Stock Code:8374

ACE PILLAR CO., LTD.

Parent-Company-Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022

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

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Independent Auditors' Report

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

Opinion

We have audited the parent-company-only financial statements of Ace Pillar Co., Ltd., which comprise the parent-company-only balance sheets as of December 31, 2023 and 2022, the parent-company-only statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including a summary of material accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the financial position of Ace Pillar Co., Ltd. as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent-company-only financial statements of the current period. These matters were addressed in the context of our audit of parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the parent-company-only financial statements for the year ended December 31, 2023 are stated as follows:

Assessment of impairment of goodwill from investments in subsidiaries

Please refer to Note 4(n) for accounting policy on impairment of non-financial assets, Note 5 for uncertainty of accounting estimations and assumptions for goodwill impairment, and Note 6(g) for related disclosures of goodwill impairment test, respectively, to the notes to the parent-company-only financial statements.

<u>Description of key audit matter:</u>

Goodwill arising from the acquisition of subsidiaries, which are included in the carrying amount of investments accounted for using equity method, is subject to impairment test annually or at the time there are indications that goodwill may have been impaired. The assessment of the recoverable amount of the cash-generating unit of goodwill involves management' s judgment and estimation. Accordingly, the assessment of impairment of goodwill has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included obtaining the assessment of goodwill impairment provided by the management; assessing the appropriateness of the valuation model and key assumptions, including the discount rate, expected sales growth rate and future cash flow projections, used by the management in measuring the recoverable amount; performing a sensitivity analysis to assess the impact of variations in key assumptions; and assessing the adequacy of disclosures of related information on evaluation of goodwill impairment.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent-company-only financial statements, management is responsible for assessing Ace Pillar Co., Ltd.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Ace Pillar Co., Ltd. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing Ace Pillar Co., Ltd.'s financial reporting process.

Auditors' Responsibilities for the Audit of the Parent-Company-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent-company-only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ace Pillar Co., Ltd.'s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Ace Pillar Co., Ltd.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Ace Pillar Co., Ltd. to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the investees accounted for using the equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent-company-only financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

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

Notes to Readers

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

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

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

ACE PILLAR CO., LTD.

Parent-Company-Only Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 97,537	5	115,701	5
1110	Financial assets at fair value through profit or loss－current (note 6(b))	1,271	-	-	-
1150-1170	Notes and accounts receivable (notes 6(c) and (r))	249,118	11	291,431	12
1180	Accounts receivable from related parties (notes 6(c), (r) and 7)	1,616	-	6,688	-
1200	Other receivables (note 6(d))	-	-	362	-
1210	Other receivables from related parties (notes 6(d) and 7)	182,590	8	207,068	9
1300	Inventories (note 6(e))	223,257	10	272,290	11
1410-1470	Prepayments and other current assets	5,260	-	4,521	-
	Total current assets	760,649	34	898,061	37
	Non-current assets:				
1550	Investments accounted for using the equity method (notes 6(g) and 7)	1,049,321	47	1,105,368	45
1600	Property, plant and equipment (notes 6(f) and (h))	294,997	13	382,537	16
1755	Right-of-use assets (note 6(i))	22,639	1	28,054	1
1760	Investment property (note 6(j))	81,805	4	-	-
1780	Intangible assets (note 6(k))	10,398	-	10,263	-
1840	Deferred income tax assets (note 6(o))	13,074	1	8,698	-
1900	Other non-current assets	10,701	-	11,330	1
	Total non-current assets	1,482,935	66	1,546,250	63
	Total assets	**$ 2,243,584**	**100**	**2,444,311**	**100**

		December 31, 2023		December 31, 2022	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2120	Financial liabilities at fair value through profit or loss－current (note 6(b))	$ 40	-	1,058	-
2130	Contract liabilities－current (note 6(r))	5,490	-	4,064	-
2150-2170	Notes and accounts payable	110,305	5	139,237	6
2180	Accounts payable to related parties (note 7)	131	-	1,673	-
2200	Other payables	28,584	1	38,719	2
2220	Other payables to related parties (note 7)	1,006	-	1,141	-
2230	Current income tax liabilities	1,850	-	12,864	1
2280	Lease liabilities－current (notes 6(m) and 7)	6,683	-	6,269	-
2300	Other current liabilities	7,840	1	7,239	-
	Total current liabilities	161,929	7	212,264	9
	Non-current liabilities:				
2540	Long-term debt (note 6(l))	50,000	2	100,000	4
2570	Deferred income tax liabilities (note (o))	45,711	2	61,085	2
2580	Lease liabilities－non-current (notes 6(m) and 7)	17,070	1	22,791	1
	Total non-current liabilities	112,781	5	183,876	7
	Total liabilities	274,710	12	396,140	16
	Equity (note 6(p)):				
3110	Common stock	1,122,505	50	1,122,505	46
3200	Capital surplus	312,314	14	312,233	13
3300	Retained earnings	572,289	26	649,360	26
3400	Other equity	(38,234)	(2)	(35,927)	(1)
	Total equity	1,968,874	88	2,048,171	84
	Total liabilities and equity	**$ 2,243,584**	**100**	**2,444,311**	**100**

See accompanying notes to the parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

ACE PILLAR CO., LTD.

Parent-Company-Only Statements of Comprehensive Income (Loss)

For the years ended December 31, 2023 and 2022

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

		2023		2022	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenue (notes (r) and 7)**	$ 869,025	100	1,296,748	100
5000	**Operating costs (notes 6(e), (h) and 7)**	(698,502)	(80)	(1,024,809)	(79)
	Gross profit	170,523	20	271,939	21
	Operating expenses (notes 6(c), (h), (i), (j), (k), (m), (n), (s), 7 and 12):				
6100	Selling expenses	(106,478)	(13)	(119,666)	(9)
6200	Administrative expenses	(80,092)	(9)	(91,199)	(7)
6450	Gains on reversal of impairment loss	377	-	287	-
	Total operating expenses	(186,193)	(22)	(210,578)	(16)
	Operating income (loss)	(15,670)	(2)	61,361	5
	Non-operating income and loss (notes 6(f), (g), (m), (t) and 7):				
7100	Interest income	964	-	521	-
7010	Other income	4,929	1	1,223	-
7020	Other gains and losses, net	(6,521)	(1)	52,044	4
7050	Finance costs	(1,843)	-	(1,321)	-
7070	Share of losses of subsidiaries	(12,694)	(2)	(20,966)	(2)
	Total non-operating income and loss	(15,165)	(2)	31,501	2
	Income (loss) before income tax	(30,835)	(4)	92,862	7
7950	**Less: Income tax expense (note 6(o))**	9,889	1	(10,515)	(1)
	Net income (loss)	(20,946)	(3)	82,347	6
	Other comprehensive income (note 6(p)):				
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	4,333	1	-	-
8349	Less: income tax related to items that will not be reclassified subsequently to profit or loss	-	-	-	-
		4,333	1	-	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operations	(6,640)	(1)	20,579	2
8399	Less: income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
		(6,640)	(1)	20,579	2
	Other comprehensive income (loss) for the year, net of income tax	(2,307)	-	20,579	2
8500	**Total comprehensive income (loss) for the year**	**$ (23,253)**	**(3)**	**102,926**	**8**
	Net income attributable to:				
8610	Shareholders of the Company	$ (20,946)	(3)	78,953	6
	Former owner of business combination under common control	-	-	3,394	-
		$ (20,946)	**(3)**	**82,347**	**6**
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	$ (23,253)	(3)	99,532	8
	Former owner of business combination under common control	-	-	3,394	-
		$ (23,253)	**(3)**	**102,926**	**8**
	Earnings (loss) per share (in New Taiwan dollars) (note 6(q)) :				
9750	Basic earnings (loss) per share	**$ (0.19)**		**0.70**	
9850	Diluted earnings (loss) per share	**$ (0.19)**		**0.70**	

See accompanying notes to the parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

ACE PILLAR CO., LTD.

Parent-Company-Only Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Other equity					
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Foreign currency translation differences	Unrealized gains on financial assets measured at fair value through other comprehensive income	Total	Total equity of the Company	Equity attributable to former owner of business combination under common control	Total equity
Balance at January 1, 2022	$ 1,122,505	315,077	258,267	78,028	335,723	672,018	(56,506)	-	(56,506)	2,053,094	20,310	2,073,404
Net income in 2022	-	-	-	-	78,953	78,953	-	-	-	78,953	3,394	82,347
Other comprehensive income in 2022	-	-	-	-	-	-	20,579	-	20,579	20,579	-	20,579
Total comprehensive income in 2022	-	-	-	-	78,953	78,953	20,579	-	20,579	99,532	3,394	102,926
Appropriation of earnings:												
Legal reserve	-	-	14,790	-	(14,790)	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(101,026)	(101,026)	-	-	-	(101,026)	-	(101,026)
Other changes in capital surplus	-	1	-	-	-	-	-	-	-	1	-	1
Difference between consideration and the carrying amount arising from acquisition or disposal of shares of subsidiaries	-	-	-	-	(585)	(585)	-	-	-	(585)	-	(585)
Organizational restructuring under common control	-	(2,856)	-	-	-	-	-	-	-	(2,856)	(23,704)	(26,560)
Changes in ownership interests in subsidiaries	-	11	-	-	-	-	-	-	-	11	-	11
Balance at December 31, 2022	1,122,505	312,233	273,057	78,028	298,275	649,360	(35,927)	-	(35,927)	2,048,171	-	2,048,171
Net income (loss) in 2023	-	-	-	-	(20,946)	(20,946)	-	-	-	(20,946)	-	(20,946)
Other comprehensive income (loss) in 2023	-	-	-	-	-	-	(6,640)	4,333	(2,307)	(2,307)	-	(2,307)
Total comprehensive income (loss) in 2023	-	-	-	-	(20,946)	(20,946)	(6,640)	4,333	(2,307)	(23,253)	-	(23,253)
Appropriation of earnings:												
Legal reserve	-	-	7,837	-	(7,837)	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(56,125)	(56,125)	-	-	-	(56,125)	-	(56,125)
Proceeds from disposal of forfeited employee stock managed by an employee ownership trust	-	81	-	-	-	-	-	-	-	81	-	81
Balance at December 31, 2023	**$ 1,122,505**	**312,314**	**280,894**	**78,028**	**213,367**	**572,289**	**(42,567)**	**4,333**	**(38,234)**	**1,968,874**	**-**	**1,968,874**

See accompanying notes to the parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

ACE PILLAR CO., LTD.

Parent-Company-Only Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from operating activities:		
Income (loss) before income taxes	$ (30,835)	92,862
Adjustments for:		
Adjustments to reconcile profit or loss:		
Depreciation	14,533	8,393
Amortization	4,592	3,120
Reversal of expected credit loss	(377)	(287)
Interest expense	1,843	1,321
Interest income	(964)	(521)
Share of loss of subsidiaries and associates	12,694	20,966
Gain on lease modifications	(4)	(26)
Gain on disposal of non-current assets held for sale	-	(23,829)
Total adjustments for profit or loss	32,317	9,137
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	(1,271)	-
Notes and accounts receivable	42,440	170,701
Accounts receivable from related parties	5,072	7,810
Other receivables	612	58
Other receivables from related parties	(461)	-
Inventories	49,060	34,113
Prepayments and other current assets	(739)	5,693
Net changes in operating assets	94,713	218,375
Changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	(1,018)	1,058
Notes and accounts payable	(28,932)	(174,422)
Accounts payable to related parties	(1,542)	(2,280)
Other payables	(10,199)	(13,294)
Contract liabilities	1,426	1,948
Other current liabilities	601	310
Net changes in operating liabilities	(39,664)	(186,680)
Total changes in operating assets and liabilities	55,049	31,695
Total adjustments	87,366	40,832
Cash provided by operations	56,531	133,694
Interest received	964	521
Income taxes paid	(20,875)	(26,620)
Net cash flows provided by operating activities	36,620	107,595

See accompanying notes to the parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

ACE PILLAR CO., LTD.

Parent-Company-Only Statements of Cash Flows (Continued)

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from investing activities:		
Acquisition of investments accounted for using the equity method	-	(480,960)
Proceeds from disposal of investments accounted for using equity method	-	138,804
Proceeds from disposal of non-current assets held for sale	-	46,401
Acquisition of property, plant and equipment	(1,322)	(25,429)
Acquisition of intangible assets	(4,727)	(9,216)
Increase in refundable deposits	(11)	(63)
Decrease (increase) in loans to related parties	24,939	(13,308)
Decrease in other non-current assets	640	18,122
Dividends received	41,064	-
Net cash flows provided by (used in) investing activities	60,583	(325,649)
Cash flows from financing activities:		
Increase in short-term borrowings	-	190,000
Decrease in short-term borrowings	-	(190,000)
Increase in long-term debt	50,000	100,000
Repayments of long-term debt	(100,000)	-
Payment of lease liabilities	(7,391)	(2,371)
Cash dividends distributed to shareholders	(56,125)	(101,026)
Proceeds from disposal of forfeited employee stock managed by an employee ownership trust	63	-
Interest paid	(1,914)	(1,221)
Net cash flows used in financing activities	(115,367)	(4,618)
Net decrease in cash and cash equivalents	(18,164)	(222,672)
Cash and cash equivalents at beginning of year	115,701	338,373
Cash and cash equivalents at end of year	$ **97,537**	**115,701**

See accompanying notes to the parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

ACE PILLAR CO., LTD.

Notes to the Parent-Company-Only Financial Statements

For the years ended December 31, 2023 and 2022

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

1. Organization and business

Ace Pillar Co., Ltd. (the "Company") was incorporated on March 31, 1984 as a company limited by shares under the laws of the Republic of China ("R.O.C.") and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is 12F., No. 558, Zhongyuan Rd., Xinzhuang Dist., New Taipei City, Taiwan (R.O.C.). The Company is primarily engaged in the tests, processing, sales, repairment and electromechanical integration of automation control and mechanical transmission system and intelligent technology service.

2. Authorization of the parent-company-only financial statements

These parent-company-only financial statements were authorized for issue by the Board of Directors on February 27, 2024.

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

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from January 1, 2023:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from May 23, 2023:

- Amendments to IAS 12 "International Tax Reform－Pillar Two Model Rules"

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

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

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

(Continued)

ACE PILLAR CO., LTD.
Notes to the Parent-Company-Only Financial Statements

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

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent-company-only financial statements:

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

4. Summary of material accounting policies:

The material accounting policies presented in the parent-company-only financial statements are summarized as follows and have been applied consistently to all periods presented in these financial statements.

(a) Statement of compliance

The Company’ s accompanying parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”).

(b) Basis of preparation

(i) Basis of measurement

The accompanying parent-company-only financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value through profit or loss (including derivative financial instruments).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The Company’ s parent-company-only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

ACE PILLAR CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(iii) Business combination under common control

The business combinations under common control often occur as the ownership of a company change to another, with both companies being controlled by the same ultimate parent company. These combinations are treated as the later of either the earliest comparative period in financial statements or the date under common control to restate comparative information of prior period. Under common control, assets and liabilities are recognized at their original carrying amount. The parent-company-only 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 parent-company-only balance sheet, the equity from acquisition is recognized in “equity attributable to the former owner of business combination under common control”. In preparing the parent-company-only statements of comprehensive income, the profit or loss which belongs to former controlling shareholders is recorded as “profit (loss) attributable to the former owner of business combination under common control”.

(c) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period (“the reporting date”), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into the presentation currency of the Company’s parent-company-only financial statements at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency of the Company’s parent-company-only financial statements at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the accumulated exchange differences related to that foreign operation is reclassified to profit or loss. In the case of a partial disposal that does not result in the Company losing control over a subsidiary, the proportionate share of the accumulated exchange differences is reclassified to non-controlling interests. For a partial disposal of the Company’s ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

(Continued)

ACE PILLAR CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(d) Classification of current and non-current assets and liabilities

An asset is classified as current when one of following criteria is met; all other assets are classified as non-current assets.

(i) It is expected to be realized, or sold or consumed in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

A liability is classified as current when one of following criteria is met; all other liabilities are classified as non-current liabilities:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting date; or

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash consists of cash on hand, checking deposits, and demand deposits. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the aforesaid criteria and are not held for investing purposes are also classified as cash equivalents.

(f) Financial instruments

Accounts receivable is initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issuance. An accounts receivable without a significant financing component is initially measured at the transaction price.

ACE PILLAR CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(i) Financial assets

On initial recognition, financial assets are classified as measured at: amortized cost and fair value through profit or loss (FVTPL). A regular way purchases or sales of financial assets is recognized or derecognized on a trade-date basis.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Subsequent to initial recognition, these assets are measured at amortized cost, using the effective interest method less impairment loss. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets at fair value through profit or loss

All financial assets not classified as at amortized cost or fair value through other comprehensive income (FVOCI) as described above (e.g. financial assets held for trading and those that are managed and evaluated for performance on a fair value basis) are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any dividend and interest income, are recognized in profit or loss.

3) Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial assets on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company' s claim to cash flows from specified assets (e.g. non-recourse features)

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses ("ECL") on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes and accounts receivable, other receivables and other financial assets).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following financial assets which are measured using 12-month ECL:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Company measures loss allowances for accounts receivable at an amount equal to lifetime ECL.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the All financial assets not classified as considers reasonable and supportable information that is relevant and available without undue cost or effort. The information includes both quantitative and qualitative information and analysis based on the Company's historical experience and credit assessment, as well as forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

(Continued)

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights of the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets; in these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement and the definitions of a financial liability and an equity instrument.

2) Equity transactions

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recognized at the amount of consideration received, less, the direct issuing cost.

(Continued)

ACE PILLAR CO., LTD.
Notes to the Parent-Company-Only Financial Statements

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iii) Derivative financial instruments

The Company uses derivative financial instrument to hedge its foreign currency exposures. Derivatives are initially measured at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and included in non-operating income and loss. If the valuation of a derivative instrument is in a positive fair value, it is classified as a financial asset, otherwise, it is classified as a financial liability.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated based on the weighted-average method and includes expenditure incurred in bringing them to the location and condition ready for sale. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses.

ACE PILLAR CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(h) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through a sale transaction, rather than through continuing use, are reclassified as non-current assets held for sale. Non-current assets or disposal groups under this classification must be available for instant sale, which is highly probable within a year under current condition. The assets are measured at the lower of their carrying amount and fair value, less, costs to sell and are no longer amortized or depreciated when they are classified as held for sale.

(i) Investments in subsidiaries

When preparing the parent-company-only financial statements, investments in subsidiaries which are controlled by the Company is accounted for using the equity method. Under equity method, profit or loss, and other comprehensive income recognized in parent-company-only financial statement is in line with total comprehensive income attributable to the shareholders of the Company in the consolidated financial statements. In addition, changes in equity recognized in the parent-company-only financial statements is in line with the changes in equity attributable to shareholders of the Company in the consolidated financial statements.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control as accounted for within equity.

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

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

(Continued)

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

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

(k) Investment property

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

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

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

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

(l) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a leasee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically evaluated and reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

(Continued)

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when:

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

— there is a change of the Company's assessment on whether it will exercise a extension an option to purchase the underlying asset; or

— there is a change in the lease term resulting from a change of the Company's assessment on whether it will exercise an extension or termination option; or

— there is any lease modification in lease subject, scope of the lease or other terms.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference in profit or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the parent-company-only balance sheets.

The Company has elected not to recognize right-of-use assets and lease liabilities for the short-term and low-value leases for transportation equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Continued)

(ii) As a leasor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease.

For operating lease, the Company recognizes rental income on a straight-line basis over the lease term.

(m) Intangible assets

The Company's intangible assets are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the following estimated useful lives: acquired software: 3 to 5 years.

The residual value, amortization period, and amortization method are reviewed at least at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

(n) Impairment of non-financial assets

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

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

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

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

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

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

(o) Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good to a customer.

(i) Sale of goods

The Company recognizes revenue when control of the goods has been transferred to the customer, being when the goods are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the customer has accepted the goods in accordance with the terms of sales, the risks of obsolescence and loss have been transferred to the customer, and the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(ii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods to the customer, and the payment by the customer, exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed during the year in which employees render services.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to make such payments as a result of past service provided by the employees, and the obligation can be estimated reliably.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

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

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

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for:

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

(ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

(Continued)

ACE PILLAR CO., LTD.
Notes to the Parent-Company-Only Financial Statements

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) Business combinations

The Company 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 Company shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed and recognize any additional assets or liabilities that are identified in that review, and shall recognize a gain on the bargain purchase thereafter.

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

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

(s) Earnings per share ("EPS")

The basic and diluted EPS attributable to stockholders of the Company are disclosed in the parent-company-only financial statements. Basic EPS is calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to stockholders of the Company and weighted average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Company's dilutive potential common shares are employee stock options or profit sharing for employees to be settled in the form of common stock.

(t) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent-company-only financial statements.

ACE PILLAR CO., LTD.
Notes to the Parent-Company-Only Financial Statements

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

The preparation of the parent-company-only financial statements requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and the future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included as follows:

Assessment of impairment of goodwill from investments in subsidiaries

The assessment of impairment of goodwill, which are included in the carrying amount of investments accounted for using equity method, requires the Company to make subjective judgments to identify cash-generating units, allocate the goodwill to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Any changes in these estimates based on changed economic conditions or business strategies could result in significant adjustments in future years. Please refer to note 6(g) for further information of the assessment of impairment of goodwill

6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	$ 226	235
Demand deposits and checking accounts	87,311	115,466
Time deposits with original maturities less than three months	10,000	-
	$ 97,537	**115,701**

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

	December 31, 2023	December 31, 2022
Financial assets at fair value through profit or loss:		
Foreign exchange swaps	**$ 1,271**	**-**
Financial liabilities at fair value through profit or loss:		
Foreign currency forward contracts	$ (40)	(64)
Foreign exchange swaps	-	(994)
	$ (40)	**(1,058)**

ACE PILLAR CO., LTD.

Notes to the Parent-Company-Only Financial Statements

The Company 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

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

	December 31, 2022		
	Contract amount (in thousands)		Maturity period
USD Buy / CNY Sell	USD	950	2023/01
USD Buy / EUR Sell	USD	800	2023/01

(ii) Foreign exchange swaps

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

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

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

(c) Notes and accounts receivable (including related parties)

	December 31, 2023	December 31, 2022
Notes receivable from operating activities	$ 41,312	46,713
Accounts receivable (including related parties) measured at amortized cost	210,833	252,946
Less: loss allowance	(1,411)	(1,540)
	$ 250,734	**298,119**

(Continued)

ACE PILLAR CO., LTD.
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The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information. Analysis of expected credit losses on notes and accounts receivable was as follows:

	December 31, 2023		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance**
Current	$ 236,731	0%	-
Past due 1-90 days	13,997	0%	-
Past due 91-180 days	5	0%	-
Past due 181-270 days	6	0%~24.58%	5
Past due 271-365 days	69	36.57%~100%	69
Past due over 366 days	1,337	100%	1,337
	$ 252,145		**1,411**

	December 31, 2022		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance**
Current	$ 278,001	0%	-
Past due 1-90 days	18,476	0%~0.47%	86
Past due 91-180 days	993	0%~11.08%	110
Past due 181-270 days	845	0%~36.57%	-
Past due over 271 days	1,344	100%	1,344
	$ 299,659		**1,540**

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

	2023	**2022**
Balance at January 1	$ 1,540	1,935
Reversal of impairment loss	(377)	(287)
Write-off	(2)	(285)
Insurance claims for accounts receivable	250	177
Balance at December 31	**$ 1,411**	**1,540**

(d) Other receivables (including related parties)

	December 31, 2023	**December 31, 2022**
Other receivables－loans to subsidiaries	$ 182,129	207,068
Others	461	362
Less: loss allowance	-	-
	$ 182,590	**207,430**

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

(Continued)

ACE PILLAR CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(e) Inventories

	December 31, 2023	December 31, 2022
Merchandise inventory	$ 223,257	272,290

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

	2023	2022
Cost of inventories sold	$ 678,540	1,022,243
Write-downs of inventories	19,756	2,428
	$ 698,296	1,024,671

The write-downs of inventories arose from the write-downs of inventories to net realizable value.

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

In May 2021, the Company's Board of Directors approved a resolution to dispose land and buildings located at Sanchong District of New Taipei City. The assets amounting to $73,452 were classified as non-current assets held for sale. Part of the abovementioned assets have been sold in January and June 2022, of which the consideration amounted to $46,401 and the carrying amount of the property disposed amounted to $22,572, respectively, resulting in a disposal gain of $23,829.

For the year ended December 31, 2022, under the impact of Covid-19 pandemic and the overall economic environment, the management assessed that the abovementioned assets no longer meet the criteria of classification of assets as held for sale. Therefore, the carrying amount of the assets classified as held for sale of $50,880 was reclassified to property, plant and equipment.

(g) Investments accounted for using the equity method

A summary of the Company's investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2023	December 31, 2022
Subsidiaries	$ 1,049,321	1,105,368

(i) Subsidiaries

Please refer to consolidated financial statements for the year ended December 31, 2023.

The Company's share of profits (losses) of investments accounted for using the equity method was as follows:

	2023	2022
Subsidiaries	$ (12,694)	(20,966)

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(ii) Acquisition of subsidiary－Standard Technology Corp. and its subsidiaries

1) Consideration transferred

On March 1, 2022 (the acquisition date), the Company acquired 4,680 thousand shares of Standard Technology Corp. (“STC”), constituting 60% of equity ownership of STC, for a cash consideration of $187,000 and obtained control over it since then. Thereafter, STC has been included in the 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 Company to optimize its business deployment in the semiconductor industry, expand its business capacity and provide customers with a full range of products and services.

2) Identifiable net assets acquired in a business combination

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

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

(Continued)

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

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

Goodwill arising from the acquisition of STC is due to the profitability, the synergies of the business combination, future market development and value of assembled workforce. None of the goodwill recognized is expected to be deductible for income tax purposes. Goodwill arising from the acquisition are included in the carrying amount of investments accounted for using the equity method.

(iii) Acquisition of subsidiary－BlueWalker GmbH

1) Consideration transferred

On April 1, 2022 (the acquisition date), the Company acquired 100% ownership of BlueWalker GmbH (“ BWA”), for a cash consideration of $127,200 (EUR 4,000 thousand), and obtained control over it since then. Thereafter, BWA has been included in the 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 Company to enhance product diversification and expand sales regions, and to improve overall operating efficiency.

2) Identifiable net assets acquired in a business combination

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

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

(Continued)

ACE PILLAR CO., LTD.

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The Company continuously reviews the abovementioned items during the measurement period. As of December 31, 2022, intangible assets－customer relationship and non-controlling interests decreased by $4,285 and $857, respectively, resulting in an increase of $3,428 in goodwill.

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

Goodwill arising from the acquisition of BWA is due to the profitability, the synergies of the business combination, future market development and value of assembled workforce. None of the goodwill recognized is expected to be deductible for income tax purposes. Goodwill arising from the acquisition are included in the carrying amount of investments accounted for using the equity method.

(iv) Acquisition of subsidiary－ACE Energy Co., Ltd.

1) Consideration transferred

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

2) Identifiable net assets acquired in a business combination

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

Consideration transferred:		
Cash		$ 32,000
Less: Identifiable net assets acquired at fair value:		
Cash and cash equivalents	$ 24,856	
Financial assets at amortized 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)	28,559
Capital surplus and retained earnings		**$ 3,441**

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

(Continued)

ACE PILLAR CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(v) Impairment test on goodwill

The excess of the cost of acquiring an investment in a subsidiary over the Company's equity interest of the net fair value of the investee's identifiable assets acquired and liabilities assumed at the date of acquisition should be recorded as goodwill, and any impairment of goodwill should be recognized as a deduction from the carrying amount of the investments accounted for using equity method. For the years ended December 31, 2023 and 2022, the carrying amount of goodwill arising from business combinations and the respective CGUs to which the goodwill was allocated for impairment test purpose were as follows:

	December 31, 2023	December 31, 2022
STC	$ 76,149	76,149
BlueWalker GmbH	22,124	22,124
	$ 98,273	**98,273**

Each CGU to which the goodwill is allocated represents the lowest level within the Company, at which the goodwill is monitored for internal management purpose. As of December 31, 2023 and 2022, based on the results of impairment tests conducted by the Company, the recoverable amount of CGUs exceeded its carrying amount; as a result, no impairment loss was recognized. The recoverable amount of a CGU was determined based on the value in use. The related key assumptions were as follows:

	December 31, 2023	December 31, 2022
STC:		
Revenue growth rate	14.68%~27.9%	5.78%~15%
Pre-tax discount rate	16.48%	22.78%

	December 31, 2023	December 31, 2022
BlueWalker GmbH:		
Revenue growth rate	2.09%~3%	1%~4%
Pre-tax discount rate	24.32%	23.77%

(i) The cash flow projections were based on future financial budgets, covering a period of 5 years, approved by management. Cash flows beyond that 5-year period have been extrapolated using 0% growth rate.

(ii) The estimation of discount rate is based on the weighted average cost of capital.

(Continued)

ACE PILLAR CO., LTD.
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(h) Property, plant and equipment

		Land	Buildings	Other equipment	Total
Cost:					
Balance at January 1, 2023	$	256,927	144,723	7,370	409,020
Additions		-	-	1,322	1,322
Reclassification		(63,339)	(35,882)	(27)	(99,248)
Disposals		-	-	(117)	(117)
Balance at December 31, 2023	**$**	**193,588**	**108,841**	**8,548**	**310,977**
Balance at January 1, 2022	$	219,768	102,306	3,004	325,078
Additions		-	20,963	4,466	25,429
Disposals		-	-	(100)	(100)
Reclassification from non-current assets held for sale		37,159	21,454	-	58,613
Balance at December 31, 2022	**$**	**256,927**	**144,723**	**7,370**	**409,020**
Accumulated depreciation:					
Balance at January 1, 2023	$	-	24,446	2,037	26,483
Depreciation		-	4,014	1,775	5,789
Reclassification		-	(16,175)	-	(16,175)
Disposals		-	-	(117)	(117)
Balance at December 31, 2023	**$**	**-**	**12,285**	**3,695**	**15,980**
Balance at January 1, 2022	$	-	12,505	1,308	13,813
Depreciation		-	4,208	829	5,037
Disposals		-	-	(100)	(100)
Reclassification from non-current assets held for sale		-	7,733	-	7,733
Balance at December 31, 2022	**$**	**-**	**24,446**	**2,037**	**26,483**
Carrying amounts:					
Balance at December 31, 2023	**$**	**193,588**	**96,556**	**4,853**	**294,997**
Balance at December 31, 2022	**$**	**256,927**	**120,277**	**5,333**	**382,537**

ACE PILLAR CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(i) Right-of-use assets

		Buildings	Transportation equipment	Total
Cost:				
Balance at January 1, 2023	$	30,548	1,612	32,160
Additions		755	1,980	2,735
Disposals		(899)	(2,364)	(3,263)
Balance at December 31, 2023	$	**30,404**	**1,228**	**31,632**
Balance at January 1, 2022	$	5,449	2,274	7,723
Additions		28,083	-	28,083
Disposals		(2,984)	(662)	(3,646)
Balance at December 31, 2022	$	**30,548**	**1,612**	**32,160**
Accumulated depreciation:				
Balance at January 1, 2023	$	2,628	1,478	4,106
Depreciation		6,787	716	7,503
Disposals		(899)	(1,717)	(2,616)
Balance at December 31, 2023	$	**8,516**	**477**	**8,993**
Balance at January 1, 2022	$	1,392	960	2,352
Depreciation		2,563	793	3,356
Disposals		(1,327)	(275)	(1,602)
Balance at December 31, 2022	$	**2,628**	**1,478**	**4,106**
Carrying amounts:				
Balance at December 31, 2023	$	**21,888**	**751**	**22,639**
Balance at December 31, 2022	$	**27,920**	**134**	**28,054**

(j) Investment property

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

(Continued)

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

(k) Intangible assets

	Computer software
Cost:	
Balance at January 1, 2023	$ 14,690
Additions	4,727
Balance at December 31, 2023	**$ 19,417**
Balance at January 1, 2022	$ 5,474
Additions	9,216
Balance at December 31, 2022	**$ 14,690**
Accumulated amortization and impairment loss:	
Balance at January 1, 2023	$ 4,427
Amortization	4,592
Balance at December 31, 2023	**$ 9,019**
Balance at January 1, 2022	$ 1,307
Amortization	3,120
Balance at December 31, 2022	**$ 4,427**
Carrying amounts:	
Balance at December 31, 2023	**$ 10,398**
Balance at December 31, 2022	**$ 10,263**

(l) Long-term debt

	December 31, 2023	December 31, 2022
Unsecured bank loans	**$ 50,000**	**100,000**
Unused credit facilities	**$ 400,000**	**100,000**
Interest rate	**1.95%**	**1.72%**
Maturity year	**2026**	**2024**

ACE PILLAR CO., LTD.
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(m) Lease liabilities

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

	December 31, 2023	December 31, 2022
Current	$ 6,683	6,269
Non-current	$ 17,070	22,791

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

The amounts recognized in profit or loss were as follows:

	2023	2022
Interest expense on lease liabilities	$ 508	190
Expenses relating to short-term leases	$ -	4,788

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

	2023	2022
Total cash outflows for leases	$ 7,899	7,349

(i) Real estate leases

The Company leases lands and buildings for its office, factory and warehouses. The leases for office, factory and warehouses typically run for a period of 3 to 5 years. For the lease of office, the Company has elected to apply exemption and not to recognize right-of-use assets and lease liabilities.

(ii) Other leases

The leases for transportation equipment typically run for a period of 2 to 3 years.

(n) Employee benefits

The Company contributes monthly an amount equal to 6% of each employee's monthly wages to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company has no legal or constructive obligation to pay additional amounts after contributing a fixed amount.

In December 31, 2023 and 2022, the Company recognized pension expenses of $5,119 and $4,940, respectively, in relation to the defined contribution plans.

ACE PILLAR CO., LTD.

Notes to the Parent-Company-Only Financial Statements

(o) Income taxes

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

	2023	2022
Current income tax expense		
Current period	$ 9,707	21,665
Adjustments for prior years	(566)	138
Surtax on undistributed earnings	720	1,604
	9,861	23,407
Deferred income tax benefit		
Origination and reversal of temporary differences	(19,750)	(12,892)
Income tax expense (benefit)	**$ (9,889)**	**10,515**

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

Reconciliation of income tax expense and income (loss) before income tax was as follows:

	2023	2022
Income (loss) before income tax	**$ (30,835)**	**92,862**
Income tax (benefit) measured using tax rates enacted	$ (6,167)	18,572
Surtax on undistributed earnings	720	1,604
Investment income recorded under equity method	(6,165)	(6,092)
Changes in unrecognized temporary differences	1,013	-
Adjustments for prior periods	(566)	138
Land transactions income exemption	-	(4,188)
Land value increment tax	-	169
Others	1,276	312
	$ (9,889)	**10,515**

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets and liabilities

As the Company is able to control the timing of the reversal of the temporary differences associated with investments in certain subsidiaries as of December 31, 2023 and 2022, and management believes that it is probable that the temporary differences will not reverse in the foreseeable future, such temporary differences are not recognized as deferred income tax liabilities.

	December 31, 2023	December 31, 2022
Aggregate amount of temporary differences related to investments in subsidiaries	**$ 9,178**	**10,191**

(Continued)

ACE PILLAR CO., LTD.
Notes to the Parent-Company-Only Financial Statements

2) Recognized deferred income tax assets and liabilities

Deferred income tax assets:

	Write-downs of inventories	Others	Total
Balance at January 1, 2023	$ 3,336	5,362	8,698
Recognized in profit or loss	3,951	425	4,376
Balance at December 31, 2023	**$ 7,287**	**5,787**	**13,074**
Balance at January 1, 2022	$ 2,850	6,229	9,079
Recognized in profit or loss	486	(867)	(381)
Balance at December 31, 2022	**$ 3,336**	**5,362**	**8,698**

Deferred income tax liabilities:

	Gains from investments in subsidiaries	Others	Total
Balance at January 1, 2023	$ 61,085	-	61,085
Recognized in profit or loss	(15,916)	542	(15,374)
Balance at December 31, 2023	**$ 45,169**	**542**	**45,711**
Balance at January 1, 2022	$ 74,358	-	74,358
Recognized in profit or loss	(13,273)	-	(13,273)
Balance at December 31, 2022	**$ 61,085**	**-**	**61,085**

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

(p) Capital and other equity

(i) Common stock

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

(ii) Capital surplus

The balances of capital surplus were as follows:

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

(Continued)

Pursuant to the Company Act, any realized capital surplus is initially used to cover an accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends based on the original shareholding ratio or distributed as cash dividends based on a resolution approved by the shareholders. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations from shareholders received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(iii) Retained earnings

The Company's Articles of Incorporation stipulate that at least 10% of annual net income after deducting an accumulated deficit, if any, must be retained as a legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve should be set aside or reversed in accordance with applicable laws and regulations. The remaining balance of the annual net income, together with unappropriated earnings from previous years, if any, can be distributed as dividends after the earnings distribution plan proposed by the Board of Directors and approved during the stockholders' meeting. The abovementioned distribution of earnings by way of cash dividends could be approved by the Company's Board of Directors and then reported to the Company' s shareholders in its meeting. In accordance with the Company' s Articles of Incorporation amended on August 24, 2021, the dividend distribution policy shall be based on the Company's needs for business operation and growth as well as capital budget. If the Company has annual earnings and the distributable earnings for the years achieves 2% of capital, the dividend distribution shall not be less than 10% of the distributable earnings for the year, of which of the percentage of cash dividends shall not be less than 20% of the total dividends for the year.

1) Legal reserve

If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve to shareholders by issuing new shares or by distributing cash for the portion in excess of 25% of the paid-in capital.

2) Special reserve

When the Company adopted IFRSs endorsed by FSC for the first time, Company elected to use the exemption items applied to the first-time adoption the IFRSs in IFRS 1. In accordance with Rule issued by the Financial Supervisory Commission, at the date of transition to IFRSs, the accumulated translation adjustment amount of $78,330 was transferred to retained earnings and the same amount was recognized in special reserve. When the related assets were used, disposed, or reclassified, the Company should proportionally reserve the original special reserve contribution and distribute it as earnings. The aforementioned special reserve was $78,028 as of both December 31, 2023 and 2022.

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In accordance with the requirements issued by the FSC, a portion of earnings shall be allocated as special reserve during earnings distribution. If the Company has already reclassified a portion of earnings to special reserve under the preceding subparagraph, it shall make supplemental allocation of special reserve for any difference between the amount it has already allocated and the amount of the current-period total net reduction of other shareholders' equity. An equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than the after-tax net profit in the period, that are included in the undistributed current-period earnings and the undistributed prior-period earnings. A portion of the undistributed prior-period earnings shall be reclassified to special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior periods. The amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

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

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

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

	2023	
	Dividends per share (in dollars)	**Amount**
Dividends per share:		
Cash dividends	$ 0.30	33,675

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

(Continued)

ACE PILLAR CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(iv) Other equity items (net after tax)

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

(q) Earnings per share ("EPS")

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

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

(Continued)

ACE PILLAR CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

		2023	2022
Major products / services lines:			
Automation control	$	704,046	1,033,631
Mechanical transmission		161,369	259,558
Others		3,610	3,559
	$	**869,025**	**1,296,748**

(ii) Contract balances

		December 31, 2023	December 31, 2022	January 1, 2022
Notes and accounts receivable (including related parties)	$	252,145	299,659	478,278
Less: loss allowance		(1,411)	(1,540)	(1,935)
	$	**250,734**	**298,119**	**476,343**
Contract liabilities－advanced receipts	$	**5,490**	**4,064**	**2,116**

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

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

The amount of revenue recognized for the years ended December 31, 2023 and 2022, which were included in the contract liabilities balance at the beginning of the period, were $2,132 and $2,116, respectively.

(s) Remuneration to employees and directors

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

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The Company did not accrue any remuneration to employees and directors for the year ended December 31, 2023 as it incurred a net loss in 2023. For the year ended December 31, 2022, the Company accrued its remuneration to employees amounting to $1,845, and the remuneration to directors amounting to $922. The estimated amounts mentioned above are calculated based on the income before income tax, excluding the remuneration to employees and directors of the period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles, and recognized them as operating expenses. The difference between accrual and actual payment, if any, will be accounted for as change in accounting estimate and be recognized in profit or loss in the following year. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

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

(t) Non-operating income and loss

(i) Interest income

	2023	2022
Bank deposits	$ 884	242
Others	80	279
	$ 964	**521**

(ii) Other income

	2023	2022
Miscellaneous income	**$ 4,929**	**1,223**

(iii) Other gains and losses

	2023	2022
Foreign currency exchange gains (losses), net	$ (3,318)	27,867
Gains (losses) on financial instruments at fair value through profit or loss	(2,846)	481
Gains on disposal of non-current assets held for sale	-	23,829
Others	(357)	(133)
	$ (6,521)	**52,044**

(iv) Finance costs

	2023	2022
Interest expense on bank loans	$ (1,335)	(1,131)
Interest expense on lease liabilities	(508)	(190)
	$ (1,843)	**(1,321)**

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(u) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	December 31, 2023	December 31, 2022
Financial assets at fair value through profit or loss －current	$ 1,271	-
Financial assets measured at amortized cost:		
Cash and cash equivalents	97,537	115,701
Notes and accounts receivable (including related parties)	250,734	298,119
Other receivables (including related parties)	182,590	207,430
Refundable deposits (recognized in non-current assets)	10,682	10,671
	$ 542,814	**631,921**

2) Financial liabilities

	December 31, 2023	December 31, 2022
Financial liabilities at fair value through profit or loss －current	$ 40	1,058
Financial liabilities measured at amortized cost:		
Notes and accounts payable (including related parties)	110,436	140,910
Other payables (including related parties)	29,590	39,860
Lease liabilities (including current and non-current)	23,753	29,060
Long-term debt	50,000	100,000
	$ 213,819	**310,888**

(ii) Fair value information － financial instruments not measured at fair value

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

ACE PILLAR CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(iii) Fair value information － financial instruments measured at fair value

The financial instruments at fair value through profit or loss 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:

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

2) 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).

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

	December 31, 2023				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivatives－foreign exchange swaps	$ 1,271	-	1,271	-	1,271
Financial liabilities at fair value through profit or loss:					
Derivatives－foreign currency forward contracts	$ (40)	-	(40)	-	(40)

	December 31, 2022				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income:					
Derivatives－foreign currency forward contracts	$ (64)	-	(64)	-	(64)
Derivatives－foreign exchange swaps	(994)	-	(994)	-	(994)
	$ (1,058)	-	(1,058)	-	(1,058)

(iv) Valuation techniques and assumptions used in fair value measurement

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

(v) Transfers between levels of the fair value hierarchy

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

(v) Financial risk management

The Company is exposed to credit risk, liquidity risk, and market risk (including currency risk, interest rate risk, and other market price risk). The Company has disclosed the information on exposure to the aforementioned risks and the Company’s policies and procedures to measure and manage those risks as well as the quantitative information below.

The Company’s Board of Directors is responsible for developing and monitoring the Company’s risk management policies. The Company’s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor adherence to the controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s operations.

The Company’s management monitors and reviews financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company’s Board of Directors.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s cash and cash equivalents, receivables from customers, and other receivables. The maximum exposure to credit risk is equal to the carrying amount of the Company’s financial assets.

The Company maintains cash and cash equivalents with reputable financial institutions. Therefore, the exposure related to potential default by those counter-parties is not considered significant.

In order to reduce credit risk of accounts receivable, the Company has established a credit policy under which each customer is analyzed individually for creditworthiness for the purpose of setting the credit limit. Additionally, the Company continuously evaluates the credit quality of customers and utilizes insurance to minimize the credit risk.

The Company believes that there is no significant concentration of credit risk due to the Company’s relation to a wide range of customers and large geographical regions.

Please refer to note 6(c) for credit risk exposure of accounts receivable. Other financial assets amortized at cost includes other receivables and refundable deposits (included in other financial assets－non-current). The abovementioned financial assets are considered low-credit risk financial assets; therefore, the loss allowances are measured using 12 months ECL. Please refer to note 6(d) for ECL assessment.

ACE PILLAR CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Company manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of the loan agreements. As of December 31, 2023 and 2022, the Company had unused credit facilities of $2,053,750 and $2,084,380, respectively.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	Contractual cash flows	Within 1 year	1-2 years	2-5 years	More than 5 years
December 31, 2023					
Non-derivative financial liabilities:					
Notes and accounts payable (including related parties)	$ 110,436	110,436	-	-	-
Other payables (including related parties)	29,590	29,590	-	-	-
Lease liabilities	24,568	7,054	5,944	11,570	-
Long-term debt	52,126	1,004	975	50,147	-
	$ 216,720	**148,084**	**6,919**	**61,717**	**-**
Derivative financial instruments:					
Foreign currency forward contracts:					
Outflow	$ 41,388	41,388	-	-	-
Inflow	(41,348)	(41,348)	-	-	-
Foreign exchange swaps:					
Outflow	181,772	181,772	-	-	-
Inflow	(183,043)	(183,043)	-	-	-
	$ (1,231)	**(1,231)**	**-**	**-**	**-**
December 31, 2022					
Non-derivative financial liabilities:					
Notes and accounts payable (including related parties)	$ 140,910	140,910	-	-	-
Other payables (including related parties)	39,860	39,860	-	-	-
Lease liabilities	30,322	6,733	6,216	17,373	-
Long-term debt	102,871	1,820	101,051	-	-
	$ 313,963	**189,323**	**107,267**	**17,373**	**-**
Derivative financial instruments:					
Foreign currency forward contracts:					
Outflow	$ 54,374	54,374	-	-	-
Inflow	(54,310)	(54,310)	-	-	-
Foreign exchange swaps:					
Outflow	207,245	207,245	-	-	-
Inflow	(206,251)	(206,251)	-	-	-
	$ 1,058	**1,058**	**-**	**-**	**-**

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

(Continued)

ACE PILLAR CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company' s income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Foreign currency risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Company. The functional currency of the Company consists mainly of New Taiwan dollar (NTD) and the currency other than the functional currency used in these transactions consists mainly of US dollar (USD), Japanese yen (JPY) and Chinese yuan renminbi (CNY).

At the reporting date, the carrying amounts of the Company's significant monetary assets and liabilities denominated in a currency, other than the respective functional currencies of the Company, were as follows:

	December 31, 2023				
	Foreign currency (in thousands)	**Exchange rate**	**TWD (in thousands)**	**Change in magnitude**	**Pre-tax effect on profit or loss (in thousands)**
Financial assets					
USD	$ 348	30.75	10,701	1 %	107
JPY	9,261	0.2175	2,014	1 %	20
CNY	42,001	4.3364	182,133	1 %	1,821
Financial liabilities					
USD	84	30.75	2,583	1 %	26
JPY	2,191	0.2175	477	1 %	5

	December 31, 2022				
	Foreign currency (in thousands)	**Exchange rate**	**TWD (in thousands)**	**Change in magnitude**	**Pre-tax effect on profit or loss (in thousands)**
Financial assets					
USD	$ 422	30.73	12,968	1 %	130
JPY	9,261	0.2330	2,158	1 %	22
CNY	47,001	4.4057	207,072	1 %	2,071
Financial liabilities					
USD	356	30.73	10,940	1 %	109
JPY	16,681	0.2330	3,887	1 %	39

As the Company deals 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 years ended December 31, 2023 and 2022 were $(3,318) and $27,867, respectively.

ACE PILLAR CO., LTD.
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2) Interest rate risk

The Company's bank loans carried floating interest rates. To manage the interest rate risk, the Company periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. The Company also strengthens the management of working capital to reduce the dependence on bank loans, as well as the risk arising from fluctuation of interest rates.

Please refer to the note on liquidity risk management for details on interest rate exposure of the Company's financial liabilities. The following sensitivity analysis is based on the risk exposure to non-derivative financial instruments on the reporting date. The sensitivity analysis assumes the liabilities carrying floating interest rates recorded at the reporting date had been outstanding for the entire period. The change in interest rate reported to the key management in the Company is based on 100 basis points (1%), which is consistent with the assessment made by the key management in respect of the possible change in interest rate.

If interest rates had been 100 basis points (1%) higher/lower, with all other variables held constant, pre-tax income for the year ended December 31, 2023 and 2022 would have been \$500 and \$1,000, respectively, lower/higher, which mainly resulted from the borrowings with floating interest rates.

(w) Capital management

In consideration of the industry dynamics and future developments, as well as external environment factors, the Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources and business plans to fund its future working capital needs, capital expenditures, repayment of debts, dividend payments, and other business requirements. The management determines the optimal capital structure by utilizing the appropriate debt-to-equity ratio to enhance long-term shareholder value on the basis of a stable capital structure.

(x) Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities was as follows:

			Non-cash changes		
	January 1, 2023	**Cash flows**	**Additions to lease liabilities**	**Disposals of lease liabilities**	**December 31, 2023**
Long-term debt	$ 100,000	(50,000)	-	-	50,000
Lease liabilities	29,060	(7,391)	2,735	(651)	23,753
Total liabilities from financing activities	**$ 129,060**	**(57,391)**	**2,735**	**(651)**	**73,753**

			Non-cash changes		
	January 1, 2022	**Cash flows**	**Additions to lease liabilities**	**Disposals of lease liabilities**	**December 31, 2022**
Long-term debt	$ -	100,000	-	-	100,000
Lease liabilities	5,418	(2,371)	28,083	(2,070)	29,060
Total liabilities from financing activities	**$ 5,418**	**97,629**	**28,083**	**(2,070)**	**129,060**

ACE PILLAR CO., LTD.
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7. Related-party transactions

(a) Parent company and ultimate controlling party

DFI Inc. ("DFI") is the parent company of the Company and owns 48.06% of the outstanding shares of the Company as of December 31, 2023 and 2022. Qisda Corporation ("Qisda") is the ultimate controlling party of the Company. 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 Company during the periods covered in the parent-company-only financial statements.

Name of related party	Relationship with the Company
Qisda Corporation ("Qisda")	The Company's ultimate controlling party
DFI Inc. ("DFI")	The Company's parent company
Cyber South Management Ltd. ("Cyber")	The Company's subsidiary
Hong Kong Ace Pillar Enterprise Limited. ("Hong Kong Ace Pillar")	The Company's subsidiary
Tianjin Ace Pillar Co., Ltd. ("Tianjin Ace Pillar")	The Company's subsidiary
Suzhou Super Pillar Automation Equipment Co., Ltd. ("Suzhou Super Pillar")	The Company's subsidiary
Proton Inc. ("Proton")	The Company's subsidiary
Ace Tek (HK) Holding Co., Ltd. ("Ace Tek")	The Company's subsidiary
Grace Transmission (Tianjin) Co., Ltd. ("Grace Transmission")	The Company's subsidiary
Advancedtek Ace (TJ) Inc. ("Advancedtek Ace")	The Company's subsidiary
Xuchang Ace AI Equipment Co., Ltd. ("Xuchang Ace")	The Company's subsidiary (Note 1)
ACE Energy Co., Ltd. (formerly BenQ ESCO Corp.) ("AEG")	The Company's subsidiary
Standard Technology Corp. ("STC")	The Company's subsidiary
Standard International Trading (Shanghai) Co., Ltd. ("Shanghai STC")	The Company's subsidiary
Standard Technology Corp.("STCBVI")	The Company's subsidiary
BlueWalker GmbH ("BWA")	The Company's subsidiary
BenQ Material Corp. ("BMC")	Qisda's subsidiary
BenQ Asia Pacific Corp. ("BQP")	Qisda's subsidiary
Metaguru Corporation ("MRU") (formerly BenQ GURU Corp.)	Qisda's subsidiary
AdvancedTEK International Corp. ("AdvancedTEK")	Qisda's subsidiary
MetaAge Corporation ("MetaAge")	Qisda's subsidiary
Global Intelligence Network Co., Ltd. ("Ginnet")	Qisda's subsidiary
Concord Medical Co., Ltd. ("Concord")	Qisda's subsidiary
Darly Venture Inc. ("APV")	Qisda's subsidiary

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ACE PILLAR CO., LTD.
Notes to the Parent-Company-Only Financial Statements

Name of related party	Relationship with the Company
Darly2 Venture Co., Ltd. ("Darly 2")	Qisda's subsidiary
Darly Consulting Corporation ("Darly C")	Qisda's subsidiary
BenQ AB DentCare Corporation ("BABD")	Qisda's subsidiary
BenQ Corp. ("BenQ")	Qisda's subsidiary
TD HiTech Energy Inc ("TDI")	DFN's subsidiary
AU Optronics Corp. ("AU")	A corporate director of Qisda that accounted its investment in Qisda using the equity method.
AUO Crystal Corp. ("ACTW")	AU's subsidiary
Symbio Inc. ("Symbio")	The Company's director is Symbio's key management
Pro Accutech Co., Ltd. ("Pro Accutech")	The Company's director is Pro Accutech's key management
Avatack Co., Ltd. ("Avatack")	The Company's director is Avatack's key management
Four Pillars Enterprise Co., Ltd. ("Four Pillars")	The Company's director is Four Pillars' key management

Note 1: Xuchang Ace was liquidated in June 2022.

(c) Significant related-party transactions

(i) Revenue

	2023	2022
Ultimate controlling party	$ 2,723	5,977
Subsidiaries	482	6,486
Other related parties	6,562	4,829
	$ 9,767	17,292

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

(ii) Purchases

	2023	2022
Parent company	$ 8,693	10,596
Subsidiaries	21	9
Other related parties	215	1,061
	$ 8,929	11,666

There are no significant differences between the purchase prices for related parties and those for third-party vendors. The payment terms of 1～2 months show no significant difference between related parties and third-party vendors.

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(iii) Loans to related parties

Information of actual drawdown amounts of no-interest financing provided to related parties, classified as other receivables from related parties, was as follows:

	December 31, 2023	December 31, 2022
Subsidiary－Tianjin Ace Pillar	$ 151,774	176,228
Subsidiary－Suzhou Super Pillar	30,355	30,840
	$ 182,129	207,068

(iv) Receivables from related parties

Account	Related-party categories	December 31, 2023	December 31, 2022
Accounts receivable	Ultimate controlling party	$ 29	4,808
	Subsidiaries	89	1,073
	Other related parties	1,498	807
Other receivables	Subsidiaries	182,479	207,068
	Other related parties	111	-
		$ 184,206	213,756

(v) Payables to related parties

Account	Related-party categories	December 31, 2023	December 31, 2022
Accounts payable	Parent company	$ 131	1,646
	Subsidiaries	-	27
Other payables	Ultimate controlling party	100	100
	Parent company	700	700
	Other related parties	206	341
		$ 1,137	2,814

(vi) Lease

The Company leased office from Qisda and the rent is paid monthly with reference to the nearby office rental rates. For the years ended December 31, 2023 and 2022, the related interest expense on lease liabilities amounted to $10 and $5, respectively. As of December 31, 2023 and 2022, the balance of the lease liabilities amounted to $482 and $611, respectively.

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

ACE PILLAR CO., LTD.
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(vii) Acquisition of investments accounted for using the equity method

The details of share of investments accounted for using equity method acquired from related parties of subsidiary (AEG) were as follows:

Account	Related-party categories	2023
Investments accounted for using the equity method	Other related party－APV	$ 13,120
	Other related party－Darly 2	5,760
	Other related party－Darly C	7,680
	Other related party－AU	5,440
		$ 32,000

(viii) Disposal of investments accounted for using the equity method

In December 2022, the Company sold 100% equity ownership of BWA to its subsidiary, AEG, for a consideration of $138,804 which was fully received.

(ix) Others

In 2023, the Company recognized the remuneration amounting to $1,167 received for corporate directors of its subsidiaries in other income. As of December 31, 2023, the related outstanding payables were included in other receivables.

(d) Compensation for key management personnel

	2023	2022
Short-term employee benefits	12,047	20,851
Post-employment benefits	203	203
	$ 12,250	21,054

8. Pledged assets: None

9. Significant commitments and contingencies

As of December 31, 2023 and 2022, the Company had issued promissory notes amounting to $2,103,750 $2,084,380, respectively, as collateral for obtaining credit facilities from financial institutions.

10. Significant losses due to major disasters: None

11. Significant subsequent events: None

(Continued)

ACE PILLAR CO., LTD.
Notes to the Parent-Company-Only Financial Statements

12. Others:

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

	2023			2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	-	106,080	106,080	-	121,422	121,422
Insurance	-	10,280	10,280	-	10,241	10,241
Pension	-	5,119	5,119	-	4,940	4,940
Remuneration to directors	-	4,980	4,980	-	6,037	6,037
Others	-	5,025	5,025	-	5,520	5,520
Depreciation	206	14,327	14,533	138	8,255	8,393
Amortization	-	4,592	4,592	-	3,120	3,120

Additional information related to the number of employees and employee benefits of 2023 and 2022, was as follows:

	2023	2022
The number of employees	123	123
The number of non-employee directors	7	7
Average employee benefits	$ 1,091	1,225
Average employee salaries	$ 914	1,047
Average employee salaries decreased by	(12.70)%	(7.59)%
Supervisors' remuneration	$ -	-

The Company' s salary and remuneration policies (including directors, managers and employees) were as follows:

(a) Directors:

(i) The remuneration to directors is made quarterly based on the days of duty of each director and is calculated based on different ratios if a director takes up different positions, such as the chairman, an audit committee convener, a member of the audit committee or remuneration committee.

(ii) The payout for the remuneration to directors is calculated based on the days of duty of each director in accordance with the Company' s articles of incorporation approved by the Board of Directors.

The payment base is determined according to the Company' s condition and scale of current operations, with reference to the industry levels, wherein the amendments to the payment base will be approved by the Board of Directors.

(Continued)

ACE PILLAR CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(b) Managers:

(i) Fixed salary for 12 months

(ii) Variable payouts related to employee remuneration and bonus are based on individual performance.

(iii) Other benefits including premium physical check-up program, official vehicles, fuel allowance and parking space.

(c) Employees:

Employee remuneration is based on their salaries, meal allowances, as well as year-end and quarterly bonus, taking into account their individual performance evaluation.

13. Additional disclosures:

(a) Information on significant transactions:

(i) Financing provided to other parties: Table 1 (attached)

(ii) Guarantee and endorsement provided to other parties: None

(iii) Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities): Table 2 (attached)

(iv) Marketable securities for which the accumulated purchase or sale amounts exceed $300 million or 20% of the paid-in capital: None

(v) Acquisition of real estate which exceeds $300 million or 20% of the paid-in capital: None

(vi) Disposal of real estate which exceeds $300 million or 20% of the paid-in capital: None

(vii) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital: None

(viii) Receivables from related parties which exceed $100 million or 20% of the paid-in capital: Table 3 (attached)

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

ACE PILLAR CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(b) Information on investees: Table 4 (attached)

(c) Information on investment in Mainland China: Table 5 (attached)

(d) Major shareholders:

Shareholding Major Shareholder's Name	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

Please refer to the consolidated financial statements for the years ended December 31, 2023.

ACE PILLAR CO., LTD.

Financing provided to other parties

For the year ended December 31, 2023

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

Table 1

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

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

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

Note 3: Nature of Financing

1 Business transaction purpose

2 Short-term financing purpose

ACE PILLAR CO., LTD.

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

For the year ended December 31, 2023

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

Table 2

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2023				Note
				Shares/ Units	Carrying Value	Percentage of Ownership	Fair value	
STC	Stock: Intelligent fluids GmbH	-	Financial assets at fair value through other comprehensive income－non-current	27	Note 1	1.71%	-	-
STC	Stock: COMPITEK CORP PTE LTD. (CPL)	-	Financial assets at fair value through other comprehensive income－non-current	36	8,655	6.28%	8,655	-
STCBVI	Corporate bond: Biogen Inc.	-	Financial assets at amortized cost－non-current	USD 100	3,211	-	3,211	-

Note 1: The impairment loss was fully recognized.

ACE PILLAR CO., LTD.

Receivables from related parties which exceed $100 million or 20% of the paid-in capital

For the year ended December 31, 2023

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

Table 3

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

ACE PILLAR CO., LTD.

Information of investees (excluding information on investments in Mainland China)

For the year ended December 31, 2023

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

Table 4

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount (Note)		Balances as of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit/ (Losses) of the Investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value			
The Company	Cyber South	SAMOA	Investment and holding activity	107,041	107,041	4,669	100.00%	537,147	(36,131)	(34,775)	
The Company	Hong Kong Ace Pillar	Hong Kong	Sales of automation mechanical transmission system and component	5,120	5,120	1,200	100.00%	4,714	(1,320)	(1,320)	
Cyber South	Proton Inc.	SAMOA	Investment and holding activity	527,665	527,665	17,744	100.00%	417,001	(36,653)	Note 1	
Cyber South	Ace Tek	Hong Kong	Investment and holding activity	4,938	4,938	150	100.00%	2,595	457	Note 1	
The Company	STC	Taiwan	Sales of semiconductor, optoelectronics and machinery equipment and equipment repair	187,000	187,000	6,084	60.00%	218,794	15,044	5,746	
STC	STCBVI	B.V.I.	Investment and holding activity	21,727	21,727	600	100.00%	111,374	14,578	Note 1	
The Company	AEG	Taiwan	Energy technology service	166,760	166,760	4,993	99.86%	204,487	25,114	25,078	
AEG	BWA	Germany	Sales and service of energy management products	138,804	138,804	Note 2	100.00%	170,924	24,094	Note 1	

Note: Original investment amounts include capitalization of retained earnings

Note 1: 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 2: There were no shares as the company is a limited liability company.

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

Table 5

1. Information on investments in Mainland China:

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

Note 1: Total amounts of paid-in capital includes direct investment and capitalization of liabilities.
Note 2: Established by Cyber South's reinvestment.
Note 3: Investment income or loss recognized based on the financial statements audited by the auditors of the Company.
Note 4: The amounts were translated into New Taiwan dollars at the exchange rates of US$1=NT$30.75 and CNY$1=NT$4.3364.

2. Limits on investments in Mainland China:

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

Note 1: The Group' s investment in Delta Greentech (China) Co., Ltd. for USD 2,859 thousand was authorized by Investment Commission, MOEA. In 2011, the Group sold all of its equity interest in Delta Greentech (China) Co., Ltd. which was In 2011, the Group sold all of its equity interest in Delta Greentech (China) Co., Ltd. which was reported to Investment Commission, MOEA on August 5, 2011 but the investment was not yet retired.
Note 2: The amounts were translated into New Taiwan dollars at the exchange rates of US$1=NT$30.75.
Note 3: Pursuant to "Principle of Investment or Technical Cooperation in Mainland China", investment amounts in Mainland China shall not exceed the 60% net worth of the company.

3. Significant transactions with investee companies in Mainland China:
The transactions between parent and investee companies in Mainland China (the intercompany transaction) have been eliminated when preparing the consolidated financial statements.
Please refer to section " Information on significant transactions" or detail description.

Ace Pillar Co., Ltd.

Statement of Cash and Cash Equivalents

December 31, 2023

(Expressed in Thousands of New Taiwan Dollars)

Item	Description		Amount
Cash on hand			$ 226
Demand deposits and checking accounts			74,879
Foreign currency deposits	USD: $338 thousand	Exchange rate: 30.75	
	JPY: $9,257 thousand	Exchange rate: 0.2175	
	CNY: $1 thousand	Exchange rate: 4.3364	
	HKD: $1 thousand	Exchange rate: 3.9363	12,432
Time deposits			10,000
			$ 97,537

(Continued)

Ace Pillar Co., Ltd.

Statement of Notes and Accounts Receivable

December 31, 2023

(Expressed in Thousands of New Taiwan Dollars)

Client Name	Amount
Customer A	$ 10,911
Customer B	10,088
Customer C	10,045
Others (Note)	219,485
	250,529
Less: loss allowance	(1,411)
	$ 249,118

Note: The amount of each item in others did not exceed 5% of the account balance.

Statement of Inventories

Item	Description	Amount Carrying Amount	Amount Net realizable Value	Note
Merchandise inventory	Automation control, mechanical transmission system, intelligent technology service and others	**$ 223,257**	**291,492**	Net realizable value

(Continued)

Ace Pillar Co., Ltd.

Statement of Changes in Investments Accounted for Using the Equity Method

For the year ended December 31, 2023

(Expressed in Thousands of New Taiwan Dollars / Shares)

	Balance at January 1, 2023		Addition (Note 3)		Decrease (Note 1)		Investment Income	Other adjustments	Balance at December 31, 2023			Net Assets Value		
Name of Investee	Shares	Amount	Shares	Amount	Shares	Amount	(Loss)	(Note 2)	Shares	Percentage of Ownership	Amount	Unite Price (in dollars)	Total Amount	Collateral
Investments accounted for using equity method:														
Tianjin Ace Pillar	Note	$ 92,941	-	-	-	-	(7,423)	(1,339)	Note	17.05 %	84,179	-	84,179	-
Cyber South	4,669	580,218	-	-	-	-	(34,775)	(8,296)	4,669	100.00 %	537,147	-	537,147	-
Hong Kong Ace Pillar	1,200	47,336	-	-	-	(41,064)	(1,320)	(238)	1,200	100.00 %	4,714	-	4,714	-
STC	4,680	209,788	1,404	-	-	-	5,746	3,260	6,084	60.00 %	218,794	-	218,794	-
AEG	4,993	175,085	-	-	-	-	25,078	4,324	4,993	99.86 %	204,487	-	204,487	-
		$ 1,105,368		-		(41,064)	(12,694)	(2,289)			1,049,321		1,049,321	

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

Note 1: Decrease arose from cash dividends from the investee.

Note 2: Other adjustments

Foreign currency translation differences	$	(6,640)
Changes in capital surplus		18
Unrealized gain from investments in equity instruments measured at FVOCI		4,333
	$	(2,289)

Note 3: Shares addition arose from investee's capitalization of retained earnings.

(Continued)

Ace Pillar Co., Ltd.

Statement of Other Non-current Assets

December 31, 2023

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Refundable deposits	$ 10,682
Others	19
	$ 10,701

Statement of Notes and Accounts Payable

Vendor Name	Description	Amount
Vendor A		$ 71,121
Vendor B		11,914
Vendor C		7,750
Others (Note)		19,520
		$ 110,305

Note: The amount of each item in others did not exceed 5% of the account balance.

(Continued)

Ace Pillar Co., Ltd.

Statement of Other Payables

December 31, 2023

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount
Salaries and bonus payables		$ 19,613
Others (Note)		8,971
		$ 28,584

Note: The amount of each item in others did not exceed 5% of the account balance.

Statement of Lease Liabilities

Item	Description	Lease Term	Discount Rate	Ending Balance
Buildings	Office, factory and warehouses	2021/09/01~2027/11/30	1.6%~2.46%	$ 22,993
Transportation equipment		2023/03/01~2025/03/31	3%	760
Less: current portion of lease liabilities				(6,683)
				$ 17,070

(Continued)

Ace Pillar Co., Ltd.

Statement of Long-term Debt

For the year ended December 31, 2023

(Expressed in Thousands of New Taiwan Dollars)

Creditor	Description	Loan Amount	Contract Period	Interest Rate	Collateral
Mega Bank	3 years syndicated loan	$ 50,000	2023/02~2026/02	1.950%	-

Statement of Operating Cost

Item	Amount
Finished goods, beginning of year	$ 288,969
Add: Purchase of finished good	649,483
Less: Raw materials, end of year	(259,691)
Transferred to other expenses	(221)
Write-down of inventories	19,756
Lease cost	206
Operating cost	**$ 698,502**

(Continued)

Ace Pillar Co., Ltd.

Statement of Operating Expenses

For the year ended December 31, 2023

(Expressed in Thousands of New Taiwan Dollars)

Item	Selling Expenses	Administrative Expenses
Salaries (including pension)	$ 77,483	42,197
Insurance	8,980	4,260
Depreciation	4,122	10,205
Amortization	321	4,271
Professional service expense	411	11,961
Others (Note)	14,784	7,198
	$ 106,101	**80,092**

Note: The amount of each item in others did not exceed 5% of the account balance.

For details on statements of Accounts Receivable from Related Parties, Accounts Payable to Related Parties, Other Receivables from Related Parties and Other Payables to Related Parties, please refer to note 7.

For details on statement of Changes in Property, Plant and Equipment, please refer to note 6(h).

For details on statement of Changes in Right-of-Use Assets, please refer to note 6(i).

For details on statement of Changes in Investment Property, please refer to note 6(j).

For details on statement of changes Intangible Assets, please refer to note 6(k).

For details on statement of Deferred Tax Assets and Liabilities, please refer to note 6(o).

For details on statement of Operating Revenue, please refer to note 6(r).

For details on statement of Interest Income, please refer to note 6(t).

For details on statement of Other Income, please refer to note 6(t).

For details on statement of Other Gains and Losses, please refer to note 6(t).

For details on statement of Finance Costs, please refer to note 6(t).