

ACES ELECTRONICS CO., LTD.
Parent Company Only Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021

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 the parent company only financial statements, the Chinese version shall prevail.

Independent Auditors' Report

To the Board of Directors of ACES Electronics Co., Ltd.:

Opinion

We have audited the parent company only financial statements of ACES Electronics Co., Ltd., which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years ended December 31, 2022 and 2021, and notes to the parent company only financial statements including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of ACES Electronics Co., Ltd. as of December 31, 2022 and 2021, and its financial performance and its cash flows for each of 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 Auditing and Attestation of Financial Statements by Certified Public Accountants and the 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 ACES Electronics Co., Ltd. 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.

Description of key audit matter

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 the 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue Recognition

Please refer to Notes 4(13) to the parent only financial statements for the accounting policy on operating revenue; and refer to Notes 6(19) for disclosures relating to revenue.

Description of key audit matter:

ACES Electronics Co., Ltd. is mainly engaging in processing, manufacturing and selling of connectors. Sales revenue is one of the key audit matters to the financial statements. Therefore, the assessment for recognition of sales revenue is one of the key evaluation matter when we audit the Company's financial statements.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included:

- We inspected whether the Company's revenue recognition policies are in accordance with relevant guidelines.
- We tested the design of internal control process and its efficiency of execution for sales revenue.
- We focused on the top 10 clients, compared differences in numbers on the same period of the previous year, and checked if there's any significant abnormality.
- We selected sales transaction samples from a certain period before and after the end of current year, and examined revenue transaction records with vouchers arising from appropriate time period.
- We assessed if there is any significant sales return and discount after the balance sheet date.

2. Valuation of inventory

Please refer to Notes 4(7) to the parent only financial statements for the accounting policy on inventory valuation, Notes 5(1) for accounting estimates and assumptions of inventory, and Notes 6(4) for disclosure disclosures relating to inventory.

Description of key audit matter:

Inventory is valued at the lower of cost or net realizable value ACES Electronics Co., Ltd. mainly produces electronic products such as high precision connectors which are affected by the fast change of technology and updates of manufacturing technique; its product sales might have tremendous fluctuation which may cause the cost of inventory to be higher than its net realizable value. Therefore,

the assessment for inventory valuation is one of the key evaluation matter when we audit the Company's financial statements.

How the matter was addressed in our audit:

- In relation to the key audit matter above, our principal audit procedures included:
- We assessed the inventory aging report, and analyzed changes in the inventory aging report from the previous to current year.
- We tested samples provided by the Company on inventory valued at the lower of cost and net realizable value.
- We understand the selling prices adopted by the management of the Company, and use it to assess the reasonableness of inventory net realizable value.
- We assessed if the inventory valuation is recorded according to the accounting policies of the Company.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with 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 only financial statements, management is responsible for assessing ACES Electronics 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 ACES Electronics Co., Ltd. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (inclusive of the Audit Committee) from ACES Electronics Co., Ltd are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the parent only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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. Identified and assessed the risks of material misstatement of the parent 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. Obtained 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 ACES Electronics Co., Ltd.'s internal control.
3. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Concluded 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 ACES Electronics 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 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 the ACES Electronics Co., Ltd. to cease to continue as a going concern.
5. Evaluated 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. Obtained sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of ACES Electronics Co., Ltd.'s audit. We remain solely responsible for our audit opinion.

We communicated 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 identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicated 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 determined those matters that were of most significance in the audit of the parent company only financial statements of the current period 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 Lin, Heng-Shen and Chen, Zheng-Xue.

KPMG

Taipei, Taiwan (Republic of China)

March 24, 2023

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers. The standards, procedures, and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

ACES ELECTRONICS CO., LTD.
Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021
(Expressed in thousands of New Taiwan dollars, except for Earnings per share)

		2022		2021	
		Amount	%	Amount	%
	Operating revenue (Note 6(19) and 7)				
4100	Net sales revenue	\$ 3,347,530	97	3,835,379	97
4800	Other operating income	99,362	3	106,816	3
	Net revenue from operations	<u>3,446,892</u>	<u>100</u>	<u>3,942,195</u>	<u>100</u>
5000	Operating costs (Note 6 (4), (13), (14), and 7)	2,684,133	78	2,947,132	75
	Gross profit	762,759	22	995,063	25
5910	Unrealized gain or loss on sales	4,015	-	785	-
	Net gross profit	<u>766,774</u>	<u>22</u>	<u>995,848</u>	<u>25</u>
	Operating expenses (Note 6 (6), (13), (14), (17), (20), and 7)				
6100	Selling expenses	200,888	6	188,616	5
6200	General and administrative expenses	295,577	9	316,816	8
6300	Research and development expenses	233,081	7	184,146	5
6450	Expected credit loss (gain) (Note 6(3))	(231)	-	2,048	-
	Total operating expenses	<u>729,315</u>	<u>22</u>	<u>691,626</u>	<u>18</u>
	Profit from operations	<u>37,459</u>	<u>-</u>	<u>304,222</u>	<u>7</u>
	Non-operating income and expenses (Note 6(21))				
7100	Interest income	3,291	-	118	-
7010	Other income	13,903	-	15,901	-
7020	Other gains and losses (Note 6(12))	23,718	1	42,647	1
7050	Finance costs (Note 6(12) and (13))	(49,829)	(1)	(25,334)	(1)
7070	Share of profit of equity-accounted investees (Note 6(6))	210,597	6	204,652	5
	Total non-operating income and expenses	<u>201,680</u>	<u>6</u>	<u>237,984</u>	<u>5</u>
	Profit before income tax	<u>239,139</u>	<u>6</u>	<u>542,206</u>	<u>12</u>
7950	Less: income tax expenses (Note 6(15))	13,820	-	31,351	1
	Profit for the year:	<u>225,319</u>	<u>6</u>	<u>510,855</u>	<u>11</u>
8300	Other comprehensive income:				
8310	Items that will never be reclassified to profit or loss				
8311	Remeasurement of defined benefit plans (Note 6(14))	10,880	-	496	-
8349	Less: Income tax related to non-reclassified items	-	-	-	-
	Total items that will never be reclassified to profit or loss	<u>10,880</u>	<u>-</u>	<u>496</u>	<u>-</u>
8360	Items that are or may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation to the presentation currency (Note 6(15)).	129,814	4	(55,498)	-
8399	Less: Income tax related to items that may be reclassified (Note 6(15)).	25,963	(1)	(11,100)	-
	Total items that are or may be reclassified subsequently to profit or loss	<u>103,851</u>	<u>3</u>	<u>(44,398)</u>	<u>-</u>
8300	Total other comprehensive income(net of tax) for the year	<u>114,731</u>	<u>3</u>	<u>(43,902)</u>	<u>-</u>
8500	Total comprehensive income for the year	<u>\$ 340,050</u>	<u>9</u>	<u>466,953</u>	<u>11</u>
	Earnings per share (NT\$, Note 6(18)).				
9750	Basic earnings per share	<u>\$ 1.68</u>		<u>4.16</u>	
9850	Diluted earnings per share	<u>\$ 1.64</u>		<u>3.78</u>	

See accompanying notes to parent company only financial statements.

ACES ELECTRONICS CO., LTD.
Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(Expressed in thousands of New Taiwan dollars)

	Retained Earnings					Other Components of Equity		
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Gain on Property Revaluation	Total Equity
Balance at January 1, 2021	\$ 1,223,959	476,166	624,386	187,429	2,100,189	(151,789)	33,219	4,493,559
Appropriation of earnings:								
Legal Reserve	-	-	27,168	-	(27,168)	-	-	-
Special Reserve	-	-	-	(65,071)	65,071	-	-	-
Cash dividend distributed to shareholders	-	-	-	-	(85,677)	-	-	(85,677)
Profit for the year	-	-	-	-	510,855	-	-	510,855
Other comprehensive income, net of tax	-	-	-	-	496	(44,398)	-	(43,902)
Total comprehensive income for the year	-	-	-	-	511,351	(44,398)	-	466,953
Issuance of ordinary shares for cash	120,000	357,500	-	-	-	-	-	477,500
Other changes in capital surplus :								
Equity items recognized for the issuance of convertible bonds	-	71,196	-	-	-	-	-	71,196
Share of changes in equity of associates	-	80,136	-	-	-	-	-	80,136
Changes in ownership of subsidiary equity	-	(3,499)	-	-	(8,838)	-	-	(12,337)
Share-based payment transactions	-	20,880	-	-	-	-	-	20,880
Balance at December 31, 2021	1,343,959	1,002,379	651,554	122,358	2,554,928	(196,187)	33,219	5,512,210
Appropriation of earnings :								
Legal Reserve	-	-	50,856	-	(50,856)	-	-	-
Special Reserve	-	-	-	46,273	(46,273)	-	-	-
Cash dividend distributed to shareholders	-	-	-	-	(201,594)	-	-	(201,594)
Profit for the year	-	-	-	-	225,319	-	-	225,319
Other comprehensive income, net of tax	-	-	-	-	10,880	103,851	-	114,731
Total comprehensive income for the year	-	-	-	-	236,199	103,851	-	340,050
Conversion of convertible bonds	218	917	-	-	-	-	-	1,135
Other changes in capital surplus :								
Equity items recognized for the issuance of convertible bonds	-	(131)	-	-	-	-	-	(131)
Share of changes in equity of associates	-	(14,827)	-	-	-	-	-	(14,827)
Changes in ownership of subsidiary equity	-	277	-	-	-	-	-	277
Balance at December 31st 2022	\$ 1,344,177	988,615	702,410	168,631	2,492,404	(92,336)	33,219	5,637,120

See accompanying notes to parent company only financial statements.

ACES ELECTRONICS CO., LTD.
Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(Expressed in thousands of New Taiwan dollars)

	2022	2021
Cash flows from operating activities:		
Profit before income tax	\$ 239,139	542,206
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation expense	201,118	170,510
Amortization expense	25,092	10,644
Expected credit loss (reversal of gains) loss	(231)	2,048
Net loss (gain) on financial assets at fair value through profit or loss	37,358	(39,466)
Interest expense	49,829	25,334
Interest income	(3,291)	(118)
Share-based payment costs	-	20,880
Share of profit (loss) of equity-account investees	(210,597)	(204,652)
Loss (gains) on disposal of property, plant, and equipment	75	(222)
Unrealized gains from transactions with associates	(4,015)	(785)
Total adjustments to reconcile profit (loss)	95,338	(15,827)
Changes in operating assets and liabilities :		
Net changes in operating assets :		
Notes receivable	436	25
Accounts receivable	63,511	(46,116)
Accounts receivable from related parties	20,969	28,866
Other receivables	(4,411)	5,191
Other receivables from related parties	(339)	(501)
Inventories	50,024	(116,332)
Other current assets	11,603	(20,346)
Total net changes in operating assets	141,793	(149,213)
Net changes in operating liabilities :		
Notes payable	(77)	(47)
Accounts payable	(82,123)	5,947
Accounts payable from related parties	(60,623)	210,427
Other payables	(1,447)	31,400
Other payables to related parties	(40,064)	3,534
Other current liabilities	2,699	7,228
Net defined benefit liabilities	(636)	(615)
Total change in operating liabilities	(182,271)	257,874
Net changes in operating assets and liabilities	(40,478)	108,661
Total Adjustments	54,860	92,834
Cash generated from operations	293,999	635,040
Interest received.	3,291	118
Dividends received.	-	68,257
Interest paid.	(28,371)	(23,115)
Income taxes paid.	(29,810)	(78,893)
Net cash provided by operating activities	239,109	601,407
Cash flows from investing activities:		
Acquisitions of financial assets at fair value through profit or loss	(8,260)	(11,548)
Disposals of financial assets at fair value through profit or loss	77,911	246,887
Acquisitions of equity-accounted investees	-	(224,954)
Acquisitions of property, plant, and equipment	(629,459)	(249,170)
Disposals of property, plant and equipment	1,465	-
Acquisitions of intangible assets	(28,801)	(31,393)
Increase in other non-current assets	(30,010)	(2,522)
Increase in prepayment for equipment	(46,729)	(62,433)
Net cash used in investing activities	(663,883)	(335,133)
Cash flows from financing activities :		
Increase in short-term borrowings	390,000	(266,640)
Issuance of corporate bonds	-	603,181
Proceeds from long-term borrowings	3,851,000	3,759,000
Repayments of long-term borrowings	(3,806,000)	(3,433,000)
Payment of leases liabilities	(15,130)	(17,666)
Cash dividends	(201,594)	(85,677)
Cash capital increase	-	477,500
Acquisitions of subsidiary's equity	(198,891)	(248,896)
Net cash (used in) provided by financing activities	19,385	787,802
Increase (decrease) in cash and cash equivalents	(405,389)	1,054,076
Cash and cash equivalents at January 1	1,231,459	177,383
Cash and cash equivalents at December 31	\$ 826,070	1,231,459

See accompanying notes to parent company only financial statements.

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

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

1. Organization

ACES Electronics Co., Ltd. (“the Company”) was established on November 7, 1996 with the approval of the Ministry of Economic Affairs. Its registered office is located at 13 Dong-Yuan Road, Chung-Li District, Taoyuan City, the Republic of China (“ROC”). The Company is mainly engaging in processing, manufacturing and selling of connectors.

2. The Authorization of Financial Statements

These parent company only financial statements were approved and authorized for issue by the Board of Directors on March 24, 2023.

3. Application of New and Revised Standards, Amendments and Interpretations

- (1) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, ROC.

The Company has adopted the amendments to the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations with effective date from January 1, 2022. The adoption does not have a material impact on the Company’s parent company only financial statements.

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

- (2) Impact of the IFRSs that have been endorsed by the FSC but not yet in effect

The Company assessed that the adoption of the following amendments, effective for annual period beginning on January 1, 2023, would not have a material impact on its parent company only financial statements.

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

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(3) The IFRSs issued by International Accounting Standards Board (“IASB”) but not yet endorsed by the FSC

New, revised or amended standards and interpretations issued by the IASB but not yet endorsed by the FSC are listed below:

<u>New or Amended Standards</u>	<u>Content of amendment</u>	<u>Effective date issued by IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	According to current IAS 1 regulation, for a liability to be classified as non-current, entities do not have rights to defer settlement unconditionally for to at least 12 months after the balance sheet date. The word ‘unconditional’ has been removed and it has been clarified that if the right to defer settlement is conditional on the compliance with covenants the right exists if the conditions are met at the end of the reporting period. The amendments clarified how entities should categorize (such as transferable company bond) issuance of equity instruments for debt settlements.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects from the amendments of IAS1 from 2020, it is clarified that only for reporting date or previously followed contract clauses will have impact on liabilities being recorded as current or non-current liabilities. Contract clauses (that is ‘future clauses’) that entities must follow after reporting date will not categorization of liabilities on that date. Only when non-current liabilities are restrained by future contract clauses, entities are required to disclose information to help financial report facilitators to understand the risk of such liabilities to be settled 12 months after reporting date.	January 1, 2024

The Company continues in assessing the impact on its financial position and results of operations as a result of the application of above mentioned standards and interpretations. The related impact will be disclosed when the assessment is complete.

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 the 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
- Amendments to IFRS 17, Initial Application of IFRS 17 and IFRS 9 – Comparative Information
- Amendments to IFRS 16, Lease Liability in a Sale and Leaseback

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

4. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these parent company only financial statements are set out as below. Unless otherwise stated, the significant accounting policies have been applied consistently to all periods presented in these parent company only financial statements.

(1) Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(2) Basis of preparation

a. Basis of measurement

The parent company only financial statements have been prepared on the historical cost basis except for the following material items in the balance sheets:

- (i) Financial assets at fair value through profit or loss;
- (ii) Defined benefit liability is recognized as the fair value of the plan assets less the present value of the defined benefit obligation.
- (iii) Investment property at fair value

b. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan Dollar (“NTD”), which is also the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(3) Foreign currency

a. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period (hereinafter refer to as ‘end of reporting period’), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at the date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the 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 based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss.

b. Foreign operations

The assets and liabilities of foreign operations, including good will and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expense of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When Company disposes only part of it’s investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from, or payable to, a foreign operation is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

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

An asset is classified as current when:

- a. The asset expected to realize, or intends to sell or consume, in its normal operating cycle;
- b. The asset primarily held for the purpose of trading;
- c. The asset expected to realize within twelve months after the reporting date; or
- d. The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- a. The liability is expected to be settled within the Company's normal operating cycle;
- b. The liability is held primarily for the purpose of trading.
- c. The liability is due to be settled within twelve months after the reporting date; or
- d. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments, do not affect its classification.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and demand deposits. Cash equivalents comprise short-term highly liquid investments that are readily convertible into known amount of cash and are subject to an insignificant risk of changes in their fair value. Time deposits with short-term maturity but not for investments and other purposes and are qualified with the aforementioned criteria are classified as cash equivalent.

(6) Financial instruments

Account receivables 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 a trade 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. A trade receivable without a significant financing component is initially measured at the transaction price.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade basis.

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) – debt investment, FVCI – equity investment, or FVTL. 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 changes in the business model.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(i) 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 FVTPL:

- it is held within a business model whose objective is to hold 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 on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

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

All financial assets not classified as at amortized cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. The Company has the intention to sell account receivable at fair price through profit and loss immediately or recently; these amounts are recorded under account receivables currently. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at fair value through other comprehensive income, as at fair value through profit and loss 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 interest or dividend income, are recognized in profit and loss.

(iii) Business model assessment

Financial assets for trading or managed and assessed at fair value are valued at fair price through profit and loss.

(iv) Assessment on 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.

(v) 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, notes and trade receivables, other receivables and refundable deposit) and contract assets.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and 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.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 180 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

The Company considers a time deposit to have low credit risk when only deal with financial institutions with good credit rating.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL 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).

ECL are a probability-weighted estimate of credit losses. 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). ECL is according to financial assets' effective discount rate.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

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. For corporate customers, 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.

(vi) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to 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 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 the assets recognized in its statement of 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.

b. Financial liabilities and equity instruments

(i) Classification of debt or equity

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

(ii) Equity instrument

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

(iii) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

(iv) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as 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.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(v) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. 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.

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

(vi) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

c. Derivative financial instruments

Derivatives are initially measured at fair value and the transaction cost was recognized in profit or loss. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss, and recorded under non-operating revenue or expenses in comprehensive income statements.

(7) Inventories

Inventory is valued at the lower of cost or net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(8) Investments in subsidiaries

When preparing the parent company only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries. In subsidiaries which are controlled by the Company is accounted for preparing the consolidated statement by each period.

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

(9) Property, plant and equipment

a. Recognition and measurement

Items of 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 an item of property, plant and equipment is recognized in profit or loss.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

b. 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.

c. Depreciation

Depreciation is calculated on the cost of an asset less its residual value 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 of property, plant and equipment for current and comparative periods are as follows:

- (i) Property and plant: 3~35 years
- (ii) Machinery and equipment: 5 years
- (iii) Mold equipment: 2 years
- (iv) Other equipment: 3~5 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(10) Lease

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.

a. As a lessee

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 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.

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

- (i) fixed payments, including in-substance fixed payments;
- (ii) payments for purchase or termination options that are reasonably certain to be exercised.

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

- (i) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- (ii) there is a change of its assessment on whether it will exercise an extension or termination option; or
- (iii) there is any lease modification.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

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 in profit or loss any gain or loss relating to the partial or full termination of the lease.

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

b. As a lessor

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 of ownership 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.

(11) Intangible assets

a. Recognition and measurement

The goodwill acquired by the Company are measured at cost less accumulated impairment losses. For computer software and other intangible assets acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

b. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

c. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

(i) Software: 1~2 years

(ii) Other intangible assets 1~3 years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(12) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For 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 of other assets or cash-generating units (CGUs).

The recoverable amount of an asset or CGU is the greater 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.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

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 assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(13) 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 or a service to a customer.

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company often offers volume discounts to its customers. Revenue from these sales is recognized based on the price specified in the contract, net of estimated volume discount. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales of goods are made, with a credit term of 90~150 days, which is consistent with the market practice.

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

(14) Government grants

The Company has obtained low interest rate loans from banks facilitated by the government, through the "Welcome Businesses Returning to Taiwan to Invest Solutions" launched by the Executive Yuan. The difference between such loan calculated by market borrowing interest rate valued at fair price and the amount received is recorded as deferred income. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the deferred income is recognized as deduction of expenses.

(15) Employee benefits

a. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

b. Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of plan assets.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

c. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(16) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any movements in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the Board has resolutions on stock purchase price and on the number of shares allowed to be purchased by the employees.

(17) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

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 uncertainly related to income tax, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- a. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- b. 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 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.

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

- a. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- b. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) 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.

Deferred tax assets are recognized for 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 are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

(18) Business combinations

Acquisitions of businesses are accounted for 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 the residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed and recognize any additional assets or liabilities that are identified in that review, and shall recognize a gain on the bargain purchase thereafter.

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

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

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(19) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and estimated employee compensation.

(20) Operating segments

Company has provided the operating segments disclosure in the consolidated financial statements. Thus, disclosure of the segment information in the parent company only financial statements is waived.

5. Critical Accounting Judgments and Key Sources of Estimations and Assumptions Uncertainty

The preparation of the parent company only financial statements in conformity with the Regulations 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.

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

There is no information involving critical judgments in applying the accounting policies in the consolidated financial statements.

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

(1) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumption as to future demand within a specific time horizon. Due to the obsolescence of aircraft models, there may be significant changes in the net realizable value of inventories. Please refer to note 6(4) for further description on the valuation of inventories.

(2) Valuation process

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company's financial instrument valuation group conducts independent verification on all significant fair values (including level 3 fair value), and reports directly to the chief financial officer. The Company also periodically reviews significant unobservable inputs and adjustments. If third-party information (i.e. through securities brokers or price setting service institutes) for evaluating fair value inputs were used, evidence for supporting inputs from third-party will be assessed in order to make sure the valuation and its fair value categorization is compliant with regulations from IFRSs. The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

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

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date.

For assumptions used in measuring fair value, please refer to Note 6(2) financial instrument.

6. Description of Significant Accounts

(1) Cash and Cash Equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 283	272
Cash in banks	825,787	1,231,187
	\$ 826,070	1,231,459

Please refer to note 6(22) for exchange rate risk and sensitivity analysis of the financial assets and liabilities.

(2) Financial Assets and Liabilities at Fair Value through Profit or Loss (“FVTPL”) – current and non-current

	December 31, 2022	December 31, 2021
Financial assets mandatorily measured at FVTPL:		
Funds	\$ 71,070	176,774
Convertible bonds of embedded derivatives	62	1,366
Total	\$ 71,132	178,140

Please refer to Note 6(21) for amounts remeasured at fair value through profit and loss, and Note 6(22) for fair value information.

As at December 31, 2022, and 2021 none of the Company’s financial assets measured at fair value through profit and loss was pledged as collateral.

(3) Notes, trade and other receivables

a. Details as follows:

	December 31, 2022	December 31, 2021
Notes receivable	\$ 42	478
Accounts receivable	807,001	870,512
Accounts receivable – related parties	148,889	169,858
Other receivables	55,462	51,051
Other receivables – related parties	5,275	4,936
Less: Loss allowance	(2,413)	(2,644)
	\$ 1,014,256	1,094,191

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

- b. 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, accounts and other receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision for notes receivable, accounts receivable and other receivables for the years ended December 31 2022 and 2021 was analyzed as follows:

December 31, 2022			
	Carrying amount of notes, accounts and other receivables	Weighted-average loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 991,415	0%	-
Past due less than 60 days	21,309	0%	-
Past due 61~120 days	2,442	50%	1,221
Past due 121~180 days	1,038	70%	727
Past due over 181 days	465	100%	465
	\$ 1,016,669		2,413

December 31, 2021			
	Carrying amount of notes, accounts and other receivables	Weighted-average loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 1,067,092	0%	-
Past due less than 60 days	24,793	0%	-
Past due 61~120 days	4,134	50%	2,067
Past due 121~180 days	796	70%	557
Past due over 181 days	20	100%	20
	\$ 1,096,835		2,644

The movement of the loss allowance for notes, accounts and other receivables was as follows:

	For the years ended December 31, 2022	For the years ended December 31, 2021
Balance at beginning of the year	\$ 2,644	596
Impairment losses recognized	(231)	2,048
Balance at end of the year	\$ 2,413	2,644

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

- c. The Company has signed accounts receivable factoring contracts without recourse with financial institutions. As stated in the contract, the Company does not have to bear the risks of uncollectable accounts receivables but the loss incurred due to commercial arguments. Due to the fact that the Company has already transferred almost all the risk and revenues of the above mentioned account receivables without further participation, hence meets the criteria of derecognition of financial assets. After derecognition of accounts receivable, the claim to financial institutes were recorded under other receivables. Factored accounts receivables which were not due as of the report date were as follows:

December 31, 2022						
Underwriting bank	Factoring amount	Acceptable advances	Amount collected in advance	Transfer to other receivable amount	Interest rate	Amount pledged (in thousands of USD)
Financial institutes	<u>\$ 207,627</u>	<u>476,471</u>	<u>186,865</u>	<u>20,762</u>	0.6812%~6.1311%	-
					%	
December 31, 2021						
Underwriting bank	Factoring amount	Acceptable advances	Amount collected in advance	Transfer to other receivable amount	Interest rate	Amount pledged (in thousands of USD)
Financial institutes	<u>\$ 351,124</u>	<u>348,308</u>	<u>316,012</u>	<u>35,112</u>	0.6851%~0.9032%	-
					2%	

- d. None of notes and accounts receivables held by the Company were pledged as of December 31, 2021 and 2020.

(4) Inventories

- a. Details as follows:

	December 31, 2022	December 31, 2021
Raw materials	\$ 39,777	44,592
Semi-finished goods	66,487	41,983
Work-in-progress	5,415	19,628
Finished goods	169,553	195,694
Merchandise	23,373	52,732
	<u>\$ 304,605</u>	<u>354,629</u>

- b. Details of the Company's cost of inventories recorded as cost and expenses of goods sold for the years ended December 31 2022 and 2021 are as follows:

	For the years ended December 31, 2022	For the years ended December 31, 2021
Cost of goods sold	\$ 2,599,484	2,898,785
Loss on obsolescence write-off	13,448	4,515
Loss on inventory write-down	8,119	15,840
Unamortized manufacturing expenses	60,865	25,254
Others	2,217	2,738
	<u>\$ 2,684,133</u>	<u>2,947,132</u>

- c. As at December 31, 2022 and 2021, none of the Company's inventories was pledged as collateral.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(5) Investments accounted for using equity method

For changes in investments accounted for using equity method other than the ones mentioned below, please refer to consolidated financial statements for the year ended December 31, 2022.

a. Change in ownership of a subsidiary

(i) MEC IMEX INC.

During the year of 2021, the Company purchased 4,802 thousand ordinary shares of MEC IMEX INC. (MEC IMEX) with the amount of \$59,996 thousand. During the same period, the Company purchased 9,990 thousand ordinary shares issued by cash increase of capital with the amount of \$99,900 thousand. The additional paid in capital has decreased by \$3,499 thousand and the reserved revenue has decreased by \$8,673 thousand due to the changes in owner's equity.

During the year of 2022, the Company purchased 9,999 thousand ordinary shares issued by cash increase of capital of MEC IMEX with the amount of \$99,998 thousand. This has increased the Company's ownership percentage from 99.79% to 99.84% and consequently increased the additional paid in capital by \$87 thousand.

(ii) KUANG YING COMPUTER EQUIPMENT CO., LTD.

On July 2021, the Company purchased 5,900 thousand ordinary shares issued by cash increase of capital of KUANG YING COMPUTER EQUIPMENT CO., LTD. with the amount of \$59,000 thousand. Consequently the Company's ownership percentage has increased from 99.57% to 99.66% and resulting in the decrease on reserved revenue by \$65 thousand due to owner's equity change.

(iii) COMPUPACK TECHNOLOGY CO., LTD.

On July 2021, the Company's subsidiary Compupack Technology Co., Ltd. purchased 1,000 ordinary shares issued by cash increase of capital of MICON PRECISE CORPORATION with the amount of \$10,000 thousand. Consequently the Company's ownership percentage has increased from 98.46% to 98.59% and resulting in the decrease on reserved revenue by \$100 thousand due to owner's equity change.

During the year of 2022, the Company's purchased 3,000 ordinary shares issued by cash increase of capital of Compupack Technology Co., Ltd. with the amount of \$30,000 thousand. Consequently the Company's ownership percentage has increased from 92.64% to 93.67% and resulting in the increase on the additional paid in capital by \$190 thousand due to owner's equity change.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(6) Business combination

a. Genesis Group

In order to enhance business strategies in internet communications, cloud services and industrial controls, the Company has purchased 100.00% shares of Genesis Technology USA, Inc. and Genesis Holding Company and its subsidiaries (together referred to as the “Genesis Group”) in April 2021. The Genesis Group is an American group consist of companies in electromagnetic shielding, high-frequency connectors and high-speed connecting cables.

(i) Identifiable assets acquired and liabilities assumed

Details of identifiable assets acquired and liabilities assumed on the date of purchase as follows:

	Genesis Group
Cash and cash equivalents	\$ 329,066
Net accounts receivable	511,176
Other receivables	27,907
Inventories	194,723
Other current assets	9,873
Property, plant and equipment	106,436
Right-of-use asset	35,469
Intangible assets	88,687
Other non-current assets	17,378
Accounts payable	(393,926)
Other payables	(108,718)
Lease liabilities	(31,731)
Other current liabilities	(12,527)
Deferred tax liabilities	(599)
Other non-current liabilities	(123,529)
Fair value of net identifiable assets	\$ 649,685

(ii) Goodwill

Goodwill recognized on acquisition:

Transfer consideration	\$ 678,677
Less: Fair value of identifiable assets	(649,685)
	\$ 28,992

Goodwill is mainly from profitability and its employees’ value from Genesis Group. It is expected to have combination results from business integration.

(iii) Except from transfer consideration set forth by the purchase contract, it was agreed additionally on a sales mechanism (Earn-out) which stipulates certain percentage to be paid to certain selling shareholders at the end of December 31 2021, 2022 and 2023 depending on the operating results as their remuneration for continuous labor services. According to transfer consideration and contingent benefit on both parties’ purchase contract, the Company has outstanding payments of \$61,857 thousand and \$127,386 thousand in the years ended December 31, 2022 and 2021 respectively. These amounts were recorded under ‘other payables’ and ‘other non-current’.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(iv) Impact on business performance from business combination

From the date of purchase through to the end of December 31, 2021, the revenue and net profit from Genesis Group were \$1,111,094 thousand and (\$7,294) thousand respectively. If the purchase occurred on January 1, 2021, the management estimated the Company's revenue would be \$1,495,085 thousand and the net profit would be (\$13,859) thousand. Upon deciding such amounts, the management assumed the acquisition was finalized on January 1, 2021 and assumed that the temporary fair value adjustment on the date of purchase was the same.

(v) Costs related to acquisition

The legal consulting fee for this purchase transaction in the year of 2021 was \$10,685 thousand. This fee was recorded under 'operating fees' in comprehensive income statements.

b. JASON TECHNOLOGY LIMITED.

In order to expand sales developments in automobile industry, the Company acquired 100% of ordinary shares of JASON TECHNOLOGY LIMITED (hereinafter refer to as Jason Company) on July 1, 2021.

(i) Fair value of transfer consideration on the date of purchase:

According to acquisition contract, the Company's payment to the original shareholder of Jason Company is based on sales amount achieved rate at the maximum of USD20 thousands being paid off in 3 years. This contingent consideration is recorded under 'other non-current liabilities'.

(ii) Identifiable assets acquired and liabilities assumed

Details of identifiable assets acquired and liabilities assumed on the date of purchase as follows:

	Jason Company
Cash	\$ 13,502
Net accounts receivable	29,804
Other current assets	268
Intangible assets	5,572
Accounts payable	(25,310)
Other payables	(18,264)
	<u>\$ 5,572</u>

(iii) Impact on business performance from business combination

From the date of purchase through to the end of December 31, 2021, the revenue and net profit from Jason Company were \$71,148 thousand and \$13,941 thousand respectively. If the purchase occurred on January 1, 2021, the management estimated the Company's revenue would be \$90,130 thousand and the net profit would be \$15,354 thousand. Upon deciding such amounts, the management assumed the acquisition was finalized on January 1, 2021 and assumed that the temporary fair value adjustment on the date of purchase was the same.

(iv) Costs related to acquisition

The legal consulting fee for this purchase transaction was \$30 thousand. This fee was recorded under 'operating fees' in comprehensive income statements.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(7) Property, plant and equipment

The movement in cost, accumulated depreciation, and impairment loss of the property, plant and equipment for the years ended December 31, 2022 and 2021 was as follows:

	<u>Land</u>	<u>Property and plant</u>	<u>Machinery and equipment</u>	<u>Mold equipment</u>	<u>Other equipment</u>	<u>Constructi ons in process</u>	<u>Total</u>
Cost or deemed cost:							
Balance at January 1, 2022	\$ 203,393	384,690	730,395	492,788	150,724	7,335	1,969,325
Additions	-	69,434	50,482	80,216	31,021	398,306	629,459
Reclassification	-	4,127	7,678	2,315	4,088	(1,280)	16,928
Disposals	-	-	(633)	(590)	(6,313)	-	(7,536)
Balance at December 31, 2022	\$ 203,393	458,251	787,922	574,729	179,520	404,361	2,608,176
Balance at January 1, 2021	\$ 203,393	368,967	581,839	420,052	126,277	1,776	1,702,304
Additions	-	14,322	137,638	67,538	24,113	5,559	249,170
Reclassification	-	1,441	12,919	5,198	1,134	-	20,692
Disposals	-	(40)	(2,001)	-	(800)	-	(2,841)
Balance at December 31, 2021	\$ 203,393	384,690	730,395	492,788	150,724	7,335	1,969,325
Accumulated depreciation:							
Balance at January 1, 2022	\$ -	118,410	433,563	427,380	97,331	-	1,076,684
Depreciation of the year	-	14,640	80,771	73,187	17,482	-	186,080
Disposals	-	-	(633)	(196)	(5,167)	-	(5,996)
Balance at December 31, 2022	\$ -	133,050	513,701	500,371	109,646	-	1,256,768
Balance at January 1, 2021	\$ -	104,442	369,795	367,961	84,589	-	926,787
Depreciation of the year	-	14,008	65,769	59,419	13,542	-	152,738
Disposals	-	(40)	(2,001)	-	(800)	-	(2,841)
Balance at December 31, 2021	\$ -	118,410	433,563	427,380	97,331	-	1,076,684
Carrying value:							
Balance at December 31, 2022	\$ 203,393	325,201	274,221	74,358	69,874	404,361	1,351,408
Balance at January 1, 2021	\$ 203,393	264,525	212,044	52,091	41,688	1,776	775,517
Balance at December 31, 2021	\$ 203,393	266,280	296,832	65,408	53,393	7,335	892,641

As at December 31, 2022 and 2021, none of the Company's property, plant and equipment were pledged as collateral.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(8) Right-of-use asset

The movement in cost, accumulated depreciation, and impairment loss of the leased land, property, plant and equipment for the years ended December 31, 2022 and 2021 were as follows:

	Land	Property and plant	Transport equipment	Total
Cost:				
Balance at January 1, 2022	\$ 42,996	-	9,229	52,225
Additions	-	-	484	484
Less	-	-	(6,589)	(6,589)
Balance at December 31, 2022	\$ 42,996	-	3,124	46,120
Balance at January 1, 2021	\$ 25,826	1,899	7,877	35,602
Additions	17,170	-	4,599	21,769
Less	-	(1,899)	(3,247)	(5,146)
Balance at December 31, 2021	\$ 42,996	-	9,229	52,225
Accumulated depreciation:				
Balance at January 1, 2022	\$ 24,115	-	3,805	27,920
Provision for depreciation	12,327	-	2,711	15,038
Less	-	-	(6,589)	(6,589)
Balance at December 31, 2022	\$ 36,442	-	(73)	36,369
Balance at January 1, 2021	\$ 11,029	159	4,105	15,293
Provision for depreciation	13,086	1,740	2,947	17,773
Less	-	(1,899)	(3,247)	(5,146)
Balance at December 31, 2021	\$ 24,115	-	3,805	27,920
Carrying value:				
December 31, 2022	\$ 6,554	-	3,197	9,751
December 31, 2021	\$ 14,797	1,740	3,772	20,309
December 31, 2021	\$ 18,881	-	5,424	24,305

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(9) Intangible assets

The movement in cost and accumulated amortization of intangible assets for the years ended December 31, 2022 and 2021 were as follows:

	Computer software	Others	Total
Cost:			
Balance at January 1, 2022	\$ 29,100	24,478	53,578
Additions	5,496	23,305	28,801
Balance at December 31, 2022	\$ 34,596	47,783	82,379
Balance at January 1, 2021	\$ 12,963	9,222	22,185
Additions	16,137	15,256	31,393
Balance at December 31, 2021	\$ 29,100	24,478	53,578
Accumulated amortization and impairment:			
Balance at January 1, 2022	\$ 12,692	9,510	22,202
Current amortization	13,210	11,882	25,092
Balance at December 31, 2022	\$ 25,902	21,392	47,294
Balance at January 1, 2021	\$ 4,443	7,115	11,558
Current amortization	8,249	2,395	10,644
Balance at December 31, 2021	\$ 12,692	9,510	22,202
Carrying value:			
December 31, 2022	\$ 8,694	26,391	35,085
December 31, 2021	\$ 8,520	2,107	10,627
December 31, 2021	\$ 16,408	14,968	31,376

As at December 31, 2022 and 2021, none of the Company's intangible assets was pledged as collateral.

(10) Short-term borrowings

The Company's short-term borrowing details as follows:

	December 31, 2022	December 31, 2021
Unsecured bank loans	\$ 650,000	260,000
Unused credit lines	\$ 1,323,550	1,349,760
Interest rate	0.75%~2.21%	0.65%~1.22%

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(11) Long-term borrowings

The Company's long-term borrowing details, conditions and terms as follows:

December 31, 2022				
	Currency	Interest rate	Maturity year	Amount
Unsecured bank loans	NTD	0.96%~1.86%	112~115	\$ 1,724,500
Less: current maturity				(1,106,000)
Total				\$ 618,500
Unused credit facility				\$ 456,000

December 31, 2021				
	Currency	Interest rate	Maturity year	Amount
Unsecured bank loans	NTD	0.85%~1.797%	112-115	\$ 1,679,507
Less: current maturity				(226,000)
Total				\$ 1,453,507
Unused credit lines				\$ 1,311,000

- a. The Company entered into a syndicated loan agreement with group of banks. During the loan term, the Company is required to calculate and maintain certain financial ratios at an agreed level based on the consolidated financial statements audit. Up to the date of December 31, 2022, there is no incident of the Company violating such financial ratios.
- b. The Company has obtained special low-interest rate loans of \$449,000 thousand from banks according to "Welcome Businesses Returning to Taiwan to Invest Solution" on June 2020. The actual special loan interest rate was 0.85%, the difference calculated by the fair loan value on market interest rate of 1.35% was regarded as government grants and recorded as deferred income. As of December 31, 2022 and 2021, deferred income were \$6,500 thousand and \$6,493 thousand respectively. These amounts were recorded under 'other non-current liabilities'.

(12) Bonds payable

- a. The details of unsecured convertible bonds were as follows:

	December 31, 2022	December 31, 2021
Total convertible corporate bonds issued	\$ 600,000	600,000
Unamortized discounted corporate bonds payable	(42,994)	(64,548)
Cumulative converted amount	(1,100)	-
Corporate bonds issued balance at year-end	\$ 555,906	535,452
Embedded derivative – redeem options included in financial assets at fair value through profit or loss	\$ 62	1,366
Equity component – conversion options, included in capital surplus	\$ 71,065	71,196

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

	For the years ended December 31, 2022	For the years ended December 31, 2021
Embedded derivative – redeem options, included in other gains or loss remeasured at fair value through profit or loss	\$ (1,184)	118
Interest expenses	\$ 21,458	2,219

The bondholders of the Company's convertible bonds redeemed the bonds during the year of 2022 and 22 thousand new shares were issued at par value.

- b. Major terms and conditions of the second issuance of convertible company bonds:
- (i) Issued period: Three years, from November 22, 2021 to November 22, 2022.
 - (ii) Interest rate: 0%
 - (iii) Redemption at the option of the Company: The Company may redeem the bonds under the following conditions:
 - A. The Company may redeem the bonds, in whole or in part, 3 months after the issuance and forty days prior to the maturity date, at the principal amount of the bonds if the closing price of the Company's ordinary shares on the Taiwan Stock Exchange for a period of 30 consecutive trading days, is at least 130% of the conversion price.
 - B. The Company may redeem the bonds, in whole or in part, 3 months after the issuance and forty days prior to the maturity date, at the early redemption conversion price if at least 90% in principal amount of the bonds has already been exchanged, redeemed, purchased or canceled.
 - (iv) Terms of conversion:
 - A. From February 23, 2022 to November 23, 2024, bondholders may convert bonds into common shares of the Company according to terms of conversion.
 - B. Conversion price: The conversion price at the time of issuance was NT\$51.3 per share. The conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture. This bond does not have reset clause.
The Company announced capital increase by issuing new share on December 8, 2021. As of December 16, 2021, the conversion price per share is from \$51.3 New Taiwan dollars to \$50.4 New Taiwan dollars
The Company announced due to the distribution of cash dividends for ordinary shares, the conversion price per share is from \$50.4 New Taiwan dollars to \$48.5 New Taiwan dollars as of August 22, 2022.
 - (v) If the bondholder does not convert the bonds at maturity, the Company has to pay in full in cash for redemption of bonds held at the principal amount of bonds with additional interest for compensation (interest compensation at maturity is 1.5075% of the principal amount).

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(13) Lease liabilities

	December 31, 2022	December 31, 2021
Current	<u>\$ 8,716</u>	<u>15,025</u>
Non-current	<u>\$ 1,344</u>	<u>9,681</u>

For the maturity analysis, please refer to note 6(22) Financial Instruments.

	For the years ended December 31, 2022	For the years ended December 31, 2021
Interests on lease liabilities	<u>\$ 298</u>	<u>529</u>
Expenses relating to short-term leases	<u>\$ 5,654</u>	<u>3,085</u>

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

	For the years ended December 31, 2022	For the years ended December 31, 2021
Total cash outflow for leases	<u>\$ 21,082</u>	<u>21,280</u>

a. Lease of land, property and plant

The Company leases land, property and plant for its factory with lease terms of usually 3 years.

b. Other lease

The Company leases transport equipment with lease terms of usually 3 years.

(14) Employee benefits

a. Defined benefit plans

Adjustment of the Company's present value of defined obligation and fair value of plan assets was as follows:

	December 31, 2022	December 31, 2021
Present value of defined obligation	<u>\$ 39,819</u>	<u>44,442</u>
Fair value of plan assets	<u>(22,560)</u>	<u>(20,100)</u>
Net defined benefit liabilities	<u>\$ 17,259</u>	<u>24,342</u>

The Company's employee benefit liability details as follows:

	December 31, 2022	December 31, 2021
Net defined benefit obligation liabilities	<u>\$ 17,259</u>	<u>24,342</u>
(under 'other non-current liabilities')		
Compensated absences liabilities (under 'other payables')	<u>12,877</u>	<u>12,877</u>
Total employee benefit liabilities	<u>\$ 30,136</u>	<u>37,219</u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(i) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

As of reporting date, the Company's Bank of Taiwan labor pension reserve account balance amounted to \$22,560 thousand. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(ii) Changes on current value of defined obligation

The changes on current value of defined obligation for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31, 2022	For the years ended December 31, 2021
Defined benefit obligation on January 1	\$ 44,442	42,764
Current service cost and interest	278	267
Remeasurements of net defined benefit liabilities (assets)	(4,901)	1,411
Defined benefit obligation on December 31	\$ 39,819	44,442

(iii) Movements on fair value of plan assets

The changes on current value of defined benefit asset plan for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31, 2022	For the years ended December 31, 2021
Fair value of plan assets on January 1	\$ 20,100	19,004
Interest revenue	128	120
Remeasurements of net defined benefit liabilities (assets)	1,549	215
Amount appropriated to plan	783	761
Fair value of plan assets on December 31	\$ 22,560	20,100

(iv) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31, 2022	For the years ended December 31, 2021
Net interest of net defined benefit liabilities (assets)	\$ 150	147
Operating costs and expenses	\$ 150	147

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

- (v) Recognized as remeasurements of net defined benefit liabilities under other comprehensive profit and loss.

As of at December 31, 2022 and 2021, details of the Company's remeasurements of net defined benefit liabilities under other comprehensive profit and loss was as follows:

	For the years ended December 31, 2022	For the years ended December 31, 2021
Accumulated balance on January 1	\$ (27,740)	(28,234)
Current recognition		
The Company	6,450	(1,196)
Subsidiaries	4,431	1,690
Accumulated balance on December 31	\$ (16,859)	(27,740)

- (6) Actuarial assumptions

Details of actuarial assumptions used to decide defined benefit obligation at the end of reporting date as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.750%	0.625%
Increase on future payroll	5.500%	5.500%

The Company has planned to appropriate in the amount of \$808 thousand for defined benefit plan within 1 year after the reporting date of the year ended December 31, 2022.

The weighted average duration for defined benefit plan is 13.11 years.

- (vii) Sensitivity analysis

Details of the impact to current value of defined benefit obligation by using main actuarial assumption change of 0.25% for the years ended December 31, 2022 and 2021 was as follows:

	Impact to defined benefit obligation	
	Increase by 0.25%	Decrease by 0.25%
December 31, 2022		
Discount rate	\$ (1,088)	1,128
Increase on future payroll	911	(889)
December 31, 2021		
Discount rate	(1,346)	1,399
Increase on future payroll	1,105	(1,076)

Reasonably possible changes to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. In practical, the relevant actuarial assumptions are correlated to each other. The approach used in recognizing the net defined liability in the balance sheets is the same as the one used in developing the sensitivity analysis.

And the relevant actuarial assumptions in the current and previous years.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

b. Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance, Ministry of Labor (hereinafter referred to as the Bureau of Labor Insurance) in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Company's pension costs under the defined contribution method were \$23,969 thousand and \$20,345 thousand for the years ended December 31, 2022 and 2021, respectively. Payment was made to the Bureau of Labor Insurance.

(15) Income taxes

a. Income tax expenses

- (i) The components of income tax expenses in the years 2022 and 2021 were as follows:

	For the years ended December 31, 2022	For the years ended December 31, 2021
Current tax expense		
Current period	\$ 31,562	75,479
Prior period over-estimation	-	(35,033)
Deferred income tax expenses (benefits)	(17,742)	(9,095)
Income tax expenses	\$ 13,820	31,351

- (ii) Details of the amount of income tax expenses (benefits) recognized in other comprehensive income for the years ended December 31, 2022 and 2021 was as follows:

	For the years ended December 31, 2022	For the years ended December 31, 2021
Components of other comprehensive income that will be reclassified to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ (25,963)	11,100

- (iii) Reconciliation of income tax expenses and profit before tax for 2022 and 2021 were as follows:

	For the years ended December 31, 2022	For the years ended December 31, 2021
Profit before income tax	\$ 239,139	542,206
Income tax using the Company's domestic tax rate	\$ 47,827	108,441
Domestic investment benefit recognized under equity method	17,868	17,526
Unrecognized temporary difference	(51,748)	(58,456)
Prior period over-estimation	-	(35,033)
Others	(127)	(1,127)
	\$ 13,820	31,351

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

b. Deferred tax assets and liabilities

(i) Unrecognized deferred tax liabilities

As of the years ended December 31, 2022 and 2021, the temporary differences related to investments in subsidiaries and associates was not recognized under deferred tax liabilities because the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not be reversed in the foreseeable future. Relevant amount as follows:

	December 31, 2022	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 1,448,762</u>	<u>1,148,824</u>
Unrecognized amount of deferred tax liabilities	<u>\$ 289,752</u>	<u>229,765</u>

(ii) Recognized deferred tax assets and liabilities

The changes on deferred income tax assets and liabilities for the years ended December 31, 2022 and 2021 were as follows:

	Inventory valuation loss	Unrealized profit and loss between affiliated companies	Others	Total
Deferred income tax assets:				
January 1, 2022	\$ 6,151	1,262	445	7,858
(Debit) credit profit or loss	1,624	(803)	4,292	5,113
December 31, 2022	<u>\$ 7,775</u>	<u>459</u>	<u>4,737</u>	<u>12,971</u>
December 31, 2021	\$ 2,983	1,464	2,057	6,504
(Debit) credit profit or loss	3,168	(202)	(1,612)	1,354
December 31, 2021	<u>\$ 6,151</u>	<u>1,262</u>	<u>445</u>	<u>7,858</u>

	Share of profit or loss of subsidiaries accounted for using equity method	Exchange differences on translation of foreign financial statements	Others	Total
Deferred tax liabilities:				
January 1, 2022	\$ 280,788	(49,048)	31,312	263,052
Credit (debit) profit or loss	-	-	(12,629)	(12,629)
Credit of other comprehensive income	-	25,963	-	25,963
December 31, 2022	<u>\$ 280,788</u>	<u>(23,085)</u>	<u>18,683</u>	<u>276,386</u>
December 31, 2021	\$ 294,439	(37,948)	25,402	281,893
Credit (debit) profit or loss	(13,651)	-	5,910	(7,741)
Credit of other comprehensive income	-	(11,100)	-	(11,100)
December 31, 2021	<u>\$ 280,788</u>	<u>(49,048)</u>	<u>31,312</u>	<u>263,052</u>

c. Assessment of tax

The Company's tax returns for the years through 2020 were assessed by the tax authority.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(16) Capital and other equity

a. Share capital

As of December 31, 2022, and 2021, the authorized common stock of the Company was \$2,000,000 thousand in both years, comprising 200,000 thousand shares with a par value of \$10 per share. The issued ordinary shares were 134,418 and 134,396 thousand shares.

(a) Common stock

On August 12, 2021, the shareholders' meeting resolved to issue 12,000 thousand of ordinary shares by its capital surplus in the amount of \$120,000 thousand, with a par value of \$10 per share. The issuing price is \$40 per share. This capital increase has been approved by Financial Supervisory Commission, and was effective on the date of December 16, 2021. The bondholders of the Company's convertible bonds redeemed the bonds during the year of 2022 and 22 thousand new shares were issued at par value. All the capital for issued shares had been received and relevant statutory registration procedures have since been completed and categorized under equity.

(b) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2022	December 31, 2021
Additional paid-in capital	\$ 756,155	755,238
Consolidation excess	3,831	3,831
Changes in net value of equity investment in affiliated companies accounted for using equity method	100,542	115,092
Employee stock options	13,978	13,978
Expired employee stock options	30,378	30,378
Stock option for conversion of convertible bonds	71,065	71,196
Others	12,666	12,666
	\$ 988,615	1,002,379

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

In the year of 2021, the Company's subsidiary KUNSHAN ACES ELECTRONIC CO., LTD. did not participate in the capital increase of affiliated company Nantong Dadi Electric Co., Ltd. Its ownership percentage has decreased from 24.72% to 19.31% and resulting in the decrease on reserved revenue by \$80,136 thousand due to owner's equity change. Please refer to notes 6(12) and 6(17) for details on other changes on capital surplus.

c. Retained earnings

In accordance with the Articles of Incorporation, the current year's after-tax earnings should be used initially to cover any accumulated deficit (including adjustments for undistributed earnings) and set aside 10% of the remaining earnings as legal reserve; however this is not required if total legal reserve equals total paid-in capital. Special legal reserve was set aside according to the Company's operational requirements and rules and regulations of relevant laws. The distribution of the remaining amount, plus unappropriated earnings from prior years, shall be proposed by the Board of Directors and resolved by shareholders in their general meeting.

If dividend is distributed in issued new shares, shall be made in accordance with the provisions of Article 241 of the Company Law. If dividend is distributed in cash, the board of directors shall be attended by two-thirds of the total directors, and resolved by a majority votes at the board of directors, to distribute dividends and bonuses in whole or in part to be paid in cash, and report to the shareholders' meeting.

The Company's dividend appropriation plan is based on current earning, with the principle of stabilizing share interest, and for adaptation with this matured industry and company capital structure. As for the distribution plan, cash dividends shall not be lower be 20% of combined share dividend and cash dividend. However, the shareholders' meeting will review actual earning situation of the current year and future capital planning for any adjustment.

(i) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(ii) Special reserve

In accordance with the guidelines of FSC, a portion of current-period earnings and undistributed prior-period earnings shall be retained as a special reserve. The amount to be retained should be equal to the current-period total reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

According to the regulations of FSC, the Company reserved special earning surplus from current profit and loss and undistributed earnings from previous period as net debit item of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. °

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(iii) Earnings distribution

The amount of cash dividends of appropriations of earnings for the years ended December 31 2021 and 2020 had been approved in the board meeting held on March 30, 2022 and March 29, 2021, respectively. The proposals of appropriations were resolved on June 29, 2022 and August 31, 2021 by the shareholders' meetings respectively. These earnings were appropriated as follows:

	For the year ended December 31, 2021		For the year ended December 31, 2020	
	TWD/per share	Amount	TWD/per share	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 1.50	201,594	0.70	85,677

d. Other equity

	Exchange differences on translation of foreign financial statements	Subsidiary property revaluation increments	Total
Balance at January 1, 2022	\$ (196,187)	33,219	(162,968)
Exchange differences on foreign operations	103,851	-	103,851
Balance at December 31, 2022	<u>\$ (92,336)</u>	<u>33,219</u>	<u>(59,117)</u>
Balance at January 1, 2021	\$ (151,789)	33,219	(118,570)
Exchange differences on foreign operations	(44,398)	-	(44,398)
Balance at December 31, 2021	<u>\$ (196,187)</u>	<u>33,219</u>	<u>(162,968)</u>

(17) Share-based payment

On August 12, 2021, the shareholders' meeting approved the cash increase of capital with restricted stocks of 1,800 thousand shares for employees' stock options. Details as follow:

	Cash increase of capital reserved for employee stock options
Grant date	November 12, 2021
Number unit	1,800 thousand shares
Vesting conditions	Vest immediately

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

a. Measurement parameters of fair value of grant date

The fair value of the share-based payments granted by the Company was measured at the date of grant using the Black-Scholes option pricing model. Inputs from such model as follows:

	For the year ended December 31, 2021
	Cash increase of capital reserved for employee stock options
Fair value at the date of grant	11.60
Stock price at the date of grant	51.30
Exercise price	40.00
Volatility (%)	51.17%
Stock option expected life	40 days
Cash stock interest rate	2.45
Non-risk interest rate (%)	0.256%

Volatility is based on historical stock price volatility for the past year; and is in accordance with the Company's regulation on stock issuance within stock option expected life. Cash stock interest rate is based on cash stock interest rate issued by the Company for the past 3 years; non-risk interest rate is based on government bonds. Determination of fair value does not include considerations for service or non-market price conditions in current ongoing transactions.

c. Employees expenses and liabilities

Details of expenses incurred due to share-based payment in the year of 2021 as follows:

	For the year ended December 31, 2021
Expenses for cash increase of capital appropriated for employee stock options	\$ 20,880

(18) Earning per share

The calculation of basic earnings per share and diluted earnings per share were as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Basic earnings per share		
Current net profit attributable to the Company	\$ 225,319	510,855
Weighted average number of ordinary shares outstanding (shares in thousands)	134,406	122,922
Basic earnings per share (dollar)	\$ 1.68	4.16
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company (basic)	\$ 225,319	510,855
After tax shares of interest expenses of convertible bonds	17,167	1,775
Profit attributable to ordinary shareholders of the Company (diluted)	\$ 242,486	512,630
Weighted average number of ordinary shares outstanding (basic)	134,406	122,922
Effect of dilutive ordinary shares		
Effect of remuneration to employees in stock	1,147	917
Effect of conversion of convertible Company bonds	12,360	11,905
Weighted average number of ordinary shares outstanding (diluted)(shares in thousands)	147,913	135,744
Diluted earnings per share(dollar)	\$ 1.64	3.78

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(19) Revenue from contracts with customers

a. Disaggregation of revenue

	For the year ended December 31, 2022	For the year ended December 31, 2021
Primary geographical markets:		
Taiwan	\$ 782,215	719,345
China	2,255,705	2,801,572
Other countries	408,972	421,278
Total	\$ 3,446,892	3,942,195
Major products/services lines:		
Connectors	\$ 2,823,024	3,372,528
Connector accessories	82,978	130,255
Others	540,890	439,412
	\$ 3,446,892	3,942,195

b. Contract balances

	December 31, 2022	December 31, 2021
Notes receivable	\$ 42	478
Account receivable (including related parties)	955,890	1,040,370
Less: Loss allowance	(2,413)	(2,644)
Total	\$ 953,519	1,038,204

For details on notes and accounts receivable (including related parties) and allowance for impairment, please refer to note 6(3).

(20) Remunerations to employees and directors

Estimations for remunerations to employees and directors as follow:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Employees remuneration	\$ 10,776	39,826
Directors remuneration	6,408	14,924
	\$ 17,184	54,750

In accordance with the Articles of Incorporation, if there's any profit of the year, no less than 1% shall be appropriated to employees remuneration and no more than 3% to directors remuneration. However, if the Company has accumulated deficits, this profit shall be reserved for covering losses. The aforementioned employees remuneration must be controlled with conditions set forth by the Board of Directors or its proxy, or employees of subsidiaries.

The aforementioned employees compensation shall be distributed in the form of shares or cash. Those who received shares by the resolution of the board of directors can resolve in new share or purchase own shares. Compensation for the board of directors can only be distributed in the form of cash.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

The employee compensation and directors' remuneration were estimated as the income before tax, excluding the amount of employee compensation and directors' remuneration, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses. If there is a difference between estimation and actual appropriated amounts, changes in accounting estimates shall be applied. Such effect on changes shall be recognized in profit and loss in the next year.

The amount, as stated in the parent company only financial statements, are identical to those of the actual distributions for 2022 and 2021. Relevant information can be referred to on the "Market Observation Post System".

(21) Non-operating income and expenses

a. Other gains and losses

Details of other gains and losses of the Company for the years ended December 31, 2022 and 2021 were as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Foreign exchange gains	\$ 63,196	5,595
Gains (losses) on disposals of property, plant and equipment	(75)	222
Gains (losses) on financial assets at fair value through profit or loss	(37,358)	39,466
Other loss	(2,045)	(2,636)
	\$ 23,718	42,647

The Company can no longer obtain market price from periodical financial tools SPECTRA SPC POWERFUND. According to Article 13 'Fair value measurement' of IFRS on assessment of relevant information credibility and limitations, it is therefore moved from Level 1 to Level 3. The Company measured loss on fair value of the aforementioned asset recognized under 'other gains and losses'. Please refer to note 6(2) and 6(22) for details.

b. Finance costs

Details of finance costs of the Company for the years ended December 31, 2022 and 2021 were as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Bank loan interest	\$ (28,073)	(22,586)
Lease liabilities interest	(298)	(529)
Convertible company bond interest	(21,458)	(2,219)
	\$ (49,829)	(25,334)

(22) Financial instruments

a. Credit risk

(i) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(ii) Concentration to credit risk

The customers of the Company has a significant concentration on hi-tech industry. As of December 31, 2022 and 2021, the balance of accounts receivable had 61% and 52% from 7 and 5 customers respectively. This has presented high concentration of credit risk for the Company. In order to reduce accounts receivable credit risk, the Company continues to assess financial status of its customers.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

b. Liquidity Risk

Below table specifies maturity dates of financial liabilities contracts, including estimated interest, but not including effects on net amount agreements.

	<u>Carrying amount</u>	<u>contractual cash flows</u>	<u>Within 1 year</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2022					
Non-derivative financial liabilities					
Short-term borrowings	\$ 650,000	664,365	664,365	-	-
Notes payable	518	518	518	-	-
Account payable (including related parties)	930,392	930,392	930,392	-	-
Bonds payable	555,906	600,000	-	600,000	-
Other payable (including related parties)	423,707	423,707	423,707	-	-
Lease liabilities	10,060	10,157	8,804	1,353	-
Long-term (including due within 1 year)	1,724,500	1,764,926	1,132,344	632,582	-
	\$ 4,295,083	4,394,065	3,160,130	1,233,935	-
December 31, 2021					
Non-derivative financial liabilities					
Short-term borrowings	\$ 260,000	265,469	265,469	-	-
Notes payable	595	595	595	-	-
Account payable (including related parties)	1,073,138	1,073,138	1,073,138	-	-
Bonds payable	535,452	600,000	-	600,000	-
Other payable (including related parties)	386,634	386,634	386,634	-	-
Lease liabilities	24,706	25,089	15,318	9,771	-
Long-term borrowings (including due within 1 year)	1,679,507	1,713,396	85,033	1,628,363	-
	\$ 3,960,032	4,064,321	1,826,187	2,238,134	-

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

b. Currency risk

(i) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

Currency: expressed in thousands of dollars

	<u>December 31, 2022</u>			<u>December 31, 2021</u>		
	<u>Foreign currency</u>	<u>Exchange rate (dollar)</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate (dollar)</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 41,161	30.71	1,264,059	42,481	27.68	1,175,878
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	29,657	30.71	910,751	35,423	27.68	980,516

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(ii) Sensitivity analysis

The foreign currency risk mainly arose from the translation of cash and cash equivalents, accounts receivable, other receivables, accounts payable, and other payables.

As of December 31, 2022 and 2021, if the exchange rate had changed, given no changes in other factors, when NTD is depreciated or appreciated against USD by 5%, profit after tax would have increased or decreased by \$17,665 thousand and \$9,768 thousand for the years ended December 31, 2022 and 2021, respectively. The method of analysis remains the same for both periods.

(iii) Foreign exchange gains and losses on monetary items

The Company's information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years ended December 31, 2022 and 2021, foreign exchange gains (loss) (including realized and unrealized portions) amounted to \$63,196 thousands and \$5,595 thousands, respectively.

iv. Interest rate analysis

The Company's exposure to interest rate risk arising from financial assets and liabilities is described in the liquidity risk part of this note.

The following sensitivity analysis is determined through the exposure to interest rate risk of derivative and non-derivative instruments on the reporting date. For floating rate liabilities, the analysis assumes that the balances of outstanding liabilities on the reporting date have been outstanding for the whole period, and their rational change intervals are being estimated. If the interest rate increases/decreases by 1%, representing the reasonable interest rates changes made by management.

If the interest rate increased or decreased by 1%, given no changes in other factors, the profit before tax will decrease or increase by \$23,745 thousand and \$19,395 thousand for the years ended December 31, 2022 and 2021 respectively. This is mainly because of the Company's floating rate loans.

v. Fair value

(i) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss are measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy are stated below:

	December 31, 2022				
	Carrying amount	Fair value			Total
Level 1		Level 2	Level 3		
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatory measured at FVTPL	\$ 71,070	-	-	71,070	71,070
Convertible bonds of embedded derivatives	62	-	62	-	62
Subtotal	71,132	-	62	71,070	71,132

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

	December 31, 2022				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 826,070	-	-	-	-
Notes receivable	42	-	-	-	-
Account receivable (including related parties)	953,477	-	-	-	-
Other receivables (including related parties)	60,737	-	-	-	-
Subtotal	1,840,326	-	-	-	-
Total	\$ 1,911,458	-	62	71,070	71,132
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 650,000	-	-	-	-
Notes payable	518	-	-	-	-
Account payable (including related parties)	930,392	-	-	-	-
Convertible company bond - liability components	555,906	-	-	-	-
Other payable (including related parties)	423,707	-	-	-	-
Lease liabilities	10,060	-	-	-	-
Long-term borrowings (including due within 1 year)	1,724,500	-	-	-	-
Subtotal	4,295,083	-	-	-	-
Total	\$ 4,295,083	-	-	-	-
	December 31, 2021				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatory measured at FVTPL	\$ 176,774	98,622	-	78,152	176,774
Convertible bonds of embedded derivatives	1,366	-	1,366	-	1,366
Subtotal	178,140	98,622	1,366	78,152	178,140
Financial assets measured at amortized cost					
Cash and cash equivalents	1,231,459	-	-	-	-
Notes receivable	478	-	-	-	-
Account receivable (including related parties)	1,037,726	-	-	-	-
Other receivables (including related parties)	55,987	-	-	-	-
Subtotal	2,325,650	-	-	-	-
Total	\$ 2,503,790	98,622	1,366	78,152	178,140
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 260,000	-	-	-	-
Notes payable	595	-	-	-	-
Account payable (including related parties)	1,073,138	-	-	-	-
Convertible company bond - liability components	535,452	-	-	-	-
Other payable (including related parties)	386,634	-	-	-	-
Lease liabilities	24,706	-	-	-	-
Long-term borrowings (including due within 1 year)	1,679,507	-	-	-	-
Subtotal	3,960,032	-	-	-	-
Total	\$ 3,960,032	-	-	-	-

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(ii) Valuation techniques of financial instruments not measured at fair value

A. Non-derivative financial instruments

Financial instruments traded in active market are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies equity instrument and debt instrument of the quoted price in an active market. If a quoted price of a financial instrument can be obtained readily and regularly from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities, and such price can reflect those actual trading and regularly occurring in the market. Then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not in accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a nonactive market. If the financial instrument held by the Company is of an active market, the fair value of it is determined in accordance with market price. If its of a nonactive market, the fair value is measured by net assets.

B. Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models (Black-Scholes Model).

(iii) Changes on Level 3 table

	Non-derivative financial assets mandatory measured at FVTPL
January 1, 2022	\$ -
Recategorized from Level 1	46,683
Total loss (recognized on profit and loss)	<u>(46,683)</u>
December 31, 2022	<u>\$ -</u>

The Company can longer obtain market price from periodical financial tools. According to Article 13 ‘Fair value measurement’ of IFRS on assessment of relevant information credibility and limitations, it is therefore moved from Level 1 to Level 3. The above loss was recorded under ‘other gain and loss’.

(iv) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include financial assets and liabilities measured at fair value through profit and loss.

Most of the Company's fair value were classified as Level 3 with only one significant unobservable input. Only liabilities instruments of nonactive market has more than one significant unobservable inputs. The significant unobservable inputs of financial instrument investments without an active market are individually independent, and there is no correlation between them.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

Quantified information of significant unobservable inputs was as follow:

Item	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit and loss - non-current	Net asset valuation method	Net asset valuation	Not applicable
Financial assets at fair value through profit and loss - current	Net asset valuation method	Illiquidity and market discount and credit risk adjustment (including risk of breach of contract) were 100%.	<ul style="list-style-type: none"> ● The higher the market illiquidity discount is, the lower the fair value. ● The higher the credit risk is, the lower the fair value.

(23) Financial risk management

a. Overview

The Company have exposures to the following risks from its financial instruments:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying parent company only financial statements.

b. Structure of risk management

Detailed financial information on the Company's significant financial instruments were disclosed under notes of each listing. However, the Company is still exposed to financial risks posed by aforementioned financial instruments. Such risks include market risks (including exchange rate risks, interest rate risks and other pricing risks) credit risk and liquidity risk.

The Company has stipulated risk management policies or risk management procedure in writing which were in resolution with the board of directors in order to identify, measure, monitor and control credit risks, market risks and liquidity risks. Risk management of the Company is executed by the finance department in accordance with risk management polices approved by the board of directors. Risk management department works closely with other departments to identify, evaluate and avoid any kind of financial risks. The board of directors has stipulated written policies for risk management. Such policies included certain risk exposures such as exchange rate risks, interest rate risks, credit risks, derivatives and non-derivatives financial instrument risks and etc. Moreover, the internal audit department is also responsible for risk management and control of environment for independent audit.

c. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment of marketable securities.

(i) Accounts receivable and other receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered, thus set up individual credit limit in order to control credit risk.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(ii) Financial investments

The credit risk exposure in the bank deposits, fix income investments and other financial instruments are measured and monitored by the Company's finance department. As the Company deals with the banks and other external parties with good credit standing and financial institutions, corporate organization and government agencies which are graded above investment level, the management believes that the Company does not have any compliance issues, and therefore, there is no significant credit risk.

(iii) Guarantee

The Company only provide guarantee to parties listed under procedures for guarantee and endorsement. The Company did not provide guarantee to any third party not listed by the Company's policy as of December 31, 2022 and 2021.

d. Liquidity risk

The Company is supporting the operation and reducing effects caused by cash flow fluctuations by manage and maintain sufficient cash and cash equivalents. The management of the Company monitors financing credit limits from banks and makes sure contracts were adhered to.

Bank borrowing is an important source of liquidity for the Company. As of December 31, 2022 and 2021, the Company' s unused credit line were amounted to \$1,779,550 and \$2,660,760, respectively.

e. 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 holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Company. The currencies used in these transactions are the US dollar (USD).

(ii) Interest rate risk

The Company borrows with both floating interest rate and fixed interest rate, thus change risk and cash flow risk were incurred for fair value. The Company can manage its interest risk through maintaining an appropriate portfolio of floating interest rate and fixed interest rate.

(iii) Other market price risk

The Company is exposed to equity price risk due to the investment in equity securities. This is a strategic investment and is not held for trading. The Company does not actively trade in these investments as the management of the Company minimizes the risk by holding different investment portfolios.

(24) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain the future development of the business. The capital includes common stock, capital surplus, retained earnings and other equities. The board of directors are in control of ordinary shares' dividend value.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

The Company use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital is the total components of equity (i.e. share capital, capital surplus, retained earnings and other equities).

Debt-to-equity ratio for the years ended December 31, 2022 and 2021 as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 4,651,294	4,374,429
Less: cash and cash equivalents	(826,070)	(1,231,459)
Net liabilities	\$ 3,825,224	3,142,970
Total equity	\$ 5,637,120	5,512,210
Debt-to-equity ratio	67.86%	57.02%

(25) Investing and financing activities not affecting the current cash flow

Details of investing and financing activities not affecting the current cash flow of the Company for the years ended December 31, 2022 and 2021 were as follows:

- a. Conversion of convertible bonds to ordinary shares, please refer to Note 6(16) for details.
- b. Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2022	Cash flow	Non-Cash changes	December 31, 2022
Long-term borrowings (including due within 1 year)	\$ 1,679,507	45,000	(7)	1,724,500
Short-term borrowings	260,000	390,000	-	650,000
Lease liabilities	24,706	(15,130)	484	10,060
Bonds payable	535,452	-	20,454	555,906
Total liabilities from financing activities	\$ 2,499,665	419,870	20,931	2,940,466

	January 1, 2021	Cash flow	Non-Cash changes	December 31, 2021
Long-term borrowings (including due within 1 year)	\$ 1,354,700	326,000	(1,193)	1,679,507
Short-term borrowings	526,640	(266,640)	-	260,000
Lease liabilities	20,603	(17,666)	21,769	24,706
Bonds payable	-	603,181	(67,729)	535,452
Total liabilities from financing activities	\$ 1,901,943	644,875	(47,153)	2,499,665

7. Related-party transactions

(1) Names and relationship with related parties

Name of related parties	Relationship with the Company
ACECONN ELECTRONIC CO., LTD.	Subsidiary
ACES PRECISION INDUSTRY PTE LTD.	Subsidiary
ACESCONN HOLDINGS CO., LTD.	Subsidiary
WEI HONG INTERNATIONAL INVESTMENT CO., LTD.	Subsidiary
ACES (HONG KONG) ELECTRONIC CO., LTD.	Subsidiary
MEC IMEX INC.	Subsidiary
ACES JAPAN CO., LTD.	Subsidiary

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

Name of related parties	Relationship with the Company
ACES INTERCONNECT (USA), INC.	Subsidiary
COMPUPACK TECHNOLOGY CO., LTD.	Subsidiary
ACES Precision Machinery Co., Ltd.	Subsidiary
KUNSHAN ACES TRADING CO., LTD.	Subsidiary
DONGGUAN ACES ELECTRONIC CO., LTD.	Subsidiary
KUNSHAN ACES ELECTRONIC CO., LTD..	Subsidiary
CHONGQING HONG GAO ELECTRONIC CO., LTD.	Subsidiary
KUANG YING COMPUTER EQUIPMENT CO., LTD.	Subsidiary
KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	Subsidiary
ASIA CENTURY INVESTMENT LTD.	Subsidiary
GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	Subsidiary
MEC INTERNATIONAL COMPANY LTD.	Subsidiary
MEC ELECTRIC SOLUTIONS GMBH	Subsidiary
MEC ULTRAMAX (H.K.) COMPANY LIMITED	Subsidiary
MEC BEST KNOWN COMPANY LIMITED	Subsidiary
MEC ELECTRONICS (HK) COMPANY LIMITED	Subsidiary
MEC ELECTRONICS PHILIPPINES CORPORATION	Subsidiary
MEC ELECTRONICS (SUZHOU) CO., LTD.	Subsidiary
SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Subsidiary
HOMEPRIDE TECHNOLOGY LIMITED	Subsidiary
HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Subsidiary
MEC IMEX (USA), INC.	Subsidiary
MEC SUZHOU ELECTRONICS CO., LTD.	Subsidiary
MICON PRECISE CORP.	Subsidiary
GLOBAL ACUMEN LIMITED	Subsidiary
DONGGUAN COMPUPACK TECHNOLOGY CO., LTD.	Subsidiary
CONG TY TNHH CHINH XAC NGAN VUONG	Subsidiary
INFOMIGHT INVESTMENTS LIMITED	Subsidiary
BELTA INTERNATIONAL LIMITED	Subsidiary
CERTILINK INTERNATIONAL LIMITED	Subsidiary
ACCURATE GROUP LIMITED	Subsidiary
KIMBEST INTERNATIONAL LIMITED (Note1)	Subsidiary

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

<u>Name of related parties</u>	<u>Relationship with the Company</u>
DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD..	Subsidiary
SUZHOU KUANG YING ELECTRIC CO., LTD.	Subsidiary
GENESIS ELECTROMECHANICAL LIMITED	Subsidiary
GENESIS INNOVATION GROUP LIMITED	Subsidiary
GENESIS HOLDING COMPANY	Subsidiary
GENESIS TECHNOLOGY USA, INC.	Subsidiary
JASON TECHNOLOGY LIMITED.	Subsidiary
GENESIS TECHNOLOGY(NINGBO) INC.	Subsidiary
SHENZHEN JINO ELECTRONIC CO., LTD.	Subsidiary
GENESIS INTERCONNECT CO., LTD.	Subsidiary
GENESIS GUIZHOU TECHNOLOGY CO., LTD.	Subsidiary
DONGGUAN POLIXIN ELECTRIC CO., LTD.	Subsidiary
Wei Chi Investment Co., Ltd.	Corporate director of the Company
Hsu Cheng-Fei	Board of director
Nantong Dadi Electric Co., Ltd.	Affiliated company
Kung Shan Ching Zhi Electric Co., Ltd.	Affiliated company

Note 1: The company completed liquidation during the year of 2021.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(2) Significant related party transactions

- a. The amounts of significant sales, services provide, and balance due from the Company to related parties were as follows:

	Sales and services provided		Receivables from related parties	
	For the year ended December 31, 2022	For the year ended December 31, 2021	December 31, 2022	December 31, 2021
	Sales	\$ 222,864	289,179	100,973
Technical service	24,297	25,061	10,601	11,565
Use of trade mark	43,289	48,049	19,805	23,474
Commission for purchase	<u>3,083</u>	<u>3,435</u>	<u>17,510</u>	<u>23,010</u>
	<u>\$ 293,533</u>	<u>365,724</u>	<u>148,889</u>	<u>169,858</u>

Selling price and sales term to subsidiaries is not significantly different from general sales. . The terms for receivables from related parties were O/A 90 to 120 days while it's 90 to 150 day to ordinary customers.

No collaterals were pledged from the receivables of the related parties and it was deemed not necessary to be recorded as impairment loss after assessment.

- b. Purchase amount and balance due from the Company to related parties as follows:

	Purchase		Payables to Related Parties	
	For the year ended December 31, 2022	For the year ended December 31, 2021	December 31, 2022	December 31, 2021
	Subsidiaries	<u>\$ 1,833,125</u>	<u>2,055,828</u>	<u>763,869</u>

The Company did not purchase the same type of products from other supplier; therefore there is no comparison. The terms for payables to related parties were 90 to 120 days while it's 90 to 150 day to ordinary suppliers.

- c. Service provided by related parties and balance due as follows:

	Transaction amount		Other payable - related parties	
	For the year ended December 31, 2022	For the year ended December 31, 2021	December 31, 2022	December 31, 2021
	Subsidiaries	<u>\$ 11,847</u>	<u>15,030</u>	<u>2,020</u>

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

d. Property transactions

- (i) The disposals of equipment to related parties and balance due are summarized as follows:

	Transaction amount		Gain (loss) on disposal		Other receivables – related parties	
	For the year ended	For the year ended	For the year ended	For the year ended	December	December
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	31, 2022	31, 2021
Subsidiaries	\$ 465	-	71	-	465	134

e. Endorsement

The Company has endorsed its subsidiaries for taking out loans from banks for the years of 2022 and 2021, and the actual amount used as guarantee were \$127,840 thousand and \$249,120 thousand respectively.

f. Leases

The Company has rented buildings and land from related parties, and signed 1 to 3 years lease contracts with reference of neighboring rental market price and land market price in the total contract amount of \$36,759 thousand and \$36,606 thousand for the year of 2022 and 2021 respectively. The lease payment were \$13,710 thousand and \$13,629 for the year of 2022 and 2021 respectively. And as of the end of December 31, 2022 and 2021, the balance of lease liabilities were \$6,826 and \$18,482 respectively.

g. Others

As of December 31, 2022 and 2021, other receivables from collection and payment on behalf of. another party, various expenses and other expenditures between the Company and related parties were \$4,810 thousand and \$4,802 thousand respectively. Other payables were \$94,609 thousand and \$56,982 thousand respectively.

(3) Key management personnel transactions

Key management personnel compensation comprised:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Short-term employee benefits	\$ 43,960	64,359
Post-employment benefits	1,199	1,154
	\$ 45,159	65,513

8. Assets pledged as security: none.

9. Significant Commitments and contingencies:

(1) Unrecognized commitments of the Company:

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment	\$ 675,102	28,189
Acquisition of intangible assets	27,174	-
Total	\$ 702,276	28,189

For the purpose of sales development and future operational needs, the board of directors approved to use own land to build buildings on August 12, 2021. A building contract was signed with not-related parties in the first quarter of 2021 in the amount of \$1,098,800 thousand. As of December 31, 2022, \$395,568 thousand of the contracted price had been paid.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(2) Promissory note issued by the Company for credit limit:

	December 31, 2022	December 31, 2021
	\$ 4,973,550	4,513,760

(3) Amounts paid in as customs duties guarantee for imported goods:

	December 31, 2022	December 31, 2021
	\$ 4,000	4,000

10. Due to Major Disasters: none.

11. Significant Subsequent Events: none.

12. Other

a. A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By function	For the year ended December 31, 2022			For the year ended December 31, 2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	163,457	350,325	513,782	148,857	318,954	467,811
Labor and health insurance	18,732	31,344	50,076	16,940	25,692	42,632
Pension	7,831	16,288	24,119	6,918	13,574	20,492
Remuneration of directors	-	14,580	14,580	-	20,544	20,544
Other employee benefits	19,376	19,789	39,165	22,361	37,236	59,597
Depreciation	164,125	36,993	201,118	132,485	38,025	170,510
Amortization	173	24,919	25,092	408	10,236	10,644

b. The additional information of number of employees and employee benefits in the year 2022 2021 was as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Number of employees	683	613
Number of non-employee directors	7	5
Average employee benefits	\$ 928	971
Average employee salary	\$ 760	769
Adjustment of average employee salary	(1.17)%	0.13%
Supervisor's remuneration	\$ -	32

c. The Company's remuneration policy including directors, supervisors, managers, and employees is stated below:

The remuneration for the Company's directors and supervisors are mainly consisted of travel allowance and remuneration. Travel allowance is in accordance with market related amount and remuneration is in accordance with Articles of Incorporation of the Company. It shall not be higher than 3% of the current annual revenue and it has to in resolution of the board of directors and reported in the shareholders' meeting. The remuneration is determined by the performance of directors of the Company, taken into consideration of the overall operating result, future industry operating risks and development.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

Actual absence in board meetings, individual performance and contribution to the company's performance were taken into consideration for determining reasonable remuneration.

The remuneration of the Company's managers includes salary, bonus, special disbursement, and employees remuneration. The Article of Incorporation stipulated that more than 1% of the year's profit shall be allocated to employees remuneration. Manager's remuneration is determined based on his or her position and contribution to the Company and with reference to the industry standard. The reasonableness of relevant remuneration has been approved by the Committee of Salary Remuneration in order to make sure balance of continuous business and risk control.

Salary policy of the employees is following the rules set forth by salary management procedures. Employees grade, promotion and salary all have procedures to follow with. Salary is mainly consist of fixed salary, various allowance and overtime payment. Bonus systems such as performance bonus, year-end bonus and remuneration distribute operating profits to employees according to individual performance. Hence the salary of employees will grow with the Company.

13. Other disclosures

(1) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the years ended December 31, 2022.

a. Lending to other parties:

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 8)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt			Collateral	Individual funding loan limits	Maximum limit of fund financing	Note
												Amount	Item	Value				
1	KUNSHAN ACES ELECTRONIC CO., LTD..	GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	Other receivables	Yes	410,780	198,360	198,360	1.50%~2.10%	2	-	Operation requirements	-	None	-	2,836,190	2,836,190	Note 3, 4, 12	
1	KUNSHAN ACES ELECTRONIC CO., LTD..	KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	Other receivables	Yes	132,240	132,240	-	0.00%	2	-	Operation requirements	-	None	-	2,836,190	2,836,190	Note 3, 4, 12	
2	MEC IMEX INC.	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Other receivables	Yes	200,375	76,775	-	0.00%	2	-	Operation requirements	-	None	-	233,096	233,096	Note 4, 5, 12	
2	MEC IMEX INC.	HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Other receivables	Yes	32,215	30,710	30,710	2.65%	2	-	Operation requirements	-	None	-	233,096	233,096	"	
2	MEC IMEX INC.	MEC SUZHOU ELECTRONICS CO., LTD.	Other receivables	Yes	96,645	92,130	92,130	2.65%	2	-	Operation requirements	-	None	-	233,096	233,096	"	
3	MEC INTERNATIONAL COMPANY LTD.	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Other receivables	Yes	23,952	-	-	0.00%	2	-	Operation requirements	-	None	-	156,789	156,789	Note 3, 4, 12	

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 8)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing	Note
													Amount	Item			
4	MEC BEST KNOWNCOMPANY LIMITED	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Other receivables	Yes	82,530	42,994	42,994	1.00%	2	-	Operation requirements	-	None	-	128,982	128,982	Note 6, 12
5	MEC ELECTRONICS (HK) COMPANY LTD.	HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Other receivables	Yes	35,784	17,632	17,632	1.30%~2.00%	2	-	Operation requirements	-	None	-	122,840	122,840	Note 8, 12
5	MEC ELECTRONICS (HK) COMPANY LTD.	HOMEPRIDE TECHNOLOGY LIMITED	Other receivables	Yes	28,994	27,639	15,355	1.00%	2	-	Operation requirements	-	None	-	122,840	122,840	"
6	MEC ELECTRONICS (SUZHOU) CO., LTD.	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Other receivables	Yes	67,590	39,672	39,672	2.00%	2	-	Operation requirements	-	None	-	132,240	132,240	Note 7, 12
6	MEC ELECTRONICS (SUZHOU) CO., LTD.	HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Other receivables	Yes	27,036	26,448	26,448	2.00%	2	-	Operation requirements	-	None	-	132,240	132,240	"
7	GENESIS ELECTRO-MECHANICAL LIMITED	GENESIS INNOVATION GROUP LIMITED	Other receivables	Yes	92,135	87,831	15,355	1.20%	2	-	Operation requirements	-	None	-	705,509	705,509	Note 9, 12
7	GENESIS ELECTRO-MECHANICAL LIMITED	GENESIS TECHNOLOGY USA, INC.	Other receivables	Yes	48,323	46,065	46,065	1.20%	2	-	Operation requirements	-	None	-	705,509	705,509	Note 9, 12
7	GENESIS ELECTRO-MECHANICAL LIMITED	MEC ELECTRONICS PHILIPPINES CORP.	Other receivables	Yes	32,215	30,710	30,710	1.20%	2	-	Operation requirements	-	None	-	141,102	141,102	"
7	GENESIS ELECTRO-MECHANICAL LIMITED	MEC IMEX INC.	Other receivables	Yes	64,430	61,420	61,420	1.20%~3.50%	2	-	Operation requirements	-	None	-	141,102	141,102	"
7	GENESIS ELECTRO-MECHANICAL LIMITED	MICON PRECISE CORP.	Other receivables	Yes	28,625	-	-	0.00%	2	-	Operation requirements	-	None	-	141,102	141,102	"
7	GENESIS ELECTRO-MECHANICAL LIMITED	COMPUPACK TECHNOLOGY CO., LTD.	Other receivables	Yes	28,625	-	-	0.00%	2	-	Operation requirements	-	None	-	141,102	141,102	Note 9, 12
8	GENESIS INNOVATION GROUP LIMITED	DONGGUAN POLIXIN ELECTRIC CO., LTD.	Other receivables	Yes	63,678	61,420	61,420	1.20%~3.50%	2	-	Operation requirements	-	None	-	861,596	861,596	"
8	GENESIS INNOVATION GROUP LIMITED	MEC IMEX INC.	Other receivables	Yes	125,850	122,840	122,840	3.10%~3.50%	2	-	Operation requirements	-	None	-	172,319	172,319	"
8	GENESIS INNOVATION GROUP LIMITED	COMPUPACK TECHNOLOGY CO., LTD.	Other receivables	Yes	85,875	-	-	0.00%	2	-	Operation requirements	-	None	-	172,319	172,319	"
9	MEC SUZHOU ELECTRONICS CO., LTD.	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Other receivables	Yes	45,060	44,080	-	2.00%	2	-	Operation requirements	-	None	-	106,257	106,257	Note 10, 12

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

- Note 1: In accordance with the Company's 'Procedures for Lending Funds to Others', when lending funds to companies or firms that are in need of short-term working capital, the individual loan amount shall not exceed 10% of the Company's net value.
- Note 2: In accordance with the Company's 'Procedures for Lending Funds to Others', when lending funds to others, the total loan amount shall not exceed 40% of the Company's net value.
- Note 3: According to 'Procedures for Lending Funds to Others' of subsidiaries KUNSHAN ACES ELECTRONIC CO., LTD., and MEC INTERNATIONAL COMPANY LTD., when lending funds to companies or firms that are in need of short-term working capital, the individual loan amount shall not exceed 10% of each lending company. However, if the borrowing company and its parent company directly or indirectly hold 100% of the voting shares of the foreign company, the individual loan amount shall not exceed 100% of the net value of that subsidiary.
- Note 4: According to 'Procedures for Lending Funds to Others' of subsidiaries KUNSHAN ACES ELECTRONIC CO., LTD., MEC IMEX INC., and MEC INTERNATIONAL COMPANY LTD., when lending funds to companies or firms that are in need of short-term working capital, the individual loan amount shall not exceed 40% of each lending company. However, if the borrowing company and its parent company directly or indirectly hold 100% of the voting shares of the foreign company, the individual loan amount shall not exceed 100% of the net value of that subsidiary.
- Note 5: According to 'Procedures for Lending Funds to Others' of subsidiary MEC IMEX INC., when lending funds to companies or firms that are in need of short-term working capital, the individual loan amount shall not exceed 40% of each lending company. However, if the borrowing company and its parent company directly or indirectly hold 100% of the voting shares of the foreign company, the individual loan amount shall not exceed 100% of the net value of that subsidiary.
- Note 6: The total amount of funds lent to others and the limit for individual loans for an individual enterprise by MEC BEST KNOWN COMPANY LTD., a subsidiary of the Company, was fixed at USD4,200 thousand
- Note 7: The total amount of funds lent to others and the limit for individual loans for an individual enterprise by MEC ELECTRONICS (SUZHOU) CO., LTD., a subsidiary of the Company, was fixed at CNY30,000 thousand.
- Note 8: The total amount of funds lent to others and the limit for individual loans for an individual enterprise by MEC ELECTRONICS (HK) COMPANY LTD., a subsidiary of the Company, was fixed at USD4,000 thousand.
- Note 9: According to 'Procedures for Lending Funds to Others' of subsidiaries GENESIS ELECTRO-MECHANICAL LIMITED and GENESIS INNOVATION GROUP LIMITED., when lending funds to companies or firms that are in need of short-term working capital, the individual loan amount shall not exceed 40% of each lending company. However, if the borrowing company and its parent company directly or indirectly hold 100% of the voting shares of the foreign company, the individual loan amount shall not exceed 200% of the net value of that subsidiary.
- Note 10: According to 'Procedures for Lending Funds to Others' of subsidiary MEC SUZHOU ELECTRONICS CO., LTD., when lending funds to companies or firms that are in need of short-term working capital, the total amount lend to others shall not exceed 40% of the company's net value, and the individual loan amount shall not exceed 40% of each lending company. However, if the borrowing company and its parent company directly or indirectly hold 100% of the voting shares of the foreign company, the individual loan amount shall not exceed 300% of the net value of that subsidiary.
- Note 11: Methods on how to fill in nature of the loan below:
(i) Fill in "1" for business transactions.
(ii) Fill in "2" for necessary short-term working capital.
- Note 12: The above transactions have been written-off in preparation of consolidated financial statements.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

b. Endorsement for others:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for an enterprise individual (Note 1, 3, 4, 5)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net equity of the latest financial statements	Maximum amount for guarantees and endorsements (Note 2, 3, 4, 5)	Endorsements/guarantees by parent company	Subsidiary endorsements/guarantees by a subsidiary	Endorsements/guarantees to a subsidiary in Mainland China
		Name	Relationship (Note 7)										
0	The Company	KUNSHAN ACES ELECTRONIC CO., LTD..	2	5,637,120	594,400	307,100	-	-	5.45%	5,637,120	Y	N	Y
0	The Company	CONG TY TNHH CHINH XAC NGAN VUONG	2	5,637,120	317,500	153,550	122,840	-	2.72%	5,637,120	Y	N	N
0	The Company	ACES Precision Machinery Co., Ltd.	2	5,637,120	50,000	50,000	5,000	-	0.89%	5,637,120	Y	N	N
1	MEC IMEX INC.	MEC INTERNATIONAL COMPANY LTD.	2	582,739	273,828	107,485	107,485	-	18.44%	582,739	N	N	N
2	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD..	KUANG YING COMPUTER EQUIPMENT CO., LTD.	3	128,675	4,832	4,607	1,357	-	3.74%	128,675	N	N	N
2	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD..	KUNSHAN ACES ELECTRONIC CO., LTD..	2	128,675	4,832	4,607	1,357	-	3.74%	128,675	N	N	Y
3	SUZHOU KUANG YING ELECTRIC CO., LTD.	KUANG YING COMPUTER EQUIPMENT CO., LTD.	3	99,808	4,832	4,607	178	-	242.34%	99,808	N	N	N
3	SUZHOU KUANG YING ELECTRIC CO., LTD.	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	2	99,808	4,832	4,607	178	-	242.34%	99,808	N	N	Y

Note 1: According to 'Endorsement Guarantee Procedure' of the Company, the guarantees and endorsements for an individual enterprise shall not exceed 20% of the Company's net value. However, if it holds more than 50% of the Company's direct or indirect voting rights, then guarantees and endorsements shall not exceed 100% of the Company's net value.

Note 2: According to 'Endorsement Guarantee Procedure' of the Company, the guarantees and endorsements shall not exceed 100% of the Company's net value.

Note 3: According to 'Endorsement Guarantee Procedure' of subsidiary MEC IMEX INC., the guarantees and endorsements for an individual enterprise shall not exceed 20% of the Company's net value. However, if it holds more than 20% of the Company's direct or indirect voting rights, then guarantees and endorsements shall not exceed 100% of the Company's net value. The guarantees and endorsements shall not exceed 100% of the Company's net value.

Note 4: The Company and its subsidiaries provide customs guarantee for themselves in accordance with rules and regulations for guarantees and endorsements for an individual enterprise from 'Endorsement Guarantee Procedure'.

Note 5: Relationship between the Company and counter-party of guarantee and endorsement as follows:

(i) Companies with business relationship.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

- (ii) The Company holds over 50% voting rights over the counter-party directly or indirectly.
- (iii) The counter-party holds over 50% voting rights of the Company directly or indirectly.
- (iv) Companies that hold over 90% voting rights directly or indirectly.
- (v) Companies for which the endorsement guarantee was provided by all shareholders based on shareholding ratio due to joint investment venture.
- (vi) Companies mutually providing guarantee according to contract requirements for engineering contracts or joint ventures.
- (vii) Joint and several guarantees for performance guarantees under pre-sale housing sales contracts among peers in accordance with the Consumer Protection Act.

Note 6: According to 'Endorsement Guarantee Procedure' of subsidiary DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD. And SUZHOU KUANG YING ELECTRIC CO., LTD., the guarantees and endorsements for an individual enterprise shall not exceed the Company's paid-in capital. However, if it holds more than 100% of the company's direct or indirect voting rights, then guarantees and endorsements shall not exceed the endorsing company's paid-in capital. The guarantees and endorsements shall not exceed the company's paid-in capital.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

- c. Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(Shares in thousands)

Name of Holder	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2022				Note
				Shares	Carrying amount	Percentage of ownership	Fair value	
The Company	SPECTRA SPC POWERFUND	-	Financial assets at FVTPL – current	380	-	- %	-	-
The Company	Fund: China Development Advantage Venture Capital Limited Partnership.	-	Financial assets at FVTPL – non-current	-	71,070	1.54%	71,070	-

- d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- e. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- f. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- g. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Counter-party of sales/purchase	Name of counter-party	Relationship	Transaction details				Unusual transaction details		Notes and accounts receivables (payables)		Note
			Sales/purchase	Amount	Percentage of total purchases/sales	Credit terms	Unit price	Credit terms	Balance amount	Percentage in total notes and accounts receivable (payable)	
The Company	DONGGUAN ACES ELECTRONIC CO., LTD.	Subsidiary	Purchase	695,663	31.52%	OA 120 days	-	-	334,089	35.89%	
The Company	KUNSHAN ACES ELECTRONIC CO., LTD.	Subsidiary	Purchase	1,040,965	47.17%	OA 120 days	-	-	399,661	42.93%	
KUNSHAN ACES ELECTRONIC CO., LTD.	GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	Affiliates	Purchase	310,799	39.85%	OA 30 days	-	-	64,008	20.37%	
DONGGUAN ACES ELECTRONIC CO., LTD.	KUNSHAN ACES ELECTRONIC CO., LTD.	Affiliates	Purchase	229,599	26.05%	OA 90 days	-	-	69,462	17.79%	
GENESIS TECHNOLOGY USA, INC.	GENESIS TECHNOLOGY(NINGBO) INC.	Affiliates	Purchase	492,117	64.18%	OA 120 days	-	-	209,853	74.22%	
KUANG YING COMPUTER EQUIPMENT CO., LTD.	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	Affiliates	Purchase	518,267	83.99%	OA 60 days	-	-	113,388	72.05%	
MEC IMEX INC.	MEC SUZHOU ELECTRONICS CO., LTD.	Affiliates	Purchase	468,917	74.80%	OA 90 days	-	-	-	-%	

Note 1: Only information pertaining to purchase was disclosed, relevant sales information will not be reiterated.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

h. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Relationship	Nature of relationship	Turnover rate	Overdue		Accounts received in subsequent period	Allowance for bad debt
					Amount	Action taken		
DONGGUAN ACES ELECTRONIC CO., LTD.	The Company	Subsidiary	334,089	2.29	-	-	104,360	-
KUNSHAN ACES ELECTRONIC CO., LTD.	The Company	Subsidiary	399,661	2.24	-	-	176,312	-
GENESIS TECHNOLOGY(NINGBO) INC.	GENESIS TECHNOLOGY USA, INC.	Affiliates	209,853	4.69	-	-	87,771	-
DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	KUANG YING COMPUTER EQUIPMENT CO., LTD.	Affiliates	113,388	4.78	-	-	55,873	-
MEC SUZHOU ELECTRONICS CO., LTD.	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Affiliates	142,640	-	-	-	-	-

Note 1: Loan and interest receivables.

i. Trading in derivative instruments: None.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(2) Information on investments:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Name of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying amount			
The Company	ACECONN ELECTRONIC CO., LTD.	SAMOA	Investment holding	318,665	318,665	19,800	100.00%	3,947,663	180,653	170,626	
The Company	ACES (HONG KONG) ELECTRONIC CO., LTD.	SAMOA	Connectors sales	9,579	9,579	300	100.00%	12,727	(20)	(20)	
The Company	ACES PRECISION INDUSTRY PTE LTD.	Singapore	Connectors sales business	208,410	208,410	8,162	100.00%	51,721	(771)	(771)	
The Company	ACESCONN HOLDINGS CO., LTD	SAMOA	Investment holding	351,112	351,112	12,000	100.00%	190,259	(22,562)	(22,562)	
The Company	WEI HONG INTERNATIONAL INVESTMENT CO., LTD.	Taiwan	Investment business	25,000	25,000	2,500	100.00%	27,973	(322)	(322)	
The Company	MEC IMEX INC.	Taiwan	Connector cable set sales business	809,032	709,034	45,575	99.84%	552,065	(123,746)	(92,668)	
The Company	ACES JAPAN CO., LTD.	Japan	Connector development business	15,137	15,137	4.5	100.00%	13,978	100	100	
The Company	ACES INTERCONNECT (USA) INC.	USA	Connectors sales industry	9,711	9,711	300	100.00%	9,684	(236)	(236)	
The Company	COMPUPACK TECHNOLOGY CO., LTD.	Taiwan	Electronic component sales business	277,237	247,237	20,138	93.67%	238,248	(29,173)	(21,337)	
The Company	KUANG YING COMPUTER EQUIPMENT CO., LTD.	Taiwan	Electronic component manufacturing and sales business	198,697	223,612	25,906	99.66%	248,337	29,588	37,922	
The Company	ACES Precision Machinery Co., Ltd.	Taiwan	Mold part manufacturing and sales business	130,000	130,000	13,000	100.00%	90,521	(12,936)	(12,936)	
The Company	GENESIS HOLDING COMPANY	Cayman	Investment holding	589,118	589,118	27,778	100.00%	845,798	162,458	204,026	
The Company	GENESIS TECHNOLOGY USA, INC.	USA	Electronic component sales business	20,104	20,104	1.5	100.00%	137,237	(40,093)	(40,093)	

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Name of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying amount			
The Company	JASON TECHNOLOGY LIMITED.	Hong Kong	Electronic component sales business	-	-	5,000	100.00%	10,361	(9,166)	(11,132)	Note 2
ACESCONN HOLDINGS CO.,LTD	ASIA CENTURY INVESTMENT LTD	SAMOA	Investment holding	351,112	351,112	9,150	100.00%	190,259	(22,562)	(22,562)	
MEC IMEX INC.	MEC INTERNATIONAL COMPANY LTD.	British Virgin Islands	Investment holding	992,350	901,660	24	100.00%	156,789	(99,144)	(99,144)	
MEC IMEX INC.	MEC ELECTRIC SOLUTIONS GMBH	Germany	Connector cable set sales business	3,179	-	1	100.00%	3,371	107	107	Note 3
MEC INTERNATIONAL COMPANY LTD.	MEC Best Known Company Limited	Hong Kong	Investment holding	313,435	285,425	79,500	100.00%	(146,231)	(3,035)	(3,035)	
MEC INTERNATIONAL COMPANY LTD.	MEC Ultramax (HK) Company Limited	Hong Kong	Investment holding	122,400	122,400	30,000	100.00%	81,129	886	886	
MEC INTERNATIONAL COMPANY LTD.	MEC Electronics (HK) Company Limited	Hong Kong	Connector cable set sales business	157,515	157,515	394	100.00%	50,267	10,126	10,126	
MEC INTERNATIONAL COMPANY LTD.	MEC Electronics Philippines Corporation	Philippines	Connector cable set manufacturing and sales business	54,085	54,085	8,000	100.00%	252,205	10,092	10,092	
MEC Electronics Philippines Corporation	MEC IMEX (USA), INC.	USA	Connector cable set sales business	12,544	12,544	4	100.00%	17,744	(427)	(427)	
MEC Electronics (HK) Company Limited	Homepride Technology Limited	Hong Kong	Investment holding	182,331	182,331	45,125	100.00%	(15,715)	12,805	12,805	
COMPUPACK TECHNOLOGY CO., LTD.	MICON PRECISE CORP.	Taiwan	Electronic component sales business	333,845	303,845	12,859	98.91%	36,197	(26,179)	(25,854)	
COMPUPACK TECHNOLOGY CO., LTD.	GLOBAL ACUMEN LIMITED	Belize	Electronic component sales business	1,497	1,497	50	100.00%	14,603	171	171	
MICON PRECISE CORP.	CONG TY TNHH CHINH XAC NGAN VUONG	Vietnam	Electronic component manufacturing and sales business	336,292	304,130	-	100.00%	31,729	(26,467)	(26,467)	
KUANG YING COMPUTER EQUIPMENT CO., Ltd.	INFOMIGHT INVESTMENTS LIMITED	SAMOA	Investment holding	285,904	285,904	7,980	100.00%	163,079	38,007	37,168	

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Name of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying amount			
INFOMIGHT INVESTMENTS LIMITED	BELTA INTERNATIONAL LIMITED	British Virgin Islands	Investment holding	52,349	52,349	4	100.00%	125,157	38,639	38,639	
INFOMIGHT INVESTMENTS LIMITED	CERTILINK INTERNATIONAL LIMITED	British Virgin Islands	Sales business	1,605	1,605	50	100.00%	(4,363)	(50)	(50)	
INFOMIGHT INVESTMENTS LIMITED	ACCURATE GROUP LIMITED	SAMOA	Investment holding	131,588	131,588	4,100	100.00%	38,785	(557)	(557)	
GENESIS HOLDING COMPANY	GENESIS INNOVATION GROUP LIMITED	Hong Kong	Investment holding	228,280	228,280	8,000	100.00%	430,798	102,272	102,272	Note 1
GENESIS HOLDING COMPANY	GENESIS ELECTRO-MECHANICAL LIMITED	Hong Kong	Investment holding	268,229	268,229	9,400	100.00%	350,566	(9,690)	(9,690)	Note 1

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

Note 1: The Company acquired control over GENESIS TECHNOLOGY USA, INC., GENESIS HOLDING COMPANY, and its subsidiaries on April 14, 2021, and has merged them into the consolidated company since that date.

Note 2: The Company acquired control over JASON TECHNOLOGY LIMITED. on July 1, 2021, and has merged it into the consolidated company since that date.

Note 3: The Company's subsidiary MEC IMEX INC. set up a German subsidiary during the year of 2022.

(3) Information on investment in mainland China:

a. The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated remittance from Taiwan as of January 1, 2022	Investment flows		Accumulated remittance from Taiwan as of December 31, 2022	Name of investee	Direct or indirect investment holding percentage	Share of profit/losses of investee (Note 2)	Book value Accumulated remittance from Taiwan as of December 31, 2022	Accumulated remittance back to Taiwan as of December 31, 2022	Note
					Outflow	Inflow							
DONGGUAN ACES ELECTRONIC CO., LTD.	Connector manufacturing and sales business	115,301	(2)	115,301	-	-	115,301	83,339	100.00%	83,339	654,903	451,444	
KUNSHAN ACES ELECTRONIC CO., LTD.	Connector manufacturing and sales business	629,475	(2)	163,447	-	-	163,447	94,298	100.00%	94,298	2,836,190	452,925	
KUNSHAN ACES TRADING CO., LTD.	Connectors sales business	9,087	(2)	9,087	-	-	9,087	(35)	100.00%	(35)	47,301	-	
CHONGQING HONG GAO ELECTRONIC CO., LTD.	Connectors sales business	173,985	(2)	188,086	-	-	188,086	(154)	100.00%	(154)	(241)	-	
GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	Surface treatment and sales business	256,682	(2)	351,112	-	-	351,112	(22,645)	100.00%	(22,645)	169,568	-	
KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	Connector manufacturing and sales business	434,035	(2)	-	-	-	Note 7:	(3,100)	100.00%	(3,100)	429,350	-	Note :
Nantong Dadi Electric Co., Ltd.	Automobile cable bundle manufacturing and sales business	410,404	(3)	-	-	-	Note 3:	40,614	19.31%	7,843	428,398	-	Note 3
Kung Shan Ching Zhi Electric Co., Ltd.	Electronic component sales business	-	(3)	-	-	-	Note 11:	7,527	30.00%	2,258	18,772	-	Note 11
MEC ELECTRONICS (SUZHOU) CO., LTD.	Connector cable set manufacturing and sales business	121,853	(2)	301,403	-	-	301,403	1,017	100.00%	1,017	76,168	-	Note 4
SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Connector cable set manufacturing and sales business	311,640	(2)	210,065	-	-	210,065	(3,206)	100.00%	(3,206)	(191,796)	-	Note 4
HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Connector cable set manufacturing and sales business	167,061	(2)	73,123	-	-	73,123	13,050	100.00%	13,050	864	-	Note 4

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated remittance from Taiwan as of January 1, 2022	Investment flows		Accumulated remittance from Taiwan as of December 31, 2022	Name of investee	Direct or indirect investment holding percentage	Share of profit/losses of investee (Note 2)	Book value Accumulated remittance from Taiwan as of December 31, 2022	Accumulated remittance back to Taiwan as of December 31, 2022	Note
					Outflow	Inflow							
MEC SUZHOU ELECTRONICS CO., LTD.	Connector cable set manufacturing and sales business	176,960	(2)	114,280	62,680	-	176,960	(113,306)	100.00%	(113,306)	35,419	-	Note 4:
DONGGUAN COMPUPACK TECHNOLOGY CO., LTD.	Electronic component sales business	10,477	(1)	10,477	-	-	10,477	743	100.00%	743	10,017	-	Note 5:
DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	Electronic component manufacturing and sales	128,110	(2)	129,711	-	-	129,711	38,688	100.00%	38,688	123,307	-	Note 6:
SUZHOU KUANGYING ELECTRIC CO., LTD.	Electronic component manufacturing and sales	104,307	(2)	153,819	-	-	153,819	(628)	100.00%	(628)	1,901	-	Note 6:
GENESIS INTERCONNECT CO., LTD.	Electronic component sales business	109,860	(2)	56,432	-	-	56,432	(1,401)	100.00%	(1,401)	41,002	-	Note 8:
GENESIS GUIZHOU TECHNOLOGY CO., LTD.	Electronic component sales business	108,600	(2)	161,665	-	-	161,665	(6,086)	100.00%	(6,086)	8,825	-	Note 8:
DONGGUAN POLIXIN ELECTRIC CO., LTD.	Electronic component sales business	65,150	(3)	-	-	-	-	(30,722)	100.00%	(30,722)	2,612	-	Note 8, 9
GENESIS TECHNOLOGY(NINGBO) INC.	Electronic component sales business	21,720	(2)	228,805	-	-	228,805	(11,743)	100.00%	(11,743)	76,855	-	Note 10:
SHENZHEN JINO ELECTRONIC CO., LTD.	Electronic component sales business	80,897	(2)	168,495	-	-	168,495	(27)	100.00%	(27)	8,479	-	Note 10:

(Note 1): There are 3 types of investment:

- (1) Direct investment from Mainland China.
- (2) Investment through a company located at a third party area.
- (3) Other methods.

(Note 2): The recognition basis for gain or loss from investment is based on the financial report audited by auditors from parent company in Taiwan.

(Note 3): Direct investment of KUNSHAN ACES ELECTRONIC CO., LTD. in the amount of RMB43,397 thousand.

(Note 4): Indirect investment of MEC IMEX INC.

(Note 5): Direct investment of COMPUPACK TECHNOLOGY CO., LTD. in the amount of USD350 thousand.

(Note 6): Indirect investment of KUANG YING COMPUTER EQUIPMENT CO., LTD.

(Note 7): Direct investment of ACECONN ELECTRONIC CO., LTD. In the amount of RMB72,906 thousand.

(Note 8): Indirect investment of GENESIS INNOVATION GROUP LIMITED.

(Note 9): Indirect investment of GEUESIS INNOVATION GROUP LIMITED due to internal reorganization of the Group.

(Note 10): Indirect investment of GENESIS ELECTRO-MACHANICAL LIMITED.

(Note 11): Direct investment of KUNSHAN ACES ELECTRONIC CO., LTD. in the amount of RMB3,750 thousand.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

b. Limitation on investment in Mainland China:

Accumulated remittance from Taiwan to China as of December 31, 2022 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on investment in Mainland China set by Investment Commission, Ministry of Economic Affairs
1,442,430 (USD 48,316 thousand)	2,742,188 (USD 89,293 thousand) (Note 2)	3,382,272

(Note 1) Accumulated remittance amount from Taiwan to China as of December 31, 2022 was estimated by historical exchange rates.

(Note 2) Inclusive on the amount of USD15,038 thousand authorized by Investment Commission as capital reserve to increase.

c. Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China are disclosed in “Information on significant transactions”.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(4) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Yuan Wan-Ting		8,863,487	6.59%

Note: (1)The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of the total nonphysical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered nonphysical stocks may be different from the capital stocks disclosed in the financial statement due to different calculations basis.

(2) If the aforementioned data contained shares which were kept in trust by the shareholders, the data disclosed will be deemed as the settlor's separate account for the fund set by the trustee. As for the shareholder who reports its share equity as an insider and whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act and include its self-owned shares and trusted shares, as well as the shares of the individuals who have power to decide how to allocate the trust assets. For the information on reported share equity of the insider, please refer to the Market Observation Post System.

14. Segment information:

Please refer to the consolidated financial statements for the years ended December 31, 2022.

ACES Electronics Co., Ltd.
Statement of cash and cash equivalents
December 31, 2022

(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Cash on hand		\$ 283
Current and cheque deposits	NTD	547,458
	USD: 8,829 thousand	271,148
	Others (less than 5%)	7,181
	Subtotal	825,787
		\$ 826,070

Note: Foreign currency was exchanges based on the spot rate on December 31, 2022.
 USD:NTD= 30.71:1

Statement of account receivables

Item	Amount
S—U	\$ 72,329
S—T	93,636
S—H	45,270
S—I	96,830
S—R	44,723
S—W	79,323
S—V	63,889
Others (less than 5%)	311,001
Less: Loss allowance	(2,413)
Total	\$ 804,588

ACES Electronics Co., Ltd.

Statement of inventories

December 31, 2022

(Expressed in thousands of New Taiwan dollars)

Item	Amount		Note
	Cost:	Net realizable value	
Raw materials	\$ 53,679	40,849	
Semi-finished goods	70,521	91,288	
Work-in-progress	6,274	-	Note
Finished goods	184,163	215,845	Current value as net realizable value
Merchandise	28,843	29,800	
Subtotal	343,480		
Less: allowance to reduce inventory to market and loss on obsolescence	(38,875)		
Total	\$ 304,605		

Note: The purpose of work-in-progress is for manufacturing finished goods. Due to the fact that the net realizable value of finished goods is higher than cost, therefore the net realizable value of work-in-progress shall be higher than cost as well.

ACES Electronics Co., Ltd.
Statement of changes in investments accounted for using the equity method
January 1 to December 31, 2022

(Expressed in thousands of New Taiwan dollars)/thousand shares

Name of investee	Beginning Balance		Addition (Note 1)		Decrease (Note 2)		Share of profit (loss) of subsidiaries/as sociates and joint ventures accounted for using equity method	Adjusted by equity method	Ending Balance			Market Value or Net Assets Value		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	Percentage	Amount	Unit Price	Total Amount	
Long-term equity investments accounted for using equity method:								-						
ACECONN ELECTRONIC CO., LTD.	19,800	\$ 3,731,356	-	-	-	-	170,626	45,681	19,800	100.00%	3,947,663	200.22	3,694,393	None
ACES (HONG KONG) ELECTRONIC CO., LTD.	300	11,488	-	-	-	-	(20)	1,258	300	100.00%	12,726	42.42	12,727	"
ACES PRECISION INDUSTRY PTE LTD.	8,162	47,329	-	-	-	-	(771)	5,164	8,162	100.00%	51,722	6.34	51,721	"
ACESCONN HOLDINGS CO., LTD.	12,000	207,891	-	-	-	-	(22,562)	4,930	12,000	100.00%	190,259	15.85	190,259	"
ACES INTERCONNECT (USA), INC.	300	8,888	-	-	-	-	(236)	1,032	300	100.00%	9,684	32.28	9,684	"
ACES JAPAN CO., LTD.	4.5	14,222	-	-	-	-	100	(344)	4.5	100.00%	13,978	3,106.22	13,978	"
WEI HONG INTERNATIONAL INVESTMENT CO., LTD.	2,500	28,295	-	-	-	-	(322)	-	2,500	100.00%	27,973	11.19	27,973	"
JASON TECHNOLOGY LIMITED.	5,000	19,584	-	-	-	-	(11,132)	1,909	5,000	100.00%	10,361	1.46	7,289	"
MEC IMEX INC. (Note 2)	45,555	520,172	9,999	99,998	9,979	-	(92,668)	24,563	45,575	99.84%	552,065	12.77	581,807	"
COMPUPACK TECHNOLOGY CO., LTD. (Note 2)	19,918	223,583	3,000	30,000	2,780	-	(21,337)	6,002	20,138	93.67%	238,248	8.22	165,504	"
KUANG YING COMPUTER EQUIPMENT CO., LTD. (Note 2)	28,397	205,424	-	-	2,491	-	37,922	4,992	25,906	99.66%	248,338	10.38	268,885	"
GENESIS HOLDING COMPANY	27,778	677,302	-	-	-	-	204,026	(35,530)	27,778	100.00%	845,798	28.21	783,665	"
GENESIS TECHNOLOGY USA, INC.	1.5	34,693	-	68,894	-	-	(40,093)	73,743	1.5	100.00%	137,237	91,491.33	137,237	"
ACES Precision Machinery Co., Ltd.	13,000	103,456	-	-	-	-	(12,936)	-	13,000	100.00%	90,520	6.96	90,521	"
		\$ 5,833,683		198,892		-		210,597			6,376,572			"

(Note 1) The increase in the current period was from cash paid-in investment.

(Note 2) The decrease in the current period was from Capital reduction to write off accumulated losses.

ACES Electronics Co., Ltd.
Statement of short-term borrowings
December 31, 2022

(Expressed in thousands of New Taiwan dollars)

<u>Type</u>	<u>Creditor</u>	<u>Balance at end of the year</u>	<u>Interest rate</u>	<u>Credit Limit</u>	<u>Collateral</u>
Unsecured Loan	E.SUN BANK	\$ -	0.75~0.80%	381,420	None
Unsecured Loan	Yuanta Bank	260,000	0.88~1.87%	350,000	"
Unsecured Loan	Bank SinoPac	-	0.92~1.61%	150,000	"
Unsecured Loan	HSBC Bank	-	1.00~1.11%	92,130	"
Unsecured Loan	MEGA INTERNATIO NAL COMMERCIA L BANK	200,000	0.84~1.57%	200,000	"
Unsecured Loan	Huan Nan Commercial Bank	100,000	0.90~1.84%	300,000	"
Unsecured Loan	The Shanghai Commercial & Savings Bank	50,000	1.40~2.00%	200,000	
Unsecured Loan	Taishin International Bank	<u>40,000</u>	0.88~2.21%	<u>300,000</u>	"
		<u>\$ 650,000</u>		<u>1,973,550</u>	

Statement of account payables

<u>Item</u>	<u>Amount</u>
P— AN	\$ 33,041
P— AQ	21,372
P— AW	17,446
P— AV	10,388
Others (less than 5%)	<u>84,276</u>
Total	<u>\$ 166,523</u>

ACES Electronics Co., Ltd.
Statement of long-term borrowings
December 31, 2022

(Expressed in thousands of New Taiwan dollars)

Type	Creditor	Due within 1 year	Due over 1 year	Contract period	Interest rate	Credit Limit	Collateral
Unsecured Loan	E.SUN BANK	\$ 214,130	-	August 3, 2018 ~ August 3, 2023	1.13%-1.86%	214,130	None
Unsecured Loan	Yuanta Bank	121,030	-	"	"	121,030	"
Unsecured Loan	MEGA INTERNATIONAL COMMERCIAL BANK	121,030	-	"	"	121,030	"
Unsecured Loan	CHANG HWA COMMERCIAL BANK, LTD.	83,790	-	"	"	83,790	"
Unsecured Loan	The Shanghai Commercial & Savings Bank	65,170	-	"	"	65,170	"
Unsecured Loan	Taishin International Bank	65,170	-	"	"	65,170	"
Unsecured Loan	Cathay United Bank	65,170	-	"	"	65,170	"
Unsecured Loan	Huan Nan Commercial Bank	65,170	-	"	"	65,170	"
Unsecured Loan	TAIWAN BUSINESS BANK, LTD	65,170	-	"	"	65,170	"
Unsecured Loan	Taiwan Cooperative Bank	65,170	-	"	"	65,170	"
Unsecured Loan	E.SUN BANK	-	295,906	September 27, 2021 ~ September 15, 2026	0.9%	300,000	"
Unsecured Loan	MEGA INTERNATIONAL COMMERCIAL BANK	75,000	222,594	June 10, 2020 ~ July 12, 2025	0.85%-0.9%	756,000	"
Unsecured Loan	KGI Bank Co., Ltd.	100,000	100,000	April 11, 2021 ~ April 10, 2024	0.84%-1.749%	200,000	"
		\$ 1,106,000	618,500			2,187,000	

ACES Electronics Co., Ltd.
Statement of Operating Cost
January 1 to December 31, 2022

(Expressed in thousands of New Taiwan dollars)

Item	Amount
Merchandise	
Merchandise, January 1	\$ 57,210
Add: Purchase	427,896
Transfer into expenses	225
Less: Merchandise, December 31	(28,843)
Transfer into write-off loss	(2,375)
Cost of merchandise sold	454,113
Raw materials	
Raw materials, January 1	55,390
Add: Purchase	156,662
Transfer into other operating costs	3,132
Less: Raw materials, December 31	(53,679)
Transfer into expenses	(3,502)
Transfer into write-off loss	(1,159)
Raw materials consumed during current period	156,844
Direct labor	89,095
Manufacturing expenses	363,361
Mold cost allocation	(31,321)
Construction cost allocation	(6)
Transfer into other operating costs	(41,816)
Manufacturing costs	536,157
Add: Semi-finished goods and work-in-progress, January 1	66,501
Semi-finished goods purchased in current period	42,345
Others	63
Less: Semi-finished goods and work-in-progress, December 31	(76,795)
Transfer into expenses	(943)
Transfer into write-off loss	(3,986)
Cost of finished goods	563,342
Add: Finished goods, January 1	206,284
Purchase of finished goods in current period	1,532,304
Less: finished goods, December 31	(184,164)
Transfer into other operating costs	(54)
Transfer into expenses	(5,611)
Transfer into write-off loss	(5,928)
Cost of goods sold - finished products	2,106,173
Other operating costs	41,414
Inventory related expenses	82,433
Operating costs	\$ 2,684,133

ACES Electronics Co., Ltd.
Statement of Operating Expenses
January 1 to December 31, 2022

(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Marketing expenses</u>	<u>Administrative expenses</u>	<u>Research and Development expenses</u>	<u>Total</u>
Salary and wages expenses	\$ 64,858	162,620	120,404	347,882
Transportation expenses	50,128	244	244	50,616
Depreciation	2,727	24,061	10,205	36,993
Insurance expenses	6,283	16,875	11,869	35,027
Royalty	14,085	-	-	14,085
Various amortizations	-	11,741	13,178	24,919
Others (less than 5%)	62,807	80,036	77,181	220,024
	\$ 200,888	295,577	233,081	729,546

Please refer to Note 6(7) of the consolidated financial statements for statement of changes for property, plant and equipment.

Please refer to Note 6(7) of the consolidated financial statements for statement of accumulated depreciation for property, plant and equipment.

Please refer to Note 6(9) of the consolidated financial statements for statement of changes for intangible assets.

Please refer to Note 6(8) for statement of changes for right-of-use asset.

Please refer to Note 6(8) for statement of accumulated depreciation for right-of-use asset.

Please refer to Note 6(15) for statement of deferred income tax assets.

Please refer to Note 6(15) for statement of deferred income tax liabilities.

Please refer to Note 6(19) for statement of operating revenue.

Please refer to Note 6(21) for statement of non-operating revenue and expenses.