

**ACES ELECTRONICS CO., LTD.  
AND SUBSIDIARIES  
Consolidated Financial Statements  
With Independent Auditors' Report  
For the Years Ended December 31, 2023 and 2022**

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

## **Representation Letter**

The entities that are required to be included in the consolidated financial statements of ACES Electronics Co., Ltd. as of and for the year ended December 31, 2023 under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, “ Consolidated Financial Statements” endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, ACES Electronics Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Company Name: ACES Electronics Co., Ltd.

Chairman: Yuan Wan-ting

Date: March 12, 2024

# Independent Auditors' Report

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

## Opinion

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

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

## Basis for Opinion

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

## Description of key audit matter

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

### 1. Revenue Recognition

Please refer to Notes 4(15) to the consolidated financial statements for the accounting policy on operating revenue; and refer to Notes 6(20) for disclosures relating to revenue.

Description of key audit matter:

ACES Groups engage mainly in processing, manufacturing and sales of connectors, connector sets and other electronic components. Sales revenue is one of the key matters to the financial statements. Therefore, the assessment for recognition of sales revenue is one of the key evaluation matter when we audit the Groups' financial statements.

How the matter was addressed in our audit:

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

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

### 2. Valuation of inventory

Please refer to Notes 4(8) to the consolidated financial statements for the accounting policy on inventory valuation, Notes 5(1) for accounting estimates and assumptions of inventory, and Notes 6(4) for disclosure disclosures relating to inventory.

Description of key audit matter:

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

How the matter was addressed in our audit:

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

- We assessed the inventory aging report, and analyzed changes in the inventory aging report from the previous to current year.
- We tested samples provided by the ACES Group on inventory valued at the lower of cost and net realizable value.
- We understand the selling prices adopted by the management of the Group, and use it to assess the reasonableness of inventory net realizable value.
- We assessed if the inventory valuation is recorded according to the accounting policies of the Group.

## Other matter

ACES Electronics Co., Ltd. has additionally prepared its parent-company-only financial statements as of and for the years

ended December 31, 2023 and 2022, on which we have issued an unmodified audit opinion.

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Lin, Heng-Shen and Chen, Zheng-Xue.

KPMG

Taipei, Taiwan (Republic of China)  
March 12, 2024

**ACES Electronics Co., Ltd. and Subsidiaries**  
**Consolidated Financial Statements**  
**December 31, 2023 and 2022**  
**(Expressed in thousands of New Taiwan dollars)**

Assets	December 31, 2023		December 31, 2022			Liabilities and Equity	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets :</b>						<b>Current liabilities :</b>				
1100 Cash and cash equivalents (Note 6(1))	\$ 2,058,206	17	2,458,617	19	2100	Short-term borrowings (Note 6(11) and 8)	\$ 1,467,000	12	1,428,562	11
1110 Financial assets at fair value through profit or loss - current (Note 6(2))	-	-	62	-	2321	Current portion of corporate bonds (Note 6(13))	578,202	5	-	-
1150 Notes receivable, net (Note 6(3))	46,942	-	82,493	1	2150	Notes payable	1,868	-	518	-
1170 Accounts receivable, net (Note 6(3))	2,221,528	18	2,476,073	19	2170	Accounts payable	1,406,861	11	1,623,419	13
1180 Net trade receivable from related parties (Note 6(3) and 7)	25,422	-	23,553	-	2180	Accounts payable to related parties (Note 7)	65	-	327	-
1200 Other receivables (Note 6(3))	448,619	4	196,900	2	2200	Other payables (Note 6(6))	830,356	7	1,012,818	8
1212 Other receivables- related parties – others (Note 6(3) and 7)	528	-	-	-	2220	Other payables to related parties (Note 7)	813	-	2,823	-
1310 Inventories (Note 6(4))	1,189,410	10	1,453,691	11	2280	Lease liabilities - current (Note 6(14) and 7)	51,258	-	47,039	-
1410 Prepayments	87,022	1	141,154	1	2230	Current tax liabilities	11,769	-	56,365	-
1470 Other current assets (Note 6(1))	97,739	1	165,153	1	2322	Current installments of long-term borrowings (Note 6(12) and 8)	195,740	2	1,119,167	9
	<u>6,175,416</u>	<u>51</u>	<u>6,997,696</u>	<u>54</u>	2399	Other current liabilities - others	119,803	1	101,018	1
							<u>4,663,735</u>	<u>38</u>	<u>5,392,056</u>	<u>42</u>
<b>Non-current assets :</b>						<b>Non-current liabilities :</b>				
1510 Financial assets at fair value through profit or loss - non-current (Note 6(2))	167,452	1	163,651	1	2530	Bonds payable (Note 6(13))	-	-	555,906	4
1535 Financial assets at amortized cost-non-current (Note 6(2))	-	-	220,400	2	2540	Long-term borrowings (Note 6(12) and 8)	1,737,355	14	660,121	5
1550 Investments in equity-accounted investees (Note 6(5))	428,470	3	447,170	3	2570	Deferred tax liabilities (Note 6(16))	307,893	3	317,009	3
1600 Property, plant and equipment (Note 6(7) and 8)	3,740,842	31	3,428,329	27	2580	Lease liabilities - non-current (Note 6(14) and 7)	110,084	1	75,665	1
1755 Right-of-use assets (Note 6(8))	598,340	5	517,628	4	2600	Other non-current liabilities (Note 6(6), (12) and (15))	175,318	1	184,265	2
1760 Investment properties, net (Note 6(9) and 8)	304,881	2	298,814	2			<u>2,330,650</u>	<u>19</u>	<u>1,792,966</u>	<u>15</u>
1780 Intangible assets (Note 6(10))	142,030	1	154,296	1		<b>Total liabilities</b>	<u>6,994,385</u>	<u>57</u>	<u>7,185,022</u>	<u>57</u>
1915 Prepayment for equipment	227,093	2	327,288	3		<b>Equity attributable to shareholders of the parent (Note 6(17)):</b>				
1840 Deferred tax assets (Note 6(16))	80,566	1	80,576	1	3110	Common stock	1,344,177	11	1,344,177	10
1990 Other non-current assets - others	385,799	3	204,528	2	3200	Capital surplus (Note 6(5), (13) and (18))	993,270	8	988,615	8
	<u>6,075,473</u>	<u>49</u>	<u>5,842,680</u>	<u>46</u>		Retained earnings :				
					3310	Legal Reserve	726,030	6	702,410	6
					3320	Special Reserve	62,371	1	168,631	1
					3350	Unappropriated earnings	2,236,482	18	2,492,404	19
							<u>3,024,883</u>	<u>25</u>	<u>3,363,445</u>	<u>26</u>
						Other equity:				
					3410	Exchange differences on translation of the Financial Statements foreign operations	(140,790)	(1)	(92,336)	(1)
					3460	Gain on property revaluation	33,219	-	33,219	-
							<u>(107,571)</u>	<u>(1)</u>	<u>(59,117)</u>	<u>(1)</u>
						<b>Total equity attributable to shareholders of the parent</b>	<u>5,254,759</u>	<u>43</u>	<u>5,637,120</u>	<u>43</u>
					36XX	<b>Non-controlling interests</b> (Note 6(6))	1,745	-	18,234	-
						<b>Non-controlling interests</b>	5,256,504	43	5,655,354	43
<b>Total assets</b>	<u>\$ 12,250,889</u>	<u>100</u>	<u>12,840,376</u>	<u>100</u>		<b>Total liabilities and equity</b>	<u>\$ 12,250,889</u>	<u>100</u>	<u>12,840,376</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

		<b>2023</b>		<b>2022</b>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Operating Revenue</b> (Note 6(19) and 7):					
4100	Net sales revenue	\$ 8,188,173	96	10,047,587	97
4800	Other operating revenue	<u>298,055</u>	<u>4</u>	<u>344,917</u>	<u>3</u>
	<b>Net revenue from operations</b>	8,486,228	100	10,392,504	100
5000	<b>Operating costs</b> (Note 6(4), (14), (15), and 7)	<u>6,734,424</u>	<u>79</u>	<u>8,159,619</u>	<u>79</u>
	<b>Gross profit</b>	<u>1,751,804</u>	<u>21</u>	<u>2,232,885</u>	<u>21</u>
<b>Operating expenses</b> (Note 6(6), (14), (15), (21), and 7):					
6100	Selling expenses	585,051	7	686,463	7
6200	General and administrative expenses	876,700	10	915,292	9
6300	Research and development expenses	621,268	7	573,935	5
6450	Expected credit loss (gain) (Note 6(3))	<u>(486)</u>	<u>-</u>	<u>448</u>	<u>-</u>
	<b>Total operating expenses</b>	<u>2,082,533</u>	<u>24</u>	<u>2,176,138</u>	<u>21</u>
	<b>Profit from operations</b>	<u>(330,729)</u>	<u>(3)</u>	<u>56,747</u>	<u>-</u>
<b>Non-operating income and expenses</b> (Note 6(22)):					
7100	Interest income	49,730	-	27,212	-
7010	Other income	124,934	1	141,151	1
7020	Other gains and losses	5,746	-	164,921	2
7050	Finance costs (Note 6(14) and (21))	(108,725)	(1)	(85,069)	-
7060	Share of profit of equity-accounted investees(Note 6(5))	<u>(10,648)</u>	<u>-</u>	<u>10,101</u>	<u>-</u>
	<b>Total non-operating income and expenses</b>	<u>61,037</u>	<u>-</u>	<u>258,316</u>	<u>3</u>
<b>7900</b>	<b>Profit before income tax</b>	(269,692)	(3)	315,063	3
7950	<b>Less: income tax expenses (gains)</b> (Note 6(16))	<u>(1,504)</u>	<u>-</u>	<u>91,730</u>	<u>1</u>
	<b>Profit for the year</b>	<u>(268,188)</u>	<u>(3)</u>	<u>223,333</u>	<u>2</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that will never be reclassified to profit or loss</b>				
8311	Remeasurement of defined benefit plans	1,911	-	10,880	-
8349	Less: Income tax related to non-reclassified items(Note 6(16))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total items that will never be reclassified to profit or loss</b>	<u>1,911</u>	<u>-</u>	<u>10,880</u>	<u>-</u>
8360	<b>Items that are or may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation to the presentation currency	(60,484)	(1)	130,098	1
8399	Less: Income tax related to items that may be reclassified(Note 6(16))	<u>(12,097)</u>	<u>-</u>	<u>26,020</u>	<u>-</u>
	<b>Total items that are or may be reclassified subsequently to profit or loss</b>	<u>(48,387)</u>	<u>(1)</u>	<u>104,078</u>	<u>1</u>
8300	<b>Total other comprehensive income(net of tax) for the year</b>	<u>(46,476)</u>	<u>(1)</u>	<u>114,958</u>	<u>1</u>
	<b>Total comprehensive income for the year</b>	<u>\$ (314,664)</u>	<u>(4)</u>	<u>338,291</u>	<u>3</u>
<b>Net profit attributable to:</b>					
8610	Shareholders of the parent	(266,543)	(3)	225,319	2
8620	Non-controlling interests	<u>(1,645)</u>	<u>-</u>	<u>(1,986)</u>	<u>-</u>
		<u>\$ (268,188)</u>	<u>(3)</u>	<u>223,333</u>	<u>2</u>
<b>Total comprehensive income attributable to:</b>					
8710	Shareholders of the parent	\$ (313,086)	(4)	340,050	3
8720	Non-controlling interests	<u>(1,578)</u>	<u>-</u>	<u>(1,759)</u>	<u>-</u>
		<u>\$ (314,664)</u>	<u>(4)</u>	<u>338,291</u>	<u>3</u>
<b>Earnings per share</b> (NT\$, Note 6(18))					
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 consolidated financial statements.

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

**Equity Attributable to Shareholders of the parent**

	<u>Retained earnings</u>				<u>Other Components of Equity</u>			<u>Equity Attributable to Shareholders of the parent</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
	<u>Common stock</u>	<u>Capital surplus</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Undistributed surplus earnings</u>	<u>Difference on translation of financial statements of foreign operations</u>	<u>Gains on property revaluation</u>			
<b>Balance at January 1, 2022</b>	\$ 1,343,959	1,002,379	651,554	122,358	2,554,928	(196,187)	33,219	5,512,210	19,993	5,532,203
Appropriation of earnings :										
Legal Reserve	-	-	50,856	-	(50,856)	-	-	-	-	-
Special Reserve	-	-	-	46,273	(46,273)	-	-	-	-	-
Cash dividend distributed to shareholders	-	-	-	-	(201,594)	-	-	(201,594)	-	(201,594)
Profit (loss) for the year	-	-	-	-	225,319	-	-	225,319	(1,986)	223,333
Other comprehensive income	-	-	-	-	10,880	103,851	-	114,731	227	114,958
Total comprehensive income for the year	-	-	-	-	236,199	103,851	-	340,050	(1,759)	338,291
Other changes in capital surplus :										
Equity items recognized for the issuance of convertible bonds (preferred shares)	-	(131)	-	-	-	-	-	(131)	-	(131)
Changes in associates and joint ventures accounted for using equity method	-	(14,827)	-	-	-	-	-	(14,827)	-	(14,827)
Conversion of convertible bonds	218	917	-	-	-	-	-	1,135	-	1,135
Changes in ownership of subsidiary equity	-	277	-	-	-	-	-	277	-	277
<b>Balance at December 31, 2022</b>	1,344,177	988,615	702,410	168,631	2,492,404	(92,336)	33,219	5,637,120	18,234	5,655,354
Appropriation of earnings :										
Legal Reserve	-	-	23,620	-	(23,620)	-	-	-	-	-
Special Reserve	-	-	-	(106,260)	106,260	-	-	-	-	-
Cash dividend distributed to shareholders	-	-	-	-	(73,930)	-	-	(73,930)	-	(73,930)
Profit (loss) for the year	-	-	-	-	(266,543)	-	-	(266,543)	(1,645)	(268,188)
Other comprehensive income	-	-	-	-	1,911	(48,454)	-	(46,543)	67	(46,476)
Total comprehensive income for the year	-	-	-	-	(264,632)	(48,454)	-	(313,086)	(1,578)	(314,664)
Changes in ownership of subsidiary equity	-	4,655	-	-	-	-	-	4,655	(14,911)	(10,256)
<b>Balance at December 31, 2023</b>	<b>\$ 1,344,177</b>	<b>993,270</b>	<b>726,030</b>	<b>62,371</b>	<b>2,236,482</b>	<b>(140,790)</b>	<b>33,219</b>	<b>5,254,759</b>	<b>1,745</b>	<b>5,256,504</b>

See accompanying notes to consolidated financial statements.

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

	2023	2022
<b>Cash flows from operating activities:</b>		
Profit before income tax	\$ (269,692)	315,063
<b>Adjustments :</b>		
<b>Adjustments to reconcile profit (loss)</b>		
Depreciation expense	651,330	650,950
Amortization expense	55,102	47,707
Expected credit loss (gain) recognized	(486)	448
Net loss (gain) on financial assets at fair value through profit or loss	(27,635)	32,741
Interest expense	108,725	85,069
Interest income	(49,730)	(27,212)
Impairment loss	-	2,802
Share of profit (loss) of equity-account investees	10,648	(10,101)
Loss on disposals of property, plant and equipment	9,007	15,899
Loss on disposals of equity-account investees	24,140	-
Gain on investment property revaluation	(6,067)	2,158
Gain on lease modification	(48)	-
Total adjustments to reconcile profit (loss)	<u>774,986</u>	<u>800,461</u>
<b>Changes in operating assets and liabilities :</b>		
Net changes in operating assets :		
Decrease (increase) in notes receivable	35,551	(21,136)
Decrease in accounts receivable	253,783	314,171
Increase in accounts receivable from related parties	(1,869)	(23,553)
Decrease (increase) in other receivables	(251,719)	(60,959)
Increase in other receivables from related parties	(528)	-
Decrease in inventories	268,824	224,985
Decrease (increase) in prepaid expenses	54,304	(34,701)
Decrease in other current assets	37,074	687
Decrease in other financial assets	220,400	-
Total net changes in operating assets	<u>615,820</u>	<u>399,494</u>
Net changes in operating liabilities :		
Increase (decrease) in notes payable	1,350	(1,081)
Decrease in accounts payable	(216,712)	(296,549)
Decrease in accounts payable to related parties	(262)	(153)
Increase (decrease) in other payables	(182,738)	88,354
Increase (decrease) in other payables to related parties	(2,010)	322
Increase in other current liabilities	14,536	9,292
Increase in net defined benefit liabilities	1,316	4,270
Total net changes in operating liabilities	<u>(384,520)</u>	<u>(195,545)</u>
Total adjustments	<u>1,006,286</u>	<u>1,004,410</u>
Cash generated from operations	736,594	1,319,473
Interest received	49,730	27,212
Interest paid	(86,429)	(63,611)
Income tax paid	(36,576)	(100,440)
<b>Net cash provided by operating activities</b>	<u>663,319</u>	<u>1,182,634</u>
<b>Cash flows from investing activities :</b>		
Acquisitions of financial assets at fair value through profit or loss	-	(8,260)
Disposals of financial assets at fair value through profit or loss	22,257	81,833
Acquisitions of equity-accounted investees	-	(16,898)
Acquisitions of subsidiaries	(7,691)	-
Disposals of subsidiaries	21,157	-
Acquisitions of property, plant, and equipment	(865,435)	(922,935)
Disposals of property, plant, and equipment	97,868	22,474
Acquisitions of intangible assets	(39,357)	(36,445)
Acquisition of right-of-use assets	(71,611)	-
Increase in other non-current assets	(185,007)	(82,832)
Increase in prepaid equipment payments	(21,827)	(192,952)
Dividends received	-	20,391
<b>Net cash used in investing activities</b>	<u>(1,049,646)</u>	<u>(1,135,624)</u>
<b>Cash flows from financing activities :</b>		
Increase in short-term borrowings	51,602	353,711
Proceeds from long-term borrowings	3,775,000	3,961,000
Repayment of long-term borrowings	(3,624,549)	(3,945,279)
Repayment of principal of lease liabilities	(70,245)	(69,369)
Decrease in other non-current liabilities	(4,521)	(136,526)
Cash dividends	(73,930)	(201,594)
Acquisitions of subsidiary's equity	(10,256)	(1,028)
<b>Net cash (used in) provided by financing activities</b>	<u>43,101</u>	<u>(39,085)</u>
Effect of exchange rate change on cash and cash equivalents	(57,185)	(117,203)
<b>Decrease in cash and cash equivalents</b>	<u>(400,411)</u>	<u>(109,278)</u>
<b>Cash and cash equivalents at January 1</b>	<u>2,458,617</u>	<u>2,567,895</u>
<b>Cash and cash equivalents at December 31</b>	<u>\$ 2,058,206</u>	<u>2,458,617</u>

See accompanying notes to consolidated financial statements.

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

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

### 2. The Authorization of Financial Statements

These consolidated financial statements were approved and authorized for issue by the Board of Directors on March 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 Group has adopted the amendments to the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations with effective date from January 1, 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 Group 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 Group 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 Group 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 consolidated financial statements.

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

### 4. Summary of Significant Accounting Policies

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

(1) Statement of compliance

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

(2) Basis of preparation

a. Basis of measurement

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

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

b. Functional and presentation currency

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

(3) Basis of consolidation

a. Principle of preparation of the consolidated financial statements

All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries. Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. The consolidated profit and loss amount belongs to the Company’s equity owner and the controlling right. The same applies to balance of loss from non-controlling equity rights.

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

See accompanying notes to consolidated financial statements.

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

### 1. Subsidiaries included in the consolidated financial statements

Subsidiaries included in the consolidated financial statements:

Name of investee	Subsidiary	Business Nature	Shareholding Percentage		Note
			December 31, 2023	December 31, 2022	
The Company	ACECONN ELECTRONIC CO., LTD.	Investment holding	100%	100%	
"	ACES PRECISION INDUSTRY PTE LTD.	Connectors sales business	100%	100%	
"	ACESCONN HOLDINGS CO., LTD.	Investment holding	100%	100%	
"	WEI HONG INTERNATIONAL INVESTMENT CO., LTD.	Investment business	100%	100%	
The Company	ACES (HONG KONG) ELECTRONIC CO., LTD.	Connectors sales business	100%	100%	(Note 4)
"	MEC IMEX INC.	Connector cable set sales business	99.86%	99.84%	(Note 1)
"	ACES JAPAN CO., LTD.	Connector development business	100%	100%	
"	ACES INTERCONNECT (USA), INC.	Connectors sales business	100%	100%	
"	COMPUPACK TECHNOLOGY CO., LTD.	Electronic component sales business	100.00%	93.67%	(Note 2)
"	ACES Precision Machinery Co., Ltd.	Mold part manufacturing and sales business	100%	100%	
"	KUANG YING COMPUTER EQUIPMENT CO., LTD.	Electronic component manufacturing and sales business	99.66%	99.66%	
"	GENESIS HOLDING COMPANY	Investment holding	100%	100%	
"	GENESIS TECHNOLOGY USA, INC.	Electronic component sales business	100%	100%	
"	JASON TECHNOLOGY LIMITED.	Electronic component sales business	100%	100%	
ACES Precision Machinery Co., Ltd.	ACES Surface Treatment Co., Ltd.	Surface treatment of metals	100%	- %	(Note 7)
ACECONN ELECTRONIC CO., LTD.	KUNSHAN ACES TRADING CO., LTD.	Connectors sales business	100%	100%	
"	DONGGUAN ACES ELECTRONIC CO., LTD.	Connector manufacturing and sales business	100%	100%	
"	KUNSHAN ACES ELECTRONIC CO., LTD.	Connector manufacturing and sales business	100%	100%	
"	KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	Connector manufacturing and sales business	100%	100%	
"	ACES ZHUHAI TECHNOLOGY LTD	Connector manufacturing and sales business	100%	- %	(Note 6)
ACES PRECISION INDUSTRY PTE LTD.	CHONGQING HONG GAO ELECTRONIC CO., LTD.	Connectors sales business	100%	100%	

See accompanying notes to consolidated financial statements.

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

Name of investee	Subsidiary	Business Nature	Shareholding Percentage		Note
			December 31, 2023	December 31, 2022	
ACESCONN HOLDINGS CO., LTD.	ASIA CENTURY INVESTMENT LTD.	Investment holding	100%	100%	
ASIA CENTURY INVESTMENT LTD.	GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	Surface treatment and sales business	100%	100%	
MEC IMEX INC.	MEC INTERNATIONAL COMPANY LTD.	Investment holding	100%	100%	
"	MEC ELECTRIC SOLUTIONS GMBH	Connector cable set sales business	100%	100%	
MEC INTERNATIONAL COMPANY LTD.	MEC ULTRAMAX (H.K.) COMPANY LIMITED	Investment holding	100%	100%	
"	MEC BEST KNOWN COMPANY LIMITED	Investment holding	100%	100%	
"	MEC ELECTRONICS (HK) COMPANY LIMITED	Connector cable set sales business	100%	100%	
"	MEC ELECTRONICS PHILIPPINES CORPORATION	Connector cable set manufacturing and sales business	100%	100%	
"	MEC SUZHOU ELECTRONICS CO., LTD.	Connector cable set manufacturing and sales business	100%	100%	
MEC ULTRAMAX (H.K.) COMPANY LIMITED	MEC ELECTRONICS (SUZHOU) CO., LTD.	Connector cable set manufacturing and sales business	100%	100%	
MEC BEST KNOWN COMPANY LIMITED	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Connector cable set manufacturing and sales business	100%	100%	
MEC ELECTRONICS (HK) COMPANY LTD.	HOMEPRIDE TECHNOLOGY LIMITED	Investment holding	100%	100%	
HOMEPRIDE TECHNOLOGY LIMITED	HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Connector cable set manufacturing and sales business	100%	100%	
MEC ELECTRONICS PHILIPPINES CORPORATION	MEC IMEX (USA), INC.	Connector cable set sales business	100%	100%	
COMPUPACK TECHNOLOGY CO., LTD.	MICON PRECISE CORP.	Electronic component sales business	99.61%	98.91%	(Note 3)
"	GLOBAL ACUMEN LIMITED	Electronic component sales business	- %	100%	(Note 4)
"	DONGGUAN COMPUPACK TECHNOLOGY CO., LTD.	Electronic component sales business	100%	100%	
MICON PRECISE CORP.	Aces Precision Corporation	Electronic component manufacturing and sales	100%	100%	
KUANG YING COMPUTER EQUIPMENT CO., LTD.	INFOMIGHT INVESTMENTS LIMITED	Investment holding	100%	100%	
INFOMIGHT INVESTMENTS LIMITED	BELTA INTERNATIONAL LIMITED	Investment holding	100%	100%	
"	CERTILINK INTERNATIONAL LIMITED	Electronic component sales	100%	100%	

See accompanying notes to consolidated financial statements.

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

Name of investee	Subsidiary	Business Nature	Shareholding Percentage		Note
			December 31, 2023	December 31, 2022	
"	ACCURATE GROUP LIMITED	Investment holding	100%	100%	
BELTA INTERNATIONAL LIMITED	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	Electronic component manufacturing and sales	100%	100%	
ACCURATE GROUP LIMITED	SUZHOU KUANG YING ELECTRIC CO., LTD.	Electronic component manufacturing and sales	100%	100%	
GENESIS HOLDING COMPANY	GENESIS ELECTRO-MECHANICAL LIMITED	Investment holding	100%	100%	
"	GENESIS INNOVATION GROUP LIMITED	Investment holding	100%	100%	
GENESIS ELECTRO-MECHANICAL LIMITED	GENESIS TECHNOLOGY(NINGBO) INC.	Electronic component manufacturing and sales business	100%	100%	
"	SHENZHEN JINO ELECTRONIC CO., LTD.	Electronic component manufacturing and sales business	- %	100%	(Note 4)
GENESIS INNOVATION GROUP LIMITED	GENESIS INTERCONNECT CO., LTD.	Electronic component manufacturing and sales business	- %	100%	(Note 4)
"	DONGGUAN POLIXIN ELECTRIC CO., LTD.	Electronic component manufacturing and sales business	100%	100%	
DONGGUAN POLIXIN ELECTRIC CO., LTD.	GENESIS GUIZHOU TECHNOLOGY CO., LTD.	Electronic component manufacturing and sales business	- %	100%	(Note 5)

Note 1: In August 2023, the Company's subsidiary MEC IMEX INC. decreased its capital in the amount of \$120,000 thousand for covering deficits. The Company acquired 11,991 thousand shares, which increase its shareholding percentage to 99.86%.

Note 2: The Company acquired shares of COMPUPACK TECHNOLOGY CO., LTD from minority shareholders in 2023, which increase its shareholding percentage to 100%.

See accompanying notes to consolidated financial statements.

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

Note 3: The Company acquired shares of MICON PRECISE CORP. from minority shareholders in September, 2023, which increase its shareholding percentage to 99.61%.

Note 4: The liquidation procedures of the subsidiaries of the Company, ACES (HONG KONG) ELECTRONIC CO., LTD, GLOBAL ACUMEN LIMITED, GENESIS INTERCONNECT CO., LTD., and SHENZHEN JINO ELECTRONIC CO., LTD. have been completed in 2023.

Note 5: The Company sold the subsidiary, GENESIS GUIZHOU TECHNOLOGY CO., LTD., to non-related parties on November 3, 2023.

Note 6: The subsidiary of the Company set up ACES ZHUHAI TECHNOLOGY LTD. on February 1, 2023, which is included into the Group since that day.

Note 7: The subsidiary of the Company obtained the control over ACES Surface Treatment Co., Ltd. on May 5, 2023, which is included into the Group since that day.

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

### (4) Foreign currency

#### a. Foreign currency transactions

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

Exchange differences are recognized in profit or loss.

#### b. Foreign operations

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

When a foreign operation is disposed of such control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

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

### (5) Classification of current and non-current assets and liabilities

An asset is classified as current when:

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

All other assets are classified as non-current.

See accompanying notes to consolidated financial statements.

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

A liability is classified as current when:

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

### (6) Cash and cash equivalents

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

### (7) Financial instruments

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

#### a. Financial assets

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

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

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

#### (i) Financial assets measured at amortized cost

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

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

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

See accompanying notes to consolidated financial statements.

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

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 consolidated company has the intention to sell account receivable at fair price through profit and loss immediately or recently; these amounts are recorded under account receivables currently.

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

(iii) Business model assessment

The Group 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;
- 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 Group'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 consolidated company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(v) Impairment of financial assets

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

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

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default

See accompanying notes to consolidated financial statements.

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

occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for account receivables is always measured at an amount equal to lifetime ECL.

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

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

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

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

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

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

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

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

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

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

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

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. According to experiences, the Group is not able to recover the overdue amount from company accounts after 180 days.

See accompanying notes to consolidated financial statements.

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

### (vi) Derecognition of financial assets

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

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

### b. Financial liabilities and equity instruments

#### (i) Classification of debt or equity

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

#### (ii) Equity instrument

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

#### (iii) Compound financial instruments

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

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

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

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

#### (iv) Financial liabilities

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

#### (v) Derecognition of financial liabilities

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

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

#### (vi) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the

See accompanying notes to consolidated financial statements.

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

statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

### c. Derivative financial instruments

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

### (8) Inventories

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

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

### (9) Investing in the affiliated Companies

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

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

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

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

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

When the Company subscribes to additional shares in the affiliated companies or jointly controlled entity at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the affiliated companies or jointly controlled entity.

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

### (10) Investment property

See accompanying notes to consolidated financial statements.

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

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

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

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

### (11) Property, plant and equipment

#### a. Recognition and measurement

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

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

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

#### b. Subsequent expenditure

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

#### c. Depreciation

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

Land is not depreciated.

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

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

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

### (12) Lease

#### a. Identifying a lease

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

#### b. As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to

See accompanying notes to consolidated financial statements.

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

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.

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

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

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

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

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

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

### c. As a lessor

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

See accompanying notes to consolidated financial statements.

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

lease is for the major part of the economic life of the asset.

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

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

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

### (13) Intangible assets

#### a. Recognition and measurement

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

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

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

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

#### b. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred, including goodwill from internal development and brand name.

#### c. Amortization

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

(i) Software: 1~ 3 years

(ii) Franchising: 8 years

(iii) Customer relationship: 3 years

(iv) Other intangible assets 1~ 3 years

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

### (14) Impairment of non-financial assets

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

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

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.

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

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

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

### (15) Revenue Recognition

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

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

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

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

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

### (16) Government grants

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

See accompanying notes to consolidated financial statements.

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

### (17) Employee benefits

#### a. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized in the periods during which services are rendered by employees.

#### b. Defined benefit plans

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

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

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

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

#### c. Short-term employee benefits

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

### (18) Income taxes

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

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

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

See accompanying notes to consolidated financial statements.

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

differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

- a. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- b. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (i) the same taxable entity; or
  - (ii) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The unapplied tax losses and unapplied tax credits carried forward and deductible temporary differences are recognized as deferred income tax assets within the range of probable future taxable income available for use. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

### (19) Earning per share

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

### (20) Operating segments

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

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

While preparing the financial reports in compliance with the IFRSs as approved by FSC, the management should make judgment, estimate and assumption that would impact the adoption of accounting policy, as well as the amount reported for assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

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

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

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

- (1) Valuation of inventories

See accompanying notes to consolidated financial statements.

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

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

### (2) Impairment of goodwill

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

### (3) Valuation process

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company's financial instrument valuation group conducts independent verification on all significant fair values (including level 3 fair value), and reports directly to the chief financial officer. The Company also periodically reviews significant unobservable inputs and adjustments. If third-party information (i.e. through securities brokers or price setting service institutes) for evaluating fair value inputs were used, evidence for supporting inputs from third-party will be assessed in order to make sure the valuation and its fair value categorization is compliant with regulations from IFRSs. Investment property was appraised by external appraiser.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

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

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

For assumptions used in measuring fair value, please refer to below notes:

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

## 6. Description of Significant Accounts

### (1) Cash and Cash Equivalents

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash on hand	\$ 2,397	15,262
Cash in banks	2,055,809	2,443,355
	<b><u>\$ 2,058,206</u></b>	<b><u>2,458,617</u></b>

Please refer to Note 6(23) for interest 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 Group 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

See accompanying notes to consolidated financial statements.

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

Group 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.

(2) Financial assets

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Financial assets mandatorily measured at FVTPL:		
Funds	\$ 167,452	163,651
Convertible bonds of embedded derivatives	-	62
	<b><u>\$ 167,452</u></b>	<b><u>163,713</u></b>

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

b Financial assets measured at amortized cost - non-current

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Time deposit	<b><u>\$ -</u></b>	<b><u>220,400</u></b>

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

See accompanying notes to consolidated financial statements.

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

(3) Notes, trade and other receivables

a. Details as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Notes receivable	\$ 46,942	82,493
Accounts receivable	2,240,994	2,518,463
Other receivables	448,619	196,900
Account receivable – related parties	25,422	23,553
Other receivable – related parties	528	-
Less: Loss allowance	(19,466)	(42,390)
	<b>\$ 2,743,039</b>	<b>2,779,019</b>

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:

<b>December 31, 2023</b>			
	<b>Carrying amount of notes, accounts and other receivables</b>	<b>Weighted-ave rage loss rate</b>	<b>Loss allowance for lifetime expected credit losses</b>
Not past due	\$ 2,619,353	0%	-
Past due less than 60 days	116,086	0%	-
Past due 61~120 days	13,102	50%	6,551
Past due 121~180 days	3,496	70%	2,447
Past due over 181 days	10,468	100%	10,468
	<b>\$ 2,762,505</b>		<b>19,466</b>

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

See accompanying notes to consolidated financial statements.

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

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

	<b>For the year ended December 31, 2023</b>	<b>For the year ended December 31, 2022</b>
Balance at beginning of the year	\$ 42,390	46,161
Impairment losses recognized (reversal)	(486)	448
Irrecoverable amount write-off, current	(23,910)	(3,384)
Effects from foreign currency exchange changes	1,472	(835)
Balance at end of the year	<b><u>\$ 19,466</u></b>	<b><u>42,390</u></b>

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

<b>December 31, 2023</b>						
<b>Underwriting bank</b>	<b>Factoring amount</b>	<b>Acceptable advances</b>	<b>Amount collected in advance</b>	<b>Transfer to other receivable amount</b>	<b>Interest rate</b>	<b>Amount pledged (in thousands of USD)</b>
Financial institutes	\$ 189,616	663,228	-	189,616	0%	-
Financial institutes	45,936	124,355	-	45,936	0%	Promissory Note 4,500
Financial institutes	51,103	110,538	-	51,103	0%	Promissory Note 4,000
	<b><u>\$ 286,655</u></b>	<b><u>898,121</u></b>	<b><u>-</u></b>	<b><u>286,655</u></b>		
<b>December 31, 2022</b>						
<b>Underwriting bank</b>	<b>Factoring amount</b>	<b>Acceptable advances</b>	<b>Amount collected in advance</b>	<b>Transfer to other receivable amount</b>	<b>Interest rate</b>	<b>Amount pledged (in thousands of USD)</b>
Financial institutes	\$ 207,627	476,471	186,865	20,762	0.6812% - 6.1311%	-
Financial institutes	5,700	221,112	-	5,700	1.23%-2.55%	Promissory Note 8,000
Financial institutes	39,710	107,638	2,918	36,792	1.13287%-6.37374%	Promissory Note 4,000
	<b><u>\$ 253,037</u></b>	<b><u>805,221</u></b>	<b><u>189,783</u></b>	<b><u>63,254</u></b>		

#### (4) Inventories

a. Details as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Raw materials	\$ 387,620	442,211
Work-in-progress	50,281	73,295
Semi-finished goods	161,177	182,870
Finished goods	332,074	426,864
Merchandise	258,258	328,451
	<b><u>\$ 1,189,410</u></b>	<b><u>1,453,691</u></b>

See accompanying notes to consolidated financial statements.

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

b. Details of cost of goods sold as follows:

	<b>For the year ended December 31, 2023</b>	<b>For the year ended December 31, 2022</b>
Cost of goods sold	\$ 6,410,059	7,819,980
Loss on obsolescence write-off	147,386	110,369
Loss on inventory write-down	5,762	63,362
Unamortized manufacturing expenses	141,659	143,595
Others	29,558	22,313
	<b><u>\$ 6,734,424</u></b>	<b><u>8,159,619</u></b>

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

(5) Investments accounted for using equity method

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Affiliated company	<b><u>\$ 428,470</u></b>	<b><u>447,170</u></b>

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

<b>Affiliated company Name</b>	<b>Main business venue with the Company by relationship</b>	<b>Main business venue/ Countries which parent company registered</b>	<b>Percentage of equity ownership interests and voting rights</b>	
			<b>December 31, 2023</b>	<b>December 31, 2022</b>
Nantong Dadi Electric Co., Ltd.	It's main business is manufacturing and sales of automobile cable bundles. It's part of the strategic alliance for the Company to expand market.	China	19.31%	19.31%
Kung Shan Ching Zhi Electric Co., Ltd.	Main business is sales and development of electronic connectors	China	30.00%	30.00%

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

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

e. The summarized financial information on significant affiliated company of the Group is as follows. The financial information has adjusted the amounts included in the consolidated financial statements in accordance with IFRS of each affiliated company, to reflect the adjustments for fair value and accounting policies when the Group acquired the equity of the affiliated companies:

See accompanying notes to consolidated financial statements.

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

(a) Summarized financial information of Nantong Dadi Electric Co., Ltd.

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total assets	<b><u>\$ 3,938,219</u></b>	<b><u>3,278,573</u></b>
Total liabilities	<b><u>\$ 2,063,352</u></b>	<b><u>1,302,579</u></b>
	<b><u>For the year ended December 31, 2023</u></b>	<b><u>For the year ended December 31, 2022</u></b>
Revenue	<b><u>\$ 2,381,980</u></b>	<b><u>1,683,118</u></b>
Net income for the period	<b><u>\$ (65,743)</u></b>	<b><u>40,614</u></b>

(b) Summarized financial information of Kung Shan Ching Zhi Electric Co.

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total assets	<b><u>\$ 54,506</u></b>	<b><u>42,781</u></b>
Total liabilities	<b><u>\$ 40,409</u></b>	<b><u>35,308</u></b>
	<b><u>For the year ended December 31, 2023</u></b>	<b><u>For the year ended December 31, 2022</u></b>
Revenue	<b><u>\$ 96,393</u></b>	<b><u>84,468</u></b>
Net income for the period	<b><u>\$ 6,823</u></b>	<b><u>7,496</u></b>

f. The Group is regulated by the agreement for the listing of affiliated companies for the years ended December 31, 2023 and 2022. The ordinary shares held shall not be transferred within one year after the affiliated companies go listing. Within two years after the lock-up period ends, the shares transferred shall not exceed 25% of the total shares held.

g. The investments accounted for using equity method were not pledged as collaterals as of December 31, 2023, and 2022.

(6) Acquisition of Subsidiaries and Non-controlling interests

a. Acquisition of Genesis Group

The board of directors had resulted in acquisition of Genesis Technology USA, Inc. and Genesis Holding Company (together referred to as the “Genesis Group”), an American group consist of companies in electromagnetic shielding, high-frequency connectors and high-speed connecting cables, in order to enhance business strategies in Internet communications, cloud services and industrial controls 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 Group 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. Acquisition of subsidiary - JASON TECHNOLOGY LIMITED.

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

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 (about US\$66 thousand), and the residual contingent

See accompanying notes to consolidated financial statements.

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

considerations are recognized under “other non-current liabilities.”

### c. Acquisition of subsidiary - ACES Surface Treatment Co., Ltd.

In consideration of the extending demands of product processing and attaining the effectiveness from vertical integration of production, the Group acquired 100% of Yunchengyou Precision Technology Co., Ltd. (hereinafter “Yunchengyou Company”)’s shares by consideration of \$7,000 thousand on May 5, Yunchengyou Company is primarily engaged in manufacture and sales of mold.

According to the acquisition contract, part of the consideration of \$6,000 thousand has been paid. After deducting the cash obtained, the amount paid is \$5,834 thousand, and the residual payment of \$1,000 thousand is expected to be paid one year after the settlement date, which is recognized under “other current liabilities.” Yunchengyou Company has completed the change of registration on May 30, 2023, and renamed as ACES Surface Treatment Co., Ltd.

### d. Loss of control over subsidiaries

(i) The liquidation of the subsidiaries of the Group, ACES (HONG KONG) ELECTRONIC CO., LTD, GLOBAL ACUMEN LIMITED, GENESIS INTERCONNECT CO., LTD., and SHENZHEN JINO ELECTRONIC CO., LTD. have been resolved by the board of directors in 2023, and the relevant procedures have been completed in 2023. As of December 31, 2023, the Group has recovered distribution of liquidated remaining properties of \$18,909 thousand, and recognized losses on disposals of investments of \$22,527 thousand, which were presented in “other gains and losses.”

(ii) The Company sold the subsidiary, GENESIS GUIZHOU TECHNOLOGY CO., LTD., to non-related parties on November 3, 2023. The Group has disposed 100% of the shares and lost control over the subsidiary. The proceeds from the disposal are \$6,416 thousand. The losses on disposals of \$1,613 thousand have included under “other gains and losses” in the consolidated statements of comprehensive income.

### e. Changes in ownership of subsidiary equity

#### (i) MEC IMEX INC.

The Group 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 Group subscribed 11,991 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 Group 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 resulting changes in equity increase the capital surplus by \$190 thousand.

The Group 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.

See accompanying notes to consolidated financial statements.

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

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.

### (7) Property, plant and equipment

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

	Land	Property and plants	Machinery and equipment	Mold equipment	Other equipment	Constructi ons in process	Total
Cost or deemed cost:							
Balance at January 1, 2023	\$ 338,579	1,560,763	1,726,391	1,380,841	1,386,682	705,715	7,098,971
Additions	-	-	3,284	-	-	-	3,284
Reclassification	-	8,986	86,041	153,966	102,146	514,296	865,435
Disposals	-	544	16,684	55,822	44,085	16,065	133,200
Foreign Exchange Rates	-	(6,827)	(44,614)	(88,481)	(134,174)	-	(274,096)
Balance at December 31, 2023	-	(17,157)	(35,778)	(18,281)	(12,050)	(6,998)	(90,264)
Balance at January 1, 2022	<b>\$ 338,579</b>	<b>1,546,309</b>	<b>1,752,008</b>	<b>1,483,867</b>	<b>1,386,689</b>	<b>1,229,078</b>	<b>7,736,530</b>
Additions	\$ 338,424	1,456,325	1,608,345	1,215,456	1,250,941	186,376	6,055,867
Reclassification	-	70,271	108,116	110,473	118,347	515,728	922,935
Disposals	-	7,409	12,312	94,149	131,406	-	245,276
Foreign Exchange Rates	-	-	(47,750)	(41,698)	(127,021)	-	(216,469)
Balance at December 31, 2022	155	26,758	45,368	2,461	13,009	3,611	91,362
Accumulated depreciation and impairment:	<b>\$ 338,579</b>	<b>1,560,763</b>	<b>1,726,391</b>	<b>1,380,841</b>	<b>1,386,682</b>	<b>705,715</b>	<b>7,098,971</b>
Balance at January 1, 2023							
Depreciation of the year	\$ -	616,597	1,060,245	1,189,254	804,546	-	3,670,642
Disposals	-	71,349	152,458	168,158	173,608	-	565,573
Foreign Exchange Rates	-	(3,089)	(37,111)	(37,055)	(89,966)	-	(167,221)
Balance at December 31, 2023	-	(10,692)	(29,016)	(14,716)	(18,882)	-	(73,306)
Balance at January 1, 2022	<b>\$ -</b>	<b>674,165</b>	<b>1,146,576</b>	<b>1,305,641</b>	<b>869,306</b>	<b>-</b>	<b>3,995,688</b>
Depreciation of the year	\$ -	536,266	910,196	1,039,311	741,585	-	3,227,358
Impairment losses of the year	-	71,458	150,004	174,591	168,383	-	564,436
Disposals	-	-	2,802	-	-	-	2,802
Foreign Exchange Rates	-	-	(33,924)	(33,558)	(110,614)	-	(178,096)
Balance at December 31, 2022	-	8,873	31,167	8,910	5,192	-	54,142
	<b>\$ -</b>	<b>616,597</b>	<b>1,060,245</b>	<b>1,189,254</b>	<b>804,546</b>	<b>-</b>	<b>3,670,642</b>
Carrying value:							
December 31, 2023	<b>\$ 338,579</b>	<b>872,144</b>	<b>605,432</b>	<b>178,226</b>	<b>517,383</b>	<b>1,229,078</b>	<b>3,740,842</b>
January 1, 2022	<b>\$ 338,424</b>	<b>920,059</b>	<b>698,149</b>	<b>176,145</b>	<b>509,356</b>	<b>186,376</b>	<b>2,828,509</b>
December 31, 2022	<b>\$ 338,579</b>	<b>944,166</b>	<b>666,146</b>	<b>191,587</b>	<b>582,136</b>	<b>705,715</b>	<b>3,428,329</b>

b. The Group 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 of \$156,819 thousand is recognized under "other non-current assets – others." Please refer to Note 7.

c. 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.

See accompanying notes to consolidated financial statements.

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

### (8) Right-of-use asset

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

	<b>Land</b>	<b>Buildings and structures</b>	<b>Other equipment</b>	<b>Total</b>
Cost:				
Balance at January 1, 2023	\$ 516,050	181,087	31,681	728,818
Acquisition by business combination	-	1,664	-	1,664
Additions	93,854	96,810	1,540	192,204
Reductions	(45,465)	(58,723)	(8,628)	(112,816)
Foreign Exchange Rates	(12,855)	(5,334)	(307)	(18,496)
Balance at December 31, 2023	<b><u>\$ 551,584</u></b>	<b><u>215,504</u></b>	<b><u>24,286</u></b>	<b><u>791,374</u></b>
Balance at January 1, 2022	\$ 507,912	176,538	30,860	715,310
Additions	1,985	10,479	5,221	17,685
Reductions	(3,033)	(7,045)	(4,695)	(14,773)
Foreign Exchange Rates	9,186	1,115	295	10,596
Balance at December 31, 2022	<b><u>\$ 516,050</u></b>	<b><u>181,087</u></b>	<b><u>31,681</u></b>	<b><u>728,818</u></b>
Accumulated depreciation:				
Balance at January 1, 2023	\$ 80,845	113,300	17,045	211,190
Provision for depreciation	27,207	49,470	9,080	85,757
Reductions	(34,684)	(58,723)	(8,628)	(102,035)
Foreign Exchange Rates	(1,314)	(346)	(218)	(1,878)
Balance at December 31, 2023	<b><u>\$ 72,054</u></b>	<b><u>103,701</u></b>	<b><u>17,279</u></b>	<b><u>193,034</u></b>
Balance at January 1, 2022	\$ 51,817	76,543	10,692	139,052
Provision for depreciation	31,108	44,436	10,970	86,514
Reductions	(3,033)	(7,045)	(4,695)	(14,773)
Foreign Exchange Rates	953	(634)	78	397
Balance at December 31, 2022	<b><u>\$ 80,845</u></b>	<b><u>113,300</u></b>	<b><u>17,045</u></b>	<b><u>211,190</u></b>
Carrying value:				
December 31, 2023	<b><u>\$ 479,530</u></b>	<b><u>111,803</u></b>	<b><u>7,007</u></b>	<b><u>598,340</u></b>
January 1, 2022	<b><u>\$ 456,095</u></b>	<b><u>99,995</u></b>	<b><u>20,168</u></b>	<b><u>576,258</u></b>
December 31, 2022	<b><u>\$ 435,205</u></b>	<b><u>67,787</u></b>	<b><u>14,636</u></b>	<b><u>517,628</u></b>

As the Group considers that the area of the plant in Dongguan, China is not enough for future development, the subsidiary, ACES ZHUHAI TECHNOLOGY LTD acquired the state-owned construction land use rights, and acquired the property right in October, 2023. The term of the use of the property right is from 2023 to 2073, which is recognized as right-of-use assets of \$71,611 thousand.

See accompanying notes to consolidated financial statements.

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

### (9) Investment property

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

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
Cost:			
Balance at January 1, 2023	\$ 259,599	39,215	298,814
Gains on fair value adjustment	5,149	918	6,067
Balance at December 31, 2023	<u>\$ 264,748</u>	<u>40,133</u>	<u>304,881</u>
Balance at January 1, 2022	\$ 261,048	39,924	300,972
Losses on fair value adjustment	(1,449)	(709)	(2,158)
Balance at December 31, 2022	<u>\$ 259,599</u>	<u>39,215</u>	<u>298,814</u>
Fair value:			
December 31, 2023			<u>\$ 304,881</u>
January 1, 2022			<u>\$ 300,972</u>
December 31, 2022			<u>\$ 298,814</u>

#### b Investment property fair value basis

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

- (i) The expected future cash inflows from investment properties of the consolidated company include rental income, interest income from deposits, vacancy losses, and disposal value at the end of the period. The rental income is estimated based on local and comparable market rental rates, taking into consideration the estimated annual rental growth rate for the next ten years. The interest income from deposits is estimated based on the average deposit interest rate published by the central bank for the top five banks, ranging from 1.575% for a one-year term. The vacancy losses are calculated based on the vacancy situation of similar properties in the neighboring area. The disposal value at the end of the period is determined by capitalizing the projected operating income for the next year, after deducting normal operating expenses, using a direct capitalization approach.  
The future cash outflows include related taxes, insurance premiums, management fees, and repair costs that are directly related to the leases. The changing rates used to estimate future variations in these expenses are based on the current expenditure levels, taking into consideration adjustments to announced land prices and tax rates stipulated by housing tax regulations.
- (ii) The estimation of the discount rate is based on the regulations of the Financial Supervisory Commission, which stipulate that it shall not be lower than the interest rate for a two-year postal time deposit announced by Chunghwa Post Co., Ltd., plus three digits. However, considering the recent real estate market conditions, it is estimated to be 2.345% 2.470%.
- (iii) The decision on capitalizing end-of-period earnings is based on the reasonable capitalization rate of the subject and the future benefits of building improvements, estimated at 0.940% 1.230%.
- (iv) The monthly rent for investment properties in the local area and similar targets ranges from NT\$1,010 to NT\$1,390 per ping.

See accompanying notes to consolidated financial statements.

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

(v) The fair value of the Nangang and Neihu properties, as assessed by discounted cash flow analysis, is NT\$54,434 thousand and NT\$250,447 thousand, respectively.

(vi) The real estate appraisal reports used by the consolidated company are signed and issued by Mr. Tsai Jia-ho, a certified appraiser from Cushman & Wakefield, with appraisal dates of July 4, 2023 and June 29, 2023, respectively.

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

### (10) Intangible assets

The costs and amortization of the Company's intangible assets for 2023 and 2022 are detailed as follows:

	<u>Goodwill</u>	<u>Computer software</u>	<u>Customer relationship</u>	<u>Others</u>	<u>Total</u>
Cost:					
Balance at January 1, 2023	\$ 31,201	134,993	76,776	73,103	316,073
Separately acquired	-	16,842	-	22,515	39,357
Acquired through merger	-	-	-	3,934	3,934
Disposals	-	(11,043)	-	(360)	(11,403)
Foreign Exchange Rates	(5)	(1,271)	(27)	(2)	(1,305)
Balance at December 31, 2023	<u>\$ 31,196</u>	<u>139,521</u>	<u>76,749</u>	<u>99,190</u>	<u>346,656</u>
Balance at January 1, 2022	\$ 28,123	122,605	69,242	45,875	265,845
Separately acquired	-	11,520	-	24,925	36,445
Foreign Exchange Rates	3,078	868	7,534	2,303	13,783
Balance at December 31, 2022	<u>\$ 31,201</u>	<u>134,993</u>	<u>76,776</u>	<u>73,103</u>	<u>316,073</u>
Accumulated amortization and impairment:					
Balance at January 1, 2023	\$ -	110,868	20,730	30,179	161,777
Current amortization	-	17,514	12,306	25,282	55,102
Disposals	-	(11,043)	-	(360)	(11,403)
Foreign Exchange Rates	-	(609)	(184)	(57)	(850)
Balance at December 31, 2023	<u>\$ -</u>	<u>116,730</u>	<u>32,852</u>	<u>55,044</u>	<u>204,626</u>
Balance at January 1, 2022	\$ -	89,497	7,751	12,499	109,747
Current amortization	-	20,376	9,981	17,350	47,707
Foreign Exchange Rates	-	995	2,998	330	4,323
Balance at December 31, 2022	<u>\$ -</u>	<u>110,868</u>	<u>20,730</u>	<u>30,179</u>	<u>161,777</u>
Carrying value:					
December 31, 2023	<u>\$ 31,196</u>	<u>22,791</u>	<u>43,897</u>	<u>44,146</u>	<u>142,030</u>
January 1, 2022	<u>\$ 28,123</u>	<u>33,108</u>	<u>61,491</u>	<u>33,376</u>	<u>156,098</u>
December 31, 2022	<u>\$ 31,201</u>	<u>24,125</u>	<u>56,046</u>	<u>42,924</u>	<u>154,296</u>

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

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

### (11) Short-term borrowings

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured bank loans	\$ 1,225,000	1,166,562
Secured bank loans	<u>242,000</u>	<u>262,000</u>
	<u>\$ 1,467,000</u>	<u>1,428,562</u>
Unused credit lines	<u>\$ 3,518,777</u>	<u>3,168,996</u>
Interest rate	<u>1.225%~7.18%</u>	<u>0.75%~6.55%</u>

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

### (12) Long-term borrowings

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured bank loans	\$ 521,475	1,724,500
Secured bank loans	<u>1,411,620</u>	<u>54,788</u>
Subtotal	1,933,095	1,779,288
Less: current maturity	<u>(195,740)</u>	<u>(1,119,167)</u>
Total	<u>\$ 1,737,355</u>	<u>660,121</u>
Unused credit lines	<u>\$ 2,606,000</u>	<u>501,000</u>
Interest rate	<u>1.225%~2.44%</u>	<u>0.80%~2.15%</u>

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

c. The Company entered into a syndicated loan agreement with group of banks. During the loan term, the Company is required to calculate and maintain certain financial ratios at an agreed level based on the consolidated financial statements audit. For the years ended December 31, 2023 and 2022, there is no incident of the Company violating such financial ratios.

d. The Company has obtained special low-interest rate loans of \$600,000 thousand from banks according to "Welcome Businesses Returning to Taiwan to Invest Solution" on June 2020. The actual special loan interest rate was 0.85%, and the difference 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 revenue amounted to \$3,526 thousand and \$6,500 thousand respectively. These amounts were recorded under "other non-current liabilities."

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

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

### (13) Bonds payable

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total convertible corporate bonds issued	\$ 600,000	600,000
Unamortized discounted corporate bonds payable	(20,698)	(42,994)
Cumulative converted amount	<u>(1,100)</u>	<u>(1,100)</u>
Corporate bonds issued balance at year-end (recognized in current portion of corporate bonds and bonds payables)	<u>\$ 578,202</u>	<u>555,906</u>
Embedded derivatives - redemption (recognized in financial assets at fair value through profit or loss)	<u>\$ -</u>	<u>62</u>
Equity component – conversion options (recognized in capital surplus)	<u>\$ 71,065</u>	<u>71,065</u>
	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Embedded derivative – redeem options (recognized in other gains and losses)	<u>\$ (62)</u>	<u>(1,184)</u>
Interest expenses	<u>\$ 22,296</u>	<u>21,459</u>

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

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

(ii) Interest rate: 0%

(iii) Redemption at the option of the Company: The Company may redeem the bonds under the following conditions:

A. The Company may redeem the bonds, in whole or in part, 3 months after the issuance and forty days prior to the maturity date, at the principal amount of the bonds if the closing price of the Company's ordinary shares on the Taiwan Stock Exchange for a period of 30 consecutive trading days, is at least 30% of the conversion price.

B. The Company may redeem the bonds, in whole or in part, 3 months after the issuance and forty days prior to the maturity date, at the early redemption conversion price if at least 10% in principal amount of the bonds has already been exchanged, redeemed, purchased or canceled.

(iv) Terms of conversion:

A. From February 23, 2022 to November 22, 2024, bondholders may convert bonds into common shares of the Company according to terms of conversion.

B. Conversion price: The conversion price at the time of issuance was NT\$51.3 per share. The conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture. This bond does not have reset clause.

The Company announced capital increase by issuing new share on December 8, 2021. As of December 16, 2021, the conversion price per share is from \$51.3 New Taiwan dollars to \$50.4 New Taiwan dollars. The Company announced due to the distribution of cash dividends for ordinary shares, the conversion price per share is from \$50.4 New Taiwan dollars to \$48.5 New Taiwan dollars as of August 12, 2022.

(v) If the bondholder does not convert the bonds at maturity, the Company has to pay in full in cash for redemption of bonds held at the principal amount of bonds with additional interest for compensation (interest compensation at maturity is 1.5075% of the principal amount).

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

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

### (14) Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current	<u>\$ 51,258</u>	<u>47,039</u>
Non-current	<u>\$ 110,084</u>	<u>75,665</u>

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

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

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Interests on lease liabilities	<u>\$ 4,991</u>	<u>4,602</u>
Expenses relating to short-term leases	<u>\$ 11,436</u>	<u>11,749</u>
Expenses relating to low-value leases (excluding low-value lease of short-term leases)	<u>\$ 5,729</u>	<u>3,045</u>

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

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Total cash outflow for leases	<u>\$ 92,401</u>	<u>88,765</u>

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

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

### e. Other lease

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

### (15) Employee benefits

#### a. Defined benefit plans

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined obligation	\$ 70,761	71,058
Fair value of plan assets	(24,957)	(25,692)
Net defined benefit liabilities	<u>\$ 45,804</u>	<u>45,366</u>

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

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

### (i) Composition of plan assets

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

As of reporting date, the Company's Bank of Taiwan labor pension reserve account balance amounted to \$29,197 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 year ended December 31, 2023	For the year ended December 31, 2022
Defined benefit obligation on January 1	\$ 71,058	75,946
Current service cost and interest	4,517	3,724
Remeasurements of net defined benefit liabilities	(1,840)	(9,039)
Benefits paid by the plan	(3,156)	-
Exchange differences	182	427
Defined benefit obligation on December 31	<u>\$ 70,761</u>	<u>71,058</u>

### (iii) Changes on fair value of plan assets

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

	For the year ended December 31, 2023	For the year ended December 31, 2022
Fair value of plan assets on January 1	\$ 25,692	22,997
Interest revenue	456	155
Amount appropriated to plan	1,883	798
Remeasurements of net defined benefit liabilities	82	1,742
Benefits paid by the plan	(3,156)	-
Fair value of plan assets on December 31	<u>\$ 24,957</u>	<u>25,692</u>

### (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 year ended December 31, 2023	For the year ended December 31, 2022
Current service cost	\$ 1,780	2,027
Net interest of net defined benefit liabilities	2,281	1,542
	<u>\$ 4,061</u>	<u>3,569</u>
	For the year ended December 31, 2023	For the year ended December 31, 2022
Operating costs and expenses	<u>\$ 4,061</u>	<u>3,569</u>

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

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

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

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Accumulated balance on January 1	\$ (16,859)	(27,739)
Current recognition	1,911	10,880
Accumulated balance on December 31	<u>\$ (14,948)</u>	<u>(16,859)</u>

- (6) Actuarial assumptions

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.625%	1.750%
Increase on future payroll	1%~3%	1%~5.5%

The Company has planned to appropriate in the amount of \$909 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 10 to 13 years.

- (vii) Sensitivity analysis

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

	<u>Impact to defined benefit obligation</u>	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>
Balance at December 31, 2023		
Discount rate	(802)	828
Increase on future payroll	799	(777)
December 31, 2022		
Discount rate	(1,160)	1,202
Increase on future payroll	983	(960)

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

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

- b. Defined contribution plans

The Company and its domestic subsidiaries allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance, Ministry of Labor (hereinafter referred to as the Bureau of Labor Insurance) in accordance with the provisions of the Labor Pension Act.

The Company's pension costs under the defined contribution method were \$104,397thousand and \$98,103thousand for the years ended December 31, 2023 and 2022, respectively. Payment was made to the Bureau of Labor Insurance.

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

### (16) Income taxes

#### a. Income tax expenses

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

	<b>For the year ended December 31, 2023</b>	<b>For the year ended December 31, 2022</b>
Current tax expense (gain)	\$ (3,864)	106,904
Deferred income tax expense (gain)	2,360	(15,174)
Income tax expenses (gain)	<b>\$ (1,504)</b>	<b>91,730</b>

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

	<b>For the year ended December 31, 2023</b>	<b>For the year ended December 31, 2022</b>
Components of other comprehensive income that will be reclassified to profit or loss:		
Exchange differences on translation of foreign financial statements	<b>\$ 12,097</b>	<b>(26,020)</b>

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

	<b>For the year ended December 31, 2023</b>	<b>For the year ended December 31, 2022</b>
Profit before income tax	<b>\$ (269,692)</b>	<b>315,063</b>
Income tax using the Company's domestic tax rate	\$ (53,938)	63,013
The effect of difference in tax rates in foreign territories	(31,270)	(44,502)
Not deductible expenses	(9,377)	10,645
Unrecognized temporary difference – related to investments in subsidiaries	90,154	24,306
Unrecognized temporary difference – related to tax losses	13,041	-
Over or underestimation in prior periods	(13,415)	-
Others	3,301	38,268
	<b>\$ (1,504)</b>	<b>91,730</b>

#### b. 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:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Aggregate amount of temporary differences related to investments in subsidiaries	<b>\$ 997,990</b>	<b>1,448,762</b>
Unrecognized amount of deferred tax liabilities	<b>\$ 199,598</b>	<b>289,752</b>

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

### (ii) Unrecognized deferred tax assets

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Tax loss	<u>\$ 655,510</u>	<u>590,306</u>
Unrecognized amount of deferred tax assets	<u>\$ 131,102</u>	<u>118,061</u>

Some of the subsidiaries have yet to have steady growth and profit earning capabilities in 2023 and 2022; therefore, the deferred income tax assets were not recognized because it is speculated if the tax losses were recoverable. If the operating revenue is continuing to grow for the next year, the aforementioned tax loss would be recognized.

### (iii) Recognized deferred tax assets and liabilities

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

	<u>Share of profit or loss of subsidiaries accounted for using equity method</u>	<u>Unrealized gains or losses from financial assets</u>	<u>Inventory valuation loss</u>	<u>Others</u>	<u>Total</u>
<b>Deferred income tax assets:</b>					
<b>January 1, 2023</b>	\$ 33,169	319	13,266	33,822	80,576
(Debit) credit in profit or loss	(4,372)	(138)	(207)	4,707	(10)
<b>December 31, 2023</b>	<u>\$ 28,797</u>	<u>181</u>	<u>13,059</u>	<u>38,529</u>	<u>80,566</u>
<b>January 1, 2022</b>	\$ 36,575	1,289	9,707	30,812	78,383
(Debit) credit in profit or loss	(3,406)	(970)	3,559	3,010	2,199
<b>December 31, 2022</b>	<u>\$ 33,169</u>	<u>319</u>	<u>13,266</u>	<u>33,822</u>	<u>80,576</u>

	<u>Share of profit or loss of subsidiaries accounted for using equity method</u>	<u>Unrealized gains or losses from financial assets</u>	<u>Others</u>	<u>Total</u>
<b>Deferred tax liabilities:</b>				
<b>January 1, 2023</b>	\$ 286,608	4,088	26,313	317,009
Credit (debit) in profit or loss	(2,688)	1,490	3,548	2,350
Credit (debit) in other comprehensive income	(11,365)	-	-	(11,365)
Exchange differences on translation of foreign financial statements	(100)	-	(1)	(101)
<b>December 31, 2023</b>	<u>\$ 272,455</u>	<u>5,578</u>	<u>29,860</u>	<u>307,893</u>
<b>January 1, 2022</b>	\$ 269,707	(5,121)	37,381	301,967
Credit (debit) in profit or loss	(11,548)	-	(1,433)	(12,981)
Credit (debit) in other comprehensive income	26,020	-	-	26,020
Exchange differences on translation of foreign financial statements	2,429	9,209	(9,635)	2,003
<b>December 31, 2022</b>	<u>\$ 286,608</u>	<u>4,088</u>	<u>26,313</u>	<u>317,009</u>

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

### c. Assessment of tax

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

### (17) Capital and other equity

#### a. Share capital

As of December 31, 2023 and 2022, the authorized common stock of the Company was \$2,000,0000 thousand in both years, comprising 200,000 thousand shares with a par value of \$10 per share. The issued ordinary shares were 134,418 thousand in both years.

#### (a) Common stock issuance

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

#### (ii) Capital reserve

The balances of capital surplus were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Additional paid-in capital	\$ 756,155	756,155
Consolidation excess	3,831	3,831
Changes in net value of equity investment in affiliated companies accounted for using equity method	105,197	100,542
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
	<b><u>\$ 993,270</u></b>	<b><u>988,615</u></b>

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

Please refer to notes 6(6) and 6(13) for details on other changes on capital surplus.

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

### c. Retained earnings

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

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

#### (i) Legal reserve

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

#### (ii) Special reserve

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

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

### d. 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	
	Dividend (dollar)	Amount	Dividend (dollar)	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 0.55	73,930	1.50	201,594

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

### e. Other equity

	<b>Exchange differences on translation of foreign financial statements</b>	<b>Property revaluation increments</b>	<b>Total</b>
Balance at January 1, 2023	\$ (92,336)	33,219	(59,117)
Exchange differences on foreign operations	(75,615)	-	(75,615)
Gains or losses on disposals of foreign operations recognized to profit or loss	27,161	-	27,161
Balance at December 31, 2023	<u>\$ (140,790)</u>	<u>33,219</u>	<u>(107,571)</u>
Balance at January 1, 2022	\$ (196,187)	33,219	(162,968)
Exchange differences on foreign operations	103,851	-	103,851
Balance at December 31, 2022	<u>\$ (92,336)</u>	<u>33,219</u>	<u>(59,117)</u>

### (18) Earnings per share

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

	<b>For the year ended December 31, 2023</b>	<b>For the year ended December 31, 2022</b>
<b>Basic earnings per share</b>		
Current net profit (loss) attributable to the Company	<u>\$ (266,543)</u>	<u>225,319</u>
Weighted average number of ordinary shares outstanding (shares in thousands)	134,418	134,402
<b>Basic earnings per share (dollar)</b>	<u>\$ (1.98)</u>	<u>1.68</u>
<b>Diluted earnings per share</b>		
Profit (loss) attributable to ordinary shareholders of the Company (basic)	\$ (266,543)	225,319
After tax effects of interest expenses of convertible bonds	-	17,167
Profit (loss) attributable to ordinary shareholders of the Company (diluted)	<u>\$ (266,543)</u>	<u>242,486</u>
Weighted average number of ordinary shares outstanding (basic)	134,418	134,406
Effect of dilutive ordinary shares		
Effect of remuneration to employees in stock	-	1,147
Effect of conversion of convertible Company bonds	-	12,360
Weighted average number of ordinary shares outstanding (diluted)(shares in thousands)	<u>134,418</u>	<u>147,913</u>
<b>Diluted earnings per share(dollar) (Note)</b>	<u>\$ (1.98)</u>	<u>\$ 1.64</u>

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

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

### (19) Revenue from contracts with customers

#### a. Disaggregation of revenue

For the year ended December 31, 2023					
	Connectors segment	Cable segment	Metal stamping segment	Other segment	Total
Primary geographical markets:					
Taiwan	\$ 697,001	145,082	383,068	113,577	1,338,728
China	3,264,505	436,230	346,103	64,586	4,111,424
Philippines	1,162	591,107	157,163	-	749,432
USA	70,251	160,147	177,590	12,421	420,409
Other countries	601,572	246,677	558,863	459,123	1,866,235
	<b>\$ 4,634,491</b>	<b>1,579,243</b>	<b>1,622,787</b>	<b>649,707</b>	<b>8,486,228</b>
Major products/services lines:					
Connectors	\$ 4,634,491	-	-	-	4,634,491
Connector cable set	-	1,579,243	-	-	1,579,243
Metal stamping parts	-	-	1,622,787	-	1,622,787
Others	-	-	-	649,707	649,707
	<b>\$ 4,634,491</b>	<b>1,579,243</b>	<b>1,622,787</b>	<b>649,707</b>	<b>8,486,228</b>
For the year ended December 31, 2022					
	Connectors segment	Connectors cable segment	Metal stamping segment	Other segment	Total
Primary geographical markets:					
Taiwan	\$ 900,558	403,164	495,932	141,229	1,940,883
China	3,701,789	504,866	941,494	143,058	5,291,207
Philippines	1,269	750,275	157,616	-	909,160
USA	86,025	184,035	190,332	37,672	498,064
Other countries	308,921	241,516	693,409	509,344	1,753,190
	<b>\$ 4,998,562</b>	<b>2,083,856</b>	<b>2,478,783</b>	<b>831,303</b>	<b>10,392,504</b>
Major products/services lines:					
Connectors	\$ 4,998,562	-	-	-	4,998,562
Connector cable set	-	2,083,856	-	-	2,083,856
Metal stamping parts	-	-	2,478,783	-	2,478,783
Others	-	-	-	831,303	831,303
	<b>\$ 4,998,562</b>	<b>2,083,856</b>	<b>2,478,783</b>	<b>831,303</b>	<b>10,392,504</b>

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

### b. Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes and account receivable (including related parties)	\$ 2,313,358	2,624,509
Less: Loss allowance	(19,466)	(42,390)
Total	<u>\$ 2,293,892</u>	<u>2,582,119</u>

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

### (20) Remunerations to employees and directors

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

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

The employee compensation and directors' remuneration were estimated as the income before tax, excluding the amount of employee compensation and directors' remuneration, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses. If there is a difference between estimation and actual appropriated amounts, changes in accounting estimates shall be applied. Such effect on changes shall be recognized in profit and loss in the next year. As the Group incurred loss in the year ended December 31, 2023, the amounts were not estimated.

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

The amount, as stated in the consolidated 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".

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

#### a. Other revenue

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Lease income	\$ 9,078	6,932
Mold income	53,890	68,100
Others	61,966	66,119
	<u>\$ 124,934</u>	<u>141,151</u>

#### b. Other gains and losses

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Foreign exchange gains (losses)	\$ 31,627	227,551
Losses on disposals of property, plant and equipment	(9,007)	(15,899)
Gains on fair value adjustment – investment properties	6,067	(2,158)
Gains (losses) on financial assets at fair value through profit or loss	27,635	(32,741)
Gains (losses) on disposals of investments	(24,140)	-
Impairment losses	-	(2,802)
Others	(26,436)	(9,030)
	<u>\$ 5,746</u>	<u>164,921</u>

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

The Company can longer obtain market price from periodical financial tools SPECTRA SPC POWERFUND. According to Article 13 ‘Fair value measurement’ of IFRS on assessment of relevant information credibility and limitations, it is therefore moved from Level 1 to Level 3. The Company measured loss on fair value of the aforementioned asset recognized under “other gains and losses.” Please refer to Note 6(22) for details.

The dissolution and liquidation of the subsidiaries of the Group, ACES (HONG KONG) ELECTRONIC CO., LTD, GLOBAL ACUMEN LIMITED, GENESIS INTERCONNECT CO., LTD., and SHENZHEN JINO ELECTRONIC CO., LTD. have been resolved by the board of directors in 2023, and the relevant procedures have been completed in 2023. As of December 31, 2023, the Group has recovered distribution of liquidated remaining properties of \$18,909 thousand, and recognized losses on disposals of investments of \$22,527 thousand, which were presented in “other gains and losses.”

The Company sold the subsidiary, GENESIS GUIZHOU TECHNOLOGY CO., LTD., to non-related parties in 2023. The proceeds from the disposal are \$2,248 thousand. The losses on disposals of \$1,613 thousand have been recognized under “other gains and losses.” Please refer to Note 6(6).

### c. Finance costs

	<b>For the year ended December 31, 2023</b>	<b>For the year ended December 31, 2022</b>
Bank loan interest	\$ 81,438	59,008
Lease liabilities interest	4,991	4,602
Convertible company bond interest	22,296	21,459
	<b><u>\$ 108,725</u></b>	<b><u>85,069</u></b>

### (23) Financial instruments

#### a. Credit risk

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

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

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

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

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

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

### b. Liquidity Risk

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

	Carrying amount	contractual cash flows	Within 1 years	2-5 years	Over 5 years
<b>December 31, 2023</b>					
Non-derivative financial liabilities					
Short-term borrowings	\$ 1,467,000	1,505,729	1,505,729	-	-
Notes payable	1,868	1,868	1,868	-	-
Accounts payable	1,406,861	1,406,861	1,406,861	-	-
Account payable - related parties	65	65	65	-	-
Other payables	830,356	830,356	830,356	-	-
Other payable - including related parties	813	813	813	-	-
Lease liabilities	161,342	186,736	55,168	93,108	38,460
Bonds payable (including current portion)	578,202	578,202	578,202	-	-
Long-term borrowings (including current portion)	1,933,095	1,943,097	190,947	1,742,549	9,601
	<b>\$ 6,379,602</b>	<b>6,453,727</b>	<b>4,570,009</b>	<b>1,835,657</b>	<b>48,061</b>
<b>December 31, 2022</b>					
Non-derivative financial liabilities					
Short-term borrowings	\$ 1,482,562	1,471,442	1,471,442	-	-
Notes payable	518	518	518	-	-
Accounts payable	1,623,419	1,623,419	1,623,419	-	-
Account payable - related parties	327	327	327	-	-
Other payables	1,012,818	1,012,818	1,012,818	-	-
Other payable - including related parties	2,823	2,823	2,823	-	-
Lease liabilities	122,704	148,978	50,341	53,275	45,362
Bonds payable (including current portion)	555,906	600,000	-	600,000	-
Long-term borrowings (including current portion)	1,779,288	1,822,772	1,146,413	662,826	13,533
	<b>\$ 6,580,365</b>	<b>6,683,097</b>	<b>5,308,101</b>	<b>1,316,101</b>	<b>58,895</b>

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

### c. Currency risk

#### (i) Currency risk

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

	Expressed in thousands of dollars					
	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	\$ 113,335	30.705	3,479,948	111,539	30.710	3,425,363
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	64,039	30.705	1,966,316	55,474	30.710	1,703,593

#### (ii) Sensitivity analysis

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

In 2023, 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 \$75,682 thousand and \$86,089 thousand for the years ended December 31, 2023 and 2022, respectively. The method of analysis remains the same for both periods.



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

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

#### A. Non-derivative financial instruments

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

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

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

#### B. Derivative financial instruments

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

### (iii) Changes on Level 3 table

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

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

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

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

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

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

Quantified information of significant unobservable inputs was as follow:

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

### (23) Financial risk information

#### a. Overview

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

- i. Credit risk
- ii. Liquidity Risk
- iii. Market risk

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

#### b. Structure of risk management

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

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

#### c. Credit risk

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

##### (i) Accounts receivable and other receivables

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

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

### (ii) Financial investments

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

### (iii) Guarantee

The Company only provide guarantee to parties listed under procedures for guarantee and endorsement. The Company did not provide guarantee to any third party not listed by the Company's policy as of December 31, 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 lines were amounted to \$6,124,777 and \$3,669,996, respectively.

### e. Market risk

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

### (ii) Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Company. The Group's functional currency is NTD, as well as USD and RMB. These transactions were in NTD, USD and RMB.

### (iii) Interest rate risk

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

### (iv) Other market price risk

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

### (24) Capital management

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

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

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

Debt-to-equity ratio for the years ended December 31, 2023 and 2022 as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total liabilities	\$ 6,994,385	7,185,022
Less: cash and cash equivalents	<u>(2,058,206)</u>	<u>(2,458,617)</u>
Net liabilities	4,936,179	4,726,405
Total equity	<u>\$ 5,256,504</u>	<u>5,655,354</u>
Debt-to-equity ratio	<u>93.91%</u>	<u>83.57%</u>

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

	<u>January 1, 2023</u>	<u>Cash flow</u>	<u>Non-Cash changes</u>		<u>December 31, 2023</u>
			Acquisition by business combination	Others	
Long-term borrowings (including current portion)	\$ 1,779,288	150,451	382	2,974	1,933,095
Short-term borrowings	1,428,562	51,602	-	(13,164)	1,467,000
Lease liabilities	122,704	(70,245)	-	108,883	161,342
Corporate bonds payable (including current portion)	555,906	-	-	22,296	578,202
Total liabilities from financing activities	<u>\$ 3,886,460</u>	<u>131,808</u>	<u>382</u>	<u>120,989</u>	<u>4,139,639</u>

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

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

### 7. Related-party transactions

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

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

Name of related parties	Relationship with the Company
Nantong Dadi Electric Co., Ltd.	Affiliated company
Wei Chi Investment Co., Ltd.	Legal persons as the corporate director of the Company
Hsu, Chang-Fei	Director of the Company
Shin Yi Electronics Technology (Suzhou) Co., Ltd.	Its main management is the chairman from COMPUPACK. (Note 1)
Di Der Electronics (SUZHOU) CO., LTD.	Its chairman is the person in charge of the subsidiary, COMPUPACK. (Note 2)
Kung Shan Ching Zhi Electric Co., Ltd.	Affiliated company of the Company
Fan, Ji-Yuan	The person in charge of the subsidiary, COMPUPACK

Note 1: As the person in charge of the subsidiary of the Company has transferred the shares of Shin Yi Electronics Technology (Suzhou) Co., Ltd. on December 10, 2022, subsequent transaction amounts will not be disclosed.

Note 2: As Di Der Electronics (SUZHOU) CO., LTD. has changed its person in charge on June 28, 2022, it becomes non-related party since the day. Therefore, subsequent transaction amounts will not be disclosed.

#### (2) Significant related party transactions

##### a. Operating revenue

Significant sales to related parties were as follows;

	For the year ended December 31, 2023	For the year ended December 31, 2022
Affiliated company	\$ 56,810	53,989

Selling price and sales term to subsidiaries is not significantly different from general sales. . No collaterals were pledged from the receivables of the related parties and it was deemed not necessary to be recorded as impairment loss after assessment.

##### b. Purchase

	For the year ended December 31, 2023	For the year ended December 31, 2022
Affiliated company	\$ 62	-

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

##### c. Receivables from related parties

Item	Type of related parties	December 31, 2023	December 31, 2022
Accounts receivable	Affiliated company	\$ 25,422	23,553
Other receivables	Affiliated company	528	-
		\$ 25,950	23,553

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

### d. Payables to Related Parties

Item	Type of related parties	December 31, 2023	December 31, 2022
Accounts payable	Affiliated company	\$ 65	327
Other payables	Affiliated company	2	2,823
Other payables	Other related parties	811	-
		<b>\$ 878</b>	<b>3,150</b>

### e. Property transactions

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

	December 31, 2023	December 31, 2022
Key management	<b>\$ 522,729</b>	<b>-</b>

The Group 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.

### f. Lease

The Group has rented buildings and land from related parties, and signed 1 to 3 years lease contracts with reference of neighboring rental market price and land market price in the total contract amount of \$31,258 thousand and \$36,759 thousand for the year of 2023 and 2022 respectively. The Company paid leases in the amount of \$12,938 and \$13,710 for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, the balance of lease liabilities amounted to \$7,762 and \$6,826, respectively.

### g. Others

The Group acquired 91 thousand of shares of subsidiaries from related parties, with total transaction amount of \$256 thousand. The shares have been delivered and the payment has been made in full.

### (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	\$ 52,095	76,061
Post-employment benefits	1,568	1,844
	<b>\$ 53,663</b>	<b>77,905</b>

### (8) Assets pledged as security:

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

Asset name	Pledge or Mortgage underlying subject	December 31, 2023	December 31, 2022
Property, plant and equipment			
Land	Bank loan and credit limit guarantee	\$ 198,258	49,920
Buildings and structures	"	163,837	29,935
		<b>\$ 362,095</b>	<b>79,855</b>
Investment property			
Land	Bank loan and credit limit guarantee	\$ 264,748	259,599
Buildings and structures	"	40,133	39,215
		<b>\$ 304,881</b>	<b>298,814</b>

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

### 9. Significant Commitments and contingencies:

(1) Significant and unrecognized commitments of the Company:

	December 31, 2023	December 31, 2022
Acquisition of property, plant and equipment	\$ 748,441	793,391
Acquisition of intangible assets	16,147	27,174
	<b>\$ 764,588</b>	<b>820,565</b>

For the purpose of sales development and future operational needs, the board of directors approved to use own land to build buildings on August 12, 2021. A building contract was signed with not-related parties in the first quarter of 2021 in the amount of \$1,098,800 thousand. As of December 31, 2023, \$824,100 thousand of the contracted price had been paid.

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

	December 31, 2023	December 31, 2022
	<b>\$ 7,803,375</b>	<b>6,199,935</b>

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

	December 31, 2023	December 31, 2022
	<b>\$ 6,000</b>	<b>14,816</b>

10. Due to Major Disasters: none.

11. Materiality after the period: None

12. Other

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

By 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
By item						
Employee benefits						
Salary	1,235,401	915,217	2,150,618	1,297,353	900,732	2,198,085
Labor and health insurance	70,228	69,445	139,673	70,820	63,638	134,458
Pension	60,275	48,183	108,458	57,969	43,703	101,672
Other employee benefits	80,844	54,706	135,550	87,226	60,156	147,382
Depreciation	490,984	160,346	651,330	444,800	206,150	650,950
Amortization	1,116	53,986	55,102	437	47,270	47,707

### 13. Other disclosures

(1) Information of significant transactions

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

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

## a. Lending to other parties:

No.	Loan amount  Name of Holder	Name of borrower  Underwriting bank	Account name  Financial Statement Account	Related party  Name of related parties	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Interest rate	Maximum limit of fund financing	Business  Amount	Reason for short-term financing  Unusual transaction details	Allowance for bad debt  Amount	Collateral		Individual funding loan limits	Maximum limit of fund financing  Total Amount	Note  Note 12
					Amount	Balance at end of the year	Amount	Interest rate	Name of borrower (Note 11)				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, 13
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	Note 3, 4, 13
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	Note 3, 4, 13
3	ACES PRECISION INDUSTRY PTELTD	MEC INTERNATIONAL COMPANY LTD	Other receivables	Yes	32,425	30,705	30,705	4.96%	2	-	Operation requirements	-	None	-	53,309	53,309	Note 3, 4, 13
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, 13
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, 13
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, 13
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	Note 8, 13
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	Note 8, 13
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, 13
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	Note 7, 13
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, 13
9	ACCURATE GROUP LIMITED	MEC INTERNATIONAL COMPANY LTD	Other receivables	Yes	37,289	35,311	35,311	2.95%	2	-	Operation requirements	-	None	-	165,297	165,297	Note 11, 13
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, 13
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, 13
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	Note 9, 13
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	Note 9, 13
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	Note 9, 13
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	Note 9, 13

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

No.	Loan amount	Name of borrower	Account name	Related party	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Interest rate	Maximum limit of fund financing	Business		Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing	Note
	Name of Holder	Underwriting bank	Financial Statement Account	Name of related parties	Amount	Balance at end of the year	Amount	Interest rate	Name of borrower	Amount	Unusual transaction details	Amount	Item	Value	Total Amount	Total Amount	
12	GENESIS INNOVATION GROUP LIMITED	DONGGUAN POLIXIN ELECTRIC CO., LTD.	Other receivables	Yes	64,850	61,410	61,410	1.20%-3.50%	2	-	Operation requirements	-	None	-	686,815	686,815	Note 9, 13
12	GENESIS INNOVATION GROUP LIMITED	Acis Precision Industry Pte Ltd.	Other receivables	Yes	97,275	92,115	92,115	3.85%	2	-	Operation requirements	-	None	-	686,815	686,815	Note 9, 13
12	GENESIS INNOVATION GROUP LIMITED	MEC IMEX INC.	Other receivables	Yes	179,700	100,000	100,000	1.58%	2	-	Operation requirements	-	None	-	137,363	137,363	Note 9, 13

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., 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 10% of the company's net worth. 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 worth 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 company's net worth. However, if the borrowing company and its parent company directly or indirectly hold 100% of the voting shares of the foreign company, the total loan amount shall not exceed 100% of the net worth of that subsidiary.

Note 5: According to 'Procedures for Lending Funds to Others' of subsidiary 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

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

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: Nature of the loan as filled out below:

- (i) Fill in ‘1’ for companies with business relationship.
- (ii) Fill in ‘2’ for companies with short-term financing demands.

Note 13: The above transactions have been written-off in preparation of consolidated financial statements.

### b. Guarantees and endorsements for others:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for an enterprise individual (Note 1, 3, 4, )	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net equity of the latest financial statements	Maximum amount allowed for endorsement	Endorsements/guarantees by parent company	Subsidiary endorsements/guarantees by a subsidiary	Endorsements/guarantees to a subsidiary in Mainland China
		Name	Relationship (Note 5)										
0	The Company	KUNSHAN ACES ELECTRONIC CO., LTD.	2	5,254,759	307,400	-	-	-	0.00%	5,254,759	Y	N	Y
0	The Company	Aces Precision Industry Pte Ltd.	2	5,254,759	318,600	153,525	-	-	2.92%	5,254,759	Y	N	N
0	The Company	ACES Precision Machinery Co., Ltd.	2	5,254,759	100,000	50,000	15,000	-	0.95%	5,254,759	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.	KUANGYING 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 KUANGYING ELECTRIC CO., LTD.	KUANGYING COMPUTER EQUIPMENT CO., LTD.	3	99,791	4,864	4,606	178	-	125.30%	99,791	N	N	N
3	SUZHOU KUANGYING 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

Note1: According to ‘Endorsement Guarantee Procedure’ of the Company, the guarantees and endorsements for an individual enterprise shall not exceed 20% of the Company's net value. However, if it holds more than 50% of the Company's direct or indirect voting rights, then guarantees and endorsements shall not exceed 100% of the Company's net value.

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

Note2: According to 'Endorsement Guarantee Procedure' of the Company, the guarantees and endorsements shall not exceed 100% of the Company's net value.

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

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

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

(i) Companies with business relationship.

(ii) The Company holds over 50% voting rights over the counter-party directly or indirectly.

(iii) The counter-party holds over 50% voting rights of the Company directly or indirectly.

(iv) Companies that hold over 90% voting rights directly or indirectly.

(v) Companies for which the endorsement guarantee was provided by all shareholders based on shareholding ratio due to joint investment venture.

(vi) Companies mutually providing guarantee according to contract requirements for engineering contracts or joint ventures.

(vii) Joint and several guarantees for performance guarantees under pre-sale housing sales contracts among peers in accordance with the Consumer Protection Act.

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

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

(Shares in thousands)

Name of Holder	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Financial Statement Account	December 31				Highest balance for guarantees and endorsements during the period	Note
				Shares	Carrying amount	Percentage of ownership	Fair value		
The Company	SPECTRA SPC POWERFUND	-	Financial assets at FVTPL—current	380	-	- %	-	- %	Note 1
The Company	Fund: China Development Advantage Venture Capital Limited Partnership.	-	Financial assets at FVTPL—non-current	-	71,866	1.54%	71,866	- %	-
KUNSHAN ACES ELECTRONIC CO., LTD.	Fund - Kung Shan Hua Cheng Yi Da Equity Investment Company (limited partnership company)	-	Financial assets at FVTPL—non-current	-	95,586	2.49%	95,586	- %	-

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:

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

(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	156,819 has been paid	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	% in total purchase (sales)	Credit terms	Unit price	Credit terms	Balance amount	Percentage in total notes and accounts receivable (payable)	
The Company	DONGGUAN ACES ELECTRONIC CO., LTD.	Sub-subsidiary	Purchase	525,526	27.00%	OA 120 days	-		304,537	30.14%	
The Company	KUNSHAN ACES ELECTRONIC CO., LTD.	Sub-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	Sub-subsidiary	Purchase	280,120	35.84%	OA 30 days	-		40,949	10.74%	
DONGGUAN ACES ELECTRONIC CO., LTD.	KUNSHAN ACES ELECTRONIC CO., LTD.	Sub-subsidiary	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%	

Note 1: The above transactions have been written-off in preparation of consolidated financial statements.

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

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

Recorded as other receivables	Name of counter-party	Relationship	Receivables from related parties (Note 1)	Turnover rate	Overdue receivables from related parties		Receivables from related parties	Allowance for bad debt
					Amount	Action taken		
KUNSHAN ACES ELECTRONIC CO., LTD.	The Company	Subsidiary	484,732	3.90	-		175,056	-
DONGGUAN ACES ELECTRONIC CO., LTD.	The Company	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 INNOVATION GROUP LIMITED	MEC IMEX INC.	Affiliates	100,185 (Note 2)	-	-		-	-

Note 1: The above transactions have been written-off in preparation of consolidated financial statements.

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

Note 2: Loan and interest receivables.

i. Trading in derivative instruments: None.

j. Significant transactions between parent company and subsidiaries:

No.	Companies to make purchase (sale)	Counter-party	Relationship	Transaction details			
				Accounts	Amount	Trading terms	% of combined total revenues or assets
1	KUNSHAN ACES ELECTRONIC CO., LTD.	The Company	2	Sales	944,178	OA 120 days	11.13%
1	KUNSHAN ACES ELECTRONIC CO., LTD.	DONGGUAN ACES ELECTRONIC CO., LTD.	2	Sales	190,261	OA 90 days	2.24%
1	KUNSHAN ACES ELECTRONIC CO., LTD.	The Company	2	Accounts receivable	484,732	OA 120 days	3.96%
2	DONGGUAN ACES ELECTRONIC CO., LTD.	The Company	2	Sales	525,526	OA 120 days	6.19%
2	DONGGUAN ACES ELECTRONIC CO., LTD.	The Company	2	Accounts receivable	304,537	OA 120 days	2.49%
3	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	KUANG YING COMPUTER EQUIPMENT CO., LTD.	3	Sales	471,424	OA 60 days	5.56%
3	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	KUANG YING COMPUTER EQUIPMENT CO., LTD.	3	Accounts receivable	195,025	OA 60 days	1.59%
4	MEC SUZHOU ELECTRONICS CO., LTD.	MEC IMEX INC.	3	Sales	340,433	OA 90 days	4.01%
5	GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	KUNSHAN ACES ELECTRONIC CO., LTD.	3	Sales	280,120	OA 30 days	3.30%
6	GENESIS TECHNOLOGY(NINGBO) INC.	GENESIS TECHNOLOGY USA, INC.	3	Sales	171,580	OA 120 days	2.02%

Note 1: Fill out the numbers as follows:

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

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

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

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

### (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			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee	
				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%	4,026,481	100.00%	10,061	8,828	Note 1
The Company	ACES (HONG KONG) ELECTRONIC CO., LTD.	SAMOA	Connectors sales	-	9,579	-	- %	-	100.00%	1,506	1,506	Note 1, 4
The Company	ACES PRECISION INDUSTRY PTE LTD.	Singapore	Connectors sales business	208,410	208,410	8,162	100.00%	53,309	100.00%	1,630	1,630	Note 1
The Company	ACECONN HOLDINGS CO., LTD.	SAMOA	Investment holding	351,112	351,112	12,000	100.00%	160,905	100.00%	(26,709)	(26,709)	"

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

Investor Company	Investee Company	Location	Main Activities	Original investment amount		Balance as of December 31, 2023			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee	
				December 31, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying amount				
The Company	WEI HONG INTERNATIONAL INVESTMENT CO., LTD.	Taiwan	Investment business	25,000	25,000	2,500	100.00%	27,785	100.00%	(188)	(188)	"
The Company	MEC IMEX INC.	Taiwan	Connector cable set sales business	928,939	809,032	47,582	99.86%	530,853	99.86%	(130,721)	(130,261)	"
The Company	ACES JAPAN CO., LTD.	Japan	Connector development business	15,137	15,137	4.5	100.00%	14,177	100.00%	1,078	1,078	"
The Company	ACES INTERCONNECT (USA), INC.	USA	Connectors sales industry	9,711	9,711	300	100.00%	9,542	100.00%	(142)	(142)	"
The Company	COMPUPACK TECHNOLOGY CO., LTD.	Taiwan	Electronic component sales business	287,237	277,237	21,500	100.00%	223,655	100.00%	(37,892)	(32,703)	"
The Company	KUANG YING COMPUTER EQUIPMENT CO., LTD.	Taiwan	Electronic component manufacturing and sales business	198,697	198,697	25,906	99.66%	294,027	99.66%	47,272	48,550	"
The Company	ACES Precision Machinery Co., Ltd.	Taiwan	Mold part manufacturing and sales business	130,000	130,000	13,000	100.00%	75,377	100.00%	(15,143)	(15,143)	"
The Company	GENESIS HOLDING COMPANY	Cayman	Investment holding	589,118	589,118	27,778	100.00%	703,939	100.00%	38,901	15,096	"
The Company	GENESIS TECHNOLOGY USA, INC.	USA	Electronic component sales business	20,104	20,104	1.5	100.00%	166,298	100.00%	(37,708)	(37,708)	"
The Company	JASON TECHNOLOGY LIMITED.	Hong Kong	Electronic component sales business	1,857	-	5,000	100.00%	8,732	100.00%	442	(1,628)	"
ACESCONN HOLDINGS CO., LTD.	ASIA CENTURY INVESTMENT LTD.	SAMOA	Investment holding	351,112	351,112	9,150	100.00%	160,904	100.00%	(26,709)	(26,709)	Note 1
ACES Precision Machinery Co., Ltd.	ACES Surface Treatment Co., Ltd.	Taiwan	Manufacture and sales of mold	8,000	-	700	100.00%	6,297	100.00%	(1,391)	(2,703)	Note 1, 3
MEC IMEX INC.	MEC INTERNATIONAL COMPANY LTD.	British Virgin Islands	Investment holding	1,295,195	992,350	31	100.00%	335,216	100.00%	(114,061)	(114,061)	Note 1
MEC IMEX INC.	MEC ELECTRIC SOLUTIONS GMBH	Germany	Connector cable set sales business	3,179	3,179	1	100.00%	2,845	100.00%	(641)	(641)	Note 1, 2
MEC INTERNATIONAL COMPANY LTD.	MEC BEST KNOWN COMPANY LIMITED	Hong Kong	Investment holding	473,201	313,435	118,250	100.00%	9,202	100.00%	(4,403)	(4,403)	Note 1
MEC INTERNATIONAL COMPANY LTD.	MEC ULTRAMAX (HK) COMPANY LIMITED	Hong Kong	Investment holding	122,400	122,400	30,000	100.00%	80,805	100.00%	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%	109,951	100.00%	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%	265,280	100.00%	6,924	6,924	"

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

Investor Company	Investee Company	Location	Main Activities	Original investment amount		Balance as of December 31, 2023			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee	
				December 31, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying amount				
MEC ELECTRONICS PHILIPPINE CORPORATION	MEC IMEX (USA), INC.	USA	Connector cable set sales business	12,544	12,544	4	100.00%	17,555	100.00%	(213)	(213)	"
MEC ELECTRONICS (HK) COMPANY LIMITED	HOMEPRIDE TECHNOLOGY LIMITED	Hong Kong	Investment holding	230,261	182,331	56,750	100.00%	49,137	100.00%	16,699	16,699	Note 1
COMPUPACK TECHNOLOGY CO., LTD.	MICON PRECISE CORP.	Taiwan	Electronic component sales business	333,845	333,845	12,950	99.61%	(2,031)	99.61%	(39,142)	(38,785)	"
COMPUPACK TECHNOLOGY CO., LTD.	GLOBAL ACUMEN LIMITED	Belize	Electronic component sales business	1,497	1,497	-	- %	-	100.00%	13,770	13,770	Note 1, 4
MICON PRECISE CORP.	Aces Precision Industry Pte Ltd.	Vietnam	Electronic component manufacturing and sales business	336,292	336,292	-	100.00%	(6,081)	100.00%	(38,316)	(38,316)	"
KUANG YING COMPUTER EQUIPMENT CO., LTD.	INFOMIGHT INVESTMENTS LIMITED	SAMOA	Investment holding	285,904	285,904	7,980	100.00%	192,927	100.00%	32,740	32,719	"
INFOMIGHT INVESTMENTS LIMITED	BELTA INTERNATIONAL LIMITED	British Virgin Islands	Investment holding	52,349	52,349	4	100.00%	152,521	100.00%	30,117	30,117	"
INFOMIGHT INVESTMENTS LIMITED	CERTILINK INTERNATIONAL LIMITED	British Virgin Islands	Sales business	1,605	1,605	50	100.00%	(4,411)	100.00%	(14)	(14)	"
INFOMIGHT INVESTMENTS LIMITED	ACCURATE GROUP LIMITED	SAMOA	Investment holding	131,588	131,588	4,100	100.00%	41,324	100.00%	2,623	2,623	"
GENESIS HOLDING COMPANY	GENESIS INNOVATION GROUP LIMITED	Hong Kong	Investment holding	228,280	228,280	8,000	100.00%	343,407	100.00%	36,439	36,439	"
GENESIS HOLDING COMPANY	GENESIS ELECTRO-MECHANICAL LIMITED	Hong Kong	Investment holding	268,229	268,229	9,400	100.00%	328,315	100.00%	(23,986)	(23,986)	"

Note 1: The above transactions have been written-off in preparation of consolidated financial statements.

Note 2: The Company's subsidiary MEC IMEX INC. set up a German subsidiary during the year of 2022.

Note 3: 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 4: 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	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	Maximum Shareholding in the Interim	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	Connector manufacturi	115,301	(2)	115,301	-	-	115,301	(20,168)	100.00%	100.00%	(20,168)	452,479	451,444	Note 13

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

ELECTRONIC CO., LTD.	ing and sales business	629,475	(2)	163,447	-	-	163,447	22,974	100.00%	100.00%	22,974	2,660,943	452,925	#
KUNSHAN ACES ELECTRONIC CO., LTD.	Connector manufacturing and sales business	9,087	(2)	9,087	-	-	9,087	687	100.00%	100.00%	687	47,105	-	#
KUNSHAN ACES TRADING CO., LTD.	Connectors sales business	173,985	(2)	188,086	-	-	188,086	1,622	100.00%	100.00%	1,622	1,362	-	#
CHONGQING HONG GAO ELECTRONIC CO., LTD.	Connectors sales business	256,682	(2)	351,112	-	-	351,112	(27,235)	100.00%	100.00%	(27,235)	139,699	-	#
GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	Surface treatment and sales business	527,084	(2)	-	-	-	-	(4,712)	100.00%	100.00%	(4,712)	507,683	-	Note 6, 13
KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	Connector manufacturing and sales business	150,350	(2)	-	150,350	-	150,350	3,138	100.00%	100.00%	3,138	149,124	-	Note 10, 13
ACES ZHUHAI TECHNOLOGY LTD	Connector manufacturing and sales business	410,404	(3)	-	-	-	-	(65,743)	19.31%	19.31%	(12,695)	408,015	-	Note 2, 13
Nantong Dadi Electric Co., Ltd.	Automobile cable bundle manufacturing and sales business	-	(3)	-	-	-	-	6,823	30.00%	30.00%	2,047	20,455	-	Note 9, 13
Kung Shan Ching Zhi Electric Co., Ltd.	Electronic component sales business	121,853	(2)	301,403	-	-	301,403	1,185	100.00%	100.00%	1,185	75,937	-	Note 3, 13
MEC ELECTRONICS (SUZHOU) CO., LTD.	Connector cable set manufacturing and sales business	519,336	(2)	210,065	159,640	-	369,705	(4,906)	100.00%	100.00%	(4,906)	8,907	-	Note 3, 13
SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Connector cable set manufacturing and sales business	214,991	(2)	73,123	48,135	-	121,258	17,009	100.00%	100.00%	17,009	64,315	-	#
HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Connector cable set manufacturing and sales business	272,030	(2)	176,960	95,070	-	272,030	(125,130)	100.00%	100.00%	(125,130)	3,417	-	#
MEC SUZHOU ELECTRONICS CO., LTD.	Connector cable set manufacturing and sales business	10,477	(1)	10,477	-	-	10,477	3,231	100.00%	100.00%	3,231	13,022	-	Note 4, 13
DONGGUAN COMPUPACK TECHNOLOGY CO., LTD.	Electronic component sales business	128,110	(2)	129,711	-	-	129,711	30,156	100.00%	100.00%	30,156	150,707	-	Note 5, 13
DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	Electronic component manufacturing and sales business	104,307	(2)	153,819	-	-	153,819	1,833	100.00%	100.00%	1,833	3,676	-	#
SUZHOU KUANG YING ELECTRIC CO., LTD.	Electronic component manufacturing and sales business	109,860	(2)	56,432	-	-	56,432	(466)	-%	100.00%	(466)	-	-	Note 11, 13
GENESIS INTERCONNECT CO., LTD.	Electronic component sales business	108,600	(2)	161,665	-	-	161,665	(825)	-%	100.00%	(825)	-	-	Note 12, 13
GENESIS GUIZHOU TECHNOLOGY CO., LTD.	Electronic component sales business	65,150	(3)	-	-	-	-	5,210	100.00%	100.00%	5,210	6,474	-	Note 7, 13
DONGGUAN POLIXIN ELECTRIC CO., LTD.	Electronic component sales business	21,720	(2)	228,805	-	-	228,805	(32,245)	100.00%	100.00%	(32,245)	44,075	-	Note 8, 13
GENESIS TECHNOLOGY(NINGBO) INC.	Electronic component sales business	80,897	(2)	168,495	-	-	168,495	5,044	-%	100.00%	5,044	-	-	Note 11, 13
SHENZHEN JINO ELECTRONIC CO., LTD.	Electronic component sales business													

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

Note 1: There are 3 types of investment:

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

Note 2: Direct investment of KUNSHAN ACES ELECTRONIC CO., LTD. in the amount of RMB43,397 thousand.

Note 3: Indirect investment of MEC IMEX INC.

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

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

Note 6: Direct investment of ACECONN ELECTRONIC CO., LTD. In the amount of RMB120,322 thousand.

Note 7: Indirect investment of GENESIS INNOVATION GROUP LIMITED.

Note 8: Indirect investment of GEUESIS INNOVATION GROUP LIMITED.

Note 9: Direct investment of KUNSHAN ACES ELECTRONIC CO., LTD. in the amount of RMB3,750 thousand.

Note 10: The Company set up ACES ZHUHAI TECHNOLOGY LTD on February 1, 2023, which is included into the Group since that day.

Note 11: 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 12: The subsidiary of the Company, GENESIS GUIZHOU TECHNOLOGY CO., LTD., has been sold in 2023.

Note 13: The above transactions have been written-off in preparation of consolidated financial statements.

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

Name of investee	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
ACES Electronics Co.,Ltd.	1,592,780 (USD 53,316 thousand)	2,885,782 (USD 93,984 thousand) (Note 2)	3,155,041
MEC IMEX INC.	1,064,396 (USD 37,396 thousand)	1,364,684 (USD 44,445 thousand)	(Note 3)
COMPUPACK TECHNOLOGY CO.,LTD.	10,477 (USD 350 thousand)	10,747 (USD 350 thousand)	85,237
KUANG YING COMPUTER EQUIPMENT CO., LTD.	283,530 (USD 8,983 thousand)	307,166 (USD 10,004 thousand)	(Note 4)

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.

Note 3: As the Company obtained the operation headquarters recognition document issued by the Industrial Bureau of the Ministry of Economic Affairs in June, 2023, it is not subject to the quota restrictions of the "Principles for Reviewing Investment or Technical Cooperation in Mainland China" by the Ministry of Economic Affairs.

Note 4: As the Company obtained the operation headquarters recognition document issued by the Industrial Bureau of the Ministry of Economic Affairs in December, 2020, it is not subject to the quota restrictions of the "Principles for Reviewing Investment or Technical Cooperation in Mainland China" by the Ministry of Economic Affairs.

### c. Significant transactions:

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

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

### (4) Major shareholders:

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

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

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

## 14. Segment information:

### (1) General Information

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

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

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

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

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

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

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

	For the year ended December 31, 2023					
	Connector segment	Connector cable segment	Metal stamping segment	Other segment	Adjustment and elimination	Total
Revenue:						
Revenue from external customer	\$ 4,634,491	1,579,243	1,622,787	649,707	-	8,486,228
Revenue from between segments	175,438	278,582	15,529	40,676	(510,225)	-
<b>Total revenue</b>	<b>\$ 4,809,929</b>	<b>1,857,825</b>	<b>1,638,316</b>	<b>690,383</b>	<b>(510,225)</b>	<b>8,486,228</b>
<b>Profit and loss from reportable segments</b>	<b>\$ (303,764)</b>	<b>(118,380)</b>	<b>43,457</b>	<b>(29,659)</b>	<b>138,654</b>	<b>(269,692)</b>

	For the year ended December 31, 2023					
	Connector segment	Connector cable segment	Metal stamping segment	Other segment	Adjustment and elimination	Total
Revenue:						
Revenue from external customer	\$ 4,998,562	2,083,856	2,478,783	831,303	-	10,392,504
Revenue from between segments	248,116	191,596	34,344	43,713	(517,769)	-
<b>Total revenue</b>	<b>\$ 5,246,678</b>	<b>2,275,452</b>	<b>2,513,127</b>	<b>875,016</b>	<b>(517,769)</b>	<b>10,392,504</b>
<b>Profit and loss from reportable segments</b>	<b>\$ 237,409</b>	<b>(85,260)</b>	<b>269,623</b>	<b>(30,718)</b>	<b>(75,991)</b>	<b>315,063</b>

(3) Information on products

Please refer to note 6(19) for revenue from products of external customers.

(4) Geographic information

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

Please refer to Note 6(19) for revenue of external customers from different geographical areas.

Non-current assets:

<b>Region</b>	<b>For the year ended December 31, 2023</b>	<b>For the year ended December 31, 2022</b>
China	\$ 2,272,096	2,342,362
Taiwan	2,832,388	2,410,666
Philippines	68,234	72,238
Others	88,242	107,697
<b>Total</b>	<b>\$ 5,260,960</b>	<b>4,932,963</b>

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

(5) Information on key customers:

Key customers for the years ended December 31, 2023 and 2022.

	<b>2023</b>	<b>2022</b>
U Customer	<b>\$ 629,065</b>	<b>760,882</b>