

**ACES ELECTRONICS CO., LTD.
AND SUBSIDIARIES
Consolidated Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2025 and 2024**

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, 2025 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 11, 2026

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, 2025 and 2024, the consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years ended December 31, 2025 and 2024, 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, 2025 and 2024, 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 Group 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(16) 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. Revenue recognized close to the balance sheet date carries a risk of not being recorded in the correct period. 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 understood the major revenue types, contract terms and transaction conditions, and assessed whether the timing of revenue recognition is appropriate.
- We examined contracts with major customers, and evaluated the internal controls over shipping operations and revenue recognition processes.
- We selected shipments from a certain period before and after the balance sheet date, and verified

relevant supporting documents to determine whether sales revenue has been recognized in the appropriate period of the financial statements.

Other matter

ACES Electronics Co., Ltd. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2025 and 2024, 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate ACES Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (inclusive of the Audit Committee) from ACES Group is 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 Chi, Meng-Chun and Yang, Shu-Chih.

KPMG

Financial Supervisory Commission

Approved-certified No.: Jin-Guan-Certificate -6 No.1140131922

Approved-certified No.: Jin-Guan-Certificate No.1040003949

Taipei, Taiwan (Republic of China)

March 11, 2026

ACES Electronics Co., Ltd. and Subsidiaries

Consolidated Financial Statements

December 31, 2025 and 2024

(Expressed in thousands of New Taiwan dollars)

Assets		December 31, 2025		December 31, 2024		Liabilities and Equity		December 31, 2025		December 31, 2024	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets :						Current liabilities :					
1100	Cash and cash equivalents (Note 6(1))	\$ 2,483,422	17	2,000,889	15	2100	Short-term borrowings (Note 6(11) and 8)	\$ 794,000	5	195,000	1
1110	Financial assets at fair value through profit or loss - current (Note 6(2))	70,206	-	1,818	-	2120	Financial liabilities at fair value through profit or loss - current (Note 6(2))	42	-	-	-
1150	Notes receivable, net (Note 6(3)(20))	37,919	-	73,196	1	2150	Notes payable	3,001	-	167	-
1160	Notes receivable – related parties, net (Note 6(3), (20), and 7)	4,337	-	4,821	-	2170	Accounts payable	2,012,544	14	1,959,781	14
1170	Accounts receivable, net (Note 6(3), (20))	2,917,513	20	2,973,105	22	2180	Accounts payable to related parties (Note 7)	220	-	724	-
1180	Net trade receivable from related parties (Note 6(3), (20), and 7)	35,255	-	28,935	-	2200	Other payables (Note 6(6))	875,679	6	900,785	7
1200	Other receivables (Note 6(3))	335,513	2	271,573	2	2220	Other payables to related parties (Note 7)	1,166	-	808	-
1212	Other receivables- related parties – others (Note 6(3) and 7)	-	-	29	-	2280	Lease liabilities - current (Note 6(14) and 7)	76,359	1	45,861	-
1310	Inventories (Note 6(4))	1,435,800	10	1,394,311	10	2230	Current tax liabilities	46,541	-	50,227	-
1410	Prepayments	94,949	1	79,341	1	2322	Current installments of long-term borrowings (Note 6(12) and 8)	119,377	1	233,131	2
1470	Other current assets (Note 6(1))	90,792	1	140,577	1	2399	Other current liabilities - others	86,617	1	129,053	1
	Total current assets	<u>7,505,706</u>	<u>51</u>	<u>6,968,595</u>	<u>52</u>		Total current liabilities	<u>4,015,546</u>	<u>28</u>	<u>3,515,537</u>	<u>25</u>
Non-current assets :						Non-current liabilities :					
1510	Financial assets at fair value through profit or loss - non-current (Note 6(2))	167,308	1	177,683	1	2530	Bonds payable (Note 6(13))	131,678	1	952,248	7
1517	Financial assets at fair value through other comprehensive income-non-current (Note 6(2))	33,284	-	24,097	-	2540	Long-term borrowings (Note 6(12) and 8)	2,062,140	14	2,038,451	15
1550	Investments in equity-accounted investees (Note 6(5))	328,254	2	439,446	3	2570	Deferred tax liabilities	418,698	3	356,015	3
1600	Property, plant and equipment (Note 6(7), 7 and 8)	4,870,772	33	4,414,845	33	2580	Lease liabilities - non-current (Note 6(14) and 7)	48,969	-	91,169	1
1755	Right-of-use assets (Note 6(8) and 7)	542,765	5	569,686	4	2600	Other non-current liabilities (Note 6(15))	238,160	1	180,977	1
1760	Investment properties, net (Note 6(9) and 8)	667,384	4	312,386	2		Total non-current liabilities	<u>2,899,645</u>	<u>19</u>	<u>3,618,860</u>	<u>27</u>
1780	Intangible assets (Note 6(10))	140,026	-	154,315	1		Total liabilities	<u>6,915,191</u>	<u>47</u>	<u>7,134,397</u>	<u>52</u>
1915	Prepayment for equipment	387,324	3	334,271	2	Equity attributable to shareholders of the parent (Note 6(17)):					
1840	Deferred tax assets	70,314	-	69,265	1	3110	Common stock	1,623,531	11	1,418,757	10
1990	Other non-current assets - others (Note 6(7) and (10))	136,280	1	131,778	1	3140	Capital collected in advance	14,317	-	68,570	1
	Total non-current assets	<u>7,343,711</u>	<u>49</u>	<u>6,627,772</u>	<u>48</u>	3170	Share capital awaiting retirement	-	-	(210)	-
							Total share capital	<u>1,637,848</u>	<u>11</u>	<u>1,487,117</u>	<u>11</u>
						3200	Capital surplus	2,200,744	15	1,586,415	12
							Retained earnings :				
						3310	Legal Reserve	760,756	5	726,030	5
						3320	Special Reserve	16,810	-	116,887	1
						3350	Unappropriated earnings	3,140,721	21	2,529,233	19
								<u>3,918,287</u>	<u>26</u>	<u>3,372,150</u>	<u>25</u>
							Other equity:				
						3410	Exchange differences on translation of the Financial Statements foreign operations	35,894	-	26,323	-
						3460	Gain on property revaluation	243,632	2	33,219	-
						3491	Unearned employees' remunerations	(103,012)	(1)	(44,064)	-
								<u>176,514</u>	<u>1</u>	<u>15,478</u>	<u>-</u>
							Total equity attributable to shareholders of the parent	<u>7,933,393</u>	<u>53</u>	<u>6,461,160</u>	<u>48</u>
Total assets		<u>\$ 14,849,417</u>	<u>100</u>	<u>13,596,367</u>	<u>100</u>	36XX	Non-controlling interests	833	-	810	-
							Non-controlling interests	7,934,226	53	6,461,970	48
							Total liabilities and equity	<u>\$ 14,849,417</u>	<u>100</u>	<u>13,596,367</u>	<u>100</u>

ACES ELECTRONICS CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2025 and 2024
(Expressed in thousands of New Taiwan dollars, except for Earnings per share)

		2025		2024	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Operating Revenue (Note 6(20) and 7):					
4100	Net sales revenue	\$ 10,357,115	95	9,372,538	96
4800	Other operating revenue	<u>502,442</u>	<u>5</u>	<u>398,359</u>	<u>4</u>
	Net revenue from operations	10,859,557	100	9,770,897	100
5000	Operating costs (Note 6(4), (14), (15), and 7)	<u>8,035,876</u>	<u>74</u>	<u>7,449,095</u>	<u>76</u>
	Gross profit	<u>2,823,681</u>	<u>26</u>	<u>2,321,802</u>	<u>24</u>
Operating expenses (Note 6(6), (14), (15), (18), (21), and 7):					
6100	Selling expenses	620,630	6	592,672	6
6200	General and administrative expenses	973,157	9	860,976	9
6300	Research and development expenses	615,275	6	592,518	6
6450	Expected credit loss (reversal gain) (Note 6(3))	<u>18,023</u>	<u>-</u>	<u>(2,844)</u>	<u>-</u>
	Total operating expenses	<u>2,227,085</u>	<u>21</u>	<u>2,043,322</u>	<u>21</u>
	Profit from operations	<u>596,596</u>	<u>5</u>	<u>278,480</u>	<u>3</u>
Non-operating income and expenses:					
7100	Interest income	30,595	-	41,901	-
7010	Other income	143,981	1	153,980	2
7020	Other gains and losses (Note 6(5) and (22))	159,707	1	24,022	-
7050	Finance costs (Note 6(14) and (22))	(79,015)	-	(103,543)	(1)
7060	Share of profit of equity-accounted investees (Note 6(5))	<u>(37,115)</u>	<u>-</u>	<u>(7,627)</u>	<u>-</u>
	Total non-operating income and expenses	<u>218,153</u>	<u>2</u>	<u>108,733</u>	<u>1</u>
7900	Profit before income tax	814,749	7	387,213	4
7950	Less: income tax expenses (gains) (Note 6(16))	<u>153,524</u>	<u>1</u>	<u>42,858</u>	<u>1</u>
	Profit for the year	<u>661,225</u>	<u>6</u>	<u>344,355</u>	<u>3</u>
8300	Other comprehensive income:				
8310	Items that will never be reclassified to profit or loss				
8311	Remeasurement of defined benefit plans	(3,515)	-	3,207	-
8312	Revaluation surplus on properties (Note 6(7)(9))	263,017	2	-	-
8349	Less: Income tax related to non-reclassified items (Note 6(16))	<u>52,604</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total items that will never be reclassified to profit or loss	<u>206,898</u>	<u>2</u>	<u>3,207</u>	<u>-</u>
8360	Items that are or may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation to the presentation currency	2,974	-	209,009	2
8399	Less: Income tax related to items that may be reclassified (Note 6(16))	<u>(6,581)</u>	<u>-</u>	<u>41,802</u>	<u>-</u>
	Total items that are or may be reclassified subsequently to profit or loss	<u>9,555</u>	<u>-</u>	<u>167,207</u>	<u>2</u>
8300	Total other comprehensive income (net of tax) for the year	<u>216,453</u>	<u>2</u>	<u>170,414</u>	<u>2</u>
	Total comprehensive income for the year	<u>\$ 877,678</u>	<u>8</u>	<u>\$ 514,769</u>	<u>5</u>
Net profit attributable to:					
8610	Shareholders of the parent	\$ 661,186	6	344,060	3
8620	Non-controlling interests	<u>39</u>	<u>-</u>	<u>295</u>	<u>-</u>
		<u>\$ 661,225</u>	<u>6</u>	<u>\$ 344,355</u>	<u>3</u>
Total comprehensive income attributable to:					
8710	Shareholders of the parent	\$ 877,655	8	514,380	5
8720	Non-controlling interests	<u>23</u>	<u>-</u>	<u>389</u>	<u>-</u>
		<u>\$ 877,678</u>	<u>8</u>	<u>\$ 514,769</u>	<u>5</u>
Earnings per share (NT\$, Note 6(19))					
9750	Basic earnings per share	<u>\$ 4.35</u>		<u>2.51</u>	
9850	Diluted earnings per share	<u>\$ 4.04</u>		<u>2.34</u>	

ACES ELECTRONICS CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2025 and 2024
(Expressed in thousands of New Taiwan dollars)

	Equity Attributable to Shareholders of the parent														
	Share Capital			Retained earnings				Other equity interests					Equity Attributable to Shareholders of the parent	Non- controlling interests	Total equity
	Common stock	Capital collected in advance	Share capital awaiting retirement	Capital surplus	Legal reserve	Special reserve	Undistribut ed surplus earnings	Difference on translation of financial statements of foreign operations	Gains on property revaluation	Unearned employees' remuneratio n	Treasury shares				
Balance at January 1, 2024	1,344,177	-	-	993,270	726,030	62,371	2,236,482	(140,790)	33,219	-	-	5,254,759	1,745	5,256,504	
Appropriation of earnings :															
Special Reserve	-	-	-	-	-	54,516	(54,516)	-	-	-	-	-	-	-	
Profit for the year	-	-	-	-	-	-	344,060	-	-	-	-	344,060	295	344,355	
Other comprehensive income	-	-	-	-	-	-	3,207	167,113	-	-	-	170,320	94	170,414	
Total comprehensive income for the year	-	-	-	-	-	-	347,267	167,113	-	-	-	514,380	389	514,769	
Equity components – stock options recognized arising from issue of convertible bonds	-	-	-	54,866	-	-	-	-	-	-	-	54,866	-	54,866	
Conversion of convertible bonds	57,100	68,570	-	470,318	-	-	-	-	-	-	-	595,988	-	595,988	
Issuance of restricted shares to employees	17,480	-	-	66,074	-	-	-	-	-	-	(66,074)	17,480	-	17,480	
Forfeiture of restricted shares	-	-	(210)	(794)	-	-	-	-	-	-	794	(210)	-	(210)	
Changes in ownership of subsidiary equity	-	-	-	2,681	-	-	-	-	-	-	-	2,681	(1,324)	1,357	
Compensation cost of share-based payments	-	-	-	-	-	-	-	-	-	21,216	-	21,216	-	21,216	
Balance at December 31, 2024	1,418,757	68,570	(210)	1,586,415	726,030	116,887	2,529,233	26,323	33,219	(44,064)	-	6,461,160	810	6,461,970	
Appropriation of earnings :															
Legal Reserve	-	-	-	-	34,726	-	(34,726)	-	-	-	-	-	-	-	
Reversal of Special Reserve	-	-	-	-	-	(100,077)	100,077	-	-	-	-	-	-	-	
Cash dividend distributed to shareholders	-	-	-	-	-	-	(111,534)	-	-	-	-	(111,534)	-	(111,534)	
Profit for the year	-	-	-	-	-	-	661,186	-	-	-	-	661,186	39	661,225	
Other comprehensive income	-	-	-	-	-	-	(3,515)	9,571	210,413	-	-	216,469	(16)	216,453	
Total comprehensive income for the year	-	-	-	-	-	-	657,671	9,571	210,413	-	-	877,655	23	877,678	
Conversion of convertible bonds	224,392	(54,253)	-	662,012	-	-	-	-	-	-	-	832,151	-	832,151	
Issuance of restricted shares to employees	22,520	-	-	121,608	-	-	-	-	-	-	(121,608)	22,520	-	22,520	
Forfeiture of restricted shares	(638)	-	210	(1,482)	-	-	-	-	-	-	1,482	(428)	-	(428)	
Repurchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	(213,286)	-	(213,286)	
Cancellation of treasury shares	(41,500)	-	-	(171,786)	-	-	-	-	-	-	213,286	-	-	-	
Changes in ownership of subsidiary equity	-	-	-	3,977	-	-	-	-	-	-	-	3,977	-	3,977	
Compensation cost of share-based payments	-	-	-	-	-	-	-	-	-	61,178	-	61,178	-	61,178	
Balance at December 31, 2025	\$ 1,623,531	14,317	-	2,200,744	760,756	16,810	3,140,721	35,894	243,632	(103,012)	7,933,393	7,933,393	833	7,934,226	

ACES ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2025 and 2024
(Expressed in thousands of New Taiwan dollars)

	2025	2024
Cash flows from operating activities:		
Profit before income tax	\$ 814,749	387,213
Adjustments :		
Adjustments to reconcile profit		
Depreciation expense	668,658	661,212
Amortization expense	50,368	78,333
Expected credit loss (reversal gain)	18,023	(2,844)
Net gain on financial assets at fair value through profit or loss	(8,636)	(3,546)
Interest expense	79,015	103,543
Interest income	(30,595)	(41,901)
Compensation costs of share-based payments	61,178	21,216
Share of loss of equity-account investees	37,115	7,627
Gain on disposals of property, plant and equipment	(8,191)	(792)
Gain on disposals of equity-account investees	(323,287)	(17,566)
Gain on investment property revaluation	(7,802)	(7,505)
Other adjustments	53,114	54,891
Total adjustments to reconcile profit	588,960	852,668
Changes in operating assets and liabilities :		
Net changes in operating assets :		
Notes receivable	35,277	(26,254)
Notes receivable from related parties	484	(4,821)
Accounts receivable	37,450	(752,628)
Accounts receivable from related parties	(6,320)	(3,513)
Other receivables	(63,940)	177,046
Other receivables from related parties	29	499
Inventories	(42,251)	(189,454)
Prepaid expenses	(15,608)	7,681
Other current assets	49,785	(42,838)
Total net changes in operating assets	(5,094)	(834,282)
Net changes in operating liabilities :		
Notes payable	2,834	(1,701)
Accounts payable	52,763	552,920
Accounts payable to related parties	(504)	659
Other payables	(25,106)	125,320
Other payables to related parties	358	(5)
Other current liabilities	(46,592)	4,936
Net defined benefit liabilities	1,965	5,318
Other non-current liabilities	(345)	(104,007)
Total net changes in operating liabilities	(14,627)	583,440
Total adjustments	569,239	601,826
Cash generated from operations	1,383,988	989,039
Interest received	30,595	41,901
Interest paid	(67,435)	(77,849)
Income tax (paid) refunded	(137,231)	17,459
Net cash provided by operating activities	1,209,917	970,550
Cash flows from investing activities :		
Acquisitions of financial assets at fair value through other comprehensive income	(9,187)	(24,097)
Acquisitions of financial assets at fair value through profit or loss	(73,280)	(21,400)
Disposals of financial assets at fair value through profit or loss	24,961	9,375
Disposals of equity-account investees	378,153	-
Disposals of subsidiaries	42	-
Acquisitions of property, plant, and equipment	(938,365)	(800,037)
Disposals of property, plant, and equipment	71,326	33,912
Acquisitions of intangible assets	(30,971)	(35,177)
Disposal of intangible assets	-	419
Decrease (increase) in other non-current assets	(36,934)	173,503
Increase in prepaid equipment payments	(369,753)	(453,425)
Net cash used in investing activities	(984,008)	(1,116,927)
Cash flows from financing activities :		
Increase in short-term borrowings	5,747,000	8,873,100
Decrease in short-term borrowings	(5,148,000)	(10,145,100)
Issue of corporate bonds	-	998,906
Repayment of corporate bonds	-	(700)
Proceeds from long-term borrowings	3,917,109	3,823,480
Repayment of long-term borrowings	(4,008,240)	(3,487,220)
Repayment of principal of lease liabilities	(60,860)	(58,614)
Cash dividends	(111,534)	-
Cost of treasury shares repurchased	(213,286)	-
Issue of restricted stock awards	22,520	17,480
Acquisitions of subsidiary's equity	-	(2,096)
Repurchase of restricted stock awards	(428)	(210)
Net cash provided by financing activities	144,281	19,026
Effect of exchange rate change on cash and cash equivalents	112,343	70,034
Increase (decrease) in cash and cash equivalents	482,533	(57,317)
Cash and cash equivalents at January 1	2,000,889	2,058,206
Cash and cash equivalents at December 31	\$ 2,483,422	2,000,889

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, 2025 and 2024 (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 No. 530-6, Section 2, Guoling 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 11, 2026.

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, 2025. The adoption does not have a material impact on the Company’s parent company only financial statements.

·Amendments to IAS 21 “Lack of Exchangeability”

(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, 2026, would not have a material impact on its parent company only financial statements.

·IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”

·Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”

·Annual Improvements to IFRS Standards

·Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(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.

New or amended standards	Major amendments	Effective date by IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities. • A more structured income statement: under current standards, companies use	January 1, 2027 Note: The FSC announced in a press release on September 25, 2025 that Taiwan will adopt IFRS 18 in the fiscal year 2028. Companies that wish to adopt the standard early may do so upon approval by the FSC.

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

New or amended standards	Major amendments	Effective date by IASB
	<p>different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined “operating profit” subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities.</p> <ul style="list-style-type: none"> • Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS accounting standards. • Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. 	

The Group continues to evaluate the impact of the aforementioned standards and interpretations on the financial position and financial performance; the relevant impact will be disclosed upon completion of the assessment.

The Group assesses that the adoption of the following other 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 19 “Subsidiaries without Public Accountability: Disclosures” and amendments to IFRS 19
- Amendments to IAS 21 "Translation to a Hyperinflationary Presentation Currency"

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) Financial assets at fair value through other comprehensive income;
- (iii) Investment property at fair value ; and
- (iv) 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.

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

b. 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, 2025	December 31, 2024	
The Company	ACECONN ELECTRONIC CO., LTD.	Investment holding	100%	100%	
"	ACES PRECISION INDUSTRY PTE LTD.	Connectors sales business	100%	100%	
	ACES ELECTRICS (HONG KONG) CO. LIMITED	Sales of electronic components business	100%	100%	(Note 1)
"	ACECONN HOLDINGS CO., LTD.	Investment holding	100%	100%	
"	WEI HONG INTERNATIONAL INVESTMENT CO., LTD.	Investment business	100%	100%	
"	MEC IMEX INC.	Connector cable set sales business	99.86%	99.86%	
"	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%	100%	
"	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	100%	100%	(Note 2)
"	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%	(Note 3)
ACES Precision Machinery Co., Ltd.	ACES Surface Treatment Co., Ltd.	Surface treatment of metals	100%	100%	
ACECONN ELECTRONIC CO., LTD.	KUNSHAN ACES TRADING CO., LTD.	Connectors sales business	100%	100%	

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

Name of investee	Subsidiary	Business Nature	Shareholding Percentage		Note
			December 31, 2025	December 31, 2024	
"	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%	100%	
	HONGTAI ZHUHAI TRADING LTD	Electronic component sales business	100%	100%	(Note 4)
ACES PRECISION INDUSTRY PTE LTD.	CHONGQING HONG GAO ELECTRONIC CO., LTD.	Connectors sales business	100%	100%	
ACESCONN HOLDINGS CO., LTD.	ASIA CENTURY INVESTMENT LTD.	Investment holding	100%	100%	
ASIA CENTURY INVESTMENT LTD.	GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	Surface treatment and sales business	100%	100%	
MEC IMEX INC.	MEC INTERNATIONAL COMPANY LTD.	Investment holding	100 %	100%	
"	MEC ELECTRIC SOLUTIONS GMBH	Connector cable set sales business	- %	100%	(Note 5)
MEC INTERNATIONAL COMPANY LTD.	MEC ULTRAMAX (H.K.) COMPANY LIMITED	Investment holding	- %	100%	(Note 6)
"	MEC BEST KNOWN COMPANY LIMITED	Investment holding	100%	100%	
"	MEC ELECTRONICS (HK) COMPANY LIMITED	Connector cable set sales business	100%	100%	
"	MEC ELECTRONICS PHILIPPINES CORPORATION	Connector cable set manufacturing and sales business	100%	100%	
"	MEC SUZHOU ELECTRONICS CO., LTD.	Connector cable set manufacturing and sales business	100%	100%	

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

Name of investee	Subsidiary	Business Nature	Shareholding Percentage		Note
			December 31, 2025	December 31, 2024	
MEC ULTRAMAX (H.K.) COMPANY LIMITED	MEC ELECTRONICS (SUZHOU) CO., LTD.	Connector cable set manufacturing and sales business	- %	- %	(Note 7)
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	- %	- %	(Note 8)
"	Aces Precision Corporation	Electronic component sales business	100%	100%	(Note 8)
"	DONGGUAN COMPUPACK TECHNOLOGY CO., LTD.	Electronic component sales business	100%	- %	
MICON PRECISE CORP.	Aces Precision Corporation	Electronic component manufacturing and sales	- %	- %	(Note 8)
KUANG YING COMPUTER EQUIPMENT CO., LTD.	INFOMIGHT INVESTMENTS LIMITED	Investment holding	100%	100%	
INFOMIGHT INVESTMENTS LIMITED	BELTA INTERNATIONAL LIMITED	Investment holding	100%	100%	
"	CERTILINK INTERNATIONAL LIMITED	Electronic component sales	100%	100%	
"	ACCURATE GROUP LIMITED	Investment holding	100%	100%	
BELTA INTERNATIONAL LIMITED	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	Electronic component manufacturing and sales	100%	100%	
ACCURATE GROUP	SUZHOU KUANG YING	Electronic	100%	100%	

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

Name of investee	Subsidiary	Business Nature	Shareholding Percentage		Note
			December 31, 2025	December 31, 2024	
LIMITED	ELECTRIC CO., LTD.	component manufacturing and sales			
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%	
GENESIS INNOVATION GROUP LIMITED	DONGGUAN POLIXIN ELECTRIC CO., LTD.	Electronic component manufacturing and sales business	100%	100%	

Note 1: The Company established ACES ELECTRICS (HONG KONG) CO. LIMITED in February 2024, and included it into the Group since that date.

Note 2: The Company acquired shares of KUANG YING COMPUTER EQUIPMENT CO., LTD. from minority shareholders in December 2024, which increase its shareholding percentage to 100%.

Note 3: The Company's subsidiary, JASON TECHNOLOGY LIMITED, disposed of 100% of its equity interest to a third party in January 2025, and lost control over it from that date.

Note 4: The Company's subsidiary, ACECONN ELECTRONIC CO., LTD., injected capital into HONGTAI ZHUHAI TRADING LTD in January 2024, and included it into the Group since that date.

Note 5: In August 2025, the Company's subsidiary, MEC ELECTRIC SOLUTIONS GMBH, completed the dissolution and liquidation procedures, and remitted the residual payments to MEC IMEX INC.

Note 6: In June 2025, the Company's subsidiary, MEC ULTRAMAX (H.K.) COMPANY LIMITED, completed the dissolution and liquidation procedures, and remitted the residual payments to the third-region investment company, MEC INTERNATIONAL COMPANY LTD.

Note 7: The Company's subsidiary, MEC ELECTRONICS (SUZHOU) CO., LTD., completed the dissolution and liquidation procedures in June 2024.

Note 8: Subsidiary of the Company, MICON PRECISE CORP. and COMPUPACK TECHNOLOGY CO., LTD. conducted a short-form merge. COMPUPACK TECHNOLOGY CO., LTD. is the surviving company. After the merge, COMPUPACK TECHNOLOGY CO., LTD. directly holds MICON PRECISE CORP.

c. 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

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

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.

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 Group does not have the right at the end of the reporting period to defer the settlement of the liability for at least twelve months after the reporting period.

(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.

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

(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.

Upon initial recognition, financial assets are classified as: debt instrument investments at fair value through other comprehensive income, or financial assets at fair value through profit or loss. The Group reclassifies all affected financial assets only when it changes the business model for managing financial assets, and such reclassification is made from the first day of the next reporting period.

(i) Financial assets measured at amortized cost

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

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

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

(ii) Financial assets measured at fair value through other comprehensive income

On initial recognition of an equity investment that is not held for trading the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Investments in equity instruments are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income from equity investments is recognized in profit or loss on the date on which the Group's right to receive payment is established (which is usually the ex-dividend date).

(iii) 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 are measured at fair value through profit or loss. This includes all derivative financial assets. Financial assets that the Group intends to sell immediately or in the near term are measured at fair value through profit or loss, but are included under accounts receivable.

Net gains and losses, including any interest or dividend income, are recognized in profit and loss.

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

(iv) 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.

(v) 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 Group 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.

(vi) Impairment of financial assets

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

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

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

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

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

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 Group is exposed to credit risk.

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

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

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

At each reporting date, the Group 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 Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group 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 Group 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 Group's procedures for recovery of amounts due.

(vii) Derecognition of financial assets

The Group 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 Group neither transfers nor retains

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

substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group 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 Group 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) Treasury shares

When equity instruments already recognized by the Group are repurchased, the consideration paid (including directly attributable costs) is recognized as a deduction from equity. The repurchased shares are classified as treasury shares. When treasury shares are subsequently sold or reissued, the amounts received are recognized as an increase in equity, and any surplus or deficit arising from the transaction is recognized as capital surplus or retained earnings (if capital surplus is insufficient to offset).

(iv) Compound financial instruments

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

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

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

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

(v) Financial liabilities

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

(vi) 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

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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.

(vii) Offsetting of financial assets and liabilities

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

(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

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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) 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.

When a property held for own use is transferred to investment property, the property is reclassified as investment property at its fair value at the date of transfer. Any gain arising on remeasurement is recognized in profit or loss to the extent of any previously recognized cumulative impairment loss, with any remaining difference recognized in other comprehensive income and accumulated in "other equity - revaluation surplus on properties". Any loss is recognized in profit or loss, except that if the decrease is within the amount of the revaluation surplus, the decrease is recognized in other comprehensive income and deducted against the revaluation surplus in equity.

(11) Investment property

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

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

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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.

(12) Lease

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

a. As a lessee

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

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

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

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

- (i) fixed payments, including in-substance fixed payments;
 - (ii) variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
 - (iii) amounts expected to be payable under a residual value guarantee; and
 - (iv) payments for purchase or termination options that are reasonably certain to be exercised.
- Interests of lease liabilities are provided using the effective interest method. It is remeasured when:
- (i) there is a change in future lease payments arising from the change in an index or rate;
 - (ii) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee;
 - (iii) 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;
 - (iv) there is a change of its assessment on whether it will exercise a purchase, extension or termination option;
 - (v) there is any lease modification regarding underlying assets, scope, or other terms.

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

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

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b. As a lessor

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

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~ 5 years

(ii) Customer relationship: 3 years

(iii) Other intangible assets 1~ 3 years

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

(14) Impairment of non-financial assets

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

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

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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) Provisions

A provision shall be recognized when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted by the pre-tax discount rate, which reflects current market assessments of the time value of money and the risks specific to the liability. The discounted amortization is recognized as interest expense.

(16) Revenue Recognition

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

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

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

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

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year.

As a consequence, the consolidated company does not adjust any of the transaction prices for the time value of money.

(17) 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.

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(18) 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.

(19) Share-based payments

For equity-settled share-based payment agreements, during the vesting period, the Group recognizes expenses and the corresponding increase in equity at the fair value at the grant date. The expenses recognized are adjusted by the number of the awards expected to meet the service condition and non-market vesting conditions. The amount ultimately recognized is measured on the basis of the number of the awards that meet the service condition and non-market vesting conditions at the vesting date.

Non-vesting conditions of share-based payment awards have been measured in the fair value of at the grant date of the share-based payments. Differences between the expectations and actual results shall not be verified and adjusted.

Grant date of the share-based payments is the date that the board of directors approves the subscription price and authorizes employees to subscribe for shares.

(20) 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.

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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.

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.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

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

(21) 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.

(22) 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.

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

The preparation of the consolidated financial report requires management to make judgments, estimates, and assumptions to future (including climate-related risks and opportunities) that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions to be consistent with the Group's risk management and climate-related commitments. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period on a prospective basis.

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:

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 Note 6(2) financial assets and liabilities, Note 6(9) investment property at fair value, and Note 6(23) financial assets.

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6. Description of Significant Accounts

(1) Cash and Cash Equivalents

	December 31, 2025	December 31, 2024
Cash on hand	\$ 1,319	1,877
Cash in banks	2,482,103	1,999,012
	\$ 2,483,422	2,000,889

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

(2) Financial assets and liabilities

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

	December 31, 2025	December 31, 2024
Financial assets mandatorily measured at FVTPL:		
Funds	\$ 235,764	177,683
Forward exchange contracts	1,476	-
Convertible bonds of embedded derivatives	274	1,818
Total	\$ 237,514	179,501

b. Financial Liabilities at Fair Value through Profit or Loss (“FVTPL”) – current

	December 31, 2025	December 31, 2024
Forward exchange contracts	\$ 42	-

The Group enters into derivative financial instrument transactions to hedge foreign exchange risks arising from operating activities. As hedge accounting is not applied, the details of financial assets and liabilities mandatorily measured at fair value through profit or loss are as follows:

Forward exchange contracts

	114.12.31		
	Contract Amount (thousands)	Currency	Maturity Period
Sell forward exchange contracts	USD 4,000 / RMB 28,274	USD/RMB	2025.11.05~2026.02.25
Sell forward exchange contracts	USD 2,050 / TWD 63,334	USD/TWD	2025.12.31~2026.01.26

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

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c. Financial Assets at Fair Value through Other Comprehensive Income (“FVOCI”) – non-current

	December 31, 2025	December 31, 2024
Equity investment instruments designated to be measured at FVOCI		
Stocks of foreign non-listed companies	\$ 33,284	24,097

As the Group hold the equity instruments for long-term strategic investment purposes instead of for trading purpose, they are designated to be measured at fair value through other comprehensive income. Please refer to Note 6(23) for fair value information.

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

(3) Notes, trade and other receivables

a. Details as follows:

	December 31, 2025	December 31, 2024
Notes receivable	\$ 37,919	73,196
Notes receivable – related parties	4,337	4,821
Accounts receivable	2,956,172	2,993,622
Account receivable – related parties	35,255	28,935
Other receivables	335,513	271,573
Other receivable – related parties	-	29
Less: Loss allowance	(38,659)	(20,517)
	\$ 3,330,537	3,351,659

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 2025 and 2024 was analyzed as follows:

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	December 31, 2025		
	Carrying amount of notes, accounts and other receivables	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 3,145,487	0%	-
Past due less than 60 days	179,724	0%	-
Past due 61~120 days	9,761	50%	5,540
Past due 121~180 days	1,485	70%	1,040
Past due over 181 days	32,739	100%	32,079
	\$ 3,369,196		38,659
	December 31, 2024		
	Carrying amount of notes, accounts and other receivables	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 3,228,472	0%	-
Past due less than 60 days	116,533	0%	-
Past due 61~120 days	12,051	50%	6,025
Past due 121~180 days	2,093	70%	1,465
Past due over 181 days	13,027	100%	13,027
	\$ 3,372,176		20,517

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

	For the year ended December 31, 2025	For the year ended December 31, 2024
Balance at beginning of the year	\$ 20,517	19,466
Bad debt expenses (reversal) for the period	18,023	(2,844)
Effects from foreign currency exchange changes	119	3,895
Balance at end of the year	\$ 38,659	20,517

d. 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

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receivables which were not due as of the report date were as follows:

December 31, 2025						
Underwriting bank	Factoring amount	Acceptable advances	Amount collected in advance	Transfer to other receivable amount	Interest rate	Amount pledged (in thousands)
Financial institutes	\$ 161,917	533,163	145,725	16,192	4.4587%~5.5074%	-
Financial institutes	68,749	124,149	3,143	65,606	4.77%~5.98%	Promissory Note USD 4,500
Financial institutes	89,686	113,148	-	89,686	5.4738%~5.73849%	Promissory Note USD 4,000
	\$ 320,352	770,460	148,868	171,484		

December 31, 2024						
Underwriting bank	Factoring amount	Acceptable advances	Amount collected in advance	Transfer to other receivable amount	Interest rate	Amount pledged (in thousands)
Financial institutes	\$ 124,170	601,108	107,048	17,122	5.478%~5.6977%	-
Financial institutes	38,117	121,600	11,180	26,937	5.9800%	Promissory Note USD 4,500
Financial institutes	41,791	105,240	12,786	29,005	5.7385%	Promissory Note USD 4,000
	\$ 204,078	827,948	131,014	73,064		

(4) Inventories

a. Details as follows:

	December 31, 2025	December 31, 2024
Raw materials	\$ 312,386	333,781
Work-in-progress	71,573	67,850
Semi-finished goods	226,539	226,339
Finished goods	508,699	470,519
Merchandise	316,603	295,822
	\$ 1,435,800	1,394,311

b. Details of cost of goods sold as follows:

	For the year ended December 31, 2025	For the year ended December 31, 2024
Cost of goods sold	\$ 7,799,000	7,193,161
Loss on obsolescence write-off	107,261	136,051
Reversal gain on inventory write-down	(3,686)	(32,975)
Unamortized manufacturing expenses	120,711	105,153
Others	12,590	47,705
	\$ 8,035,876	7,449,095

c. As of December 31, 2025 and 2024, 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:

	December 31, 2025	December 31, 2024
Affiliated company	\$ 328,254	439,446

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

Affiliated company Name	Main business venue with the Company by relationship	Main business venue/ Countries which parent company registered	Percentage of equity ownership interests and voting rights	
			December 31, 2025	December 31, 2024
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	15.31%	19.31%
Kung Shan Ching Zhi Electric Co., Ltd.	Main business is sales and development of electronic connectors	China	30.00%	30.00%

During 2025, the Group disposed of equity interests in Nantong Dadi, reducing its shareholding ratio from 19.31% to 15.31%. The total proceeds amounted to RMB 90,376 thousand (NTD 378,153 thousand). The Group recognized a total gain on disposal of investments of RMB 72,735 thousand (NTD 322,969 thousand) for the year ended December 31, 2025, which is presented under "Other gains and losses."

c. 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:

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

	December 31, 2025	December 31, 2024
Current assets	\$ 4,811,803	3,176,238
Non-current assets	2,490,712	1,683,581
Current liabilities	(4,654,448)	(2,710,001)
Non-current liabilities	(780,692)	(243,512)
Net assets	\$ 1,867,375	1,906,306
Net assets attributable to the Group	\$ 285,895	368,108
	For the year ended December 31, 2025	For the year ended December 31, 2024
Operating revenue	\$ 4,684,101	2,405,784
Net profit (loss) from continuous operations	\$ (263,529)	(52,859)
Profit (loss) from discontinued operations, net of tax	-	-
Other comprehensive income	-	-
Total comprehensive income	\$ (263,529)	(52,859)
Total comprehensive income attributable to the Group	\$ (40,346)	(10,207)

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

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

	December 31, 2025	December 31, 2024
Current assets	\$ 91,245	67,794
Non-current assets	-	-
Current liabilities	(56,698)	(44,583)
Non-current liabilities	-	-
Net assets	\$ 34,547	23,211
Net assets attributable to the Group	\$ 10,364	6,963
	For the year ended December 31, 2025	For the year ended December 31, 2024
Operating revenue	\$ 158,245	139,000
Net profit (loss) from continuous operations	\$ 10,770	8,600
Profit (loss) from discontinued operations, net of tax	-	-
Other comprehensive income	-	-
Total comprehensive income	\$ 10,770	8,600
Total comprehensive income attributable to the Group	\$ 3,231	2,580

- d. As the Group is regulated by the agreement for the listing of affiliated companies for the years ended December 31, 2023, the ordinary shares held cannot be transferred within 1 year after go listing. 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. The limitations have been removed since December 6, 2024.
- e. The investments accounted for using equity method were not pledged as collaterals as of December 31, 2025 and 2024.
- (6) Acquisition of Subsidiaries and Non-controlling interests
- a. Acquisition of subsidiaries
- (a) HONGTAI ZHUHAI TRADING LTD
In order to diversify the customers, the Group injected capital to HONGTAI ZHUHAI TRADING LTD on January 31, 2024, acquired 100% of the shares, with the total investment amount of \$6,268 thousand (USD200 thousand), and included it into the Group since that date.
- (b) ACES ELECTRICS (HONG KONG) CO. LIMITED
In order to continuously expand the business development in automotive market, the Group invested in ACES ELECTRICS (HONG KONG) CO. LIMITED in February 2024, and included it into the Group since that date.

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b. Loss of control over subsidiaries

- (a) In January 2025, the Group disposed of 100% equity interest in its subsidiary, JASON TECHNOLOGY LIMITED, to a third party, and lost control over it. The disposal proceeds amounted to NTD 42 thousand, and a gain on disposal of investments of NTD 42 thousand was recognized, which is presented under "other gains and losses."
- (b) The Group's subsidiary, MEC ELECTRIC SOLUTIONS GMBH, resolved to dissolve and liquidate during 2025. The liquidation procedures were completed by December 31, 2025. The Group has recovered residual assets distribution of NTD 3,027 thousand, and recognized a gain on disposal of investments of NTD 276 thousand, which is presented under "other gains and losses."
- (c) Dissolution and liquidation of the subsidiaries of the Group, MEC ELECTRONICS (SUZHOU) CO., LTD. and MEC ULTREMEX(H.K.) COMPANY LIMITED, have been approved by the board of directors in June 2024. As of December 31, 2024, the Group has collected the payment for liquidation of remaining properties amounting to \$162,346 thousand, and recognized gains on disposal of \$17,566 thousand, presented under "other gains and losses."

c. Changes in ownership of subsidiary equity

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

The Company acquired 89 thousand of shares of KUANG YING COMPUTER EQUIPMENT CO., LTD. from minority shareholders by cash of \$1,778 thousand in December 2025, which increase its shareholding percentage from 99.66% to 100%. The resulting changes in ownership decrease the capital surplus by \$454 thousand.

(ii) COMPUPACK TECHNOLOGY CO., LTD

The Group bought back 50 thousand of shares of MICON PRECISE CORP. (MICON PRECISE) from minority shareholders by cash of \$318 thousand in November 2024, and conducted a short-form merge with COMPUPACK TECHNOLOGY CO., LTD. (COMPUPACK TECHNOLOGY). After the merge, COMPUPACK TECHNOLOGY is the surviving company, and MICON PRECISE is the dissolved company. The resulting changes in ownership decrease the capital surplus by \$318 thousand.

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(7) Property, plant and equipment

a. Changes in the cost, depreciation and impairment loss of the Company's real estate property, plant and equipment for the years ended December 31, 2025 and 2024 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, 2025	\$ 864,035	2,028,288	1,865,665	1,822,636	1,459,787	1,142,038	9,182,449
Additions	45,156	73,090	223,183	68,024	89,913	438,999	938,365
Reclassification	-	22,663	114,870	106,027	164,796	(6,172)	402,184
Reclassified to investment properties	(54,010)	(61,265)	-	-	-	-	(115,275)
Disposals	-	(302)	(35,566)	(8,544)	(29,157)	-	(73,569)
Foreign Exchange Rates	(69)	622	(80,629)	7,122	5,514	326	(67,114)
Balance at December 31, 2025	\$ 855,112	2,063,096	2,087,523	1,995,265	1,690,853	1,575,191	10,267,040
Balance at January 1, 2024	\$ 338,579	1,546,309	1,752,008	1,483,867	1,386,689	1,229,078	7,736,530
Additions	368,532	17,453	32,690	77,231	41,688	262,443	800,037
Reclassification	156,819	419,038	126,711	241,439	37,131	(418,873)	562,265
Disposals	-	(104)	(110,862)	(18,705)	(52,713)	-	(182,384)
Foreign Exchange Rates	105	45,592	65,118	38,804	46,992	69,390	266,001
Balance at December 31, 2024	\$ 864,035	2,028,288	1,865,665	1,822,636	1,459,787	1,142,038	9,182,449
Accumulated depreciation and impairment:							
Balance at January 1, 2025	\$ -	777,915	1,276,561	1,685,768	1,027,360	-	4,767,604
Depreciation of the year	-	120,176	175,520	142,975	153,122	-	591,793
Reclassification	-	-	8,949	-	82,128	-	91,077
Reclassified to investment properties	-	(31,096)	-	-	-	-	(31,096)
Disposals	-	(368)	(73)	(5,352)	(4,641)	-	(10,434)
Foreign Exchange Rates	-	401	(24,934)	5,837	6,020	-	(12,676)
Balance at December 31, 2025	\$ -	867,028	1,436,023	1,829,228	1,263,989	-	5,396,268
Balance at January 1, 2024	\$ -	674,165	1,146,576	1,305,641	869,306	-	3,995,688
Depreciation of the year	-	80,247	163,978	175,003	165,433	-	584,661
Reclassification	-	-	7,626	179,723	9,259	-	196,608
Disposals	-	(80)	(91,130)	(10,240)	(47,814)	-	(149,264)
Foreign Exchange Rates	-	23,583	49,511	35,641	31,176	-	139,911
Balance at December 31, 2024	\$ -	777,915	1,276,561	1,685,768	1,027,360	-	4,767,604
Carrying value:							
December 31, 2025	\$ 855,112	1,196,068	651,500	166,037	426,864	1,575,191	4,870,772
January 1, 2024	\$ 338,579	872,144	605,432	178,226	517,383	1,229,078	3,740,842
December 31, 2024	\$ 864,035	1,250,373	589,104	136,868	432,427	1,142,038	4,414,845

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. The Group has paid the remaining amount of \$365,910 thousand in full and completed the transfer of ownership procedures.

c. As of December 31, 2025 and 2024, 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.

d. Reclassified to investment properties

On July 1, 2025, the Group decided to lease its land and office building on Dongyuan Road to a third party, and reclassified the property as investment property at its fair value at the date of change in use. The difference of NTD 263,017 thousand between the carrying

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

amount and fair value of the property at the date of change in use was recognized under "Other comprehensive income - revaluation surplus."

(8) Right-of-use asset

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

	Land	Buildings and structures	Other equipment	Total
Cost:				
Balance at January 1, 2025	\$ 586,930	189,821	23,599	800,350
Additions	-	45,490	5,852	51,342
Reductions	-	(80,299)	(5,103)	(85,402)
Foreign Exchange Rates	(353)	(1,405)	(78)	(1,836)
Balance at December 31, 2025	<u>\$ 586,577</u>	<u>153,607</u>	<u>24,270</u>	<u>764,454</u>
Balance at January 1, 2024	\$ 551,584	215,504	24,286	791,374
Additions	17,083	6,613	5,006	28,702
Reductions	-	(39,309)	(6,223)	(45,532)
Foreign Exchange Rates	18,263	7,013	530	25,806
Balance at December 31, 2024	<u>\$ 586,930</u>	<u>189,821</u>	<u>23,599</u>	<u>800,350</u>
Accumulated depreciation:				
Balance at January 1, 2025	\$ 101,954	111,003	17,707	230,664
Provision for depreciation	26,563	46,299	4,003	76,865
Reductions	-	(80,299)	(4,972)	(85,271)
Foreign Exchange Rates	113	(622)	(60)	(569)
Balance at December 31, 2025	<u>\$ 128,630</u>	<u>76,381</u>	<u>16,678</u>	<u>221,689</u>
Balance at January 1, 2024	\$ 72,054	103,701	17,279	193,034
Provision for depreciation	27,116	43,201	6,234	76,551
Reductions	-	(39,309)	(6,223)	(45,532)
Foreign Exchange Rates	2,784	3,410	417	6,611
Balance at December 31, 2024	<u>\$ 101,954</u>	<u>111,003</u>	<u>17,707</u>	<u>230,664</u>
Carrying value:				
December 31, 2025	<u>\$ 457,947</u>	<u>77,226</u>	<u>7,592</u>	<u>542,765</u>
January 1, 2024	<u>\$ 479,530</u>	<u>111,803</u>	<u>7,007</u>	<u>598,340</u>
December 31, 2024	<u>\$ 484,976</u>	<u>78,818</u>	<u>5,892</u>	<u>569,686</u>

As the lease contracts of land and plants are successively due in 2024, the Group re-signed the lease contracts with the lessors. Besides, please refer to Note 7 for the details of transactions of leasing land and plants from related parties.

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(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, 2025	\$ 271,821	40,565	312,386
Transferred from property, plant and equipment	54,010	30,169	84,179
Revaluation adjustment	254,995	8,022	263,017
Gains on fair value adjustment	6,702	1,100	7,802
Balance at December 31, 2025	\$ 587,528	79,856	667,384
Balance at January 1, 2024	\$ 264,748	40,133	304,881
Gains on fair value adjustment	7,073	432	7,505
Balance at December 31, 2024	\$ 271,821	40,565	312,386
Fair value:			
December 31, 2025	\$ 587,528	79,856	667,384
January 1, 2024	\$ 264,748	40,133	304,881
December 31, 2024	\$ 271,821	40,565	312,386

a. In July 2025, the Group leased out part of its owner-occupied properties and transferred them to investment properties. The difference of NTD 263,017 thousand between the carrying amount and fair value at the date of change in use was recognized as a revaluation adjustment, presented under "Other comprehensive income - revaluation surplus on properties."

b Investment property fair value basis

The investment properties held by the consolidated company are located in the Nangang, Neihu and Chung-Li 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 1.700% 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 2.470% to 2.845%.
- (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,

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estimated at 1.490%–3.970%

(iv) The monthly rent for investment properties in the local area and similar targets ranges from NT\$890 to NT\$1,430 per ping.

(v) The fair value of the Nangang, Nei-hu and Chung-Li properties, as assessed by discounted cash flow analysis, is NT\$55,298 thousand, NT\$264,863 thousand, and NT\$347,196 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 15, 2025, July 11, 2025, and September 10, 2025, 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 2025 and 2024 are detailed as follows:

	Goodwill	Computer software	Customer relationship	Others	Total
Cost:					
Balance at January 1, 2025	\$ 33,310	212,012	75,403	110,757	431,482
Additions	-	19,839	-	11,132	30,971
Reclassifications	-	8,400	-	-	8,400
Disposals	-	(208)	-	(3,936)	(4,144)
Foreign Exchange Rates	(1,377)	432	(3,116)	(1,029)	(5,090)
Balance at December 31, 2025	<u>\$ 31,933</u>	<u>240,475</u>	<u>72,287</u>	<u>116,924</u>	<u>461,619</u>
Balance at January 1, 2024	\$ 31,196	139,521	76,749	99,190	346,656
Additions	-	25,193	-	9,984	35,177
Reclassifications	-	49,818	-	-	49,818
Disposals	-	(4,733)	-	-	(4,733)
Foreign Exchange Rates	2,114	2,213	(1,346)	1,583	4,564
Balance at December 31, 2024	<u>\$ 33,310</u>	<u>212,012</u>	<u>75,403</u>	<u>110,757</u>	<u>431,482</u>
Accumulated amortization and impairment:					
Balance at January 1, 2025	\$ -	141,843	40,396	94,928	277,167
Current amortization	-	27,871	10,247	12,250	50,368
Disposals	-	(194)	-	(3,936)	(4,130)
Foreign Exchange Rates	-	389	(1,590)	(611)	(1,812)
Balance at December 31, 2025	<u>\$ -</u>	<u>169,909</u>	<u>49,053</u>	<u>102,631</u>	<u>321,593</u>
Balance at January 1, 2024	\$ -	116,730	32,852	55,044	204,626
Current amortization	-	27,636	11,621	39,076	78,333
Disposals	-	(4,314)	-	-	(4,314)
Foreign Exchange Rates	-	1,791	(4,077)	808	(1,478)
Balance at December 31, 2024	<u>\$ -</u>	<u>141,843</u>	<u>40,396</u>	<u>94,928</u>	<u>277,167</u>
Carrying value:					
December 31, 2025	<u>\$ 31,933</u>	<u>70,566</u>	<u>23,234</u>	<u>14,293</u>	<u>140,026</u>
January 1, 2024	<u>\$ 31,196</u>	<u>22,791</u>	<u>43,897</u>	<u>44,146</u>	<u>142,030</u>
December 31, 2024	<u>\$ 33,310</u>	<u>70,169</u>	<u>35,007</u>	<u>15,829</u>	<u>154,315</u>

(i) The Group paid the expenses for SAP software for the years ended December 31, 2024 and 2023, and completed the inspection and started to use the software in 2024.

(ii) As of December 31, 2025 and 2024, none of the Company's intangible assets was pledged as collateral.

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(11) Short-term borrowings

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

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Unsecured bank loans	\$ 744,000	20,000
Secured bank loans	50,000	175,000
	<u>\$ 794,000</u>	<u>195,000</u>
Unused credit lines	<u>\$ 3,534,726</u>	<u>5,108,563</u>
Interest rate	<u>1.90%~2.61%</u>	<u>0.5%~2.61%</u>

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

(12) Long-term borrowings

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

	<u>December 31, 2025</u>			
	<u>Currency</u>	<u>Interest rate interval</u>	<u>Expiry year</u>	<u>Amount</u>
Secured bank loans	NTD	2.3125%~2.75%	2024~2039	\$ 2,069,250
Unsecured bank loans	NTD	1.475%~1.775%	2025~2028	112,267
Subtotal				2,181,517
Less: current portion				(119,377)
Total				<u>\$ 2,062,140</u>
Unused credit lines				<u>\$ 2,362,587</u>
	<u>December 31, 2024</u>			
	<u>Currency</u>	<u>Interest rate interval</u>	<u>Expiry year</u>	<u>Amount</u>
Secured bank loans	NTD	2.1142%~2.560%	2024~2039	\$ 1,935,380
Unsecured bank loans	NTD	1.350%~1.775%	2025~2026	336,202
Subtotal				2,271,582
Less: current portion				(233,131)
Total				<u>\$ 2,038,451</u>
Unused credit lines				<u>\$ 1,950,000</u>

- a. Please refer to Note 8 for the assets pledged as collateral for bank borrowings.
- b. 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, 2025 and 2024, there is no incident of the Company violating such financial ratios.
- c. 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, 2025, deferred revenue amounted to \$233 thousand and \$1,299 thousand respectively. These amounts were recorded under "other non-current liabilities."

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(13) Bonds payable

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

	December 31, 2025	December 31, 2024
Unsecured convertible corporate bonds issued	\$ -	600,000
Cumulative converted amount	-	(599,300)
Redeemed amount	-	(700)
Corporate bonds issued balance at year-end	<u>\$ -</u>	<u>-</u>

During 2024, holders of the Group's second domestic unsecured convertible corporate bonds exercised their conversion rights, and 12,567 thousand new shares were issued at par value. The remaining unconverted corporate bonds of NTD 700 thousand were redeemed upon maturity in November 2024.

b. The details of the third issuance of unsecured convertible bonds were as follows:

	December 31, 2025	December 31, 2024
Unsecured convertible corporate bonds issued	\$ 1,000,000	1,000,000
Unamortized discounted corporate bonds payable	(4,022)	(47,752)
Cumulative converted amount	(864,300)	-
Corporate bonds issued balance at year-end	<u>\$ 131,678</u>	<u>952,248</u>
Embedded derivatives – redemption right (recognized in financial assets at fair value through profit or loss)	<u>\$ 274</u>	<u>1,818</u>
Equity component – conversion options (recognized in capital surplus – stock options)	<u>\$ 7,446</u>	<u>54,866</u>

c. The bondholders of the Group's domestic third unsecured convertible bonds exercised their conversion rights during the year of 2025 and 17,014 thousand new shares were issued at par value.

d. The principal terms of the Group's third domestic unsecured convertible corporate bonds are as follows:

(i) Par value issued: NT\$1,000,000 thousand, to be issued at 100.5% of the par value. Total issued amount is \$1,005,000 thousand. The amount after deducting issue costs of \$6,094 thousand is \$998,906 thousand, which has been collected in full.

(ii) Issued period: Three years (from August 6, 2024 to August 6, 2027)

(iii) Interest rate: 0%

(iv) 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 cancelled.

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(v) Terms of conversion:

A. From the next day after the issuance of convertible bonds three months later to maturity of the issue period, 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 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.

(vi) 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).

(14) Lease liabilities

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Current	<u>\$ 76,359</u>	<u>45,861</u>
Non-current	<u>\$ 48,969</u>	<u>91,169</u>

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

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

	<u>For the year ended December 31, 2025</u>	<u>For the year ended December 31, 2024</u>
Interests on lease liabilities	<u>\$ 3,887</u>	<u>4,421</u>
Expenses relating to short-term leases	<u>\$ 22,119</u>	<u>17,757</u>
Expenses relating to low-value leases (excluding low-value lease of short-term leases)	<u>\$ 4,797</u>	<u>5,079</u>

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

	<u>For the year ended December 31, 2025</u>	<u>For the year ended December 31, 2024</u>
Total cash outflow for leases	<u>\$ 91,663</u>	<u>85,871</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.

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(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, 2025</u>	<u>December 31, 2024</u>
Present value of defined obligation	\$ 83,275	76,135
Fair value of plan assets	<u>(30,131)</u>	<u>(28,483)</u>
Net defined benefit liabilities	<u>\$ 53,144</u>	<u>47,652</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.

(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 \$30,131 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, 2025 and 2024 were as follows:

	<u>For the year ended December 31, 2025</u>	<u>For the year ended December 31, 2024</u>
Defined benefit obligation on January 1	\$ 76,135	70,761
Current service cost and interest	5,852	5,493
Remeasurements of net defined benefit liabilities	5,337	(995)
Benefits paid by the plan	(1,597)	-
Exchange differences	(2,452)	876
Defined benefit obligation on December 31	<u>\$ 83,275</u>	<u>76,135</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, 2025 and 2024 were as follows:

	<u>For the year ended December 31, 2025</u>	<u>For the year ended December 31, 2024</u>
Fair value of plan assets on January 1	\$ 28,483	24,957
Interest revenue	571	412
Amount appropriated to plan	861	915
Remeasurements of net defined benefit liabilities	1,832	2,199
Benefits paid by the plan	(1,616)	-
Fair value of plan assets on December 31	<u>\$ 30,131</u>	<u>28,483</u>

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

(iv) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company for the years ended December 31, 2025 and 2024 were as follows:

	For the year ended December 31, 2025	For the year ended December 31, 2024
Current service cost	\$ 2,784	2,716
Net interest of net defined benefit liabilities	2,497	2,365
	\$ 5,281	5,081
	For the year ended December 31, 2025	For the year ended December 31, 2024
Operating costs and expenses	\$ 5,281	5,081

(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.

	For the year ended December 31, 2025	For the year ended December 31, 2024
Accumulated balance on January 1	\$ 11,741	14,948
Current recognition	3,515	(3,207)
Accumulated balance on December 31	\$ 15,256	11,741

(6) Actuarial assumptions

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

	December 31, 2025	December 31, 2024
Discount rate	1.625%~1.750%	1.750%~2.000%
Increase on future payroll	1%~3%	1%~3%

The Company has planned to appropriate in the amount of \$873 thousand for defined benefit plan within 1 year after the reporting date of the year ended December 31, 2025.

The weighted average duration for defined benefit plan is 11.05 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, 2025 and 2024 was as follows:

	Impact to defined benefit obligation	
	Increase by 0.25%	Decrease by 0.25%
December 31, 2025		
Discount rate	(760)	785
Increase on future payroll	755	(734)
December 31, 2024		
Discount rate	(742)	766
Increase on future payroll	740	(721)

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

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 \$106,698 thousand and \$108,282 thousand for the years ended December 31, 2025 and 2024, respectively. Payment was made to the Bureau of Labor Insurance.

(16) Income taxes

a. Income tax expenses

(i) The components of income tax expenses in the years 2025 and 2024 were as follows:

	<u>For the year ended December 31, 2025</u>	<u>For the year ended December 31, 2024</u>
Current tax expense	\$ 137,701	25,313
Deferred income tax expense	15,823	17,545
Income tax expenses	<u>\$ 153,524</u>	<u>42,858</u>

(ii) Details of the amount of income tax benefits recognized in other comprehensive income for the years ended December 31, 2025 and 2024 was as follows:

	<u>For the year ended December 31, 2025</u>	<u>For the year ended December 31, 2024</u>
Items that will not be reclassified subsequently to profit or loss:		
Revaluation surplus on properties	<u>\$ 52,604</u>	<u>-</u>
Exchange differences on translation of foreign financial statements	<u>\$ (6,581)</u>	<u>41,802</u>

(iii) Reconciliation of income tax expenses and profit before tax for 2025 and 2024 were as follows:

	<u>For the year ended December 31, 2025</u>	<u>For the year ended December 31, 2024</u>
Profit before income tax	<u>\$ 814,749</u>	<u>387,213</u>
Income tax using the Company's domestic tax rate	\$ 162,950	77,442
The effect of difference in tax rates in foreign territories	(60,123)	4,183
Not deductible expenses	(8,707)	7,038
Unrecognized temporary difference – related to investments in subsidiaries	81,974	(32,662)
Unrecognized temporary difference – related to tax losses	13,449	19,512
Tax-exempt income	-	3,426
Additional tax on unappropriated earnings	1,665	6,105
Over or underestimation in prior periods	(6,052)	(35,343)
Others	(31,632)	(6,843)
	<u>\$ 153,524</u>	<u>42,858</u>

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

b. Deferred tax assets and liabilities

(i) Unrecognized deferred tax liabilities

As of the years ended December 31, 2025 and 2024, the temporary differences related to investments in subsidiaries and associates was not recognized under deferred tax liabilities because the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not be reversed in the foreseeable future. Relevant amount as follows:

	December 31, 2025	December 31, 2024
Aggregate amount of temporary differences related to investments in subsidiaries	\$ 1,601,945	1,192,073
Unrecognized amount of deferred tax liabilities	\$ 320,389	238,415

(ii) Unrecognized deferred tax assets

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

	December 31, 2025	December 31, 2024
Tax loss	\$ 1,066,895	1,134,140
Unrecognized amount of deferred tax assets	\$ 213,379	226,828

Some of the subsidiaries have yet to have steady growth and profit earning capabilities in 2025 and 2024; 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, 2025 and 2024 were as follows:

	Share of profit or loss of subsidiaries accounted for using equity method	Unrealized gains or losses from financial assets	Inventory valuation loss	Others	Total
Deferred income tax assets:					
January 1, 2025	\$ 29,352	-	13,938	25,975	69,265
Credit (debit) in profit or loss	(98)	3,990	(1,901)	513	2,504
Exchange differences on translation of foreign financial statements	-	-	-	(1,455)	(1,455)
December 31, 2025	\$ 29,254	3,990	12,037	25,033	70,314
January 1, 2024	\$ 28,797	181	13,059	38,529	80,566
(Debit) credit in profit or loss	555	(181)	879	(12,884)	(11,631)
Exchange differences on translation of foreign financial statements	-	-	-	330	330
December 31, 2024	\$ 29,352	13,938	25,975	69,265	69,265

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

	<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>
Deferred tax liabilities:				
January 1, 2025	\$ 328,606	1,934	25,475	356,015
Credit (debit) in profit or loss	-	(2,388)	20,715	18,327
Credit (debit) in other comprehensive income	-	-	46,023	46,023
Exchange differences on translation of foreign financial statements	-	-	(1,667)	(1,667)
December 31, 2025	<u>\$ 328,606</u>	<u>(454)</u>	<u>90,546</u>	<u>418,698</u>
January 1, 2024	\$ 272,455	5,578	29,860	307,893
Credit (debit) in profit or loss	13,351	(3,644)	(3,793)	5,914
Credit (debit) in other comprehensive income	41,802	-	-	41,802
Exchange differences on translation of foreign financial statements	998	-	(592)	406
December 31, 2024	<u>\$ 328,606</u>	<u>1,934</u>	<u>25,475</u>	<u>356,015</u>

c. Assessment of tax

The Group's and certain subsidiaries' tax returns for the years through 2023 were assessed by the tax authority.

(17) Capital and other equity

a. Share capital

As of December 31, 2025 and 2024, the authorized common stock of the Company was \$2,000,000 thousand in both years, comprising 200,000 thousand shares with a par value of \$10 per share. The issued ordinary shares were 162,353 thousand and 141,876 thousand, respectively.

(a) Common stock issuance

The Company has issued 12,567 thousand of new shares for the execution of conversion right by the convertible bondholders for the year ended December 31, 2024. The new shares were issued at par, with the total amount of \$125,670 thousand. Among the new shares, as the legal registration procedures of 6,857 thousand of shares haven't been completed as of December 31, 2024, they are recognized under "capital collected in advance." As of December 31, 2025, the aforementioned legal registration procedures have been completed.

The Company has resolved by the board of directors on July 23, 2024 to issue 1,850 thousand of restricted stock awards (Please refer to Note 6(18) for details.), and determined the base date to be August 30, 2024. The number of shares actually subscribed by employees is 1,748 thousand, with the subscription price of \$10 per share. The total amount is \$17,480 thousand. The legal registration procedures of the issue of the aforementioned capital have been completed. As of December 31, 2024, the Company retrieved and cancelled a total of 21 thousand restricted stock awards, amounting to \$210 thousand, and the relevant legal registration procedures have been completed.

The Company has issued \$17,014 thousand of new shares for the execution of conversion right by the convertible bondholders for the year ended December 31, 2025. The new shares were issued at par, with the total amount of \$170,139 thousand. Among the new shares, as the legal registration procedures of \$1,432 thousand of shares haven't been completed, they are recognized under "capital collected in advance."

The Company has resolved by the board of directors on August 8, 2025 to issue the 2nd restricted stock awards (Please refer to Note 6(18) for details.), and determined the base date to be October 13, 2025. The number of shares actually subscribed by employees is 2,252 thousand, with the subscription price of \$10 per share. The total amount is \$22,520 thousand. The legal registration procedures of the issue of the aforementioned

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

capital have been completed. As of December 31, 2025, the Company retrieved and cancelled a total of 42.8 thousand restricted stock awards, amounting to \$428 thousand, and the relevant legal registration procedures have been completed.

(ii) Capital reserve

The balances of capital surplus were as follows:

	December 31, 2025	December 31, 2024
Additional paid-in capital	\$ 1,860,661	1,297,455
Consolidation excess	3,831	3,831
Changes in net value of equity investment in affiliated companies accounted for using equity method	111,855	107,878
Employee stock options	13,978	13,978
Restricted stock awards	159,846	65,280
Expired employee stock options	30,461	30,461
Stock option for conversion of convertible bonds	7,446	54,866
Others	12,666	12,666
	<u>\$ 2,200,744</u>	<u>1,586,415</u>

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.

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.

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

(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. °

(iii) Earnings distribution

The Company has resolved by the board of directors on March 12, 2024 not to distribute the dividends for the year ended December 31, 2023. The amount of cash dividends in the earnings distribution proposal for the year ended December 31, 2024 has been resolved by the board of directors on March 14, 2025. The amounts of dividends distributed to shareholders are as follows:

	For the year ended December 31, 2024	
	Dividend (dollar)	Amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 0.75	111,534

The Company has resolved by the board of directors on March 11, 2026 the amount of cash dividends in the earnings distribution proposal for the year ended December 31, 2025. The amounts of dividends distributed to shareholders are as follows:

	For the year ended December 31, 2024	
	Dividend (dollar)	Amount
Cash dividends	\$ 1.68	276,000

d. Treasury shares

From January 1 to December 31, 2025, the Company repurchased a total of 4,150 thousand treasury shares in accordance with Article 28-2 of the Securities and Exchange Act, for the

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

purpose of maintaining the Company's credit and protecting shareholders' interests. As of December 31, 2025, a total of 4,150 thousand shares have been cancelled.

Treasury shares held by the Company may not be pledged in accordance with the Securities and Exchange Act, and shall not enjoy shareholders' rights prior to transfer.

e. Other equity

	Exchange differences on translation of foreign financial statements	Property revaluation increments	Unearned employees' remuneration	Total
Balance at January 1, 2025	\$ 26,323	33,219	(44,064)	15,478
Exchange differences on foreign operations	9,571	-	-	9,571
Revaluation surplus on properties	-	210,413	-	210,413
Restricted stock awards	-	-	(58,948)	(58,948)
Balance at December 31, 2025	<u>\$ 35,894</u>	<u>243,632</u>	<u>(103,012)</u>	<u>176,514</u>
Balance at January 1, 2024	\$ (140,790)	33,219	-	(107,571)
Exchange differences on foreign operations	167,113	-	-	167,113
Restricted stock awards	-	-	(44,064)	(44,064)
Balance at December 31, 2024	<u>\$ 26,323</u>	<u>33,219</u>	<u>(44,064)</u>	<u>15,478</u>

(18) Share-based payments

The Company has resolved by the shareholders meeting on June 25, 2024 to issue 4000 thousand of restricted stock awards, granted to full-time employees of the Company meeting specific criteria. The effective registration in Securities and Futures Bureau, FSC has been completed. The Company has resolved by the board of directors on July 23, 2024 to issue 1,850 thousand of restricted stock awards, and determined the base date to be August 30, 2024. The number of shares actually subscribed by employees is 1,748 thousand, with the subscription price of \$10 per share. The total amount is \$17,480 thousand. The fair value at the grant date is \$37.8. In addition, the Company has resolved by the board of directors on August 8, 2025 to issue 2,252 thousand of restricted stock awards, and determined the base date to be October 13, 2025. The fair value at the grant date is \$54.

Employees who were granted the aforementioned restricted stock awards may subscribe the granted shares at \$10 per share. Since the subscription date, serving for one year, and the consolidated operating revenue or consolidated net profit after tax growing by over 6% compared with the prior year; serving for two years, and the consolidated operating revenue or consolidated net profit after tax growing by over 10% compared with the prior year; serving for three years, and the consolidated operating revenue or consolidated net profit after tax growing by over 10% compared with the prior year, 40%, 30%, and 30% of granted

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

shares will be vested, respectively. The new shares subscribed by employees shall be under the trust custody by the institution designated by the Company, and may not be sold, pledged, transferred, given or disposed by other ways. During the period under the trust custody, the voting rights of the shares are executed by the trust custody institution in accordance with relevant regulations. If employees granted the restricted stock awards fail to meet the vesting condition after subscription of new shares, the shares will be repurchased in full by the Company at the issue price with interest and canceled.

a. Relevant information on restricted stock awards (expressed in thousands of shares):

	<u>For the year ended December 31, 2025</u>	<u>For the year ended December 31, 2024</u>
Number of shares outstanding as of January 1	1,727	1,748
Shares issued	2,252	-
Number of shares repurchased to be canceled	(43)	(21)
Number of shares outstanding as of December 31	<u><u>3,936</u></u>	<u><u>1,727</u></u>

b. Employees expenses

The expenses arising from share-based payments for the years ended December 31, 2025 and 2024 are as follows:

	<u>For the year ended December 31, 2025</u>	<u>For the year ended December 31, 2024</u>
Expenses arising from restricted stock awards	<u>\$ 61,178</u>	<u>21,216</u>

(19) Earnings per share

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

	<u>For the year ended December 31, 2025</u>	<u>For the year ended December 31, 2024</u>
Basic earnings per share		
Current net profit attributable to the Company	<u>\$ 661,186</u>	<u>344,060</u>
Weighted average number of ordinary shares outstanding (shares in thousands)	<u>151,844</u>	<u>136,924</u>
Basic earnings (losses) per share (dollar)	<u>\$ 4.35</u>	<u>2.51</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company (basic)	\$ 661,186	344,060
After tax effects of interest expenses of convertible bonds	<u>9,264</u>	<u>20,555</u>
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 670,450</u>	<u>364,615</u>
Weighted average number of ordinary shares outstanding (basic)	151,844	136,924
Effect of dilutive ordinary shares	<u>14,084</u>	<u>18,589</u>
Weighted average number of ordinary shares outstanding (diluted)(shares in thousands)	<u>165,928</u>	<u>155,513</u>
Diluted earnings (losses) per share(dollar)	<u>\$ 4.04</u>	<u>2.34</u>

Note 1: In accordance with the consolidated company's employee restricted shares issuance regulations for fiscal year 2023, employees who have held the restricted shares for more than one year and remain employed, and who meet the vesting conditions set forth in Article 5 of the Company's employee restricted shares issuance regulations, are entitled to vest 40%. Accordingly, 676 thousand restricted shares were released on July 23, 2025, and included in the outstanding ordinary shares.

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(20) Revenue from contracts with customers

a. Disaggregation of revenue

For the year ended December 31, 2025					
	Connectors segment	Cable segment	Metal stamping segment	Other segment	Total
Primary geographical markets:					
Taiwan	\$ 1,372,094	268,634	415,079	51,643	2,107,450
China	4,266,066	452,718	352,173	28,999	5,099,956
Philippines	1,194	518,372	49,263	-	568,829
Singapore	179,042	5,312	324,699	113	509,166
USA	44,923	312,554	265,369	1,632	624,478
Other countries	827,885	275,255	338,995	507,543	1,949,678
	\$ 6,691,204	1,832,845	1,745,578	589,930	10,859,557
Major products/services lines:					
Connectors	\$ 6,691,204	-	-	-	6,691,204
Connector cable set	-	1,832,845	-	-	1,832,845
Metal stamping parts	-	-	1,745,578	-	1,745,578
Others	-	-	-	589,930	589,930
	\$ 6,691,204	1,832,845	1,745,578	589,930	10,859,557
For the year ended December 31, 2024					
	Connectors segment	Connectors cable segment	Metal stamping segment	Other segment	Total
Primary geographical markets:					
Taiwan	\$ 933,891	205,775	300,505	141,547	1,581,718
China	4,021,674	444,522	377,804	37,669	4,881,669
Philippines	837	674,162	81,003	-	756,002
USA	38,140	209,147	192,745	1,603	441,635
Other countries	738,762	268,249	639,478	463,384	2,109,873
	\$ 5,733,304	1,801,855	1,591,535	644,203	9,770,897
Major products/services lines:					
Connectors	\$ 5,733,304	-	-	-	5,733,304
Connector cable set	-	1,801,855	-	-	1,801,855
Metal stamping parts	-	-	1,591,535	-	1,591,535
Others	-	-	-	644,203	644,203
	\$ 5,733,304	1,801,855	1,591,535	644,203	9,770,897

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b. Contract balances

	December 31, 2025	December 31, 2024	January 1, 2024
Notes and account receivable (including related parties)	\$ 3,033,683	\$ 3,100,574	2,313,358
Less: Loss allowance	<u>(38,659)</u>	<u>(20,517)</u>	<u>(19,466)</u>
Total	<u>\$ 2,995,024</u>	<u>\$ 3,080,057</u>	<u>2,293,892</u>

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

(21) Remunerations to employees and directors

The Company amended its Articles of Incorporation pursuant to a resolution passed at the shareholders' meeting on June 25, 2025. In accordance with the Articles of Incorporation, if there's any profit of the year, no less than 3% shall be appropriated to employees remuneration (of which no less than 0.5% shall be appropriated as compensation for general employees) 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' compensation may include employees of controlled or subsidiary companies who meet the conditions set forth by the Board of Directors or its authorized personnel. In accordance with the Articles of Incorporation prior to the amendment, if there is any profit for the year, no less than 1% shall be appropriated as employees' compensation and no more than 3% as directors' remuneration. However, if the Company has accumulated deficits, the profit shall be reserved for covering such deficits. The aforementioned employees' compensation may include employees of controlled or subsidiary companies who meet the conditions set forth by the Board of Directors or its authorized personnel.

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.

	For the year ended December 31, 2025	For the year ended December 31, 2024
Employees remuneration	\$ 38,156	12,092
Directors remuneration	<u>18,807</u>	<u>8,992</u>
	<u>\$ 56,963</u>	<u>\$ 21,084</u>

The amount, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2025 and 2024. Relevant information can be referred to on the "Market Observation Post System".

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

(22) Non-operating income and expenses

a. Other gains and losses

	For the year ended December 31, 2025	For the year ended December 31, 2024
Foreign exchange gains (losses)	\$ (21,863)	108,491
Losses on disposals of property, plant and equipment	(8,191)	(792)
Gains on fair value adjustment – investment properties	7,802	7,505
Gains on financial assets at fair value through profit or loss	8,636	3,546
Gains on disposals of investments	323,287	17,566
Others	(149,964)	(112,294)
	<u>\$ 159,707</u>	<u>24,022</u>

(a) For information on the consolidated company's recognized share of profit or loss on investments, please refer to Note 6(5) and (6).

(b) In order to integrate the subsidiaries in southern China, the expenditure of the core employee project in the cooperating with factory relocation plan for fiscal years 2025 and 2024 is estimated to be \$81,269 thousand and \$75,519 thousand, respectively.

b. Finance costs

	For the year ended December 31, 2025	For the year ended December 31, 2024
Bank loan interest	64,035	73,428
Lease liabilities interest	3,400	4,421
Convertible company bond interest	11,580	25,694
	<u>\$ 79,015</u>	<u>103,543</u>

(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 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
December 31, 2025					
Non-derivative financial liabilities					
Short-term borrowings	\$ 794,000	814,723	814,723	-	-
Financial liabilities measured at fair value through profit or loss	42	42	42	-	-
Notes payable	3,001	3,001	3,001	-	-
Accounts payable	2,012,544	2,012,544	2,012,544	-	-
Account payable - related parties	220	220	220	-	-
Other payables	875,679	875,679	875,679	-	-
Other payable - including related parties	1,166	1,166	1,166	-	-
Lease liabilities	125,328	141,957	68,812	42,707	30,438
Bonds payable	131,678	135,700	-	135,700	-
Long-term borrowings (including current portion)	2,181,517	2,484,692	170,776	1,550,519	763,397
	\$ 6,125,175	6,469,724	3,946,963	1,728,926	793,835
December 31, 2024					
Non-derivative financial liabilities					
Short-term borrowings	\$ 195,000	200,090	200,090	-	-
Notes payable	167	167	167	-	-
Accounts payable	1,959,781	1,959,781	1,959,781	-	-
Account payable - related parties	724	724	724	-	-
Other payables	900,785	900,785	900,785	-	-
Other payable - including related parties	808	808	808	-	-
Lease liabilities	137,030	160,209	49,422	73,420	37,367
Bonds payable	952,248	1,000,000	-	1,000,000	-
Long-term borrowings (including current portion)	2,271,582	2,531,471	281,858	1,812,823	436,790
	\$ 6,418,125	6,754,035	3,393,635	2,886,243	474,157

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, 2025			December 31, 2024		
	Foreign currency	Exchange rate (dollar)	NTD	Foreign currency	Exchange rate (dollar)	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 135,241	31.430	4,250,622	115,639	32.785	3,791,234
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	79,217	31.430	2,489,794	68,380	32.785	2,241,852

(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 2025, 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 \$88,041 thousand and \$77,469 thousand for the years ended December 31, 2025 and 2024, respectively. The method of analysis remains the same for both

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

periods.

(iii) Foreign exchange gains and losses on monetary items

The Company's information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years ended December 31, 2025 and 2024, foreign exchange gains (loss) (including realized and unrealized portions) amounted to (21,863) thousands and \$108,491 thousands, respectively.

d Interest rate analysis

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

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

If the interest rate increased or decreased by 1%, given no changes in other factors, the profit before tax will decrease or increase by \$29,755 thousand and \$24,666 thousand for the years ended December 31, 2025 and 2024 respectively. This is mainly because of the Company's floating rate loans.

v. Fair value

(i) Fair value hierarchy

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

	December 31, 2025				
	Carrying amount	Fair value			Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatory measured at FVTPL	\$ 235,764	-	-	235,764	235,764
Embedded derivative instruments of convertible bonds	274	-	274	-	274
Forward exchange contracts	1,476	-	1,476	-	1,476
Subtotal	<u>\$ 237,514</u>	<u>-</u>	<u>1,750</u>	<u>235,764</u>	<u>237,514</u>
Financial assets at fair value through other comprehensive income					
Stocks of foreign non-listed companies	<u>\$ 33,284</u>	<u>-</u>	<u>-</u>	<u>33,284</u>	<u>33,284</u>
Financial liabilities at fair value through profit or loss					
Forward exchange contracts	<u>\$ 42</u>	<u>-</u>	<u>\$ 42</u>	<u>-</u>	<u>42</u>

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

	December 31, 2024				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatory measured at FVTPL	\$ 177,683	-	-	177,683	177,683
Embedded derivative instruments of convertible bonds	1,818	-	1,818	-	1,818
Subtotal	\$ 179,501	-	1,818	177,683	179,501
Financial assets at fair value through other comprehensive income					
Stocks of foreign non-listed companies	\$ 24,097	-	-	24,097	24,097

(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) 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	<ul style="list-style-type: none"> • The higher the market illiquidity discount is, the lower the fair value. • The higher the credit risk is, the lower the fair value.

(24) Financial risk information

a. Overview

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

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

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

b. Structure of risk management

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

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

c. Credit risk

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

(i) Accounts receivable and other receivables

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

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

(ii) Financial investments

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

(iii) Guarantee

The Company only provide guarantee to parties listed under procedures for guarantee and endorsement. The Company did not provide guarantee to any third party not listed by the Company's policy as of December 31, 2025 and 2024.

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, 2025 and 2024, the Company' s unused credit lines were amounted to \$5,897,313 and \$7,058,563, 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.

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

(25) Capital management

The objectives of capital management is to guarantee the ability of continuous operation, to keep providing returns to shareholders and benefits to other stakeholders, and maintain the optimal capital structure to decrease cost of capital.

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, 2025 and 2024 as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Total liabilities	\$ 6,915,191	7,134,397
Less: cash and cash equivalents	(2,483,422)	(2,000,889)
Net liabilities	<u>\$ 4,431,769</u>	<u>5,133,508</u>
Total equity	<u>\$ 7,934,226</u>	<u>6,461,970</u>
Debt-to-equity ratio	<u>35.84%</u>	<u>44.27%</u>

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

Details of investing and financing activities not affecting the current cash flow of the Company for the years ended December 31, 2025 and 2024 were as follows:

	<u>January 1, 2025</u>	<u>Cash flow</u>	<u>Non-Cash changes</u>			<u>December 31, 2025</u>
			<u>Conversion of corporate bonds</u>	<u>Addition of lease</u>	<u>Others</u>	
Long-term borrowings (including current portion)	\$ 2,271,582	(91,131)	-	-	1,066	2,181,517
Short-term borrowings	195,000	599,000	-	-	-	794,000
Lease liabilities	137,030	(60,860)	-	51,344	(2,186)	125,328
Corporate bonds payable (including current portion)	952,248	-	(832,150)	-	11,580	131,678
Total liabilities from financing activities	<u>\$ 3,555,860</u>	<u>447,009</u>	<u>(832,150)</u>	<u>51,344</u>	<u>10,460</u>	<u>3,232,523</u>

	<u>January 1, 2024</u>	<u>Cash flow</u>	<u>Non-cash changes</u>		<u>December 31, 2024</u>
			<u>Conversion of corporate bonds</u>	<u>Others</u>	
Long-term borrowings (including current portion)	\$ 1,933,095	336,260	-	2,227	2,271,582
Short-term borrowings	1,467,000	(1,272,000)	-	-	195,000
Lease liabilities	161,342	(58,614)	-	34,302	137,030
Corporate bonds payable (amortization of discounts)	578,202	998,906	(595,989)	(28,871)	952,248
Total liabilities from financing activities	<u>\$ 4,139,639</u>	<u>4,552</u>	<u>(595,989)</u>	<u>7,658</u>	<u>3,555,860</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
Yuan Wan-ting	Chairman of the Company
Hsu, Chang-Fei	Director of the Company
Nantong Dadi Electric Co., Ltd.	Affiliated company
Kung Shan Ching Zhi Electric Co., Ltd.	Affiliated company of the Company

(2) Significant related party transactions

a. Operating revenue

Significant sales to related parties were as follows;

	For the year ended December 31, 2025	For the year ended December 31, 2024
Affiliated company	\$ 76,189	65,690

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, 2025	For the year ended December 31, 2024
Other related parties	\$ 776	1,387

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, 2025	December 31, 2024
Notes receivable	Affiliated company	\$ 4,337	4,821
Accounts receivable	Affiliated company	35,255	28,935
Other receivables	Affiliated company	-	29
		\$ 39,592	33,785

d. Payables to Related Parties

Item	Type of related parties	December 31, 2025	December 31, 2024
Accounts payable	Affiliated company	\$ 220	724
Other payables	Other related parties	1,166	808
		\$ 1,386	1,532

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

e. 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 \$0 thousand and \$19,538 thousand for the year of 2025 and 2024 respectively. The Company paid leases in the amount of \$8,530 thousand and \$10,589 thousand for the years ended December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, the balance of lease liabilities amounted to \$8,451 thousand and \$16,732 thousand, respectively.

(3) Key management personnel transactions

Key management personnel compensation comprised:

	For the year ended December 31, 2025	For the year ended December 31, 2024
Short-term employee benefits	\$ 64,173	53,811
Post-employment benefits	800	1,112
Share-based payments	9,127	2,088
	<u>\$ 74,100</u>	<u>57,011</u>

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, 2025	December 31, 2024
Property, plant and equipment			
Land	Bank loan and credit limit guarantee	\$ 723,609	723,609
Buildings and structures	"	1,261,011	155,060
		<u>\$ 1,984,620</u>	<u>878,669</u>
Investment property			
Land	Bank loan and credit limit guarantee	\$ 278,523	271,821
Buildings and structures	"	41,665	40,565
		<u>\$ 320,188</u>	<u>312,386</u>

9. Significant Commitments and contingencies:

(1) Significant and unrecognized commitments of the Company:

	December 31, 2025	December 31, 2024
Acquisition of property, plant and equipment	\$ 646,474	952,499
Acquisition of intangible assets	-	2,988
	<u>\$ 646,474</u>	<u>955,487</u>

For the purpose of sales development and future operational needs, the board of directors approved to use own land to build factory buildings in the Taoyuan, Taiwan area on August 12, 2021. A building contract was signed with not-related parties in the first quarter of 2022 in the amount of \$1,098,800 thousand. As of December 31, 2025, \$1,059,649 thousand of the contracted price had been paid. The acceptance inspection was completed in February 2026 and the remaining balance has been paid.

For the purpose of sales development and future operational needs, the board of directors approved to use own land to build factory buildings in the Zhuhai, China area on November 7, 2023. A building contract was signed with not-related parties in the third quarter of 2024 in the amount of \$845,258 thousand (CNY186,880 thousand). As of December 31, 2025,

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

NT\$420,106 thousand (CNY93,440 thousand) of the contracted price had been paid.

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

	December 31, 2025	December 31, 2024
	<u>\$ 6,391,665</u>	<u>7,455,118</u>

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

	December 31, 2025	December 31, 2024
	<u>\$ 6,000</u>	<u>6,000</u>

10. Due to Major Disasters: none.

11. Materiality after the period

The consolidated company's Board of Directors resolved on December 22, 2025 to issue ordinary shares for cash in the amount of NT\$110,000 thousand, with a par value of NT\$10 per share, totaling 11,000 thousand shares, at an issue price of NT\$58 per share. In addition, the consolidated company resolved on the same date to issue the 4th domestic unsecured convertible bonds, with a total face value not exceeding NT\$1 billion, an issue price of 100.5% to 102% of face value, a tenor of three years, and a coupon rate of 0%.

Due to significant volatility in the domestic securities market, the consolidated company announced on March 9, 2026 that it has applied to the Financial Supervisory Commission for an extension of the aforementioned cash capital increase and unsecured convertible bond fundraising period by three months.

12. Other

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

By function	For the year ended December 31, 2025			For the year ended December 31, 2024		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
By item						
Employee benefits						
Salary	1,161,909	990,727	2,152,636	1,167,438	870,993	2,038,431
Labor and health insurance	71,124	65,498	136,622	76,428	65,825	142,253
Pension	60,293	51,686	111,979	66,230	47,133	113,363
Other employee benefits	310,532	92,213	402,745	274,918	66,128	341,046
Depreciation	451,648	217,010	668,658	481,485	179,727	661,212
Amortization	691	49,677	50,368	982	77,351	78,333

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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, 2025.

a. Lending to other parties:

No.	Loan amount	Name of borrower	Account name	Related party	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Interest rate	Maximum limit of fund financing	Business	Reason for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing	Note
													Item	Value			
	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 (Note 11)	Amount	Unusual transaction details	Amount			Total Amount	Note Note 12:	
1	KUNSHAN ACES ELECTRONIC CO., LTD.	GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	Other receivables	Yes	68,595	-	-	0.00%	2	-	Operation requirements	-	None	-	3,149,288	3,149,288	Note 1, 2, 8
1	KUNSHAN ACES ELECTRONIC CO., LTD.	MEC SUZHOU ELECTRONICS CO., LTD.	Other receivables	Yes	202,320	202,320	89,920	0.90%	2	-	Operation requirements	-	None	-	3,149,288	3,149,288	"
2	ASIA CENTURY INVESTMENT LTD	MEC INTERNATIONAL COMPANY LTD	Other receivables	Yes	21,583	20,430	20,430	2.95%	2	-	Operation requirements	-	None	-	178,495	178,495	"
3	WEI HONG INTERNATIONAL INVESTMENT CO., LTD.	ACES Surface Treatment Co., Ltd.	Other receivables	Yes	5,000	2,500	-	0.00%	2	-	Operation requirements	-	None	-	-	41,136	Note 2, 3, 8
4	MEC IMEX INC.	MEC ELECTRONICS (SUZHOU) CO., LTD.	Other receivables	Yes	199,230	94,290	-	2.45%	2	-	Operation requirements	-	None	-	-	249,781	"
5	MEC ELECTRONICS (HK) COMPANY LTD.	HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Other receivables	Yes	18,292	17,984	17,984	1.30%	2	-	Operation requirements	-	None	-	125,720	125,720	Note 4, 8
5	MEC ELECTRONICS (HK) COMPANY LTD.	HOMEPRIDE TECHNOLOGY LIMITED	Other receivables	Yes	18,263	17,287	17,287	1.15%	2	-	Operation requirements	-	None	-	125,720	125,720	"
5	MEC ELECTRONICS (H.K.) CO., LTD.	MEC INTERNATIONAL COMPANY LTD	Other receivables	Yes	6,641	6,286	6,286	3.05%	2	-	Operation requirements	-	None	-	125,720	125,720	"
6	ACCURATE GROUP LIMITED	MEC INTERNATIONAL COMPANY LTD	Other receivables	Yes	6,641	6,286	6,286	2.95%	2	-	Operation requirements	-	None	-	178,997	178,997	Note 6, 8
7	KUANG YING COMPUTER EQUIPMENT CO., LTD.	MEC IMEX INC.	Other receivables	Yes	163,000	110,000	108,715	1.225%~2.5%	2	-	Operation requirements	-	None	-	146,927	146,927	Note 2, 3, 8
8	COMPUPACK TECHNOLOGY CO., LTD.	Aces Precision Industry Pte Ltd.	Other receivables	Yes	36,526	-	-	0.00%	2	-	Operation requirements	-	None	-	61,216	61,216	"
9	GENESIS ELECTRO-MECHANICAL LIMITED	GENESIS TECHNOLOGY USA, INC.	Other receivables	Yes	49,808	47,145	47,145	1.20%	2	-	Operation requirements	-	None	-	659,164	659,164	Note 5, 8
9	GENESIS ELECTRO-MECHANICAL LIMITED	MEC ELECTRONICS PHILIPPINES CORP.	Other receivables	Yes	33,205	31,430	31,430	3.85%	2	-	Operation requirements	-	None	-	659,164	659,164	"
9	GENESIS ELECTRO-MECHANICAL LIMITED	MEC INTERNATIONAL COMPANY LTD	Other receivables	Yes	62,800	31,430	31,430	2.55%	2	-	Operation requirements	-	None	-	131,833	131,833	"
9	GENESIS ELECTRO-MECHANICAL LIMITED	Aces Precision Industry Pte Ltd.	Other receivables	Yes	63,980	62,860	62,860	2.55%~3.85%	2	-	Operation requirements	-	None	-	659,164	659,164	"
10	GENESIS INNOVATION GROUP LIMITED	DONGGUAN POLIXIN ELECTRIC CO., LTD.	Other receivables	Yes	43,167	-	-	0.00%	2	-	Operation requirements	-	None	-	899,465	899,465	"
10	GENESIS INNOVATION GROUP LIMITED	Aces Precision Industry Pte Ltd.	Other receivables	Yes	99,615	94,290	94,290	3.85%	2	-	Operation requirements	-	None	-	899,465	899,465	"
10	GENESIS INNOVATION GROUP LIMITED	MEC IMEX INC.	Other receivables	Yes	150,000	20,000	20,000	1.705%	2	-	Operation requirements	-	None	-	179,893	179,893	"

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

- Note 1: According to 'Procedures for Lending Funds to Others' of subsidiaries, KUNSHAN ACES ELECTRONIC CO., LTD., and ASIA CENTURY INVESTMENT 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 2: According to 'Procedures for Lending Funds to Others' of subsidiaries, KUNSHAN ACES ELECTRONIC CO., LTD., MEC IMEX INC., COMPUPACK TECHNOLOGY CO., LTD., and ASIA CENTURY INVESTMENT 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 3: 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 4: 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 5: 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 6: 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 7: 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 8: The above transactions have been written-off in preparation of consolidated financial statements.

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

b. Guarantees and endorsements for others:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for an enterprise individual (Note 1, 3, 4,)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net equity of the latest financial statements	Maximum amount allowed for endorsement	Endorsements/guarantees by parent company	Subsidiary endorsements/guarantees by a subsidiary	Endorsements/guarantees to a subsidiary in Mainland China
		Name	Relationship (Note 5)										
0	The Company	ACES Precision Industry Pte Ltd.	2	7,933,393	166,025	-	-	-	0.00%	7,933,393	Y	N	Y
0	The Company	ACES Precision Machinery Co., Ltd.	2	7,933,393	100,000	50,000	-	-	0.63%	7,933,393	Y	N	N
1	ACECON ELECTRONIC CO., LTD.	ACES ZHUHAI TECHNOLOGY LTD	2	4,763,356	594,490	584,480	292,109	-	12.27%	4,763,356	N	N	Y
1	DONGGUAN ACES ELECTRONIC CO., LTD.	ACES ZHUHAI TECHNOLOGY LTD	2	1,680,703	594,490	584,480	292,109	-	104.33%	1,680,703	N	N	Y
2	MEC IMEX INC.	MEC INTERNATIONAL COMPANY LTD.	2	624,453	199,230	78,575	-	-	12.58%	624,453	N	N	N
3	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	KUANGYING COMPUTER EQUIPMENT CO., LTD.	3	131,692	4,981	4,715	2,649	-	2.82%	131,692	N	N	N
3	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	KUNSHAN ACES ELECTRONIC CO., LTD.	2	131,692	4,981	4,715	2,649	-	2.82%	131,692	N	N	Y
4	SUZHOU KUANGYING ELECTRIC CO., LTD.	KUANGYING COMPUTER EQUIPMENT CO., LTD.	3	102,148	4,981	4,715	250	-	131.23%	102,148	N	N	N
4	SUZHOU KUANGYING ELECTRIC CO., LTD.	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	2	102,148	4,981	4,715	250	-	131.23%	102,148	N	N	Y
5	KUANGYING COMPUTER EQUIPMENT CO., LTD.	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	2	259,946	2,324	2,200	157	-	0.60%	259,946	N	N	Y

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

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

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

- 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: According to the regulations of the "Operational Procedures of Endorsements and Guarantees" of the subsidiaries, KUANG YING COMPUTER EQUIPMENT CO., LTD., DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD., and SUZHOU KUANG YING ELECTRIC CO., LTD., the amount of endorsements and guarantees provided to a single entity shall not exceed the paid-in capital of the company. However, if directly or indirectly holding 100% of the shares with voting rights of the company and the parent company of the company, the amount of endorsements and guarantees shall not exceed the paid-in capital of the company.
- Note 5: According to the "Endorsement Guarantee Procedure" of subsidiary ACECONN ELECTRONIC CO., LTD., the amount of endorsements and guarantees provided to a single entity shall not exceed 100% of the Company's net value. However, if directly or indirectly holding 100% of the shares with voting rights of the company and the parent company of the company, the amount of endorsements and guarantees shall not exceed 100% of the Company's net value. The total amount of endorsements and guarantees shall not exceed 100% of the Company's net value.
- Note 6: According to the "Endorsement Guarantee Procedure" of subsidiary DONGGUAN ACES ELECTRONIC CO., LTD., the amount of endorsements and guarantees provided to a single entity shall not exceed 300% of the Company's net value. However, if directly or indirectly holding 100% of the shares with voting rights of the company and the parent company of the company, the amount of endorsements and guarantees shall not exceed 300% of the Company's net value. The total amount of endorsements and guarantees shall not exceed 300% of the Company's net value.
- Note 7: 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.

c. Significant securities held as of December 31, 2025 (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	Fund- CDIB-Innolux II Limited Partnership	-	Financial assets at FVTPL – non-current	-	30,935	1.36%	30,935	1.36%	
The Company	Fund: China Development Advantage Venture Capital Limited Partnership.	-	Financial assets at FVTPL – non-current	-	40,032	1.54%	40,032	1.54%	
The Company	SPECTRA SPC POWERFUND	-	Financial assets at FVTPL – current	380	-	-	-	-	
KUNSHAN ACES ELECTRONIC CO., LTD.	Fund - Kung Shan Hua Cheng Yi Da Equity Investment Company (limited partnership company)	-	Financial assets at FVTPL – non-current	-	96,341	2.48%	96,341	2.48%	
Genesis Electro Mechanical Limited	Fund - MS USD LIQUID QUALIF ACC FUND LVNAV	-	Financial assets at FVTPL – current	17	68,456	-	68,456	-	
Genesis Holding Company	Investments in non-listed company – PRIME RICH	-	Financial assets at FVOCI – non-current	390	33,284	3.84%	33,284	3.84%	

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

d. 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	KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	Sub-subsidiary	Sales	117,285	2.83%	OA 120 days	-		17,389	1.38%	
The Company	KUNSHAN ACES ELECTRONIC CO.,LTD.	Sub-subsidiary	Sales	150,558	3.63%	OA 120 days	-		59,240	4.72%	
The Company	KUANG YING COMPUTER EQUIPMENT CO., LTD.	Sub-subsidiary	Sales	113,495	2.74%	OA 120 days	-		2,251	0.18%	
KUNSHAN ACES ELECTRONIC CO.,LTD.	The Company	Sub-subsidiary	Sales	458,881	16.82%	OA 120 days	-		347,109	23.46%	
KUNSHAN ACES ELECTRONIC CO.,LTD.	DONGGUAN ACES ELECTRONIC CO.,LTD.	Affiliates	Sales	254,162	9.31%	OA 90 days	-		160,533	10.85%	
DONGGUAN ACES ELECTRONIC CO.,LTD.	KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	Affiliates	Sales	493,082	23.03%	OA 120 days	-		196,401	23.57%	
DONGGUAN ACES ELECTRONIC CO.,LTD.	The Company	Sub-subsidiary	Sales	196,768	9.19%	OA 120 days	-		153,693	18.45%	
KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	The Company	Sub-subsidiary	Sales	1,127,148	65.99%	OA 120 days	-		603,148	69.36%	
KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	KUNSHAN ACES ELECTRONIC CO.,LTD.	Affiliates	Sales	366,892	21.48%	OA 30 days	-		175,907	20.23%	
KUNSHAN ACES ELECTRONIC CO.,LTD.	DONGGUAN ACES ELECTRONIC CO.,LTD.	Affiliates	Sales	112,752	6.60%	OA 120 days	-		51,108	5.88%	
KUNSHAN ACES ELECTRONIC CO.,LTD.	KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	Affiliates	Sales	669,782	24.55%	OA 120 days	-		445,810	30.13%	
GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	KUNSHAN ACES ELECTRONIC CO.,LTD.	Affiliates	Sales	457,097	96.41%	OA 120 days	-		63,908	95.04%	
KUNSHAN ACES ELECTRONIC CO.,LTD.	GENESIS TECHNOLOGY USA,INC.	Affiliates	Sales	171,815	6.30%	OA 120 days	-		66,089	4.47%	
Genesis Innovation Group Limited,Taiwan Branch	GENESIS TECHNOLOGY USA,INC.	Affiliates	Sales	121,233	22.37%	OA 120 days	-		62,557	33.12%	
DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	KUANG YING COMPUTER EQUIPMENT CO., LTD.	Affiliates	Sales	445,214	80.88%	OA 120 days	-		224,570	87.37%	
MEC SUZHOU ELECTRONICS CO., LTD.	MEC IMEX INC.	Affiliates	Sales	379,351	51.12%	OA 90 days	-		107,895	49.85%	

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.

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

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

Recorded as other receivables Name of Holder	Name of counter-party Name of investee	Relationship	Receivables from related parties (Note 1)	Turnover rate	Overdue receivables from related parties		Receivables from related parties Ending Balance	Allowance for bad debt Amount
					Amount	Action taken		
DONGGUAN ACES ELECTRONIC CO., LTD.	The Company	Sub-subsidiary	153,693	1.37	-	-	24,040	-
KUNSHAN ACES ELECTRONIC CO., LTD.	The Company	Sub-subsidiary	347,109	1.18	-	-	46,680	-
KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	The Company	Sub-subsidiary	603,148	2.20	-	-	-	-
KUNSHAN ACES ELECTRONIC CO., LTD.	KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	Affiliate	445,810	1.71	-	-	-	-
KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	KUNSHAN ACES ELECTRONIC CO., LTD.	Affiliate	175,907	1.94	-	-	120,091	-
KUNSHAN ACES ELECTRONIC CO., LTD.	DONGGUAN ACES ELECTRONIC CO., LTD.	Affiliate	160,533	1.67	-	-	54,957	-
DONGGUAN ACES ELECTRONIC CO., LTD.	KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	Affiliate	196,401	2.33	-	-	80,689	-
DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	KUANG YING COMPUTER EQUIPMENT CO., LTD.	Affiliate	224,570	2.01	-	-	90,385	-
MEC SUZHOU ELECTRONICS CO., LTD.	MEC IMEX INC.	Affiliates	107,895	6.75	-	-	54,137	-
KUANG YING COMPUTER EQUIPMENT CO., LTD.	MEC IMEX INC.	Affiliates	109,543 (Note 2)	-	-	-	13,123	-

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

Note 2: Loan and interest receivables.

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

f. Significant transactions between parent company and subsidiaries:

No.	Companies to make purchase (sale)	Counter-party	Relation ship	Transaction details			
				Accounts	Amount	Trading terms	% of combined total revenues or assets
0	The Company	KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	1	Sales	117,285	OA 120 days	1.08%
0	The Company	KUNSHAN ACES ELECTRONIC CO., LTD.	1	Sales	150,558	OA 120 days	1.39%
0	The Company	KUANG YING COMPUTER EQUIPMENT CO., LTD.	1	Sales	113,495	OA 120 days	1.05%
1	DONGGUAN ACES ELECTRONIC CO., LTD.	The Company	2	Sales	196,768	OA 120 days	1.81%
1	DONGGUAN ACES ELECTRONIC CO., LTD.	The Company	2	Accounts receivables	153,693	OA 120 days	1.04%
2	KUNSHAN ACES ELECTRONIC CO., LTD.	DONGGUAN ACES ELECTRONIC CO., LTD.	3	Sales	254,162	OA 90 days	2.34%
2	KUNSHAN ACES ELECTRONIC CO., LTD.	DONGGUAN ACES ELECTRONIC CO., LTD.	3	Accounts receivables	160,533	OA 90 days	1.08%
2	KUNSHAN ACES ELECTRONIC CO., LTD.	KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	3	Sales	669,782	OA 120 days	6.17%
2	KUNSHAN ACES ELECTRONIC CO., LTD.	The Company	2	Sales	458,881	OA 120 days	4.23%
2	KUNSHAN ACES ELECTRONIC CO., LTD.	The Company	2	Accounts receivables	347,109	OA 120 days	2.34%
2	KUNSHAN ACES ELECTRONIC CO., LTD.	KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	3	Accounts receivables	445,810	OA 120 days	3.00%
2	KUNSHAN ACES ELECTRONIC CO., LTD.	GENESIS TECHNOLOGY USA, INC.	3	Sales	171,815	OA 120 days	1.58%
3	KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	The Company	2	Sales	1,127,148	OA 120 days	10.38%
3	KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	The Company	2	Accounts receivables	603,148	OA 120 days	4.06%
3	KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	KUNSHAN ACES ELECTRONIC CO., LTD.	3	Sales	366,892	OA 30 days	3.38%
3	KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	KUNSHAN ACES ELECTRONIC CO., LTD.	3	Accounts receivables	175,907	OA 30 days	1.18%
3	KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	DONGGUAN ACES ELECTRONIC CO., LTD.	3	Sales	112,752	OA 120 days	1.06%
4	DONGGUAN ACES ELECTRONIC CO., LTD.	KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	3	Sales	493,082	OA 120 days	4.54%
4	DONGGUAN ACES ELECTRONIC CO., LTD.	KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	3	Accounts receivables	196,401	OA 120 days	1.32%
5	HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	DONGGUAN ACES ELECTRONIC CO., LTD.	3	Sales	241,059	OA 120 days	2.22%
6	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	KUANG YING COMPUTER EQUIPMENT CO., LTD.	3	Accounts receivables	224,570	OA 120 days	1.51%

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

6	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	KUANG YING COMPUTER EQUIPMENT CO., LTD.	3	Sales	445,214	OA 120 days	4.10%
7	GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	KUNSHAN ACES ELECTRONIC CO., LTD.	3	Sales	457,097	OA 120 days	4.21%
8	MEC SUZHOU ELECTRONICS CO., LTD.	MEC IMEX INC.	3	Sales	379,351	OA 90 days	3.49%

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, 2025 (excluding information on investees in Mainland China):

Investor Company	Investee Company	Location	Main Activities	Original investment amount		Balance as of December 31, 2024			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee	
				December 31, 2024	December 31, 2023	Shares	Percentage of ownership	Carrying amount				
The Company	ACECONN ELECTRONIC CO., LTD.	SAMOA	Investment holding	797,667	777,909	25,060	100.00%	4,747,805	100.00%	447,356	475,155	Note 1
The Company	ACES (HONG KONG) ELECTRONIC CO., LTD.	SAMOA	Connectors sales	6,589	-	1,548	100.00%	3,701	100.00%	(2,531)	(2,531)	"
The Company	ACES PRECISION INDUSTRY PTE LTD.	Singapore	Connectors sales business	208,410	208,410	8,162	100.00%	55,478	100.00%	(103)	(103)	"
The Company	ACECONN HOLDINGS CO., LTD.	SAMOA	Investment holding	351,112	351,112	12,000	100.00%	178,495	100.00%	11,672	11,672	"
The Company	WEI HONG INTERNATIONAL INVESTMENT CO., LTD.	Taiwan	Investment business	100,000	25,000	10,000	100.00%	102,840	100.00%	46	46	"
The Company	MEC IMEX INC.	Taiwan	Connector cable set sales business	928,939	928,939	47,582	99.86%	594,610	99.86%	27,559	27,780	"
The Company	ACES JAPAN CO., LTD.	Japan	Connector development business	15,137	15,137	5	100.00%	14,536	100.00%	706	706	"
The Company	ACES INTERCONNECT (USA), INC.	USA	Connectors sales industry	9,711	9,711	300	100.00%	9,831	100.00%	13	13	"
The Company	COMPUPACK TECHNOLOGY CO., LTD.	Taiwan	Electronic component sales business	337,237	287,237	21,500	100.00%	237,931	100.00%	(17,552)	(15,904)	"
The Company	KUANG YING COMPUTER EQUIPMENT CO., LTD.	Taiwan	Electronic component manufacturing and sales business	225,391	225,391	25,995	100.00%	347,588	100.00%	38,036	38,036	"
The Company	ACES Precision Machinery Co., Ltd.	Taiwan	Mold part manufacturing and sales business	170,000	130,000	17,000	100.00%	98,963	100.00%	(5,408)	(5,408)	"

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, 2024			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee	
				December 31, 2024	December 31, 2023	Shares	Percentage of ownership	Carrying amount				
The Company	GENESIS HOLDING COMPANY	Cayman	Investment holding	649,215	649,215	27,778	100.00%	876,242	100.00%	59,464	45,307	"
The Company	GENESIS TECHNOLOGY USA, INC.	USA	Electronic component sales business	20,104	20,104	2	100.00%	199,238	100.00%	21,125	21,125	"
The Company	JASON TECHNOLOGY LIMITED.	Hong Kong	Electronic component sales business	-	1,857	-	- %	-	100.00%	-	-	Note 3
ACESCONN HOLDINGS CO., LTD.	ASIA CENTURY INVESTMENT LTD.	SAMOA	Investment holding	351,112	351,112	9,150	100.00%	178,495	100.00%	11,672	11,672	Note 1
ACES Precision Machinery Co., Ltd.	ACES Surface Treatment Co., Ltd.	Taiwan	Manufacture and sales of mold	13,000	8,000	1,200	100.00%	3,364	100.00%	(2,586)	(3,242)	"
MEC IMEX INC.	MEC INTERNATIONAL COMPANY LTD.	British Virgin Islands	Investment holding	1,324,615	1,295,195	34	100.00%	404,501	100.00%	29,915	29,915	"
MEC IMEX INC.	MEC ELECTRIC SOLUTIONS GMBH	Germany	Connector cable set sales business	-	3,179	-	- %	-	100.00%	-	-	Note 4
MEC INTERNATIONAL COMPANY LTD.	MEC BEST KNOWN COMPANY LIMITED	Hong Kong	Investment holding	473,201	473,201	118,250	100.00%	8,379	100.00%	(436)	(436)	Note 1
MEC INTERNATIONAL COMPANY LTD.	MEC ULTRAMAX (HK) COMPANY LIMITED	Hong Kong	Investment holding	-	122,400	-	- %	-	100.00%	-	-	Note 2
MEC INTERNATIONAL COMPANY LTD.	MEC ELECTRONICS (HK) COMPANY LIMITED	Hong Kong	Connector cable set sales business	205,445	205,445	510	100.00%	173,382	100.00%	24,496	24,496	Note 1
MEC INTERNATIONAL COMPANY LTD.	MEC ELECTRONICS PHILIPPINES CORPORATION	Philippines	Connector cable set manufacturing and sales business	54,085	54,085	8,000	100.00%	324,479	100.00%	25,799	25,799	"
MEC ELECTRONICS PHILIPPINES CORPORATION	MEC IMEX (USA), INC.	USA	Connector cable set sales business	12,544	12,544	4	100.00%	16,677	100.00%	(497)	(497)	"
MEC ELECTRONICS (HK) COMPANY LIMITED	HOMEPRIDE TECHNOLOGY LIMITED	Hong Kong	Investment holding	230,261	230,261	56,750	100.00%	102,450	100.00%	16,005	16,005	"
COMPUPACK TECHNOLOGY CO., LTD.	Aces Precision Industry Pte Ltd.	Vietnam	Electronic component manufacturing and sales business	365,222	336,292	-	100.00%	(9,916)	100.00%	(7,829)	(7,829)	"
KUANG YING COMPUTER EQUIPMENT CO., LTD.	INFOMIGHT INVESTMENTS LIMITED	SAMOA	Investment holding	285,904	285,904	7,980	100.00%	217,865	100.00%	(18,723)	(17,247)	"
INFOMIGHT INVESTMENTS LIMITED	BELTA INTERNATIONAL LIMITED	British Virgin Islands	Investment holding	52,349	52,349	4	100.00%	168,866	100.00%	(20,236)	(20,236)	"
INFOMIGHT INVESTMENTS LIMITED	CERTILINK INTERNATIONAL LIMITED	British Virgin Islands	Sales business	1,605	1,605	50	100.00%	46	100.00%	(86)	(86)	"

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, 2024			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee	
				December 31, 2024	December 31, 2023	Shares	Percentage of ownership	Carrying amount				
INFOMIGHT INVESTMENTS LIMITED	ACCURATE GROUP LIMITED	SAMOA	Investment holding	131,588	131,588	4,100	100.00%	44,749	100.00%	1,425	1,425	"
GENESIS HOLDING COMPANY	GENESIS INNOVATION GROUP LIMITED	Hong Kong	Investment holding	228,280	228,280	8,000	100.00%	449,733	100.00%	49,844	49,844	"
GENESIS HOLDING COMPANY	GENESIS ELECTRO-MECHANICAL LIMITED	Hong Kong	Investment holding	268,229	268,229	9,400	100.00%	329,582	100.00%	7,720	7,720	"

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

Note 2: The subsidiary of the Company, MEC ULTRAMAX (H.K.) COMPANY LIMITED, completed the dissolution and liquidation procedures in June 2025, and remitted the residual payments for share to the investment company in the third region, MEC INTERNATIONAL COMPANY LTD.

Note 3: The subsidiary of the Company, JASON TECHNOLOGY LIMITED., was sold to a non-related party in January 2025.

Note 4: The subsidiary of the Company, MEC ELECTRIC SOLUTIONS GMBH, completed the dissolution and liquidation procedures in August 2025, and remitted the residual payments for shares to MEC IMEX INC.

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

(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, 2024	Investment flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2024	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, 2024	Accumulated Inward Remittance of Earnings as of December 31, 2024	Note
					Outflow	Inflow								
DONGGUAN ACES ELECTRONIC CO., LTD.	Connector manufacturing and sales business	115,301	(2)	115,301	-	-	115,301	68,318	100.00%	100.00%	68,318	560,234	451,444	Note 11
KUNSHAN ACES ELECTRONIC CO., LTD.	Connector manufacturing and sales business	629,475	(2)	163,447	-	-	163,447	356,298	100.00%	100.00%	364,582	3,149,288	452,925	"
KUNSHAN ACES TRADING CO., LTD.	Connectors sales business	9,087	(2)	9,087	-	-	9,087	1,488	100.00%	100.00%	1,488	62,667	-	"
CHONGQING HONG GAO ELECTRONIC CO., LTD.	Connectors sales business	173,985	(2)	188,086	-	-	188,086	1,421	100.00%	100.00%	1,421	4,479	-	"
GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	Surface treatment and sales business	256,682	(2)	351,112	-	-	351,112	11,113	100.00%	100.00%	11,113	155,628	-	"
KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	Connector manufacturing and sales business	593,671	(2)	-	-	-	-	14,357	100.00%	100.00%	14,357	637,774	-	Note 6, 11
ACES ZHUHAI TECHNOLOGY LTD	Connector manufacturing and sales business	349,246	(2)	150,350	19,668	-	170,018	(798)	100.00%	100.00%	(798)	348,019	-	Note 11
HONGTAI ZHUHAI TRADING LTD	Connector manufacturing and sales business	6,268	(2)	6,268	-	-	6,268	(522)	100.00%	100.00%	(522)	5,029	-	Note 11
Nantong Dadi Electric Co., Ltd.	Automobile cable bundle manufacturing and sales business	410,404	(3)	-	-	-	-	(263,529)	15.31%	19.31%	(40,346)	301,030	-	Note 2
Kung Shan Ching Zhi Electric Co., Ltd.	Electronic component sales business	-	(3)	-	-	-	-	10,770	30.00%	30.00%	3,231	27,224	-	Note 9
MEC ELECTRONICS (SUZHOU) CO., LTD.	Connector cable set manufacturing and sales business	-	(2)	301,403	-	-	301,403	-	100.00%	100.00%	-	-	-	Note 10, 11
SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Connector cable set manufacturing and sales business	519,336	(2)	369,705	-	-	369,705	(272)	100.00%	100.00%	(272)	8,414	-	Note 3, 11
HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Connector cable set manufacturing and sales business	214,991	(2)	121,258	-	-	121,258	16,350	100.00%	100.00%	16,350	118,592	-	"
MEC SUZHOU ELECTRONICS CO., LTD.	Connector cable set manufacturing and sales business	301,450	(2)	272,030	29,420	-	301,450	(18,973)	100.00%	100.00%	(18,973)	(24,654)	-	"
DONGGUAN COMPUPACK TECHNOLOGY CO., LTD.	Electronic component sales business	10,477	(1)	10,477	-	-	10,477	(469)	100.00%	100.00%	(469)	9,681	-	Note 4, 11
DONGGUAN KUANGYING PLASTIC PRODUCT CO., LTD.	Electronic component manufacturing and sales	128,110	(2)	129,711	-	-	129,711	(20,205)	100.00%	100.00%	(20,205)	167,078	-	Note 5, 11

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

Name of investee	Main Activities	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated remittance from Taiwan as of January 1, 2024	Investment flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2024	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, 2024	Accumulated Inward Remittance of Earnings as of December 31, 2024	Note
					Outflow	Inflow								
SUZHOU KUANG YING ELECTRIC CO., LTD.	Electronic component manufacturing and sales	104,307	(2)	153,819	-	-	153,819	(108)	100.00%	100.00%	(108)	3,593	-	"
DONGGUAN POLIXIN ELECTRIC CO., LTD.	Electronic component sales business	65,150	(2)	-	-	-	-	1,943	100.00%	100.00%	1,943	27,837	-	Note 7, 11
GENESIS TECHNOLOGY(NINGBO) INC.	Electronic component sales business	21,720	(2)	228,805	-	-	228,805	(283)	100.00%	100.00%	(283)	51,480	-	Note 8, 11

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.

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 ELECTRO-MACHANICAL. LIMITED.

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

Note 10: Dissolution and liquidation procedures of the subsidiary of the Company, MEC ELECTRONICS (SUZHOU) CO., LTD. have been completed in June 2024, and the residual payments for share have been remitted to the investment company in the third region, MEC INTERNATIONAL COMPANY LTD.

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

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

b. Limitation on investment in Mainland China:

Name of investee	Accumulated remittance from Taiwan to China as of December 31, 2025 (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.	1,232,124 (USD 28,892 thousand)	3,279,218 (USD 104,334 thousand)(Note 2)	4,760,035 (Note 3)
MEC IMEX INC.	1,093,816 (USD 38,396 thousand)	1,585,487 (USD 50,445 thousand)	91,362
COMPUPACK TECHNOLOGY CO.,LTD.	10,477 (USD 350 thousand)	11,001 (USD 350 thousand)	228,471 (Note 4)
KUANG YING COMPUTER EQUIPMENT CO., LTD.	283,530 (USD 8,983 thousand)	314,426 (USD 10,004 thousand)	

Note 1: Accumulated remittance amount from Taiwan to China as of December 31, 2025 was estimated by historical exchange rates.

Note 2: Inclusive on the amount of USD40,245 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: The amount remitted by KUANG YING COMPUTER EQUIPMENT CO., LTD. to mainland China was originally within the limit regulated by the Investment Commission. However, due to operational changes during the current period, the net value has decreased.

c. Significant transactions:

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, 2025 are disclosed in "Information on significant transactions".

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

14. Segment information:

(1) General Information

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

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

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

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

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

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

	For the year ended December 31, 2025					Total
	Connector segment	Connector cable segment	Metal stamping segment	Other segment	Adjustment and elimination	
Revenue:						
Revenue from external customer	\$ 6,691,204	1,832,845	1,745,578	589,930	-	10,859,557
Revenue from between segments	87,067	664,095	229,442	27,339	(1,007,943)	-
Total revenue	\$ 6,778,271	2,496,940	1,975,020	617,269	(1,007,943)	10,859,557
Profit and loss from reportable segments	\$ 599,658	(135,665)	292,338	(24,234)	82,652	814,749

	For the year ended December 31, 2024					Total
	Connector segment	Connector cable segment	Metal stamping segment	Other segment	Adjustment and elimination	
Revenue:						
Revenue from external customer	\$ 5,733,304	1,801,855	1,591,535	644,203	-	9,770,897
Revenue from between segments	96,397	489,217	169,667	675	(755,956)	-
Total revenue	\$ 5,829,701	2,291,072	1,761,202	644,878	(755,956)	9,770,897
Profit and loss from reportable segments	\$ 279,807	(53,061)	188,623	(30,325)	2,169	387,213

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

(3) Information on products

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

(4) Geographic information

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

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

Non-current assets:

<u>Region</u>	<u>For the year ended December 31, 2025</u>	<u>For the year ended December 31, 2024</u>
China	\$ 2,539,354	2,315,277
Taiwan	3,973,282	3,394,434
Philippines	114,545	84,354
Others	93,257	89,050
Total	<u>\$ 6,720,438</u>	<u>5,883,115</u>

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

(5) Information on key customers:

Key customers for the years ended December 31, 2025 and 2024.

	<u>2025</u>	<u>2024</u>
U Customer	\$ 823,272	890,580
Q Customer	827,434	628,358
Total	<u>\$ 1,650,706</u>	<u>1,518,938</u>