September 30, 2022, December 31 and September 30, 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

	September 30,	December 31,	September 30,
	2022	2021	2021
Paid-in capital in excess of par value	\$ 275,225	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	29,455	29,454	29,454
Others	81	81	81
	<u>\$ 312,222</u>	<u>315,077</u>	<u>315,077</u>

(Continued)

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

(iii) Retained earnings

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

In addition, 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 year 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.

(iv) Other equity items (net after tax)

	Foreign currency translation differences
Balance at January 1, 2022	\$ (56,506)
Foreign exchange differences arising from translation of foreign operations	29,592
Balance at September 30, 2022	\$ (26,914)
Balance at January 1, 2021	\$ (58,640)
Foreign exchange differences arising from translation of foreign operations	(5,112)
Balance at September 30, 2021	\$ (63,752)

(Continued)

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

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

	For the nine months ended, September 30	
	2022	2021
Balance at January 1	\$ 4,160	3,827
Equity attributable to non-controlling interests		
Net income	12,096	(325)
Foreign currency translation differences	1,425	-
Difference between consideration and the carrying amount arising from acquisition or disposal of shares of subsidiaries	(4,855)	-
Increase in non-controlling interests in acquisition of subsidiaries	79,375	-
Balance at September 30	\$ 92,201	3,502

(s) Earnings per share (“EPS”)

(i) Basic earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Net income attributable to shareholders of the Company	\$ 2,663	31,958	86,182	122,404
Weighted-average number of ordinary shares outstanding (in thousands)	112,250	112,250	112,250	112,250
Basic earnings per share (in dollars)	\$ 0.03	0.28	0.77	1.09

(Continued)

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

(ii) Diluted earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Net income attributable to shareholders of the Company	\$ <u>2,663</u>	<u>31,958</u>	<u>86,182</u>	<u>122,404</u>
Weighted-average number of ordinary shares outstanding (in thousands)	112,250	112,250	112,250	112,250
Effect of dilutive potential ordinary shares:				
Effect of employee remuneration in stock	<u>74</u>	<u>104</u>	<u>102</u>	<u>126</u>
Weighted-average number of ordinary shares outstanding (in thousands) (including effect of dilutive potential common stock)	<u>112,324</u>	<u>112,354</u>	<u>112,352</u>	<u>112,376</u>
Diluted earnings per share (in dollars)	\$ <u>0.03</u>	<u>0.28</u>	<u>0.77</u>	<u>1.09</u>

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Major products/ services lines:				
Automation control	\$ 370,832	517,968	1,367,033	1,580,329
Mechanical transmission	261,467	391,665	928,795	1,178,442
Sales and service of semiconductor equipment material	178,084	-	414,107	-
Energy saving equipment and related service	85,960	9,608	186,050	32,484
Others	<u>1,413</u>	<u>1,130</u>	<u>3,060</u>	<u>4,150</u>
	<u>\$ 897,756</u>	<u>920,371</u>	<u>2,899,045</u>	<u>2,795,405</u>

(Continued)

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

(ii) Contract balances

	September 30, 2022	December 31, 2021	September 30, 2021
Notes and accounts receivable	\$ 1,127,287	1,133,033	1,225,540
Less: loss allowance	<u>(32,684)</u>	<u>(27,646)</u>	<u>(28,962)</u>
	<u>\$ 1,094,603</u>	<u>1,105,387</u>	<u>1,196,578</u>
	September 30, 2022	December 31, 2021	September 30, 2021
Contract liabilities – advanced receipts	<u>\$ 131,775</u>	<u>126,238</u>	<u>153,639</u>

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

The amount of revenue recognized for the nine months ended September 30, 2022 and 2021, that was included in the contract liabilities balance at the beginning of the period, were \$99,645 and \$57,222, respectively.

(u) 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 and nine months ended September 30, 2022 and 2021, the Company accrued its remuneration to employees amounting to \$36, \$826, \$2,159 and \$3,164, respectively, and the remuneration to directors amounting to \$19, \$413, \$1,080 and \$1,582, 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.

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

(v) Non-operating income and loss

(i) Interest income

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 230	323	669	806
Interest income from financial assets measured at amortized cost	<u>23</u>	<u>-</u>	<u>52</u>	<u>-</u>
	<u>\$ 253</u>	<u>323</u>	<u>721</u>	<u>806</u>

(ii) Other income

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Dividend income	\$ 944	-	944	-
Miscellaneous income	<u>854</u>	<u>614</u>	<u>3,783</u>	<u>3,066</u>
	<u>\$ 1,798</u>	<u>614</u>	<u>4,727</u>	<u>3,066</u>

(iii) Other gains and losses

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Loss on disposal of investments	\$ -	-	(391)	-
Gains on lease modifications	687	-	691	1
Foreign currency exchange gains (losses), net	1,662	(325)	10,125	(1,579)
Gains (losses) on financial instruments at fair value through profit or loss	(2,232)	-	(1,071)	(500)
Gains on disposal of non-current assets held for sale	-	-	23,829	-
Others	<u>(25)</u>	<u>(241)</u>	<u>(165)</u>	<u>(950)</u>
	<u>\$ 92</u>	<u>(566)</u>	<u>33,018</u>	<u>(3,028)</u>

(iv) Finance costs

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest expense on bank loans	\$ (2,871)	(861)	(6,022)	(2,895)
Interest expense on lease liabilities	<u>6</u>	<u>(233)</u>	<u>(358)</u>	<u>(783)</u>
	<u>\$ (2,865)</u>	<u>(1,094)</u>	<u>(6,380)</u>	<u>(3,678)</u>

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

(w) 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

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Financial assets at fair value through profit or loss – current	\$ 250	-	-
Financial assets at fair value through other comprehensive income – non-current	1,434	-	-
Financial assets measured at amortized cost:			
Cash and cash equivalents	476,190	521,134	548,494
Financial assets measured at amortized cost (including current and non-current)	17,553	18,000	9,000
Notes and accounts receivable	1,094,603	1,105,387	1,196,578
Other receivables	8,596	14,714	10,145
Other financial assets – non-current	<u>20,181</u>	<u>17,077</u>	<u>17,096</u>
	<u>\$ 1,618,807</u>	<u>1,676,312</u>	<u>1,781,313</u>

2) Financial liabilities

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Financial liabilities at fair value through profit or loss – current	\$ 1,074	-	-
Financial liabilities measured at amortized cost:			
Short-term borrowings	373,724	87,723	100,447
Notes and accounts payable	502,197	577,950	500,939
Other payables	135,077	112,822	103,720
Lease liabilities (including current and non-current)	11,972	20,576	22,662
Long-term debt (including current portion)	<u>100,710</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,124,754</u>	<u>799,071</u>	<u>727,768</u>

(Continued)

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

(ii) Fair value information

1) Financial instruments not measured at fair value

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

2) Financial instruments measured at fair value

The financial assets at fair value through profit or loss and the financial instruments at fair value through other comprehensive income are measured on a recurring basis.

The table below analyzes financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

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

	September 30, 2022				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Derivatives – foreign currency forward contracts	\$ <u>250</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>250</u>
Financial liabilities at fair value through profit or loss:					
Derivatives – foreign currency forward contracts	\$ (854)	-	(854)	-	(854)
Derivatives – foreign exchange swaps	<u>(220)</u>	<u>-</u>	<u>(220)</u>	<u>-</u>	<u>(220)</u>
	<u>\$ (1,074)</u>	<u>-</u>	<u>(1,074)</u>	<u>-</u>	<u>(1,074)</u>
Financial assets at fair value through other comprehensive income:					
Foreign unlisted stocks	\$ <u>1,434</u>	<u>-</u>	<u>-</u>	<u>1,434</u>	<u>1,434</u>

(Continued)

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

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.

(iii) Credit risk

Please refer to note 6(e) 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(f) 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 September 30, 2022, December 31 and September 30, 2021, the Group had unused credit facilities of \$2,520,019, \$2,259,307 and \$1,834,052, 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>
September 30, 2022					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 375,982	375,982	-	-	-
Notes and accounts payable	502,197	502,197	-	-	-
Other payables	135,077	135,077	-	-	-
Lease liabilities (including current and non-current)	12,165	9,335	2,436	394	-
Long-term debt (including current portion)	<u>103,722</u>	<u>1,879</u>	<u>101,843</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,129,143</u>	<u>1,024,470</u>	<u>104,279</u>	<u>394</u>	<u>-</u>
Derivative financial instruments:					
Foreign currency forward contracts:					
Outflow	\$ 94,754	94,754	-	-	-
Inflow	(94,150)	(94,150)	-	-	-
Foreign exchange swaps:					
Outflow	89,270	89,270	-	-	-
Inflow	<u>(89,050)</u>	<u>(89,050)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 824</u>	<u>824</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

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

	<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>
December 31, 2021					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 88,146	88,146	-	-	-
Notes and accounts payable	577,950	577,950	-	-	-
Other payables	112,822	112,822	-	-	-
Lease liabilities (including current and non-current)	21,266	12,872	6,610	1,784	-
	<u>\$ 800,184</u>	<u>791,790</u>	<u>6,610</u>	<u>1,784</u>	<u>-</u>
September 30, 2021					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 100,951	100,951	-	-	-
Notes and accounts payable	500,939	500,939	-	-	-
Other payables	103,720	103,720	-	-	-
Lease liabilities (including current and non-current)	23,479	13,046	8,092	2,341	-
	<u>\$ 729,089</u>	<u>718,656</u>	<u>8,092</u>	<u>2,341</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.

(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):

September 30, 2022					
	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>TWD (in thousands)</u>	<u>Change in magnitude</u>	<u>Effect on profit or loss (in thousands)</u>
<u>Financial assets</u>					
<u>Monetary items</u>					
CNY	\$ 20,554	4.4764	92,008	1 %	920
USD	10,472	31.75	332,486	1 %	3,325
JPY	38,054	0.2201	8,376	1 %	84
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	\$ 8,072	31.75	256,286	1 %	2,563
JPY	14,108	0.2201	3,105	1 %	31

(Continued)

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

December 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>					
Monetary items					
CNY	\$ 4,658	4.35	20,262	1 %	203
USD	8,690	27.68	240,539	1 %	2,405
JPY	31,877	0.2404	7,663	1 %	77
<u>Financial liabilities</u>					
Monetary items					
USD	7,951	27.68	220,084	1 %	2,201
JPY	26,577	0.2404	6,389	1 %	64
September 30, 2021					
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Change in magnitude	Effect on profit or loss (in thousands)
<u>Financial assets</u>					
Monetary items					
CNY	\$ 4,647	4.30	19,982	1 %	200
USD	8,660	27.84	241,094	1 %	2,411
JPY	55,767	0.2488	13,875	1 %	139
<u>Financial liabilities</u>					
Monetary items					
USD	7,816	27.84	217,597	1 %	2,176
JPY	15,449	0.2488	3,844	1 %	38

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 nine months ended September 30, 2022 and 2021 were \$10,125 and \$(1,579), respectively.

(x) 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.

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

(y) 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.

(z) 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			September 30, 2022
				Effect of foreign exchange rate	Additions to lease liabilities	Disposals of lease liabilities	
Short-term borrowings	\$ 87,723	159,347	122,161	4,493	-	-	373,724
Long-term debt (including current portion)	-	99,880	850	(20)	-	-	100,710
Lease liabilities	20,576	(11,906)	5,464	209	5,969	(8,340)	11,972
	<u>\$ 108,299</u>	<u>247,321</u>	<u>128,475</u>	<u>4,682</u>	<u>5,969</u>	<u>(8,340)</u>	<u>486,406</u>

	January 1, 2021	Cash flows	Effect of foreign exchange rate	Non-cash changes			September 30, 2021
				Additions to lease liabilities	Disposals of lease liabilities		
Short-term borrowings	\$ 98,876	1,903	(332)	-	-	-	100,447
Lease liabilities	33,157	(13,996)	(89)	8,276	(4,686)	-	22,662
	<u>\$ 132,033</u>	<u>(12,093)</u>	<u>(421)</u>	<u>8,276</u>	<u>(4,686)</u>	<u>-</u>	<u>123,109</u>

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

7. Related-party transactions

(a) Parent company and ultimate controlling party

DFI Inc. (“DFI”) is the parent company of the Group and owns 48.06% of the outstanding shares of the Company as of both September 30, 2022 and 2021. Qisda Corporation (“Qisda”) is the ultimate controlling party of the Group. DFI and Qisda have issued the consolidated financial statements for public use.

(b) Name and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Qisda Corporation (“Qisda”)	The Group’s ultimate controlling party
DFI Inc. (“DFI”)	The Group’s parent company
Qisda Optronics (Suzhou) Co., Ltd. (“QCOS”)	Qisda’s subsidiary
Qisda (Suzhou) Co., Ltd. (“QCSZ”)	Qisda’s subsidiary
Suzhou BenQ Hospital Co., Ltd. (“SMH”)	Qisda’s subsidiary
BenQ Material Corp. (“BMC”)	Qisda’s subsidiary
BenQ Corp. (“BenQ”)	Qisda’s subsidiary
BenQ Co., Ltd. (“BQC”)	Qisda’s subsidiary (Note 1)
BenQ Technology (Shanghai) Co., Ltd. (“BQIs”)	Qisda’s subsidiary
BenQ Asia Pacific Corp. (“BQP”)	Qisda’s subsidiary
BenQ Healthcare Corporation (“BHS”)	Qisda’s subsidiary
BenQ GURU Corp. (“GST”)	Qisda’s subsidiary
Guru Systems (Suzhou) Co., Ltd. (“GSS”)	Qisda’s subsidiary
BenQ Intelligent Technology (Shanghai) Co., Ltd. (“BQC_RO”)	Qisda’s subsidiary
MetaAge Corporation (MetaAge) (formerly Sysage Technology Co., Ltd.)	Qisda’s subsidiary
AdvancedTEK International Corp. (“AdvancedTEK”)	Qisda’s subsidiary
Golden Spirit Co., Ltd. (“GSC”)	Qisda’s subsidiary
Concord Medical Co., Ltd. (“Concord”)	Qisda’s subsidiary
Partner Tech Corp. (“PTT”)	Qisda’s subsidiary
Darly Venture Inc. (“APV”)	Qisda’s subsidiary
Darly2 Venture Co., Ltd. (“Darly 2”)	Qisda’s subsidiary
Darly Consulting Corporation (“Darly C”)	Qisda’s subsidiary
Visco Vision Inc. (“Visco Vision”)	Qisda’s associate

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
AU Optronics Corp. (“AU”)	Qisda’s associate/ AU accounted the investment in Qisda using the equity method. (Note 2)
AU Optronics (Kunshan) Co., Ltd. (“AUKS”)	AU’s subsidiary (Note 2)
AU Optronics (Xiamen) Corp. (“AUXM”)	AU’s subsidiary (Note 2)
AU Optronics (Suzhou) Corp. (“AUSZ”)	AU’s subsidiary (Note 2)
AUO Crystal Corp. (“ACTW”)	AU’s subsidiary (Note 2)
AUO Education Service Corp.	AU’s subsidiary (Note 2)
Darwin Precisions Corporation (“Darwin”)	AU’s subsidiary (Note 2)
Yan Ying Hao Trading (ShenZhen) Co., Ltd. (“DYTH”)	DFI’s subsidiary
Darfon Electronics (Suzhou) Co., Ltd. (“DFS”)	DFN’s subsidiary
Global Intelligence Network Co., Ltd. (“Ginnet”)	MetaAge’s subsidiary

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

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

(c) Significant related-party transactions

(i) Revenue

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Ultimate controlling party	\$ 4,086	980	6,895	2,949
Parent company	-	2,750	-	2,750
Other related parties	10,488	1,790	38,999	9,230
	<u>\$ 14,574</u>	<u>5,520</u>	<u>\$ 45,894</u>	<u>14,929</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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Parent company	\$ 5,712	2,436	12,235	5,569
Other related parties	972	3,243	7,169	9,759
	<u>\$ 6,684</u>	<u>5,679</u>	<u>19,404</u>	<u>15,328</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.

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

(iii) Receivables

<u>Account</u>	<u>Related-party categories</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Accounts receivable	Ultimate controlling party	\$ 394	25,016	347
	Parent company	-	-	866
	Other related parties	11,944	2,450	2,785
		<u>\$ 12,338</u>	<u>27,466</u>	<u>3,998</u>

(iv) Payables

<u>Account</u>	<u>Related-party categories</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Notes and accounts payable	Parent company	\$ 5,164	3,953	1,316
	Other related parties	957	7,407	2,961
Other payables	Ultimate controlling party	92	735	317
	Parent company	700	700	731
	Other related parties	1,047	307	215
		<u>\$ 7,960</u>	<u>13,102</u>	<u>5,540</u>

(v) Lease

The Group leased office from BQC and Qisda and the rent is paid monthly with reference to the nearby office rental rates. For the three months and nine months ended September 30, 2022 and 2021, the related interest expense on lease liabilities amounted to \$14, \$25, \$47 and \$86, respectively. As of September 30, 2022, December 31, September 30, 2021, the balance of the lease liabilities amounted to \$643, \$1,805, and \$2,090, respectively.

(vi) Equity transaction

Referring to note 6(i), on July 1, 2022, the Group acquired 83% equity ownership of AEG from Qisda's subsidiaries, APV, Darly 2 and Darly C, for a cash consideration of \$26,560. In addition, the Group acquired 17% ownership of AEG from AU for a cash consideration of \$5,440. The related payables have been fully paid as of September 30, 2022.

(d) Compensation for key management personnel

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 4,974	6,194	16,869	18,035
Post-employment benefits	51	72	152	217
	<u>\$ 5,025</u>	<u>6,266</u>	<u>17,021</u>	<u>18,252</u>

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

8. Pledged assets:

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

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Pledged time deposits (recognized in financial assets measured at amortized cost—current)	Guarantee payment for import VAT	\$ 616	-	-
Other equipment	Credit lines of bank loans	254	-	-
Notes receivable	Short-term borrowings	127,494	18,196	29,600
Property, plant and equipment	Guarantee payment for procurement	32,012	-	-
		<u>\$ 160,376</u>	<u>18,196</u>	<u>29,600</u>

9. Significant commitments and contingencies:

As of September 30, 2022, December 31, September 30, 2021, the Group had issued promissory notes amounting to \$2,318,280, \$1,938,400 and \$1,589,200, respectively, as collateral for obtaining credit facilities from financial institutions.

10. Significant losses due to major disasters: None

11. Significant subsequent events: None

12. Others:

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

	For the three months ended September 30, 2022			For the three months ended September 30, 2021 (Restated)		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	-	84,858	84,858	2,347	65,388	67,735
Insurance	-	9,432	9,432	202	6,291	6,493
Pension	-	5,823	5,823	111	4,228	4,339
Others	-	3,035	3,035	107	2,980	3,087
Depreciation	584	6,979	7,563	2,357	6,934	9,291
Amortization	-	3,173	3,173	-	404	404

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

	For the nine months ended September 30, 2022			For the nine months ended September 30, 2021 (Restated)		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	4,834	247,335	252,169	7,192	190,743	197,935
Insurance	326	26,195	26,521	574	18,767	19,341
Pension	193	16,453	16,646	333	12,336	12,669
Others	204	9,754	9,958	326	7,809	8,135
Depreciation	7,793	22,370	30,163	5,512	20,892	26,404
Amortization	-	7,263	7,263	-	851	851

(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 nine months ended September 30, 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	271,022	184,778	184,778	0%	2	-	Operating requirement	-	-	-	412,880	825,761
0	The Company	Suzhou Super Pillar	Other receivables from related parties	Yes	121,278	121,278	31,750	0%	2	-	Operating requirement	-	-	-	412,880	825,761
1	STC	Intelligent fluids GmbH	Other receivables	No	625	625	625	20%	1	627	Business transactions	-	-	-	15,935	31,869
2	Cyber South	Tianjin Ace Pillar	Other receivables from related parties	Yes	22,225	22,225	-	0%	2	-	Operating requirement	-	-	-	620,403	620,403
3	Proton	Tianjin Ace Pillar	Other receivables from related parties	Yes	12,700	12,700	-	0%	2	-	Operating requirement	-	-	-	500,080	500,080

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

Note 2: The aggregate financing amount and the individual financing amount of STC shall not exceed 20% and 10%, respectively, of the most recent net worth of the Company.

Note 3: The aggregate financing amount and the individual financing amount of subsidiaries shall not exceed 10% and 5%, respectively, of the most recent net worth of subsidiaries. For the subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, which are not located in Taiwan, for the purpose of lending operating capital, the amount of financing offered to a single company owned by the Company shall not exceed 100% of the net worth of subsidiaries.

Note 4: Nature of Financing
1 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.

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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	825,761	190,125	-	-	-	-	1,032,201	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	September 30, 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	USD 100	3,344	-	3,344	-

(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)	(339,000)	(99.83)%	T/T 30 days	-	-	47,523	96.05 %	
Tianjin Ace Pillar	Advancedtek Ace	Affiliate	Purchases	339,000	36.63 %	T/T 30 days	-	-	(47,523)	(37.29)%	

- (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	184,778	-	-	-	-	-

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

- (x) Business relationships and significant intercompany transactions:

Number (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			
				Financial Statements Account	Amount (Note 3)	Payment Terms	Percentage of Consolidated Operating Revenue or Total Assets (Note 4)
0	The Company	Tianjin Ace Pillar	1	Other receivables — loans	184,778	1 year	5.12 %
1	Advancedtek Ace	Tianjin Ace Pillar	3	Accounts receivable	47,523	T/T 30 days	1.32 %
1	Advancedtek Ace	Tianjin Ace Pillar	3	Revenue	339,000	T/T 30 days	11.69 %

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
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(b) Information on investees:

The following are names, locations, and related information of investees over which the Company exercises significant influence for the nine months ended September 30, 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 September 30, 2022			Net Income (Loss) of the Investee	Share of Profit/ (Losses) of the Investee	Note
				September 30, 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 %	620,403	(25,845)	(26,654)	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 %	48,011	2,493	2,493	Note 1
Cyber South	Proton	Samoa	Investment and holding activity	527,665	527,665	17,744	100.00 %	500,080	(29,329)	Note 2	Note 1
Cyber South	Ace Tek	Hong Kong	Investment and holding activity	4,938	4,938	150	100.00 %	2,175	2,752	Note 2	Note 1
The Company	STC	Taiwan	Sales of semiconductor, optoelectronics and machinery equipment and equipment repair	187,000	-	4,680	60.00 %	206,239	35,823	17,102	Note 1
STC	STCBVI	B.V.I.	Investment and holding activity	21,727	-	600	100.00 %	113,059	15,640	Note 2	Note 1
The Company	BWA	Germany	Sale and service of energy management products	127,200	-	Note 3	100.00 %	131,699	7,871	6,432	Note 1
The Company	AEG	Taiwan	Service of energy technology	32,000	-	10,000	100.00 %	28,112	3,642	(446)	Note 1

Note: Original investment amounts include capitalization of retained earnings.

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

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

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

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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:

(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 September 30, 2022	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss) (Note 4)	Carrying Value as of September 30, 2022	Accumulated Inward Remittance of Earnings as of September 30, 2022
					Outflow	Inflow						
Tianjin Ace Pillar	Sales of automation mechanical transmission system and component	1,120,680 (USD 35,297)	Direct and indirect investment	61,913 (USD 1,950)	-	-	61,913 (USD 1,950)	(35,109)	100.00 %	(35,109)	593,840	125,533
Grace Transmission	Manufacture of automation mechanical transmission system and component	7,476 (RMB 1,670)	Indirect investment	5,080 (USD 160)	-	-	5,080 (USD 160)	(2,958)	100.00 %	(2,958) (USD 106))	4,222 (USD 133)	-
Advancedtek Ace	Electronic system integration	9,525 (USD 300)	Indirect investment	4,763 (USD 150)	-	-	4,763 (USD 150)	2,752	100.00 %	2,752 (USD 97)	2,148 (USD 68)	-
Suzhou Super Pillar	Manufacture of automation mechanical transmission system and component	46,038 (USD 1,450)	Indirect investment	(Note 2)	-	-	(Note 2)	5,282	100.00 %	5,282 (USD 185)	106,912 (USD 3,367)	-
Xuchang Ace	Wholesale of industrial robot and component	9,525 (USD 300)	Indirect investment	(Note 2)	-	-	(Note 2)	(75)	(Note 3)	(75) (USD 3))	-	-
Shanghai STC	Sales of semiconductor, optoelectronics and machinery equipment and equipment repair	15,240 (USD 480)	Indirect investment	(USD 10,000) (Note 4)	-	-	(USD 10,000) (Note 4)	17,795	100.00 %	13,619	109,644	118,686

Note 1: Total amounts of paid-in capital includes direct investment and capitalization of liabilities. The amounts were translated into New Taiwan dollars at the exchange rates of US\$1=NT\$31.75 and CNY\$1=NT\$4.48.

Note 2: Established by Cyber South's reinvestment.

Note 3: The dissolution of Xuchang Ace was approved by the Board of Directors in November 2021 and the liquidation procedures were completed in June, 2022.

Note 4: Established by STC's reinvestment.

- (ii) Limits on investments in Mainland China:

(In Thousands of New Taiwan Dollars/ foreign currency)

Company Name	Accumulated Investment in Mainland China as of September 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
ACE	162,528 (USD 5,119)	162,528 (USD 5,119)	1,293,962
STC	15,240 (USD 480)	15,240 (USD 480)	95,608

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.

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ACE PILLAR CO., LTD. AND SUBSIDIARIES
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(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 four reportable segments: the Taiwan operating segment, the China operating segment, the sales and service of semiconductor equipment material segment, and the energy saving and storage segment. The Taiwan operating segment is an agent for the sale of inverters and automation control and mechanical transmission systems in Taiwan, while the China operating segment is an agent for the sale of mechanical transmission and automation control systems and the wholesale and retail of industrial robotics related products in China. The sales and service of semiconductor equipment material segment engages mainly in the trading of semiconductor, optoelectronic equipment and consumables. The energy saving and storage segment engages mainly in the sales and service of energy management products. The Group has other operating segments that have not yet reached the quantitative threshold, mainly engaged in the sales of mechanical transmission and automation control systems in other regions.

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

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

(Continued)

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

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

For the three months ended September 30, 2022							
	Taiwan	Mainland China	Sales and service of semiconductor equipment material	Energy saving and storage	Others	Adjustments and eliminations	Total
External revenue	\$ 289,973	324,772	178,084	85,960	18,967	-	897,756
Intra-group revenue	1,360	75,882	1,936	-	-	(79,178)	-
Total segment revenue	<u>\$ 291,333</u>	<u>400,654</u>	<u>180,020</u>	<u>85,960</u>	<u>18,967</u>	<u>(79,178)</u>	<u>897,756</u>
Segment profit (loss)	<u>\$ 30,668</u>	<u>(37,622)</u>	<u>17,083</u>	<u>4,986</u>	<u>584</u>	<u>(2,561)</u>	<u>13,138</u>

For the three months ended September 30, 2021							
	Taiwan	Mainland China	Energy saving and storage	Others	Adjustments and eliminations	Total	
External revenue	\$ 408,747	500,687	9,608	1,329	-	920,371	
Intra-group revenue	1,976	160,796	-	-	(162,772)	-	
Total segment revenue	<u>\$ 410,723</u>	<u>661,483</u>	<u>9,608</u>	<u>1,329</u>	<u>(162,772)</u>	<u>920,371</u>	
Segment profit (loss)	<u>\$ 29,935</u>	<u>13,627</u>	<u>(2,064)</u>	<u>(166)</u>	<u>(703)</u>	<u>40,629</u>	

For the nine months ended September 30, 2022							
	Taiwan	Mainland China	Sales and service of semiconductor equipment material	Energy saving and storage	Others	Adjustments and eliminations	Total
External revenue	\$ 1,043,943	1,191,393	414,107	186,050	63,552	-	2,899,045
Intra-group revenue	5,240	343,610	6,869	-	-	(355,719)	-
Total segment revenue	<u>\$ 1,049,183</u>	<u>1,535,003</u>	<u>420,976</u>	<u>186,050</u>	<u>63,552</u>	<u>(355,719)</u>	<u>2,899,045</u>
Segment profit (loss)	<u>\$ 111,795</u>	<u>(28,178)</u>	<u>44,088</u>	<u>14,283</u>	<u>2,097</u>	<u>(6,801)</u>	<u>137,284</u>

For the nine months ended September 30, 2021							
	Taiwan	Mainland China	Energy saving and storage	Others	Adjustments and eliminations	Total	
External revenue	\$ 1,218,137	1,540,033	32,484	4,751	-	2,795,405	
Intra-group revenue	6,403	360,172	-	-	(366,575)	-	
Total segment revenue	<u>\$ 1,224,540</u>	<u>1,900,205</u>	<u>32,484</u>	<u>4,751</u>	<u>(366,575)</u>	<u>2,795,405</u>	
Segment profit (loss)	<u>\$ 86,051</u>	<u>73,792</u>	<u>(1,911)</u>	<u>(622)</u>	<u>(2,476)</u>	<u>154,834</u>	