

ACES ELECTRONICS CO., LTD.
Parent Company Only Financial
Statements
With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022

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

Independent Auditors' Report

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

Opinion

We have audited the parent company only financial statements of ACES Electronics Co., Ltd., which comprise the balance sheets as of December 31, 2023 and 2022, the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years ended December 31, 2023 and 2022, and notes to the parent company only financial statements including a summary of significant accounting policies.

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

Basis for Opinion

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

Description of key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue Recognition

Please refer to Notes 4(13) to the parent only financial statements for the accounting policy on operating revenue; and refer to Notes 6(18) for disclosures relating to revenue.

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

2. Valuation of inventory

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

Description of key audit matter:

Inventory is valued at the lower of cost or net realizable value ACES Electronics Co., Ltd. mainly produces electronic products such as high precision connectors which are affected by the fast change of technology and updates of manufacturing technique; its product sales might have tremendous fluctuation which may cause the cost of inventory to be higher than its net realizable value. Therefore, the assessment for inventory valuation is one of the key evaluation matter when we audit the Company's financial statements.

How the matter was addressed in our audit:

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

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

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

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

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

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

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

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

1. Identified and assessed the risks of material misstatement of the parent only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ACES Electronics Co., Ltd.'s internal control.
3. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ACES Electronics Co., Ltd.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the ACES Electronics Co., Ltd. to cease to continue as a going concern.
5. Evaluated the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtained sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of ACES Electronics Co., Ltd.'s audit. We remain solely responsible for our audit opinion.

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

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

safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2023 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 12, 2024

Notes to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance, and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The standards, procedures, and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

ACES ELECTRONICS CO., LTD.
Balance Sheets
December 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

	December 31, 2023		December 31, 2022			December 31, 2023		December 31, 2022	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets					Liabilities and Equity				
Current assets :					Current liabilities :				
1100	\$ 472,031	5	866,194	8	2100	\$ 1,120,000	11	650,000	6
1110	-	-	62	-	2321	578,202	5	-	-
(Note 6(2) and 12)					2150	1,868	-	518	-
1150	122	-	42	-	2170	179,236	2	166,523	2
1170	762,149	7	804,588	7	2180	829,395	8	763,869	7
1180	120,929	1	148,889	1	2200	325,166	3	327,078	3
1200	246,248	2	55,462	1	2220	57,752	-	96,629	1
1210	4,739	-	5,275	-	2230	-	-	23,371	-
1310	314,369	3	304,605	3	2280	4,176	-	8,716	-
1470	35,265	-	33,767	1	2322	187,500	2	1,106,000	11
	1,955,852	18	2,218,884	21	2399	35,078	-	26,554	-
						3,318,373	31	3,169,258	30
Non-current assets :					Non-current liabilities :				
1510	71,866	1	71,070	1	2530	-	-	555,906	5
1550	6,295,080	60	6,376,572	62	2540	1,683,974	16	618,500	6
1600	1,759,922	17	1,351,408	13	2570	266,508	3	276,386	4
1755	9,901	-	9,751	-	2580	5,811	-	1,344	-
1780	38,093	-	35,085	-	2600	16,061	-	29,900	-
1915	166,698	2	169,730	2		1,972,354	19	1,482,036	15
1840	21,491	-	12,971	-		5,290,727	50	4,651,294	45
1990	226,583	2	42,943	1	Total liabilities				
Assets	8,589,634	82	8,069,530	79	Equity (Note 6(16)):				
					3110	1,344,177	13	1,344,177	13
					3200	993,270	9	988,615	10
					Retained earnings :				
					3310	726,030	7	702,410	7
					3320	62,371	1	168,631	2
					3350	2,236,482	21	2,492,404	24
						3,024,883	29	3,363,445	33
					Other equity:				
					3410	(140,790)	(1)	(92,336)	(1)
					Statements foreign operations				
					3460	33,219	-	33,219	-
					Total equity				
						5,254,759	50	5,637,120	55
Total assets	\$ 10,545,486	100	10,288,414	100	Total liabilities and equity				
						\$ 10,545,486	100	10,288,414	100

See accompanying notes to parent company only financial statements.

ACES ELECTRONICS CO., LTD.
Statements of Comprehensive Income
For the years ended December 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars, except for Earnings per share)

		2023		2022	
		Amount	%	Amount	%
Operating Revenue (Note 6(18) and 7):					
4100	Net sales revenue	\$ 2,990,226	97	3,347,530	97
4800	Other operating revenue	<u>100,092</u>	<u>3</u>	<u>99,362</u>	<u>3</u>
	Net revenue from operations	3,090,318	100	3,446,892	100
5000	Operating costs (Note 6(4), (14), (15), and 7)	<u>2,399,083</u>	<u>78</u>	<u>2,684,133</u>	<u>78</u>
	Gross profit	691,235	22	762,759	22
5910	Unrealized gains or losses from sales	<u>412</u>	<u>-</u>	<u>4,015</u>	<u>-</u>
	Gross profit, net	<u>691,647</u>	<u>22</u>	<u>766,774</u>	<u>22</u>
Operating expenses (Note 6(6), (13), (14), (19), and 7):					
6100	Selling expenses	160,669	5	200,888	6
6200	General and administrative expenses	300,917	10	295,577	9
6300	Research and development expenses	295,670	10	233,081	7
6450	Expected credit loss (gain) (Note 6(3))	<u>(745)</u>	<u>-</u>	<u>(231)</u>	<u>-</u>
	Total operating expenses	<u>756,511</u>	<u>25</u>	<u>729,315</u>	<u>22</u>
	Profit (loss) from operations	<u>(64,864)</u>	<u>(3)</u>	<u>37,459</u>	<u>-</u>
Non-operating income and expenses (Note 6(20)):					
7100	Interest income	3,859	-	3,291	-
7010	Other income	17,415	1	13,903	-
7020	Other gains and losses (Note 6(12))	(6,418)	-	23,718	1
7050	Finance costs (Note 6(12) and (13))	(69,189)	(2)	(49,829)	(1)
7070	Share of gains or losses from subsidiaries accounted for using equity method (Note 6(6))	<u>(167,794)</u>	<u>(5)</u>	<u>210,597</u>	<u>6</u>
	Total non-operating income and expenses	<u>(222,127)</u>	<u>(6)</u>	<u>201,680</u>	<u>6</u>
	Profit (loss) before income tax	(286,991)	(9)	239,139	6
7950	Less: income tax expenses (gains) (Note 6(15))	<u>(20,448)</u>	<u>(1)</u>	<u>13,820</u>	<u>-</u>
	Profit (loss) for the year	<u>(266,543)</u>	<u>(8)</u>	<u>225,319</u>	<u>6</u>
8300	Other comprehensive income:				
8310	Items that will never be reclassified to profit or loss				
8311	Remeasurement of defined benefit plans (Note 6(14))	1,911	-	10,880	-
8349	Less: Income tax related to non-reclassified items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total items that will never be reclassified to profit or loss	<u>1,911</u>	<u>-</u>	<u>10,880</u>	<u>-</u>
8360	Items that are or may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation to the presentation currency (Note 6(15))	(59,819)	(2)	129,814	4
8399	Less: Income tax related to items that may be reclassified (Note 6(16))	<u>(11,365)</u>	<u>-</u>	<u>25,963</u>	<u>1</u>
	Total items that are or may be reclassified subsequently to profit or loss	<u>(48,454)</u>	<u>(2)</u>	<u>103,851</u>	<u>3</u>
8300	Total other comprehensive income (net of tax) for the year	<u>(46,543)</u>	<u>(2)</u>	<u>114,731</u>	<u>3</u>
8500	Total comprehensive income for the year	<u>\$ (313,086)</u>	<u>(10)</u>	<u>340,050</u>	<u>9</u>
Earnings per share (NT\$, Note 6(17))					
9750	Basic earnings per share	<u>\$ (1.98)</u>		<u>1.68</u>	
9850	Diluted earnings per share	<u>\$ (1.98)</u>		<u>1.64</u>	

See accompanying notes to parent company only financial statements.

ACES ELECTRONICS CO., LTD.
Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

	Retained Earnings				Other Components of Equity			Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Gain on Property Revaluation	
Balance at January 1, 2022	\$ 1,343,959	1,002,379	651,554	122,358	2,554,928	(196,187)	33,219	5,512,210
Appropriation of earnings:								
Legal Reserve	-	-	50,856	-	(50,856)	-	-	-
Special Reserve	-	-	-	46,273	(46,273)	-	-	-
Cash dividend distributed to shareholders	-	-	-	-	(201,594)	-	-	(201,594)
Profit for the year	-	-	-	-	225,319	-	-	225,319
Other comprehensive income, net of tax	-	-	-	-	10,880	103,851	-	114,731
Total comprehensive income for the year	-	-	-	-	236,199	103,851	-	340,050
Other changes in capital surplus :								
Equity items recognized for the issuance of convertible bonds	-	(131)	-	-	-	-	-	(131)
Share of changes in equity of associates and joint ventures	-	(14,827)	-	-	-	-	-	(14,827)
Changes in ownership of subsidiary equity	-	277	-	-	-	-	-	277
Conversion of convertible bonds	218	917	-	-	-	-	-	1,135
Balance at December 31, 2022	1,344,177	988,615	702,410	168,631	2,492,404	(92,336)	33,219	5,637,120
Appropriation of earnings :								
Legal Reserve	-	-	23,620	-	(23,620)	-	-	-
Cash dividend distributed to shareholders	-	-	-	-	(73,930)	-	-	(73,930)
Reversal of Special Reserve	-	-	-	(106,260)	106,260	-	-	-
Profit for the year	-	-	-	-	(266,543)	-	-	(266,543)
Other comprehensive income, net of tax	-	-	-	-	1,911	(48,454)	-	(46,543)
Total comprehensive income for the year	-	-	-	-	(264,632)	(48,454)	-	(313,086)
Other changes in capital surplus :								
Changes in ownership of subsidiary equity	-	4,655	-	-	-	-	-	4,655
Balance at December 31st 2023	\$ 1,344,177	993,270	726,030	62,371	2,236,482	(140,790)	33,219	5,254,759

See accompanying notes to parent company only financial statements.

ACES ELECTRONICS CO., LTD.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

	2023	2022
Cash flows from operating activities:		
Profit before income tax	\$ (286,991)	239,139
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation expense	206,523	201,118
Amortization expense	25,904	25,092
Expected credit reversal gain	(745)	(231)
Loss (gain) on financial assets at fair value through profit or loss	(14,034)	37,358
Interest expense	69,189	49,829
Interest income	(3,859)	(3,291)
Share of profit of equity-account investees	167,794	(210,597)
Gain (loss) on disposals of property, plant and equipment	907	75
Loss on disposals of equity-account investees	26,725	-
Unrealized (realized) gain (loss) between affiliated companies	(411)	(4,015)
Loss (gain) on lease modification	(48)	-
Total adjustments to reconcile profit (loss)	<u>477,945</u>	<u>95,338</u>
Changes in operating assets and liabilities :		
Net changes in operating assets :		
Notes receivable	(80)	436
Accounts receivable	43,184	63,511
Accounts receivable from related parties	27,960	20,969
Other receivables	(190,786)	(4,411)
Other receivables from related parties	536	(339)
Inventories	(9,764)	50,024
Other current assets	(1,152)	(9,741)
Total net changes in operating assets	<u>(130,102)</u>	<u>120,449</u>
Net changes in operating liabilities :		
Notes payable	1,350	(77)
Accounts payable	12,713	(82,123)
Accounts payable to related parties	65,526	(60,623)
Other payables	(1,977)	(1,447)
Other payables to related parties	(72,661)	(40,064)
Other current liabilities	(152)	2,699
Net defined benefit liabilities	(500)	(634)
Total net changes in operating liabilities	<u>4,299</u>	<u>(182,269)</u>
Total net changes in operating assets and liabilities	<u>(125,803)</u>	<u>(61,820)</u>
Total adjustments	<u>352,142</u>	<u>33,518</u>
Cash generated from operations	65,151	272,657
Interest received	3,859	3,291
Interest paid	(46,893)	(28,371)
Income tax paid	(1,626)	(29,810)
Net cash provided by operating activities	<u>20,491</u>	<u>217,767</u>
Cash flows from investing activities :		
Acquisitions of financial assets at fair value through profit or loss	-	(8,260)
Disposals of financial assets at fair value through profit or loss	13,300	77,911
Acquisitions of subsidiaries (deducting cash obtained)	(1,857)	-
Refund of paid-up capital from liquidated subsidiaries	14,860	-
Acquisitions of property, plant, and equipment	(584,846)	(629,459)
Disposals of property, plant, and equipment	422	1,465
Acquisitions of intangible assets	(28,912)	(28,801)
Increase in other non-current assets	(183,640)	(30,010)
Increase in prepaid equipment payments	(16,126)	(46,729)
Dividends received	125,000	-
Net cash used in investing activities	<u>(661,799)</u>	<u>(663,883)</u>
Cash flows from financing activities :		
Increase (decrease) in short-term borrowings	470,000	390,000
Proceeds from long-term borrowings	3,670,368	3,851,000
Repayment of long-term borrowings	(3,526,368)	(3,806,000)
Repayment of principal of lease liabilities	(12,537)	(15,130)
Decrease in other non-current liabilities	(131)	(68,895)
Cash dividends	(73,930)	(201,594)
Acquisitions of investments accounted for using equity method (capital increase of subsidiaries)	(280,257)	(129,998)
Net cash (used in) provided by financing activities	<u>247,145</u>	<u>19,383</u>
Decrease in cash and cash equivalents	<u>(394,163)</u>	<u>(426,733)</u>
Cash and cash equivalents at January 1	<u>866,194</u>	<u>1,292,927</u>
Cash and cash equivalents at December 31	<u>\$ 472,031</u>	<u>866,194</u>

See accompanying notes to parent company only financial statements.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

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

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2023 and 2022

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

1. Organization

ACES Electronics Co., Ltd. (“the Company”) was established on November 7, 1996 with the approval of the Ministry of Economic Affairs. Its registered office is located at 13 Dong-Yuan Road, Chung-Li District, Taoyuan City, the Republic of China (“ROC”). The Company is mainly engaging in processing, manufacturing and selling of connectors. Shares of the Company are traded in TWSE since March 26, 2009.

2. The Authorization of Financial Statements

These parent company only financial statements were approved and authorized for issue by the Board of Directors on March 12, 2024.

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

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

The Company has adopted the amendments to the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations with effective date from January 1, 2023. The adoption does not have a material impact on the Company’s 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”

The Company has adopted the amendments to the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations with effective date from May 23, 2023. The adoption does not have a material impact on the Company’s parent company only financial statements.

- Amendments to IAS 12 “International Tax Reform — Pillar Two Model Rules”

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

The Company assessed that the adoption of the following amendments, effective for annual period beginning on January 1, 2024, would not have a material impact on its parent company only financial statements.

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in Sale and Leaseback”(3) The IFRSs issued by International Accounting Standards Board (“IASB”) but not yet endorsed by the FSC

The Company assesses that the adoption of the following new or amended standards, not yet endorsed by the FSC, would not have a significant impact on its financial statements.

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

See accompanying notes to parent company only financial statements.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

4. Summary of Significant Accounting Policies

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

(1) Statement of compliance

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

(2) Basis of preparation

a. Basis of measurement

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

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

b. Functional and presentation currency

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

(3) Foreign currency

a. Foreign currency transactions

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

Exchange differences are generally recognized in profit or loss.

b. Foreign operations

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

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

When the settlement of a monetary receivable from, or payable to, a foreign operation is

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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.

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

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

(5) Cash and cash equivalents

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

(6) Financial instruments

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

a. Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost, fair

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value through other comprehensive income (FVOCI) – debt investment, FVCI – equity investment, or FVTL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the changes in the business model.

(i) Financial assets measured at amortized cost

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

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

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

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

All financial assets not classified as at amortized cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. The Company has the intention to sell account receivable at fair price through profit and loss immediately or recently; these amounts are recorded under account receivables currently. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at fair value through other comprehensive income, as at fair value through profit and loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

(iii) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level, because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;

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- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed;
- how managers of the business are compensated, for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sale activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company's continuing recognition of the assets.

(iv) Assessment on whether contractual cash flows are solely payments of principal and interest

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

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

(v) Impairment of financial assets

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

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

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

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

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL is according to financial assets' effective discount rate.

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

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

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

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

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ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

b. Financial liabilities and equity instruments

(i) Classification of debt or equity

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

(ii) Equity instrument

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

(iii) Compound financial instruments

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

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

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

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

(iv) Financial liabilities

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

(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

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a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(vi) Offsetting of financial assets and liabilities

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

c. Derivative financial instruments

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

(7) Inventories

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

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

(8) Investments in subsidiaries

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

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

(9) Property, plant and equipment

a. Recognition and measurement

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

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

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

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

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

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

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

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

(10) Lease

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

a. As a lessee

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

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

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

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

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

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

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

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

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

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

b. As a lessor

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

(11) Intangible assets

a. Recognition and measurement

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

b. Subsequent expenditure

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

c. Amortization

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

(i) Software: 1~2 years

(ii) Other intangible assets 1~3 years

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

(12) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

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

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

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

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

(13) Revenue Recognition

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

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

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

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional. The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the consolidated company does not adjust any of the transaction prices for the time value of money.

(14) Government grants

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

(15) Employee benefits

a. Defined contribution plans

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

b. Defined benefit plans

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

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

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

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

c. Short-term employee benefits

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

(16) Income taxes

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

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

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

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same taxation authority on either:

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

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

(17) Earnings per share

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

(18) Operating segments

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

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

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

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

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

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

(1) Valuation of inventories

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

(2) Valuation process

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company's financial instrument valuation group conducts independent verification on all significant fair values (including level 3 fair

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value), and reports directly to the chief financial officer. The Company also periodically reviews significant unobservable inputs and adjustments. If third-party information (i.e. through securities brokers or price setting service institutes) for evaluating fair value inputs were used, evidence for supporting inputs from third-party will be assessed in order to make sure the valuation and its fair value categorization is compliant with regulations from IFRSs. The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

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

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

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

6. Description of Significant Accounts

(1) Cash and Cash Equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 279	283
Cash in banks	471,752	865,911
	<u>\$ 472,031</u>	<u>866,194</u>

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

According to the IFRSs Q&A updated by Securities and Futures Bureau, FSC on January 5, 2024, the Company reclassified the deposits balance in repatriated offshore funds accounts amounting to \$40,124 thousand and \$61,468 thousand as of December 31, 2022 and January 1, 2022, respectively, from other current assets to cash and cash equivalent. In addition, the Company decreased the amount in “decrease in other current assets” under investing activities for the year ended December 31, 2022 by \$21,344 thousand. As time deposits with original maturity date within 1 year, are held for the purpose of meeting short term cash commitments rather than for investment or other purposes, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, those are recognized as cash and cash equivalents.

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

	December 31, 2023	December 31, 2022
Financial assets mandatorily measured at FVTPL:		
Funds	\$ 71,866	71,070
Convertible bonds of embedded derivatives	-	62
Total	\$ 71,866	71,132

Please refer to Note 6(20) for amounts remeasured at fair value through profit and loss, and Note 6(21) for fair value information.

As at December 31, 2023 and 2022 none of the Company’s financial assets measured at fair value through profit and loss was pledged as collateral.

(3) Notes, trade and other receivables

a. Details as follows:

	December 31, 2023	December 31, 2022
Notes receivable	\$ 122	42
Accounts receivable	763,817	807,001
Accounts receivable – related parties	120,929	148,889
Other receivables	246,248	55,462
Other receivables – related parties	4,739	5,275
Less: Loss allowance	(1,668)	(2,413)
	\$ 1,134,187	1,014,256

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 2023 and 2022 was analyzed as follows:

	December 31, 2023		
	Carrying amount of notes, accounts and other receivables	Weighted-average loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 1,112,650	0%	-
Past due less than 60 days	20,140	0%	-
Past due 61~120 days	2,783	50%	1,391
Past due 121~180 days	16	70%	11
Past due over 181 days	266	100%	266
	\$ 1,135,855		1,668

See accompanying notes to parent company only financial statements.

ACES Electronics Co., Ltd.

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

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

	For the years ended December 31, 2023	For the years ended December 31, 2022
Balance at beginning of the year	\$ 2,413	2,644
Impairment losses recognized (reversal gains)	(745)	(231)
Balance at end of the year	\$ 1,668	2,413

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

	December 31, 2023					
<u>Underwriting bank</u>	<u>Factoring amount</u>	<u>Acceptable advances</u>	<u>Amount collected in advance</u>	<u>Transfer to other receivable amount</u>	<u>Interest rate</u>	<u>Amount pledged (in thousands of USD)</u>
Financial institutes	\$ 189,616	663,228	-	189,616	0%	-
	December 31, 2022					
<u>Underwriting bank</u>	<u>Factoring amount</u>	<u>Acceptable advances</u>	<u>Amount collected in advance</u>	<u>Transfer to other receivable amount</u>	<u>Interest rate</u>	<u>Amount pledged (in thousands of USD)</u>
Financial institutes	\$ 207,627	476,471	186,865	20,762	0.6812%~ 6.1311%	-

d. None of notes and accounts receivables held by the Company were pledged as of December 31, 2023 and 2022.

See accompanying notes to parent company only financial statements.

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(4) Inventories

a. Details as follows:

	December 31, 2023	December 31, 2022
Raw materials	\$ 97,207	39,777
Semi-finished goods	40,293	66,487
Work-in-progress	1,737	5,415
Finished goods	144,922	169,553
Merchandise	30,210	23,373
	\$ 314,369	304,605

b. Details of the Company's cost of inventories recorded as cost and expenses of goods sold for the years ended December 31 2023 and 2022 are as follows:

	For the years ended December 31, 2023	For the years ended December 31, 2022
Cost of goods sold	\$ 2,327,129	2,599,484
Loss on obsolescence write-off	9,783	13,448
Loss on inventory write-down	4,690	8,119
Unamortized manufacturing expenses	52,195	60,865
Others	5,286	2,217
	\$ 2,399,083	2,684,133

c. As at December 31, 2023 and 2022, none of the Company's inventories was pledged as collateral.

(5) Investments accounted for using equity method

For changes in investments accounted for using equity method other than the ones mentioned below, please refer to consolidated financial statements for the year ended December 31, 2023.

a. The dissolution and liquidation procedures of the subsidiary of the Company, ACES(HONG KONG)ELECTRONIC CO.,LTD., have been completed in 2023. Please refer to Note 6(20) for losses on disposals of investments.

b. Change in ownership of subsidiaries

(i) MEC IMEX INC.

The Company subscribed 9,999 thousand of shares of MEC IMEX INC. in cash capital increase by cash of \$99,998 thousand in 2022, which increase its shareholding percentage from 99.79% to 99.84%. The resulting changes in equity increase the capital surplus by \$87 thousand.

The Company subscribed 2,007 thousand of shares of MEC IMEX INC. in cash capital increase by cash of \$119,907 thousand in 2023, which increase its shareholding percentage from 99.84% to 99.86%. The resulting changes in equity increase the capital surplus by \$20 thousand.

(ii) COMPUPACK TECHNOLOGY CO., LTD.

The Company subscribed 3,000 thousand of shares of COMPUPACK TECHNOLOGY CO., LTD in cash capital increase by cash of \$30,000 thousand in 2022, which increase its shareholding percentage from 92.64% to 93.67%. The

See accompanying notes to parent company only financial statements.

ACES Electronics Co., Ltd.

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resulting changes in equity increase the capital surplus by \$190 thousand.

The Company bought back 1,362 thousand of shares of COMPUPACK TECHNOLOGY CO., LTD from minority shareholders by cash of \$10,000 thousand in 2023, which increase its shareholding percentage from 93.67% to 100%. The resulting changes in equity increase the capital surplus by \$4,840 thousand.

(iii) MICON PRECISE CORP.

The Company bought back 91 thousand of shares of MICON PRECISE CORP. from related parties by cash of \$256 thousand in 2023, which increase its shareholding percentage from 98.91% to 99.61%. The resulting changes in equity decrease the capital surplus by \$205 thousand.

(iv) ACECONN ELECTRONIC CO., LTD.

The cash capital increase of \$150,350 thousand (USD5,000 thousand) of ACECONN ELECTRONIC CO., LTD. has been resolved by the board of directors of the Company, and the capital injection has been completed in February 2023.

(6) Business combination

a. Genesis Group

The board of directors have resolved the 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 on December 17, 2020. The transfer of shares was completed on April 14, 2021.

According to the transaction considerations and contingent payments agreed in the acquisition contract, the amounts not paid by the Company were \$25,365 thousand and \$61,857 thousand as of December 31, 2023 and 2022, which were recognized under “other payables” and “other non-current liabilities.”

b. JASON TECHNOLOGY LIMITED.

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

According to the acquisition contract, the amount that the Group shall pay to the original share holder of JASON TECHNOLOGY LIMITED. for the percentage of achieving sales amount do not exceed US\$20 thousand, and shall be paid by installments in three years. The Group has paid \$1,857 thousand (about US\$66 thousand), and the residual contingent considerations are recognized under “other non-current liabilities.”

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ACES Electronics Co., Ltd.

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(7) Property, plant and equipment

The movement in cost, accumulated depreciation, and impairment loss of the property, plant and equipment for the years ended December 31, 2023 and 2022 was as follows:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery equipment</u>	<u>Mold equipment</u>	<u>Other equipment</u>	<u>Constructi ons in process</u>	<u>Total</u>
Cost or deemed cost:							
Balance at January 1, 2023	\$ 203,393	458,251	787,922	574,729	179,520	404,361	2,608,176
Additions	-	5,559	42,094	83,200	21,064	432,929	584,846
Reclassification	-	544	13,287	2,446	2,881	-	19,158
Disposals	-	(295)	(3,435)	(35,332)	(2,534)	-	(41,596)
Balance at December 31, 2023	\$ 203,393	464,059	839,868	625,043	200,931	837,290	3,170,584
Balance at January 1, 2022	\$ 203,393	384,690	730,395	492,788	150,724	7,335	1,969,325
Additions	-	69,434	50,482	80,216	31,021	398,306	629,459
Reclassification	-	4,127	7,678	2,315	4,088	(1,280)	16,928
Disposals	-	-	(633)	(590)	(6,313)	-	(7,536)
Balance at December 31, 2022	\$ 203,393	458,251	787,922	574,729	179,520	404,361	2,608,176
Accumulated depreciation:							
Balance at January 1, 2023	\$ -	133,050	513,701	500,371	109,646	-	1,256,768
Depreciation of the year	-	18,698	80,304	73,176	21,983	-	194,161
Disposals	-	(226)	(2,530)	(34,978)	(2,533)	-	(40,267)
Balance at December 31, 2023	\$ -	151,522	591,475	538,569	129,096	-	1,410,662
Balance at January 1, 2022	\$ -	118,410	433,563	427,380	97,331	-	1,076,684
Depreciation of the year	-	14,640	80,771	73,187	17,482	-	186,080
Disposals	-	-	(633)	(196)	(5,167)	-	(5,996)
Balance at December 31, 2022	\$ -	133,050	513,701	500,371	109,646	-	1,256,768
Carrying value:							
Balance at December 31, 2023	\$ 203,393	312,537	248,393	86,474	71,835	837,290	1,759,922
Balance at January 1, 2022	\$ 203,393	266,280	296,832	65,408	53,393	7,335	892,641
Balance at December 31, 2022	\$ 203,393	325,201	274,221	74,358	69,874	404,361	1,351,408

a. Guarantee

As of December 31, 2023 and 2022, 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.

b. Prepayment for land

The Company acquired the land in MIRDC in Taoyuan from related parties with total transaction amount of \$522,729 thousand. As of December 31, 2023, the prepayment for land amounted to \$156,819 thousand (recognized under “other non-current assets – others”). Please refer to Note 7(8) Right-of-use asset

The movement in cost, accumulated depreciation, and impairment loss of the leased land, property, plant and equipment for the years ended December 31, 2023 and 2022 were as follows:

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	<u>Land</u>	<u>Transport equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2023	\$ 34,563	6,157	40,720
Additions	22,243	1,050	23,293
Reductions	(45,344)	(1,074)	(46,418)
Balance at December 31, 2023	<u>\$ 11,462</u>	<u>6,133</u>	<u>17,595</u>
Balance at January 1, 2022	\$ 37,596	9,229	46,825
Additions	-	484	484
Reductions	(3,033)	(3,556)	(6,589)
Balance at December 31, 2022	<u>\$ 34,563</u>	<u>6,157</u>	<u>40,720</u>
Accumulated depreciation:			
Balance at January 1, 2023	\$ 28,010	2,959	30,969
Provision for depreciation	10,310	2,052	12,362
Reductions	(34,563)	(1,074)	(35,637)
Balance at December 31, 2023	<u>\$ 3,757</u>	<u>3,937</u>	<u>7,694</u>
Balance at January 1, 2022	\$ 18,716	3,804	22,520
Provision for depreciation	12,327	2,711	15,038
Reductions	(3,033)	(3,556)	(6,589)
Balance at December 31, 2022	<u>\$ 28,010</u>	<u>2,959</u>	<u>30,969</u>
Carrying value:			
December 31, 2023	<u>\$ 7,705</u>	<u>2,196</u>	<u>9,901</u>
January 1, 2022	<u>\$ 18,880</u>	<u>5,425</u>	<u>24,305</u>
December 31, 2022	<u>\$ 6,553</u>	<u>3,198</u>	<u>9,751</u>

(9) Intangible assets

The movement in cost and accumulated amortization of intangible assets for the years ended December 31, 2023 and 2022 were as follows:

	<u>Computer software</u>	<u>Others</u>	<u>Total</u>
Cost:			
Balance at January 1, 2023	\$ 34,596	47,783	82,379
Separately acquired	10,455	18,457	28,912
Balance at December 31, 2023	<u>\$ 45,051</u>	<u>66,240</u>	<u>111,291</u>
Balance at January 1, 2022	\$ 29,100	24,478	53,578
Separately acquired	5,496	23,305	28,801
Balance at December 31, 2022	<u>\$ 34,596</u>	<u>47,783</u>	<u>82,379</u>
Accumulated amortization and impairment:			
Balance at January 1, 2023	\$ 25,902	21,392	47,294
Current amortization	9,938	15,966	25,904
Balance at December 31, 2023	<u>\$ 35,840</u>	<u>37,358</u>	<u>73,198</u>
Balance at January 1, 2022	\$ 12,692	9,510	22,202
Current amortization	13,210	11,882	25,092
Balance at December 31, 2022	<u>\$ 25,902</u>	<u>21,392</u>	<u>47,294</u>
Carrying value:			
December 31, 2023	<u>\$ 9,211</u>	<u>28,882</u>	<u>38,093</u>
January 1, 2022	<u>\$ 16,408</u>	<u>14,968</u>	<u>31,376</u>
December 31, 2022	<u>\$ 8,694</u>	<u>26,391</u>	<u>35,085</u>

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As at December 31, 2023 and 2022, none of the Company's intangible assets was pledged as collateral.

(10) Short-term borrowings

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

	December 31, 2023	December 31, 2022
Unsecured bank loans	<u>\$ 1,120,000</u>	<u>650,000</u>
Unused credit lines	<u>\$ 1,040,482</u>	<u>1,323,550</u>
Interest rate	<u>1.4%~2.221%</u>	<u>0.75%~2.21%</u>

(11) Long-term borrowings

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

December 31, 2023				
	Currency	Interest rate	Maturity year	Amount
Unsecured bank loans	NTD	1.2250%~1.6500%	2025-2026	\$ 521,474
Secured bank loans	NTD	1.9229%~2.2119%	2028	1,350,000
Less: current maturity				<u>(187,500)</u>
Total				<u>\$ 1,683,974</u>
Unused credit facility				<u>\$ 2,606,000</u>
December 31, 2022				
	Currency	Interest rate	Maturity year	Amount
Unsecured bank loans	NTD	0.9600%~1.8600%	2023-2026	\$ 1,724,500
Less: current maturity				<u>(1,106,000)</u>
Total				<u>\$ 618,500</u>
Unused credit lines				<u>\$ 456,000</u>

- a. The Company entered into a syndicated loan agreement with group of banks. During the loan term, the Company is required to calculate and maintain certain financial ratios at an agreed level based on the consolidated financial statements audit. Up to the date of December 31, 2023, there is no incident of the Company violating such financial ratios.
- b. 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%, the difference calculated by the fair loan value on market interest rate of 1.35% was regarded as government grants and recorded as deferred income. As of December 31, 2023 and 2022, deferred income were \$3,526 thousand and \$6,500 thousand respectively. These amounts were recorded under "other non-current liabilities."

See accompanying notes to parent company only financial statements.

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(12) Bonds payable

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

	December 31, 2023	December 31, 2022
Total convertible corporate bonds issued	\$ 600,000	600,000
Unamortized discounted corporate bonds payable	(20,698)	(42,994)
Cumulative converted amount	(1,100)	(1,100)
Corporate bonds issued balance at year-end (recognized in current portion of corporate bonds and bonds payables)	\$ 578,202	555,906
Embedded derivative – redeem options (recognized in financial assets at fair value through profit or loss)	\$ -	62
Equity component – conversion options (recognized in capital surplus)	\$ 71,065	71,065

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	For the years ended December 31, 2023	For the years ended December 31, 2022
Embedded derivative – gains or losses from remeasurement of fair value of redeem options (recognized in other gains and losses)	\$ (62)	(1,184)
Interest expenses	\$ 22,296	21,458

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

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

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Notes to the Parent Company Only Financial Statements

(13) Lease liabilities

	December 31, 2023	December 31, 2022
Current	\$ 4,176	8,716
Non-current	\$ 5,811	1,344

For the maturity analysis, please refer to note 6(21) Financial Instruments.

	For the years ended December 31, 2023	For the years ended December 31, 2022
Interests on lease liabilities	\$ 330	298
Expenses relating to short-term leases	\$ 4,587	5,654

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

	For the years ended December 31, 2023	For the years ended December 31, 2022
Total cash outflow for leases	\$ 17,454	21,082

a. Lease of land, property and plant

The Company leases land, property and plant for its factory with lease terms of usually 4 years.

b. Other lease

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

(14) Employee benefits

a. Defined benefit plans

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

	December 31, 2023	December 31, 2022
Present value of defined obligation	\$ 32,283	39,819
Fair value of plan assets	(23,835)	(22,560)
Net defined benefit liabilities	\$ 8,448	17,259

The Company's employee benefit liability details as follows:

	December 31, 2023	December 31, 2022
Net defined benefit obligation liabilities	\$ 8,448	17,259
(under 'other non-current liabilities')		
Compensated absences liabilities (under 'other payables')	12,877	12,877
Total employee benefit liabilities	\$ 21,325	30,136

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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.

(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 \$23,835 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, 2023 and 2022 were as follows:

	For the years ended December 31, 2023	For the years ended December 31, 2022
Defined benefit obligation on January 1	\$ 39,819	44,442
Current service cost and interest	696	278
Remeasurements of net defined benefit liabilities (assets)	(8,232)	(4,901)
Defined benefit obligation on December 31	\$ 32,283	39,819

(iii) Movements on fair value of plan assets

The changes on current value of defined benefit asset plan for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31, 2022	For the years ended December 31, 2021
Fair value of plan assets on January 1	\$ 22,560	20,100
Interest revenue	401	128
Remeasurements of net defined benefit liabilities (assets)	79	1,549
Amount appropriated to plan	795	783
Fair value of plan assets on December 31	\$ 23,835	22,560

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(iv) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31, 2023	For the years ended December 31, 2022
Net interest of net defined benefit liabilities (assets)	\$ 295	150
Operating costs and expenses	\$ 295	150

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

As of at December 31, 2023 and 2022, details of the Company's remeasurements of net defined benefit liabilities under other comprehensive profit and loss was as follows:

	For the years ended December 31, 2023	For the years ended December 31, 2022
Accumulated balance on January 1	\$ (16,859)	(27,739)
Current recognition		
The Company	8,311	6,450
Subsidiaries	(6,400)	4,430
Accumulated balance on December 31	\$ (14,948)	(16,859)

(6) Actuarial assumptions

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

	December 31, 2023	December 31, 2022
Discount rate	1.625%	1.750%
Increase on future payroll	3.000%	5.500%

The Company has planned to appropriate in the amount of \$790 thousand for defined benefit plan within 1 year after the reporting date of the year ended December 31, 2023. The weighted average duration for defined benefit plan is 12.40 years.

(vii) Sensitivity analysis

Details of the impact to current value of defined benefit obligation by using main actuarial assumption change of 0.25% for the years ended December 31, 2023 and 2022 was as follows:

	Impact to defined benefit obligation	
	Increase by 0.25%	Decrease by 0.25%
December 31, 2023		
Discount rate	\$ (771)	797
Increase on future payroll	768	(747)
December 31, 2022		
Discount rate	(1,088)	1,128
Increase on future payroll	911	(889)

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

The Company's pension costs under the defined contribution method were \$24,587 thousand and \$23,969 thousand for the years ended December 31, 2023 and 2022, respectively. Payment was made to the Bureau of Labor Insurance.

(15) Income taxes

a. Income tax expenses

- (i) The components of income tax expenses in the years 2023 and 2022 were as follows:

	For the years ended December 31, 2023	For the years ended December 31, 2022
Current tax expense		
Current period	\$ -	31,562
Prior period over-estimation	(13,415)	-
Deferred income tax expenses (benefits)	(7,033)	(17,742)
Income tax expenses	\$ (20,448)	13,820

- (ii) Details of the amount of income tax expenses (benefits) recognized in other comprehensive income for the years ended December 31, 2023 and 2022 was as follows:

	For the years ended December 31, 2022	For the years ended December 31, 2021
Components of other comprehensive income that will be reclassified to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ 11,365	(25,963)

See accompanying notes to parent company only financial statements.

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Notes to the Parent Company Only Financial Statements

- (iii) Reconciliation of income tax expenses and profit before tax for 2023 and 2022 were as follows:

	For the years ended December 31, 2023	For the years ended December 31, 2022
Profit before income tax	<u>\$ (286,991)</u>	<u>239,139</u>
Income tax using the Company's domestic tax rate	\$ (57,398)	47,827
Domestic investment benefit recognized under equity method	25,949	17,868
Permanent difference	(20,445)	-
Unrecognized temporary difference	39,011	(51,748)
Unrecognized tax loss	5,862	-
Prior period over-estimation	(13,415)	-
Others	<u>(12)</u>	<u>(127)</u>
	<u>\$ (20,448)</u>	<u>13,820</u>

Deferred tax assets and liabilities

- (i) Unrecognized deferred tax liabilities

As of the years ended December 31, 2023 and 2022, the temporary differences related to investments in subsidiaries and associates was not recognized under deferred tax liabilities because the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not be reversed in the foreseeable future. Relevant amount as follows:

	December 31, 2023	December 31, 2022
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 1,643,813</u>	<u>1,448,762</u>
Unrecognized amount of deferred tax liabilities	<u>\$ 328,763</u>	<u>289,752</u>

- (ii) Unrecognized deferred tax assets

As of December 31, 2023, the items not recognized as deferred tax assets are as follows:

	December 31, 2023	December 31, 2022
Tax loss	<u>\$ 29,312</u>	<u>-</u>
The amount not recognized as deferred tax assets	<u>\$ 5,862</u>	<u>-</u>

- (iii) Recognized deferred tax assets and liabilities

The changes on deferred income tax assets and liabilities for the years ended December 31, 2023 and 2022 were as follows:

See accompanying notes to parent company only financial statements.

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	Inventory valuation loss	Unrealized profit and loss between affiliated companies	Others	Total
Deferred income tax assets:				
January 1, 2023	\$ 7,775	459	4,737	12,971
(Debit) credit in profit or loss	938	(82)	7,664	8,520
December 31, 2023	<u>\$ 8,713</u>	<u>377</u>	<u>12,401</u>	<u>21,491</u>
January 1, 2022	\$ 6,151	1,262	445	7,858
(Debit) credit in profit or loss	1,624	(803)	4,292	5,113
December 31, 2022	<u>\$ 7,775</u>	<u>459</u>	<u>4,737</u>	<u>12,971</u>

	Share of profit or loss of subsidiaries accounted for using equity method	Exchange differences on translation of foreign financial statements	Others	Total
Deferred tax liabilities:				
January 1, 2023	\$ 280,788	(23,084)	18,682	276,386
Credit (debit) in profit or loss	-	-	1,487	1,487
Credit in other comprehensive income	-	(11,365)	-	(11,365)
December 31, 2023	<u>\$ 280,788</u>	<u>(34,449)</u>	<u>20,169</u>	<u>266,508</u>
January 1, 2022	\$ 280,788	(49,047)	31,311	263,052
Credit (debit) in profit or loss	-	-	(12,629)	(12,629)
Credit in other comprehensive income	-	25,963	-	25,963
December 31, 2022	<u>\$ 280,788</u>	<u>(23,084)</u>	<u>18,682</u>	<u>276,386</u>

b. Assessment of tax

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

(16) Capital and other equity

a. Share capital

As of December 31, 2023 and 2022, 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 common stocks were both 134,418 thousand shares.

(a) Common stock

The bondholders of the Company's convertible bonds redeemed the bonds during the year of 2022 and 22 thousand new shares were issued at par value. All the capital for issued shares had been received and relevant statutory registration procedures have since been completed and categorized under equity.

(b) Capital surplus

The balances of capital surplus were as follows:

See accompanying notes to parent company only financial statements.

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	December 31, 2023	December 31, 2022
Additional paid-in capital	\$ 756,155	756,155
Consolidation excess	3,831	3,831
Changes in net value of equity	105,197	100,542
investment in affiliated companies accounted for using equity method		
Employee stock options	13,978	13,978
Expired employee stock options	30,378	30,378
Stock option for conversion of convertible bonds	71,065	71,065
Others	12,666	12,666
	\$ 993,270	988,615

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 Note 6(5) and 6(12) for other changes in capital surplus.

c. Retained earnings

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

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

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

(i) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders'

See accompanying notes to parent company only financial statements.

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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. ◦

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(iii) Earnings distribution

The amount of cash dividends of appropriations of earnings for the years ended December 31, 2022 and 2021 had been approved in the board meeting held on March 24, 2023 and March 30, 2022, respectively. The proposals of appropriations were resolved on June 27, 2023 and June 29, 2022 by the shareholders' meetings respectively. These earnings were appropriated as follows:

	For the year ended December 31, 2022		For the year ended December 31, 2021	
	TWD/per share	Amount	TWD/per share	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 0.55	73,930	1.50	201,594

c. Other equity

	Exchange differences on translation of foreign financial statements	Subsidiary property revaluation increments	Total
Balance at January 1, 2023	\$ (92,336)	33,219	(59,117)
Exchange differences on foreign operations	(70,183)	-	(70,183)
Gains or losses on disposals of foreign operations reclassified to profit or loss	21,729	-	21,729
Balance at December 31, 2023	\$ (140,790)	33,219	(107,571)
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	\$ (92,336)	33,219	(59,117)

(17) Earning per share

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

	For the year ended December 31, 2023	For the year ended December 31, 2022
Basic earnings per share		
Current net profit (loss) attributable to the Company	\$ (266,543)	225,319
Weighted average number of common stocks outstanding (shares in thousands)	134,418	134,406
Basic earnings per share (dollar)	\$ (1.98)	1.68
Diluted earnings per share		
Profit (loss) attributable to ordinary shareholders of the Company (basic)	\$ (266,543)	225,319
After tax shares of interest expenses of convertible bonds	-	17,167
Profit (loss) attributable to ordinary shareholders of the	\$ (266,543)	242,486

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	For the year ended December 31, 2023	For the year ended December 31, 2022
Company (diluted)		
Weighted average number of common stocks outstanding (basic)	134,418	134,406
Effect of dilutive potential common stocks		
Effect of remuneration to employees in stock	-	1,147
Effect of conversion of convertible Company bonds	-	12,360
Weighted average number of common stocks outstanding (diluted)(shares in thousands)	134,418	147,913
Diluted earnings per share(dollar) (Note)	(1.98)	1.64

Note: As the result calculated by adding dilutive potential common stocks is anti-dilutive for the year ended December 31, 2023, diluted earnings (losses) per share were not calculated.

(18) Revenue from contracts with customers

a. Disaggregation of revenue

	For the year ended December 31, 2023	For the year ended December 31, 2022
Primary geographical markets:		
Taiwan	\$ 617,794	782,215
China	2,030,704	2,255,705
Other countries	441,820	408,972
Total	\$ 3,090,318	3,446,892
Major products/services lines:		
Connectors	\$ 2,531,562	2,823,024
Connector accessories	62,232	82,978
Others	496,524	540,890
	\$ 3,090,318	3,446,892

b. Contract balances

	December 31, 2023	December 31, 2022
Notes receivable	\$ 122	42
Account receivable (including related parties)	884,746	955,890
Less: Loss allowance	(1,668)	(2,413)
Total	\$ 883,200	953,519

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

(19) 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

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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. As the Company incurred loss in the year ended December 31, 2023, the amounts were not estimated.

	For the year ended December 31, 2023	For the year ended December 31, 2022
Employees remuneration	\$ -	10,776
Directors remuneration	-	6,408
	\$ -	17,184

The amount, as stated in the parent company only financial statements, are identical to those of the actual distributions for 2023 and 2022. Relevant information can be referred to on the "Market Observation Post System".

(20) Non-operating income and expenses

a. Other gains and losses

Details of other gains and losses of the Company for the years ended December 31, 2023 and 2022 were as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Foreign exchange gains	\$ 11,283	63,196
Gains (losses) on disposals of property, plant and equipment	(907)	(75)
Gains on lease modification	48	-
Losses on disposals of investments	(26,725)	-
Gains (losses) on financial assets at fair value through profit or loss	14,034	(37,358)
Other losses	(4,151)	(2,045)
	\$ (6,418)	23,718

The Company can no longer obtain market price from periodical financial tools SPECTRA SPC POWERFUND. According to Article 13 'Fair value measurement' of IFRS on assessment of relevant information credibility and limitations, it is therefore moved from Level 1 to Level 3. The Company measured loss on fair value of the aforementioned asset recognized under "other gains and losses." Please refer to note 6(2) and 6(21) for details.

The dissolution and liquidation of the subsidiaries of the Company, ACES (HONG KONG) ELECTRONIC CO., LTD, have been resolved by the board of directors on October 2, 2023, and the relevant procedures have been completed on November 10, 2023. As of December 31, 2023, the Group has recovered distribution of liquidated remaining properties of \$14,860 thousand, and recognized losses on disposals of investments of \$26,725 thousand, which were presented in "other gains and losses."

b. Finance costs

Details of finance costs of the Company for the years ended December 31, 2023 and 2022 were as follows:

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	For the year ended December 31, 2023	For the year ended December 31, 2022
Bank loan interest	\$ 46,563	28,073
Lease liabilities interest	330	298
Convertible company bond interest	22,296	21,458
	\$ 69,189	49,829

(21) Financial instruments

a. Credit risk

(i) Credit risk exposure

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

(ii) Concentration to credit risk

The customers of the Company has a significant concentration on hi-tech industry. As of December 31, 2023 and 2022, the balance of accounts receivable had 55% and 61% from 7 and 7 customers respectively. This has presented high concentration of credit risk for the Company. In order to reduce accounts receivable credit risk, the Company continues to assess financial status of its customers.

b. Liquidity Risk

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

	Carrying amount	contractual cash flows	Within 1 year	2-5 years	Over 5 years
December 31, 2023					
Non-derivative financial liabilities					
Short-term borrowings	\$ 1,120,000	1,144,752	1,144,752	-	-
Notes payable	1,868	1,868	1,868	-	-
Account payable (including related parties)	1,008,631	1,008,631	1,008,631	-	-
Bonds payable (including current portion)	578,202	578,202	578,202	-	-
Other payable (including related parties)	382,918	382,918	382,918	-	-
Lease liabilities	9,987	10,223	4,314	5,909	-
Long-term (including current portion)	1,871,474	1,925,467	224,867	1,700,600	-
	\$ 4,973,080	5,052,061	3,345,552	4,394,065	-
December 31, 2022					
Non-derivative financial liabilities					
Short-term borrowings	\$ 650,000	664,365	664,365	-	-
Notes payable	518	518	518	-	-
Account payable (including related parties)	930,392	930,392	930,392	-	-
Bonds payable (including current portion)	555,906	600,000	-	600,000	-
Other payable (including related parties)	423,707	423,707	423,707	-	-
Lease liabilities	10,060	10,157	8,804	1,353	-
Long-term borrowings (including current portion)	1,724,500	1,764,926	1,132,344	632,582	-
	\$ 4,295,083	4,394,065	3,160,130	4,064,321	-

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) Exposure to foreign currency risk

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

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Currency: expressed in thousands of dollars

	December 31, 2023			December 31, 2022		
	Foreign currency	Exchange rate (dollar)	NTD	Foreign currency	Exchange rate (dollar)	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 45,903	30.705	1,409,451	41,161	30.710	1,264,054
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	34,395	30.705	1,056,098	29,657	30.710	910,766

(ii) Sensitivity analysis

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

As of December 31, 2023 and 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 \$17,668 thousand and \$17,665 thousand for the years ended December 31, 2023 and 2022, respectively. The method of analysis remains the same for both periods.

(iii) Foreign exchange gains and losses on monetary items

The Company's information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years ended December 31, 2023 and 2022, foreign exchange gains (loss) (including realized and unrealized portions) amounted to \$11,283 thousands and \$63,196 thousands, respectively.

iv. Interest rate analysis

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

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

If the interest rate increased or decreased by 1%, given no changes in other factors, the profit before tax will decrease or increase by \$29,915 thousand and \$23,745 thousand for the years ended December 31, 2023 and 2022 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:

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

A. Non-derivative financial instruments

Financial instruments traded in active market are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies equity instrument and debt instrument of the quoted price in an active market.

If a quoted price of a financial instrument can be obtained readily and regularly from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities, and such price can reflect those actual trading and regularly occurring in the market. Then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not in accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a nonactive market.

If the financial instrument held by the Company is of an active market, the fair value of it is determined in accordance with market price. If its of a nonactive market, the fair value is measured by net assets.

B. Derivative financial instruments

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

(iii) Changes on Level 3 table

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

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

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

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

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

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Quantified information of significant unobservable inputs was as follow:

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

(23) Financial risk management

a. Overview

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

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

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

b. Structure of risk management

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

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

c. Credit risk

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

(i) Accounts receivable and other receivables

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

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(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, 2023 and 2022.

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, 2023 and 2022, the Company' s unused credit line were amounted to \$3,646,482 and \$1,779,550, respectively.

e. Market risk

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

(i) Currency risk

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

(ii) Interest rate risk

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

(iii) Other market price risk

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

(23) 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 common stocks' dividend value.

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Notes to the Parent Company Only Financial Statements

Name of related parties	Relationship with the Company	
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, 2023 and 2022 as follows:		
	December 31, 2023	December 31, 2022
Total liabilities	\$ 5,290,727	4,651,294
Less: cash and cash equivalents	(472,031)	(866,194)
Net liabilities	\$ 4,818,696	3,825,224
Total equity	\$ 5,254,759	5,637,120
Debt-to-equity ratio	91.70%	67.86%

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

Details of investing and financing activities not affecting the current cash flow of the Company for the years ended December 31, 2023 and 2022 were as follows:

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

	January 1, 2023	Cash flow	Non-Cash changes	December 31, 2023
Long-term borrowings (including current portion)	\$ 1,724,500	144,000	2,974	1,871,474
Short-term borrowings	650,000	470,000	-	1,120,000
Lease liabilities	10,060	(12,537)	12,464	9,987
Bonds payable (including current portion)	555,906	-	22,296	578,202
Total liabilities from financing activities	\$ 2,940,466	601,463	37,734	3,579,663

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

7. Related-party transactions

(1) Names and relationship with related parties

Name of related parties	Relationship with the Company
ACECONN ELECTRONIC CO., LTD.	Subsidiary
ACES PRECISION INDUSTRY PTE LTD.	Subsidiary
ACESCONN HOLDINGS CO., LTD.	Subsidiary
WEI HONG INTERNATIONAL INVESTMENT CO., LTD.	Subsidiary

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

Name of related parties	Relationship with the Company
ACES (HONG KONG) ELECTRONIC CO., LTD. (Note 1)	Subsidiary
MEC IMEX INC.	Subsidiary
ACES JAPAN CO., LTD.	Subsidiary
ACES INTERCONNECT (USA), INC.	Subsidiary
COMPUPACK TECHNOLOGY CO., LTD.	Subsidiary
ACES Precision Machinery Co., Ltd.	Subsidiary
KUNSHAN ACES TRADING CO., LTD.	Subsidiary
DONGGUAN ACES ELECTRONIC CO., LTD.	Subsidiary
KUNSHAN ACES ELECTRONIC CO., LTD..	Subsidiary
CHONGQING HONG GAO ELECTRONIC CO., LTD.	Subsidiary
KUANG YING COMPUTER EQUIPMENT CO., LTD.	Subsidiary
KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	Subsidiary
ASIA CENTURY INVESTMENT LTD.	Subsidiary
GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	Subsidiary
ACES ZHUHAI TECHNOLOGY LTD	Subsidiary
ACES Surface Treatment Co., Ltd.	Subsidiary
MEC INTERNATIONAL COMPANY LTD.	Subsidiary
MEC ELECTRIC SOLUTIONS GMBH	Subsidiary
MEC ULTRAMAX (H.K.) COMPANY LIMITED	Subsidiary
MEC BEST KNOWN COMPANY LIMITED	Subsidiary
MEC ELECTRONICS (HK) COMPANY LIMITED	Subsidiary
MEC ELECTRONICS PHILIPPINES CORPORATION	Subsidiary
MEC ELECTRONICS (SUZHOU) CO., LTD.	Subsidiary
SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Subsidiary
HOMEPRIDE TECHNOLOGY LIMITED	Subsidiary
HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Subsidiary
MEC IMEX (USA), INC.	Subsidiary
MEC SUZHOU ELECTRONICS CO., LTD.	Subsidiary
MICON PRECISE CORP.	Subsidiary
GLOBAL ACUMEN LIMITED (Note 1)	Subsidiary
DONGGUAN COMPUPACK TECHNOLOGY CO., LTD.	Subsidiary
Aces Precision Corporation	Subsidiary
INFOMIGHT INVESTMENTS LIMITED	Subsidiary

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

Name of related parties	Relationship with the Company
BELTA INTERNATIONAL LIMITED	Subsidiary
CERTILINK INTERNATIONAL LIMITED	Subsidiary
ACCURATE GROUP LIMITED	Subsidiary
DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD..	Subsidiary
SUZHOU KUANG YING ELECTRIC CO., LTD.	Subsidiary
GENESIS ELECTROMECHANICAL LIMITED	Subsidiary
GENESIS INNOVATION GROUP LIMITED	Subsidiary
GENESIS HOLDING COMPANY	Subsidiary
GENESIS TECHNOLOGY USA, INC.	Subsidiary
JASON TECHNOLOGY LIMITED.	Subsidiary
GENESIS TECHNOLOGY(NINGBO) INC.	Subsidiary
SHENZHEN JINO ELECTRONIC CO., LTD. (Note 1)	Subsidiary
GENESIS INTERCONNECT CO., LTD. (Note 1)	Subsidiary
GENESIS GUIZHOU TECHNOLOGY CO., LTD. (Note 2)	Subsidiary
DONGGUAN POLIXIN ELECTRIC CO., LTD.	Subsidiary
Wei Chi Investment Co., Ltd.	Legal persons as corporate director
Hsu Chang-Fei	Director
Nantong Dadi Electric Co., Ltd.	Affiliated company
Kung Shan Ching Zhi Electric Co., Ltd.	Affiliated company

Note 1: The company completed liquidation during the year of 2023.

Note 1: The company was sold during the year of 2023.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

(2) Significant related party transactions

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

	<u>Sales and services provided</u>		<u>Receivables from related parties</u>	
	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	Sales	\$ 207,962	222,864	75,447
Technical service	18,117	24,297	9,058	10,601
Use of trade mark	44,027	43,289	22,922	19,805
Commission for purchase	<u>1,622</u>	<u>3,083</u>	<u>13,502</u>	<u>17,510</u>
	<u>\$ 271,728</u>	<u>293,533</u>	<u>120,929</u>	<u>148,889</u>

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

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

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

	<u>Purchase</u>		<u>Payables to Related Parties</u>	
	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	KUNSHAN ACES ELECTRONIC CO., LTD.	\$ 953,332	1,047,571	485,752
DONGGUAN ACES ELECTRONIC CO., LTD.	530,026	702,196	301,777	333,913
Other subsidiaries	<u>102,283</u>	<u>83,358</u>	<u>41,866</u>	<u>29,814</u>
	<u>\$ 1,585,641</u>	<u>1,833,125</u>	<u>829,395</u>	<u>763,869</u>

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

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

	<u>Transaction amount</u>		<u>Other payable - related parties</u>	
	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	Subsidiaries	<u>\$ 14,016</u>	<u>11,847</u>	<u>1,621</u>

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

d. Property transactions

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

	Transaction amount		Gain (loss) on disposal		Other receivables – related parties	
	For the year ended	For the year ended	For the year ended	For the year ended	December	December
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022	31, 2023	31, 2022
Subsidiaries	\$ 421	465	67	71	414	456

- (ii) The proceeds from acquisition of property, plant and equipment from related parties are as follows:

	December 31, 2023	December 31, 2022
Key management	\$ 522,729	-

The Company acquired the land in MIRDC in Taoyuan, with area of 2,686 ping, from related parties with total transaction amount of \$522,729 thousand in September, 2023. The acquisition price of the land referred to the appraisal report from CPAC and Cushman & Wakefield Real Estate Appraiser Firm. As of December 31, 2023, the transfer procedures have not been completed. The prepayment for the land is \$156,819 thousand (recognized under “other non-current assets – others”), and the balance unpaid is \$365,911 thousand.

e. Endorsement

The Company has endorsed its subsidiaries for taking out loans from banks for the years of 2023 and 2022, and the actual amount used as guarantee were \$15,000 thousand and \$127,840 thousand respectively.

f. Leases

The Company has rented buildings and land from related parties, and signed 4 years lease contracts with reference of neighboring rental market price and land market price in the total contract amount of \$31,258 thousand and \$36,759 thousand for the year of 2023 and 2022 respectively. The lease payments were \$12,938 thousand and \$13,710 for the year of 2023 and 2022 respectively. And as of the end of December 31, 2023 and 2022, the balances of lease liabilities were \$7,762 and \$6,826 respectively.

g. Others

As of December 31, 2023 and 2022, other receivables from collection and payment on behalf of. another party, various expenses and other expenditures between the Company and related parties were \$4,325 thousand and \$4,810 thousand respectively. Other payables were \$56,131 thousand and \$94,609 respectively.

(3) Key management personnel transactions

Key management personnel compensation comprised:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Short-term employee benefits	\$ 36,662	43,960
Post-employment benefits	1,107	1,199
	\$ 37,769	45,159

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

8. Assets pledged as security:

Asset name	Pledge or Mortgage underlying subject	December 31, 2023	December 31, 2022
Property, plant and equipment			
Land	Bank loan and credit limit guarantee	\$ 148,338	-
Buildings and structures	"	134,798	-
		<u>\$ 283,136</u>	<u>-</u>

9. Significant Commitments and contingencies:

(1) Unrecognized commitments of the Company:

	December 31, 2023	December 31, 2022
Acquisition of property, plant and equipment	\$ 672,009	675,102
Acquisition of intangible assets	16,147	27,174
Total	<u>\$ 688,156</u>	<u>702,276</u>

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, 2023, \$824,100 thousand of the contracted price had been paid.

Promissory note issued by the Company for credit limit:

December 31, 2023	December 31, 2022
<u>\$ 6,429,525</u>	<u>4,973,550</u>

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

December 31, 2023	December 31, 2022
<u>\$ 4,000</u>	<u>4,000</u>

10. Due to Major Disasters: None.

11. Significant Subsequent Events: None.

12. Other

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

By function	For the year ended December 31, 2023			For the year ended December 31, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	167,671	339,937	507,608	163,457	350,325	513,782
Labor and health insurance	19,191	32,743	51,934	18,732	31,344	50,076
Pension	7,627	17,255	24,882	7,831	16,288	24,119
Remuneration of directors	-	8,248	8,248	-	14,580	14,580
Other employee benefits	15,983	20,879	36,862	19,376	19,789	39,165
Depreciation	164,277	42,246	206,523	164,125	36,993	201,118
Amortization	63	25,841	25,904	173	24,919	25,092

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

b. The additional information of number of employees and employee benefits in the year 2023 and 2022 was as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Number of employees	671	683
Number of non-employee directors	7	7
Average employee benefits	\$ 936	928
Average employee salary	\$ 764	760
Adjustment of average employee salary	0.53%	(1.17)%
Supervisor's remuneration	\$ -	

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

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

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

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

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

13. Other disclosures

(1) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the years ended December 31, 2023.

a. Lending to other parties:

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 8)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt amount	Collateral		Individual funding loan limits	Maximum limit of fund financing	Note
													Item	Value			
1	KUNSHAN ACES ELECTRONIC CO., LTD..	GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	Other receivables	Yes	323,700	129,810	64,905	2.10%	2	-	Operation requirements	-	None	-	2,660,943	2,660,943	Note 3, 4
1	KUNSHAN ACES ELECTRONIC CO., LTD..	KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	Other receivables	Yes	133,350	-	-	0.00%	2	-	Operation requirements	-	None	-	2,660,943	2,660,943	"
2	ASIA CENTURY INVESTMENT LTD	MEC INTERNATIONAL COMPANY LTD	Other receivables	Yes	21,076	19,958	19,958	2.95%	2	-	Operation requirements	-	None	-	160,904	160,904	"
3	ACES PRECISION INDUSTRY PTE LTD	MEC INTERNATIONAL COMPANY LTD	Other receivables	Yes	32,425	30,705	30,705	4.96%	2	-	Operation requirements	-	None	-	53,309	53,309	"
4	MEC IMEX INC.	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Other receivables	Yes	92,250	-	-	0.00%	2	-	Operation requirements	-	None	-	224,451	224,451	Note 4, 5
4	MEC IMEX INC.	HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Other receivables	Yes	32,270	-	-	0.00%	2	-	Operation requirements	-	None	-	224,451	224,451	"
4	MEC IMEX INC.	MEC SUZHOU ELECTRONICS CO., LTD.	Other receivables	Yes	182,700	92,115	92,115	3.80%	2	-	Operation requirements	-	None	-	224,451	224,451	"
5	MEC BEST KNOWN COMPANY LIMITED	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Other receivables	Yes	45,395	-	-	0.00%	2	-	Operation requirements	-	None	-	128,961	128,961	Note 6
6	MEC ELECTRONICS (HK) COMPANY LTD.	HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Other receivables	Yes	17,780	17,308	17,308	1.30%	2	-	Operation requirements	-	None	-	122,820	122,820	Note 8
6	MEC ELECTRONICS (HK) COMPANY LTD.	HOMEPRIDE TECHNOLOGY LIMITED	Other receivables	Yes	29,183	27,635	15,353	1.00%	2	-	Operation requirements	-	None	-	122,820	122,820	"
6	MEC ELECTRONICS (H.K.) CO., LTD.	MEC INTERNATIONAL COMPANY LTD	Other receivables	Yes	6,485	6,141	6,141	3.05%	2	-	Operation requirements	-	None	-	122,820	122,820	"
7	MEC ELECTRONICS (SUZHOU) CO., LTD.	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Other receivables	Yes	40,005	25,962	-	0.00%	2	-	Operation requirements	-	None	-	129,810	129,810	Note 7
7	MEC ELECTRONICS (SUZHOU) CO., LTD.	HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Other receivables	Yes	26,670	-	-	0.00%	2	-	Operation requirements	-	None	-	129,810	129,810	"
8	MEC SUZHOU ELECTRONICS CO., LTD.	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Other receivables	Yes	44,450	-	-	0.00%	2	-	Operation requirements	-	None	-	10,250	10,250	Note 10
9	ACCURATE GROUP LIMITED	MEC INTERNATIONAL COMPANY	Other receivables	Yes	37,289	35,311	35,311	2.95%	2	-	Operation requirements	-	None	-	165,297	165,297	Note 11

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 8)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt amount	Collateral		Individual funding loan limits	Maximum limit of fund financing	Note
													Item	Value			
10	COMPUPACK TECHNOLOGY CO., LTD	Aces Precision Industry Pte Ltd.	Other receivables	Yes	32,425	30,705	30,705	2.04%	2	-	Operation requirements	-	None	-	56,825	56,825	Note 4, 5
11	GENESIS ELECTRO-MECHANICAL LIMITED	GENESIS INNOVATION GROUP LIMITED	Other receivables	Yes	87,173	-	-	0.00%	2	-	Operation requirements	-	None	-	656,631	656,631	Note 9
11	GENESIS ELECTRO-MECHANICAL LIMITED	GENESIS TECHNOLOGY USA, INC.	Other receivables	Yes	48,638	46,058	46,058	1.20%	2	-	Operation requirements	-	None	-	656,631	656,631	"
11	GENESIS ELECTRO-MECHANICAL LIMITED	MEC ELECTRONICS PHILIPPINES CORP.	Other receivables	Yes	32,425	30,705	30,705	1.20%	2	-	Operation requirements	-	None	-	656,631	656,631	"
11	GENESIS ELECTRO-MECHANICAL LIMITED	MEC INTERNATIONAL COMPANY LTD	Other receivables	Yes	16,213	15,353	15,353	3.85%	2	-	Operation requirements	-	None	-	656,631	656,631	"
11	GENESIS ELECTRO-MECHANICAL LIMITED	MEC IMEX INC.	Other receivables	Yes	64,850	61,410	61,410	3.85%	2	-	Operation requirements	-	None	-	131,326	131,326	"
12	GENESIS ELECTRO-MECHANICAL LIMITED	MICON PRECISE CORP.	Other receivables	Yes	64,850	61,410	61,410	1.20%~3.50%	2	-	Operation requirements	-	None	-	686,815	686,815	"
12	GENESIS INNOVATION GROUP LIMITED	DONGGUAN POLIXIN ELECTRIC CO., LTD.	Other receivables	Yes	97,275	92,115	92,115	3.85%	2	-	Operation requirements	-	None	-	686,815	686,815	"
12	GENESIS INNOVATION GROUP LIMITED	Aces Precision Industry Pte Ltd.	Other receivables	Yes	179,700	100,000	100,000	1.58%	2	-	Operation requirements	-	None	-	137,363	137,363	Note 9

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

- Note 1: In accordance with the Company's 'Procedures for Lending Funds to Others', when lending funds to companies or firms that are in need of short-term working capital, the individual loan amount shall not exceed 10% of the Company's net value.
- Note 2: In accordance with the Company's 'Procedures for Lending Funds to Others', when lending funds to others, the total loan amount shall not exceed 40% of the Company's net value.
- Note 3: According to 'Procedures for Lending Funds to Others' of subsidiaries KUNSHAN ACES ELECTRONIC CO., LTD. and ASIA CENTURY INVESTMENT LTD及ACES PRECISION INDUSTRY PTE 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., COMPUPACK TECHNOLOGY CO., LTD.ASIA CENTURY INVESTMENT LTD, and ACES PRECISION INDUSTRY PTE 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 subsidiaries MEC IMEX INC. and COMPUPACK TECHNOLOGY CO., 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 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: According to 'Procedures for Lending Funds to Others' of subsidiary, ACCURATE 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 company's net worth. However, if the borrowing company and its parent company directly or indirectly hold 100% of the voting shares of the company, the total loan amount and the individual loan amount shall not exceed 400% of the net worth of that subsidiary.
- Note 12: Methods on how to fill in nature of the loan below:
- (i) Fill in "1" for business transactions.
 - (ii) Fill in "2" for necessary short-term working capital.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

b. Endorsement for others:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for an enterprise individual (Note 1, 3, 4, 6)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net equity of the latest financial statements	Maximum amount for guarantees and endorsements (Note 2, 3, 4, 6)	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	5,254,758	307,400	-	-	-	-	5,254,758	Y	N	Y
0	The Company	Aces Precision Industry Pte Ltd.	2	5,254,758	318,600	153,525	-	-	2.92%	5,254,758	Y	N	N
0	The Company	ACES Precision Machinery Co., Ltd.	2	5,254,758	100,000	50,000	15,000	-	0.95%	5,254,758	Y	N	N
1	MEC IMEX INC.	MEC INTERNATIONAL COMPANY LTD.	2	561,127	113,488	107,468	-	-	19.15%	561,127	N	N	N
2	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	KUANG YING COMPUTER EQUIPMENT CO., LTD.	3	128,654	4,864	4,606	1,716	-	3.06%	128,654	N	N	N
2	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	KUNSHAN ACES ELECTRONIC CO., LTD.	2	128,654	4,864	4,606	1,716	-	3.06%	128,654	N	N	Y
3	SUZHOU KUANG YING ELECTRIC CO., LTD.	KUANG YING COMPUTER EQUIPMENT CO., LTD.	3	99,791	4,864	4,606	178	-	125.30%	99,791	N	N	N
3	SUZHOU KUANG YING ELECTRIC CO., LTD.	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	2	99,791	4,864	4,606	178	-	125.30%	99,791	N	N	Y

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

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

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

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

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

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

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

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

(Shares in thousands)

Name of Holder	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2022				Note
				Shares	Carrying amount	Percentage of ownership	Fair value	
The Company	SPECTRA SPC POWERFUND	-	Financial assets at FVTPL – current	380	-	- %	-	Note 1
The Company	Fund: China Development Advantage Venture Capital Limited Partnership.	-	Financial assets at FVTPL – non-current	-	71,866	1.54%	71,866	-

Note 1: The Group has evaluated the fair value by net value of assets method, and the result of the fair value is 0.

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:

(in thousands of NTD)

Company acquired the real estate	Property name	Date of occurrence	Transaction amount	Payment condition	Counterparty	Relationship	For transactions with related parties, the information on prior transfers and the relationship				Reference of price determination	Acquisition purpose and usage	Other agreement
							Owner	Relationship with the issuer	Date of transfer	Amount			
ACES ELECTRONICS CO., LTD.	Land with No. 0638 0000 on Shangling section, Zhongli District	2023/9/8	522,729	Paid in full 156,819	Hsu, Chang-Fei	Director of the Company	N/A	N/A	N/A	-	The result of appraisal report	For future business development	-

f. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

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

Counter-party of sales/purchase	Name of counter-party	Relationship	Transaction details				Unusual transaction details			Notes and accounts receivables (payables)		Note
			Sales/purchase	Amount	Percentage of total purchases/sales	Credit terms	Unit price	Credit terms	Balance amount	Percentage in total notes and accounts receivable (payable)		
The Company	DONGGUAN ACES ELECTRONIC CO., LTD.	Subsidiary	Purchase	525,526	27.00%	OA 120 days	-	-	304,537	30.14%		
The Company	KUNSHAN ACES ELECTRONIC CO., LTD.	Subsidiary	Purchase	944,178	48.50%	OA 120 days	-	-	484,732	47.97%		
KUNSHAN ACES ELECTRONIC CO., LTD.	GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	Affiliates	Purchase	280,120	35.84%	OA 30 days	-	-	40,949	10.74%		
DONGGUAN ACES ELECTRONIC CO., LTD.	KUNSHAN ACES ELECTRONIC CO., LTD.	Affiliates	Purchase	190,261	23.75%	OA 90 days	-	-	70,836	20.20%		
GENESIS TECHNOLOGY USA, INC.	GENESIS TECHNOLOGY(NINGBO) INC.	Affiliates	Purchase	171,580	44.59%	OA 120 days	-	-	33,157	34.61%		
KUANG YING COMPUTER EQUIPMENT CO., LTD.	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	Affiliates	Purchase	471,424	86.53%	OA 60 days	-	-	195,025	87.76%		
MEC IMEX INC.	MEC SUZHOU ELECTRONICS CO., LTD.	Affiliates	Purchase	340,433	78.25%	OA 90 days	-	-	9,602	26.69%		

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

Note 1: 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:

Name of company	Related party	Relationship	Balance of amounts receivable from related parties	Turnover rate	Overdue		Accounts received in subsequent period	Allowance for bad debt
					Amount	Action taken		
KUNSHAN ACES ELECTRONIC CO., LTD.	The Company	Sub-subsidiary	484,732	3.90	-	-	175,056	-
DONGGUAN ACES ELECTRONIC CO., LTD.	The Company	Sub-subsidiary	304,537	3.45	-	-	44,299	-
DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	KUANG YING COMPUTER EQUIPMENT CO., LTD.	Affiliates	195,025	4.83	-	-	74,961	-
GENESIS INNOVATIONGROUP LIMITED	MEC IMEX INC.	Affiliates	100,185	-	-	-	-	-

Note 1: Loan and interest receivables.

i. Trading in derivative instruments: None.

(2) Information on investments:

The following is the information on investees for the years ended December 31, 2023 (excluding information on investees in Mainland China):

Investor Company	Investee Company	Location	Main Activities	Original investment amount		Balance as of December 31, 2023			Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying amount			
The Company	ACECONN ELECTRONIC CO., LTD.	SAMOA	Investment holding	771,665	621,315	24,800	100.00%	4,026,480	10,061	8,828	
The Company	ACES (HONG KONG) ELECTRONIC CO., LTD.	SAMOA	Connectors sales	-	9,579	-	- %	-	1,506	1,506	Note 3
The Company	ACES PRECISION INDUSTRY PTE LTD.	Singapore	Connectors sales business	208,410	208,410	8,162	100.00%	53,300	1,630	1,630	
The Company	ACESCONN HOLDINGS CO., LTD.	SAMOA	Investment holding	351,112	351,112	12,000	100.00%	160,900	(26,709)	(26,709)	
The Company	WEI HONG INTERNATIONAL INVESTMENT CO., LTD.	Taiwan	Investment business	25,000	25,000	2,500	100.00%	27,780	(188)	(188)	
The Company	MEC IMEX INC.	Taiwan	Connector cable set sales business	928,939	809,032	47,582	99.86%	530,850	(130,721)	(130,261)	
The Company	ACES JAPAN CO., LTD.	Japan	Connector development business	15,137	15,137	4.5	100.00%	14,170	1,078	1,078	
The Company	ACES INTERCONNECT (USA), INC.	USA	Connectors sales industry	9,711	9,711	300	100.00%	9,540	(142)	(142)	
The Company	COMPUPACK TECHNOLOGY CO., LTD.	Taiwan	Electronic component sales business	287,237	277,237	21,500	100.00%	223,650	(37,892)	(32,703)	
The Company	KUANG YING	Taiwan	Electronic	198,697	198,697	25,906	99.66%	294,020	47,272	48,550	

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Notes to the Parent Company Only Financial Statements

Investor Company	Investee Company	Location	Main Activities	Original investment amount		Balance as of December 31, 2023			Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying amount			
The Company	COMPUTER EQUIPMENT CO., LTD. ACES Precision Machinery Co., Ltd.	Taiwan	component manufacturing and sales business Mold part manufacturing and sales business	130,000	130,000	13,000	100.00%	75,37	(15,143)	(15,143)	
The Company	GENESIS HOLDING COMPANY	Cayman	Investment holding	589,118	589,118	27,778	100.00%	703,93	38,901	15,096	
The Company	GENESIS TECHNOLOGY USA, INC.	USA	Electronic component sales business	20,104	20,104	1.5	100.00%	166,29	(37,708)	(37,708)	
The Company	JASON TECHNOLOGY LIMITED.	Hong Kong	Electronic component sales business	1,857	-	5,000	100.00%	8,73	442	(1,628)	
ACESCONN HOLDINGS CO., LTD.	ASIA CENTURY INVESTMENT LTD.	SAMOA	Investment holding	351,112	351,112	9,150	100.00%	160,90	(26,709)	(26,709)	
ACES Precision Machinery Co., Ltd.	ACES Surface Treatment Co., Ltd.	Taiwan	Manufacture and sales of mold	8,000	-	700	100.00%	6,29	(1,391)	(2,703)	Note 2
MEC IMEX INC.	MEC INTERNATIONAL COMPANY LTD.	British Virgin Islands	Investment holding	1,295,195	992,350	31	100.00%	335,21	(114,061)	(114,061)	
MEC IMEX INC.	MEC ELECTRIC SOLUTIONS GMBH	Germany	Connector cable set sales business	3,179	3,179	1	100.00%	2,84	(641)	(641)	Note 1
MEC INTERNATIONAL COMPANY LTD.	MEC BEST KNOWN COMPANY LIMITED	Hong Kong	Investment holding	473,201	313,435	118,250	100.00%	9,20	(4,403)	(4,403)	
MEC INTERNATIONAL COMPANY LTD.	MEC ULTRAMAX (HK) COMPANY LIMITED	Hong Kong	Investment holding	122,400	122,400	30,000	100.00%	80,80	1,102	1,102	
MEC INTERNATIONAL COMPANY LTD.	MEC ELECTRONICS (HK) COMPANY LIMITED	Hong Kong	Connector cable set sales business	205,445	157,515	510	100.00%	109,95	13,344	13,344	
MEC INTERNATIONAL COMPANY LTD.	MEC ELECTRONICS PHILIPPINES CORPORATION	Philippines	Connector cable set manufacturing and sales business	54,085	54,085	8,000	100.00%	265,28	6,924	6,924	
MEC ELECTRONICS PHILIPPINES CORPORATION	MEC IMEX (USA), INC.	USA	Connector cable set sales business	12,544	12,544	4	100.00%	17,55	(213)	(213)	
MEC ELECTRONICS (HK) COMPANY LIMITED	HOMEPRIDE TECHNOLOGY LIMITED	Hong Kong	Investment holding	230,261	182,331	56,750	100.00%	49,13	16,699	16,699	
COMPUPACK TECHNOLOGY CO., LTD.	MICON PRECISE CORP.	Taiwan	Electronic component sales business	333,845	333,845	12,950	99.61%	(2,03	(39,142)	(38,785)	
COMPUPACK TECHNOLOGY CO., LTD.	GLOBAL ACUMEN LIMITED	Belize	Electronic component sales business	1,497	1,497	-	- %	13,770	13,770	13,770	Note 3

ACES Electronics Co., Ltd.

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Investor Company	Investee Company	Location	Main Activities	Original investment amount		Balance as of December 31, 2023			Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying amount			
MICON PRECISE CORP.	Aces Precision Industry Pte Ltd.	Vietnam	Electronic component manufacturing and sales business	336,292	336,292	-	100.00%	(6,08)	(38,316)	(38,316)	
KUANG YING COMPUTER EQUIPMENT CO., LTD.	INFOMIGHT INVESTMENTS LIMITED	SAMOA	Investment holding	285,904	285,904	7,980	100.00%	192,92	32,740	32,719	
INFOMIGHT INVESTMENTS LIMITED	BELTA INTERNATIONAL LIMITED	British Virgin Islands	Investment holding	52,349	52,349	4	100.00%	152,52	30,117	30,117	
INFOMIGHT INVESTMENTS LIMITED	CERTILINK INTERNATIONAL LIMITED	British Virgin Islands	Sales business	1,605	1,605	50	100.00%	(4,41)	(14)	(14)	
INFOMIGHT INVESTMENTS LIMITED	ACCURATE GROUP LIMITED	SAMOA	Investment holding	131,588	131,588	4,100	100.00%	41,32	2,623	2,623	
GENESIS HOLDING COMPANY	GENESIS INNOVATION GROUP LIMITED	Hong Kong	Investment holding	228,280	228,280	8,000	100.00%	343,40	36,439	36,439	
GENESIS HOLDING COMPANY	GENESIS ELECTRO-MECHANICAL LIMITED	Hong Kong	Investment holding	268,229	268,229	9,400	100.00%	328,31	(23,986)	(23,986)	

Note 1: The Company's subsidiary MEC IMEX INC. set up a German subsidiary during the year of 2022.

Note 2: The subsidiary of the Company, ACES Precision Machinery Co., Ltd., obtained control over Yunchengyou Precision Technology Co., Ltd. on May 5, 2023, and consolidated it into the Group since the day. Yunchengyou Precision Technology Co., Ltd. has completed the change of registration, and renamed as ACES Surface Treatment Co., Ltd. on May 30, 2023.

Note 3: The dissolution and liquidation procedures of the subsidiaries of the Company, ACES (HONG KONG) ELECTRONIC CO., LTD. and GLOBAL ACUMEN LIMITED have been completed in 2023.

(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, 2023	Investment flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investor's Share of Profit (Loss) of Investee	Carrying amount of Investment as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023	Note
					Outflow	Inflow							
DONGGUAN ACES ELECTRONIC CO., LTD.	Connector manufacturing and sales business	115,301	(2)	115,301	-	-	115,301	(20,168)	100.00%	(20,168)	452,479	451,444	
KUNSHAN ACES ELECTRONIC CO., LTD.	Connector manufacturing and sales business	629,475	(2)	163,447	-	-	163,447	22,974	100.00%	22,974	2,660,943	452,925	
KUNSHAN ACES TRADING CO., LTD.	Connectors sales business	9,087	(2)	9,087	-	-	9,087	687	100.00%	687	47,105	-	
CHONGQING HONG GAO ELECTRONIC CO., LTD.	Connectors sales business	173,985	(2)	188,086	-	-	188,086	1,622	100.00%	1,622	1,362	-	
GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	Surface treatment and sales business	256,682	(2)	351,112	-	-	351,112	(27,235)	100.00%	(27,235)	139,699	-	
KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	Connector manufacturing and sales business	527,084	(2)	-	-	-	-	(4,712)	100.00%	(4,712)	507,683	-	Note 7

ACES Electronics Co., Ltd.

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Name of investee	Main Activities	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated remittance from Taiwan as of January 1, 2023	Investment flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investor's Share of Profit (Loss) of Investee	Carrying amount of Investment as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023	Note
					Outflow	Inflow							
ACES ZHUHAI TECHNOLOGY LTD	Connector manufacturing and sales business	150,350	(2)	-	150,350	-	150,350	3,138	100.00%	3,138	149,124	-	Note 11
Nantong Dadi Electric Co., Ltd.	Automobile cable bundle manufacturing and sales business	410,404	(3)	-	-	-	-	(65,743)	19.31%	(12,695)	408,015	-	Note 3
Kung Shan Ching Zhi Electric Co., Ltd.	Electronic component sales business	-	(3)	-	-	-	-	6,823	30.00%	2,047	20,455	-	Note 10
MEC ELECTRONICS (SUZHOU) CO., LTD.	Connector cable set manufacturing and sales business	121,853	(2)	301,403	-	-	301,403	1,185	100.00%	1,185	75,937	-	Note 4
SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Connector cable set manufacturing and sales business	519,336	(2)	210,065	159,640	-	369,705	(4,906)	100.00%	(4,906)	8,907	-	Note 4
HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Connector cable set manufacturing and sales business	214,991	(2)	73,123	48,135	-	121,258	17,009	100.00%	17,009	64,315	-	Note 4
MEC SUZHOU ELECTRONICS CO., LTD.	Connector cable set manufacturing and sales business	272,030	(1)	176,960	95,070	-	272,030	(125,130)	100.00%	(125,130)	3,417	-	Note 4
DONGGUAN COMPUPACK TECHNOLOGY CO., LTD.	Electronic component sales business	10,477	(2)	10,477	-	-	10,477	3,231	100.00%	3,231	13,022	-	Note 5
DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	Electronic component manufacturing and sales business	128,110	(2)	129,711	-	-	129,711	30,156	100.00%	30,156	150,707	-	Note 6
SUZHOU KUANG YING ELECTRIC CO., LTD.	Electronic component manufacturing and sales business	104,307	(2)	153,819	-	-	153,819	1,833	100.00%	1,833	3,676	-	Note 6
GENESIS INTERCONNECT CO., LTD.	Electronic component sales business	109,860	(2)	56,432	-	-	56,432	(466)	-%	(466)	-	-	Note 12
GENESIS GUIZHOU TECHNOLOGY CO., LTD.	Electronic component sales business	108,600	(2)	161,665	-	-	161,665	(825)	-%	(825)	-	-	Note 13
DONGGUAN POLIXIN ELECTRIC CO., LTD.	Electronic component sales business	65,150	(3)	-	-	-	-	5,210	100.00%	5,210	6,474	-	Note 8
GENESIS TECHNOLOGY (NINGBO) INC.	Electronic component sales business	21,720	(2)	228,805	-	-	228,805	(32,245)	100.00%	(32,245)	44,075	-	Note 9
SHENZHEN JINO ELECTRONIC CO., LTD.	Electronic component sales business	80,897	(2)	168,495	-	-	168,495	5,044	-%	5,044	-	-	Note 12

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

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

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

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

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

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

- (Note 5): Direct investment of COMPUPACK TECHNOLOGY CO., LTD. in the amount of USD350 thousand.
- (Note 6): Indirect investment of KUANG YING COMPUTER EQUIPMENT CO., LTD.
- (Note 7): Direct investment of ACECONN ELECTRONIC CO., LTD. In the amount of RMB120,322 thousand.
- (Note 8): Indirect investment of GENESIS INNOVATION GROUP LIMITED.
- (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 Company set up ACES ZHUHAI TECHNOLOGY LTD on February 1, 2023, which is included into the Group since that day.
- (Note 12): The dissolution and liquidation procedures of the subsidiaries of the Company, GENESIS INTERCONNECT CO., LTD., and SHENZHEN JINO ELECTRONIC CO., LTD. have been completed in 2023.
- (Note 13): The subsidiary of the Company, GENESIS GUIZHOU TECHNOLOGY CO., LTD., has been sold in 2023.

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

b. Limitation on investment in Mainland China:

Accumulated remittance from Taiwan to China as of December 31, 2023 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on investment in Mainland China set by Investment Commission, Ministry of Economic Affairs
1,592,780 (USD 53,316 thousand)	2,885,782 (USD 93,984 thousand) (Note 2)	3,159,779

(Note 1) Accumulated remittance amount from Taiwan to China as of December 31, 2023 was estimated by historical exchange rates.

(Note 2) Inclusive on the amount of USD34,745 thousand authorized by Investment Commission as capital reserve to increase.

c. Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China for the year ended December 31, 2023 are disclosed in “Information on significant transactions” in the consolidated financial statements.

(4) Major shareholders:

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

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

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

14. Segment information:

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

ACES Electronics Co., Ltd.
Statement of cash and cash equivalents
December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Cash on hand		\$ 279
Current and cheque deposits	NTD	91,638
	USD: 12,104 thousand	371,667
	Others (less than 5%)	8,447
	Subtotal	471,752
		\$ 472,031

Note: Foreign currency was exchanges based on the spot rate on December 31, 2023.
 USD:NTD= 30.705:1

Statement of account receivables

Item	Amount
S-U	\$ 47,169
S-T	85,833
S-H	39,247
S-I	99,143
S-M	40,769
S-W	45,929
S-V	59,888
Others (less than 5%)	345,839
Less: Loss allowance	(1,668)
Total	\$ 762,149

ACES Electronics Co., Ltd.

Statement of inventories

December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Item	Amount		Note
	Cost:	Net realizable value	
Raw materials	\$ 109,493	123,317	
Semi-finished goods	45,871	40,078	
Work-in-progress	1,827	-	Note
Finished goods	165,893	185,150	Current value as net realizable value
Merchandise	34,850	40,697	
Subtotal	357,934		
Less: allowance to reduce inventory to market and loss on obsolescence	(43,565)		
Total	\$ 314,369		

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

ACES Electronics Co., Ltd.
Statement of changes in investments accounted for using the equity method
January 1 to December 31, 2023

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

	<u>Beginning Balance</u>		<u>Addition (Note 1)</u>		<u>Decrease (Note 2)</u>		<u>Share of profit (loss) of subsidiaries/associates and joint ventures accounted for using equity method</u>	<u>Adjusted by equity method</u>	<u>Ending Balance</u>			<u>Market Value or Net Assets Value</u>		<u>Collateral</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			<u>Shares</u>	<u>Percentage</u>	<u>Amount</u>	<u>Unit Price</u>	<u>Total Amount</u>		
Long-term equity investments accounted for using equity method:															
ACECONN ELECTRONIC CO., LTD.	19,800	\$ 3,947,663	5,000	150,350	-	-	8,828	(80,360)	24,800	100.00%	4,026,481	162.73	4,035,630	None	
ACES (HONG KONG) ELECTRONIC CO., LTD.	300	12,726	-	-	300	14,424	1,506	192	-	100.00%	-	-	-	"	
ACES PRECISION INDUSTRY PTE LTD.	8,162	51,722	-	-	-	-	1,630	(43)	8,162	100.00%	53,309	6.53	53,309	"	
ACESCONN HOLDINGS CO., LTD.	12,000	190,259	-	-	-	-	(26,709)	(2,645)	12,000	100.00%	160,905	13.41	160,905	"	
ACES INTERCONNECT (USA), INC.	300	9,684	-	-	-	-	(142)	-	300	100.00%	9,542	31.81	9,542	"	
ACES JAPAN CO., LTD.	4.5	13,978	-	-	-	-	1,078	(879)	4.5	100.00%	14,177	3,150.44	14,177	"	
WEI HONG INTERNATIONAL INVESTMENT CO., LTD.	2,500	27,973	-	-	-	-	(188)	-	2,500	100.00%	27,785	11.11	27,785	"	
JASON TECHNOLOGY LIMITED.	5,000	10,361	-	-	-	-	(1,628)	(1)	5,000	100.00%	8,732	1.54	7,710	"	
MEC IMEX INC. (Note 2)	45,575	552,065	11,991	119,907	9,984	Note 3	(130,261)	(10,858)	47,582	99.86%	530,853	11.78	560,341	"	
COMPUPACK TECHNOLOGY CO., LTD. (Note 2)	20,138	238,248	1,362	10,000	-	-	(32,703)	8,110	21,500	100.00%	223,655	6.61	142,061	"	
KUANG YING COMPUTER EQUIPMENT CO., LTD. (Note 2)	25,906	248,338	-	-	-	-	48,550	(2,861)	25,906	99.66%	294,027	12.11	313,690	"	
GENESIS HOLDING COMPANY	27,778	845,798	-	-	-	-	15,096	(156,955)	27,778	100.00%	703,939	23.95	665,383	"	
GENESIS TECHNOLOGY USA, INC.	1.5	137,237	-	-	-	-	(37,708)	66,769	1.5	100.00%	166,298	110,865.33	166,298	"	
ACES Precision Machinery Co., Ltd.	13,000	90,520	-	-	-	-	(15,143)	-	13,000	100.00%	75,377	5.80	75,377	"	
		<u>\$ 6,376,572</u>		<u>280,257</u>		<u>14,424</u>	<u>(167,794)</u>	<u>(179,531)</u>			<u>6,295,080</u>				

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

(Note 2) The decrease in the current period was from liquidation of investees.

(Note 3) The decrease in the current period was from Capital reduction to write off accumulated losses.

ACES Electronics Co., Ltd.
Statement of short-term borrowings
December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Type	Creditor	Balance at end of the year	Interest rate	Credit Limit	Collateral
Unsecured Loan	E.SUN BANK	\$ 280,000	1.7800%~1.7900%	381,410	None
Unsecured Loan	Yuanta Bank	330,000	1.4000%~1.8000%	400,000	"
Unsecured Loan	Bank SinoPac	-	1.6966%~2.0085%	200,000	"
Unsecured Loan	HSBC Bank	-	-	92,115	"
Unsecured Loan	MEGA INTERNATIO NAL COMMERCIA L BANK	130,000	1.5780%~1.9030%	200,000	"
Unsecured Loan	Huan Nan Commercial Bank	250,000	1.5247%~1.9764%	300,000	"
Unsecured Loan	KGI Bank	-	2.1459%~2.1459%	300,000	
Unsecured Loan	Taishin International Bank	<u>130,000</u>	1.5100%~2.2100%	<u>300,000</u>	"
		<u>\$ 1,120,000</u>		<u>2,173,525</u>	

Statement of account payables

Item	Amount
P—AN	\$ 37,427
P—AQ	28,626
P—AW	19,331
P—AV	14,721
Others (less than 5%)	<u>79,131</u>
Total	<u>\$ 179,236</u>

ACES Electronics Co., Ltd.
Statement of long-term borrowings
December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Type	Creditor	Due within 1 year	Due over 1 year	Contract period	Interest rate	Credit Limit	Collateral
Unsecured Loan	E.SUN BANK	\$ -	228,496	2023/08/04~2028/08/04	1.9229%-2.2119%	584,050	Yes
Unsecured Loan	Yuanta Bank	-	117,737	"	"	322,086	"
Unsecured Loan	MEGA INTERNATIONAL COMMERCIAL BANK	-	163,746	"	"	423,006	"
Unsecured Loan	CHANG HWA COMMERCIAL BANK, LTD.	-	135,000	"	"	350,000	"
Unsecured Loan	The Shanghai Commercial & Savings Bank	-	135,000	"	"	350,000	"
Unsecured Loan	Taishin International Bank	-	80,843	"	"	208,282	"
Unsecured Loan	Cathay United Bank	-	80,843	"	"	208,282	"
Unsecured Loan	Huan Nan Commercial Bank	-	163,746	"	"	423,006	"
Unsecured Loan	Agricultural Bank of Taiwan	-	163,746	"	"	423,006	"
Unsecured Loan	Taiwan Cooperative Bank	-	80,843	"	"	208,282	"
Unsecured Loan	E.SUN BANK	37,500	259,857	2021/9/27-2026/9/15	1.525%~1.650%	300,000	None
Unsecured Loan	MEGA INTERNATIONAL COMMERCIAL BANK	150,000	74,117	2020/6/10-2025/7/12	1.225%-1.400%	756,000	"
		\$ 187,500	1,683,974			4,556,000	

ACES Electronics Co., Ltd.
Statement of Operating Cost
January 1 to December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Item	Amount
Merchandise	
Merchandise, January 1	\$ 28,843
Add: Purchase	408,238
Transfer into operating expenses	(474)
Less: Merchandise, December 31	(34,850)
Transfer into other operating costs	3
Transfer into write-off loss	(955)
	<u>400,805</u>
Cost of merchandise sold	
Raw materials	
Raw materials, January 1	53,679
Add: Purchase	198,202
Transfer into other operating costs	452
Less: Raw materials, December 31	(109,493)
Transfer into operating expenses	(10,967)
Transfer into write-off loss	(1,355)
Raw materials consumed during current period	130,518
Direct labor	90,502
Manufacturing expenses	376,443
Mold cost allocation	(29,874)
Construction cost allocation	(38)
Transfer into other operating costs	(36,510)
Manufacturing costs	531,041
Add: Semi-finished goods and work-in-progress, January 1	76,795
Semi-finished goods purchased in current period	35,956
Less: Semi-finished goods and work-in-progress, December 31	(47,698)
Transfer into other operating costs	(14)
Transfer into operating expenses	(1,225)
Transfer into write-off loss	(4,063)
Cost of finished goods	590,792
Add: Finished goods, January 1	184,164
Purchase of finished goods in current period	1,286,038
Less: finished goods, December 31	(165,894)
Transfer into other operating costs	(125)
Transfer into operating expenses	(4,307)
Transfer into write-off loss	(3,410)
Cost of goods sold - finished products	<u>1,887,258</u>
Other operating costs	44,351
Inventory related expenses	66,669
Operating costs	<u>\$ 2,399,083</u>

ACES Electronics Co., Ltd.
Statement of Operating Expenses
January 1 to December 31, 2023

(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Marketing expenses</u>	<u>Administrative expenses</u>	<u>Research and Development expenses</u>	<u>Total</u>
Salary and wages expenses	\$ 58,684	147,740	133,367	339,791
Transportation expenses	34,636	36	215	34,887
Depreciation	1,654	26,615	13,978	42,247
Service expenses	2,397	15,823	7,597	25,817
Insurance expenses	6,003	17,151	13,876	37,030
Royalty	10,383	-	-	10,383
Various amortizations	-	8,905	16,937	25,842
Others (less than 5%)	46,912	84,648	109,700	241,260
	<u>\$ 160,669</u>	<u>300,918</u>	<u>295,670</u>	<u>757,257</u>

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

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

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

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

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

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

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

Please refer to Note 6(18) for statement of operating revenue.

Please refer to Note 6(20) for statement of non-operating revenue and expenses.