

**ACES ELECTRONICS CO., LTD.  
AND SUBSIDIARIES  
Consolidated Financial Statements  
With Independent Auditors' Report  
For the Years Ended December 31, 2022 and 2021**

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

## **Representation Letter**

The entities that are required to be included in the combined financial statements of ACES Electronics Co., Ltd. as of and for the year ended December 31, 2022 under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, “ Consolidated Financial Statements” endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, ACES Electronics Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Company Name: ACES Electronics Co., Ltd.

Chairman: Yuan Wan-ting

Date: March 24, 2023

## **Independent Auditors' Report**

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

### **Opinion**

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the ACES Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of ACES Electronics Co., Ltd. and its subsidiaries 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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(15) to the consolidated financial statements for the accounting policy on operating revenue; and refer to Notes 6(20) for disclosures relating to revenue.

Description of key audit matter:

ACES Groups engage mainly in processing, manufacturing and sales of connectors, connector sets and other electronic components. Sales revenue is one of the key matters to the financial statements. Therefore, the assessment for recognition of sales revenue is one of the key evaluation matter when we audit the Groups' 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(8) to the consolidated 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 Groups mainly produces electronic products such as high precision connectors and connector sets 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 Groups' 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 ACES Group on inventory valued at the lower of cost and net realizable value.
- We understand the selling prices adopted by the management of the Group, 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 Group.

### **Other matter**

ACES Electronics Co., Ltd. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified audit opinion.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRS, IAS, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing ACES Electronics Co., Ltd. and its subsidiaries' 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. and its subsidiaries 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 and its subsidiaries are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group and its subsidiaries' 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. and its subsidiaries' 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 consolidated 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 Group to cease to continue as a going concern.
5. Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated financial

statements. We are responsible for the direction, supervision and performance of the group 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 consolidated 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

**ACES Electronics Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements**

**December 31, 2022 and 2021**

**(Expressed in thousands of New Taiwan dollars)**

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets :</b>						<b>Current liabilities :</b>					
1100	Cash and cash equivalents (Note 6(1))	\$ 2,418,492	18	2,567,895	20	2100	Short-term borrowings (Note 6(11) and 8)	\$ 1,428,562	11	1,044,234	8
1110	Financial assets at fair value through profit or loss - current (Note 6(2) and 13)	62	-	99,988	1	2150	Notes payable	518	-	1,599	-
1150	Notes receivable, net (Note 6(3) and 20)	82,493	1	61,357	-	2170	Accounts payable	1,623,419	13	1,919,968	15
1170	Accounts receivable, net (Note 6(3) and 20)	2,476,073	19	2,794,076	22	2180	Accounts payable to related parties (Note 7)	327	-	480	-
1180	Net trade receivable from related parties (Note 6(3), 20, and 7)	23,553	-	-	-	2200	Other payables (Note 6(6))	1,012,818	8	1,126,058	9
1200	Other receivables (Note 6(3))	196,900	2	135,941	1	2220	Other payables to related parties (Note 7)	2,823	-	2,501	-
1310	Inventories (Note 6(4))	1,453,691	11	1,663,434	13	2280	Lease liabilities - current (Note 6(14) and 7)	47,039	-	67,134	1
1410	Prepayments	141,154	1	106,453	1	2230	Current tax liabilities (Note 6(16))	56,365	-	49,901	-
1470	Other current assets (Note 6(1))	205,278	2	165,840	1	2322	Current installments of long-term borrowings (Note 6(12) and 8)	1,119,167	9	240,286	2
		<u>6,997,696</u>	<u>54</u>	<u>7,594,984</u>	<u>59</u>	2399	Other current liabilities - others	101,018	1	91,726	1
								<u>5,392,056</u>	<u>42</u>	<u>4,543,887</u>	<u>36</u>
<b>Non-current assets :</b>						<b>Non-current liabilities :</b>					
1510	Financial assets at fair value through profit or loss - non-current (Note 6(2))	163,651	1	168,662	1	2530	Bonds payable (Note 6(13))	555,906	4	535,452	4
1535	Financial assets at amortized cost-non-current (Note 6(2))	220,400	2	217,200	2	2540	Long-term borrowings (Note 6(12) and 8)	660,121	5	1,523,286	12
1550	Investments in equity-accounted investees (Note 6(5))	447,170	3	448,799	3	2570	Deferred tax liabilities (Note 6(16))	317,009	3	301,967	2
1600	Property, plant and equipment (Note 6(7) and 8)	3,428,329	27	2,828,509	23	2580	Lease liabilities - non-current (Note 6(14) and 7)	75,665	1	108,413	1
1755	Right-of-use assets (Note 6(8))	517,628	4	576,255	4	2600	Other non-current liabilities (Note 6(6), (12) and (15))	184,265	2	327,394	3
1760	Investment properties, net (Note 6(9) and 8)	298,814	2	300,972	2			<u>1,792,966</u>	<u>15</u>	<u>2,796,512</u>	<u>22</u>
1780	Intangible assets (Note 6(10))	154,296	1	156,098	1			<u>7,185,022</u>	<u>57</u>	<u>7,340,399</u>	<u>58</u>
1915	Prepayment for equipment	327,288	3	381,044	3	<b>Total liabilities</b>					
1840	Deferred tax assets (Note 6(16))	80,576	1	78,383	1	<b>Equity attributable to shareholders of the parent (Note 6(17)):</b>					
1990	Other non-current assets - others	204,528	2	121,696	1	3110	Common stock	1,344,177	10	1,343,959	10
		<u>5,842,680</u>	<u>46</u>	<u>5,277,618</u>	<u>41</u>	3200	Capital surplus (Note 6(5), (13) and (18))	988,615	8	1,002,379	8
						Retained earnings :					
						3310	Legal Reserve	702,410	6	651,554	5
						3320	Special Reserve	168,631	1	122,358	1
						3350	Unappropriated earnings (Note 6(6))	2,492,404	19	2,554,928	20
								<u>3,363,445</u>	<u>26</u>	<u>3,328,840</u>	<u>26</u>
						Other equity:					
						3410	Exchange differences on translation of the Financial Statements foreign operations	(92,336)	(1)	(196,187)	(2)
						3460	Gain on property revaluation	33,219	-	33,219	-
								<u>(59,117)</u>	<u>(1)</u>	<u>(162,968)</u>	<u>(2)</u>
						<b>Total equity attributable to shareholders of the parent</b>		<u>5,637,120</u>	<u>43</u>	<u>5,512,210</u>	<u>42</u>
						36XX	Non-controlling interests (Note 6(6))	18,234	-	19,993	-
						<b>Non-controlling interests</b>		<u>5,655,354</u>	<u>43</u>	<u>5,532,203</u>	<u>42</u>
						<b>Total liabilities and equity</b>		<u>\$ 12,840,376</u>	<u>100</u>	<u>12,872,602</u>	<u>100</u>
<b>Total assets</b>		<u>\$ 12,840,376</u>	<u>100</u>	<u>12,872,602</u>	<u>100</u>						

**ACES ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Consolidated 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)**

		<b>2022</b>		<b>2021</b>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
	<b>Operating Revenue</b> (Note 6(20) and 7):				
4100	Net sales revenue	\$ 10,047,587	97	\$ 10,047,587	97
4800	Other operating revenue	344,917	3	344,917	3
	<b>Net revenue from operations</b>	<u>10,392,504</u>	<u>100</u>	<u>10,392,504</u>	<u>100</u>
5000	<b>Operating costs</b> (Note 6(4), (14), (15), and 7)	<u>8,159,619</u>	<u>79</u>	<u>8,159,619</u>	<u>79</u>
	<b>Gross profit</b>	<u>2,232,885</u>	<u>21</u>	<u>2,232,885</u>	<u>21</u>
	<b>Operating expenses</b> (Note 6(6), (14), (15), (21), and 7):				
6100	Selling expenses	686,463	7	686,463	7
6200	General and administrative expenses	915,292	9	915,292	9
6300	Research and development expenses	573,935	5	573,935	5
6450	Expected credit loss (gain) (Note 6(3))	448	-	448	-
	<b>Total operating expenses</b>	<u>2,176,138</u>	<u>21</u>	<u>2,176,138</u>	<u>21</u>
	<b>Profit from operations</b>	<u>56,747</u>	<u>-</u>	<u>56,747</u>	<u>-</u>
	<b>Non-operating income and expenses</b> (Note 6(22)):				
7100	Interest income	27,212	-	27,212	-
7010	Other income	141,151	1	141,151	1
7020	Other gains and losses	164,921	2	164,921	2
7050	Finance costs (Note 6(13) and (22))	(85,069)	-	(85,069)	-
7060	Share of profit of equity-accounted investees (Note 6(5))	10,101	-	10,101	-
	<b>Total non-operating income and expenses</b>	<u>258,316</u>	<u>3</u>	<u>258,316</u>	<u>3</u>
<b>7900</b>	<b>Profit before income tax</b>	<u>315,063</u>	<u>3</u>	<u>315,063</u>	<u>3</u>
7950	<b>Less: income tax expenses</b> (Note 6(16))	<u>91,730</u>	<u>1</u>	<u>91,730</u>	<u>1</u>
	<b>Profit for the year</b>	<u>223,333</u>	<u>2</u>	<u>223,333</u>	<u>2</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that will never be reclassified to profit or loss</b>				
8311	Remeasurement of defined benefit plans	10,880	-	10,880	-
8349	Less: Income tax related to non-reclassified items (Note 6(16))	-	-	-	-
	<b>Total items that will never be reclassified to profit or loss</b>	<u>10,880</u>	<u>-</u>	<u>10,880</u>	<u>-</u>
8360	<b>Items that are or may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation to the presentation currency	130,098	1	130,098	1
8399	Less: Income tax related to items that may be reclassified (Note 6(16))	26,020	-	26,020	-
	<b>Total items that are or may be reclassified subsequently to profit or loss</b>	<u>104,078</u>	<u>1</u>	<u>104,078</u>	<u>1</u>
8300	<b>Total other comprehensive income (net of tax) for the year</b>	<u>114,958</u>	<u>1</u>	<u>114,958</u>	<u>1</u>
	<b>Total comprehensive income for the year</b>	<u>\$ 338,291</u>	<u>3</u>	<u>\$ 338,291</u>	<u>3</u>
	<b>Net profit attributable to:</b>				
8610	Shareholders of the parent	\$ 225,319	2	\$ 225,319	2
8620	Non-controlling interests	(1,986)	-	(1,986)	-
		<u>\$ 223,333</u>	<u>2</u>	<u>\$ 223,333</u>	<u>2</u>
	<b>Total comprehensive income attributable to:</b>				
8710	Shareholders of the parent	\$ 340,050	3	\$ 340,050	3
8720	Non-controlling interests	(1,759)	-	(1,759)	-
		<u>\$ 338,291</u>	<u>3</u>	<u>\$ 338,291</u>	<u>3</u>
	<b>Earnings per share</b> (NT\$, Note 6(19))				
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>	

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

	Equity Attributable to Shareholders of the parent					Other Components of Equity				Total Equity
	Common stock	Capital surplus	Retained Earnings		Undistributed surplus earnings	Translation of the Financial Statements of Foreign Operations	Gain on Property Revaluation	Equity Attributable to Shareholders of the parent	Non-controlling Interests	
			Legal reserve	Special reserve						
<b>Balance at January 1, 2021</b>	\$ 1,223,959	476,166	624,386	187,429	2,100,189	(151,789)	33,219	4,493,559	70,591	4,564,150
Appropriation of earnings :										
Legal Reserve	-	-	27,168	-	(27,168)	-	-	-	-	-
Special Reserve	-	-	-	(65,071)	65,071	-	-	-	-	-
Cash dividend distributed to shareholders	-	-	-	-	(85,677)	-	-	(85,677)	-	(85,677)
Issuance of ordinary shares for cash	120,000	357,500	-	-	-	-	-	477,500	-	477,500
Profit for the year	-	-	-	-	510,855	-	-	510,855	(2,684)	508,171
Other comprehensive income, net of tax	-	-	-	-	496	(44,398)	-	(43,902)	(90)	(43,992)
Total comprehensive income for the year	-	-	-	-	511,351	(44,398)	-	466,953	(2,774)	464,179
Other changes in capital surplus :										
Equity items recognized for the issuance of convertible bonds	-	71,196	-	-	-	-	-	71,196	-	71,196
Share of changes in equity of associates	-	80,136	-	-	-	-	-	80,136	-	80,136
Changes in ownership of subsidiary equity	-	(3,499)	-	-	(8,838)	-	-	(12,337)	12,172	(165)
Share-based payment transactions	-	20,880	-	-	-	-	-	20,880	-	20,880
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(59,996)	(59,996)
<b>Balance at December 31, 2021</b>	1,343,959	1,002,379	651,554	122,358	2,554,928	(196,187)	33,219	5,512,210	19,993	5,532,203
Appropriation of earnings :										
Legal Reserve	-	-	50,856	-	(50,856)	-	-	-	-	-
Special Reserve	-	-	-	46,273	(46,273)	-	-	-	-	-
Cash dividend distributed to shareholders	-	-	-	-	(201,594)	-	-	(201,594)	-	(201,594)
Profit for the year	-	-	-	-	225,319	-	-	225,319	(1,986)	223,333
Other comprehensive income, net of tax	-	-	-	-	10,880	103,851	-	114,731	227	114,958
Total comprehensive income for the year	-	-	-	-	236,199	103,851	-	340,050	(1,759)	338,291
Other changes in capital surplus :										
Equity items recognized for the issuance of convertible bonds	-	(131)	-	-	-	-	-	(131)	-	(131)
Conversion of convertible bonds	218	917	-	-	-	-	-	1,135	-	1,135
Share of changes in equity of associates	-	(14,827)	-	-	-	-	-	(14,827)	-	(14,827)
Changes in ownership of subsidiary equity	-	277	-	-	-	-	-	277	-	277
<b>Balance at December 31, 2022</b>	<b>\$ 1,344,177</b>	<b>988,615</b>	<b>702,410</b>	<b>168,631</b>	<b>2,492,404</b>	<b>(92,336)</b>	<b>33,219</b>	<b>5,637,120</b>	<b>18,234</b>	<b>5,655,354</b>

**ACES ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2022 and 2021  
(Expressed in thousands of New Taiwan dollars)

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
<b>Profit before income tax</b>	\$ 315,063	588,913
<b>Adjustments :</b>		
<b>Adjustments to reconcile profit (loss)</b>		
Depreciation expense	650,950	563,718
Amortization expense	47,707	29,455
Expected credit loss (gain) recognized	448	(6,834)
Net loss (gain) on financial assets at fair value through profit or loss	32,741	(39,466)
Interest expense	85,069	45,812
Interest income	(27,212)	(23,765)
Share-based payment costs	-	20,880
Reversal of impairment loss	(2,802)	-
Share of profit (loss) of equity-account investees	(10,101)	(31,264)
Loss on disposal of property, plant, and equipment	15,899	1,459
Loss (gain) on property revaluation	2,158	(1,878)
Total adjustments to reconcile profit (loss)	794,857	558,117
<b>Changes in operating assets and liabilities :</b>		
Net changes in operating assets :		
Increase (decrease) in notes receivable	(21,136)	12,035
Decrease (increase) in accounts receivable	314,171	(87,928)
Increase (decrease) in accounts receivable from related parties	(23,553)	36
Decrease (increase) in other receivables	(60,959)	(10,810)
Increase (decrease) in inventories	224,985	(310,365)
Increase in prepaid expenses	(34,701)	(9,370)
Increase in other current assets	(39,438)	(81,958)
Total net changes in operating assets	359,369	(488,360)
Net changes in operating liabilities :		
Decrease in notes payable	(1,081)	(190)
Increase (decrease) in accounts payable	(296,549)	27,232
Decrease in accounts payable to related parties	(153)	(288)
Increase in other payables	88,354	180,712
Increase in other payables to related parties	322	409
Increase in other current liabilities	9,292	27,913
Increase (decrease) in net defined benefit liabilities	4,270	(1,481)
Total net changes in operating liabilities	(195,545)	234,307
Total adjustments	958,681	304,064
Cash generated from operations	1,273,744	892,977
Interest received	27,212	23,765
Interest paid	(63,611)	(43,593)
Income tax paid	(100,440)	(104,251)
<b>Net cash provided by operating activities</b>	1,136,905	768,898
<b>Cash flows from investing activities :</b>		
Acquisitions of financial assets at amortized cost	-	(217,200)
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	81,833	254,566
Acquisitions of equity-accounted investees	(16,898)	-
Acquisitions of subsidiaries (net of cash acquired)	-	117,614
Acquisitions of property, plant, and equipment	(922,935)	(745,628)
Disposals of property, plant, and equipment	22,474	37,003
Acquisitions of intangible assets	(36,445)	(38,587)
Increase in other non-current assets	(82,832)	(4,789)
Increase in prepaid equipment payments	(192,952)	(273,973)
Dividends received	20,391	-
<b>Net cash used in investing activities</b>	(1,135,624)	(882,542)
<b>Cash flows from financing activities :</b>		
Increase in short-term borrowings	353,711	(158,742)
Issuance of corporate bonds	-	603,181
Proceeds from long-term borrowings	3,961,000	3,759,000
Repayment of long-term borrowings	(3,945,279)	(3,445,255)
Repayment of lease liabilities	(69,369)	(56,097)
Decrease in other non-current liabilities	(136,526)	(33,749)
Cash dividends	(201,594)	(85,677)
Cash capital increase	-	477,500
Acquisitions of subsidiary's equity	(1,028)	(59,996)
<b>Net cash (used in) provided by financing activities</b>	(39,085)	1,000,165
<b>Effect of exchange rate change on cash and cash equivalents</b>	(111,599)	(58,802)
<b>Net (decrease) increase in cash and cash equivalents</b>	(149,403)	827,719
<b>Cash and cash equivalents at January 1</b>	2,567,895	1,740,176
<b>Cash and cash equivalents at December 31</b>	\$ 2,418,492	2,567,895

**ACES Electronics Co., Ltd. and Subsidiaries**  
**Notes to Consolidated 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 Group and its subsidiaries (hereinafter refer to as “the Group”) is mainly engaging in processing, manufacturing and selling of connectors, connector cable sets, metal stamping parts and other electronic components.

**2. The Authorization of Financial Statements**

These consolidated 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 Group 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 Group 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. and Subsidiaries Notes to Consolidated 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:

New or Amended Standards	Content of amendment	Effective date issued by IASB
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 Group 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 Group 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’
- 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

#### 4. Summary of Significant Accounting Policies

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

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

### (1) Statement of compliance

The consolidated financial statements is in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRS, IAS, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China (hereinafter refer to as IFRSs approved by FSC).

### (2) Basis of preparation

#### a. Basis of measurement

The consolidated 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) Investment property at fair value ; and
- (iii) Defined benefit liability is recognized as the fair value of the plan assets less the present value of the defined benefit obligation.

#### b. Functional and presentation currency

The functional currency of each entity of the Group is determined based on the primary economic environment in which the entity operates. The consolidated 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) Basis of consolidation

#### a. Principle of preparation of the consolidated financial statements

All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries. Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. The consolidated profit and loss amount belongs to the Company’s equity owner and the controlling right. The same applies to balance of loss from non-controlling equity rights.

Changes in the consolidated ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. Any difference between such adjustment and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Company.

## 2. Subsidiaries included in the consolidated financial statements

Subsidiaries included in the consolidated financial statements:

Name of investee	Subsidiary	Business Nature	Shareholding Percentage		Note
			December 31, 2022	December 31, 2021	
The Company	ACECONN ELECTRONIC CO., LTD.	Investment holding	100%	100%	
"	ACES PRECISION INDUSTRY PTE LTD.	Connectors sales business	100%	100%	
"	ACESCONN HOLDINGS CO., LTD.	Investment holding	100%	100%	
"	WEI HONG INTERNATIONAL INVESTMENT CO., LTD.	Investment business	100%	100%	

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

Name of investee	Subsidiary	Business Nature	Shareholding Percentage		Note
			December 31, 2022	December 31, 2021	
The Company	ACES (HONG KONG) ELECTRONIC CO., LTD.	Connectors sales business	100%	100%	
"	MEC IMEX INC.	Connector cable set sales business	99.84%	99.79%	(Note 1)
"	ACES JAPAN CO., LTD.	Connector development business	100%	100%	
"	ACES INTERCONNECT (USA), INC.	Connectors sales business	100%	100%	
"	COMPUPACK TECHNOLOGY CO., LTD.	Electronic component sales business	93.67%	92.64%	Note 2:
"	ACES Precision Machinery Co., Ltd.	Mold part manufacturing and sales business	100%	100%	
"	KUANG YING COMPUTER EQUIPMENT CO., LTD.	Electronic component manufacturing and sales business	99.66%	99.66%	
"	GENESIS HOLDING COMPANY	Investment holding	100%	100%	
"	GENESIS TECHNOLOGY USA, INC.	Electronic component sales business	100%	100%	
"	JASON TECHNOLOGY LIMITED.	Electronic component sales business	100%	100%	
ACECONN ELECTRONIC CO., LTD.	KUNSHAN ACES TRADING CO., LTD.	Connectors sales business	100%	100%	
"	DONGGUAN ACES ELECTRONIC CO., LTD.	Connector manufacturing and sales business	100%	100%	
"	KUNSHAN ACES ELECTRONIC CO., LTD.	Connector manufacturing and sales business	100%	100%	
"	KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	Connector manufacturing and sales business	100%	100%	

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

Name of investee	Subsidiary	Business Nature	Shareholding Percentage		Note
			December 31, 2022	December 31, 2021	
ACES PRECISION INDUSTRY PTE LTD.	CHONGQING HONG GAO ELECTRONIC CO., LTD.	Connectors sales business	100%	100%	
ACESCONN HOLDINGS CO., LTD.	ASIA CENTURY INVESTMENT LTD.	Investment holding	100%	100%	
ASIA CENTURY INVESTMENT LTD.	GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	Surface treatment and sales business	100%	100%	
MEC IMEX INC.	MEC INTERNATIONAL COMPANY LTD.	Investment holding	100%	100%	
"	MEC ELECTRIC SOLUTIONS GMBH	Connector cable set sales business	100%	- %	Note 3:
MEC INTERNATIONAL COMPANY LTD.	MEC ULTRAMAX (H.K.) COMPANY LIMITED	Investment holding	100%	100%	
"	MEC BEST KNOWN COMPANY LIMITED	Investment holding	100%	100%	
"	MEC ELECTRONICS (HK) COMPANY LIMITED	Connector cable set sales business	100%	100%	
"	MEC ELECTRONICS PHILIPPINES CORPORATION	Connector cable set manufacturing and sales business	100%	100%	
"	MEC SUZHOU ELECTRONICS CO., LTD.	Connector cable set manufacturing and sales business	100%	100%	

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

Name of investee	Subsidiary	Business Nature	Shareholding Percentage		Note
			December 31, 2022	December 31, 2021	
MEC ULTRAMAX (H.K.) COMPANY LIMITED	MEC ELECTRONICS (SUZHOU) CO., LTD.	Connector cable set manufacturing and sales business	100%	100%	
MEC BEST KNOWN COMPANY LIMITED	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Connector cable set manufacturing and sales business	100%	100%	
MEC ELECTRONICS (HK) COMPANY LTD.	HOMEPRIDE TECHNOLOGY LIMITED	Investment holding	100%	100%	
HOMEPRIDE TECHNOLOGY LIMITED	HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Connector cable set manufacturing and sales business	100%	100%	
MEC ELECTRONICS PHILIPPINES CORPORATION	MEC IMEX (USA), INC.	Connector cable set sales business	100%	100%	
COMPUPACK TECHNOLOGY CO., LTD.	MICON PRECISE CORP.	Electronic component sales business	98.91%	98.59%	Note 4:
"	GLOBAL ACUMEN LIMITED	Electronic component sales business	100%	100%	
"	DONGGUAN COMPUPACK TECHNOLOGY CO., LTD.	Electronic component sales business	100%	100%	
MICON PRECISE CORP.	CONG TY TNHH CHINH XAC NGAN VUONG	Electronic component manufacturing and sales	100%	100%	
KUANG YING COMPUTER EQUIPMENT CO., LTD.	INFOMIGHT INVESTMENTS LIMITED	Investment holding	100%	100%	
INFOMIGHT INVESTMENTS LIMITED	BELTA INTERNATIONAL LIMITED	Investment holding	100%	100%	
"	CERTILINK INTERNATIONAL LIMITED	Electronic component sales	100%	100%	
"	ACCURATE GROUP LIMITED	Investment holding	100%	100%	
BELTA INTERNATIONAL	DONGGUAN KUANGYING	Electronic	100%	100%	

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

Name of investee	Subsidiary	Business Nature	Shareholding Percentage		Note
			December 31, 2022	December 31, 2021	
LIMITED	HARDWARE PLASTIC PRODUCT CO., LTD.	component manufacturing and sales			
ACCURATE GROUP LIMITED	SUZHOU KUANG YING ELECTRIC CO., LTD.	Electronic component manufacturing and sales	100%	100%	
GENESIS HOLDING COMPANY	GENESIS ELECTRO-MECHANICAL LIMITED	Investment holding	100%	100%	
"	GENESIS INNOVATION GROUP LIMITED	Investment holding	100%	100%	
GENESIS ELECTRO-MECHANICAL LIMITED	GENESIS TECHNOLOGY(NINGBO) INC.	Electronic component manufacturing and sales business	100%	100%	
"	SHENZHEN JINO ELECTRONIC CO., LTD.	Electronic component manufacturing and sales business	100%	100%	
GENESIS INNOVATION GROUP LIMITED	GENESIS INTERCONNECT CO., LTD.	Electronic component manufacturing and sales business	100%	100%	
"	GENESIS GUIZHOU TECHNOLOGY CO., LTD.	Electronic component manufacturing and sales business	100%	100%	
GENESIS GUIZHOU TECHNOLOGY CO., LTD.	DONGGUAN POLIXIN ELECTRIC CO., LTD.	Electronic component manufacturing and sales business	100%	100%	Note 5:

Note 1: In August 2022, the Company's subsidiary MEC IMEX INC. decreased its capital in the amount of \$100,000 thousand for covering deficits. The Company acquired 9,999 thousand shares, which increase its shareholding percentage to 99.84%.

Note 2: In July 2022, the Company's subsidiary COMPUPACK TECHNOLOGY CO., LTD. decreased its capital for covering deficits and increase its paid-in capital in the amount of \$30,000 thousand in August 2022. The Company acquired full amount of paid-in capital shares, which increase its shareholding percentage to 93.67%.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

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

Note 4: In September 2022, the Company's subsidiary MICON PRECISE CORP. decreased its capital for covering deficits and increase its paid-in capital in the amount of \$30,000 thousand in August 2022. COMPUPACK TECHNOLOGY CO., LTD. acquired full amount of paid-in capital shares, which increase its shareholding percentage to 98.91%.

Note 5: In December 2021, the Company's subsidiary DONGGUAN POLIXIN ELECTRIC CO., LTD. was originally 100% owned by GENESIS INNOVATION GROUP LIMITED, but changed to 100% owned by GENESIS GUIZHOU TECHNOLOGY CO., LTD. due to internal reorganization of the Group.

3. Subsidiaries not included in the consolidated financial statements: None.

### (4) 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 end of reporting date (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 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 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 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.

### (5) 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.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

A liability is classified as current when:

- a. The liability is expected to be settled within the consolidated 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.

### (6) Cash and cash equivalents

Cash 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.

### (7) Financial instruments

Account receivables initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the consolidated 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 consolidated 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.

#### (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.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

(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 consolidated 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.

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 consolidated 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 consolidated 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.

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 account receivables is 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 Consolidated company considers reasonable and supportable information that is relevant and available without undue 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 consolidated company is exposed to credit risk.

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

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

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

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

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 consolidated company in accordance with the contract and the cash flows that the consolidated company expects to receive). ECL is according to financial assets' effective discount rate.

At each reporting date, the consolidated 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.

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.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

### (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. 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.

### (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 of financial tools were initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss, and recorded under profit and loss.

## (8) 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.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

### (9) Investing in the affiliated Companies

Affiliates are all entities over which the Company has significant influence but not control.

The Company has adopted equity method to account for interests in the affiliated companies. Under the equity method, investment is initially recognized at cost. Investment cost includes transaction cost. The carrying amount of investment in the affiliates includes goodwill recognized at initial investment, net of any accumulated impairment losses

After adjusting the accounting policies of the affiliated parent company to be in line with that of the Company, the consolidated reports included the income and loss as well as other comprehensive income of the affiliate companies the Company recognized in proportion to its shares owned in the affiliated companies from the date the Company has significant influence over the affiliated parent company until the date it ceases to have such significant influence. When the affiliates have changes in equities not in relations to income or loss or other comprehensive income and not affecting the shares held by the Company, the changes of equity of the Company's shares in the affiliated companies should be recognized in proportion to its shares in the equity as capital reserve.

Unrealized gains on transactions between the Company and affiliates are eliminated to the extent of the Company's interest in the affiliates. The elimination of unrealized loss is the same as the written-off unrealized gain but is limited to the circumstances when the impairment evidence is not available.

When the Company's share of losses in the affiliates equals or exceeds its interests in the affiliates, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the affiliates, then additional loss or relevant liability would be recognized.

When the Company subscribes to additional shares in the affiliated companies or jointly controlled entity at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the affiliated companies or jointly controlled entity. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. However if the balance of capital surplus is insufficient from investment accounted using equity method, the difference should debit to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of affiliated companies or joint controlled entity by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that affiliated companies or jointly controlled entity shall be reclassified to profit or loss on the same basis as would be required if the associate or jointly controlled entity had directly disposed of the related assets or liabilities.

### (10) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition. Subsequent to initial recognition, investment properties are measured using the cost model.

Any gain or loss (calculated by the difference between net disposal price and its carrying amount) on disposal of an investment property is recognized in profit or loss. If the sale of investment property was recorded under property, plant and equipment then the relevant 'other equities - property revaluation increments' shall be transferred to capital surplus.

Lease income from investment property is recognized as non-operating revenue on a straight-line basis during leased period.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

### (11) 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.

#### 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 plants: 3 ~ 50 years
- (ii) Machinery and equipment: 2 ~ 10 years
- (iii) Mold equipment: 2 ~ 5 years
- (iv) Other equipment: 2 ~ 10 years

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

### (12) Lease

#### a. Identifying a 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.

#### b. 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.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

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.

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.

As a practical expedient, the Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- (i) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- (ii) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (iii) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- (iv) there is no substantive change in other terms and conditions of the lease.

Under the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

### c. 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.

If the Company acts as a lessor from another lessor, the main lease contract and the transfer lease contract shall be attended to separately. The purpose of use from main lease contract shall determine the category of the transfer lease transaction. If the main lease contract is short-term lease contract and is recognized exemption, the transfer lease contract transaction shall be categorized as operating lease.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

If the agreement includes components from lease and non-lease parts, the Company adopts to Amendments to IFRS 15 to allocate considerations from the contract.

Property ownership under finance lease, the financing lease receivables shall be expressed in net amount of lease investment. The initial direct cost from negotiation and arranging operating lease was included in the net amount of lease investment. Net amount of lease investment shall reflect nature of fixed return of investment in each period; such amount shall be recognized as interest revenue and allocated in each period respectively. The Company recognizes lease income received during from operating lease as lease revenue based on straight-line basis.

### (13) Intangible assets

#### a. Recognition and measurement

The goodwill acquired by the Company are measured at cost less accumulated impairment losses.

Expenditure related to research expenses is recognized in profit or loss as incurred.

Development expenses are capitalized only when the technical or commercial feasibility of the product or process is achieved, there is a high probability of future economic benefits flowing to the consolidated entity, and the consolidated entity has the intention and sufficient resources to complete the development and use or sell the asset. All other development expenditure is recognized in profit or loss as incurred. After initial recognition, capitalized development expenditures are measured at cost less accumulated amortization and any accumulated impairment losses.

For 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, including goodwill from internal development and brand name.

#### 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 useful lives of intangible assets, other than goodwill, from the date that they are available for use.

(i) Software: 1~ 3 years

(ii) Franchising: 8 years

(iii) Customer relationship: 3 years

(iv) Other intangible assets 1~ 3 years

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

### (14) 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.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

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.

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.

The impairment loss recognized on goodwill is not reversed in a subsequent period. 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.

### (15) 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 following is a description of the Company's major revenues:

Revenue is recognized when the control over a product has been transferred to the customer, 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.

### (16) 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.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

### (17) Employee benefits

#### a. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized 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.

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 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.

### (18) 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.

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.

### (19) 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 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. and Subsidiaries Notes to Consolidated 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.

The unapplied tax losses and unapplied tax credits carried forward and deductible temporary differences are recognized as deferred income tax assets within the range of probable future taxable income available for use. 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.

### (20) Earning 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.

### (21) Operating segments

Operating segment is a component of the Company engaging in activities that may earn revenues and incur expenses, including relevant revenues and expenses from other components of the Company. Operating results of all segments are routinely provided to the chief operating decision-maker for review for set up policy to allocate resources and assess performance of the operating segments. Each operating segment shall have its separate financial information.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

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

While preparing the financial reports in compliance with the IFRSs as approved by FSC, the management should make judgment, estimate and assumption that would impact the adoption of accounting policy, as well as the amount reported for assets, liabilities, revenues 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) Impairment of goodwill

The assessment of impairment of goodwill requires the Company to make subjective judgment to determine the identified CGUs, allocate the goodwill to relevant CGUs and estimate the recoverable amount of relevant CGUs.

#### (3) 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. Investment property was appraised by external appraiser.

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.

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 below notes:

- (i) Note 6(2), financial assets.
- (ii) Note 6(9), investment property at fair value.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

### 6. Description of Significant Accounts

#### (1) Cash and Cash Equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 15,262	42,318
Cash in banks	2,403,230	2,525,577
	<u>\$ 2,418,492</u>	<u>2,567,895</u>

The Company remitted funds back to Taiwan and was approved by the Ministry of Economic Affairs to invest in businesses in 2020 in accordance with “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act.” According to the investment plan, the Company withdraws from segregated foreign exchange deposit account for investment. The balance of such account were amounted to \$40,124 thousand and \$61,469 thousand for the years ended December 31, 2022 and 2021 respectively. These amounts were recorded under ‘other current assets.’

Please refer to note 6(23) for exchange rate risk and sensitivity analysis of the financial assets and liabilities.

#### (2) Financial assets

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets mandatorily measured at FVTPL:		
Funds	\$ 163,651	267,284
Convertible bonds of embedded derivatives	62	1,366
	<u>\$ 163,713</u>	<u>268,650</u>

Please refer to Note 6(22) for amounts remeasured at fair value through profit and loss, and Note 6(23) for fair value information.

##### b Financial assets measured at amortized cost - non-current

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Time deposit	<u>\$ 220,400</u>	<u>217,200</u>

The financial assets referred to above had not been provided as collateral.

#### (3) Notes, trade and other receivables

##### a. Details as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 82,493	61,357
Accounts receivable	2,518,463	2,840,237
Other receivables	196,900	135,941
Account receivable – related parties	23,553	-
Less: Loss allowance	(42,390)	(46,161)
	<u>\$ 2,779,019</u>	<u>2,991,374</u>

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated 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:

	<b>December 31, 2022</b>		
	<b>Carrying amount of notes, accounts and other receivables</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance for lifetime expected credit losses</b>
Not past due	\$ 2,662,212	0%	-
Past due less than 60 days	111,206	0%	-
Past due 61~120 days	10,141	50%	5,071
Past due 121~180 days	1,770	70%	1,239
Past due over 181 days	36,080	100%	36,080
	<b><u>\$ 2,821,409</u></b>		<b><u>42,390</u></b>

	<b>December 31, 2021</b>		
	<b>Carrying amount of notes, accounts and other receivables</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance for lifetime expected credit losses</b>
Not past due	\$ 2,777,962	0%	-
Past due less than 60 days	206,008	0%	-
Past due 61~120 days	12,982	50%	6,491
Past due 121~180 days	3,044	70%	2,131
Past due over 181 days	37,539	100%	37,539
	<b><u>\$ 3,037,535</u></b>		<b><u>46,161</u></b>

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

	<b>For the year ended December 31, 2022</b>	<b>For the year ended December 31, 2021</b>
Balance at beginning of the year	\$ 46,161	39,023
Consolidated transfer in	-	13,829
Impairment losses recognized (reversal)	448	(6,834)
Irrecoverable amount write-off, current	(3,384)	-
Foreign currency exchange gain/loss	(835)	143
Balance at end of the year	<b><u>\$ 42,390</u></b>	<b><u>46,161</u></b>

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated 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:

<b>December 31, 2022</b>						
<b>Underwriting bank</b>	<b>Factoring amount</b>	<b>Acceptable advances</b>	<b>Amount collected in advance</b>	<b>Transfer to other receivable amount</b>	<b>Interest rate</b>	<b>Amount pledged (in thousands of USD)</b>
Financial institutes	\$ 207,627	476,471	186,865	20,762	0.6812% ~6.1311%	-
Financial institutes	5,700	221,112	-	5,700	1.23% ~2.55%	Promissory Note 8,000
Financial institutes	39,710	107,638	2,918	36,792	1.13287% ~6.37374%	Promissory Note 4,000
	<b>\$ 253,037</b>	<b>805,221</b>	<b>189,783</b>	<b>63,254</b>		
<b>December 31, 2021</b>						
<b>Underwriting bank</b>	<b>Factoring amount</b>	<b>Acceptable advances</b>	<b>Amount collected in advance</b>	<b>Transfer to other receivable amount</b>	<b>Interest rate</b>	<b>Amount pledged (in thousands of USD)</b>
Financial institutes	\$ 351,124	348,308	316,012	35,112	0.6851% ~0.9032%	-
Financial institutes	64,481	135,909	57,851	6,630	1.167% ~1.28%	Promissory Note 7,000
Financial institutes	82,942	36,261	74,459	8,483	1.21493% ~1.30585%	Promissory Note 4,000
	<b>\$ 498,547</b>	<b>520,478</b>	<b>448,322</b>	<b>50,225</b>		

### (4) Inventories

- a. Details as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Raw materials	\$ 442,211	439,429
Work-in-progress	73,295	105,246
Semi-finished goods	182,870	185,423
Finished goods	426,864	548,016
Merchandise	328,451	385,320
	<b>\$ 1,453,691</b>	<b>1,663,434</b>

- b. Details of cost of goods sold as follows:

	<b>For the year ended December 31, 2022</b>	<b>For the year ended December 31, 2021</b>
Cost of goods sold	\$ 7,819,980	7,940,544
Loss on obsolescence write-off	110,369	90,683
Loss on inventory write-down	63,362	42,701
Unamortized manufacturing expenses	143,595	57,237
Others	22,313	15,476
	<b>\$ 8,159,619</b>	<b>8,146,641</b>

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

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

### (5) Investments accounted for using equity method

a. Investments accounted for using equity method on the date or reporting as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Affiliated company	<u>\$ 447,170</u>	<u>448,799</u>

b. Details of the affiliated companies that are significant to the company as follows:

<u>Affiliated company Name</u>	<u>Main business venue with the Company by relationship</u>	<u>Main business venue/ Countries which parent company registered</u>	<u>Percentage of equity ownership interests and voting rights</u>	
			<u>December 31, 2022</u>	<u>December 31, 2021</u>
Nantong Dadi Electric Co., Ltd.	It's main business is manufacturing and sales of automobile cable bundles. It's part of the strategic alliance for the Company to expand market.	China	19.31%	19.31%
Kung Shan Ching Zhi Electric Co., Ltd.	Main business is sales and development of electronic connectors	China	30.00%	- %

c. In the fourth quarter of 2021, Nantong Dadi Electric Co., Ltd., an affiliated company, KUNSHAN ACES ELECTRONIC CO., LTD. was listed on Beijing Stock Exchange. KUNSHAN ACES ELECTRONIC CO., LTD., an affiliated company did not participate in the capital increase of affiliated company; therefore, its equity holding percentage has decreased from 24.72% to 19.31% and resulting in the decrease of \$14,827 thousand and increase of \$80,136 thousand on capital surplus for the fourth quarter of 2022 and 2021, respectively.

Financial information of the affiliated companies that are significant to the Company are summarized as follows. The financial information has been adjusted with amount included in the individual financial reports of affiliated prepared in accordance with IFRSs to reflect the difference between the adjustment made by the parent company on the fair value upon obtaining the shares of the affiliated companies and the accounting policy.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total Assets	<u>\$ 3,278,573</u>	<u>4,341,220</u>
Total Liabilities	<u>\$ 1,302,579</u>	<u>2,629,274</u>
	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Revenue	<u>\$ 1,683,118</u>	<u>4,277,648</u>
Current net profit	<u>\$ 40,614</u>	<u>126,280</u>

d. In January 2022, the Company acquired 30% shares of Kung Shan Ching Zhi Electric Co., Ltd. in the amount of RMB 3,750 thousand (NTD \$16,898 thousand); therefore acquired significant influence over the company.

e. As affiliated company was publicly listed, the Company cannot transfer its ordinary shares within the first year of public offering in 2022 and 2021. As of December 31, 2022 and 2021, none of the Company's investment accounted for using equity method was pledged as collateral.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

### (6) Acquisition of Subsidiaries and Non-controlling interests

#### a. Acquisition of Genesis Group

The board of directors had resulted in acquisition of Genesis Technology USA, Inc. and Genesis Holding Company (together referred to as the “Genesis Group”), an American group consist of companies in electromagnetic shielding, high-frequency connectors and high-speed connecting cables, in order to enhance business strategies in Internet communications, cloud services and industrial controls. The Company acquired 100% shares of Genesis Group with USD 26,900 thousand as transaction consideration, and the transfer of shares were completed in April, 2021. The Genesis Group has become 100% subsidiary of the Company since second quarter of 2021.

#### (i) identifiable assets acquired and liabilities assumed

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

	<u>Genesis Group</u>
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	<u>\$ 649,685</u>

#### (ii) Goodwill

Goodwill recognized on acquisition:

	<u>Genesis Group</u>
Transfer consideration	\$ 678,677
Less: Fair value of identifiable assets	(649,685)
	<u>\$ 28,992</u>

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

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

(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 continues services from the Company. Such payments shall be recognized as operating expenses.

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'.

(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 (\$11,767) 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 expenses' in comprehensive income statements.

b. Acquisition of subsidiary - 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 or 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:

	<b>Jason Company</b>
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>

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

### (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 \$71,450 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 in 2022. 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 expenses' in comprehensive income statements.

## e. Change in ownership equity to 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 and increased its share percentage from 89.25% to 99.79%. 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 thousand ordinary shares issued by cash increase of capital of MICON PRECISE CORP. 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 thousand 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. and Subsidiaries Notes to Consolidated Financial Statements

### (7) Property, plant and equipment

a. Changes in the cost, depreciation and impairment loss of the Company's real estate property, plant and equipment are as follows:

	Land	Property and plants	Machinery and equipment	Mold equipment	Other equipment	Constructi ons in process	Total
Cost or deemed cost:							
Balance at January 1, 2022	\$ 338,424	1,456,325	1,608,345	1,215,456	1,250,941	186,376	6,055,867
Additions	-	70,271	108,116	110,473	118,347	515,728	922,935
Reclassification	-	7,409	12,312	94,149	131,406	-	245,276
Disposals	-	-	(47,750)	(41,698)	(127,021)	-	(216,469)
Foreign Exchange Rates	155	26,758	45,368	2,461	13,009	3,611	91,362
Balance at December 31, 2022	<b>\$ 338,579</b>	<b>1,560,763</b>	<b>1,726,391</b>	<b>1,380,841</b>	<b>1,386,682</b>	<b>705,715</b>	<b>7,098,971</b>
Balance at January 1, 2021	\$ 338,465	1,333,489	1,428,364	1,249,326	1,101,274	4,565	5,455,483
Acquired through merger	-	5,613	58,181	28,037	14,605	-	106,436
Additions	-	44,909	216,304	125,365	176,432	182,618	745,628
Reclassification	-	80,791	31,302	32,707	53,463	(509)	197,754
Disposals	-	(145)	(136,552)	(218,786)	(78,161)	-	(433,644)
Foreign Exchange Rates	(41)	(8,332)	10,746	(1,193)	(16,672)	(298)	(15,790)
Balance at December 31, 2021	<b>\$ 338,424</b>	<b>1,456,325</b>	<b>1,608,345</b>	<b>1,215,456</b>	<b>1,250,941</b>	<b>186,376</b>	<b>6,055,867</b>
Accumulated depreciation and impairment:							
Balance at January 1, 2022	\$ -	536,266	910,196	1,039,311	741,585	-	3,227,358
Depreciation of the year	-	71,458	150,004	174,591	168,383	-	564,436
Reversal of impairment loss - current	-	-	(2,802)	-	-	-	(2,802)
Disposals	-	-	(33,924)	(33,558)	(110,614)	-	(178,096)
Foreign Exchange Rates	-	8,873	36,771	8,910	5,192	-	59,746
Balance at December 31, 2022	<b>\$ -</b>	<b>616,597</b>	<b>1,060,245</b>	<b>1,189,254</b>	<b>804,546</b>	<b>-</b>	<b>3,670,642</b>
Balance at January 1, 2021	\$ -	476,165	892,094	1,108,883	683,176	-	3,160,318
Depreciation of the year	-	63,573	125,313	145,581	143,746	-	478,213
Reclassification	-	-	5	-	(5)	-	-
Disposals	-	(85)	(104,983)	(218,519)	(71,595)	-	(395,182)
Foreign Exchange Rates	-	(3,387)	(2,233)	3,366	(13,737)	-	(15,991)
Balance at December 31, 2021	<b>\$ -</b>	<b>536,266</b>	<b>910,196</b>	<b>1,039,311</b>	<b>741,585</b>	<b>-</b>	<b>3,227,358</b>
Carrying value:							
December 31, 2022	<b>\$ 338,579</b>	<b>944,166</b>	<b>666,146</b>	<b>191,587</b>	<b>582,136</b>	<b>705,715</b>	<b>3,428,329</b>
December 31, 2021	<b>\$ 338,465</b>	<b>857,324</b>	<b>536,270</b>	<b>140,443</b>	<b>418,098</b>	<b>4,565</b>	<b>2,295,165</b>
December 31, 2021	<b>\$ 338,424</b>	<b>920,059</b>	<b>698,149</b>	<b>176,145</b>	<b>509,356</b>	<b>186,376</b>	<b>2,828,509</b>

b. As of December 31, 2022 and 2021, some part of properties and plants were pledged as guaranteed for long-term borrowings and credit limit amount. For details, please refer to Note 8.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

(8) Right-of-use asset

Changes in equity assets recognized for property, plant and equipment leased by the Company are as follows:

	<u>Land</u>	<u>Property and plants</u>	<u>Other equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2022	\$ 513,311	176,538	30,860	720,709
Additions	1,985	10,479	5,221	17,685
Less	-	(7,045)	(7,729)	(14,774)
Foreign Exchange Rates	9,187	1,115	296	10,598
Balance at December 31, 2022	<b><u>\$ 524,483</u></b>	<b><u>181,087</u></b>	<b><u>28,648</u></b>	<b><u>734,218</u></b>
Balance at January 1, 2021	\$ 495,008	178,876	16,527	690,411
Acquired through merger	3,933	31,536	-	35,469
Additions	17,170	6,589	17,634	41,393
Less	-	(39,425)	(3,247)	(42,672)
Foreign Exchange Rates	(2,800)	(1,038)	(54)	(3,892)
Balance at December 31, 2021	<b><u>\$ 513,311</u></b>	<b><u>176,538</u></b>	<b><u>30,860</u></b>	<b><u>720,709</u></b>
Accumulated depreciation:				
Balance at January 1, 2022	\$ 57,217	76,698	10,539	144,454
Provision for depreciation	31,108	44,436	10,970	86,514
Less	-	(7,045)	(7,729)	(14,774)
Foreign Exchange Rates	954	(789)	231	396
Balance at December 31, 2022	<b><u>\$ 89,279</u></b>	<b><u>113,300</u></b>	<b><u>14,011</u></b>	<b><u>216,590</u></b>
Balance at January 1, 2021	\$ 28,494	54,126	6,316	88,936
Provision for depreciation	28,849	49,021	7,635	85,505
Decrease	-	(26,553)	(3,247)	(29,800)
Foreign Exchange Rates	(126)	104	(165)	(187)
Balance at December 31, 2021	<b><u>\$ 57,217</u></b>	<b><u>76,698</u></b>	<b><u>10,539</u></b>	<b><u>144,454</u></b>
Carrying value:				
December 31, 2022	<b><u>\$ 435,204</u></b>	<b><u>67,787</u></b>	<b><u>14,637</u></b>	<b><u>517,628</u></b>
December 31, 2021	<b><u>\$ 466,514</u></b>	<b><u>124,750</u></b>	<b><u>10,211</u></b>	<b><u>601,475</u></b>
December 31, 2021	<b><u>\$ 456,094</u></b>	<b><u>99,840</u></b>	<b><u>20,321</u></b>	<b><u>576,255</u></b>

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

### (9) Investment property

#### a. Details of investment property as follows:

	<u>Land</u>	<u>Property and plants</u>	<u>Total</u>
Cost:			
Balance at January 1, 2022	\$ 261,048	39,924	300,972
Loss adjustment through fair value	<u>(1,449)</u>	<u>(709)</u>	<u>(2,158)</u>
Balance at December 31, 2022	<u>\$ 259,599</u>	<u>39,215</u>	<u>298,814</u>
Balance at January 1, 2021	\$ 259,417	39,677	299,094
Profit adjustment through fair value	<u>1,631</u>	<u>247</u>	<u>1,878</u>
Balance at December 31, 2021	<u>\$ 261,048</u>	<u>39,924</u>	<u>300,972</u>
Fair value:			
December 31, 2022			<u>298,814</u>
December 31, 2021			<u>299,094</u>
December 31, 2021			<u>300,972</u>

#### b Investment property fair value basis

The investment properties held by the consolidated company are located in the Nangang and Neihu districts of Taipei City. Their fair values are determined based on the results of an independent appraisal by valuation experts, using the discounted cash flow analysis method under the income approach. The main assumptions and relevant explanations are as follows:

- (i) The expected future cash inflows from investment properties of the consolidated company include rental income, interest income from deposits, vacancy losses, and disposal value at the end of the period. The rental income is estimated based on local and comparable market rental rates, taking into consideration the estimated annual rental growth rate for the next ten years. The interest income from deposits is estimated based on the average deposit interest rate published by the central bank for the top five banks, ranging from 1.04% to 1.192% for a one-year term. The vacancy losses are calculated based on the vacancy situation of similar properties in the neighboring area. The disposal value at the end of the period is determined by capitalizing the projected operating income for the next year, after deducting normal operating expenses, using a direct capitalization approach. The future cash outflows include related taxes, insurance premiums, management fees, and repair costs that are directly related to the leases. The changing rates used to estimate future variations in these expenses are based on the current expenditure levels, taking into consideration adjustments to announced land prices and tax rates stipulated by housing tax regulations.
- (ii) The estimation of the discount rate is based on the regulations of the Financial Supervisory Commission, which stipulate that it shall not be lower than the interest rate for a two-year postal time deposit announced by Chunghwa Post Co., Ltd., plus three digits. However, considering the recent real estate market conditions, it is estimated to be 1.97% to 2.345%.
- (iii) The decision on capitalizing end-of-period earnings is based on the reasonable capitalization rate of the subject and the future benefits of building improvements, estimated at 1.450% to 2.025%.
- (iv) The monthly rent for investment properties in the local area and similar targets ranges from NT\$1,000 to NT\$1,210 per ping.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

(v) The fair value of the Nangang and Neihu properties, as assessed by discounted cash flow analysis, is NT\$51,266 thousand and NT\$247,548 thousand, respectively.

(vi) The real estate appraisal reports used by the consolidated company are signed and issued by Mr. Tsai Jia-ho, a certified appraiser from Cushman & Wakefield, with appraisal dates of June 21, and July 27, 2022, respectively.

c. For details on investment property pledged as collateral, please refer to Note 8.

### (10) Intangible assets

The costs and amortization of the Company's intangible assets for 2022 and 2021 are detailed as follows:

	Computer software	Franchising	Customer relationship	Goodwill	Others	Total
Cost:						
Balance at January 1, 2022	\$ 122,605	104,642	69,242	28,123	45,875	370,487
Additions	11,520	-	-	-	24,925	36,445
Foreign Exchange Rates	868	-	7,534	3,078	2,303	13,783
Balance at December 31, 2022	<u>\$ 134,993</u>	<u>104,642</u>	<u>76,776</u>	<u>31,201</u>	<u>73,103</u>	<u>420,715</u>
Balance at January 1, 2021	\$ 98,778	104,642	-	-	9,582	213,002
Additions	23,331	-	-	-	15,256	38,587
Acquired through merger	1,370	-	71,202	28,992	21,687	123,251
Foreign Exchange Rates	(874)	-	(1,960)	(869)	(650)	(4,353)
Balance at December 31, 2021	<u>\$ 122,605</u>	<u>104,642</u>	<u>69,242</u>	<u>28,123</u>	<u>45,875</u>	<u>370,487</u>
Accumulated amortization and impairment:						
Balance at January 1, 2022	\$ 89,497	104,642	7,751	-	12,499	214,389
Current amortization	20,376	-	9,981	-	17,350	47,707
Foreign Exchange Rates	995	-	2,998	-	330	4,323
Balance at December 31, 2022	<u>\$ 110,868</u>	<u>104,642</u>	<u>20,730</u>	<u>-</u>	<u>30,179</u>	<u>266,419</u>
Balance at January 1, 2021	\$ 74,419	104,642	-	-	7,475	186,536
Current amortization	15,660	-	8,226	-	5,569	29,455
Foreign Exchange Rates	(582)	-	(475)	-	(545)	(1,602)
Balance at December 31, 2021	<u>\$ 89,497</u>	<u>104,642</u>	<u>7,751</u>	<u>-</u>	<u>12,499</u>	<u>214,389</u>
Carrying value:						
December 31, 2022	<u>\$ 24,125</u>	<u>-</u>	<u>56,046</u>	<u>31,201</u>	<u>42,924</u>	<u>154,296</u>
December 31, 2021	<u>\$ 24,359</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,107</u>	<u>26,466</u>
December 31, 2021	<u>\$ 33,108</u>	<u>-</u>	<u>61,491</u>	<u>28,123</u>	<u>33,376</u>	<u>156,098</u>

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

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

### (11) Short-term borrowings

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank loans	\$ 1,166,562	794,234
Secured bank loans	262,000	250,000
	<u>\$ 1,428,562</u>	<u>1,044,234</u>
Unused credit lines	<u>\$ 3,168,996</u>	<u>2,182,300</u>
Interest rate	<u>0.75%~6.55%</u>	<u>0.65%~2.10%</u>

b For details on property pledged as collateral for bank loans, please refer to Note 8.

### (12) Long-term borrowings

a. The Company's long-term borrowing details as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank loans	\$ 1,724,500	1,679,507
Secured bank loans	54,788	84,065
Subtotal	1,779,288	1,763,572
Less: current maturity	(1,119,167)	(240,286)
Total	<u>\$ 660,121</u>	<u>1,523,286</u>
Unused credit lines	<u>\$ 501,000</u>	<u>1,441,000</u>
Interest rate	<u>0.80%~2.15%</u>	<u>0.65%~1.80%</u>

b. The maturity date for the unsecured bank loans of the Company is from 2023 to 2026; while the maturity date for the secured bank loans is from 2023 to year 2030.

c. 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. For the years ended December 31, 2022 and 2021, there is no incident of the Company violating such financial ratios.

d. The Company has obtained special low-interest rate loans of \$600,000 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%, and the difference of \$11,325 thousand 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'.

e For details on property pledged as collateral for bank loans, please refer to Note 8.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

### (13) Bonds payable

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total convertible corporate bonds issued	\$ 600,000	600,000
Unamortized discounted corporate bonds payable	(42,994)	(64,548)
Cumulative converted amount	<u>(1,100)</u>	<u>-</u>
Corporate bonds issued balance at year-end	<u>\$ 555,906</u>	<u>535,452</u>
Embedded derivatives - redemption (Financial assets at fair value through profit or loss)	<u>\$ 62</u>	<u>1,366</u>
Equity component – conversion options, included in capital surplus	<u>\$ 71,065</u>	<u>71,196</u>
	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Embedded derivative – redeem options, included in other gains or loss remeasured at fair value through profit or loss	<u>\$ 1,184</u>	<u>118</u>
Interest expenses	<u>\$ 21,459</u>	<u>2,219</u>

b. Major terms and conditions of the second issuance of convertible company bonds in 2021:

(i) Issued period: Three years, from November 22, 2021 to November 22, 2024.

(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 30% 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 10% 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 22, 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 12, 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).

c. 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.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

### (14) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current	<u>\$ 47,039</u>	<u>67,134</u>
Non-current	<u>\$ 75,665</u>	<u>108,413</u>

a. For the maturity analysis, please refer to note 6(23) Financial Instruments.

b. The amounts recognized in profit and loss were as follows:

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Interests on lease liabilities	<u>\$ 4,602</u>	<u>4,661</u>
Expenses relating to short-term leases	<u>\$ 11,749</u>	<u>12,213</u>
Expenses relating to low-value leases (excluding low-value lease of short-term leases)	<u>\$ 3,045</u>	<u>2,586</u>

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

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Total cash outflow for leases	<u>\$ 88,765</u>	<u>75,557</u>

### d. Lease of land, property and plants

The Company leases land, property and plants for its office and factory with lease terms of usually 2 to 50 years. Some lease contract can be renewed before contract expires and have the option to extend to the same term.

### e. Other lease

The Company leases machinery and transport equipment with lease terms of usually 3 to 5 years.

### (15) 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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined obligation	\$ 71,058	75,946
Fair value of plan assets	(25,692)	(22,997)
Net defined benefit liabilities	<u>\$ 45,366</u>	<u>52,949</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. and Subsidiaries Notes to Consolidated 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 \$25,692 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 year ended December 31, 2022	For the year ended December 31, 2021
Defined benefit obligation on January 1	\$ 75,946	75,196
Current service cost and interest	3,724	3,392
Remeasurements of net defined benefit liabilities	(9,039)	4,600
Exchange differences	427	(7,242)
Defined benefit obligation on December 31	<u>\$ 71,058</u>	<u>75,946</u>

### (iii) Changes 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 year ended December 31, 2022	For the year ended December 31, 2021
Fair value of plan assets on January 1	\$ 22,997	20,772
Interest revenue	155	129
Amount appropriated to plan	798	1,847
Remeasurements of net defined benefit liabilities	1,742	249
Fair value of plan assets on December 31	<u>\$ 25,692</u>	<u>22,997</u>

### (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 year ended December 31, 2022	For the year ended December 31, 2021
Current service cost	\$ 2,027	2,055
Net interest of net defined benefit liabilities	1,542	1,208
	<u>\$ 3,569</u>	<u>3,263</u>
	For the year ended December 31, 2022	For the year ended December 31, 2021
Operating costs and expenses	<u>\$ 3,569</u>	<u>3,263</u>

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

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

Recognized accumulatively as remeasurements of net defined benefit liabilities under other comprehensive profit and loss.

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Accumulated balance on January 1	\$ 27,740	(28,236)
Current recognition	10,881	496
Accumulated balance on December 31	<u>\$ 16,859</u>	<u>(27,740)</u>

(6) Actuarial assumptions

Details of actuarial assumptions used at the end of reporting date as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.750%	0.625%
Increase on future payroll	1%~5.5%	1%~5.5%

The Company has planned to appropriate in the amount of \$821 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 11 to 14 years.

(vii) Sensitivity analysis

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

	<u>Impact to defined benefit obligation</u>	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>
Balance at December 31, 2022		
Discount rate	(1,160)	1,202
Increase on future payroll	983	(960)
December 31, 2021		
Discount rate	(1,439)	1,494
Increase on future payroll	1,198	(1,167)

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.

b. Defined contribution plans

The Company and its domestic subsidiaries 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.

The Company's pension costs under the defined contribution method were \$95,318 thousand and \$99,533 thousand for the years ended December 31, 2022 and 2021, respectively. Payment was made to the Bureau of Labor Insurance.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

(16) Income taxes

a. Income tax expenses

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

	<b>For the year ended December 31, 2022</b>	<b>For the year ended December 31, 2021</b>
Current tax expense	\$ 106,904	96,060
Deferred income tax benefits	(15,174)	(15,318)
Income tax expenses	<b>\$ 91,730</b>	<b>80,742</b>

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

	<b>For the year ended December 31, 2022</b>	<b>For the year ended December 31, 2021</b>
Components of other comprehensive income that will be reclassified to profit or loss:		
Exchange differences on translation of foreign financial statements	<b>\$ 26,020</b>	<b>(11,122)</b>

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

	<b>For the year ended December 31, 2022</b>	<b>For the year ended December 31, 2021</b>
Profit before income tax	<b>\$ 315,063</b>	<b>588,913</b>
Income tax using the Company's domestic tax rate	\$ 63,013	117,782
The effect of difference in tax rates in foreign territories	(44,502)	(10,226)
Not deductible expenses	10,645	19,438
Unrecognized temporary difference	24,306	(58,456)
Surcharge on undistributed earnings	-	11,195
Others	38,268	1,009
	<b>\$ 91,730</b>	<b>80,742</b>

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:

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

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

(ii) Unrecognized deferred tax assets

Items not recognized as deferred income tax assets by the parent company are as follows:

	December 31, 2022	December 31, 2021
Tax loss	<u>\$ 590,306</u>	<u>210,033</u>
Unrecognized amount of deferred tax assets	<u>\$ 118,061</u>	<u>42,007</u>

Some of the subsidiaries have yet to have steady growth and profit earning capabilities in 2022 and 2021; therefore the deferred income tax assets were not recognized because it is speculated if the tax losses were recoverable. If the operating revenue is continuing to grow for the next year, the aforementioned tax loss would be recognized.

(iii) 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 gains or losses	Share of profit or loss of subsidiaries accounted for using equity method	Others	Total
<b>Deferred income tax assets:</b>					
<b>January 1, 2022</b>	\$ 9,707	1,289	63,449	3,938	78,383
(Debit) credit profit or loss	3,559	(970)	(3,217)	2,821	2,193
<b>December 31, 2022</b>	<u>\$ 13,266</u>	<u>319</u>	<u>60,232</u>	<u>6,759</u>	<u>80,576</u>
<b>December 31, 2021</b>	\$ 5,406	4,035	63,449	(2,434)	70,456
(Debit) credit profit or loss	4,301	(2,746)	-	6,372	7,927
<b>December 31, 2021</b>	<u>\$ 9,707</u>	<u>1,289</u>	<u>63,449</u>	<u>3,938</u>	<u>78,383</u>
	Share of profit or loss of subsidiaries accounted for using equity method	Exchange differences on translation of foreign financial statements	Unrealized gains or losses from financial assets	Others	Total
<b>Deferred tax liabilities:</b>					
<b>January 1, 2022</b>	\$ 311,045	(45,903)	(5,121)	41,946	301,967
Credit (debit) profit or loss	93	(11,641)	-	(1,433)	(12,981)
Credit (debt) of other comprehensive income	-	26,020	-	-	26,020
Exchange differences on translation of foreign financial statements	2,003	-	-	-	2,003
<b>December 31, 2022</b>	<u>\$ 313,141</u>	<u>(31,524)</u>	<u>(5,121)</u>	<u>40,513</u>	<u>317,009</u>

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

	Share of profit or loss of subsidiaries accounted for using equity method	Exchange differences on translation of foreign financial statements	Unrealized gains or losses from financial assets	Others	Total
<b>December 31, 2021</b>	\$ 325,322	(34,784)	389	30,355	321,282
Credit (debit) profit or loss	(14,277)	-	(5,510)	11,011	(8,776)
Credit (debit) of other comprehensive income	-	(11,122)	-	-	(11,122)
Acquired through merger	-	-	-	592	592
Exchange differences on translation of foreign financial statements	-	3	-	(12)	(9)
<b>December 31, 2021</b>	<b>\$ 311,045</b>	<b>(45,903)</b>	<b>(5,121)</b>	<b>41,946</b>	<b>301,967</b>

c. Assessment of tax

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

(17) 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 thousand 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.

(ii) Capital reserve

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
	<b>\$ 988,615</b>	<b>1,002,379</b>

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

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.

Please refer to notes 6(6) and 6(18) 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.

#### (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. and Subsidiaries Notes to Consolidated 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	
	Dividend (dollar)	Amount	Dividend (dollar)	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	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>

### (18) 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. and Subsidiaries Notes to Consolidated 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:

	<u>For the year ended December 31, 2021</u> <u>Cash increase of capital reserved for employee stock options</u>
Fair value at the date of grant	11.60
Stock price at the date of grant	51.30
Exercise price	40.00
Expected 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.

### b. Employees expenses and liabilities

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

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

## (19) Earnings per share

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

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
<b>Basic earnings per share</b>		
Current net profit attributable to the Company	<u>\$ 225,319</u>	<u>510,855</u>
Weighted average number of ordinary shares outstanding (shares in thousands)	134,406	122,922
<b>Basic earnings per share (dollar)</b>	<u>\$ 1.68</u>	<u>4.16</u>
<b>Diluted earnings per share</b>		
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)	<u>\$ 242,486</u>	<u>512,630</u>
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)	<u>147,913</u>	<u>135,744</u>
<b>Diluted earnings per share(dollar)</b>	<u>\$ 1.64</u>	<u>3.78</u>

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

(20) Revenue from contracts with customers

a. Disaggregation of revenue

For the year ended December 31, 2022					
	Connectors segment	Connectors segment	Metal stamping segment	Other segment	Total
Primary geographical markets:					
Taiwan	\$ 900,558	403,164	495,932	141,229	1,940,883
China	3,701,789	504,866	941,494	143,058	5,291,207
Philippines	1,269	750,275	157,616	-	909,160
USA	86,025	184,035	190,332	37,672	498,064
Other countries	308,921	241,516	693,409	509,344	1,753,190
	<b>\$ 4,998,562</b>	<b>2,083,856</b>	<b>2,478,783</b>	<b>831,303</b>	<b>10,392,504</b>
Major products/services lines:					
Connectors	\$ 4,998,562	-	-	-	4,998,562
Connector cable set	-	2,083,856	-	-	2,083,856
Metal stamping parts	-	-	2,478,783	-	2,478,783
Others	-	-	-	831,303	831,303
	<b>\$ 4,998,562</b>	<b>2,083,856</b>	<b>2,478,783</b>	<b>831,303</b>	<b>10,392,504</b>
For the year ended December 31, 2021					
	Connectors segment	Connectors segment	Metal stamping segment	Other segment	Total
Primary geographical markets:					
Taiwan	\$ 836,476	531,925	797,827	228,770	2,394,998
China	4,013,251	682,912	632,629	136,087	5,464,879
Philippines	691	687,559	2,023	-	690,273
USA	45,840	155,538	129,559	42,260	373,197
Other countries	652,996	182,765	405,737	411,017	1,652,515
	<b>\$ 5,549,254</b>	<b>2,240,699</b>	<b>1,967,775</b>	<b>818,134</b>	<b>10,575,862</b>
Major products/services lines:					
Connectors	\$ 5,549,254	-	-	-	5,549,254
Connector cable set	-	2,240,699	-	-	2,240,699
Metal stamping parts	-	-	1,967,775	-	1,967,775
Others	-	-	-	818,134	818,134
	<b>\$ 5,549,254</b>	<b>2,240,699</b>	<b>1,967,775</b>	<b>818,134</b>	<b>10,575,862</b>

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

### b. Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes and account receivable (including related parties)	\$ 2,624,509	2,901,594
Less: Loss allowance	<u>(42,390)</u>	<u>(46,161)</u>
Total	<u>\$ 2,582,119</u>	<u>2,855,433</u>

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

### (21) Remunerations to employees and directors

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.

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.

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

The amount, as stated in the consolidated 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".

### (22) Non-operating income and expenses

#### a. Other revenue

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Lease income	\$ 6,932	6,442
Mold income	68,100	20,753
Others	<u>66,119</u>	<u>52,448</u>
	<u>\$ 141,151</u>	<u>79,643</u>

#### b. Other gains and losses

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Foreign exchange gains (losses)	\$ 227,551	(43,537)
Losses on disposals of property, plant and equipment	(15,899)	(1,459)
Profit (loss) adjustment through fair value - investment property	(2,158)	1,878
Gains (losses) on financial assets at fair value through profit or loss	(32,741)	39,466
Reversal of impairment gain	2,802	-
Others	<u>(14,634)</u>	<u>(10,298)</u>
	<u>\$ 164,921</u>	<u>(13,950)</u>

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

The Company can 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(23) for details.

### c. Finance costs

	<b>For the year ended December 31, 2022</b>	<b>For the year ended December 31, 2021</b>
Bank loan interest	\$ 59,008	38,932
Lease liabilities interest	4,602	4,661
Convertible company bond interest	21,459	2,219
	<b><u>\$ 85,069</u></b>	<b><u>45,812</u></b>

### (23) Financial instruments

#### a. Credit risk

##### (i) Maximum credit risk exposure

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

##### (ii) Concentration to credit risk

The Company has a vast group of customer without obvious concentration on single customer and the sales locations are spread out all over. Therefore there is no concentration of credit risk on account receivable. In order to reduce credit risk, the Company continues to assess financial status of its customers.

##### (iii) For details on credit risks of notes and accounts receivables, please refer to Note 6(3).

#### b. Liquidity Risk

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

	<b>Carrying amount</b>	<b>contractual cash flows</b>	<b>Within 1 years</b>	<b>2-5 years</b>	<b>Over 5 years</b>
<b>December 31, 2022</b>					
Non-derivative financial liabilities					
Short-term borrowings	\$ 1,482,562	1,471,442	1,471,442	-	-
Notes payable	518	518	518	-	-
Accounts payable	1,623,419	1,623,419	1,623,419	-	-
Account payable - related parties	327	327	327	-	-
Other payables	1,012,818	1,012,818	1,012,818	-	-
Other payable - including related parties	2,823	2,823	2,823	-	-
Lease liabilities	122,704	148,978	50,341	53,275	45,362
Bonds payable	555,906	600,000	-	600,000	-
Long-term borrowings	1,779,288	1,822,772	1,146,413	662,826	13,533
(including due within 1 year)					
	<b><u>\$ 6,580,365</u></b>	<b><u>6,683,097</u></b>	<b><u>5,308,101</u></b>	<b><u>1,316,101</u></b>	<b><u>58,895</u></b>

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

	<u>Carrying amount</u>	<u>contractual cash flows</u>	<u>Within 1 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2021</b>					
Non-derivative financial liabilities					
Short-term borrowings	\$ 1,044,234	1,066,200	1,066,200	-	-
Notes payable	1,599	1,599	1,599	-	-
Accounts payable	1,919,968	1,919,968	1,919,968	-	-
Account payable - related parties	480	480	480	-	-
Other payables	1,126,058	1,126,058	1,126,058	-	-
Other payable - including related parties	2,501	2,501	2,501	-	-
Lease liabilities	175,547	203,536	70,979	87,722	44,835
Bonds payable	535,452	600,000	-	600,000	-
Long-term borrowings (including due within 1 year)	1,763,572	1,801,320	100,524	1,681,015	19,781
	<b>\$ 6,569,411</b>	<b>6,721,662</b>	<b>4,288,309</b>	<b>2,368,737</b>	<b>64,616</b>

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

### c. Currency risk

#### (i) Currency risk

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

	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	\$ 111,539	30.71	3,425,363	137,829	27.68	3,815,102
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	55,474	30.71	1,703,593	85,834	27.68	2,375,892

#### (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.

In 2022, 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 \$86,089 thousand and \$71,961 thousand for the years ended December 31, 2022 and 2021, respectively. The method of analysis remains the same for both periods.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

### (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.

### d 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 \$32,079 thousand and \$28,078 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:

	<b>December 31, 2022</b>				
	<b>Carrying amount</b>	<b>Fair value</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatory measured at FVTPL	\$ 163,651	-	-	163,651	163,651
Convertible bonds of embedded derivatives	62	-	62	-	62
<b>Total</b>	<b>\$ 163,713</b>	<b>-</b>	<b>62</b>	<b>163,651</b>	<b>163,713</b>
	<b>December 31, 2021</b>				
	<b>Carrying amount</b>	<b>Fair value</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatory measured at FVTPL	\$ 267,284	98,622	-	168,662	267,284
Convertible bonds of embedded derivatives	1,366	-	1,366	-	1,366
<b>Total</b>	<b>\$ 268,650</b>	<b>98,622</b>	<b>1,366</b>	<b>168,662</b>	<b>268,650</b>

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated 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

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

Quantified information of significant unobservable inputs was as follow:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Interrelationship between significant unobservable inputs and fair value measurement</u>
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"> <li>• The higher the market illiquidity discount is, the lower the fair value.</li> <li>• The higher the credit risk is, the lower the fair value.</li> </ul>

### (24) Financial risk information

#### 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. and Subsidiaries Notes to Consolidated 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 \$3,669,996 and \$3,623,300, 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.

#### (ii) 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 Group's functional currency is NTD, as well as USD and RMB. These transactions were in NTD, USD and RMB.

#### (iii) 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.

#### (iv) 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.

### (25) 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. and Subsidiaries Notes to Consolidated 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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total liabilities	\$ 7,185,022	7,340,399
Less: cash and cash equivalents	<u>(2,418,492)</u>	<u>(2,567,895)</u>
Net liabilities	4,766,530	4,772,504
Total equity	<u>\$ 5,655,354</u>	<u>5,532,203</u>
Debt-to-equity ratio	<u>84.28%</u>	<u>86.27%</u>

### (26) 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:

- Conversion of convertible bonds to ordinary shares, please refer to Note 6(17) for details.
- Reconciliation of liabilities arising from financing activities was as follows:

	<u>January 1, 2022</u>	<u>Cash flow</u>	<u>Non-Cash changes</u>	<u>December 31, 2022</u>
			<u>Others</u>	
Long-term borrowings (including due within 1 year)	\$ 1,763,572	15,721	(5)	1,779,288
Short-term borrowings	1,044,234	353,711	30,617	1,428,562
Lease liabilities	175,547	(69,369)	16,526	122,704
Corporate bonds payable (amortized discounted)	<u>535,452</u>	<u>-</u>	<u>20,454</u>	<u>555,906</u>
Total liabilities from financing activities	<u>\$ 3,518,805</u>	<u>300,063</u>	<u>67,592</u>	<u>3,886,460</u>

	<u>January 1, 2021</u>	<u>Cash flow</u>	<u>Non-Cash changes</u>	<u>December 31, 2021</u>
			<u>Others</u>	
Long-term borrowings (including due within 1 year)	\$ 1,433,189	313,745	16,638	1,763,572
Short-term borrowings	1,198,460	(158,742)	4,516	1,044,234
Lease liabilities	187,883	(56,097)	43,761	175,547
Corporate bonds payable (amortized discounted)	<u>-</u>	<u>600,000</u>	<u>(64,548)</u>	<u>535,452</u>
Total liabilities from financing activities	<u>\$ 2,819,532</u>	<u>698,906</u>	<u>367</u>	<u>3,518,805</u>

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

### 7. Related-party transactions

#### (1) Names and relationship with related parties

Related parties which had transactions with the Company during the time period of the consolidated financial statements:

Name of related parties	Relationship with the Company
Nantong Dadi Electric Co., Ltd.	Affiliated company
Wei Chi Investment Co., Ltd.	Corporate director of the Company
Hsu Chengfei	Board of director
Shin Yi Electronics Technology (Suzhou) Co., Ltd.	Note: Its main management is the chairman from COMPUPACK.(Note)
Di Der Electronics (SUZHOU) CO., LTD.	Note: Its chairperson is spouse of chairman from COMPUPACK. (Note)
Kung Shan Ching Zhi Electric Co., Ltd.	Affiliated company

Note: COMPUPACK had replaced its chairman in January 2022.

#### (2) Significant related party transactions

##### a. Operating revenue

Significant sales to related parties were as follows;

	For the year ended December 31, 2022	For the year ended December 31, 2021
Affiliated company	\$ 53,989	-

Selling price and sales term to subsidiaries is not significantly different from general sales. . 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

	For the year ended December 31, 2022	For the year ended December 31, 2021
Other related parties	\$ 937	2,822

The Company did not purchase the above mentioned items from other companies; therefore these is no comparison for purchase price. Payment terms is 1 to 2 month which is the same as other suppliers.

##### c. Receivables from related parties

Item	Type of related parties	December 31, 2022	December 31, 2021
Accounts receivable	Affiliated company	\$ 23,553	-

##### d. Payables to Related Parties

Item	Type of related parties	December 31, 2022	December 31, 2021
Accounts payable	Other related parties	\$ 327	480
Other payables	Other related parties	2,823	2,501
		\$ 3,150	2,981

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

### e. Lease

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. As of December 31, 2022 and 2021, the Company paid leases in the amount of \$13,710 and \$13,629, respectively. As of December 31, 2022 and 2021, the balance of lease liabilities amounted to \$6,826 and \$18,482, respectively.

### (3) Key management personnel transactions

Key management personnel compensation comprised:

	<b>For the year ended December 31, 2022</b>	<b>For the year ended December 31, 2021</b>
Short-term employee benefits	\$ 76,061	90,594
Post-employment benefits	1,844	2,018
	<b><u>\$ 77,905</u></b>	<b><u>92,612</u></b>

### (8) Assets pledged as security:

Details of the carrying value of assets pledged by the Company's as guarantee as follows:

<b>Asset name</b>	<b>Pledge or Mortgage underlying subject</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Property, plant and equipment			
Land	Bank loan and credit limit guarantee	\$ 49,920	49,920
Property and plants	"	29,935	30,731
		<b><u>\$ 79,855</u></b>	<b><u>80,651</u></b>
Investment property			
Land	Bank loan and credit limit guarantee	\$ 259,599	261,048
Property and plants	"	39,215	39,924
		<b><u>\$ 298,814</u></b>	<b><u>300,972</u></b>

### 9. Significant Commitments and contingencies:

#### (1) Significant and unrecognized commitments of the Company:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Acquisition of property, plant and equipment	\$ 793,391	114,585
Acquisition of intangible assets	27,174	-
	<b><u>\$ 820,565</u></b>	<b><u>114,585</u></b>

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. and Subsidiaries Notes to Consolidated Financial Statements

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

<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>\$ 6,199,935</b>	<b>5,876,576</b>

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

<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>\$ 14,816</b>	<b>13,688</b>

**10. Due to Major Disasters: none.**

**11. Materiality after the period: None**

**12. Other**

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

By item	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	1,297,353	900,732	2,198,085	1,285,593	818,535	2,104,128
Labor and health insurance	70,820	63,638	134,458	70,580	61,236	131,816
Pension	57,969	40,917	98,886	62,729	40,067	102,796
Other employee benefits	87,226	60,156	147,382	94,777	160,828	255,605
Depreciation	444,800	206,150	650,950	410,555	153,163	563,718
Amortization	437	47,270	47,707	1,317	28,138	29,455

### 13. Other disclosures

(1) Information of 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.	Loan amount	Name of borrower	Account name	Related party	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Interest rate	Maximum limit of fund financing	Business	Reason for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing	Note
	Name of Holder	Underwriting bank	Financial Statement Account										Name of related parties	Amount			
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	"

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

No.	Loan amount	Name of borrower	Account name	Related party	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Interest rate	Maximum limit of fund financing	Business	Unusual transaction details	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing	Note
					Amount	Balance at end of the year	Amount	Interest rate	Name of borrower			Amount	Item	Value			
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
4	MEC BEST KNOWN COMPANY 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	"
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	"
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

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

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

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: Nature of the loan as filled out below:

(i) Fill in '1' for companies with business relationship.

(ii) Fill in '2' for companies with short-term financing demands.

Note 12: The above transactions have been written-off in preparation of consolidated financial statements.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

### b. Guarantees and endorsements 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, )	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 allowed for endorsement	Endorsements/guarantees by parent company	Subsidiary endorsements/guarantees by a subsidiary	Endorsements/guarantees to a subsidiary in Mainland China
		Name	Relationship (Note 5)										
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

Note1: 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.

Note2: 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.

(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

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

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.

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				Highest balance for guarantees and endorsements during the period	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	- %	-
KUNSHAN ACES ELECTRONIC CO., LTD.	Fund - Kung Shan Hua Cheng Yi Da Equity Investment Company (limited partnership company)	-	Financial assets at FVTPL – non-current	-	92,581	2.49%	92,581	- %	-

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

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

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	% in total purchase (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: The above transactions have been written-off in preparation of consolidated financial statements.

Note 2: Only information pertaining to purchase was disclosed, relevant sales information will not be reiterated.

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

Recorded as other receivables Name of Holder	Name of counter-party Name of investee	Relationship	Receivables from related parties (Note 1)	Turnover rate	Overdue receivables from related parties		Receivables from related parties Ending Balance	Allowance for bad debt Amount
					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 2	-	-	-	-	-

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

Note 1: The above transactions have been written-off in preparation of consolidated financial statements.  
 Note 2: Loan and interest receivables.

- i. Trading in derivative instruments: None.  
 j. Significant transactions between parent company and subsidiaries:

No.	Companies to make purchase (sale)	Counter-party	Relation ship	Transaction details			
				Accounts	Amount	Trading terms	% of combined total revenues or assets
1	DONGGUAN ACES ELECTRONIC CO., LTD.	The Company	2	Sales	695,663	OA 120 days	6.69%
1	DONGGUAN ACES ELECTRONIC CO., LTD.	The Company	2	Accounts receivable	334,089	OA 120 days	2.59%
2	KUNSHAN ACES ELECTRONIC CO., LTD.	The Company	2	Sales	1,040,965	OA 120 days	10.02%
2	KUNSHAN ACES ELECTRONIC CO., LTD.	The Company	2	Accounts receivable	399,661	OA 120 days	3.10%
2	KUNSHAN ACES ELECTRONIC CO., LTD.	DONGGUAN ACES ELECTRONIC CO., LTD.	3	Sales	229,599	OA 90 days	2.21%
3	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	KUANG YING COMPUTER EQUIPMENT CO., LTD.	3	Sales	518,267	OA 60 days	4.99%
3	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	KUANG YING COMPUTER EQUIPMENT CO., LTD.	3	Accounts receivable	113,388	OA 60 days	0.88%
4	MEC SUZHOU ELECTRONICS CO., LTD.	MEC IMEX INC.	3	Sales	468,917	OA 90 days	4.51%
4	MEC SUZHOU ELECTRONICS CO., LTD.	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	3	Other receivables	142,640	According to contract	1.11%
5	GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	KUNSHAN ACES ELECTRONIC CO., LTD.	3	Sales	310,799	OA 30 days	2.99%
6	GENESIS TECHNOLOGY (NINGBO) INC.	GENESIS TECHNOLOGY USA, INC.	3	Sales	492,117	OA 120 days	4.74%
6	GENESIS TECHNOLOGY (NINGBO) INC.	GENESIS TECHNOLOGY USA, INC.	3	Accounts receivable	209,853	OA 120 days	1.63%

Note 1: Fill out the numbers as follows:

- a. '0' for parent company.
- b. '1' and sequential numbering for the subsidiaries.

Note 2: Categories of relationships of transacting parties as below:

1. Parent company to subsidiary
2. Subsidiary to parent company
3. Subsidiary to subsidiary

Note 3: Only information pertaining to sales, revenue and accounts receivable were disclosed, relevant information on purchase, expenses and accounts payable will not be reiterated.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated 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):

Investor Company	Investee Company	Location	Main Activities	Original investment amount		Balance as of December 31, 2022			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying amount	Percentage of ownership			
The Company	ACECONN ELECTRONIC CO., LTD.	SAMOA	Investment holding	318,665	318,665	19,800	100.00%	3,947,663	- %	180,653	170,626	Note 1
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)	Note 1
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)	"
The Company	JASON TECHNOLOGY LIMITED.	Hong Kong	Electronic component sales business	-	-	5,000	100.00%	10,361	- %	(9,166)	(11,132)	"

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

Investor Company	Investee Company	Location	Main Activities	Original investment amount		Balance as of December 31, 2022			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying amount	Percentage of ownership			
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 1, 2
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)	Note 1
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)	Note 1
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	"
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)	"

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

Investor Company	Investee Company	Location	Main Activities	Original investment amount		Balance as of December 31, 2022			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying amount	Percentage of ownership			
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	"
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: The above transactions have been written-off in preparation of consolidated financial statements.

Note 2: 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 Activities	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated remittance from Taiwan as of January 1, 2022	Investment flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Maximum Shareholding in the Interim	Investor's Share of Profit (Loss) of Investee	Carrying amount of Investment as of December 31, 2022	Accumulated Inward Remittance of Earnings 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%	100.00%	83,339	654,903	451,444	Note 11
KUNSHAN ACES ELECTRONIC CO., LTD.	Connector manufacturing and sales business	629,475	(2)	163,447	-	-	163,447	94,298	100.00%	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%	100.00%	(35)	47,301	-	"
CHONGQING HONG GAO ELECTRONIC CO., LTD.	Connectors sales business	173,985	(2)	188,086	-	-	188,086	(154)	100.00%	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%	100.00%	(22,645)	169,568	-	"
KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	Connector manufacturing and sales business	434,035	(2)	-	-	-	Note 6:	(3,100)	100.00%	100.00%	(3,100)	429,350	-	Note 6, 11
Nantong Dadi Electric Co., Ltd.	Automobile cable bundle manufacturing and sales business	410,404	(3)	-	-	-	Note 2:	40,614	19.31%	19.31%	7,843	428,398	-	Note 2

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

Name of investee	Main Activities	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated remittance from Taiwan as of January 1, 2022	Investment flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Maximum Shareholding in the Interim	Investor's Share of Profit (Loss) of Investee	Carrying amount of Investment as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022	Note
					Outflow	Inflow								
Kung Shan Ching Zhi Electric Co., Ltd.	Electronic component sales business	-	(3)	-	-	-	Note 10:	7,527	30.00%	30.00%	2,258	18,772	-	Note 10
MEC ELECTRONICS (SUZHOU) CO., LTD.	Connector cable set manufacturing and sales business	121,853	(2)	301,403	-	-	301,403	1,017	100.00%	100.00%	1,017	76,168	-	Note 3, 11
SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Connector cable set manufacturing and sales business	311,640	(2)	210,065	-	-	210,065	(3,206)	100.00%	100.00%	(3,206)	(191,796)	-	"
HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Connector cable set manufacturing and sales business	167,061	(2)	73,123	-	-	73,123	13,050	100.00%	100.00%	13,050	864	-	"
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%	100.00%	(113,306)	35,419	-	"
DONGGUAN COMPUPACK TECHNOLOGY CO., LTD.	Electronic component sales business	10,477	(1)	10,477	-	-	10,477	743	100.00%	100.00%	743	10,017	-	Note 4, 11
DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	Electronic component manufacturing and sales	128,110	(2)	129,711	-	-	129,711	38,688	100.00%	100.00%	38,688	123,307	-	Note 5, 11
SUZHOU KUANG YING ELECTRIC CO., LTD.	Electronic component manufacturing and sales	104,307	(2)	153,819	-	-	153,819	(628)	100.00%	100.00%	(628)	1,901	-	"
GENESIS INTERCONNECT CO., LTD.	Electronic component sales business	109,860	(2)	56,432	-	-	56,432	(1,401)	100.00%	100.00%	(1,401)	41,002	-	Note 7, 11
GENESIS GUIZHOU TECHNOLOGY CO., LTD.	Electronic component sales business	108,600	(2)	161,665	-	-	161,665	(6,086)	100.00%	100.00%	(6,086)	8,825	-	"
DONGGUAN POLIXIN ELECTRIC CO., LTD.	Electronic component sales business	65,150	(3)	-	-	-	-	(30,722)	100.00%	100.00%	(30,722)	2,612	-	Note 7, 8, 11

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

Name of investee	Main Activities	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated remittance from Taiwan as of January 1, 2022	Investment flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Maximum Shareholding in the Interim	Investor's Share of Profit (Loss) of Investee	Carrying amount of Investment as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022	Note
					Outflow	Inflow								
GENESIS TECHNOLOGY (NINGBO) INC.	Electronic component sales business	21,720	(2)	228,805	-	-	228,805	(11,743)	100.00%	100.00%	(11,743)	76,855	-	Note 9, 11
SHENZHEN JINO ELECTRONIC CO., LTD.	Electronic component sales business	80,897	(2)	168,495	-	-	168,495	(27)	100.00%	100.00%	(27)	8,479	-	"

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

Note 3: Indirect investment of MEC IMEX INC.

Note 4: Direct investment of COMPUPACK TECHNOLOGY CO., LTD. in the amount of USD350 thousand.

Note 5: Indirect investment of KUANG YING COMPUTER EQUIPMENT CO., LTD.

Note 6: Direct investment of ACECONN ELECTRONIC CO., LTD. In the amount of RMB72,906 thousand.

Note 7: Indirect investment of GENESIS INNOVATION GROUP LIMITED.

Note 8: Indirect investment of GEUESIS INNOVATION GROUP LIMITED due to internal reorganization of the Group.

Note 9: Indirect investment of GENESIS ELECTRO-MACHANICAL LIMITED.

Note 10: Direct investment of KUNSHAN ACES ELECTRONIC CO., LTD. in the amount of RMB3,750 thousand.

Note 11: The above transactions have been written-off in preparation of consolidated financial statements.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

### b. Limitation on investment in Mainland China:

Name of investee	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
ACES Electronics Co.,Ltd.	1,442,430 (USD 48,316 thousand)	2,742,188 (USD 89,293 thousand)(Note 2)	3,382,272
MEC IMEX INC.	761,551 (USD 25,896 thousand)	1,027,096 (USD 33,445 thousand)	349,644
COMPUPACK TECHNOLOGY CO.,LTD.	10,477 (USD 350 thousand)	10,749 (USD 350 thousand)	106,013
KUANG YING COMPUTER EQUIPMENT CO., LTD.	283,530 (USD 8,983 thousand)	307,223 (USD 10,004 thousand)	Note 3

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.

Note 3: As this subsidiary obtained the operation headquarters recognition document issued by the Industrial Bureau of the Ministry of Economic Affairs in December in 2020, it is not subject to the quota restrictions of the "Principles for Reviewing Investment or Technical Cooperation in Mainland China" by the Ministry of Economic Affairs.

### c. Significant transactions:

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

#### (4) Major shareholders:

Shareholder's Name	Shareholding		Unit: Shares
	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.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

### 14. Segment information:

#### (1) General Information

The Company has 4 reporting segments: connector, connector sets, metal stamping segment and other segment. The connector segment is mainly engaging in processing, manufacturing and selling of connectors. The connector sets segment is mainly engaging in manufacturing and sales of consumer electronics, communication peripherals and industrial connectors sets. The metal stamping segment is mainly engaging in processing, manufacturing and selling of connectors. Other segment is mainly engaging in investment, sales, handling and packaging business of communication cable sets.

Each segment is responsible for its own strategic business unit in order to provide different products and services. Separate management is required because each strategic business required different techniques and marketing strategies.

#### (2) Information on Profit and Loss, Departmental Assets, Departmental Liabilities, and the Basis of Measurement and Adjustment for Reporting Segments

The consolidated company allocates unrecognized income tax expenses or non-recurring gains and losses to the reporting segments. In addition, not all gains and losses of reporting segments include significant non-cash items other than depreciation and amortization. The reported amounts are consistent with the reports used by operating decision-makers.

The accounting policies of the operating segments of the consolidated company are the same as those summarized in the significant accounting policies. The operating segment profit and loss of the consolidated company is measured based on operating profit before tax and serves as the basis for performance evaluation.

The information and adjustments for the operating segments of the consolidated company are as follows:

For the year ended December 31, 2022						
	Connector segment	Connector cable segment	Metal stamping segment	Other segment	Adjustment and elimination	Total
Revenue:						
Revenue from external customer	\$ 4,998,562	2,083,856	2,478,783	831,303	-	10,392,504
Revenue from between segments	248,116	191,596	34,344	43,713	(517,769)	-
<b>Total revenue</b>	<b>\$ 5,246,678</b>	<b>2,275,452</b>	<b>2,513,127</b>	<b>875,016</b>	<b>(517,769)</b>	<b>10,392,504</b>
<b>Profit and loss from each segment</b>	<b>\$ 237,409</b>	<b>(85,260)</b>	<b>269,623</b>	<b>(30,718)</b>	<b>(75,991)</b>	<b>315,063</b>

For the year ended December 31, 2021						
	Connector segment	Connector cable segment	Metal stamping segment	Other segment	Adjustment and elimination	Total
Revenue:						
Revenue from external customer	\$ 5,549,254	2,240,699	1,967,775	818,134	-	10,575,862
Revenue from between segments	299,250	167,347	24,520	25,918	(517,035)	-
<b>Total revenue</b>	<b>\$ 5,848,504</b>	<b>2,408,046</b>	<b>1,992,295</b>	<b>844,052</b>	<b>(517,035)</b>	<b>10,575,862</b>
<b>Profit and loss from each segment</b>	<b>\$ 567,356</b>	<b>(37,239)</b>	<b>(2,628)</b>	<b>(3,612)</b>	<b>65,036</b>	<b>588,913</b>

#### (3) Information on products

Please refer to note 6(20) for revenue from products of external customers.

#### (4) Geographic information

Information of geographical area of the Company is as follows. The revenues are classified in term of where the customers are located, while the noncurrent assets are classified in term of where the assets are located.

## ACES Electronics Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements

Please refer to note 6(20) for revenue of external customers from different geographical areas.

Non-current assets:

<u>Region</u>	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
China	\$ 2,342,362	2,612,694
Taiwan	2,410,666	1,526,377
Philippines	72,238	65,424
Others	107,697	106,235
Total	<u>\$ 4,932,963</u>	<u>4,310,730</u>

Non-current assets include real estate, buildings and equipment, right-of-use assets, investment properties, intangible assets, prepaid equipment payments, and other assets, but do not include financial instruments and deferred income tax assets.

(5) Information on key customers:

Key customers for the years ended December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
U Customer	<u>\$ 760,882</u>	<u>862,640</u>