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ACES ELECTRONICS CO., LTD.

2022 Annual Report

Printed on May 12, 2023

Annual report is available at

Taiwan Stock Exchange Market Observation Post System : <https://mops.twse.com.tw>

ACES's Website: <https://www.acesconn.com>

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Spokesman: Lee Shu-Yun

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Finance Department

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Acting spokesman: Yang Tsung-Lin

Title: General Manager

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4. Name, firm, address, website, and phone number of CPAs certifying the latest financial statements

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Name of CPA firm: KPMG

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Website: <http://www.kpmg.com.tw>

Tel: (02) 8101-6666

5. Venue for trading the Company's listed overseas securities and inquiry method for such overseas securities: Nil

6. Company website: <https://www.acesconn.com>

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I. Letter to Shareholders

First of all, on behalf of the management team of ACES Electronics Co., Ltd., We would like to express our sincere gratitude for all shareholders for the unwavering support and concern for the company over the years. Looking back on the past year, the global economic trend and the electronics industry have undergone drastic changes due to inflation caused by the Ukrainian-Russian War and the rapid rise in U.S. dollar interest rates, the increased demand for servers due to the growth of 5G communication transmission, and the advancement of automotive electronics which is driven by the development of electric vehicles.

In response to changes in the industry, the Company has gradually shifted our focus from traditional product design and production to joint design and development of systems and modules with customers in the development layout of connectors and connecting lines; at the same time, by integrating the technical capabilities of the group, we aim to acquire more growth momentum in the future. This transformation will have a significant impact on our future industrial competitiveness.

Looking ahead, the global macro economy is predicted to remain fluctuating drastically this year. The Company will pay close attention to changes in the industrial environment, face the challenges prudently, and continue to enhance market competitiveness in the future.

In terms of implementation results of the business plan

In terms of the consolidated financial statements for the year 2022, the consolidated net revenue from operations was NT\$10.393 billion, the consolidated profit from operations was NT\$56.75 million, the consolidated profit before income tax was NT\$315 million, and the consolidated profit for the year was NT\$225 million (net profit attributable to shareholders of the parent). The basic earnings per share after tax was NT\$1.68.

Unit: NTD thousands

Item	2022	2021	YoY Growth/Decrease Rate
Consolidated Net Revenue from Operations	10,392,504	10,575,862	-1.73%
Consolidated Profit from Operations	56,747	514,003	-88.96%
Consolidated Profit before Income Tax	315,063	588,913	-46.50%
Consolidated Profit for the year	223,333	508,171	-56.05%
Net Profit Attributable to Shareholders of the Parent	225,319	510,855	-55.89%

The Company did not formally prepare financial forecasts for 2022. However, based on the Company's internal operating plan, the actual shipment amount for 2022 achieved 75% of the original target, and the overall revenue decreased by 2% compared to the previous year.

In terms of financial balance and profitability

Item	2022	2021	
Return on Assets	2.28%	4.72%	
Return on Equity	4.04%	10.21%	
Profit Ratio of Paid up Capital	Profit from Operations	4.22%	38.24%
	Profit before Income Tax	23.43%	43.81%
Net Profit Margin	2.16%	4.83%	
Earnings per Share (NT\$)	1.68	4.16	

In terms of research and development

In response to market demand trends, in terms of connector development, the Company continues to develop high-end connectors with fine-pitch, low-profile, high-frequency, and high-power. In terms of cable development, the Company is focusing on high-speed transmission cables for server internal cables and data center external cables, as well as the assemblies of professional cables with high current and high power for industrial use. The Company has rapid development capabilities in product R&D and design, which shortens product development time, and can provide customized connectors and cable products according to customer needs; meanwhile, with the support of the overseas marketing network, the Company promotes new designs and new products to large international customers to meet their comprehensive needs and continue to achieve high growth goals.

This year's business plan, business policy and future outlook

The Company has always adhered to the concept of "knowledge, vision, value, attitude, commitment, and execution", operates with integrity, and strives to improve the operating efficiency of the group. In order to meet the needs of long-term strategic development, we integrate the group resources and operate in four business groups, promote the maximum output value and efficiency of each business group, and focus on overseas markets and the mainland market. The Company's overseas sales bases cover the United States, Japan, Germany, the United Kingdom, India, Singapore and other regions, providing connectors, cables, electromagnetic shielding covers, internal mechanism components of electronic products, external casings of system equipment, and product assembly and testing services, among other products and services that required by consumer electronics, automotive electronics, cloud servers, and industrial control industries. We aim to increase the added value of technology and production, and enhance the growth momentum.

In terms of production and manufacturing, the Company has built a research and development headquarters building in Taoyuan, Taiwan for long-term development since April 2022. It is currently under construction. In the future, we will expand Taiwan's production capacity and enhance the group's competitiveness. The Company has also established strong production capacity in Asia with manufacturing factories located in Taiwan, mainland China (Kunshan, Dongguan, Ningbo), Philippine and Vietnam. We will continue to implement the process lean plan and optimize the cost structure by increasing the proportion of automated production, and strive to reach the goal of becoming the preferred supplier for international customers.

Looking forward to this year (2023), we are still facing a market environment full of variables and fierce competition. The Company will continue to adopt a pragmatic attitude, face future challenges prudently, maintain our existing competitive advantages, and strive to achieve this year's operational growth goals. We hope to gradually become a leading brand in the connectivity industry in the future.

Finally, we hope that all shareholders can continue to give encouragement and guidance to the management team by upholding the love and support for the Company in the future.

Wishing you all good health and all the best.

Chairman: Yuan Wan-Ting

General Manager: Yang Tsung-Lin

Accounting Supervisor: Lee Shu-Yun

II. Company Profile

(1) Establishment date
November 7th, 1996

(2) Company history

1996	<ul style="list-style-type: none"> ■ In November, ACES ELECTRONICS CO., LTD. was established with a paid-in capital of NTD 5 million. Its main business is the design, development, manufacturing, and sales of electronic connectors.
1997	<ul style="list-style-type: none"> ■ In September, a cash capital increase of NTD 5 million was conducted, raising the paid-in capital to NTD 10 million.
2000	<ul style="list-style-type: none"> ■ ISO 9001 international quality system certification was approved.
2001	<ul style="list-style-type: none"> ■ A cash capital increase of NTD 19.5 million was conducted, raising the paid-in capital to NTD 29.5 million. ■ Successfully developed and completed the "0.5mm pitch board-to-board connector" for notebook computers.
2002	<ul style="list-style-type: none"> ■ A cash capital increase and capitalization of retained earnings totaling NTD 30.5 million were conducted, raising the paid-in capital to NTD 60 million.
2003	<ul style="list-style-type: none"> ■ A cash capital increase of NTD 60 million was conducted, raising the paid-in capital to NTD 120 million.
2004	<ul style="list-style-type: none"> ■ In September, the capitalization of retained earnings of NTD 13.2 million and the first cash capital increase of NTD 51.45 million was conducted. In addition, ACCESS ELECTRONIC CO., LTD. was merged and the reference date was November 5th, 2004. New shares totaling NTD 20 million were issued for the merger, raising the paid-in capital to NTD 204.65 million. ■ Passed the UL ISO 14001 international environmental quality system certification. ■ Successfully developed and completed the Pitch 0.5mm MXM Card high-frequency connector. ■ Successfully developed and completed the "0.3mm pitch FPC connector" for mobile phones and consumer electronic products. ■ Acquired equity in ACECONN ELECTRONIC CO., LTD. for USD 2 million, and was approved by the Investment Commission of the Ministry of Economic Affairs to make investments in DONGGUAN ACES ELECTRONIC CO., LTD. and KUNSHAN ACES ELECTRONIC CO., LTD. through a transfer of investment. ■ Established ACES (HONG KONG) ELECTRONIC CO., LTD. and WELL PLAN GROUP LIMITED, mainly engaged in the business of connector trading. ■ In December, the second cash capital increase of NTD 136.05 million was conducted, raising the paid-in capital to NTD 340.7 million.
2005	<ul style="list-style-type: none"> ■ Established the group headquarters and relocated to the Zhongli Industrial Zone in Taoyuan. ■ Successfully developed the "Precision Insert Molding" technology. ■ Successfully developed the "0.4mm pitch board-to-board connector". ■ Successfully developed the "Push-Push type Express Card connector" for notebook computers.
2006	<ul style="list-style-type: none"> ■ In February, acquired a 60% stake in ACES Precision Industry Pte Ltd. ■ In May, a cash capital increase of NTD 12.3 million was conducted, raising the paid-in capital to NTD 353 million. ■ In August, a cash capital increase of NTD 30.5 million, capitalization of retained earnings of NTD 222.38 million, and capitalization of employee bonuses of NTD 3 million were conducted, raising the paid-in capital to NTD 608.88 million.
2007	<ul style="list-style-type: none"> ■ In June, capitalization of retained earnings of NTD 91.33 million and capitalization of employee bonuses of NTD 5 million were conducted, raising the paid-in capital to NTD 705.21 million. ■ On November 26th, approval was granted for the public issuance of stocks. ■ On December 28th, the Taipei Exchange approved the stock registration for the Emerging Stock Market.

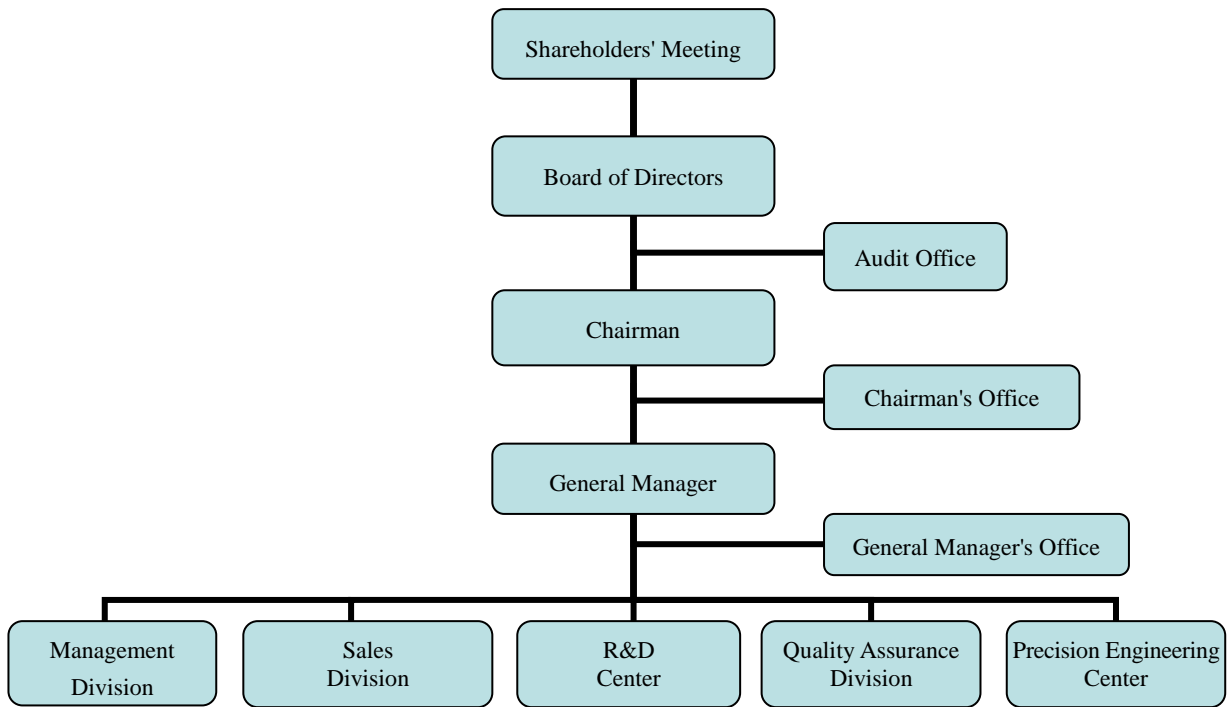
2008	<ul style="list-style-type: none"> ■ In July, invested USD 300,000 through ACECONN's 100% investment in KUNSHAN ACES TRADING CO., LTD. ■ In October, capitalization of retained earnings of NTD 70.52 million and capitalization of employee bonuses of NTD 5 million were conducted, raising the paid-in capital to NTD 780.73 million.
2009	<ul style="list-style-type: none"> ■ In March, a pre-IPO cash capital increase of NTD 78.8 million was conducted, raising the paid-in capital to NTD 859.53 million. ■ On March 26th, the stocks were listed for trading on the TWSE. ■ In July, acquired 100% of the shares of ACES PRECISION INDUSTRY PTE LTD. ■ In September, capitalization of retained earnings of NTD 88.28 million was conducted, raising the paid-in capital to NTD 947.82 million. ■ In September, the company was selected as one of the top 200 best SMEs in Asia by Forbes Asia magazine.
2010	<ul style="list-style-type: none"> ■ In March, employee stock options were converted for NTD 37.9 million, raising the paid-in capital to NTD 951.61 million. ■ In July, CHONGQING HONG GAO ELECTRONIC CO., LTD. was established. ■ In August, the company issued its first unsecured convertible corporate bond in Taiwan, raising NTD 800 million. ■ In August, employee stock options were converted for NTD 0.2 million, raising the paid-in capital to NTD 951.81 million. ■ In September, capitalization of retained earnings of NTD 284.35 million was conducted, raising the paid-in capital to NTD 1,236.16 million. ■ In September, the company was again selected as one of the top 200 best SMEs in Asia by Forbes Asia magazine.
2011	<ul style="list-style-type: none"> ■ In April, employee stock options were converted for a total of NTD 40.9 million, increasing the paid-in capital to NTD 1.24025 billion. ■ In June, the company was rated as "Grade A" in the 8th evaluation of information disclosure for listed and OTC companies by the Securities and Futures Institute.
2012	<ul style="list-style-type: none"> ■ In January, the ACES PEC was completed. ■ In March, employee stock option certificates were converted for a total of NTD 3.23 million, increasing the paid-in capital to NTD 124.348 million. ■ In August, employee stock option certificates were converted for NTD 440,000, increasing the paid-in capital to NTD 1,243.92 million. ■ Established ACESCONN HOLDINGS CO., LTD., which acquired 100% equity of ASIA CENTURY INVESTMENT LTD. and indirectly acquired 100% equity of GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU. ■ Established ACES JAPAN CO., LTD.
2013	<ul style="list-style-type: none"> ■ In August, employee stock option certificates were converted for NTD 0.9 million, increasing the paid-in capital to NTD 1,244.01 million. ■ In October, the Company was awarded the "Outstanding Enterprise" award in the 10th National Brand Yushan Awards.
2014	<ul style="list-style-type: none"> ■ In May, 5.01 million NTD worth of treasury shares were canceled, and the paid-in capital was reduced to 1,239 million NTD. ■ In August, 11 million NTD worth of new restricted employee shares were issued, and the paid-in capital increased to 1,250 million NTD. ■ In November, 9.24 million NTD worth of treasury shares were canceled, and the paid-in capital was reduced to NTD 1,240.76 million. ■ Received the "Top 10 Outstanding Enterprises of the Year" award in the large enterprise category at the 16th Golden Peak Award organized by the OEMA.
2015	<ul style="list-style-type: none"> ■ In May, canceled restricted employee stock options and reduced capital by NTD 1 million, bringing the paid-in capital to NTD 1,239.76 million. ■ In August, won the "Corporate Citizen Award for Small and Medium Enterprises" at the 2015 Business Next Magazine's Business Citizen Awards. ■ In August, canceled restricted employee stock options and reduced capital by NTD 2 million, bringing the paid-in capital to NTD 1,239.56 million. ■ In October, completed the acquisition of a 70% equity interest in MEC IMEX INC. (formerly known as Wei Han Industrial Co., Ltd.) through a public tender offer,

	<p>making it a subsidiary of the Company.</p> <ul style="list-style-type: none"> ■ In October, established Aces Interconnect (USA), Inc. and injected capital in January 2016. ■ In December, canceled restricted employee stock options and reduced capital by NTD 540,000, bringing the paid-in capital to NTD 1,239.02 million.
2016	<ul style="list-style-type: none"> ■ In April, canceled restricted employee stock options by NTD 180 thousand, bringing the paid-in capital to NTD 1,238.84 million. ■ In August, won the "Corporate Citizen Award for Small and Medium Enterprises" at the 2016 Business Next Magazine's Business Citizen Awards. ■ In September, canceled restricted employee stock options and reduced capital by NTD 5.28 million, bringing the paid-in capital to NTD 1,233.56 million.
2017	<ul style="list-style-type: none"> ■ In July, we completed the acquisition of a 90% equity interest in COMPUPACK TECHNOLOGY CO., LTD. making it a subsidiary of the Company. ■ In December, we canceled 960 thousand shares bought back due to objections to the merger proposal, with a cancellation amount of NTD 9.6 million, and the paid-in capital decreased to NTD 1,223.96 million.
2018	<ul style="list-style-type: none"> ■ In November, we were honored to receive the National Brand Yushan Award in the Outstanding Enterprise category, the top prize in the country, at the 15th annual awards ceremony.
2019	<ul style="list-style-type: none"> ■ In July, the Company acquired an 89.53% equity interest in KUANG YING COMPUTER EQUIPMENT CO., LTD. and made it become a subsidiary of the Company. ■ In August, the Company established ACES Precision Machinery Co., Ltd. ■ In October, the Company invested in KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD. through its subsidiary ACECONN by cash.
2020	<ul style="list-style-type: none"> ■ In December, the Board of Directors approved a cash investment to acquire 100% equity of Genesis Technology USA, Inc. and Genesis Holding Company (hereafter collectively referred to as "Genesis").
2021	<ul style="list-style-type: none"> ■ In April, the acquisition of 100% equity interest in Genesis Technology USA, Inc. and Genesis Holding Company (hereinafter referred to as "Genesis") was completed, and Genesis became a subsidiary of the Aces group. ■ In July, the acquisition of 100% equity interest in JASON TECHNOLOGY LIMITED was completed, and JASON TECHNOLOGY LIMITED became a subsidiary of the Aces group. ■ In November, the second unsecured convertible corporate bonds were issued, raising NTD 600 million. ■ In November, the Aces group won the top prize in the "Outstanding Enterprises" category of the 18th National Brand Yushan Awards. ■ In December, a cash capital increase of NTD 120 million was conducted, and the paid-in capital increased to NTD 1,343.96 million.
2022	<ul style="list-style-type: none"> ■ In July, convertible bonds were converted into 21,825 shares, and the paid-in capital increased to NTD 134,4.18 million. ■ In November, the Company was awarded the Platinum Award in the Verification Assessment Program (VAP) of the Responsible Business Alliance (RBA). ■ In December, the Company was awarded the 10th Outstanding Taiwan Businessman Award for Domestic Sales Model in Mainland China in 2022.

III. Corporate Governance Report

(1) Organization System

A. Organizational Structure



B. The business activities of the main departments

Name	Main Functions and Responsibilities
Chairman's Office	<ol style="list-style-type: none"> 1. Business strategy analysis and formulation. 2. Coordinate the Company's stock affairs, the Board of directors, and shareholders' meeting arrangements.
Audit Office	<ol style="list-style-type: none"> 1. Audit and evaluate the Company's budget, finance, business, and internal control systems. 2. Audit the operation of the Company.
General Manager's Office	Analysis and research of operational strategy projects.
Sales Division	<ol style="list-style-type: none"> 1. Responsible for product sales and promotion to achieve sales targets. 2. Development of customer value and grasp of market trends. 3. Matters related to product orders and domestic and international sales business.
R&D Center	<ol style="list-style-type: none"> 1. Coordinate research and development directions, product development, manufacturing technology development, and sales technical support, and assist in solving customer technical problems and developing new product materials. 2. Coordinate the development and design of production equipment.
Precision Engineering Center	<ol style="list-style-type: none"> 1. Coordinate matters related to mold design, development, manufacturing, and management. 2. Understand and grasp customer quality requirements, perform product verification, and ensure product quality. 3. Coordinate production and manufacturing matters such as injection molding, stamping, and assembly.
Management Division	<ol style="list-style-type: none"> 1. Coordinate the company's financial, accounting, tax, and business analysis matters. 2. Coordinate the company's administrative management, general affairs, general procurement, and human resources matters. 3. Plan, execute, and maintain the Company's information system, as well as update and maintain the software and hardware equipment.
Quality Assurance Division	<ol style="list-style-type: none"> 1. Develop/maintain quality policies. 2. Develop/implement quality management systems and plans. 3. Control the operation mechanism of various quality assurance systems and implement quality improvement measures. 4. Maintain various international quality management systems. 5. Monitor the achievement rate of quality cost targets. 6. Meet individual customer audit requirements and goals. 7. Manage customer quality services and satisfaction.

(2) Directors, supervisors, general managers, deputy general managers, managers, department heads, and branch managers

A. Directors and supervisors

(A) Directors and supervisors

April 29, 2023

Title	Nationality	Name	Gender Age	Date Elected	Term (years)	Date First Elected	Shareholding when Elected (Note 1)		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Main education and work experience.	Current positions held in the Company and other companies	Executives, Directors, or Supervisors who are spouses or within two degrees of kinship			Remark (Note 3)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
							Chairman	R.O.C	Yuan Wan-Ting	Male 51~60	2022.6.29	3 years	1998.5.26	8,256,380			6.75%	8,863,487	6.59%	
Director	R.O.C	Weiji Investment Co., Ltd.		2022.6.29	3 years	2010.6.8	5,200,764	4.25%	5,583,185	4.15%	0	0	0	0			Nil	Nil	Nil	N/A
	R.O.C	Weiji Investment Co., Ltd. Representative: Huang Wen-Cheng	Male 61~70	2022.6.29	3 years	2007.9.18	0	0	0	0	0	0	0	0	Bachelor of Mechanical Engineering, National Cheng Kung University MBA, National Chengchi University President, China Motor Corporation Vice CEO, Yulon-group Co., Ltd. Chairman, Automotive Research & Testing Center	Chairman, Global Fortune Investment Co., Ltd. Chairman, Global Fortune Management Co., Ltd. Independent Director, Chenbro Micom Co., Ltd. Independent Director, Entire Technology Co., Ltd. Director, eLAND information Co., Ltd. Supervisor, ezTravel Co., Ltd. Supervisor, ezTravel Travel Service Co., Ltd. Director, Kuo-Fu Fortune Investment Co., Ltd. Director, Phoenix innovation Investment Corporation Director, Phoenix II innovation Investment Corporation Director, Conserve & Associates, Inc Director of ACES's affiliated companies (Note 2)	Nil	Nil	Nil	N/A
Director	R.O.C	Hsieh Han-Chang	Male 61~70	2022.6.29	3 years	2019.6.28	0	0	0	0	0	0	0	0	EMBA of National Chengchi University VCEO of Yeangder Group President of Shihlin Electric and Engineering Corp President of the Ambassador Hotel	VCEO of Yeangder Group MD & President of Shihlin Electric and Engineering Corp Director and President of the Ambassador Hotel Ltd Director of HCT LOGISTICS CO., LTD. Supervisor of Yeangder Invested Company	Nil	Nil	Nil	N/A

Title	Nationality	Name	Gender Age	Date Elected	Term (years)	Date First Elected	Shareholding when Elected (Note 1)		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Main education and work experience.	Current positions held in the Company and other companies	Executives, Directors, or Supervisors who are spouses or within two degrees of kinship			Remark (Note 3)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
																Chairman of Hsin Ling Electric and Engineering Corp. Director of Chuan Lin Scien-Technical Corp. Director of Ruei Lin Electric & Engineering Corp. Director of Yeangder Entertainment Co., Ltd. Director of Yeang-der Senior High School Director of SEEC International Holdings Ltd. Director of Shihlin Electric (Suzhou) Power Equipment Co., Ltd. Director of Yeangder Culture and Education Foundation Vice CEO of memorial Foundation of Mr.Ching Teh Hsu Independent Director of Flytech Technology Co., Ltd. Supervisor of Yeangder safety consultant Corp. Director of Sankyo Company Ltd. Director of Mec Imex Inc.				
Director	R.O.C	Hsu Chang-Fei	Female 51~60	2022.6.29	3 years	2015.6.30	5,708,849	4.66%	6,128,631	4.56%	11,248,365	8.37%	0	0	Bachelor of Foreign Languages and Literatures, National Chung Hsing University Supervisor, Aces Electronics Co., Ltd.	Nil	Chairman	Yuan Wan-Ting	spouse	N/A
Independent director	R.O.C	Lee An-Chen	Male 61~70	2022.6.29	3 years	2012.6.6	0	0	0	0	0	0	0	0	Master of Power Mechanical Engineering, National Tsing Hua University Ph.D. in Mechanical Engineering, University of Wisconsin-Madison, USA	Lifetime Chair Professor, Mechanical Engineering, National Yang-Ming Chiao Tung University	Nil	Nil	Nil	N/A
Independent director	R.O.C	Liaw Dar-Lii	Male 71~80	2022.6.29	3 years	2013.6.20	0	0	0	0	0	0	0	0	Bachelor of Accounting, National Chengchi University President of the Division, Hong Tai Electric Industrial Co., Ltd.	Nil	Nil	Nil	Nil	N/A

Title	Nationality	Name	Gender Age	Date Elected	Term (years)	Date First Elected	Shareholding when Elected (Note 1)		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Main education and work experience.	Current positions held in the Company and other companies	Executives, Directors, or Supervisors who are spouses or within two degrees of kinship			Remark (Note 3)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent director	R.O.C	Sheen Gwo-Ji	Male 61~70	2022.6.29	3 years	2022.6.29	0	0	0	0	0	0	0	0	Ph.D., Industrial Engineering, University of Wisconsin-Madison, USA Dean of the College of Management and Director of the Graduate Institute of Industrial Management at National Central University Chairman of the Chinese Enterprise Resource Planning Society Assistant Professor in the Department of Mechanical Engineering at the University of Illinois at Chicago, USA.	Professor, Department of Business Administration and Graduate Institute of Industrial Management, National Central University Executive Director of the Chinese Enterprise Resource Planning Society	Nil	Nil	Nil	N/A

Note 1: Excluding the number of shares held in trust with no decision-making power.

Note 2: Please refer to the relevant information of related companies (pages 292 ~298).

Note 3: If the Chairman and General Manager or equivalent position (the highest executive officer) of the Company are the same person, spouse, or first-degree relative, the reasons, rationality, necessity, and corresponding measures (such as increasing the number of independent directors, and ensuring that the majority of the directors are not concurrently serving as employees or executives) should be explained with relevant information.

(B) Major shareholders of the institutional shareholders

a. Major shareholders of the institutional shareholders

April 29th, 2023

Name of institutional shareholder	Major shareholders (ownership percentage) of institutional shareholders
Weiji Investment Co., Ltd.	Yuan Wan-Ting(49%)、Hsu Chang-Fei (25%) Yuan Chen-Ting(13%)、Yuan Ju-Hsuan (13%)

(C) Professional Qualifications and Independence analysis of the Directors and Supervisors:

Name	Criteria	Professional Qualifications and Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman Yuan Wan-Ting	1. For professional qualifications and experience, please refer to pages 8-10 of this annual report for information on directors and supervisors. 2. All directors and supervisors have not been involved in any of the circumstances listed in Article 30 of the Company Act.	All independent directors of the Company comply with the requirements outlined in Article 3, Paragraph 1 of the "Regulations Governing the Appointment of Independent Directors of Public Companies" (Note 1).	N/A	1
Director Huang Wen-Cheng				2
Director Hsieh Han-Chang				1
Director Hsu Chang-Fei				0
Independent director Lee An-Chen				0
Independent director Liaw Dar-Lii				0
Independent director Sheen Gwo-Ji				0

Note 1: There have been no occurrences of the following situations within the two years before the appointment and during the period of service:

- (1) Being an employee of the Company or its affiliated enterprises.
- (2) Being a director or supervisor of the Company or its affiliated enterprises (except for independent directors appointed in accordance with this Act or local laws and regulations who concurrently serve as directors of a parent company, subsidiary, or a subsidiary of the same parent company).
- (3) The individual, their spouse, minor children, or natural person shareholders who hold more than 1% of the total issued shares or are among the top ten shareholders of the Company under another person's name.
- (4) The manager listed in (1), relatives within the second degree of kinship, direct lineal blood relatives within the third degree of kinship, or spouses of the personnel listed in (2) and (3).
- (5) Being a director, supervisor, or employee of a corporate shareholder that directly holds more than 5% of the total issued shares, is among the top five shareholders, or has appointed a representative in accordance with Article 27, Paragraph 1 or 2 of the Company Act to serve as a director or supervisor of the Company (except for independent directors appointed in accordance with this Act or local laws and regulations who concurrently serve as directors of a parent company, subsidiary, or a subsidiary of the same parent company).
- (6) Being a director, supervisor, or employee of another company or institution where the same individual controls over half of the Company's voting rights or where over half of the company's board seats or voting rights are held by the same individual (except for independent directors appointed in accordance with this Act or local laws and regulations who concurrently serve as directors of a parent company, subsidiary, or a subsidiary of the same parent company).
- (7) Being a director, supervisor (auditor), or employee of another company or institution where the chairman of the board, general manager, or a similar position of the Company and the individual or their spouse hold the same position or where the director-general or a similar position of the Company and the individual or their spouse are directors (supervisors), supervisors (auditors), or employees (except for independent directors appointed in accordance with this Act or local laws and regulations who concurrently serve as directors of a parent company, subsidiary, or a subsidiary of the same parent company).
- (8) Being a director, supervisor (auditor), manager, or shareholder who holds more than 5% of the shares of a specific company or institution with financial or business dealings with the Company.
- (9) Being a professional, sole proprietor, partner, company, or institution that provides relevant services such as auditing, legal, financial, or accounting services to the Company or its affiliated enterprises and has not received cumulative compensation of more than NTD 500,000 in the past two years, as well as their spouses, owners, partners, directors, supervisors (auditors), and managers. However, this does not apply to members of the remuneration committee, public tender offer review committee, or merger and acquisition special committee who perform their duties in accordance with the Securities Exchange Act or the Company Mergers and Acquisitions Act.

(D) Board Diversity and Independence:

a. Board Diversity

According to Article 20 of the Corporate Governance of the Company, the board of director structure should consider the Company's business development scale and the shareholding situation of its major shareholders, and take into account practical operational needs to determine an appropriate number of directors of five or more.

The composition of the board of directors should consider diversity and develop appropriate diversity policies based on its operations, business models, and development needs, including but not limited to the following two major aspects:

(a) Basic conditions and values: Gender, age, nationality, culture, etc.

(b) Professional knowledge and skills: Professional background (such as law, accounting, industry, finance, marketing, or technology), professional skills, industry experience, etc.

Board members should generally possess the knowledge, skills, and qualities necessary to perform their duties. To achieve the ideal goal of corporate governance, the overall abilities that the board should possess are as follows:

(a) Operational judgment ability.

(b) Accounting and financial analysis abilities.

(c) Business management abilities.

(d) Crisis management abilities.

(e) Industry knowledge.

(f) International market perspective.

(g) Leadership abilities.

(h) Decision-making abilities.

Diversity policies and implementation status of current board members are as follows:

Core elements of diversity Job title Name	Basic composition			Professional background					Industry experience					
	Nationality	Gender	Age	Business management	Engineering	Finance / Accounting	Foreign languages	Education	Business	Information / Technology	Finance / Accounting	Social engagement	Education	Operation management
Chairman Yuan Wan-Ting	R.O.C	Male	51~60	✓	✓				✓	✓		✓		✓
Director Huang Wen-Cheng	R.O.C	Male	61~70	✓	✓	✓			✓	✓	✓			✓
Director Hsieh Han-Chang	R.O.C	Male	61~70	✓	✓				✓		✓	✓		✓
Director Hsu Chang-Fei	R.O.C	Female	51~60	✓		✓	✓	✓			✓	✓	✓	
Independent director Lee An-Chen	R.O.C	Male	61~70		✓			✓		✓				
Independent director Liaw Dar-Lii	R.O.C	Male	71~80			✓			✓		✓			✓
Independent director Sheen Gwo-Ji	R.O.C	Male	61~70	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓

Our current board of directors consists of 7 members, including 3 independent directors, with expertise in various professional fields such as industry, finance, accounting, and technology. Collectively, they possess abilities in operational judgment, business management, crisis management, industry knowledge, international market perspective, leadership, and decision-making.

All of our current board members are citizens of the Republic of China, and independent directors account for 43% of the board. The age distribution includes 2 directors in the 51-60 age range, 4 directors in the 61-70 age range, and 1 director in the 71-80 age range. There is one female director. Currently, 2 independent directors have longer tenures, and we aim to gradually improve the composition of the board. Our goal is to have at least two independent directors with a maximum of three consecutive terms.

b. Independence of the board of directors

Our current board of directors has 7 members, including 3 independent directors. 2 directors are relatives within the second degree of kinship. However, among the independent directors or between the independent directors and the directors, there are no spouses or relatives within the second degree of kinship, which complies with the provisions of Article 26-3, paragraphs 3 and 4 of the Securities and Exchange Act.

B. General Manager, Deputy GM, Associate, and Supervisors of each department and branch:

April 29, 2023

Title	Nationality	Name	Gender	Date Effective (Note 1)	Shareholding		Spouse & Minor Child Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark (Note 3)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
General Manager	R.O.C	Yang Tsung-Lin	Male	2007/5/18	138,182	0.1%	5,889	0.00%	0	0	Graduate Institute of Applied Mechanics, National Taiwan University Director of Qualibond Technology Co., Ltd. Supervisor of Product Design, MOLEX Taiwan Ltd.	Director, Supervisor, and General Manager of ACES's affiliated companies (Note 2)	Nil	Nil	Nil	Nil
Senior Deputy General Manager	R.O.C	Hsu Sheng-Hsien	Male	2016/3/25	0	0	0	0	0	0	Graduate Institute of Industrial Engineering, Yuan Ze University Executive Deputy General Manager, P-TWO Industries Inc. General Manager, Kunshan Aces Electronic Co., Ltd.	Director, Nantong Dadi Electrical Co., Ltd. Director and General Manager of ACES's affiliated companies (Note 2)	Nil	Nil	Nil	N/A
Deputy General Manager	R.O.C	Lee Shu-Yun	Female	2014/3/21	578	0.00%	0	0	0	0	Master's degree in Finance Management from National Central University Assistant Manager in Underwriting Department at Yuanta Securities Co., Ltd. Special Assistant to the Chairman at Aces Electronic Co., Ltd.	Director, Supervisor, and General Manager of ACES's affiliated companies (Note 2)	Nil	Nil	Nil	N/A

Note 1: The appointment date of insiders or the date of declaration of assuming office.

Note 2: Please refer to the information on related corporates (pages 292-298).

Note 3: When the general manager or equivalent position (highest management person) and the chairman are the same person, are spouses, or are first-degree relatives, the reason, rationale, necessity, and corresponding measures (such as increasing the number of independent directors and ensuring that over half of the directors do not concurrently serve as employees or management personnel, etc.) should be disclosed.

(3) The remuneration of directors, supervisors, general manager, deputy general managers, etc. in the most recent fiscal year:

A. Remuneration of general directors and independent directors

Unit: NT\$ thousand

Title	Name	Director remuneration								The sum of A, B, C, and D as a percentage of after-tax net profit		Remuneration from other jobs								The sum of A, B, C, D, E, F, and G as a percentage of after-tax net profit		Remuneration from reinvested businesses other than subsidiaries	
		Remuneration (A)		Retirement pension (B) (Note 2)		Director remuneration (C)(Note 1)		Business execution expenses (D)				Remuneration, bonus, and special fees (E)		Retirement pension (F) (Note 2)		Employee remuneration (G)(Note 1)							
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements		The Company	All companies in the consolidated financial statements		
														Cash	Stock	Cash	Stock						
Chairman	Yuan Wan-Ting																						
Director	Weiji Investment Co., Ltd. Weiji Investment Co., Ltd. Representative: Huang Wen-Cheng	7,293	7,293	0	0	4,769	4,769	817	817	12,879 5.72%	12,879 5.72%	0	0	0	0	0	0	0	0	12,879 5.72%	12,879 5.72%	None	
Director	Hsieh Han-Chang																						
Director	Hsu Chang-Fei (Note 3)																						
Independent director	Lee An-Chen																						
Independent director	Liaw Dar-Lii	0	0	0	0	1,118	1,118	62	62	1,180 0.52%	1,180 0.52%	0	0	0	0	0	0	0	0	1,180 0.52%	1,180 0.52%	None	
Independent director	Sheen Gwo-Ji (Note 3)																						

1. The policy, system, standards, and structure of remuneration payment for independent directors, as well as the correlation between the responsibilities, risks, input time, and the amount of remuneration paid:
The remuneration of the directors and supervisors of the Company is determined in accordance with the provisions of the company's articles of association. As independent directors are also members of the board of directors, their remuneration is included in the remuneration of directors and supervisors and is handled in accordance with the Company's articles of association. In addition, the articles of association also stipulate that the Company shall allocate an amount not exceeding 3% of its annual profit as remuneration for directors and supervisors. The payment of remuneration to independent directors is handled in accordance with the "Principles for the Payment of Remuneration to Directors and Supervisors" of the Company.
Moreover, if an independent director serves as a member of a functional committee of the board of directors, such as the audit committee, remuneration, and remuneration committee, etc., the actual expenses incurred in carrying out their duties, in addition to transportation expenses, are reimbursed on an actual expense basis.

2. In addition to the disclosure in the above table, the remuneration received by the Company's directors for providing services (such as serving as a consultant to non-employee subsidiaries/financial reporting of all companies/venture businesses) in the most recent fiscal year was None.

Note 1: The proposed distribution of director remuneration for the fiscal year 2022, totaling NTD6,408 thousand, and employee remuneration totaling NTD 10,776 thousand, was approved by the board of directors on March 24, 2023. As of the date of printing this annual report, the distribution of director remuneration and employee remuneration has not been made, and the proposed allocation is an estimate.

Note 2: The Company has not made any actual payments of retirement benefits to directors or made any provision for retirement benefit expenses.

Note 3: The terms of the board of directors expired at the shareholders' meeting held on June 29, 2022, and three independent directors were elected to establish the audit committee to replace the supervisor. The supervisor Hsu Chang-Fei transferred to be a director, and the independent director Sheen Gwo-Ji was newly elected.

Range of Remuneration

Remuneration levels for each director of our company	Director's name			
	Total amount of the first four remuneration levels (A+B+C+D)		Total amount of the first seven remuneration levels (A+B+C+D+E+F+G)	
	The Company	All companies in the financial report	The Company	All companies in the financial report
Below NT\$ 1,000,000	Weiji Investment Co., Ltd., Huang Wen-Cheng, Hsieh Han-Chang, Hsu Chang-Fei, Lee An-Chen, Liaw Dar-Lii, Sheen Gwo-Ji	Weiji Investment Co., Ltd., Huang Wen-Cheng, Hsieh Han-Chang, Hsu Chang-Fei, Lee An-Chen, Liaw Dar-Lii, Sheen Gwo-Ji	Weiji Investment Co., Ltd., Huang Wen-Cheng, Hsieh Han-Chang, Hsu Chang-Fei, Lee An-Chen, Liaw Dar-Lii, Sheen Gwo-Ji	Weiji Investment Co., Ltd., Huang Wen-Cheng, Hsieh Han-Chang, Hsu Chang-Fei, Lee An-Chen, Liaw Dar-Lii, Sheen Gwo-Ji
NT\$ 1,000,000(included)~NT\$ 2,000,000(excluded)	Nil	Nil	Nil	Nil
NT\$ 2,000,000(included)~NT\$ 3,500,000(excluded)	Nil	Nil	Nil	Nil
NT\$ 3,500,000(included)~NT\$ 5,000,000(excluded)	Nil	Nil	Nil	Nil
NT\$ 5,000,000(included)~NT\$ 10,000,000(excluded)	Nil	Nil	Nil	Nil
NT\$ 10,000,000(included)~NT\$ 15,000,000(excluded)	Yuan Wan-Ting	Yuan Wan-Ting	Yuan Wan-Ting	Yuan Wanding
NT\$ 15,000,000(included)~NT\$ 30,000,000 元(excluded)	Nil	Nil	Nil	Nil
NT\$ 30,000,000(included)~NT\$ 50,000,000(excluded)	Nil	Nil	Nil	Nil
NT\$ 50,000,000(included)~NT\$ 100,000,000(excluded)	Nil	Nil	Nil	Nil
Above NT\$ 100,000,000	Nil	Nil	Nil	Nil
Total	8	8	8	8

B. Remunerations of the Supervisors (Note 1)

Unit: NTD thousand

Title	Name	Supervisor's remuneration						The ratio of Total Remuneration (A+B+C) to Net Income (Note 1)		Remuneration from reinvested businesses other than subsidiaries
		Remuneration (A)		Bonus to Supervisors (B) (Note 2)		Business execution expenses (C)		The Company	Companies in the consolidated financial statements	
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements			
Supervisor	Tsai Shu-Chuan (Note 3)	0	0	522	522	14	14	536 0.24%	536 0.24%	Nil
Supervisor	Wea Chi-Lin (Note 3)									
Supervisor	Hsu Chang-Fei (Note 3)									

Note 1: The policies, standards, composition, procedures, and the relationship between business performance and future risks related to the remuneration paid to the directors and supervisors are determined in accordance with the company's articles of association. In addition, the Company's articles of association stipulate that the Company should allocate annual profits of not more than 3% for the remuneration of directors and supervisors. The payment of remuneration to directors and supervisors is handled in accordance with the "Principles for the Payment of Remuneration to Directors and Supervisors" of the Company.

Note 2: As of the printing date of the annual report, the remuneration for this period has not yet been allocated, and the proposed distribution is an estimate and subject to change.

Note 3: The terms of the board of directors expired at the shareholders' meeting held on June 29, 2022, and three independent directors were elected to establish the audit committee to replace the supervisor.

Note 4: The Company has not made any actual payments of retirement benefits to supervisors or made any provision for retirement benefit expenses.

Range of Remuneration

The range of remuneration paid to each supervisor of the Company.	Name of Supervisor	
	The total amount of the first three remunerations (A+B+C)	
	The Company	Companies in the consolidated financial statements
Lower than NT\$ 1,000,000	Tsai Shu-Chuan, Wea Chi-Lin, Hsu Chang-Fei	Tsai Shu-Chuan, Wea Chi-Lin, Hsu Chang-Fei
NT\$ 1,000,000 (inclusive)~NT\$ 2,000,000 (exclusive)	Nil	Nil
NT\$ 2,000,000 (inclusive)~NT\$ 3,500,000 (exclusive)	Nil	Nil
NT\$ 3,500,000 (inclusive)~NT\$ 5,000,000 (exclusive)	Nil	Nil
NT\$ 5,000,000 (inclusive)~NT\$ 10,000,000 (exclusive)	Nil	Nil
NT\$ 10,000,000 (inclusive)~NT\$ 15,000,000 (exclusive)	Nil	Nil
NT\$ 15,000,000 (inclusive)~NT\$ 30,000,000 (exclusive)	Nil	Nil
NT\$ 30,000,000 (inclusive)~NT\$ 50,000,000 (exclusive)	Nil	Nil
NT\$ 50,000,000 (inclusive)~NT\$ 100,000,000 (exclusive)	Nil	Nil
NT\$ 100,000,000 or more	Nil	Nil
Total	3	3

C. Remunerations of General Manager and Deputy GM

Unit: NT\$ thousand; thousand shares

Title	Name	Salary (A)		Retirement pension (B) (Note2)		Bonus and special fees (C)		Employee remuneration (D)(Note1)				Percentage of the total amount and post-tax net profit attributable to A, B, C, and D (%)		Remuneration from reinvested businesses other than subsidiaries
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General Manager	Yang Tsung-Lin	9,327	9,327	387	387	2,410	2,410	612	0	612	0	12,736 5.65%	12,736 5.65%	None
Senior Deputy General Manager	Hsu Sheng-Hsien													
Senior Deputy General Manager	Chang Wei-San (Note 4)													
Deputy General Manager	Lee Shu-Yun													

Note 1: The board of directors of the Company approved the distribution of a total of NTD 10,776 thousand for employee compensation for the year 2012 on March 24, 2023. As of the date of printing this annual report, the list of employee compensation distribution has not been finalized and is subject to further estimation.

Note 2: The provision for retirement benefits represents the expenses associated with the Company's defined benefit retirement plans.

Note 3: The above table discloses the compensation of General Manager and Deputy General Manager for the latest fiscal year (2022).

Note 4: Resigned on July 31, 2022.

Range of Remuneration

The range of remuneration paid to General Manager and Deputy General Manager in the Company	Name of General Manager and Deputy General Manager	
	The Company	All companies in the financial report
Below NTD 1,000,000	None	None
NTD 1,000,000(included)~NTD 2,000,000(excluded)	None	None
NTD 2,000,000(included)~NTD 3,500,000(excluded)	Hsu Sheng-Hsien · Lee Shu-Yun · Chang Wei-San	Hsu Sheng-Hsien · Lee Shu-Yun · Chang Wei-San
NTD 3,500,000(included)~NTD 5,000,000(excluded)	Yang Tsung-Lin	Yang Tsung-Lin
NTD 5,000,000(included)~NTD 10,000,000(excluded)	None	None
NTD 10,000,000(included)~NTD 15,000,000(excluded)	None	None
NTD 15,000,000(included)~NTD 30,000,000(excluded)	None	None
NTD 30,000,000(included)~NTD 50,000,000(excluded)	None	None
NTD 50,000,000(included)~NTD 100,000,000(excluded)	None	None
More than NTD 100,000,000	None	None
Total	4	4

D. Managers with Employee Remuneration Distribution

December 31, 2022 / Unit: NTD thousands

	Title	Name	Stock	Cash	Total	The ratio of Total Amount to Net Income (%)
Management team	General Manager	Yang Tsung-Lin	0	612	612	0.27%
	Senior Deputy General	Hsu Sheng-Hsien				
	Financial Supervisor	Lee Shu-Yun				

Note 1: The Company's board of directors approved the distribution of employee compensation for the fiscal year 2022 in the amount of NTD 10,776 thousand on March 24, 2023. As of the publication date of the annual report, the list of employees who will receive compensation has not been finalized, and this is an estimated proposal.

E. Comparison and explanation of the analysis of the ratio of total remuneration (paid to the Directors, Supervisors, General Manager, and Deputy General Managers of the Company by the Company and all the companies in the consolidated statements in the last two years) to net profit after tax and the correlation among the remuneration payment policy, standards, and combinations, the procedures for setting the remuneration, the business performance and future risks

(A) Analysis of the ratio of the total remuneration paid by the Company and Companies in the consolidated financial report to its Directors, Supervisors, General Manager, and Deputy General Managers in the last two years to net profit after tax on parent company only or consolidated financial reports is as follows:

Title	Remuneration to Net Income Ratio			
	2021		2022	
	The Company	All companies within the consolidated financial statements	The Company	All companies within the consolidated financial statements
Director	3.87%	3.87%	6.24%	6.24%
Supervisor	0.69%	0.69%	0.24%	0.24%
General Manager & Deputy General Manager	3.82%	3.96%	5.65%	5.65%

Note: The distribution of remuneration for the 2022 fiscal year is a proposed amount.

(B) The correlation among the remuneration payment policy, standards and combinations, the procedures for setting the remuneration, the business performance, and future risks:

The remuneration for the directors of the Company is determined according to Article 24 of the Company's articles of association, which states that the remuneration for directors can be paid within the limit of the profit not lower than 3% of the current year. The remuneration determination procedure follows the performance evaluation of the Company's directors. The evaluation includes the Company's overall operational performance, future industry risks and development trends, individual attendance rates at board meetings, individual performance achievement rates, contributions to the company's performance, and taking into account industry standards. Reasonable compensation and nomination for reappointment are given based on these factors.

Article 24 of the Company's Articles of Association set the remuneration for employees at not lower than 1% of the profit for the current year. The remuneration for the Company's managers is evaluated based on the job responsibilities and contribution to the Company's operational performance. The evaluation follows the "Performance Appraisal Management Measures" of the Company. The calculation of the remuneration ratio takes into account the Company's overall operational performance, individual performance evaluation results, and comprehensive considerations such as target achievement rate, profit rate, operational efficiency, and contribution, and takes into account industry standards. Reasonable compensation is given accordingly.

The remuneration system for directors and managers is reviewed from time to time based on actual business conditions and related laws and regulations. The reasonableness of related salaries is approved by the Remuneration Committee to balance sustainable business and risk management for the Company.

(4) Implementation of Corporate Governance

A. Operation of the board meeting

(A) In the past fiscal year (2022), the board of directors held 6 meetings. The attendance of directors and supervisors is as follows:

Title	Name	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Actual attendance rate (%) [B/A]	Remarks
Chairman	Yuan Wan-Ting	6	0	100%	
Director	Wei-ji Investment Co., Ltd. Representative: Huang Wen-Cheng	6	0	100%	
Director	Hsieh Han-Chang	6	0	100%	
Director	Hsu Chang-Fei	3	0	100%	Newly elected on June 29, 2022
Independent director	Lee An-Chen	6	0	100%	
Independent director	Liaw Dar-Lii	6	0	100%	
Independent director	Sheen Gwo-Ji	3	0	100%	Newly elected on June 29, 2022
Supervisor(Note)	Wea Chi-Lin	1	0	33%	Resigned on June 29, 2022.
Supervisor(Note)	Tsai Shu-Chuan	3	0	100%	Resigned on June 29, 2022.
Supervisor(Note)	Hsu Chang-Fei	3	0	100%	Resigned on June 29, 2022.

Note: The 3 independent directors were elected and established an audit committee to replace the role of supervisors at the shareholder's meeting held on June 29, 2022.

Other matters to be recorded:

1. The operation of the board of directors should be disclosed if any of the following situations occur, including the date and term of the board meeting, the content of the resolution, the opinions of all independent directors, and the Company's handling of the opinions of the independent directors:

(1) Matters listed in Article 14-3 of the Securities and Exchange Act.

The Company elected three independent directors and established an audit committee to replace the duties of the supervisor at the 2022/6/29 annual shareholders' meeting. Therefore, in accordance with Article 14-5 of the Securities and Exchange Act, the provisions of Article 14-3 of the Securities and Exchange Act are not applicable since 2022/6/29.

Date of Board Meeting (Period)	Subject of discussion	Opinions of independent directors.	Company's response to the independent director's opinion
2022/1/13 (First of 2022)	<ul style="list-style-type: none"> ●Amended the important seal custodian of the "Seal Usage Management Procedure" of the Company. ●Established the "Insider Trading Prevention Management Procedure". 	None	N/A
2022/3/30 (Second of 2022)	<ul style="list-style-type: none"> ●The operating report and financial statements for the year 2021. ●Distribution of employee remuneration and director and supervisor remuneration for the year 2021. ●Execution of endorsement guarantees by the company. ●Acquisition or disposal of machinery and equipment for business use from related parties. ●Revision of certain provisions in the "Asset 	None	N/A

	<p>Acquisition or Disposal Procedures".</p> <ul style="list-style-type: none"> ●Revision of certain provisions in the "Fund Lending to Others Procedures". ●Revision of certain provisions in the "Endorsement Guarantee Procedures". ●Revision of certain provisions in the "Company's Articles of Association". ●Removal of restrictions on directors' competition. 		
2022/5/13 (Third of 2022)	<ul style="list-style-type: none"> ●The company cooperated with the certified public accountant firm's internal adjustments to replace the auditor. ●The company's Q1 2022 consolidated financial statements were released. ●The Company and its subsidiaries processed endorsement and guarantee cases. ●The Company acquired or disposed of machinery and equipment for business use from related parties. ● Some articles of the "Rules of Shareholders' Meeting" were revised. ●Some articles of the "Procedures for Election of Directors and Supervisors" were revised. ●The "Audit Committee Organizational Regulations" were established. 	None	N/A

B. Except for the above items, there were no other board meeting resolutions that the independent directors opposed or reserved their opinions on, and had records or written statements: None.

2. Disclosure of the execution status of directors' recusal from interested transactions shall include the names of the directors, the contents of the transactions, the reasons for the recusal, and the voting participation status: None.
3. The assessment cycle and period, scope, method, and content of the board of directors' self-assessment (or peer evaluation) should be disclosed: Please refer to page 21 of this year's annual report for information on the execution of the board of directors' self-evaluation.
4. Assessment of the achievement of the goals to strengthen the functions of the Board of Directors during the current and recent fiscal years (such as the establishment of an audit committee, enhancement of information transparency, etc.):
 - A. The Company has established the "Board of Directors Performance Evaluation Procedure" which evaluates the performance of the board of directors, individual directors, and functional committees at the end of each fiscal year. The evaluation results are submitted to the most recent board of directors for review and improvement and are publicly disclosed on the company's website. The results of the 2022 fiscal year's board of directors' performance evaluation will be reported to the board on January 13, 2023, and publicly disclosed on the Company's website.
 - B. The Company purchases liability insurance for all directors and supervisors on a regular basis every year to reduce and distribute the risk of significant damages caused to the company and shareholders due to errors or omissions of the directors. We regularly review the policy content to ensure that the insurance compensation amount and coverage are suitable for our needs, and the latest report was presented to the most recent board of directors after the insurance was purchased.

(B) The performance of the Board of Directors evaluation in the year 2022 is as follows:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content	Evaluation standards / Evaluation results.	Reporting date to the Board of Directors.
Once a year	2022/1/1~ 2022/12/31	<ol style="list-style-type: none"> 1. The Board of Directors. 2. Individual board members. 3. Remuneration committee. 4. Audit Committee. 	<ol style="list-style-type: none"> 1. Internal self-assessment of the Board of Directors. 2. Self-assessment of individual board members. 3. Internal self-assessment of the Remuneration committee. 4. Internal self-assessment of the Audit Committee. 	<ol style="list-style-type: none"> 1. Board of Directors performance evaluation items: <ol style="list-style-type: none"> (1) Participation in company operations. (2) Improving the quality of board decisions. (3) Board composition and structure. (4) Selection and continuous education of directors. (5) Internal controls. 2. Individual board member performance evaluation items: <ol style="list-style-type: none"> (1) Understanding of company goals and missions. (2) Understanding of board responsibilities. (3) Participation in company operations. (4) Management of internal relationships and communication. (5) Professionalism and continuous education of directors. (6) Internal controls. 3. Remuneration committee performance evaluation items: <ol style="list-style-type: none"> (1) Participation in company operations. (2) Understanding of Remuneration committee responsibilities. (3) Improving the quality of Remuneration committee decisions. (4) Remuneration committee composition and member selection. (5) Internal controls. 4. Audit Committee performance evaluation items: <ol style="list-style-type: none"> (1) Participation in company operations. (2) Understanding of Audit Committee responsibilities. (3) Improving the quality of Audit Committee decisions. (4) Audit Committee composition and member selection. (5) Internal controls. 	<p>The evaluation criteria are divided into five levels: Excellent, Good, Satisfactory, Fair, and Needs Improvement.</p> <p>The 2022 performance evaluation results are all rated as Excellent.</p>	2023/1/13

B. The operation of the Audit Committee or the participation of the supervisor in the operation of the Board of Directors:

(A) The operation of the Audit Committee

The Audit Committee held two meetings during the most recent fiscal year (A), and the attendance of independent directors is as follows:

Title	Name	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Actual attendance rate (%) (B/A)	Remark
Independent Director	Liaw Dar-Lii	2	0	100%	Note
Independent Director	Lee An-Chen	2	0	100%	Note
Independent Director	Sheen Gwo-Ji	2	0	100%	Note

Note: At the shareholder meeting on June 29, 2022, three independent directors were elected to establish the audit committee to replace the supervisor.

Other matters to be recorded:

- If the Audit Committee encounters any of the following situations in its operation, the date and session of the Audit Committee meeting, the content of the agenda, the independent directors' dissenting opinions, reservations, or significant recommendations, the Audit Committee's decision, and the company's handling of the Audit Committee's opinions should be disclosed:

A. The items listed in Article 14-5 of the Securities and Exchange Act.

Date of Audit Committee Meeting (Session)	Agenda	Content of dissenting opinions, reservations, or significant recommendations made by independent directors	Audit Committee decision	The Company's handling of the Audit Committee's opinions.
2022/8/10 (1st Session of the 1st Term)	<ul style="list-style-type: none"> The Company's consolidated financial report for the second quarter of the year 2022. The Company is planning to handle an endorsement guarantee case. 	None	The proposal was passed according to the case with no objections from all committee members present.	Submitted for discussion at the Board of Directors and approved by all directors present.
2022/11/10 (2nd Session of the 1st Term.)	<ul style="list-style-type: none"> The Company's consolidated financial report for the third quarter of the year 2022. The Company invested USD 5 million in Kunshan Chenggang Electronic Technology Co., Ltd Evaluation of the independence of our company's signing certified public accountants. Establishment of general principles for our company's policy of pre-approving non-assurance services by signing certified public accountant firms. Acquisition or disposal of machinery and equipment for business use from related parties by The Company. Establishment of the record date for the issuance of new shares upon conversion of the Company's domestic unsecured convertible corporate bonds into common shares for the second time. Revised the Company's "Organizational Chart". Amended the "Rules of Procedure for Board Meetings". Revised the "Procedure for Preventing 	None	The proposal was passed according to the case with no objections from all committee members present.	Submitted for discussion at the Board of Directors and approved by all directors present.

	Insider Trading". ● Revised the "Research and Development Cycle" and "Production Cycle". ● Revised certain articles of our company's "Internal Audit System" and "Implementation Rules for Internal Auditing". ● Submitted the Audit Plan for the year 2023 to the Company.			
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B. Other resolutions that have been passed with the approval of more than two-thirds of all directors but have not been approved by the Audit Committee: None.

2. The execution status of independent directors' abstention from voting on matters involving conflicts of interest should be disclosed, including the name of the independent director, the content of the agenda, the reasons for abstention due to potential conflicts of interest, and the voting participation status: None.
3. The communication status between independent directors and the head of the internal audit and the accountant (including significant matters, methods, and results of communication on the company's financial and business conditions).
4. The communication methods between independent directors and the head of the internal audit and the accountant.
 - A. The head of the internal audit and the accountant may contact independent directors directly as needed during normal times.
 - B. In addition to receiving audit reports monthly, our company's independent directors are also briefed on the important business conditions of our company and its subsidiaries by the head of the internal audit at the annual meeting. They have a full understanding of the execution status and effectiveness of the auditing business.
 - C. The accountant reports on the results of financial statement audits and discoveries at the annual meeting to the independent directors.

5. The communication status between independent directors and the head of the internal audit and the accountant during the year 2022 is as follows:

Date	Reported and communicated matters	Description	Suggestion and res
2022/12/13	1. Accountant: Communication matters with the Company's governance unit.	1. Review findings and recommendations. 2. Audit plan for the year 2022. 3. Sharing of important laws and accounting knowledge in recent times.	No objections
	2. Audit Report.	1. Execution of the 2022 Group Audit Plan. 2. Operations related to funding loans, endorsement guarantees, and derivatives financial products. 3. Project review. 4. Establishment of the internal control system. 5. Implementation status of important issues by regulatory authorities. 6. Planning for the operation of audits in the year 2023.	No objections

Note 1: If any independent directors have resigned before the end of the fiscal year, their resignation date should be noted in the remarks column, and their actual attendance rate (%) should be calculated based on the number of audit committee meetings held during their tenure and their actual attendance.

Note 2: If any independent directors have been newly elected or re-elected before the end of the fiscal year, both the previous and current independent directors should be listed, and it should be noted in the remarks column whether the independent director is a previous, new, or re-elected member and the date of the election. The actual attendance rate (%) should be calculated based on the number of audit committee meetings held during their tenure and their actual attendance.

(B) Involvement of the Supervisor in the Operation of the Board of Directors

The Board of Directors held 6 meetings in the recent (2022) fiscal year (A), and the attendance of the Supervisor is as follows:

Title	Name	Actual no. of meetings attended (B)	Actual attendance rate (%) (B/A)(Note)	Remarks
Supervisor	Wea Chi-Lin	1	33%	Note
Supervisor	Tsai Shu-Chuan	3	100%	Note
Supervisor	Hsu Chang-Fei	3	100%	Note

Note: On June 29, 2022, the shareholders' meeting elected three independent directors and established an audit committee to replace the role of supervisor. Before June 29, 2022, there were a total of three board meetings held.

Other matters to be recorded:

1. Composition and responsibilities of Supervisors:

(1) Communication between Supervisors and Company employees and shareholders (i.e., communication channels, methods, etc.): The company has a person who can contact the supervisor at any time to establish communication channels with the company's employees and shareholders.

(2) Communication between the Supervisor and the Head of Internal Audit and the accountant (i.e., the items of communication concerning the Company's financial and business conditions, the methods, and the results): There are direct connections between supervisors, internal auditors, and accountants.

In order to allow the Company's supervisors to timely understand the operational risks and improvements of the Company. The Company has established internal control systems and related management measures in accordance with the "Regulations Governing the Establishment of Internal Control Systems by Public Companies". To ensure the effective implementation of the internal control system, the Company has also established an audit unit directly under the Board of Directors, which formulates audit plans in accordance with the regulations of the competent authority and reports to the Board of Directors after completing the audit. The audit results and improvement status are also sent to all supervisors and independent directors so that the Company's supervisors can understand the operational risks and improvements of the Company in a timely manner. When the Board of Directors of the Company meets, the Company will notify the supervisors and, if necessary, invite accountants to attend. Therefore, the supervisors and accountants can exchange opinions through the discussion of the Board of Directors, in addition to communicating when necessary.

2. If Supervisors state their opinions in a board meeting, please indicate the date of the board meeting, the session number, the contents of the motion, the results of the board resolution, and the Company's handling of the Supervisors' opinions: None.

C. Corporate Governance Status, Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons:

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Description	
1. Does the company follow the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and has the company established and disclosed its own Corporate Governance Best Practice Principles?	✓		The Company has established the Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best Practice Principles for Listed Companies. It's disclosed on the company's official website and Market Observation Post System.	In compliance with the Corporate Governance Best Practice Principles for Listed Companies.
2. The company's shareholding structure and shareholders' equity (1) Has the company set up internal operating procedures to handle shareholder proposals, doubts, disputes, and litigation matters and followed the procedures? (2) Does the company have a list of its major shareholders and the ultimate controllers of the major shareholders? (3) Has the company established and implemented risk management and firewall mechanisms with its affiliates? (4) Has the company set up an internal standard to prohibit the insiders' use of private information to trade securities?	✓ ✓ ✓ ✓		(1) The Company has established a spokesperson mailbox, a reporting system on its website, and procedures for handling cases of illegal, unethical, or dishonest behavior. There is dedicated personnel to handle shareholder proposals or disputes. (2) A person is in charge of managing relevant information and can access the list of major shareholders and their ultimate controllers at any time. (3) The Company has formulated procedures for managing the operation of the group, supervising and managing subsidiaries, and managing related party transactions. Clear regulations have been established for the business, operations, and financial transactions with related companies, achieving a risk control mechanism. (4) The Company has established procedures for processing internal important information and preventing insider trading. Relevant regulations are communicated to internal personnel in a timely manner, and internal personnel is prohibited from buying or selling securities using undisclosed information on the market.	In compliance with the spirit of the Corporate Governance Best-Practice Principles for Listed Companies.
3. The composition and duties of the board of directors (1) Has the board of directors formulated a diversified approach based on the composition of its members and implemented it?	✓		(1) The Company has established a policy on the diversified composition of the Board of Directors in accordance with "Corporate Governance". The current Board of Directors consists of 7 members, including 3 independent directors, with expertise in various fields such as industry, finance, accounting, and technology. They possess the ability to make operational judgments, manage the business, handle crises, and possess industry knowledge, international market perspectives, and leadership decision-making skills. All members of the Board of Directors are citizens of the Republic of China, and independent directors account for 43% of the board. The age distribution includes 2 directors in the 51-60 age range, 4 directors in the 61-70 age range, and 1 director in the 71-80 age range, with 1 female director. Currently, 2 independent directors have longer tenure, and the company will gradually improve the structure of the Board of Directors, aiming for at least	In compliance with the spirit of the Corporate Governance Best-Practice Principles for Listed Companies.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Description	
			two independent directors serving no more than three consecutive terms. The policy and implementation of the diversified composition of the current Board of Directors are detailed on page 12.	
(2) Has the company set up other types of functional committees voluntarily in addition to the Remuneration committee and the audit committee according to law?		✓	(2) The company has only established the remuneration committee and the audit committee in compliance with legal requirements and has not established any other functional committees. The need for future committees will be evaluated based on the company's needs.	The company has not set up any other functional committees at present and will evaluate the need for such committees in the future.
(3) Has the company set up a performance appraisal method and an assessment method for the board of directors and conducted performance appraisals on a regular basis every year?	✓		(3) The company has established the "Board of Directors Performance Evaluation Procedure" which conducts an annual performance evaluation of the Board of Directors, including both the overall performance of the board and the individual performance of its members. The results are quantified based on evaluation indicators and submitted to the latest Board of Directors meeting for reporting. The compensation of the Board of Directors is determined in accordance with Article 24 of the company's articles of association, which states that the remuneration of directors shall not exceed 3% of the profits earned during the fiscal year. The procedure for determining the remuneration is based on the performance evaluation of the Board of Directors, which considers both the overall operating performance of the company and the future business risks and trends in the industry. Additionally, it also takes into account the individual director's actual attendance rate, personal performance achievement rate, and contribution to the company's performance, and takes into account industry standards and gives reasonable compensation and nomination for re-election accordingly. The Article 24 of the Company's articles of association stipulates that employee compensation shall not be less than 1% of the annual profits. The compensation of our company's executives is evaluated based on their job responsibilities and contribution to the company's operational performance. Our "Performance Appraisal Management Regulations" are used as a reference for evaluation, and we consider the overall operational performance of the company, individual performance evaluations, as well as the target achievement rate, profit margin, operational efficiency, and contribution of the directors and executives, and taking into account industry standards. We calculate their compensation ratio accordingly and provide reasonable compensation.	In compliance with the spirit of the Corporate Governance Best-Practice Principles for Listed Companies.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Description	
(4) Does the company regularly assess the independence of the audit firm?	✓		<p>The Company reviews the director and executive compensation system periodically in accordance with the actual business situation and relevant laws and regulations, to ensure the balance between sustainable business operations and risk management. All related compensation is reviewed and approved by the Remuneration Committee.</p> <p>(4) The Company conducts an annual assessment of the independence of the audit firm, and the evaluation process is as follows:</p> <ol style="list-style-type: none"> 1. Reviewing the personal qualifications of the auditor. 2. The auditor issues a statement of independence. 3. Evaluating relevant independence standards based on the Code of Ethics for Professional Accountants No. 10 "Integrity, Objectivity, and Independence." The main independence standards evaluated include whether the auditor is a director, shareholder, or other related parties of the Company, confirming that there is no financial interest or business relationship with stakeholders. In addition, the rotation of auditors is also carried out in compliance with relevant laws and regulations. <p>In 2023, the audit quality indicators (AQIs) provided by the reference auditor were evaluated based on 5 dimensions and 13 indicators, including professionalism, quality control, independence, supervision, and innovation. The auditor and the audit firm were evaluated on their auditing experience, training hours, turnover rate, professional support, quality control review, and quality control support capabilities. The results showed that both the auditor's and the audit firm's capabilities were comparable to or better than those of their peers. In recent years, they have also been promoting digital innovation tools in auditing to enhance efficiency and quality.</p> <p>According to the above evaluation of the auditor's independence and Audit Quality Indicators (AQI), the auditor engaged by the Company complies with the independence and competence requirements, and the matter has been submitted for review and approval by the Audit Committee and the Board of Directors.</p>	
4. Is the listed company equipped with sufficient and appropriate corporate governance personnel and designates a corporate governance officer to be responsible for corporate governance matters (including but not limited to providing necessary information for the directors and supervisors to perform their duties, assisting the directors and supervisors in complying with		✓	<p>The Company has established a corporate governance unit as the Management Center. On March 24th, 2023, the board of directors passed a resolution to establish the position of Corporate Governance Officer, which will be concurrently held by the Deputy General Manager of the Finance Department of the company. The incumbent has over three years of experience in executive positions related to</p>	<p>In compliance with the spirit of the Corporate Governance Best-Practice Principles for Listed Companies.</p>

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Description	
laws and regulations, handling matters related to board meetings and shareholder meetings in accordance with the law, preparing minutes of board meetings and shareholder meetings, etc.)?			<p>finance, equity, and corporate governance in publicly traded companies. The corporate governance unit of our company is responsible for the following corporate governance matters:</p> <ol style="list-style-type: none"> 1. Handle matters related to the board of directors and shareholders' meetings in accordance with the law. 2. Prepare minutes of the board of directors and shareholders' meetings. 3. Assist directors and supervisors in their appointment and continuous education. 4. Provide information necessary for directors and supervisors to carry out their duties. 5. Assist directors and supervisors in complying with laws and regulations. 6. Report to the board of directors on the review results of the qualifications of independent directors in nomination, appointment, and during their tenure in compliance with relevant laws and regulations. 7. Handle matters related to changes in the board of directors. 8. Other matters as stipulated in the company's articles of incorporation or contracts. 	
5. Has the company established a communication channel with interested parties (including but not limited to shareholders, employees, customers, and suppliers), set up an interested party page on the company's website, and responded appropriately to interested parties concerning important corporate social responsibility issues?	✓		A dedicated section for stakeholders has been set up on the Company's website, and the company has responded appropriately to important corporate social responsibility issues that stakeholders are concerned about.	In compliance with the spirit of the Corporate Governance Best-Practice Principles for Listed Companies.
6. Does the company appoint a professional stock agency to handle shareholders' meeting-related affairs?	✓		The Company has appointed a professional share agent, KGI Securities Co., Ltd. Share Agent Department, to handle the company's shareholder meetings and other share-related matters.	In compliance with the Corporate Governance Best-Practice Principles for Listed Companies.
7. Information disclosure (1) Has the company set up a website to disclose financial and corporate governance information?	✓		<ol style="list-style-type: none"> (1) 1. The Company has established an online filing system for public information and designated a dedicated person to collect and disclose company information. The company has also established a spokesperson system with a spokesperson and proxy spokesperson to improve the accuracy and timeliness of major information disclosure. 2. The Company has set up a website and established an "Investor Relations" section to regularly disclose financial and business-related information as well as corporate governance information for the reference of investors. 	In compliance with the Corporate Governance Best-Practice Principles for Listed Companies.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Description	
(2) Does the company adopt other information disclosure methods (such as setting up an English website, appointing a dedicated person responsible for the collection and disclosure of company information, implementing the spokesman system, and posting the company's corporate briefing process on the website, etc.)?	✓		(2)1. A designated person is responsible for the collection and disclosure of information: The shareholder services unit and finance department of the Company is responsible for information collection and disclosure, and the operation is smooth. 2. The spokesperson system is implemented: The Company has designated the vice president of the finance department as the spokesperson. 3. Corporate briefing information is posted on the Company website.	In compliance with the Corporate Governance Best-Practice Principles for Listed Companies.
(3) Has the company announced and filed its annual financial report within two months after the end of the accounting year, and provided early announcement and filing of its first, second, and third quarterly financial reports and monthly operational results within the prescribed deadline?		✓	(3) The Company has many subsidiaries that are included in the consolidated financial statements, which require more time for verification. Therefore, we are unable to announce and file the annual financial report within two months after the end of the accounting year and to announce and file the quarterly financial reports and monthly operational information ahead of the prescribed deadline.	In compliance with the Corporate Governance Best-Practice Principles for Listed Companies.
8. Does the Company have any other important information (including but not limited to employees' rights, employee care, investor relations, supplier relationship, equity of interested parties, training for directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, the Company's purchase of liability insurance for directors and supervisors, etc.)?	✓		(1) Employee equity and employee care Through the convening of labor-management coordination meetings, the Company can prioritize employee rights and express care for our employees. We have established an employee complaint mailbox which is handled by dedicated personnel who deal with employee feedback. We also hold quarterly employee meetings where employee opinions can be expressed and the Company can respond and communicate explanations. In addition, we organize expert lectures and health seminars to make our functions more diverse and enriching. We hold monthly birthday parties to allow employees to relax and strengthen their sense of belonging to the Company. The employee welfare committee organizes various activities for employees to benefit their physical and mental health, and also participates in donations to disadvantaged groups. We prioritize employee workplace safety and health issues and hold regular environmental and safety inspection meetings each month with the goal of continuous improvement. Outstanding colleagues who perform well at work are recognized and rewarded each year through a selection process for outstanding employees. We also promote various forms of public welfare activities under the name of outstanding employees. This motivational approach towards our employees instills a sense of satisfaction and happiness, allowing them to	In compliance with the Corporate Governance Best-Practice Principles for Listed Companies.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Description	
			<p>work smarter and live healthier lives.</p> <p>In addition, the Company has established an employee retirement policy in accordance with the Labor Standards Act and formed a Labor Retirement Preparation Fund Supervision Committee. We allocate 2% of the total monthly salary amount to set aside for the Labor Retirement Preparation Fund, which is deposited in a special account at the Bank of Taiwan. This fund is intended for future payment of employee retirement benefits. Starting from July 1, 2005, the Company has established a retirement policy based on the Labor Pension Act, and for those employees who choose to apply for the Labor Pension Act, we contribute no less than 6% of their monthly salary to their account with the Bureau of Labor Insurance. Retirement benefits are paid out as either monthly installments or a lump sum payment, based on the amount accumulated in the employee's retirement account and accrued earnings. All regulations and measures related to labor-management relations in the Company are implemented in compliance with relevant laws, and any new or revised measures related to labor-management relations are only established after sufficient consultation and agreement between labor and management. The Company regularly sends employees to participate in safety and health lectures, as well as providing pre-employment education and training, management courses, professional skills, self-improvement, and other training programs. We aim to provide a comfortable and safe working environment for our employees and to support their ongoing learning and development within the organization.</p> <p>(2) Investor Relations The Company adheres to the principles of fairness and transparency in dealing with all shareholders. Every year, we convene a shareholders' meeting in accordance with the Company Act and relevant laws and regulations and notify all shareholders to attend the meeting in accordance with the relevant rules. We encourage shareholders to actively participate in the election of directors and supervisors and the amendment of the Company's articles of association, as well as to be informed of major financial transactions such as the disposal of assets. We also provide shareholders with ample opportunities to ask questions or make proposals to achieve balance and fairness. The Company has established rules for shareholder meetings in accordance with the law, properly preserves the minutes of shareholder meetings, and</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Description	
			<p>discloses relevant information on the Market Observation Post System (MOPS). To ensure that shareholders have the right to be fully informed, participate, and make decisions on important matters of the company, the Company has established the position of spokesperson and proxy spokesperson. We also have dedicated personnel to handle shareholder suggestions, questions, and disputes.</p> <p>Since its public listing, the Company has upheld the principle of information transparency and has disclosed information in accordance with the regulations of the Public Offering Company's Disclosure Checklist and the Taiwan Stock Exchange's Verification and Disclosure Procedure for Major Information of Listed Companies. We have established an online system for reporting and disclosing public information, and have assigned personnel to be responsible for collecting and disclosing company information. After the relevant departmental managers review and confirm the information, we promptly announce and report relevant information, providing timely and comprehensive information to investors that may impact their investment decisions.</p> <p>(3) Respect for Stakeholders' Rights and Interests The Company complies with the law and regulations to honestly and openly disclose company information, to safeguard the basic rights and interests of investors. We maintain open communication channels with our banks, employees, consumers, and suppliers, and respect and uphold their legal rights and interests. We have spokespersons and proxy spokespersons to answer investor questions and provide high levels of transparency in our financial and business information for investors and stakeholders. In addition, the Company has established procedures for group organizational management, supervision and management of subsidiaries, and management of related-party transactions. All transactions between related companies are carried out in accordance with these procedures. Furthermore, we have explained the restrictions on the competitive activities of our directors in the shareholders' meeting.</p> <p>(4) The Company purchases liability insurance for all directors and supervisors on a regular basis every year. This is done to reduce and distribute the risks associated with errors or omissions committed by directors, which could potentially cause significant</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Description	
			<p>damage to the company and its shareholders. We periodically review the content of the insurance policy to ensure that the coverage and compensation amount is sufficient and meet our needs. The most recent report on the board of directors was made after the purchase of insurance.</p> <p>(5) Succession Planning for Board Members and Key Management Personnel</p> <p>The purpose of succession planning is to ensure that the company has a pool of talented individuals to succeed in key management positions, thereby maintaining depth in the management bench and meeting the long-term human resource needs of the organization. In planning for succession, the Company evaluates candidates based not only on their professional skills and execution capabilities, but also on their fit with the company's culture, work values, and personal qualities. A candidate with cross-functional experience is preferred to ensure a broad perspective on the business.</p> <p>1. Succession Planning and Implementation for Board Members: The Company has a Board of Directors consisting of 7 members (including 3 independent directors) who possess expertise in management, finance, and R&D. The future composition and member background of the board of directors will continue to follow the current structure. We have a strong network of connections and will also seek suitable talent from external sources to assume positions as needed. In addition, independent directors are required by law to have work experience in business, R&D, legal, accounting, or corporate affairs. Therefore, the direction of future succession planning will focus on professionals with expertise in each field.</p> <p>2. Succession Planning and Implementation for Key Management Personnel: The Company's succession plan is currently in progress, and the CEO and Chairman of the Board of Directors of the Company and its subsidiaries are being groomed as successors through their experience in managing the Company. The group's various company executives are all professional staff who fully endorse the company's business philosophy, understand its vision, share its values, and have a certain amount of seniority within the group. Their performance, professional expertise, and business acumen have all been recognized. Some of the designated successors are already members of the board of directors of</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Description	
			<p>various companies within the group, and they are expected to learn about the operations of the board of directors in the coming years. The goal is for them to take over leadership positions in 8 to 10 years. The Company's succession plan is not limited to senior management, but will also be extended to lower levels to ensure that each level has qualified successors. The Company will also cultivate successors for departmental senior managers through its proxy system, job rotation, and functional training. The selection of suitable successors will be evaluated through on-the-job learning, self-study, job experience, and the Company's existing performance appraisal system. The retention rate of key talents will be used as an important performance indicator for the management department on a monthly basis.</p> <p>In addition, the Company conducts job rotations and promotions for key talents based on future development strategies, investment plans, technology roadmaps, employee performance evaluations, and retirement situations, to effectively transfer professional experiences and cultivate suitable management talent for succession.</p> <p>(6) The Company provides at least one training session per year to our directors, managers, and employees on the prevention of insider trading in accordance with relevant laws and regulations. The company provides education and promotion on the prevention of insider trading at least once a year to directors, managers, and employees. The education and training also cover new employees and include topics such as the definition of insider trading, internal significant information, and its public disclosure, prohibition of insider trading, and penalties for violations. The Company conducted relevant education on preventing insider trading to current directors and managers on December 20th, 2022, and made the course materials available for employees to refer to at any time via the Company's internal system. The Company will notify directors and managers by email that trading in the company's stock is prohibited during the blackout periods, which begin two weeks before the announcement of the annual and quarterly financial reports. The blackout periods are defined as the 30 days before the announcement of the annual financial report and the 15 days before the announcement of each quarterly financial report.</p> <p>The education and promotion of relevant laws and regulations on</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons									
	Yes	No	Summary Description										
			preventing insider trading for employees were carried out in the year 2022 as follows: <table border="1" data-bbox="1041 367 1612 550"> <thead> <tr> <th>Item</th> <th>Participants</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>Prevent insider trading</td> <td>210</td> <td>0.5</td> </tr> <tr> <td>Total</td> <td>210</td> <td>105</td> </tr> </tbody> </table>	Item	Participants	Hours	Prevent insider trading	210	0.5	Total	210	105	
Item	Participants	Hours											
Prevent insider trading	210	0.5											
Total	210	105											
9. Please explain the improvement made based on the corporate governance evaluation results released by the Corporate Governance Center of Taiwan Stock Exchange Corporation for the latest fiscal year, and propose priority areas and measures for those who have not yet improved. (Companies that have not been evaluated need not be filled in.) We have made the following improvements based on the corporate governance evaluation results released in the 9th assessment (the fiscal year 2022): <ol style="list-style-type: none"> We have established internal rules that prohibit our directors, employees, and other insiders from using non-public information to profit from the market. We have disclosed these rules on our company's website and ensured their implementation. In the fiscal year 2023, we will prioritize the following areas for further strengthening: <ol style="list-style-type: none"> We will hold at least two corporate briefings, either self-initiated or by invitation, during the evaluation year. We will ensure that there is a gap of at least three months between the first and last briefing during the evaluation year. 													

D. The composition and operation of the Company's remuneration committee are as follows:

(A) On December 29, 2011, the board of directors of the Company approved the establishment of a remuneration committee. The members of the current remuneration committee are independent directors Mr. Liaw Dar-Lii, Mr. Lee An-Chen, and Mr. Chu Ming-Ching. Their term of office is from August 10, 2022, to June 28, 2025. Mr. Liaw Dar-Lii, an independent director, serves as the convener of the committee.

(B) The professional knowledge and independence of the members of the current remuneration committee are as follows:

Identity (Note 1)	Name	Term	Professional qualifications and experience (Note 2)	Independence status (Note 3)	The number of remuneration committee memberships held concurrently in other publicly listed companies.
Independent director	Liaw Dar-Lii		For professional qualifications and experience, please refer to pages 8-10 of this year's annual report for information on the directors and supervisors.	All members of the Company's remuneration committee comply with the provisions of Article 6, Paragraph 1 of the "Regulations Governing the Establishment and Exercise of Powers of the Compensation Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter at Securities Firms" (Note 1).	0
Independent director	Lee An-Chen				0
Other	Chu Ming-Ching	Education: Agricultural Machinery Department, National Chung Hsing University Experience: Manager, Sales Unit, Cathay Life Insurance Co., Ltd.			0

Note 1: In the two years before the appointment and during the term of office, the member shall not have any of the following circumstances:

- (1) An employee of the Company or its affiliated enterprises.
- (2) Director or supervisor of the company or its affiliated enterprises (except for independent directors appointed mutually by the company and its parent company, subsidiary, or subsidiary of the same parent company according to this law or local laws and regulations).
- (3) The member, his/her spouse, minor children, or any natural person shareholder who holds 1% or more of the Company's issued shares or is among the top ten shareholders in the name of others.
- (4) Manager listed in (1) or spouse, relatives within two degrees of kinship, or direct blood relatives within three degrees of kinship of the personnel listed in (2) or (3).
- (5) Director, supervisor, or employee of the corporate shareholder who directly holds 5% or more of the total issued shares of the Company, is among the top five shareholders or is appointed as a director or supervisor of the company by the corporate shareholder according to Article 27, Paragraph 1 or 2 of the Company Act (except for independent directors appointed mutually by the company and its parent company, subsidiary, or the subsidiary of the same parent company according to this law or local laws and regulations).
- (6) Director, supervisor, or employee of another company or organization that controls more than half of the seats or voting rights of the Company's board of directors, but not including independent directors appointed mutually by the Company or its parent company, subsidiary, or the subsidiary of the same parent company according to this law or local laws and regulations.
- (7) Director (trustee), supervisor (supervisor), or employee of another company or organization, who is the same person or spouse of the company's chairman, general manager, or equivalent position (except for independent directors appointed mutually by the Company and its parent company, subsidiary, or the subsidiary of the same parent company according to this law or local laws and regulations).
- (8) Director (trustee), supervisor (supervisor), manager, or shareholder holding 5% or more of the shares of a specific company or organization that has financial or business dealings with the Company.
- (9) Professional, sole proprietor, partnership, company, or organization providing related services in commerce, law, finance, accounting, and other fields to the company or its affiliated enterprises, and whose total remuneration received in the past two years does not exceed NT\$500,000, as well as their spouses, enterprise owners, partners, directors (trustees), supervisors (supervisors), managers, and their spouses. However, members of the remuneration committee, public tender offer review committee, or merger special committee who perform duties in accordance with the Securities and Exchange Act or the Company Merger and Acquisition Act are not subject to this restriction.

(C) Information on the operation of the remuneration committee

- a. The remuneration committee of our company consists of three members.
- b. The term of office for the current committee is from August 10, 2022, to June 28, 2025. In the most recent fiscal year, the remuneration committee held two meetings (A), and the qualifications and attendance of the members were as follows:

Title	Name	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Actual attendance rate (%) (B/A)	Remarks
Convener	Liaw Dar-Lii	2	0	100%	
Member	Lee An-Chen	2	0	100%	
Member	Chu Ming-Ching	2	0	100%	

Other matters to be recorded::

1. If the board of directors did not adopt or amend the suggestion of the remuneration committee, please indicate the date and session number of the board meeting, the contents of the motion, the result of the resolution, and the company's handling of the suggestion of the remuneration committee (if the remuneration passed by the board is better than the suggestion of the remuneration committee, please state the difference and the reasons): Nil.
2. If any member had objections or reservations about the resolution of the remuneration committee and there is a record or a written statement, please indicate the date and session number of the remuneration committee meeting, the contents of the motion, all the opinions of the members and how the opinions were handled:

Resolutions of the Remuneration Committee for the fiscal year 2022 are as follows:

Date of the Remuneration Committee	Tenure	Agenda / Resolution	Members with objections or reservations.	Handling of members' opinions.
2022/1/24	The 8th meeting of the 4th Remuneration Committee.	1. Annual bonus payment for managers. 2. Distribution of employee compensation and director/supervisor remuneration for the fiscal year 2021.	Nil	N/A
2022/9/20	The 1st meeting of the 5th Remuneration Committee.	1. Payment of employee compensation for managers. 2. Payment of director/supervisor remuneration. 3. Salary adjustment for managers.	Nil	N/A

3. Duties of the Remuneration Committee:

The functions of the Company's Remuneration Committee are regulated by relevant laws and regulations. The committee takes a professional and objective stance to evaluate the compensation policies and systems for our company's directors and managers. Generally, the committee holds at least two meetings per year and may convene additional meetings as necessary. The committee also submits proposals to the board of directors for reference in decision-making.

(1) Duties of the Remuneration Committee:

- a. Regularly review and propose amendments to the organization regulations of the committee.
- b. Establish and regularly review the performance evaluation criteria for directors and managers, as well as the policies, systems, standards, and structures for compensation and benefits. The evaluation criteria

should be disclosed in the annual report.

- c. Regularly assess the achievement of performance goals for directors and managers and determine individual compensation and benefits based on the evaluation results.
- (2) When fulfilling its duties, the Remuneration Committee adheres to the following principles:
- a. The performance evaluation and compensation and benefits for directors and managers should reference the industry's standard compensation practices for similar-sized companies and take into consideration their performance, the company's operating performance, and the future risk implications.
 - b. The committee should not encourage directors and managers to engage in activities that exceed the company's risk appetite for the sake of compensation and benefits.
 - c. The proportion of short-term incentive compensation and the timing of payment of variable compensation for directors and senior managers should be determined based on industry characteristics and the company's business nature.
 - d. Committee members should recuse themselves from discussing and voting on any matters related to their compensation and benefits to ensure fairness and objectivity.

E. The implementation status of sustainable development promotion and the differences between the sustainable development best practice principles for TWSE/TPEX listed companies, as well as the reasons for these differences.

Item	Execution status			Differences and reasons for the implementation of sustainable development practices compared to the best practice principles for TWSE/TPEX listed companies									
	Yes	No	Description										
1. Has the company established a governance framework for promoting sustainable development, set up a dedicated department for promoting sustainable development, and authorized senior management to handle it, and is the board of directors supervising the situation?	✓		<p>The company has established a "Sustainable Development Committee" as a dedicated unit to promote sustainable development, chaired by the Chairman of the Board of Directors, to actively promote "corporate governance", "environmental sustainability", "social participation" and "green products", and to strengthen employees' awareness of sustainable development, shape consensus, and strive for sustainability together.</p> <p>Currently, the Taiwan plant has completed greenhouse gas inventory and verification, and will actively promote this to various plants in the group to complete greenhouse gas inventory verification and set carbon reduction targets, actively promoting energy-saving and carbon reduction actions.</p> <p>The "Sustainable Development Committee" reports relevant planning and execution results and corresponding strategies to the Board of Directors every year, and the Board of Directors must evaluate the likelihood of success of these strategies and review their progress, and urge adjustments when necessary.</p>	Complies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.									
2. Has the company conducted a risk assessment on environmental, social, and corporate governance (ESG) issues related to its business operations in accordance with the principle of materiality, and developed relevant risk management policies or strategies?	✓		<p>A. The Company has conducted a risk assessment on sustainability-related issues in accordance with the significant principles. Based on the evaluation of the risks, the company has formulated the following risk management policies or strategies:</p> <table border="1" data-bbox="1021 1018 1693 1414"> <thead> <tr> <th>Material issues</th> <th>Risk assessment items</th> <th>Risk management policies or strategies</th> </tr> </thead> <tbody> <tr> <td>Corporate governance</td> <td>Social and economic compliance with legal regulations</td> <td>By establishing a governance structure and implementing internal control mechanisms, we ensure that all personnel and operations of our company comply with relevant laws and regulations.</td> </tr> <tr> <td></td> <td>Information security and occupational safety.</td> <td>Promote internal network security awareness, provide information security training, and establish effective reporting channels to ensure the safety of both information and employees.</td> </tr> </tbody> </table>	Material issues	Risk assessment items	Risk management policies or strategies	Corporate governance	Social and economic compliance with legal regulations	By establishing a governance structure and implementing internal control mechanisms, we ensure that all personnel and operations of our company comply with relevant laws and regulations.		Information security and occupational safety.	Promote internal network security awareness, provide information security training, and establish effective reporting channels to ensure the safety of both information and employees.	Complies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
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Item	Execution status			Differences and reasons for the implementation of sustainable development practices compared to the best practice principles for TWSE/TPEX listed companies									
	Yes	No	Description										
			<table border="1"> <tr> <td>Personnel</td> <td>Human Rights</td> <td>Based on the international human rights conventions, the Company has formulated the "ACES Electronics Corporate Social Responsibility Policy", which includes policies on safeguarding human rights, including the "International Covenant on Economic, Social and Cultural Rights" and the "International Covenant on Civil and Political Rights", two United Nations human rights conventions. The Company adheres to the principles outlined in the "Universal Declaration of Human Rights", the "United Nations Guiding Principles on Business and Human Rights", the "United Nations Global Compact", and the "International Labour Organization", and respects internationally recognized basic human rights.</td> </tr> <tr> <td></td> <td>Talent development</td> <td>Collaborating with various mechanical engineering departments to establish industry-academia partnerships and arrange various training courses for excellent talents to graduate and join the workforce, so that employees can continue to improve and grow in their work.</td> </tr> <tr> <td>Environmental and Energy</td> <td>Environmental protection</td> <td>The Company is committed to environmental protection and advocates for green and clean production. In our production process, we have reduced pollution emissions and minimized the impact on the environment. We regularly implement plans and programs that have been established and</td> </tr> </table>	Personnel	Human Rights	Based on the international human rights conventions, the Company has formulated the "ACES Electronics Corporate Social Responsibility Policy", which includes policies on safeguarding human rights, including the "International Covenant on Economic, Social and Cultural Rights" and the "International Covenant on Civil and Political Rights", two United Nations human rights conventions. The Company adheres to the principles outlined in the "Universal Declaration of Human Rights", the "United Nations Guiding Principles on Business and Human Rights", the "United Nations Global Compact", and the "International Labour Organization", and respects internationally recognized basic human rights.		Talent development	Collaborating with various mechanical engineering departments to establish industry-academia partnerships and arrange various training courses for excellent talents to graduate and join the workforce, so that employees can continue to improve and grow in their work.	Environmental and Energy	Environmental protection	The Company is committed to environmental protection and advocates for green and clean production. In our production process, we have reduced pollution emissions and minimized the impact on the environment. We regularly implement plans and programs that have been established and	
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Item	Execution status			Differences and reasons for the implementation of sustainable development practices compared to the best practice principles for TWSE/TPEX listed companies
	Yes	No	Description	
				track and review the progress of each objective to ensure their achievement.
			Water resources management	Promote water resource conservation within the factory and implement water resource reuse. In the event of water supply interruption, products will be transferred to other factories for production. In addition, the company will continue to purchase saplings to ensure soil and water conservation and regulate the environment.
			Energy management	Promotion of energy management by guiding the use of air conditioning and compressed air equipment in the factory. The company has backup generators and regularly checks the inventory of diesel fuel. If a power outage occurs, the company will transfer production to other plants. Equipment replacement in the factory includes systems with variable frequency or energy-saving devices.
			Occupational health and safety	Occupational Safety The Company obtained two international certifications in 2016, OHSAS 18001 Occupational Health and Safety Management System and ISO 14001 Environmental Management System. The environment, safety, and health departments in each of our factories conduct daily safety inspections and checks to further implement the occupational safety and health management system. The companies within our group supervise and exchange

Item	Execution status			Differences and reasons for the implementation of sustainable development practices compared to the best practice principles for TWSE/TPEX listed companies
	Yes	No	Description	
			<p>experiences with each other. Regular fire drills and safety education and training are conducted every year to cultivate employees' emergency response and self-safety management abilities.</p> <p>Product Quality The Company obtained the QC080000 Hazardous Substance Process Management System certification in 2014. All of our products comply with government regulations and meet the requirements of the EU RoHS directive, with no hazardous substances present. Through strict quality system management, we provide our customers with stable product quality. To ensure customer service quality and satisfaction, we conduct regular customer satisfaction surveys and strengthen our cooperation with customers.</p> <p>B. The Company adheres to the principle of integrity and feedback to society, and in pursuing sustainable business and profits, we fulfill corporate social responsibility, value the rights and interests of stakeholders, and pay attention to environmental, social, and corporate governance issues, which are incorporated into our management policies and operations to achieve the goal of sustainable management.</p>	
<p>C. Environmental Issues</p> <p>(A) Has the company established an appropriate environmental management system based on its industry characteristics?</p>	✓		<p>A. The Company's main environmental management measures include:</p> <p>(A) Ensuring compliance with regulatory requirements for emissions of exhaust gas, wastewater, waste, noise, and chemical substances generated during the Company's processes.</p> <p>(B) Setting targets and managing the use of resources such as electricity, water, and air conditioning.</p>	Complies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Item	Execution status			Differences and reasons for the implementation of sustainable development practices compared to the best practice principles for TWSE/TPEX listed companies
	Yes	No	Description	
			<p>(C) Submitting reports for the "Energy User Energy Conservation Audit System" as required by energy management regulations.</p> <p>(D) Having obtained certification for ISO 14001 Environmental Management System, ISO 45001 Occupational Health and Safety Management System, QC080000 Hazardous Substance Process Management System, and conducted an inventory and third-party verification of Scope 1, 2, and 3 greenhouse gas emissions under ISO 14064-1.</p>	
(B) Is the company committed to improving energy efficiency and using low-impact renewable materials to reduce its environmental footprint?	✓		B. The company actively maximizes the efficient use of resources, uses environmentally-friendly materials that are pollution-free and non-toxic in all products produced during our processes and improves our process and operation management to reduce waste and lower production costs. Regarding waste and defective products generated during the production process, we calculate the amount produced through effective management procedures and recycle them. The recycled waste and defective products are then handed over to qualified waste recyclers to be reported to the Environmental Protection Bureau and disposed of and recycled in accordance with the law.	Complies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
(C) Has the company assessed the potential risks and opportunities of climate change for its current and future operations, and taken relevant measures in response?	✓		C. The Company continuously monitors the impact of climate change on our operations, following the belief of coexisting with nature and being people-oriented and the spirit of protecting the earth and the health of our employees. We have completed the basic identification of climate change risks and opportunities. For more details, please refer to Note 1 (Page.52).	Complies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
(D) Has the company calculated its greenhouse gas emissions, water usage, and total waste generation over the past two years, and developed policies for reducing greenhouse gas emissions, water usage, or other waste management?	✓		<p>D. The Company's greenhouse gas emissions, water usage, and total waste generation over the past two years are as follows:</p> <p>(A) Some of the Company's factories have conducted greenhouse gas inventories, and the data is as follows:</p> <p>a. The total greenhouse gas emissions for the year 2022 were 5381.7028 metric tons of CO2 equivalent (CO₂e). The total greenhouse gas emissions for the year 2021 was 5611.3596 metric tons of CO2 equivalent (CO₂e). There was a reduction of 229.6568 metric tons of CO2 equivalent (CO₂e) in the total greenhouse gas emissions for the year 2022 compared to the year 2021. The main</p>	Complies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Item	Execution status			Differences and reasons for the implementation of sustainable development practices compared to the best practice principles for TWSE/TPEX listed companies
	Yes	No	Description	
			<p>reasons for this reduction include a decrease in production capacity and the inclusion of some Scope 3 emissions.</p> <p>Starting from 2021, the Company has for the first time included some Scope 3 categories in our inventory and verification, including employee business travel, employee commuting, downstream transportation and distribution of goods, waste disposal, and upstream emissions from fuel and electricity. (For detailed information, please refer to the ACES's ESG Report)</p> <p>b. The target for total greenhouse gas emissions in 2022 is set based on the 2021 data, with a yearly reduction target of 1%, which will be achieved through the following aspects:</p> <p>(a) Air conditioning and lighting:</p> <p>i. Setting the temperature of the workplace and office at 26-28°C, with designated personnel responsible for turning on and turning off the air conditioning.</p> <p>ii. Lighting switches are subdivided and controlled by area. Time-controlled switches are used to manage lighting in public areas. All factory lighting fixtures have been replaced with LED lighting to reduce electricity waste.</p> <p>(b) Electricity usage for air compressors:</p> <p>i. Regular inspections are conducted to check for air leaks in the company's air ducts and repairs are made promptly to avoid increasing the load on the air compressors due to air leaks, thus achieving energy savings in the use of air compressors.</p> <p>ii. The company has fully replaced its air compressors with variable frequency drives.</p> <p>(c) Optimizing the fuel consumption of official vehicles and making advance arrangements for carpooling.</p> <p>(d) Waste sorting is implemented within the factory, and all waste is processed by qualified vendors with clear records of the disposal process.</p> <p>(e) Energy management - Promoting environmental</p>	

Item	Execution status			Differences and reasons for the implementation of sustainable development practices compared to the best practice principles for TWSE/TPEX listed companies
	Yes	No	Description	
			<p>protection measures such as digital energy-saving, waste reduction, and recycling, and providing training and promotion on energy-saving and emission reduction measures.</p> <p>(B) Comparison and explanation of water usage and total waste generation:</p> <p>a. Comparison and explanation of water usage: Total water usage in 2022: 19,533 tons Total water usage in 2021: 21,886 tons Based on the statistics for the two fiscal years, the water usage in 2022 decreased by 2,353 cubic meters compared to 2021. (For more details, please refer to the ACES's ESG Report)</p> <p>b. Comparison and Explanation of Total Waste Generation: Total waste generated in 2022: 20.4 metric tons (municipal solid waste) Total waste generated in 2021: 20.8 metric tons (municipal solid waste) According to the statistics for the two years, waste generation decreased by 0.4 metric tons. (For more details, please refer to the ACES's ESG Report)</p>	
D. Social issues (A) Does the company develop relevant management policies and procedures in accordance with relevant laws and international human rights conventions?	✓		(A) The Company has developed the "Macrobloc Electronic Corporate Social Responsibility Policy" by reference to the International Bill of Human Rights, which includes policies to protect human rights, including the International Covenant on Economic, Social, and Cultural Rights and the International Covenant on Civil and Political Rights, both of which are United Nations human rights conventions. In order to fulfill our corporate social responsibility and protect the basic human rights of all employees, customers, and stakeholders, we follow the principles outlined in the United Nations Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, the United Nations Global Compact, and the International Labour Organization's human rights conventions, to respect internationally recognized basic human rights, including freedom of association, caring for vulnerable groups, prohibiting child labor, eliminating all forms of forced labor, eliminating employment and job discrimination,	Complies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Item	Execution status			Differences and reasons for the implementation of sustainable development practices compared to the best practice principles for TWSE/TPEX listed companies
	Yes	No	Description	
			<p>and complying with labor-related laws and regulations in the country or region where the company operates, to protect the legitimate rights and interests of employees, and establish appropriate management methods and procedures.</p> <p>(1) Provide employees with a reasonable salary and bonus system.</p> <p>(2) Provide employee education and training programs.</p> <p>(3) Implement insurance plans and leave systems.</p> <p>(4) Set aside retirement benefits in accordance with the law.</p> <p>In terms of labor-management communication, through the convening of labor-management coordination meetings, we can attach importance to employee rights and express concern for employees. We have also set up physical and online employee suggestion boxes to receive employee complaints and suggestions, and value two-way communication and coordination.</p> <p>In addition, the Company follows the international trend and adopts the Code of Conduct formulated by the Responsible Business Alliance (RBA) (formerly known as the Electronic Industry Citizenship Coalition (EICC)) as an important behavioral norm for the company. The company adopts the code of conduct developed by the Responsible Business Alliance (RBA) (formerly known as the Electronic Industry Citizenship Coalition, EICC) as an important behavior norm for all its business activities. The basic principle of using this code of conduct is that all business operations must fully comply with the laws, regulations, and legal requirements of the countries in which they operate, and encourage participants to actively use internationally recognized standards to promote social and environmental responsibility, business ethics, and ensure the safety of the working environment for the entire supply chain and subcontractors, respect for each employee, and compliance with moral principles in business operations.</p> <p>The Company is committed to continuously self-check its performance in labor, health, safety, environmental and ethical aspects, accepting on-site audits by third-party verification agencies, and proactively requiring suppliers to adopt RBA tools and standards. To demonstrate this commitment and create a sustainable business environment, we will uphold an</p>	

Item	Execution status			Differences and reasons for the implementation of sustainable development practices compared to the best practice principles for TWSE/TPEX listed companies
	Yes	No	Description	
			<p>attitude and position of integrity and non-compromise, establish relevant RBA policies, and strive tirelessly for the rights and welfare of practitioners and communities in the electronics industry supply chain.</p> <p>The Company has also undergone the RBA Validated Assessment Program (VAP) in 2022, which involves a site audit conducted by an independent third-party organization. We are proud to have received a high score of 200 points (out of a maximum of 200) and have been awarded Platinum Status.</p> <p>The Company is committed to promoting human rights protection policies, and in addition to policy formulation, we have also implemented human rights assessments, risk mitigation measures, and related education and training.</p> <p>Measures to mitigate human rights risks: The Company is committed to ensuring that the human rights of its employees and those in its supply chain are respected and that their working environment is safe. To fulfill this commitment, the company has become a member of the Responsible Business Alliance and conducts a comprehensive investigation process to ensure that its code of conduct aligns with the RBA Code of Conduct.</p> <p>Human Rights Assessment: Every year, the Company conducts a hazard identification and risk assessment of labor ethics to control risks.</p> <p>Education and training on human rights protection: 【Labor and Ethics Education and Promotion】 New employees are provided with training on relevant legal compliance and promotion content, including the prohibition of forced labor, prohibition of child labor, anti-discrimination, anti-harassment, working hour management, and protection of humane treatment. 【Sexual Harassment Prevention and Education】 Sexual harassment prevention education includes understanding the concept of sexual harassment, preventing sexual harassment, and the company's handling procedures for sexual harassment incidents.</p>	

Item	Execution status			Differences and reasons for the implementation of sustainable development practices compared to the best practice principles for TWSE/TPEX listed companies
	Yes	No	Description	
			<p>【Provide a complete series of occupational safety training】</p> <p>The Company provides comprehensive occupational safety training for employees. We offer different safety training programs tailored to the specific needs of different employee categories and the situations they may encounter in the workplace. These programs include fire safety training, emergency response training, first aid training, general safety and health education training, and more.</p>	
(B) Does the company establish and implement reasonable employee welfare measures (including salaries, leaves, and other benefits), and appropriately reflect the business performance or results in employee compensation?	✓		<p>(B) The Company has established work rules and related personnel management regulations, covering basic wages, working hours, leave, retirement benefits, labor, and health insurance benefits, occupational accident compensation, etc., for the employed workers, and all related policies are in compliance with the relevant provisions of the Labor Standards Act. In addition, the company has also set up a labor welfare committee, which is operated by elected welfare commissioners to handle various welfare matters, such as employee travel.</p> <p>The Company's remuneration policy is based on individual abilities, contributions to the company, individual performance, and the correlation with the company's business performance.</p>	Complies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
(C) Does the company provide employees with a safe and healthy working environment, and regularly conduct safety and health education for employees?	✓		<p>(C) The Company is committed to providing a safe and healthy working environment for employees. In addition to arranging health checks for new employees, we also hold regular health checks for existing employees. For direct personnel engaged in production line work, we arrange special health checks for occupational disease prevention under labor insurance. Before new employees start their job, we provide them with safety and health education and training and conduct related training in accordance with the Labor Safety and Health Act.</p> <p>In addition, our company has established the "Precautions for Prevention and Handling of Sexual Harassment" and provided channels for complaints to maintain a healthy work environment. We also provide accident and medical insurance for employees to ensure their safety at work and to mitigate the company's management risks. Emergency response procedures are in place to carry out safety maintenance and disaster emergency response training. Every year, we invite local fire departments or professional fire consultants to provide fire training and drills. According to the regulations of the Occupational Safety and</p>	Complies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Item	Execution status			Differences and reasons for the implementation of sustainable development practices compared to the best practice principles for TWSE/TPEX listed companies
	Yes	No	Description	
			Health Act, we employ qualified nurses and contract occupational medicine specialists to provide on-site health services in compliance with legal requirements.	
(D)Does the company establish an effective career development training program for employees?	✓		<p>(D) The company is committed to promoting continuous learning and self-improvement among employees through the motto "The Power of Knowledge," and spares no effort in investing in employee training. A comprehensive training system has been established for new employees, including basic and professional training, to help them quickly adapt to the new environment and feel a sense of belonging. In-service employees can continuously challenge themselves and grow through various training channels, such as internal and external training, on-the-job training (OJT) provided by supervisors or peers, and monthly library reading. In addition, career planning and development are integrated through job series/levels planning, job rotation, project assignments, and overseas assignments, enabling colleagues to jointly enjoy the joy of intellectual growth and create a better future.</p> <p>The Company has established an education and training management procedure to plan the training courses according to the professional and functional requirements of employees. This is to enhance the knowledge and skills of employees, improve their overall quality, and promote business performance. We provide leadership, organizational management, and teamwork training courses and activities for managerial staff to enhance their management and leadership capabilities. For marketing and sales staff, we offer product or sales-related professional training to strengthen their marketing skills. For R&D staff, we offer specialized training courses such as product development and design, APQP, and problem analysis and resolution. As the company expands globally, language learning courses are also provided to strengthen language skills. With the advent of Industry 4.0 and smart manufacturing as a global trend, we have invited the Smart Manufacturing Research Center of National Central University to conduct a 25-week professional training program on engineering, data applications, information security, and management for our company. We execute the following relevant training courses in accordance with the annual education and training plan:</p>	Complies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Item	Execution status			Differences and reasons for the implementation of sustainable development practices compared to the best practice principles for TWSE/TPEX listed companies
	Yes	No	Description	
			<p>(1) New employee pre-service training: includes company culture and regulations, intellectual property overview, basic operating system operations, quality management awareness, no harmful substance policy promotion, personal job responsibilities explanation, professional skills training, etc. Our company has a "New Employee Mentorship System", where new employees follow a plan to receive complete pre-service education and training, and with the guidance of a dedicated mentor, assist new employees in quickly familiarizing themselves with and integrating into their work positions.</p> <p>(2) Professional skills training:</p> <p>A. Internal Training: Department heads or senior staff members serve as instructors, and courses are arranged based on the technical and professional training needs of each functional unit to enhance employee personal value and sense of responsibility, correct work attitudes and concepts, and strengthen professional skills. This improves current work productivity and efficiency and expands the diversity of career development opportunities.</p> <p>B. Every year, a budget is allocated for education and training, and employees are sent to professional training institutions to acquire external professional knowledge and skills. At the same time, employees are also encouraged to continue their education while working.</p> <p>(3) Quality consciousness: Through the "Knowledge Management Zone," we regularly update internal/external audit recommendations and improvement plans, as well as share and analyze common customer complaints. Through this quality information exchange channel, we help continuously improve internal operational processes and quality management capabilities.</p> <p>(4) ACES Academy: Constructing the "ACES Academy" digital learning platform, which provides diverse and rich learning content, including training categories such as management functions, sales, and marketing, research and development, production management, general education, language, etc., in a more</p>	

Item	Execution status			Differences and reasons for the implementation of sustainable development practices compared to the best practice principles for TWSE/TPEX listed companies																
	Yes	No	Description																	
			<p>flexible way to meet the needs of more employees with different learning styles.</p> <p>(5) The following is the statistical report on employee education and training in our company for the year 2022:</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Classes</th> <th>Participants</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>New Employee Training</td> <td>4</td> <td>187</td> <td>1,870</td> </tr> <tr> <td>Professional Skills Training</td> <td>218</td> <td>1,419</td> <td>3,598</td> </tr> <tr> <td>Total</td> <td>222</td> <td>1606</td> <td>5,468</td> </tr> </tbody> </table>	Item	Classes	Participants	Hours	New Employee Training	4	187	1,870	Professional Skills Training	218	1,419	3,598	Total	222	1606	5,468	
Item	Classes	Participants	Hours																	
New Employee Training	4	187	1,870																	
Professional Skills Training	218	1,419	3,598																	
Total	222	1606	5,468																	
(E) Does the company comply with relevant laws and international standards regarding customer health and safety, customer privacy, marketing, labeling, and other related issues concerning our products and services, and have we developed policies and procedures to protect the rights and interests of consumers or customers and handle complaints accordingly?	✓		<p>(E) The Company has set up a business contact person and customer service hotline on our company website to handle customer complaints and is responsible for dealing with quality and customer service issues.</p> <p>We comply with regulatory requirements and international standards regarding customer health and safety, customer privacy, marketing, and labeling for our products and services. We have also developed policies and procedures to protect consumer rights and handle complaints accordingly.</p>	Complies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.																
(F) Does the company have a supplier management policy that requires suppliers to comply with relevant regulations and standards on issues such as environmental protection, occupational health and safety, and labor rights, and monitors their implementation?	✓		<p>(F) The Company has established a "Supplier Evaluation and Control Procedure" which requires suppliers to complete a quality system evaluation form before transacting with us. We also conduct on-site evaluations of their compliance with environmental, safety, and health regulations. Their records and impacts on the environment and society are also important evaluation criteria.</p>	Complies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.																
E. Does the company refer to internationally recognized reporting standards or guidelines to prepare non-financial reports such as sustainability reports? Have these reports obtained confirmation or assurance opinions from third-party verification units?	✓		<p>Since 2021, our company has prepared a sustainability report based on the GRI Standards and obtained moderate assurance according to Type 1 of the AA1000 through external verification by TUV Rheinland Taiwan Ltd.</p>	Complies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.																
F. If the company has its sustainability guidelines based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please describe how these guidelines differ from the company's operation and the established guidelines. The Company's Board of Directors passed a revision on November 10th, 2022, to rename the "Corporate Social Responsibility Best Practice Principles" to "Sustainable Development Best Practice Principles" and made amendments to some of its articles. This serves as our company's guiding principle for promoting CSR, and there are no major differences in its operation and the spirit and principles governed by the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies."																				

Item	Execution status			Differences and reasons for the implementation of sustainable development practices compared to the best practice principles for TWSE/TPEX listed companies
	Yes	No	Description	
G.			Other important information that helps to understand the implementation of sustainable development:	
			(A) Recognizing the importance of environmental protection measures, our company has taken the following actions to promote environmental and occupational health and safety:	
			a. Promotion of Restrictions of Hazardous Substances (RoHS) and Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH) regulations. The RoHS came into effect on July 1st, 2006, and prohibits the sale of products containing six hazardous substances, including lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyls, and polybrominated diphenyl ethers, to the EU. On July 22nd, 2019, four phthalates (DEHP, BBP, DBP, DIBP) were added to the list. Our company actively promotes green production and procurement and has achieved compliance with hazardous substance-free products in our production process. We have also received recognition from our major customers for meeting their requirements.	
			b. Resource recycling and waste reduction plan The Company actively promotes the full and effective utilization of resources to reduce waste and production costs. In addition to improving processes and operational management to reduce scrap material generation, we also develop and select non-polluting and low-polluting processes to minimize waste. Moreover, metal waste generated during production is calculated and recycled through an effective management program. The recycled waste metal is then sold to waste recycling businesses, reducing the wastage of resources.	
			(B) The Company upholds the philosophy of taking from society and giving back to society, continuously contributing to society through participation in public welfare activities and fulfilling our social responsibilities. Our achievements are as follows:	
			a. Since 2008, we have been donating ambulances and rehabilitation buses to remote areas in the name of our company's outstanding employees. This activity has been ongoing for several years. Since 2018, outstanding employees have also served as public ambassadors, combining various types of public welfare activities to provide appropriate assistance to those in need and social welfare groups through practical actions. We have accumulated dozens of vehicles through these efforts.	
			b. With the hope of allowing children in remote areas throughout Taiwan to experience the joy of reading, our company has been donating mobile book trucks to county and city governments since 2018 in the name of outstanding employees. This is to help reduce the gap in reading resources between urban and rural areas and fulfill our social responsibilities. As an example, in 2023, we plan to donate a total of three mobile book trucks to Miaoli County, Hsinchu County, and Pingtung County. The donation ceremony for Hsinchu County's mobile book truck will be held on July 19th at the Jianshi Township Office, followed by the Miaoli County mobile book truck donation ceremony on November 2nd at the outdoor plaza of the Miaoli County Government. The donation of the mobile book truck to Pingtung County is also expected to be completed in the first quarter of 2023, hoping to inspire more public welfare activities through our efforts.	
			c. On September 17th, 2022, intending to give back to the community and promote "Reduce, Reuse, and Recycle" for the love of the Earth and community, the ACES Clean-up Team conducted a community cleaning activity around the Precision Factory. We picked up trash, swept the streets, and conducted resource recycling to make our land a clean and beautiful place. We hope to turn trash into treasure and treasure into love for the environment.	
			d. During the Christmas season in December 2022, the company collaborated with the well-known charity organization World Vision to launch a Christmas Wish Gift collection activity within the company. This activity aimed to provide Christmas gifts to children in need, and it received enthusiastic responses from colleagues. Many heartfelt gifts were collected and distributed to disadvantaged children in child welfare institutions, totaling over a hundred gifts, representing the love and kindness of the company's employees. In addition, under the names of three outstanding employees of the year, the company made donations to various charitable organizations, including World Vision and Mustard Seed Mission, to provide scholarships for disadvantaged students in Taoyuan, hoping to help them focus on their studies with peace of mind.	

Note 1: ACES identifies the key risks associated with climate change.

Climate change's main risks		Potential operational and financial impacts.	Strategic direction to response
Market risk	<ul style="list-style-type: none"> ● Customers demanding process improvements and setting carbon reduction targets. If the company is unable to meet these requirements, it may impact its operational performance. ● Consumers are increasingly aware of carbon reduction and demand green products, which may require additional costs for product development and production. 	<ul style="list-style-type: none"> ● Increased operating costs ● A decline in business performance ● Changes in market demand 	<ol style="list-style-type: none"> 1. Invest in green manufacturing development and cooperate with suppliers that align with sustainability principles to accelerate the company's move towards green production. 2. Actively monitor market trends and conduct market research to continuously develop green energy products that align with sustainability principles.
Policy and legal risks	<ul style="list-style-type: none"> ● Gradual limitation of greenhouse gas emissions by national policies ● Regulations requiring power plants to use a certain proportion of renewable energy 	<ul style="list-style-type: none"> ● Increased operating costs ● Increased R&D expenses 	<ol style="list-style-type: none"> 1. Actively cooperate with government policies, and set greenhouse gas reduction targets year by year. 2. Understand the current renewable energy plans in Taiwan, formulate an energy transformation plan, and gradually increase the use of green energy.
Extreme weather events	<ul style="list-style-type: none"> ● Power shortage may cause the company unable to operate normally, affecting product production and increasing operating costs. ● Typhoons, heavy rain, floods, and other climate change-related disasters may affect the shipment of raw materials or cause damage to the Company, resulting in the Company's unable to operate normally and increasing operating costs. 	<ul style="list-style-type: none"> ● Reduced operational efficiency ● Increased operating costs ● Decreased customer satisfaction ● Employee safety concerns 	<ol style="list-style-type: none"> 1. Diversify the sources of raw materials to reduce risks. 2. Diversify the sources of raw materials to reduce risks. 3. Strengthen environmental safety and health education and training.

Identification of major opportunities by ACES regarding climate change impacts.

The main opportunities of climate change.		Challenges and opportunities	Strategic direction to response
Opportunities for market changes	<ul style="list-style-type: none"> ● Customers have a high demand for products that are energy-efficient and have a low environmental impact. ● Developing low-carbon products that meet market demand. 	<ul style="list-style-type: none"> ● Increase in revenue ● Product innovation 	Actively invest in developing low-carbon products.
Policy and legal changes	<ul style="list-style-type: none"> ● The government has passed incentive measures to promote the use of alternative energy. 	<ul style="list-style-type: none"> ● Lower operating costs ● Product innovation 	Participation in government green energy policy incentive programs.
Resource efficiency.	<ul style="list-style-type: none"> ● Replacing outdated equipment ● Improving resource efficiency to reduce environmental impact 	<ul style="list-style-type: none"> ● Cost reduction in product development ● Establishment of corporate image 	Monitor energy consumption of equipment and establish a plan to replace outdated devices. Develop and implement an energy-saving plan.

F. The state of the company's performance in the area of ethical corporate management, any deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such deviation

Item	Operation status			Differences and Reasons for Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
	Yes	No	Description	
<p>1. Establishing a policy and plan for ethical business operations.</p> <p>(1) Does the company have a board-approved ethical corporate management policy and is it clearly stated in its rules and external documents, as well as actively implemented by the board and senior management?</p> <p>(2) Has the company established a risk assessment mechanism for unethical behavior, regularly analyzing and evaluating business activities with a higher risk of unethical behavior within its business scope, and formulating measures to prevent unethical behavior, covering at least the preventive measures for each item listed in Article 7, paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?</p> <p>(3) Does the company establish operational procedures, behavioral guidelines, disciplinary measures for violations, and complaint mechanisms in the anti-fraud plan, and effectively implement and periodically review and revise the aforementioned plan?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has established a code of ethical conduct that has been approved by the board of directors. When entering into important contracts or agreements with others, relevant departments or external professional organizations must be consulted to ensure ethical business practices. In terms of conflict of interest, directors, supervisors, and managers must abstain from decision-making or voting if there is a conflict of interest in any transaction or decision.</p> <p>(2) The Company strictly requires its managers and employees not to provide, promise, request, or accept any improper benefits, or engage in other dishonest behaviors that violate integrity, law, or entrusted obligations, during their business activities directly or indirectly.</p> <p>(3) The company has established an "Employee reward and punishment management procedure" and "Employee work rules", which include a system for rewards and punishments and have been posted on the company's internal website. Every new employee is required to sign a "Confidentiality agreement" upon entry.</p>	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
<p>2. Implementing ethical business practices</p> <p>(1) Does the company evaluate the integrity records of its counterparts, and include integrity clauses in contracts signed with them?</p> <p>(2) Does the company establish a dedicated unit responsible for promoting ethical corporate management under the Board of Directors, and report at least once a year to the Board of Directors on its ethical corporate management policy, anti-fraud measures, and monitoring and enforcement status?</p>	<p>✓</p> <p>✓</p>		<p>(1) The Company requires all suppliers to fill out a clean pledge before conducting any transactions, which includes terms and conditions on ethical behavior for suppliers.</p> <p>(2) The Company has a part-time unit, the Management Center, responsible for formulating the policy of ethical corporate management, which is then implemented by each unit. The Audit Department is responsible for supervising the implementation. The Management Center reports its implementation status at the final board meeting every year. The Management Center has proposed to the Board of Directors the establishment of an "Ethical Corporate Management Best Practice Principles" and formulated the "Procedures for Handling Illegal, Unethical, or Dishonest Acts Reported" in accordance with the principles. The company encourages internal and external personnel to report any illegal, unethical, or</p>	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Item	Operation status			Differences and Reasons for Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
	Yes	No	Description	
<p>(3) Has the company established policies to prevent conflicts of interest, provided appropriate channels for disclosures, and implemented them?</p> <p>(4) Has the company established an effective accounting system and internal control system to implement ethical corporate management, and has the internal audit unit developed relevant audit plans based on the assessment of the risk of non-compliant behavior and audited the implementation of the anti-non-compliant behavior plan accordingly, or commissioned an accountant to perform an audit?</p> <p>(5) Does the company hold regular internal and external education and training on ethical business practices?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>non-compliant behavior with the Ethical Corporate Management Best Practice Principles, and this procedure has been announced on the company's website.</p> <p>(3) The company has established an employee feedback mailbox for employees to express their opinions.</p> <p>(4) The Company's accounting and internal control systems are established in accordance with the laws and regulations required by the competent authority. The internal audit personnel will regularly audit the implementation of the above-mentioned systems.</p> <p>(5) The company regularly holds internal and external education and training on ethical corporate management to promote and advocate for ethical behavior. At employee meetings, the company provides education and training to all employees on ethical corporate management principles. For new employees, whether in administrative or operational positions, training courses are arranged to teach relevant internal and external legal regulations regarding employee professional ethics and principles of integrity. The company's business units also promote and educate their business partners on the company's policies, prevention measures, and consequences of non-compliant behavior.</p> <p>In 2022, a total of 472 people participated in the company's education and training on ethical corporate management, including the code of ethics, internal control, and intellectual property, totaling 472 hours of training.</p>	
<p>3. The operation of the company's whistleblowing system.</p> <p>(1) Does the company have a specific whistleblowing and reward system in place, establish convenient reporting channels, and assign appropriate dedicated personnel to handle reported cases?</p> <p>(2) Does the company have established standard operating procedures for investigating reported cases, including the follow-up actions to be taken after the investigation is completed, and related confidentiality mechanisms?</p> <p>(3) Does the company take measures to protect whistleblowers from any improper treatment as a result of their reporting?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The company has established the "Procedures for Handling Illegal, Unethical, or Dishonest Acts Reported", which includes the specific arrangements for reporting channels, the responsible unit for receiving reports, the investigation procedure, and the reward system.</p> <p>(2) The Company has established the "Procedures for Handling Illegal, Unethical, or Dishonest Acts Reported," which includes the investigation standard operating procedures and relevant confidentiality mechanisms for the reported cases.</p> <p>(3) The "Procedures for Handling Illegal, Unethical, or Dishonest Acts Reported" established by the company explicitly state that reported cases should be treated confidentially and verified</p>	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Item	Operation status			Differences and Reasons for Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
	Yes	No	Description	
			through an independent channel to protect whistleblowers. The identity of the whistleblowers will be kept strictly confidential.	
4. Enhancing information disclosure Does the company disclose the content and effectiveness of its established Ethical Corporate Management Best Practice Principles on its website and the Market Observation Post System?	✓		The content of the Company's established Ethical Corporate Management Best Practice Principles has been disclosed on the Company's website and the Market Observation Post System.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
5. If the company has its ethical corporate management principles in accordance with the " Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies ", please describe the differences in their operation and content: The Company has established a sound management system for ethical corporate management, with the Management Center responsible for formulating policies, the Audit Department responsible for the supervision, and regular reporting to the Board of Directors. All directors, supervisors, managers, employees, and appointees of the company comply with legal requirements and follow internal control procedures to promote ethical corporate management.				
6. Other important information that helps understand the operation of the company's ethical management (such as the company's review and revision of its established ethical management principles, etc.): The "Ethical Corporate Management Best Practice Principles" of the Company are disclosed on our website and the Market Observation Post System.				

- (G) If the company has established corporate governance rules and related regulations, it should disclose the inquiry methods on its website and other public disclosure platforms:
The Company website has an "Investor Relations" section that includes a "Corporate Governance" area for investors to inquire about corporate governance-related regulations, important decisions of shareholders' meetings and board of directors, corporate social responsibility, internal audit, and other related content.
The Company's website: <http://www.acesconn.com>.
- (H) Other important information that can enhance understanding of the company's corporate governance operations may also be disclosed:
Please refer to the "Corporate Governance" section on our company website for information on our corporate governance practices and disclosures. Website: http://www.acesconn.com/tw/investors2_1
- (I) The following items should be disclosed regarding the implementation status of the internal control system:
- a. Internal Control Statement: Please refer to page 58 of this year's annual report.
 - b. If the company has entrusted an accountant to conduct a special review of its internal control system, the accountant's review report should be disclosed: Not applicable.

ACES ELECTRONICS CO., LTD.
Internal Control System Statement

Date: March 24th, 2023

Based on our self-assessment, we hereby declare the following regarding the Internal Control System Statements of the Company for the fiscal year 2022:

1. The Company acknowledges that it is the responsibility of the Board of Directors and management to establish, implement, and maintain an internal control system. The Company has established such a system intending to achieve effective and efficient operations (including profitability, performance, and safeguarding of assets), reliable and timely reporting, transparency, and compliance with relevant regulations and laws. This is to provide reasonable assurance.
2. The internal control system has inherent limitations, and no matter how well designed, an effective internal control system can only provide reasonable assurance regarding the achievement of the three objectives mentioned above. Furthermore, due to changes in the environment or circumstances, the effectiveness of the internal control system may change. However, the Company's internal control system includes a mechanism for self-monitoring, and if any deficiencies are identified, corrective action will be taken.
3. The Company evaluates the effectiveness of the internal control system based on the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The internal control system evaluation criteria used in the "Regulations" are based on the process of management control, which divides the internal control system into five components: 1. Control Environment, 2. Risk Assessment, 3. Control Activities, 4. Information and Communication, and 5. Monitoring. Each component includes several items. Please refer to the "Regulations" for details on these items.
4. The Company has already adopted the aforementioned internal control system evaluation criteria to assess the effectiveness of the design and implementation of the internal control system.
5. Based on the evaluation results mentioned above, the Company believes that its internal control system (including the supervision and management of subsidiaries) as of December 31st, 2022, is effective in terms of understanding the achievement of operational objectives in terms of efficiency and effectiveness, reliable and timely reporting, transparency, and compliance with relevant regulations and laws. Therefore, it can provide reasonable assurance in achieving the above-mentioned objectives.
6. This statement will become a major part of the Company's annual report and public disclosure document and will be made available to the public. If any of the above publicly disclosed content is found to be false, concealed, or involve illegal activities, it may incur legal liabilities under Securities and Exchange Act Articles 20, 32, 171, and 174.
7. This statement was approved by the Board of Directors of the Company on March 24th, 2023. Among the seven attending directors, there were no dissenting opinions, and all agreed to the contents of this statement. This statement is hereby declared.

ACES ELECTRONICS CO., LTD.

Chairman: Yuan Wan-Ting

General Manager: Yang Tsung-Lin

(J) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: Nil.

(K) Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or the current fiscal year up to the date of publication of the annual report:

a. The important resolutions adopted by the shareholders' meeting and their implementation status should be disclosed.

Date	Important resolutions	Implementation status
2022/6/29 (2022 Annual General Meeting of Shareholders)	<ol style="list-style-type: none"> 1. Approved the financial and operating reports for the fiscal year 2021. 2. Approved the profit distribution for the fiscal year 2021. 3. Amended certain articles of the "Articles of Incorporation". 4. Amended certain articles of the "Shareholders' meeting procedure". 5. Amended certain articles of the "Procedures for Election of Directors and Supervisors". 6. Amended certain articles of the "Procedures for Acquisition or Disposal of Assets". 7. Amended certain articles of the "Procedures for Loaning Funds to Others". 8. Amended certain articles of the "Operational Procedures for Endorsements/Guarantee". 9. Elected new directors for the Company. 10. Lifted the prohibition on directors competing with the Company. 	<p>(1) Ex-dividend date:2022/8/22. (2) Cash dividend payment date.: 2022/9/2. (Cash dividend per share of NT\$1.49975644)</p> <p>The amended Articles of Incorporation have been implemented.</p> <p>The amended procedure has been implemented.</p> <p>The amended procedure has been implemented.</p> <p>The amended procedure has been implemented.</p> <p>The amended procedure has been implemented.</p> <p>The amended procedure has been implemented.</p> <p>Elected seven directors, including three independent directors, and completed the registration of changes on August 9th, 2022.</p> <p>The resolution has been followed.</p>

b. Important resolutions of the Board of Directors

Term of the Board of Directors	Date	Important resolutions
The first time in 2022	2022/1/13	Approved the operating plan and budget for the fiscal year 2022.

Term of the Board of Directors	Date	Important resolutions
The second time in 2022	2022/3/30	<ol style="list-style-type: none"> 1. Approved the financial and operating reports for the fiscal year 2021. 2. Approved the distribution of employee and director/supervisor compensation for the fiscal year 2021. 3. Approved the profit distribution for the fiscal year 2021. 4. Amended certain articles of the "Procedures for Acquisition or Disposal of Assets". 5. Amended certain articles of the "Procedures for Loaning Funds to Others". 6. Amended certain articles of the "Operational Procedures for Endorsements/Guarantee". 7. Amended certain articles of the "Articles of Incorporation". 8. Approved the convening of the 2022 Annual General Meeting of Shareholders and related matters, including the acceptance of proposals from shareholders holding more than 1% of the shares and the nomination of candidates for directors. 9. Approved the election of new directors for the Company. 10. Lifted the prohibition on directors competing with the Company. 11. Approved the Internal Control System Statement for the fiscal year 2021
The third time in 2022	2022/5/13	<ol style="list-style-type: none"> 1. Approved the replacement of the auditor in accordance with the internal adjustment of the accounting firm. 2. Approved the consolidated financial report for the first quarter of the fiscal year 2022. 3. Approved the amendment of certain articles of the "Shareholders' Meeting Procedure". 4. Approved the amendment of certain articles of the "Director and Supervisor Election Procedure". 5. The resolution is to approve the list of director candidates (including independent directors) nominated for the Company's 2022 annual shareholders' meeting. 6. Approved the establishment of the Audit Committee Charter.
The fourth time in 2022	2022/6/29	Electing Chairman of the Board.
The fifth time in 2022	2022/8/10	<ol style="list-style-type: none"> 1. Approved the consolidated financial statements for the second quarter of the Company's fiscal year 2022. 2. Approved the appointment of the members of the fifth Remuneration Committee.
The sixth time in 2022	2022/11/10	<ol style="list-style-type: none"> 1. Approved the Q3 consolidated financial report of the Company for the year 2022. 2. Approved the evaluation of the independence of the Company's auditing CPA. 3. Approved the establishment of the new conversion date for the issuance of common shares upon conversion of the Company's second domestic unsecured convertible corporate bonds. 4. Lifted the prohibition on managers competing with the Company. 5. Approved the revision of the "Ethical Corporate Management". 6. Approved the amendment of "Board of Directors Meeting Rules." 7. Approved amendment to the "Internal Major Information Processing Procedure". 8. Approved the amendment to the "Procedures for Preventing Insider Trading Management". 9. Approved the audit plan for the fiscal year 2023.

Term of the Board of Directors	Date	Important resolutions
The first time in 2023	2023/1/13	Approved the operating plan and budget proposal for the year 2023.
The second time in 2023	2023/3/24	<ol style="list-style-type: none"> 1. Approved the fiscal year 2022 business report and financial statements. 2. Approved the distribution of employee and director remuneration for the fiscal year 2022. 3. Approved the profit distribution plan for the fiscal year 2022. 4. Approved the appointment of independent auditors and evaluators for the fiscal year 2023 and evaluated their independence and qualifications. 5. Approved the amendment to the "Article of Company". 6. Approved the convening of the fiscal year 2023 shareholder meeting and related matters regarding proposals from shareholders holding 1% or more of the company's shares. 7. Appointed the corporate governance officer. 8. Approved the internal control system statement for the fiscal year 2022.
The third time in 2023	2023/5/8	<ol style="list-style-type: none"> 1. Approved the Q1 consolidated financial report of the Company for the year 2023. 2. The joint credit case, amounting to a total credit limit of NT\$ 3.5 billion, has been approved by the Company and is organized by E.SUN Commercial Bank.

- (L) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion concerning a material resolution passed by the board of directors and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: Nil.
- (M) A summary of resignations and dismissals, during the most recent fiscal year or the current fiscal year up to the date of publication of the annual report, of the company's chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer: Nil.

(5) Information on the remuneration of the CPAs

Information on the remuneration of the CPAs

Unit: NTD in thousands.

Accounting firm	Accountant	Auditor's engagement period	Audit fee	Non-audit fee	Total	Remark
KPMG	Lin Heng-Sheng	2022	4,919	1,354	6,273	The non-audit fee - other includes transfer pricing and group master file reporting, project-related fees, and direct offset of business tax fees for joint business operators.
	Chen Zheng-Xue					

- (A) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: Nil.
- (B) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: Nil.

(6) Information on changing CPAs

The company had originally engaged KPMG as its auditor, with Mr. Lin Heng-Sheng and Ms. Chen Pei-Chi as the responsible accountants for the financial report audits. In order to comply with the internal organizational adjustments of the firm, starting from the first quarter of 2022, the audit of the financial report will be entrusted to Mr. Lin Heng-Sheng and Mr. Chen Zheng-Xue.

- (7) The Chairman of the Board, General Manager, and managers are responsible for finance or accounting affairs of the company who have worked at the accounting firm or its affiliated companies of the signing accountant within the past year shall disclose their names, titles, and periods of employment at the accounting firm or its affiliated companies: Nil.

- (8) Changes in equity transfer and pledge of directors, supervisors, managers, and shareholders holding more than 10% of shares in the most recent year and up to the date of publication of the annual report.

(A) Changes in shareholding

Unit: Shares

Title	Name	2022		As of May 12th, 2023	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares	Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares
Chairman	Yuan Wan-Ting	0	0	0	0
Director	Weiji Investment Co., Ltd.	0	0	0	0
Director	Hsieh Han-Chang	0	0	0	0
Director	Hsu Chang-Fei (Note 1)	0	0	0	0
Independent director	Lee An-Chen	0	0	0	0
Independent director	Liaw Dar-Lii	0	0	0	0
Independent director	Sheen Gwo-Ji (Note 1)	0	0	0	0

Title	Name	2022		As of May 12th, 2023	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares	Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares
Supervisor	Wea Chi-Lin(Note 1)	0	0	0	0
Supervisor	Tsai Shu-Chuan(Note 1)	0	0	0	0
Supervisor	Hsu Chang-Fei (Note 1)	0	0	0	0
General Manager	Yang Tsung-Lin	(40,000)	0	0	0
Senior Deputy General Manager	Hsu Sheng-Hsien	0	0	0	0
Senior Deputy General Manager	Chang Wei-San(Note 2)	0	0	0	0
Financial Supervisor	Lee Shu-Yun	(30,000)	0	0	0

Note 1: The terms of the board of directors expired at the shareholders' meeting held on June 29, 2022, and three independent directors were elected to establish the audit committee to replace the supervisor. The supervisor Hsu Chang-Fei transferred to be a director, and the independent director Sheen Gwo-Ji was newly elected.

Note 2: Resigned on July 31, 2022.

(B) Relative parties involved in equity transfer: None.

(C) Relative parties involved in equity pledge: None.

(9) Information on the relationships between the top ten shareholders in terms of shareholding percentage, who are related parties or have family relationships within the second degree of kinship, including spouses

April 29, 2023

Name	Shareholding		Shareholding of spouse and minor children		Shareholding of spouse and minor children		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2nd degree		Remarks
	Shares	%	Shares	%	Shares	%	Name of entity or individual	Relationship	
Yuan Wan-Ting	8,863,487	6.59%	8,513,509	6.33%	0	0	Hsu Chang-Fei Yuan Hsiang-Feng	Spouse Second-degree relatives	
Keyan Investment Co., Ltd.	6,301,832	4.69%	N/A	N/A	N/A	N/A	Yuan Hsiang-Feng	Keyan Investment Director	
Keyan Investment Co., Ltd. Representative: Hsu Po-Kung	1,304,678	0.97%	259,010	0.19%	0	0	None	None	
Hsu Chang-Fei	6,128,631	4.56%	11,248,365	8.37%	0	0	Yuan Wan-Ting Yuan Hsiang-Feng	Spouse Affinity of the second degree	
Deutsche Bank Hosting Albula Investment Fund Limited Investment Account	5,950,000	4.43%	N/A	N/A	N/A	N/A	None	None	
Weiji Investment Co., Ltd.	5,583,185	4.15%	N/A	N/A	N/A	N/A	Yuan Wan-Ting Hsu Chang-Fei	Weiji Investment Representative Weiji Investment Representative's spouse	
Weiji Investment Co., Ltd. Representative: Yuan Wan-Ting	8,863,487	6.59%	8,513,509	6.33%	0	0	Hsu Chang-Fei Yuan Hsiang-Feng	Spouse Second-degree relatives	
Yuan Hsiang-Feng	3,541,907	2.64%	-	-	-	-	Research investment Yuan Wan-Ting Hsu Chang-Fei	Keyan Investment Director Second-degree relatives Affinity of the second degree	
Helu Investment Co., Ltd.	3,285,758	2.44%	N/A	N/A	N/A	N/A	None	None	
Helu Investment Co., Ltd. Representative: Chen Kuan-Yu	-	-	-	-	-	-	None	None	
Citibank Hosting First Securitites (HK) Nominee Investment Account	2,676,929	1.99%	N/A	N/A	N/A	N/A	None	None	
Liao Ming-Shan	2,092,000	1.56%	-	-	-	-	None	None	
E.Sun Bank Hosting for the investment portfolio of Wanchang Investment Company	1,471,724	1.09%	N/A	N/A	N/A	N/A	None	None	

(10)The number of shares held by the company, its directors, supervisors, managers, and enterprises directly or indirectly controlled by the company in the same reinvested enterprise, and the consolidated shareholding ratio

December 31, 2022
Unit: thousand shares; %

Invested Businesses (Note)	Investment of the Company		Investment by directors, supervisors, managers, and businesses directly or indirectly controlled by the Company		Comprehensive investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
ACECONN ELECTRONIC CO., LTD.	19,800	100%	—	—	19,800	100%
ACES (HONG KONG) ELECTRONIC CO., LTD.	300	100%	—	—	300	100%
ACES PRECISION INDUSTRY PTE LTD.	8,162	100%	—	—	8,162	100%
DONGGUAN ACES ELECTRONIC CO., LTD.	—	—	—	100%	—	100%
KUNSHAN ACES ELECTRONIC CO., LTD.	—	—	—	100%	—	100%
KUNSHAN ACES TRADING CO., LTD.	—	—	—	100%	—	100%
CHONGQING HONG GAO ELECTRONIC CO., LTD.	—	—	—	100%	—	100%
WEI HONG INTERNATIONAL INVESTMENT CO., LTD.	2,500	100%	—	—	2,500	100%
ACESCONN HOLDINGS CO., LTD.	12,000	100%	—	—	12,000	100%
ASIA CENTURY INVESTMENT LTD.	—	—	9,150	100%	9,150	100%
GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	—	—	—	100%	—	100%
ACES JAPAN CO., LTD.	4.5	100%	—	—	4.5	100%
ACES INTERCONNECT (USA), INC.	300	100%	—	—	300	100%
KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	—	—	—	100%	—	100%
ACES Precision Machinery Co., Ltd.	13,000	100%	—	—	13,000	100%
JASON TECHNOLOGY LIMITED	5,000	100%	—	—	5,000	100%
Nantong Dadi Electric Co., Ltd.	—	—	—	19.31%	—	19.31%
MEC IMEX INC.	45,575	99.84%	—	—	45,575	99.84%
MEC INTERNATIONAL COMPANY LTD.	—	—	24	100%	24	100%
MEC ELECTRONICS (HK) COMPANY LIMITED	—	—	394	100%	394	100%
MEC ULTRAMAX (H.K.) COMPANY LIMITED	—	—	30,000	100%	30,000	100%
MEC BEST KNOWN COMPANY LIMITED	—	—	79,500	100%	79,500	100%
HOMEPRIDE TECHNOLOGY LIMITED	—	—	45,125	100%	45,125	100%
MEC ELECTRONICS PHILIPPINES CORPORATION	—	—	8,000	100%	8,000	100%
MEC ELECTRONICS (SUZHOU) CO., LTD.	—	—	—	100%	—	100%
SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	—	—	—	100%	—	100%
HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED	—	—	—	100%	—	100%

Invested Businesses (Note)	Investment of the Company		Investment by directors, supervisors, managers, and businesses directly or indirectly controlled by the Company		Comprehensive investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
MEC SUZHOU ELECTRONICS CO., LTD.	—	—	—	100%	—	100%
MEC IMEX (USA), INC.	—	—	4	100%	4	100%
COMPUPACK TECHNOLOGY CO., LTD.	20,138	93.67%	—	—	20,138	93.67%
MICON PRECISE CORP.	—	—	12,859	98.91%	12,859	98.91%
GLOBAL ACUMEN LIMITED	—	—	50	100%	50	100%
CONG TY TNHH CHINH XAC NGAN VUONG	—	—	—	100%	—	100%
DONGGUAN COMPUPACK TECHNOLOGY CO., LTD.	—	—	—	100%	—	100%
KUANG YING COMPUTER EQUIPMENT CO., LTD.	25,906	99.66%	—	—	25,906	99.66%
INFOMIGHT INVESTMENTS LIMITED	—	—	7,980	100%	7,980	100%
BELTA INTERNATIONAL LIMITED	—	—	4	100%	4	100%
CERTILINK INTERNATIONAL LIMITED	—	—	50	100%	50	100%
ACCURATE GROUP LIMITED	—	—	4,100	100%	4,100	100%
DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	—	—	—	100%	—	100%
SUZHOU KUANG YING ELECTRIC CO., LTD.	—	—	—	100%	—	100%
GENESIS TECHNOLOGY USA, INC.	1.5	100%	—	—	1.5	100%
GENESIS HOLDING COMPANY	27,778	100%	—	—	27,778	100%
GENESIS ELECTRO-MECHANICAL LIMITED	—	—	9,400	100%	9,400	100%
GENESIS INNOVATION GROUP LIMITED	—	—	8,000	100%	8,000	100%
GENESIS TECHNOLOGY(NINGBO) INC.	—	—	—	100%	—	100%
GENESIS GUIZHOU TECHNOLOGY CO., LTD.	—	—	—	100%	—	100%
GENESIS INTERCONNECT CO., LTD.	—	—	—	100%	—	100%
DONGGUAN POLIXIN ELECTRIC CO., LTD.	—	—	—	100%	—	100%
SHENZHEN JINO ELECTRONIC CO., LTD.	—	—	—	100%	—	100%

Note: This represents a long-term investment accounted for using the equity method by the Company.

IV. Information on capital raising activities

1. Capital and shares

(1) Capital source

A. Capital source

Unit: shares, NTD

Year Month	Issue price (Per share par value)	Approved capital		Paid-in capital		Remark		
		Share	Amount	Share	Amount	Capital source	Offsetting capital contributions with assets other than cash	Approval date and document number
2022.01	10	200,000,000	2,000,000,000	134,395,884	1,343,958,840	Cash capital increase of NTD 120,000,000.	Nil	Ministry of Economic Affairs, January 4, 2022, Ref. No. Jing-Shou-Shang -11001241840
2022.12	10	200,000,000	2,000,000,000	134,417,709	1,344,177,090	Convertible bonds converted into common shares of NTD 218,250.	Nil	Ministry of Economic Affairs, December 9, 2022, Ref. No. Jing-Shou-Shang -11101228060

Unit: share

Type of share	Approved capital			Remark
	Outstanding shares (listed)	Unissued shares	Total	
Registered common shares	134,417,709	65,582,291	200,000,000	

B. Related information to offer and issue securities by shelf registration: Nil.

(2) Shareholder Composition

April 29, 2023; shares; personal

Shareholder composition Quantity	Government agencies	Financial institutions	Other legal entities	Individuals	Foreign institutions and foreign individuals	Total
No. of shareholders	0	0	151	29,562	74	29,787
No. of shares held	0	0	18,721,417	102,359,280	13,337,012	134,417,709
Shareholding ratio	0	0	13.93%	76.15%	9.92%	100%

(3) Distribution of ownership

NTD 10 par value per share; shares; personal; April 29, 2023

Class of Shareholding	Number of Shareholders	Shareholding (shares)	Percentage (%)
1 to 999	16,893	440,270	0.33%
1,000 to 5,000	10,058	20,189,920	15.02%
5,001 to 10,000	1,465	11,221,179	8.35%
10,001 to 15,000	459	5,668,693	4.22%
15,001 to 20,000	254	4,648,217	3.46%
20,001 to 30,000	248	6,269,772	4.66%
30,001 to 40,000	124	4,351,143	3.24%
40,001 to 50,000	68	3,058,129	2.28%
50,001 to 100,000	131	9,083,047	6.76%
100,001 to 200,000	45	6,256,032	4.65%
200,001 to 400,000	16	3,981,363	2.96%
400,001 to 600,000	4	1,945,426	1.45%
600,001 to 800,000	3	1,977,383	1.47%
800,001 to 1,000,000	5	4,597,927	3.42%
Above 1,000,001	14	50,729,208	37.73%
Total	29,787	134,417,709	100.00%

(4) List of major shareholders

April 29, 2023; shares

Names of major shareholders	Shares	Shareholding (shares)	Percentage (%)
Yuan Wan-Ting		8,863,487	6.59
Keyan Investment Co., Ltd.		6,301,832	4.69
Hsu Chang-Fei		6,128,631	4.56
Deutsche Bank Hosting Albula Investment Fund Limited Investment Account		5,950,000	4.43
Weiji Investment Co., Ltd.		5,583,185	4.15
Yuan Hsiang-Feng		3,541,907	2.64
Helu Investment Co., Ltd.		3,285,758	2.44
Citibank Hosting First Securitates (HK) Nominee Investment Account		2,676,929	1.99
Liao Ming-Shan		2,092,000	1.56
E.Sun Bank Hosting for the investment portfolio of Wanchang Investment Company		1,471,724	1.09

(5) Provide share prices for the past 2 fiscal years, together with the company's net worth per share, earnings per share, dividends per share, and related information

Item		Year	2021	2022	Until May 12, 2023 (Note 8)
Share price (Note 1)	Highest (NTD)		65.8	56	35.5
	Lowest(NTD)		34.7	27.3	27.85
	Average(NTD)		47.88	39.34	32.38
Net worth per share (Note 2)	Before distribution (NTD)		44.84	41.94	40.23
	After distribution (NTD)		43.20	Unallocated	Unallocated
Earnings per share	Weighted average shares (in thousands)		122,922	134,406	134,418
	Earnings per share (Note 3)		4.16	1.68	(1.21)
Dividend per share	Cash dividend (NTD)		1.5	0.55	Unallocated
	Stock divide nds	Dividends from retained earnings	—	—	Unallocated
		Dividends from capital reserve	—	—	Unallocated
	Accumulated dividends(Note 4)	unpaid	—	—	—
Return on investment analysis	Price/earnings ratio (Note 5)		11.51	23.42	Not calculated for incomplete fiscal year
	Price/dividend ratio (Note 6)		31.92	71.53	Not calculated for incomplete fiscal year
	Cash dividend yield (Note 7)		3.13	1.40	Not calculated for incomplete fiscal year

Note 1: List the highest and lowest market price of common shares in each fiscal year and calculate the average market price by weighing transacted prices against transacted volumes in each respective fiscal year.

Note 2: Calculate the net worth per share based on the number of outstanding shares at year-end. Calculate the amount of distribution based on the amount resolved by the board of directors or resolved in the next year's shareholders' meeting.

Note 3: If retrospective adjustments are required because of the issuance of stock dividends, the earnings per share should be disclosed in the amounts before and after the retrospective adjustments.

Note 4: If equity securities are issued with terms that allow undistributed dividends to be accrued and accumulated until the year the Company makes a profit, the amount of cumulative undistributed dividends up until the current year should be disclosed separately.

Note 5: Price/earnings ratio = average closing price per share for the year/earnings per share.

Note 6: Price/dividend ratio = average closing price per share for the year/cash dividends per share.

Note 7: Cash dividend yield = cash dividend per share / average closing price per share for the year.

Note 8: Net worth per share and earnings per share are based on audited (auditor-reviewed) data as of the latest quarter before the publication date of the annual report. For all other fields, calculations are based on the data for the current year as of the date of publication of the annual report.

(6) Company's dividend policy and implementation thereof

A. Dividend policy as stipulated in the Company's articles of incorporation

If the Company has profits in the annual financial statements, it shall first pay the taxes and make up for previous losses. 10% of the profits shall be appropriated as a legal reserve, except when the legal reserve has reached the amount of the paid-in capital. In addition, the company may set up special reserves according to its operating needs and legal regulations. If there are still profits remaining after setting aside reserves, the board of directors shall propose a profit distribution plan to the shareholders' meeting for approval, together with any undistributed profits from the previous year.

The above profit distribution plan authorizes the board of directors, with the attendance of two-thirds or more of the directors and the resolution of a majority of the attending directors, to distribute all or part of the dividends, statutory reserves, and capital reserves in the form of cash payments, in accordance with Article 241 of the Company Act, and report to the shareholders' meeting.

The distribution of dividends by the company is based on the principle of stable dividends in accordance with the profit situation of the current year. Based on the company's future funding needs and long-term financial planning, the cash dividends distributed from the above shareholder dividends shall not be less than

20% of the total dividends, but the shareholders' meeting may adjust it based on the actual profit situation and future financial planning of the current year.

B. Specific and clear dividend policy:

Based on the past dividend distribution and estimation for the next three years, the dividend policy is expected to be a total dividend amount not less than 30% of the after-tax net income of the current year, with cash dividends not less than 20% of the total dividend amount.

C. Proposed dividend distribution for this shareholders' meeting

According to Article 25 of the Company's Articles of Incorporation, the Board of Directors is authorized to determine the distribution of dividends and bonuses, to distribute all or part of them in cash, and to report to the shareholders' meeting.

The Board of Directors of the Company approved the profit distribution for the fiscal year 2022 on March 24, 2023. A cash dividend of NTD 73,929,740 will be distributed, with NTD 0.55 per share, to be paid until June 30, 2023. Any remaining fractional shares less than NTD 1 will be included in the Company's other income.

(7) The effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting:

This shareholders' meeting did not distribute any stock dividends, therefore it does not apply.

(8) Profit-sharing compensation of employees, directors, and supervisors

A. The percentages or ranges with respect to employee, director, and supervisor compensation, as set forth in the company's articles of incorporation:

If the Company generates profits in any fiscal year (meaning pre-tax profits before deducting employee compensation and director remuneration), it shall allocate no less than 1% for employee compensation and no more than 3% for director remuneration. However, if the Company has accumulated losses, it shall reserve the amount needed to make up for the losses in advance.

Employee compensation as mentioned above may be paid in stock or cash. If the Board of Directors decides to issue stock as employee compensation, it may also decide to issue new shares or repurchase shares at the same time. Director remuneration may only be paid in cash.

The above two items shall be decided by the Board of Directors and reported to the shareholders' meeting.

B. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

(A)The basis for estimating the amount of employee, director, and supervisor compensation: If the Company generates profit during the year (profit refers to the earnings before distribution of employee compensation and director remuneration), not less than 1% of the profit should be allocated for employee compensation and not more than 3% should be allocated for director compensation. However, if the Company has accumulated losses, the amount necessary to offset the losses should be reserved in advance.

(B)The basis for calculating the number of shares to be distributed as employee compensation: This period does not apply to dividends for employee compensation, so it is not applicable.

(C)The accounting treatment of the discrepancy: Recorded as income or loss of the following year.

C. Information on any approval by the board of directors of the distribution of compensation:

(A)The amount of any employee compensation distributed in cash or stocks and director/supervisor compensation. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:

On March 24, 2023, the Board of Directors of the Company approved the calculation of employee compensation for the fiscal year 2022 in the amount of NTD 10,776,341 and director compensation in the amount of NTD 6,408,091, which is consistent with the estimated amount recorded for the year.

(B)The amount of any employee compensation distributed in stocks as a percentage of the sum of the current after-tax net income and total employee compensation: This period does not apply to the distribution of employee compensation in the form of stock, so it is not applicable.

D. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated.

The company's board of directors resolved on March 30, 2022, approving the calculation of employee compensation for the 2021 fiscal year in the amount of NT\$39,825,803, and director and supervisor compensation for NT\$14,924,325. All compensation was paid in cash, and the estimated and actual amounts distributed were the same.

(9) Status of a company repurchasing its shares: Nil.

2. Issuance of corporate bonds:

Issuance of corporate bonds

Type of corporate bonds	Domestic unsecured convertible corporate bond, 2nd Issue (Bond code: 36052)
Issue (transaction) date	November 22, 2021
Face value	NTD 100,000
Place of issue and trading	Taipei Exchange (TPEX)
Issue price	Issued by face value
Issue amount	NTD 600,000,000
Coupon rate	The coupon rate is 0%
Issue (transaction) date	3-year term; Maturity date: November 22, 2024.
Guarantor	N/A
Trustee	Yuanta Commercial Bank Co., Ltd.
Underwriter	Yuanta Securities Co., Ltd.
Attesting lawyer	Chuang Cheng-Kun Law Office, Lawyer Chuang Cheng-Kun.
Attesting CPA	Accounting firm: KPMG, CPAs, Lin Heng-Sheng, Chen Pei-Chi, Certified Public Accountants.
Redemption method	Except for conversion into common shares of the Company according to the conversion method, the exercise of the put option, or early redemption, the principal of the bond shall be repaid in cash upon maturity according to the face value of the bond.
Unredeemed balance	NTD 598,900,000
Conditions for redemption or early redemption	(1) Beginning from the day after the third month from the issuance date and until forty days prior to the maturity date, if the closing price of the common shares of the Company on the centralized exchange market has exceeded 30% of the then current conversion price for thirty consecutive business days, the

	<p>Company may, within thirty business days thereafter, send registered mail to the bondholders (based on the bondholder registry as of the fifth business day before the date of issuance of the "Notice of Bond Redemption"; provided, however, that for holders who acquire the bonds thereafter through purchase or for any other reason, the Company shall use public notice instead) to notify them of the redemption of bonds due to maturity within thirty days (the aforementioned period shall begin from the date of the Company's dispatch of the notice and end on the maturity date of the bonds to be redeemed, and such period shall not be deemed as the period for suspension of conversion of this convertible bond). The Company shall also request TPEX to make an announcement and shall redeem the convertible bonds held by the bondholders in cash at their face value within five business days after the bond redemption reference date.</p> <p>(2) If the outstanding balance of this convertible bond is less than 10% of the original issuance amount at any time between the day after the third month from the date of issuance and forty days before the expiration of the issuance period, the Company may, at any time thereafter, send a "Debt Repurchase Notice" to the bondholders by registered mail (based on the list of bondholders five business days prior to the mailing date of the "Debt Repurchase Notice," and for those who subsequently acquire this convertible bond due to purchase or other reasons, the Company shall announce it) with a thirty-day deadline (the aforementioned period shall be calculated from the day of issuance of the Company's mail, and the expiration date shall be the basis for debt repurchase, and the aforementioned period shall not be the period during which this convertible bond is suspended from conversion). The Company shall also request TPEX to make an announcement and shall repurchase the convertible bond in cash at face value within five business days after the debt repurchase deadline.</p> <p>(3) If a bondholder fails to respond in writing to the company's stock transfer agent by the bond redemption base date specified in the "Bond Redemption Notice," the company shall, within five business days after the bond redemption base date, redeem the conversion bonds held by the bondholder in cash at the face value of the bonds.</p> <p>(4) If the company executes the recall request, the deadline for bondholders to request conversion is the second business day after the termination of trading of this convertible corporate bond on TPEX.</p>	
Restriction clause	Please find the details of the domestic second unsecured convertible bonds issued by the Company and the conversion methods.	
Name of the rating agency, date, and the result of the rating	N/A	
Other rights	The monetary amount of common shares, global depositary receipts, or other securities already converted, exchanged, or subscribed up to the annual report publication date	Converted into NT\$1,100,000.
	The issuance and conversion, exchange, or subscription rules	Please refer to the details of the issuance and conversion method of the Company's second unsecured convertible corporate bonds.
The possible dilution of shareholding and influence on shareholder equity caused by the issuance and conversion, exchange, or subscription rules and the terms of issuance.	<p>1. Possible dilution of equity</p> <p>As of May 12, 2023, the outstanding balance of the Company's issued and outstanding convertible bonds, which are the domestic second unsecured convertible bonds, was NT\$598,900,000 at a conversion price of NT\$48.5. Assuming that all bondholders convert their bonds at the current conversion price, a total of 12,348,453 common shares of the Company (NTD 598,900,000/NTD 48.5) will be issued, resulting in a dilution of 8.41% based on the currently outstanding shares of 134,417,709.</p> <p>2. Impact on shareholder benefits.</p> <p>To understand the potential dilutive impact on shareholder benefits, the Company's basic earnings per share and diluted earnings per share for the fiscal year 2022 were NT\$1.68 and NT\$1.64, respectively, with a dilution ratio of 2.38%. Although the outstanding unconverted unsecured convertible corporate bonds may have a dilutive effect on earnings per share, the impact is not significant and does not have a material effect on shareholder benefits.</p>	
Name of the custodian institution of the exchangeable underlying	N/A	

Information on convertible corporate bonds

Corporate bond type		Domestic unsecured convertible corporate bond, 2nd Issue (Bond code: 36052)		
Year		2021	2022	Until May 12, 2023
Convertible corporate bond	Highest	124.8	125	101.3
	Lowest	111.1	95.2	95
	Average	117.89	113.9	99.43
Conversion price		51.3 50.4	50.4 48.5	48.5
Issuance (Execution) Date and Conversion Price at the time of Issuance		November 22, 2021 NTD 51.3		
Mode of fulfilling conversion obligation		Issuance of new shares		

3. Status of preferred shares: Nil.
4. Status of oversea depositary receipts: Nil.
5. Status of employee stock warrant: Nil.
6. Status of new restricted employee shares. : Nil.
7. Issue of new shares in connection with any acquisition of shares of another company: Nil.
8. Execution status of capital utilization plan
For the period as of the quarter preceding the date of publication of the annual report, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits:
 - (1) The utilization plan and execution status of the securities issuance fund in this issue
 - A. The contents of the securities issuance plan for the issuance
 - (A) Approval date and reference numbers from the Financial Supervisory Commission, Executive Yuan: October 5, 2021, Ref. No. 1100357489 and Ref. No. 11003574891.
 - (B) Approval date and document number by the Taiwan OTC Exchange: November 16, 2021, Certificate of OTC Bond No. 11000128212.
 - (C) The required funding for this project: NTD 1,206,000,000.
 - (D) Source of funds and issuance conditions:
 - a. Issuance of 120 million common shares through a cash capital increase, with a par value of NT\$10 per share and an issue price of NT\$40 per share, for a total fund raised of NT\$4.8 billion.
 - b. The company will issue a total of 6,000 unsecured convertible corporate bonds in Taiwan's domestic market, with each bond having a face value of NTD 100,000. The total issuance amount is NTD 600,000,000, and the bond will have a maturity of 3 years with a 0% coupon rate. The bonds will be issued through a public underwriting process using a price inquiry system,

with an issuance price of 101% of the face value. The total fundraising amount is NTD 606,000,000.

c. The remaining NTD 120,000 thousand will be supported by self-owned funds or other means.

(E) Funding utilization plan, expected progress, and anticipated benefits:

Unit: NTD thousands

Item	scheduled completion date	Total funding required	Predetermined fund utilization plan						
			2021	2022				2023	
			Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter
Construction of factory	Second quarter, 2023	1,206,000	100,000	210,000	220,000	200,000	220,000	150,000	106,000
Expected potential benefits	The entire amount of this fund utilization plan will be used to construct a factory building, with a land area of about 2,891 pings and a floor area ratio of 68.50%, allowing for the use of approximately 1,980 pings of land for the factory and related facilities. The plan is primarily to meet the future business expansion and operational needs of the company and was approved by the board of directors on August 12, 2021, to construct a factory building on the land for office, research, development, and production use. The rent for adjacent factory buildings is about NT\$500-600 per ping. If the monthly rent for each ping of the 7,500-ping area is NT\$550, the company can save NT\$49,500 million in rent expenses annually. In addition, the fund utilization plan for the construction of new factory buildings not only saves rental expenses, but also prepares for long-term development investment in production, research and development, and manpower, and improves overall management efficiency and the company's future operating performance.								

B. Status of implementation

Unit: NTD thousands

Item	Execution status		As of the first quarter of 2023	Reasons for being ahead of or behind schedule and improvement plans
	Amount of disbursement			
Expansion of factory	Amount of disbursement	Scheduled	1,100,000	The increase in prices of primary materials has resulted in a longer negotiation period with contractors than originally anticipated. However, the project will still proceed as planned in the future.
		Actual	478,479	
	Execution progress	Scheduled	91.21%	
		Actual	39.67%	

5. An Overview of Operations

(1) A description of the business

A. Business scope

(A) Principal activities of the company

The company's main business involves the research, development, manufacturing, and sales of various products, including laptops and computer peripherals, tablets, smartphones, consumer electronics, displays, automotive equipment, network communication devices, industrial equipment, medical equipment, and related connectors, connector accessories, ultra-fine coaxial cable assemblies, electronic wire harness assemblies, wireless communication RF connector assemblies, and various types of components.

(B) Operating ratio

Unit: NT\$ Thousands; %

Major products	2021		2022	
	Net revenue	Operating ratio	Net revenue	Operating ratio
Connectors	5,264,343	49.78	4,712,685	45.35
Cable assemblies	2,236,600	21.15	2,082,787	20.04
Access and RF Products	796,279	7.53	803,160	7.73
Metal stamping parts	1,953,577	18.47	2,448,955	23.56
Other operating revenue	325,063	3.07	344,917	3.32
Total	10,575,862	100.00	10,392,504	100.00

(C) Current product/service offerings of the company

The company's current independent research and development, manufacturing, and sales of the main products are connectors, connector accessories, ultra-fine coaxial cable sets, electronic cable sets, wireless communication radio frequency connector cable sets, and various components. Connectors and cable assemblies are used to connect the two ends of independent sub-systems or operational units as a signal transmission device, to link the systems and achieve normal operation. They are widely used in various electronic products, including laptops, consumer electronics peripherals, handheld mobile communication devices, automotive electronics (in-vehicle equipment), network communication equipment, cloud servers, industrial control products, and more.

(D) Planned development of new products (services)

ACES primarily engages in the research and development, manufacturing, and sales of connectors and precision electronic components, which are applied in various electronic products to connect the power and signals between electronic sub-systems. In response to the trend of "lighter, thinner, shorter, and smaller" devices such as laptops and handheld mobile communication devices, ACES is committed to developing products with specifications that are high-temperature resistant, have a fine pitch, and low profile. Additionally, ACES actively develops high-frequency and high-speed connectors for in-vehicle electronics, in-vehicle audio and video, and network communication services, as well as connectors that are capable of withstanding high current for servers, power supplies, and storage devices.

In October 2015, ACES acquired the equity of MEC IMEX INC., and began to increase its cable assembly product line. MEC focuses on the research and development, manufacturing, and sales of ultra-fine coaxial cable assemblies and

electronic wire assemblies, which are mainly applied in industries such as laptops, industrial computers, smartphones, automobiles, and medical products. MEC will focus on developing high-speed transmission server-internal cables, data center external cables, and professional cable assembly with large current and high power for industrial use in the future.

Furthermore, in July 2017, ACES acquired the equity of COMPUPACK TECHNOLOGY CO., LTD., and began to increase its wireless communication RF connector cable assembly product line. COMPUPACK TECHNOLOGY mainly focuses on international sales channels and has nearly 20 years of experience in connector and cable assembly sales, providing international customers with low-cost and high-quality supply chain management services in Asia. COMPUPACK TECHNOLOGY has nearly 20 years of experience in developing and producing wireless RF connectors, focusing on the development and manufacturing of high-frequency microwave connectors, high-frequency coaxial cable assemblies, communication antennas, and precision adapters, with the ability to integrate high-frequency and waterproof development.

In addition, in July 2019, ACES acquired the equity of KUANG YING COMPUTER EQUIPMENT CO., LTD., which mainly specializes in metal stamping and hardware processing of network communication equipment and computer peripheral components. Its products include output/input connector shrouds for motherboards, expansion bracket fixed supports for motherboards, CPU fan brackets, case assembly, connectors, and other shielding products or stamped components such as iron plate supports for various interface cards. ACES will combine the production capabilities of both sides in stamping to provide more diversified product types for the market demand of network communication equipment, automobiles, and industrial industries.

In recent years, considering the layout of the network communication, cloud, and industrial control industries, in April 2021, ACES acquired 100% equity in Genesis Technology USA, Inc. and Genesis Holding Company (hereinafter referred to as Genesis), which officially became a subsidiary of ACES. Genesis produces connectors (cables), electromagnetic shielding covers, high-speed and high-power connectors, and high-speed cables, and also provides customized total solutions assembly services according to customer needs. The products are applied in set-top boxes, cable modems, and telecom products. In recent years, Genesis has also expanded into cloud data centers, 5G applications, IoT, and industrial control industries. It holds multiple technology patents and has a strong R&D technology and business team. ACES focuses on the highly complementary product technology, sales fields, and customer base of both sides, and after the merger, aims to play a synergistic effect, gain more international customers, strengthen cooperation with international giants, and provide customers with the most complete solution services.

In the future, ACES will combine the advantages of its subsidiaries in different sales markets to strengthen its overseas sales channels and enhance its future operating scale to improve its global competitiveness.

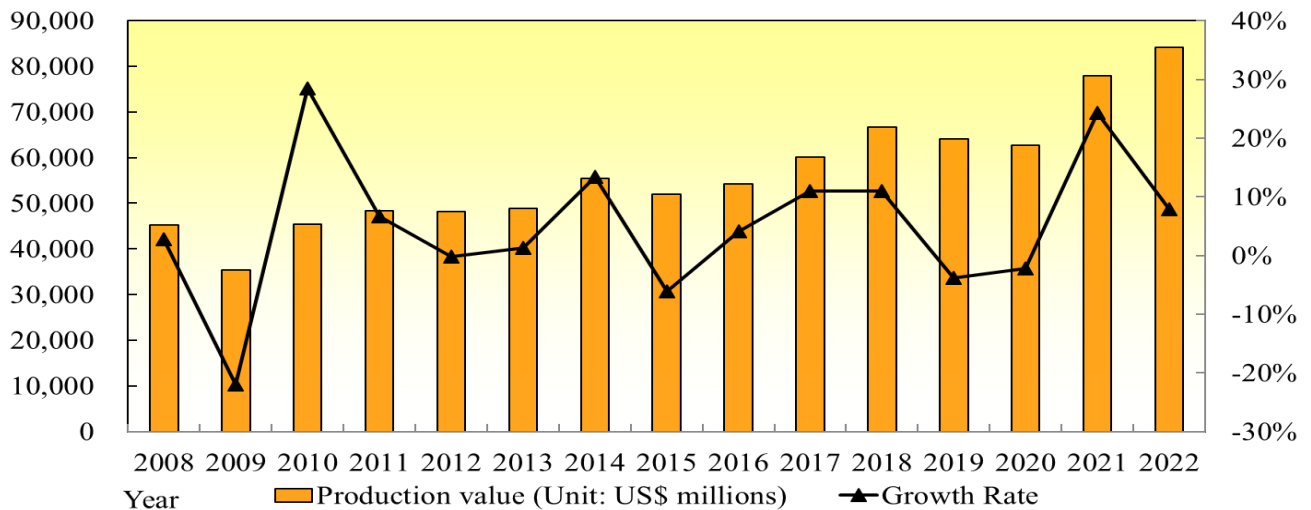
B. An analysis of the market as well as the production and marketing situation

(A) The current situation and development of the industry

According to reports from Bishop & Associates (March 2023), Electronic Connector Industry Communication (February 2023), and International Wire & Cable Symposium (January 2023), the world connector market is mainly led by international giants who set the global trend for connector technology. By comparing and analyzing the application scope layout of connector manufacturers in the US, Taiwan, Japan, and

China, it can be observed that the US giants still occupy a leading position in the high-end connector product market, with the top three US companies (Tyco, Amphenol, and Molex) accounting for more than 30% of the global market share. These companies have a wide distribution of applications in all areas, including consumer electronics, cloud communications, industrial control and medical equipment, automotive equipment, defense and aerospace, and communication networks. In recent years, the Taiwan connector industry has had a clear direction toward transformation and upgrading, accelerating the demand for high-frequency, high-power, high-speed transmission, and durable/miniatuized connector products. In addition, due to generational transitions, global fragmentation driving the effects of single sourcing, cost shifting, and mergers and acquisitions, connector industry leaders are more actively deploying in the fields of automobiles, green energy, medical care, national defense, and industrial control, with accelerated revenue and profit growth. In conjunction with product portfolio optimization, deep cultivation of these related applications will be the main growth momentum for the industry in the future. Given this situation, Taiwan connector manufacturers need to flexibly use business models and operating strategies, establish highly flexible supply chains (multi-chain, short-chain, external chain, and intelligent chain), strengthen their ability to resist risks and enhance their intelligent manufacturing level to enhance their core competitiveness. Additionally, through domestic/foreign industry alliances or mergers, they can leverage complementary benefits, deeply penetrate potential application markets, conduct resource horizontal integration, and combine industry vertical connections to expand the market scale, enhance product market niches, and create the highest market efficiency alongside domestic industrial digital transformation.

【World Connector】



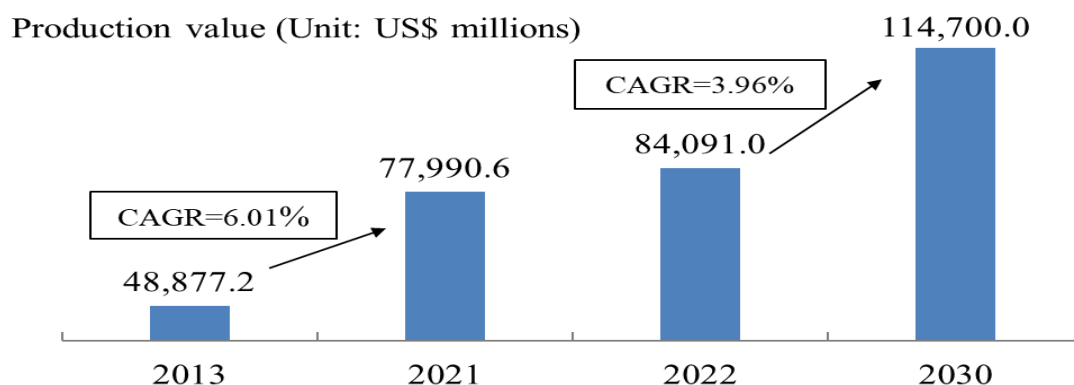
Data source: Bishop & Associates, Inc.(2023, March)& Compiled by ACES.

According to research data from Bishop & Associates in March 2023, although global inflation, financial market turbulence, and repeated epidemic outbreaks have affected order delivery, the world connector market value still increased by 7.8% compared to the previous year (2021), reaching 84.1 billion US dollars in 2022. It is estimated that in 2023, due to the slowdown of world GDP and raw material shortages, the growth rate of connector market value will slow down to 2.2%, with an estimated market value of over 85.7 billion US dollars. The data shows that the world connector industry still maintains stable growth momentum.

In addition, Allied Market Research reported in May 2022 that the prospects for the

connector market are promising, driven by factors such as rapid urbanization, increasing demand for consumer electronics, and high usage of automation technology in various fields such as industry, defense, and automotive. Furthermore, with the growing demand for emerging technologies such as 5G, IoT, telecommunications, and automotive industries, the world connector market is expected to reach 114.7 billion US dollars by 2030, with a CAGR of 3.9%.

【Comparison of CAGR of World Connector Production Value】



Data source: Allied Market Research(2022, May)& Compiled by ACES.

According to the statistics from Bishop & Associates in March 2023, the total world connector production value in 2022 increased by \$6.1 billion compared to the previous year (2021). However, the percentage change in production value for all regions was lower than in 2021. North America had the largest relative increase in production value (about US\$2.405 billion), with a 14.6% increase in production value (to US\$18.89 billion). The region with the second-highest growth was the rest of the world (ROW), with a production value of US\$4.01 billion, increasing by 11.7% (or US\$0.421 billion). The third and fourth regions with the highest growth were the Asia-Pacific region (with a production value of US\$12.19 billion) and Europe (with a production value of US\$17.33 billion), with growth rates of 7.1% (or US\$0.811 billion) and 6.5% (or US\$1.050 billion), respectively. Although China had a production value of US\$26.49 billion (more than double that of the Asia-Pacific region and five times that of Japan) and is still the world's largest connector production base, its production value increased by only 6.1% (or US\$1.516 billion). Japan was the only region with a lower production value (US\$5.17 billion) than the previous year (2021), with a decrease of 2% (or US\$0.103 billion).

【World Connector Production Value (by Region)】 Unit:US\$ millions

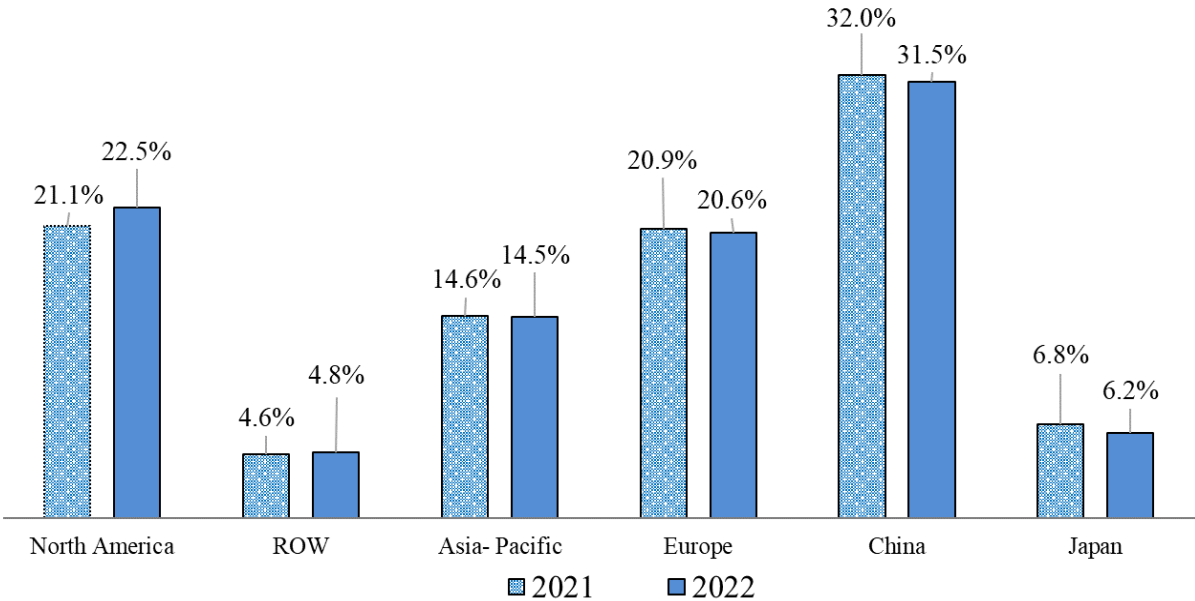
Area	2021	2022	Range of change	% change
North America	\$ 16,484.0	\$ 18,889.0	\$ 2,405.0	14.6%
ROW	\$ 3,590.3	\$ 4,011.7	\$ 421.4	11.7%
Asia Pacific	\$ 11,383.9	\$ 12,194.7	\$ 810.8	7.1%
Europe	\$ 16,278.4	\$ 17,328.5	\$ 1,050.1	6.5%
China	\$ 24,978.3	\$ 26,494.3	\$ 1,516.0	6.1%
Japan	\$ 5,275.7	\$ 5,172.8	-\$ 102.9	-2.0%
Total	\$ 77,990.6	\$ 84,091.0	\$ 6,100.4	7.8%

Data source: Bishop & Associates, Inc.(2023, March)& Compiled by ACES.

According to research by Bishop & Associates in August 2022 analyzing the top 100 electronic connector manufacturers in the world, their total sales revenue in 2021 was US\$66.826 billion, accounting for 85.7% of the world connector market, slightly lower than 93.7% in 2020, indicating a trend of slightly decreased concentration in the world connector industry. The top 50 companies in terms of total sales revenue were located in the United States (16), Japan (12), Germany (8), China (4), Taiwan (4), Switzerland (2), South Korea (2), France (1) and the United Kingdom (1). The company was ranked as the 44th largest electronic connector manufacturer, up five places from 2020, demonstrating its notable strength in the industry.

Furthermore, according to Bishop & Associates' research and analysis in March 2023, in the world connector market, the proportion of production value in North America and ROW (Rest of World) in 2022 were 22.5% and 4.8% respectively, both showing year-on-year growth. North America is the second-largest production region in the world connector industry, with the highest year-on-year growth rate (about 6.3%). Although ROW is not a major production region, its production value performed well compared to 2021, with a year-on-year increase in the proportion of 3.6%. The production value proportion of Asia-Pacific, Europe, and China were 14.5%, 20.6%, and 31.5%, respectively, although all performed better than in 2021, their proportions were slightly reduced year-on-year. Among them, Asia-Pacific region is the fourth-largest production region in the world connector industry, with a year-on-year reduction of 0.6%. In contrast, Europe accounts for one-fifth of the connector market and is the third-largest production region, with a year-on-year reduction of 1.3%. Although China remains the largest connector production region, its proportion decreased year-on-year by 1.6%. Japan is a country that has been more severely affected by the pandemic and has shown a decreasing trend in production value proportion year-on-year since 2019. In 2022, its production value proportion decreased to 6.2%, with a year-on-year reduction of 9.1%, the highest reduction among all regions.

【Comparison of World Connector Production Value by Region (YOY)】



Data source: Bishop & Associates, Inc.(2023, March)& Compiled by ACES.

According to the analysis by Allied Market Research in May 2022, the adoption of

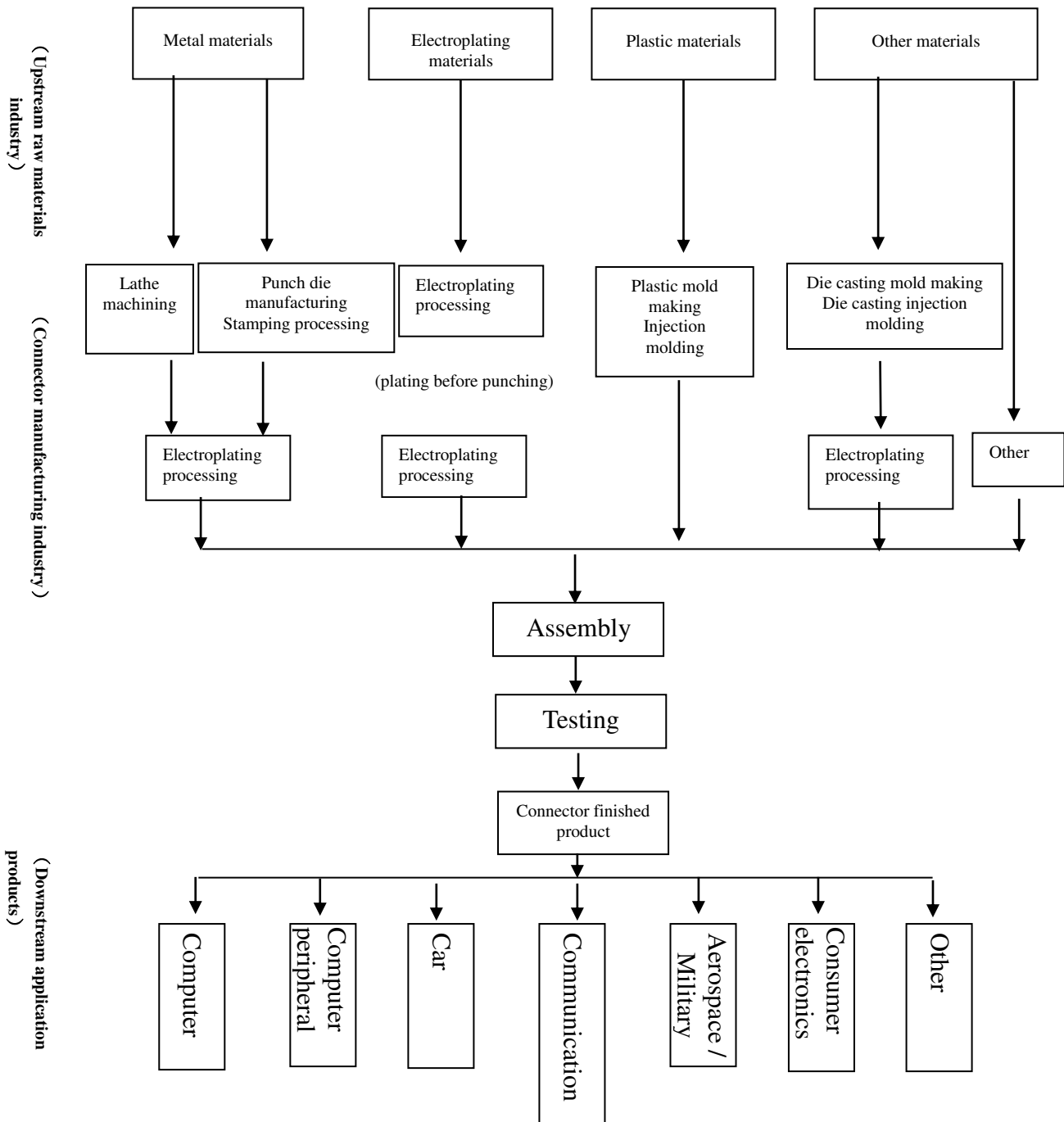
electric vehicles and other smart technologies, the increasing demand for high-speed connectors, investment in defense and submarine cables by various organizations, and the surge in the number of data centers are driving the growth rate of the connector market. The demand for telecommunications and automotive industries is expected to expand the market share of connectors. The KGI Securities Biweekly Report in November 2021 pointed out that the electronic connector (wire) manufacturing industry will benefit from the trend of high-speed transmission demand for 5G, high-performance computing (HPC), and high-power requirements for cloud servers, electric vehicles, and industrial applications, driven by the gradual increase in demand for electric vehicles and data centers. This will lead to the growth of the future connector market, and significant achievements will be made in niche application fields such as green energy (such as wind and solar power), home medical care (such as respirators), and industrial control (such as semiconductor equipment).

According to the statistics from the Department of Statistics, Ministry of Economic Affairs in February 2023, the total manufacturing output value of Taiwan in 2022 was NT\$17.19 trillion, with the output value of the electronic component industry reaching NT\$5.36 trillion, a 12.94% increase from 2021. Considering the domestic and international political and economic situation, the Industrial Technology Research Institute (ITRI) predicted in November 2022 that the manufacturing output value of Taiwan in 2023 will reach NT\$26.32 trillion, with a growth rate of 3.24%. Due to the uncertain global economic outlook in 2023 and multiple factors of uncertainty, global manufacturing activities have slowed down. However, our country's manufacturing industry has benefited from the applications of 5G and AIoT (Artificial Intelligence of Things), driving the growth of high-specification, high-value electronic products. In addition, the terminal application products have brought new growth momentum, which also indicates that the connector industry, which belongs to the manufacturing industry, is also showing the same steady growth momentum.

(B) The correlation between upstream, midstream, and downstream industries

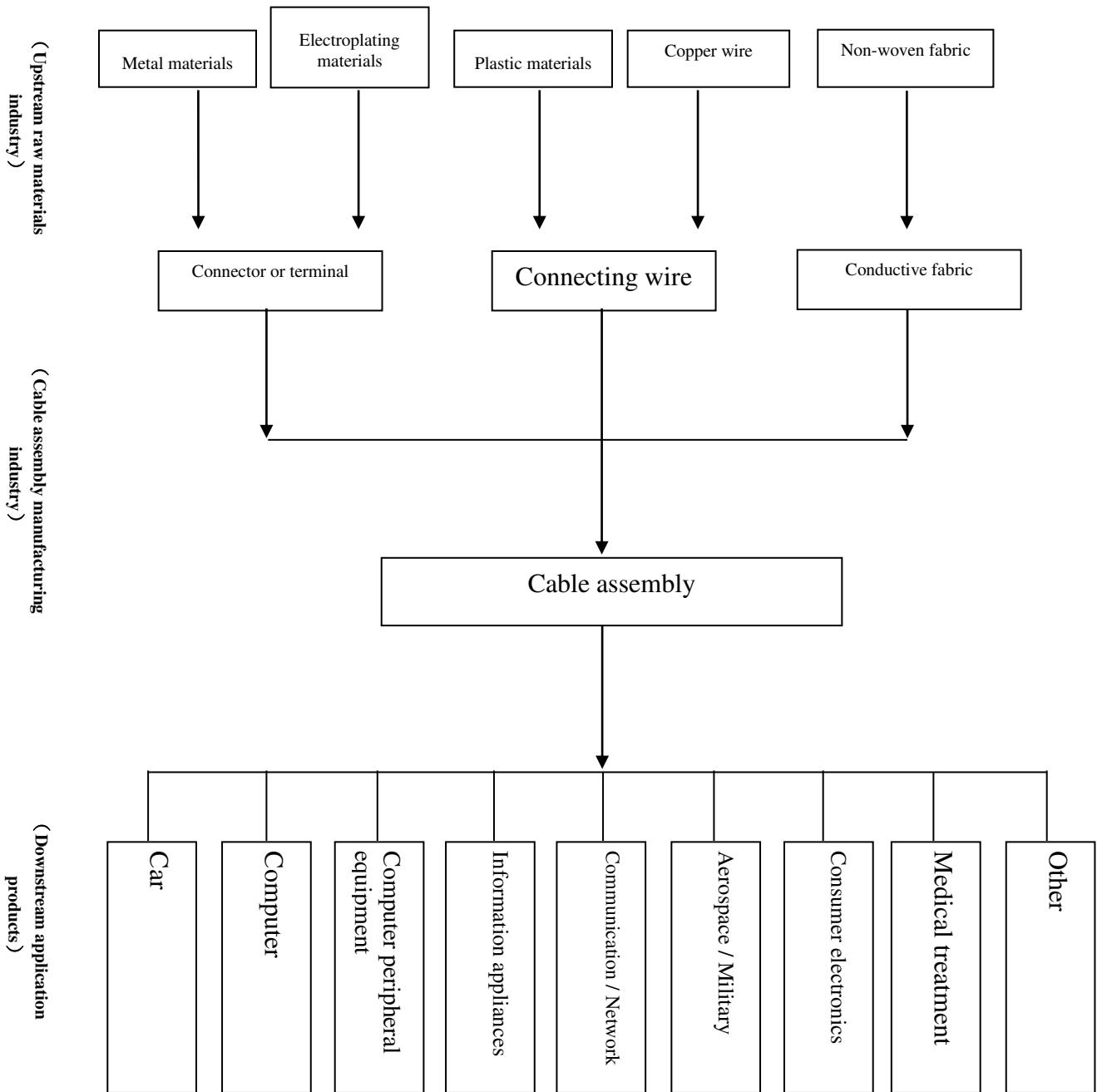
The company is mainly engaged in the production of connectors and cable assemblies. The upstream, midstream, and downstream structure diagram of the industry is as follows:

a. Structure diagram of the electronic connector industry



Data source: ITIS Program of the Material and Chemical Research Laboratories, Industrial Technology Research Institute

b. Industry structure diagram of electronic cable assembly



Data source: Industrial Technology Research Institute (ITRI) Material Research Institute (MIRI) ITIS Project.

(C) Various development trends of the product

a. Product miniaturization

In recent years, with the trend of "lightweight, thin, short, and small" in application products, connectors generally require fine pitch and low profile. Therefore, both metal stamping and plastic injection molding technologies have precision requirements. Specifically, the specifications of connectors are reflected in finer pin pitch and lower connector height. To meet the requirements of product miniaturization, in addition to increasing the precision of the original molds and fixtures, connectors must also have outstanding product design, analysis, and functional simulation capabilities, such as stress analysis, mold flow analysis, and precision testing equipment, to achieve the quality required by customers. According to data from IEK, in the future, connectors for Consumer electronics products will move towards two major technological directions: small size and low height.

b. High-frequency high-speed connectors and cables

The latest version of the PCIe standard is PCIe Gen5.0, with a bandwidth and transfer rate of 128GB/s and 32GT/s per channel (lane), which can meet the needs of 400 GbE networks in new data centers, provide higher efficiency for data transmission applications of different peripheral devices, and achieve the best balance between cost and bandwidth. Therefore, achieving high-speed requirements can no longer be achieved by pursuing precision in molds and fixtures as in the past. High-speed and high-frequency signal analysis and simulation, as well as the number of actual testing items, will determine the key factors of signal quality. Therefore, high-frequency measuring equipment is necessary to perform precise high-frequency analysis.

The development of high-frequency connectors combines stamping, injection molding, assembly, mechanical structure design, mechanical analysis, high-frequency electrical characteristic analysis, and measurement as a comprehensive technology. According to the Industrial Technology Research Institute (ITRI), as the system moves towards high frequency, the impact of connectors on the electrical characteristics and functions of the system increases. The high-frequency design of connectors must consider the coordination between mechanical and electrical aspects, and the correct direction must also be grasped in the coordination. In testing methods, the effects generated by high frequency must also be considered. Therefore, the technology will cover structural electrical parameter analysis, component equivalent circuit design, component characteristic testing, and test board design. For the connector industry, these technologies not only have the significance of improvement but also indicate the vertical integration of technology.

The specifications of high-frequency connectors usually include impedance, crosstalk, or propagation delay, and their indicator sizes vary according to different specifications. Therefore, in the design consideration, it is necessary to consider the time-domain and frequency-domain conversion, the basic characteristics and high-frequency response of electronic components, the basic theory of transmission lines and impedance matching design, the generation and prevention of crosstalk and loss, and parameter and Smith chart analysis. Taking electromagnetic interference as an example, as the signal frequency carried by connectors becomes higher, the impact on signal integrity also becomes greater. Therefore, comprehensive improvement in electromagnetic interference prevention technology is required for the connector industry (such as cable ends). It is also important to understand the causes and solutions of common electromagnetic interference in system ends such as PCBs, such as the causes and prevention of electromagnetic interference between wires and grounding, shielding principles, shielding efficiency evaluation and shielding element design, causes and

prevention of ESD, causes and prevention of radiation in digital circuits, and common techniques used in electromagnetic interference measurement.

High-frequency connectors can be used for high-end products such as RAMBUS high-speed input/output (IEEE 1394/USB), high-speed network applications (CAT-8), and more. CAT-8 is the latest IEEE copper Ethernet cable standard that encloses each pair of twisted pairs in aluminum foil, almost eliminating crosstalk interference and achieving higher data transmission speeds. CAT-8 Ethernet cables are the ideal choice for inter-switch communication in data centers and server rooms, providing maximum transmission speed and stability.

In recent years, various peripheral devices have experienced rapid development, and many cloud services (SaaS, IaaS, PaaS) have also seen significant growth. This has led to an increase in demand for high-frequency, high-speed, high-power, and high-current connectors. In order to achieve high-frequency and high-speed transmission goals, there is a need for greater precision and accuracy in the requirements for the control chips, electrical connectors, cable wires, and circuit boards used in high-speed transmission paths. High-quality structures that can process signals will increase the product pricing advantage and promote the overall technological advancement of the electronics industry, becoming an inevitable trend.

c. 3C application products are still in the mainstream market

According to research data from Bishop & Associates in November 2022, 3C application products such as computers, consumer electronics, and telecommunications still maintain a certain market share in the world connector market, accounting for about 40% of the overall market value, which translates to a market size of approximately US\$ 32.3 billion. This indicates that this market is still the main market for development for various manufacturers.

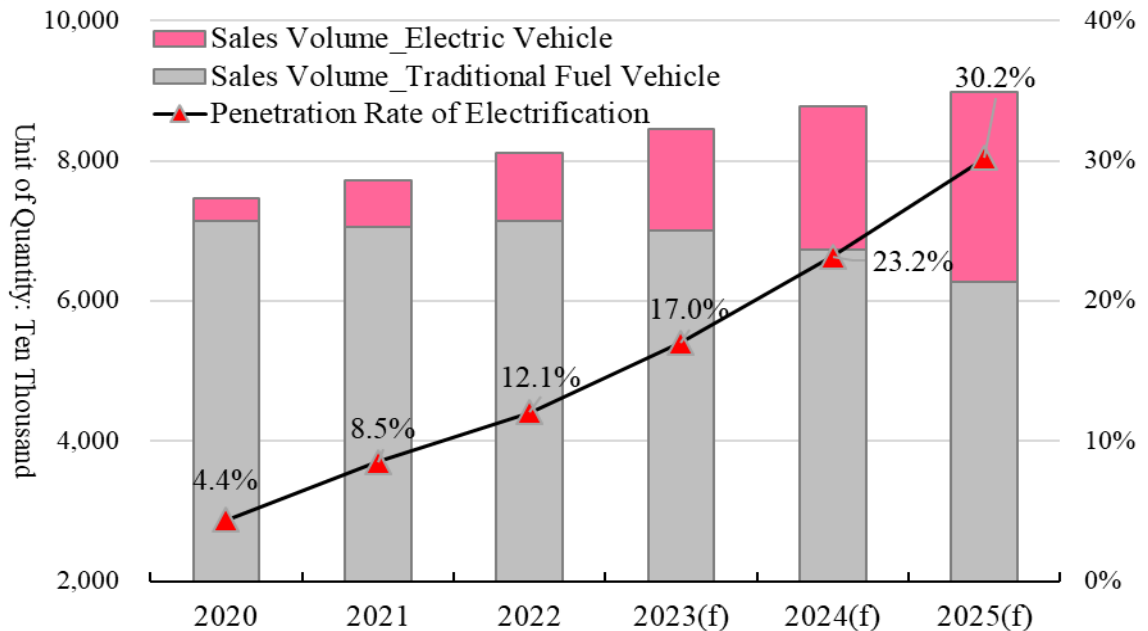
d. Business opportunities in automotive applications

According to Bishop & Associates' report in March 2023, the world connector market's value for automotive applications was approximately US\$8.91 billion in 2022, accounting for 10.6% of the total connector application equipment and ranking as the third-largest connector application equipment. As the world has been working towards net-zero carbon emissions in recent years, the traditional fuel-powered automobile has become the main industry targeted by various countries to reduce carbon emissions. Some advanced countries have already proposed a ban on the sale of fuel-powered cars, such as the European Union's decision to ban the sale of all fuel-powered cars from 2035 onwards. Therefore, the energy transformation is driving the rise in demand for electric vehicles.

According to a research analysis by Digitimes in February 2023, the global total car sales in 2022 were only 81.1 million units due to the shortage of automotive chips, showing a growth of about 5% compared to 2021. However, the sales of electric vehicles in 2022 reached 9.78 million units, showing significant growth of about 49% compared to 2021. It is estimated that the global sales of electric vehicles will reach 14 million units in 2023, with an overall penetration rate of 17%. It is expected that by 2025, the global sales of electric vehicles will reach 27.14 million units, with a penetration rate of 30.2%. The CAGR of the electric vehicle market from 2021 to 2025 will reach 42.5%, which is higher than the CAGR of the overall automotive market, which is 3.9%. According to research by IEK in September 2022, the top three sales markets for electric vehicles are China, the European Union, and the United States, with China accounting for half of the market share, making it the largest producer and seller of electric vehicles globally. According to the World Economic Forum (WEF), the global sales of electric vehicles will reach 500 million units by 2040, which will

require at least 290 million charging piles, with two cars requiring one charging pile. The car pile ratio in the European Union was 8.5:1 in 2020, and in the United States, it was 16:1, showing a serious shortage of charging piles. The estimated production value of charging piles from 2021 to 2030 is \$400 billion, with a CAGR of 32%.

【Electrification Trends in the Global Automobile Market】



Data source: Digitimes(2023, February)& Compiled by ACES.

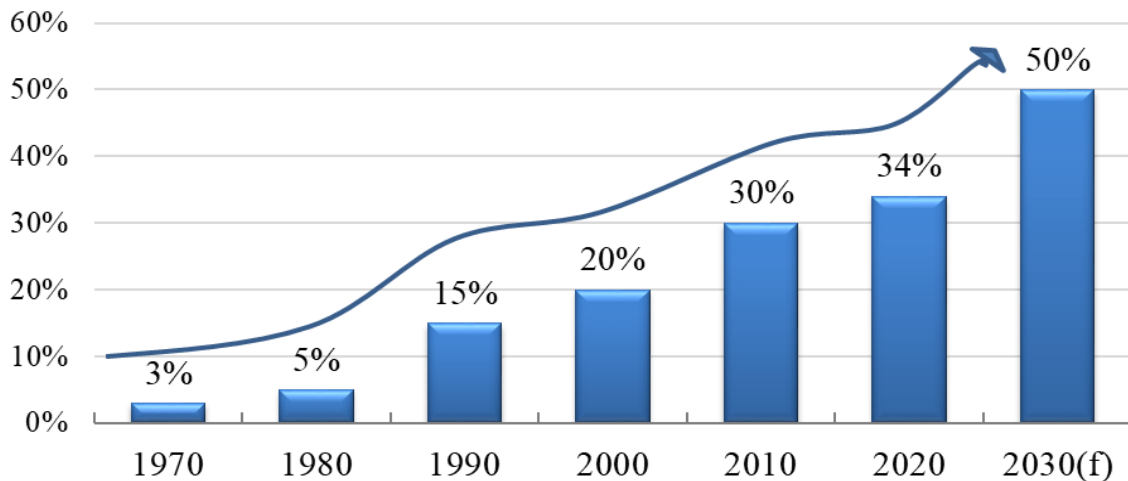
According to a Future Intelligence research report in October 2021, a traditional fuel vehicle already uses about 300 connectors. With the improvement of vehicle assistance functions and the gradual penetration of autonomous driving, each car will use 600 to 1000 electronic connectors in the future, indicating a huge market demand. Automotive connectors are widely used in four major automotive electronic system modules: "In-Vehicle Infotainment system (IVI system)," "Auto-body and Chassis Suspension systems," "Auto Drivetrain," and "Vehicle Safety Control systems," revealing potential development space for various electronic connectors.

The "IVI system" currently has widely used car audio and video connectors and car Ethernet wiring harnesses, coupled with the mature 5G environment in the future, which can drive the introduction of more car high-frequency antennas/RF coaxial connectors/millimeter-wave connectors. The "Auto-body and Chassis Suspension systems" can bring potential market development opportunities for the development of car terminals and peripheral connectors. The "Auto Drivetrain" involves many motor drive controls and power transmission function executions, which can promote the development of products such as electric vehicle power harnesses and power battery connectors. In the "Vehicle Safety Control System" with the development of advanced driver assistance systems (ADAS), the demand for connectors such as waterproof connectors for reversing radar, connectors for car panoramic cameras, and ADAS electronic modules is increasing day by day.

According to a study by Future Intelligence in October 2021, the average value of connectors per vehicle worldwide has increased from US\$97 in 2000 to US\$181 in 2020. With the continuous rise of trends such as vehicle electrification, digital technology, and environmental sustainability, the level of vehicle electrification has

continued to increase. This means that vehicles increasingly rely on electronic components, and many operations must go through an electronic component processing process before they can be transmitted. As a result, the proportion of electronic products in the production cost of a vehicle has increased from 3% in 1970 to 20% in 2000 and 34% in 2020. In a study by IEK in January 2023, it is estimated that the proportion of automotive electronics in the average vehicle cost will exceed 50% in 2030, indicating that the value of automotive electronic systems will continue to rise.

【Trend of the Global Automotive Electronics Cost Ratio】



Data source: Future Intelligence(2021, October)& IEK(2023, January)& Compiled by ACES.

According to Deloitte Insight's analysis in December 2022, the automotive industry supply chain will experience the highest growth in driveline systems, batteries and fuel cells, advanced driver assistance systems (ADAS) and sensors, and electronic products by 2025, with growth rates of 475%, 475%, 150%, and 22%, respectively.

【Market Growth Rates】		<u>Y2020 v.s. Y2025</u>
<u>1. Driveline Systems</u>	475%	
<u>2. Batteries& Fuel Cells</u>	475%	
<u>3. ADAS& Sensors</u>	150%	
<u>4. Electronic Products</u>	22%	

Data source: Deloitte Insight(2022, December)& Compiled by ACES.

In the future, cars will no longer just be a means of transportation. According to a research analysis by Digitimes in September 2022, smart cabins will become a development target for many car manufacturers. Smart cabins include various systems such as in-vehicle information, in-vehicle communication, in-vehicle entertainment, and driver monitoring, making it an integrated product across multiple domains. According to an analysis by IHS in September 2022, the global smart cabin production value will reach US\$43.8 billion in 2022, with the penetration rate of smart cabins in new cars exceeding 50%. By 2030, the global production value is expected to reach US\$68.1 billion.

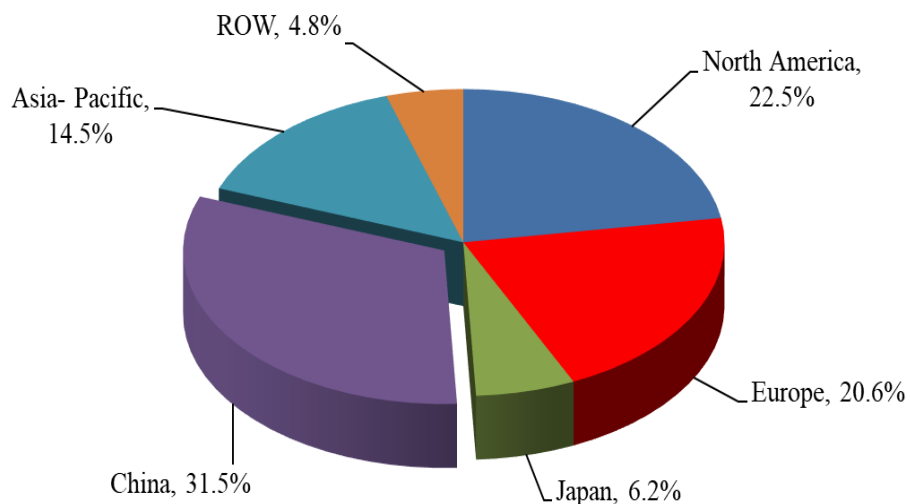
The integration of 5G technology and AI into the automotive industry has led to the

increasing maturity of vehicle-to-everything (V2X) communication. The demand for high-speed communication has also driven many opportunities for high-frequency and high-speed transmission connectors. In the future, actively investing in the required high-frequency transmission, materials, and process technologies for mid-to-high-end connectors will enable companies to capture significant market opportunities in the next stage.

e. China is the world's largest market in terms of connector

China has become the world's largest production base and consumer market for connectors. According to a March 2023 report by Bishop & Associates, the world connector market is showing steady growth, with industry concentration continuing to increase. China and North America are the world's top two connector supply countries. In recent years, domestic manufacturers have actively expanded their global business, resulting in rapid growth in international orders. The connector production value in the Asia-Pacific region has surged to become the fourth largest in the world. As the world's manufacturing industry shifts towards mainland China, the production center for world connectors is also shifting toward China. The connector market in China has expanded year by year, accounting for approximately 31.5% of the total market value, which is significantly higher than North America's share of 22.5%. According to a January 2023 report by International Wire & Cable and Connector, China currently produces mainly consumer-grade mid-to-low-end connectors. With the rapid development of the Chinese economy, downstream markets such as telecommunications & data communication, transportation equipment, computer & peripheral equipment, and consumer electronics are also growing rapidly, directly driving the sharp increase in demand for connectors in China. In recent years, the connector supply chain has encountered serious problems, creating a rare opportunity for domestic substitution in China. In the future, the fusion of chips, sensors, and connectors, as well as the integration with industrial IoT manufacturing, will be necessary development trends. In particular, the automotive, medical, communication, and industrial control sectors will drive the demand for high-end connectors and grow rapidly. China has already become the world's largest consumer market for connectors.

【World Connector Market by Region in 2022】



Data source: Bishop & Associates, Inc.(2023, March)& Compiled by ACES.

(D) Product competition

The company mainly engages in the research and development, production, and sales of connectors for laptops, computer peripherals, tablets, smartphones, consumer electronics, panels, automotive devices, network communication, and servers. The company has a complete range of products and specifications. Due to the rapid changes in demand for application products, responding to downstream customers' fast-changing product demands and increasingly precise requirements has become a critical factor for manufacturers engaged in the production of connectors and wire harnesses. Hereafter is an explanation of the competitive situation of the company's products.:

- a. To keep up with market trends in real-time and enhance production technology capabilities.

As there are many applications for connectors and the products that use them, any electronic product that requires signal transmission will continue to require connectors or cables, making the connector market and its applications present in various industries and products. The ability of connector manufacturers to keep up with downstream product market trends in real-time and to introduce specification products that meet market demands quickly is a key factor in determining whether connector manufacturers can earn profits. The company has a fast product development capability in product research and design, which reduces product development time. The company also customizes connector products tailored to individual customer needs.

- b. Product quality and stability

As the quality of connectors can affect the reliability of signal transmission between electronic devices, they are a critical component in various electronic applications. Therefore, the company has had strict management processes for product quality since its establishment. This can be seen from the fact that the company obtained the UL ISO 9001 international quality system certification a few years after its establishment, which is highly regarded. In addition, the company has obtained the QC080000 quality certification and the IATF16949 automotive product certification. The company's efforts have been recognized by many well-known domestic and international customers, and the company has had long-term relationships with them, demonstrating the company's stability in terms of product quality.

- c. Competitiveness of product prices

The downward trend in the prices of connector application products and price competition among competitors have compressed the profit margins of various connector manufacturers. To address this, the company has taken two approaches. Firstly, the company has focused on fast product development and deep customer service (including production capacity and delivery time), and secondly, the company has aimed to increase profits and reduce production costs. The company has strengthened control over raw material costs and carried out product design and development domestically. Additionally, the company has established a connector production base in mainland China to lower production costs. This has allowed the company to have a cost advantage when facing price competition pressure from competitors in the industry.

C. Overview of technology and R&D

(A) The amount of R&D expenses invested in the latest fiscal year and up to the date of printing of the annual report

Unit: NT\$ thousand

Item \ Year	2022	Q1 of 2023
R&D expenses (A)	573,935	151,478
Net operating revenue (B)	10,392,504	2,040,206
(A)/(B) %	5.52%	7.42%

Data source: Audited or reviewed consolidated financial reports for the fiscal year 2022 and Q1 of the fiscal year 2023 by certified public accountants.

(B) Recently developed successful technologies or products up to the date of printing of the annual report.

Year	Research achievements
2022	<ol style="list-style-type: none"> 1. Servo motor connector cable assembly. 2. Millimeter wave radar components. 3. Waterproof connectors for self-driving car host machines. 4. High-speed transmission cables for gaming graphics cards (PCIe Gen3+USB3.2). 5. 8K ultra-high definition DP1.4 transmission cable. 6. USB anti-drop and multi-directional rotating device. 7. Wear-resistant motor control cables for high-current marine applications. 8. PCIe Gen5 high-speed transmission cables for server internals. 9. USB4 Gen3 40G PD 60W Cable. 10. USB 3.2 Gen2 Type C 2M/5M Active Cable. 11. Outdoor waterproof connectors for 5G smart poles. (OQSNAP) 12. Customized DC waterproof connectors. 13. Industrial connectors HR10 series 6-pin/12-pin wire end and system end. 14. Miniature high-current DC Jack & Plug. 15. PCIe6 standard connectors for server use. 16. Various DDR5 memory connectors. 17. Image transmission cables for car surround view cameras. 18. Industrial computer heat sink blocks.
Up to May 12th of 2023	<ol style="list-style-type: none"> 1. Development of MCIO connectors and cables. 2. Nearstack PCIe6 internal high-speed interconnect connector assembly. 3. The high-speed version of edge card connector PCIe5. 4. Multiple M.2 card connectors PCIe5/Wifi 7. 5. Riser cable for internal servers. 6. Low-height, high-current NB power connector with built-in switch control. 7. High-speed, high-density connector GENZ280PIN. 8. High-speed transmission cable for gaming graphics cards (PCIe Gen4+USB3.2). 9. Type C to HDMI2.1 dongle. 10. PCB design for 12~23A high current. 11. Charging cable for electric bicycles. 12. Heat sinks for medical equipment.

D. Long and short-term business development plans

(A) Short-term plans

- a. To strengthen product breadth in existing sales channels of notebook computers and consumer electronics products market, in addition to the existing product series, we will utilize existing mold technology and advantages to shorten the sample development cycle, collaborate with customers' product development plans, and develop more types of connectors for notebook computers, increase the breadth of our product line, and further expand market share and increase revenue.

- b. Proactively developing the server and network markets: Recognizing the high potential for development in the communication and network markets in the future, our company will utilize our existing technology and develop human resources to actively engage in the research and manufacturing of related product connectors and cables in the mobile device and network industries to respond to future business development.
- c. Expanding international business: In order to effectively utilize production capacity and achieve optimal economic scale, we actively seek foreign business opportunities, which will help control costs and increase sales channels. On the one hand, this can strengthen the control of production systems, and on the other hand, it can allow us to access more advanced technology and market information from overseas, and collaborate with brand customers on product design to shorten development time and capture market trends.
- d. Establishing a comprehensive corporate image is crucial for enhancing brand awareness and gaining a competitive edge in the market. This can be achieved through various means such as maintaining a product catalog, optimizing the company website, and creating an effective company profile. By doing so, the company can improve its visibility and reputation, which can lead to better marketing opportunities and increased sales.
- e. Accelerating the development of production automation, modularizing production equipment to effectively improve production capacity and quality, reduce reliance on direct labor and increase the barrier to entry for production technology. This will improve production efficiency, shorten lead times, further reduce production costs, and maximize benefits.
- f. Accelerate the development of process vertical integration to reduce the outsourcing ratio of electroplating, to control product quality and production costs.
- g. Establishing an Automotive Electronics Engineering and Technology Research Center (Vehicle Electronics Zone) to expand the production capacity and research and development capabilities of automotive electronic connectors, in order to provide customers with more diversified product services.

(B) Long-term plans

- a. Double Eagle Project: Given that new technology products are often developed or regulated based on the U.S. market, it is important to obtain real-time information to provide product development directions and information needed for investment decisions. Our company has established a U.S. company to expand our U.S. business and gain access to market trends and new product information. Additionally, with the rise of China as a major manufacturing and consumer market, we have adjusted our business organization to establish stronger customer relationships to facilitate product sales. Our company spreads its wings across the U.S. and China markets with the Double Eagle Project, to respond to the rapid changes in market demand with timely and flexible services and to develop a forward-looking and comprehensive plan for future business development.
- b. Expanding international presence with a focus on research and development and leading products: We continue to invest in research and development and technology resources, and we are deepening our technical research and development in Taiwan Precision Center to expand our operations and focus on the design, development, and manufacturing of precision molds. We are continuously cultivating excellent product development, precision mold design, and manufacturing personnel, and building a complete technical team to meet the needs of domestic and international customers, with the long-term goal of becoming a leading brand in the World Class Connectivity.

(2) Market and Sales Overview

A. Market analysis

(A) Main sales regions of products

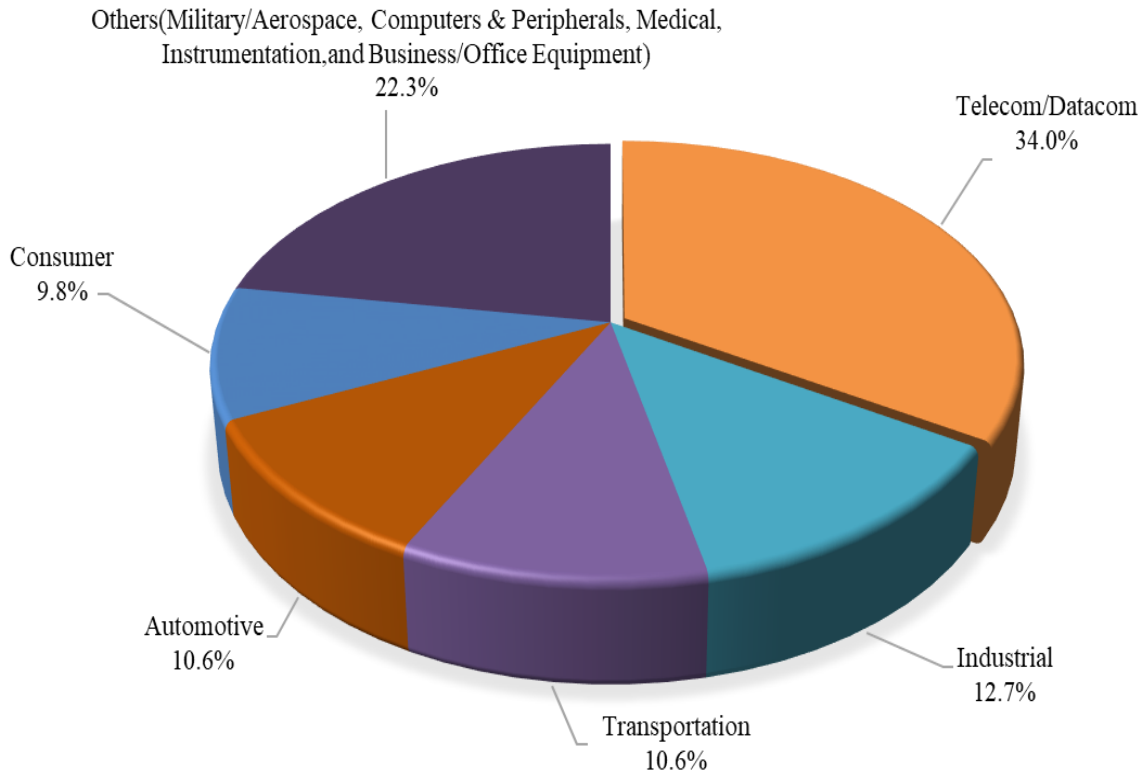
Unit: NT\$ Thousands; %

Region		2022	
		Operating revenue amount	Percentage of total operating revenue
Export	China	5,291,207	50.91
	Other	3,160,414	30.41
	Subtotal	8,451,621	81.32
Domestic sales		1,940,883	18.68
Total		10,392,504	100.00

(B) Market share

The 5G era is coming, and the industrial Internet of Things is accelerating its deployment. The digital transformation wave is accelerating investment in infrastructure to support IoT technology and Industry 4.0 automation transformation. According to Bishop & Associates' report in March 2023, world connector application equipment in 2022 had the highest growth in production value (119.2%) and share increase (103.3%) in consumer product equipment. This indicates that consumer product equipment is showing signs of accelerating toward achieving the important trend of zero carbon emissions in the future. In 2022, the top five global application equipment for connectors are telecommunications/data communication equipment, industrial equipment, transportation equipment, automotive equipment, and consumer product equipment, in that order. The production value of connectors applied to telecom/datacom equipment is US\$28.59 billion (34.0% of the market share), which ranked first and has an increase of 56.2% in production value compared to 2021, with a corresponding 44.9% increase in market share, indicating the increasing importance of telecom/datacom equipment. The application of connectors in industrial equipment (including industrial automation and processing equipment, industrial robotics technology, mechanical tools and devices, energy production and distribution, and construction and civil engineering) rank second in connector application equipment in 2022, with a production value of US\$10.68 billion (12.7% of the market share), a slight increase of 7.0% compared to 2021, but with a slight decrease of 0.8% in market share. Transportation equipment and automotive equipment are tied for third in application equipment, with a production value of approximately US\$8.91 billion (10.6% of the market share). The production value of transportation equipment increases by 64.1% compared to 2021, with a corresponding 52.2% increase in market share, while the production value of automotive equipment decreases by 47.7% compared to 2021, with a corresponding 51.5% decrease in market share due to the impact of the epidemic. Consumer product equipment ranks fifth in the application, with a production value of US\$8.24 billion (9.8% of the market share). Compared to 2021, the production value increases significantly by 119.2%, with a corresponding increase of 103.3% in market share, demonstrating the continuing innovation in the consumer sector. According to Bishop & Associates' prediction in January 2023, the top three fastest-growing world connector application equipment in response to future political and economic needs and the 5G and AIoT (Artificial Intelligence of Things) era are telecom/data communication equipment, military/aerospace equipment, and automotive equipment.

【Connector Sales by Market Sector in 2022】



Data source: Bishop & Associates, Inc.(2023, March)& Compiled by ACES.

(C) Future supply and demand situation and growth potential of the market

a. Supply side

According to the data from Bishop & Associates, Inc. in August 2022, the top 100 connector manufacturers in the world had a total shipment value of US\$66.826 billion in 2021, accounting for 85.7% of the world connector market. Among them, China accounted for 29.8%, Europe accounted for 18.3%, North America accounted for 18.2%, Asia-Pacific region accounted for 12.1%, Japan accounted for 5.8%, and ROW (the rest of the world) accounted for 2.4%. The top 10 connector manufacturers had a total shipment value of US\$43.185 billion in 2021, accounting for 55.4% of the world connector market, an increase of 13.3% from the total shipment value of US\$38.12 billion in 2020. The top 10 manufacturers are TE Connectivity (Tyco) (USA), Amphenol (USA), Molex Incorporated (USA), Luxshare Precision (China), Aptiv (FKA Delphi Connection Systems) (USA), Foxconn (FIT) (Taiwan), Yazaki Corporation (Japan), JAE (Japan Aviation Electronics Industry) (Japan), Rosenberger (Germany), and Hirose Electric Co., Ltd. (Japan).

The table below shows the top 10 connector manufacturers by region in terms of global shipments from 1980 to 2021. TE Connectivity has been the largest connector company since 1980, while Molex and Amphenol have consistently remained in the top 10. Before 1980, there were no Asian companies in the top 10, but as of 2020, there were six Asian companies in the top 10. In 2021, there were five Asian companies in the top 10, reflecting the increasing electronic manufacturing capabilities and expanding demand for connectors in the Asian market. Many connector companies, especially in China and other developing countries, are expanding their product application ranges and partnering with non-connector companies. In the past decade, the world connector industry has been in a stage of stable growth in market size with a

slowdown in growth rate. The market competition pattern has been driven by large-scale mergers and acquisitions, and according to statistical data, around 48% of the top 100 connector companies in 2000 have been acquired by other companies in 2021. In 2021, TE acquired ERNI Electronics GmbH, ranked 46th, Amphenol acquired Positronic Industries, ranked 79th, and ACES acquired Genesis Technology. The top 10 world connector manufacturers have acquired over 80 companies in recent years, increasing their market share from 38% in 1980 to 55.4%, and are accelerating their industrial-scale economy to enhance market competitiveness and entry barriers.

【Top 10 connector manufacturers by global shipment volume from 1980 to 2021 (by region)】

Region \ Year	1980	1990	2000	2010	2020	2021
North America	10	6	6	4	4	4
Europe	0	1	1	1	0	1
Japan	0	3	3	4	4	3
China	0	0	0	0	1	1
Asia-Pacific	0	0	0	1	1	1

Data source: Bishop & Associates, Inc.(2023, August)& Compiled by ACES.

b. Demand Side

Demand for connectors and cables is mainly influenced by the product demand in downstream end-use applications. Our company produces connectors and cables mainly used in four major application areas: notebook computers/consumer electronics, network communications/servers, automotive electronics, and industrial industries. The development trends of individual application markets are explained as follows:

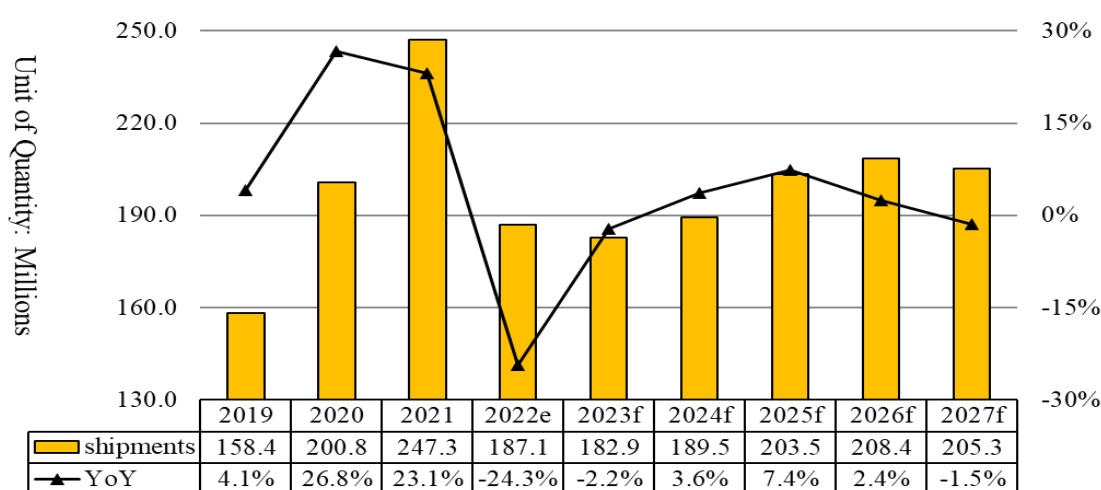
(a) The notebook computer (NB) market

According to a TrendForce research report in January 2023, the global demand for notebooks has quickly reversed due to the impact of the global political and economic situation in 2022, causing a structural supply-demand imbalance issue that has not been resolved, and shipments have declined quarterly. It is expected that the clearance of terminal inventory will continue to extend until the first half of 2023. In addition, the relationship between China and the United States has prompted major manufacturers to consider re-layout strategies for notebook supply chains. Vietnam and India will become the future production bases for notebooks outside of China. According to a Digitimes research report in January 2023, the global notebook shipment in 2022 is estimated to be 187 million units. Manufacturers in Taiwan mainly hold orders for major commercial, educational, and gaming models. The total notebook computer shipments in Taiwan reached 144 million units, accounting for 77% of the global notebook computer shipments, which means that about four-fifths of the global notebook computers are shipped from manufacturers in Taiwan. Although the shipments of the notebook in Taiwan in 2022 did not meet expectations, the previous efforts to clear inventory were significant, and the performance of manufacturers in Taiwan in 2023 is expected to be better than that of in China and the United States.

According to a research report by Digitimes in October 2022, supply chains remained unstable amidst global inflation, the Ukraine-Russia conflict, and sharp interest rate hikes in the United States. Furthermore, due to the relatively saturated demand in the NB market after the pandemic, the annual shipment is expected to decline by more than 20%, although still higher than the pre-pandemic average of

150-160 million units. In 2023, the demand side will also be filled with unfavorable macroeconomic factors. Although global inflation is expected to ease, it is still at a high point and has a greater impact on consumer electronics. The global NB shipment is expected to decline by 4.2%, showing a slight decline. In 2024, the economy is expected to gradually recover, and education, consumer, and business models will enter the replacement cycle. In addition, fierce competition in the processor platform is favorable for improving the price-performance ratio of NB, and the market is expected to grow slightly. From 2025 to 2026, the overall economy is expected to enter a new expansion period. The development of new technologies such as 6G, electric vehicles, and robots may directly or indirectly drive the demand for NB. Furthermore, with the end of support for Windows 10 and the popularity of OLED displays, the NB replacement wave will continue to drive growth in the NB market. In 2027, the overall economy is expected to enter a new contraction period, and the market is waiting for innovative technologies and applications to penetrate the market. The global NB shipments are expected to slow down slightly after three consecutive years of expansion, with a decrease of about 1.5% in shipments. With the active operation of the management team, our company is estimated to continue to grow in the consumer electronics market, due to the addition of new products. In the future, we will adopt a diversified product sales combination strategy to improve our company's sales performance.

【Global notebook (NB) shipment volume】



Data Source: Digitimes(2022, October& 2023, January)& Compiled by ACES.

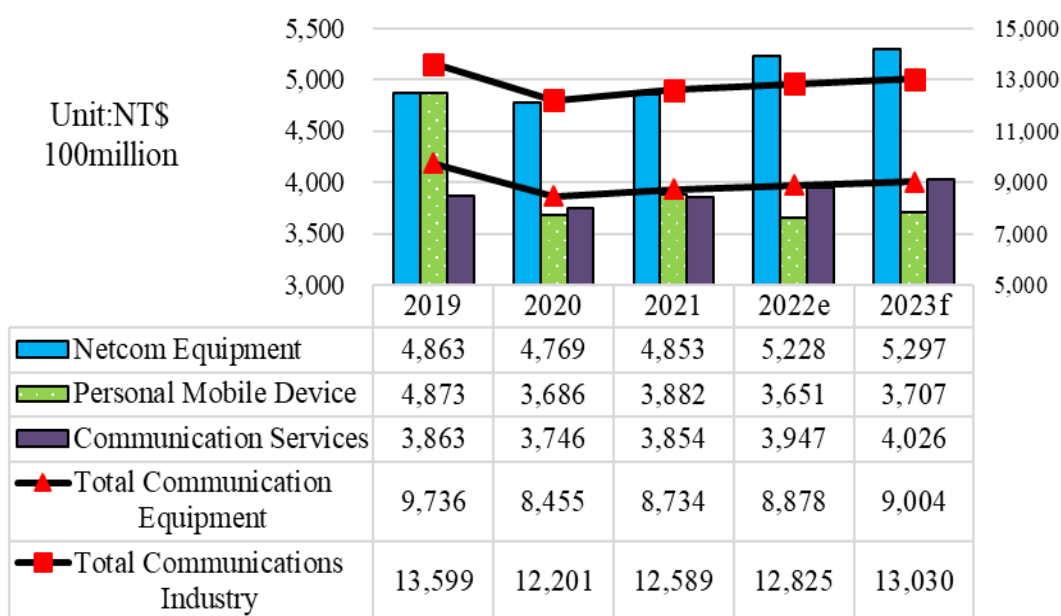
(b) Network communication market/servers

The communication industry is mainly divided into three categories: network communication equipment, personal mobile devices, and communication services. Network communication equipment includes wireless local area networks (WLAN), Ethernet switches, digital subscriber line customer premises equipment (DSL CPE), cable modem equipment (Cable CPE), IP set-top boxes (IP STB), Bluetooth technology, mobile broadband access products, and more. According to the industry research conducted by IEK in November 2022, 2022, communication equipment products such as 5G telecommunications, cloud high-speed switching equipment, commercial wide area networks (WAN)/local area networks (LAN), wireless local area networks (WLAN), digital subscriber lines (DSL), and fiber optic broadband networks are all growing positively. Moreover, in the

post-pandemic era, smart wearables have attracted attention. In terms of the production value of Taiwan's communication equipment (including network communication equipment and personal mobile devices), the production value of Taiwan's communication equipment in 2022 is NT\$ 522.8 billion, with a growth rate of 7.7%.

According to the research by IEK in November and December 2022, the global communication industry production value in 2022 is estimated to reach US\$2.19 trillion, with a growth rate of 3.7%. It is predicted that in 2023, with the fermentation of applications such as low-orbit satellite communication, 5G private networks, and cloud computing, the global growth rate is expected to be 4.5%, about US\$2.29 trillion, and the compound annual growth rate (CAGR) from 2020 to 2024 is estimated to reach 4.6%. According to the research by IEK in December 2022, the production value of Taiwan's communication industry in 2022 is about NT\$1.28 trillion, an increase of approximately 1.9% compared to 2021. Although the demand for the consumer communication market was weak due to the changing global pandemic situation, the trend of corporate digital transformation still drives the growth of global network equipment demand, such as Wi-Fi 6/6E and 400G Switch. Large cloud data center operators panic-purchased due to the expected shortage, which became the main factor for the growth of production value in 2022. In addition, with the continuation of communication infrastructure demand in 2022, it is estimated that the production value of Taiwan's communication industry in 2023 can reach NT\$1.30 trillion, a growth of 1.6% compared to 2022, and the CAGR from 2020 to 2024 is estimated to reach 2.2%. In the future, the communication industry will develop toward highly integrated application services. By integrating emerging technologies such as edge computing and AI, virtualized networks, Wi-Fi 6/6E, low-orbit satellite, and other next-generation communication technologies will be deployed to develop smart offices, remote medical care, and other distance and contactless IoT terminal devices and application services. With the advantage of 5G technology, it will capture market demand in application areas such as connected cars, smart factories, smart healthcare, unmanned vehicles, etc.

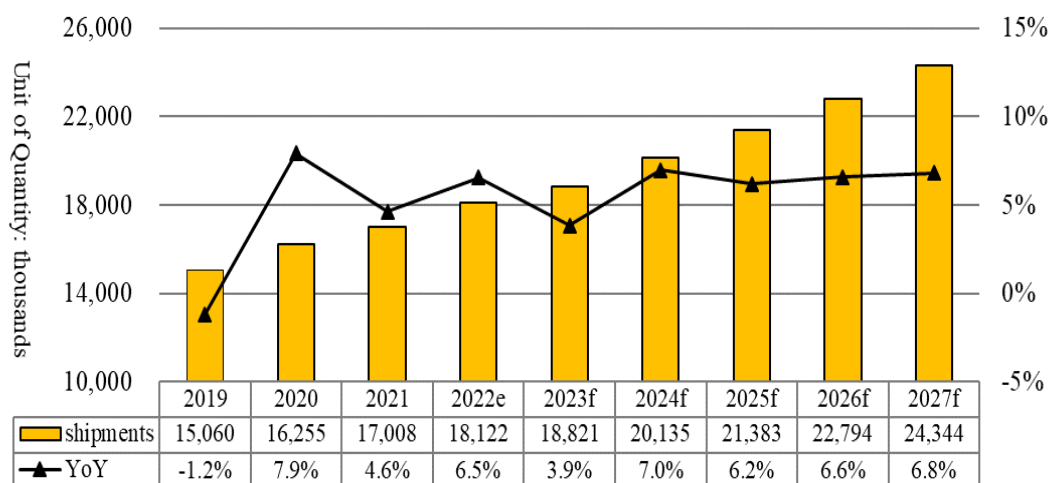
【The Annual Output Value of the Communication Industry in Taiwan】



Data source: IEK& ITIS(2023, February)& Compiled by ACES.

According to the analysis by MIC in December 2022, the global server market will continue to grow in the short and medium term due to the continuous construction of data centers by cloud service providers, the launch of new server processors, and the drive toward intelligent data centers. In the long term, the market will be affected by the increasing proportion of 5G servers and AI-specialized servers. Digitimes' research in September and December 2022 also showed that the global server market's shipment volume was approximately 18 million units in 2022, a growth of 6.5% from 2021, and the estimated shipment volume for 2023 is over 18.8 million units, a growth of 3.9% from 2022. It is expected that in the next five years, server shipments will be driven by North American cloud service providers (such as Amazon, Microsoft, Google, and Meta) to expand data center infrastructure around the world in response to various cloud services, various online services (such as remote work, online learning, etc.), and the use of video platforms. They will have stronger purchasing power for servers, which will be the main growth driver. The proportion of cloud data centers in global server shipments is expected to increase from 46% in 2022 to 54.5% in 2027. In addition, as the global pandemic becomes more like influenza, IC and component supplies are gradually returning to normal. The growth of edge AIoT (intelligent connectivity), HPC (high-performance computing), 5G infrastructure, and telecommunications applications will also drive cloud service providers and server brands to invest in the development of hybrid clouds in various application areas. In the medium to long term, driven by the growth of cloud, HPC, and edge servers, as well as the emergence of new CPUs, the global server shipment volume's compound annual growth rate (CAGR) from 2022 to 2027 is expected to reach 6.1%.

【Global Server Shipments】



Data source: Digitimes(2022, September& December; 2023, January)& Compiled by ACES.

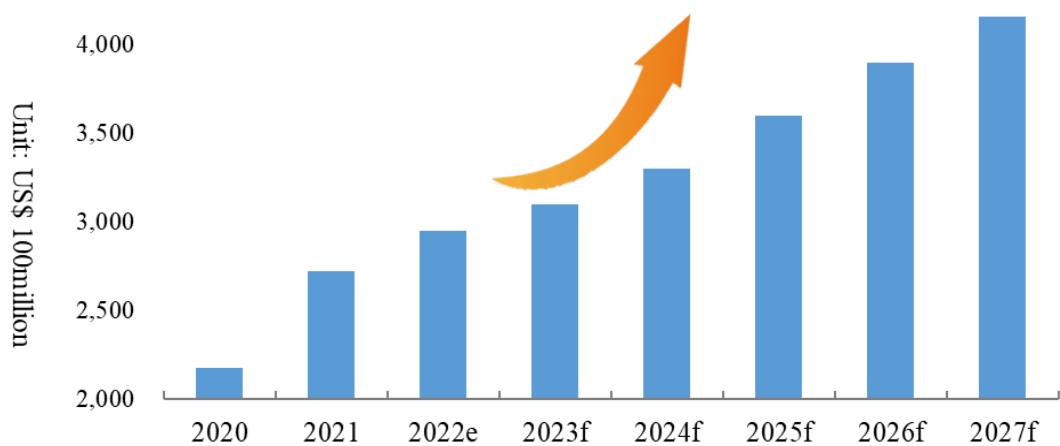
The future potential of the networking and cloud computing industries is promising. As 5G accelerates commercialization, the demand for high-frequency, high-speed, cloud computing, and IoT-related products such as servers, data centers, routers, and switches will increase due to replacement and upgrading needs and infrastructure construction demands. In addition, the investment of telecom operators in 5G data center construction will drive the demand for core network telecom and edge network data center servers. According to Digitimes analysis in February 2023, the server industry chain, including chip vendors, server vendors, and cloud giants, is aggressively expanding into the edge computing market to seize 5G enterprise private network opportunities and

integrate AI applications in smart manufacturing. The application areas include smart manufacturing, telecommunications, autonomous driving, healthcare, finance and insurance, and smart cities. Among them, smart manufacturing has the greatest potential for development, mainly integrating AI, 5G, and hybrid cloud technologies to provide various production line management and control, 5G network transmission capabilities, or introducing AR/VR for remote assistance operations. It has become the target for server-related companies to invest in. In the future, there is still considerable optimism for the development of the 5G and cloud communication industries.

(c) Automotive electronics market

In recent years, major global automobile manufacturers have been committed to improving the environmental and power performance of automobiles. With the changes in technology and the environment, the global automotive industry is continuing to develop toward new energy vehicles, and this trend has also increased investment in the automotive electronic components industry. Safety, comfort, energy saving, convenience, and environmental protection have become the main driving forces behind the development of automotive electronics. In the future, automotive electronic products will be more focused on electrification, intelligence, and electrification. As the electronic and safety functions of cars gradually penetrate, the value of automotive electronic systems continues to rise. IEEE research predicts that the cost of car electronics will account for 50% of the total cost of cars by 2030, exceeding the growth rate of car production. According to the IEK analysis in November 2022, the industry is gradually transforming from electrification, and networking to automation, and there will be more and more car electronics products. The global automotive electronics market reached US\$272.3 billion in 2021, and it is estimated to reach US\$294.9 billion in 2022, an increase of 8.3% from 2021. It is expected to surpass US\$400 billion by 2027, with a compound annual growth rate (CAGR) of 7.1%.

【The Global Automotive Electronics Market Scale】

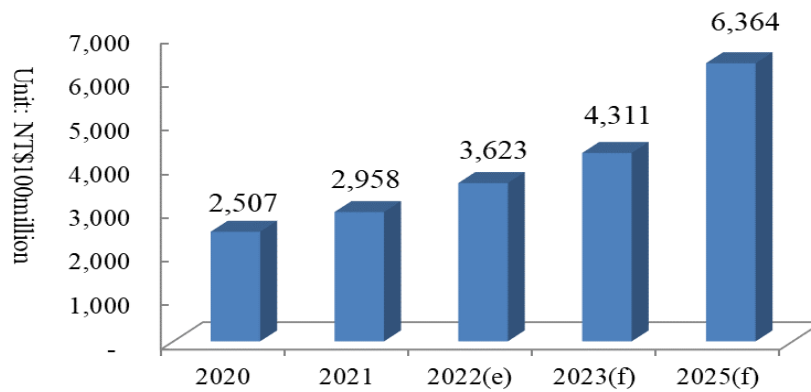


Data source: IEK(2022, November)& Compiled by ACES.

According to the research analysis by IEK in November 2022, the output value of automotive electronics industry in Taiwan exceeded NT\$295.8 billion in 2021 and is expected to exceed NT\$362.3 billion in 2022, reaching a new high. By 2025, the output value of automotive electronics industry in Taiwan is expected to exceed NT\$600 billion, indicating that the electric vehicle market is growing rapidly under the trend of self-driving and networking, driving the proportion of automotive electronic systems. We in Taiwan can integrate our industrial

capabilities and vertically integrated power electronic components, advanced driving safety assistance systems, in-vehicle infotainment system (IVI system), smart cabins, and other fields to accelerate the trend of vehicle electrification. The automotive electronics market has great potential, and with the promotion of the specification and technological requirements for smart vehicle products, it will continue to drive opportunities in the automotive electronics market.

【The Annual Output Value of the Automotive Electronics Industry in Taiwan】



Data source: IEK(2022, November)& Compiled by ACES.

There are five main systems for the automotive electronics industry in Taiwan, including driver information system, engine transmission system, auto-body system, safety system, security system, and others. They are mostly concentrated on advanced driver assistance systems (ADAS), in-vehicle electronics technology, in-vehicle infotainment systems, and services. According to data from IEK in October 2020, the advantage of manufacturers in Taiwan lies in its integrated sensing system and a complete cluster of driver information systems. In addition, various countries' regulations that mandate the installation of ADAS-related systems bring strong demand for automotive electronic safety systems, which have the greatest potential for development.

According to the research analysis by Market Intelligence & Consulting Institute (MIC) in September 2022, the main drivers of global growth in the automotive electronics market are autonomous driving, high-power electric vehicles, and upgrades to in-vehicle infotainment systems. The potential of this market has surpassed that of the information and communication technology industry. In 2022, traditional fuel vehicles still dominate the market, with a contribution ratio of 7:3 for the automotive electronics market size in comparison to electric vehicles. As the penetration rate of xEV (electric vehicles) increases, the application scope of automotive electronics becomes broader and more diverse. By 2030, the contribution ratio of the automotive electronics market size is expected to reverse to 3:7 in favor of electric vehicles over traditional fuel vehicles.

The company focuses on intelligent driving assistance systems, ECU control boards, and new energy vehicles (EVs) in the automotive field. It has also collaborated with China and the United States to develop new energy vehicles, including products such as reversing radar, cameras, and electric switches. In 2018, the company entered the supply chain of a US smart transportation technology company that specializes in car monitoring, car wireless transmission, and collision avoidance radar systems by supplying individual parts and products and has since become a provider of automotive solutions. In 2021, with the rapid

growth of the automotive electronics industry, the company has supplied ADAS connectors and collision avoidance radars to Europe, China, and the United States. In 2022, the growth momentum in the automotive sector is the strongest, including automotive-related radio frequency, computer audio and video entertainment, and automotive electronic modules for electric vehicles. The company has also received orders from European Tier1 automakers, and it aims to accelerate its development in the automotive connector and cable market for medium to long-term growth.

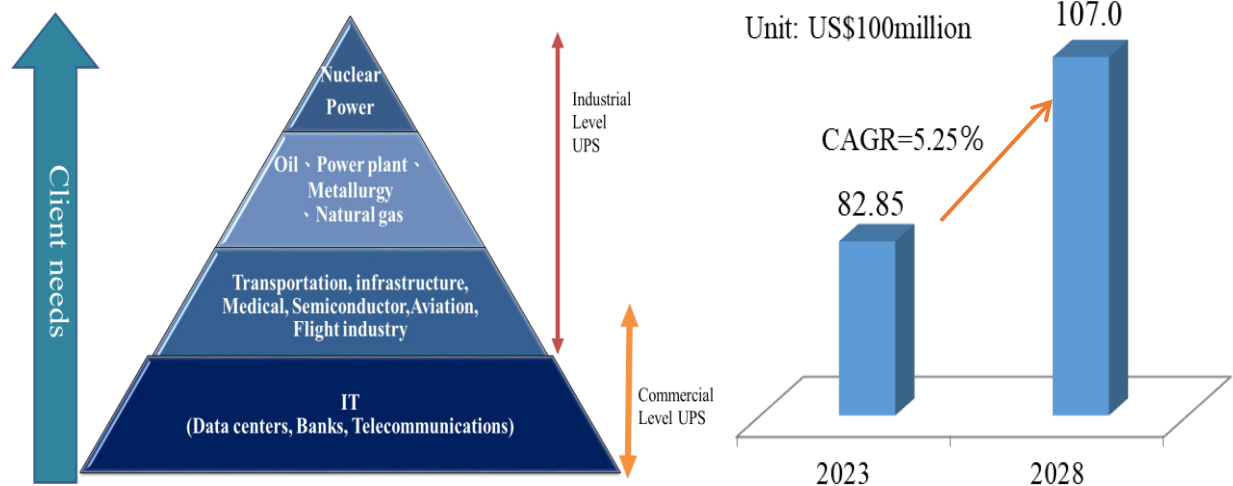
(d) Industrial market (represented by uninterruptible power supply (UPS) systems.)

The company provides industrial power cords mainly for the uninterruptible power system (UPS) market. UPS is an electrical device that automatically switches the power supply to built-in batteries when the main power supply experiences abnormal power supply situations such as failure, power outage, or voltage instability. It provides emergency power to load devices, allowing them to continue to provide safe, clean, stable, and uninterrupted power supply to products for a short period, maintaining normal device operation. Therefore, it is used to maintain the stable operation of electronic products such as computer systems, precision instruments, and communication equipment. When power problems occur, PCs or peripheral devices can use UPS to provide stable backup power to prevent business interruptions and data loss. Although the UPS battery life is short, its function is powerful enough to safely shut down active devices and equipment. Therefore, UPS systems are widely used in medical centers, electronic POS terminals, communication centers, etc. According to a market research report by GII in February 2023, the growing demand for reliable power solutions in various industries is driving the growth of the UPS market. UPS can be divided into single-phase UPS or three-phase UPS, which refers to the number of phases of the power received and transmitted by the UPS. For larger electricity users such as large data centers, industrial manufacturing, and healthcare centers, three-phase UPS is needed to maintain three-phase power. For smaller electricity users such as residential, commercial facilities, and most primary and secondary schools or kindergartens, the power is converted into single-phase power.

According to a market research report by GII in January 2023, the global market size of UPS, a representative market for industrial power supply, is approximately US\$7.7 billion in 2022. It is estimated to expand at a compound annual growth rate (CAGR) of 5.25% during 2023-2028. IMARC Group predicts that the global UPS market will reach US\$10.7 billion by 2028. UPS is an essential support system that maintains the continuous and normal operation of industrial infrastructure. It is usually used to support critical infrastructure during major failures. With the current Industry 4.0 era, new technologies such as the Internet of Things (IoT), cloud computing, cloud analytics, AI, and machine learning are integrated into production equipment. To protect data and minimize production downtime, UPS stabilizes power during power outages and simplifies production and manufacturing processes. Therefore, the driving forces behind the growth of the global UPS market are the increasing demand for energy storage systems, the rising trend of new technologies such as IoT, cloud computing and analytics, AI, and machine learning, UPS innovations, and the increase in global data centers. This shows that the demand for reliable power solutions is continuously growing, and the industrial sector will dominate the growth of the UPS market in the future.

【Industrial and Commercial Level UPS Applications】

【Global UPS market size forecast】



Data source: Uninterruptible Power Supply (UPS) Industry Blue Ocean Market Strategy Formulation and Implementation Research Report in China, from 2020 to 2025(2020, December), GII(2023, January)& Compiled by ACES.

According to the market research report by GII in January 2023, UPS systems have become an indispensable part of almost all industries, including telecommunications, engineering, manufacturing, R&D, education, healthcare, information technology, business process outsourcing, aviation, and banking. With the increasing prevalence of IoT devices in almost every industry, it is expected to drive the expansion of UPS in the industrial and commercial sectors. In the future, UPS will develop toward high-frequency, intelligent, and networked directions. The UPS markets in developed countries are mature, with the United States maintaining a growth trend of 3.9%, Germany expected to increase its scale and influence in the European region by over US\$150 million in the next five to six years, and other regions in Europe expecting demand to exceed US\$130 million. China is expected to increase by US\$130 million, demonstrating a growth potential of 8.1%. In developing countries such as India and China, maintaining high-quality power is a major challenge. It is expected that the Asia-Pacific region (including China, Japan, India, South Korea, etc.) will become the fastest-growing market for UPS in the future. This includes driving the demand for UPS systems in industrial facilities, building multiple data centers, adopting automation and intelligent factory technologies in the manufacturing industry, and significantly increasing the use of renewable energy power plants to achieve 24 hours uninterrupted power supply, expected to be the main driving force of the market.

Looking at the development trend of the global Information and Communication Technology (ICT) industry, the world has entered the information age and the application of UPS has become more widespread. The demand for a full range of UPS products remains strong, and UPS is expected to continue to show growth momentum in the future.

(D) Competitive niche

a. Product development speed and customization capability

The company has dual technology development capabilities in electronic and mechanical component development and verification to meet market and customer needs and respond quickly to changing market demands. The company also has the ability to self-produce molds and mechanical parts and can provide customers with

customized Total Solutions services, providing customers with samples and solutions in a short period. To meet the diverse specifications and development needs of customers, the company has a strong R&D team dedicated to product development, mold design and development, and process technology research and development. With a continuous focus on strengthening R&D capabilities, the company has obtained approximately 467 product patents both domestically and internationally.

b. Mastering the independent capability of mold and equipment development

Terminal crimping and plastic injection molding are the key technologies for connector manufacturers. The company has independent capabilities in the design, development, and manufacturing of plastic injection molds and terminal crimping molds. By mastering these key capabilities in mold development and manufacturing, we do not rely on external suppliers, allowing us to effectively shorten mold development time and cost, and enhance product competitiveness. In terms of automatic assembly machines, we also can develop them in-house. Therefore, for product lines with large sales volumes, we can develop production equipment that is optimized for the manufacturing process, effectively increasing production capacity and reducing manufacturing costs.

c. Complete product line and good customer relationship

The company has a complete in-house connector product line, including a variety of options such as pin counts, pitches, and heights. We have gradually developed Docking, USB 3.0, USB 3.1 Type C, HDMI, RF, M.2 (NGFF), SATA, Battery, DC Jack, and other styles of connectors. We are also actively developing diversified products, including connectors, cables, and various electronic components for smartphones, wearable devices, consumer electronics, network communications, high-frequency, high-speed, high-current, automotive electronics, electric vehicle charging devices, uninterruptible power systems, and other applications. Our products are characterized by their diversity and completeness of specifications, enabling customers to purchase all the connectors they need at one time to solve design problems with the most suitable and cost-effective options. Through close supply chain relationships, we will continue to strengthen our business cooperation with partners through collaborative research and development, which will be beneficial to our future product development and business expansion, as well as the development of new markets or industries.

(E) Beneficial and adverse factors of development prospects and corresponding strategies

a. Beneficial factors

- (a) The application scope is expanding and diversifying towards the electronics, industrial, automotive, and network industries. With diversified applications, the revenue fluctuation of the group during peak and off-season periods can be effectively reduced in the long term.
- (b) The R&D strength is strong, with advanced product development and mass production capabilities.
- (c) The customer base is solid, and the cooperative relationships are good.
- (d) The global logistics management capability covers production locations in Taiwan, mainland China, the Philippines, and Vietnam.
- (e) Continuously extending the industry development, committed to industry vertical integration or horizontal market expansion.

b. Adverse factors

- (a) Intense competition within the industry affecting profits: Facing the aggressive price-cutting and snatching of orders by competitors from mainland China, profits have been decreasing. Moreover, the large-scale of information and communication system manufacturers has indirectly reduced the number of customers, making it increasingly difficult to negotiate with them.

Corresponding strategies: the company is committed to reducing production costs while actively improving R&D design, continuously expanding niche and high-end product markets, seizing high-margin products of foreign manufacturers, and avoiding price-cutting competition from domestic competitors.

- (b) The labor costs in mainland China continue to rise.

Corresponding strategies: the company will respond to this by actively developing automated assembly processes and expanding towards regions with lower labor costs, such as the Philippines, Vietnam, and other countries.

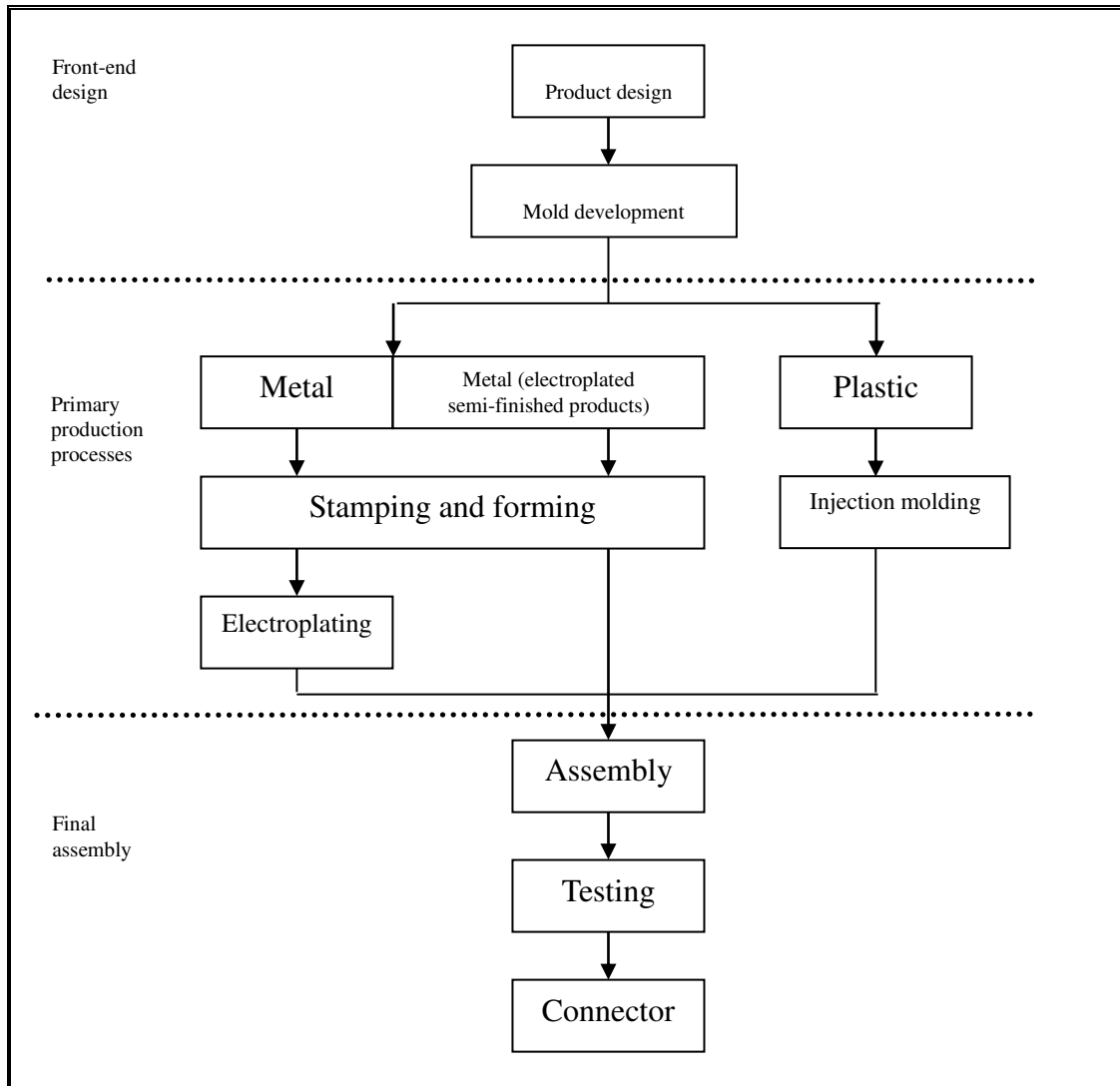
B. The important uses and production processes of the main products

(A) The important uses of the main products

The company's main products are connectors, connector accessories, ultra-fine coaxial cable assemblies, electronic wire harness assemblies, and various types of components. They are used in applications such as laptops, tablets, smartphones, consumer electronics, panels, automotive equipment, network communications, industrial equipment, and medical devices.

(B) The production processes of the main products

a. Connectors



b. Cable assembly

The production processes of cable assembly			
Stage 1	Stage 2	Stage 3	Stage 4
1. Cutting	1. Plastic body assembly	1. Electrical testing	1. Inspection
2. Wire stripping	2. Iron core insertion	2. Continuity testing	2. Packaging
3. Terminal crimping	3. Tinning, soldering	3. Visual inspection	3. Shipping
	4. Gluing	4. Other inspection	

C. The supply status of the main raw materials

Product	Name of main raw materials	Supply sources	Supply status
Connector	Plastic resin	P-T、P-AX、P-I、P-AY	Stable
	Copper material	P-V、P-AZ	Stable
Cable	Terminal, Connector	P-AC、P-AD、P-BA	Stable
	Wire material	P-AU、P-AT、P-AO	Stable

Note: The Company is contractually obligated to not disclose customer names and they are not related parties. Therefore, customer names will be disclosed using code names.

D. In either of the past two fiscal years, provide the names of customers who accounted for more than 10% of the total sales (or purchases), along with the amount and proportion of their sales (or purchases). Please also explain the reasons for any changes in these figures.

(A) The names of suppliers who accounted for more than 10% of the total purchases in either of the past two fiscal years, along with the proportion and amount of their purchases, and the reasons for any changes in these figures, are as follows:

Unit: NT\$ thousands: %

Year	2021				2122				Q1, 2023			
Item	Name	Amount	Percentage of net purchases for the entire fiscal year	Relationship with the issuer	Name	Amount	Percentage of net purchases for the entire fiscal year	Relationship with the issuer	Name	Amount	Percentage of net purchases for Q1, 2023	Relationship with the issuer
1	-	Note 3	Note 3	-	-	Note 3	Note 3	-	-	Note 3	Note 3	-
2	Other	5,158,665	100%	-	Other	4,694,360	100%	-	Other	773,022	100%	-
Total	Net purchases	5,158,665	100%	-	Net purchases	4,694,360	100%	-	Net purchases	773,022	100%	-

Note 1: The names of the above suppliers are disclosed using code names as the Company is contractually obligated to not disclose their actual names and they are not related parties.

Note 2: The information is sourced from audited or reviewed consolidated financial statements.

Note 3: This supplier is not separately disclosed as their purchase amount did not exceed 10% of net purchases.

Suppliers whose purchases did not exceed 10% of net purchases for the past two fiscal years and the first quarter of 2023 are not separately disclosed by the Company.

(B) The names of customers who accounted for more than 10% of total sales in either of the past two fiscal years, along with the proportion and amount of their sales, and the reasons for any changes in these figures, are as follows:

Unit: NT\$ thousands: %

Year	2021				2022				Q1, 2023			
Item	Name	Amount	Percentage of net sales for the entire fiscal year	Relationship with the issuer	Name	Amount	Percentage of net sales for the entire fiscal year	Relationship with the issuer	Name	Amount	Percentage of net sales for Q1, 2023	Relationship with the issuer
1	-	Note 3	Note 3	-	-	Note 3	Note 3	-	-	Note 3	Note 3	-
2	Other	10,575,862	100%	-	Other	10,392,504	100%	-	Other	2,040,206	100%	-
Total	Net revenue	10,575,862	100%	-	Net revenue	10,392,504	100%	-	Net revenue	2,040,206	100%	-

Note 1: The names of the above suppliers are disclosed using code names as the Company is contractually obligated to not disclose their actual names and they are not related parties.

Note 2: The information is sourced from audited or reviewed consolidated financial statements.

Note 3: This supplier is not separately disclosed as their sales amount did not exceed 10% of net purchases.

Customers whose sales did not exceed 10% of net revenue for the past two fiscal years and the first quarter of 2023 are not separately disclosed by the Company.

E. The production value for the past two fiscal years

Unit: Thousands, NT\$ thousands

Production value Main products	Year	2021			2022		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Connectors		42,306,989	39,265,454	5,769,697	42,307,000	28,164,639	5,313,854
Cable assemblies		100,222	108,943	2,258,846	107,841	100,927	2,052,555
Access and RF products		143,304	199,291	621,655	143,304	164,573	596,812
Metal stamping parts		240,085	265,493	1,566,541	381,279	355,236	2,250,796
Total		42,790,600	39,839,180	10,216,740	42,939,424	28,785,376	10,214,016

F. The sales volume for the past two fiscal years

Unit: Thousands, NT\$ thousands

Sales volume Main products (or department)	Year	2021				2022			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Connectors		281,771	836,476	6,611,897	4,427,867	250,973	900,558	4,687,506	3,812,127
Cable assemblies		12,663	531,925	85,303	1,704,675	6,597	403,164	85,937	1,679,623
Access and RF products		21,326	228,770	151,566	567,510	10,305	141,229	157,101	661,931
Metal stamping parts		106,725	797,827	141,016	1,155,749	47,396	495,932	32,973	1,953,023
Other operating revenue		-	-	-	325,063	-	-	-	344,917
Total		422,485	2,394,998	6,308,386	8,180,864	315,271	1,940,883	4,963,517	8,451,621

Note 1: Other operating income mainly includes the sales of scrap materials generated in the production processes of connectors, cable assemblies, and metal stamping parts.

The Company has been facing the challenges of rapid changes in market demand and intense industry competition. In addition, the trend of high-frequency, high-speed, and high-capacity development in the connector industry has led to the joint design and development of connectors and connecting wires to meet the changing specifications of end products and to gain more growth opportunities and momentum in the future. In October 2015, the Company completed the public acquisition of MEC IMEX INC. to integrate the upstream and downstream of the connector and connecting wire industry. In July 2017, the Company acquired the equity of COMPUPACK TECHNOLOGY CO., LTD. to enhance its industry competitiveness and expand its overseas sales market. In July 2019, the Company acquired the equity of KUANG YING COMPUTER EQUIPMENT CO., LTD. to provide more diversified product types, especially for the network communication equipment, automotive, and industrial industries, and to increase the sales amount of its products. In April 2021, the Company acquired the equity of Genesis Company, which enabled it to establish direct cooperation relationships with customers in the United States and to obtain a leading advantage in product specifications and technology services in the early stage of product development, thereby attracting more international customers and strengthening its business cooperation relationship with international companies.

(3) Information of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report

Unit: People; Year; %

Year		2021	2022	As of May 12, 2023
Number of Employees (people) (Note)	Direct employees	196	202	215
	Indirect employees	419	498	491
	Total	615	700	706
Average age (years)		41.1	39.29	39.31
The average length of service (years)		6.18	5.38	5.47
Education level distribution ratio (%)	Ph.D.	0.65	0.57%	0.57%
	Master's degree	10.89	10.43%	10.34%
	College	66.02	65.86%	65.44%
	Senior high school	17.89	20.00%	20.40%
	Below senior high school	4.55	3.14%	3.26%

Note: This refers to the number of employees who are currently employed.

(4) Environmental expenditure information

For the recent fiscal year and up to the date of printing the annual report, any losses incurred due to environmental pollution (including compensation and penalties resulting from violations of environmental protection regulations) shall be disclosed. The date of the penalty, the penalty reference number, the violated regulations and content, and the details of the penalty should be listed. The estimated amount of such losses that may occur in the future should also be disclosed, along with the corresponding measures. If it is impossible to make a reasonable estimate, the reasons for the inability to do so should be explained:

A. The Company has not suffered any losses due to environmental pollution incidents or been subject to penalties by environmental protection agencies.

B. Estimated amounts and response measures that may occur currently and in the future:

(A) The Company's main factory and production equipment are located in Zhongli District, Taoyuan City. Environmental protection is a top priority for the Company, which provides employees and nearby residents with a good working and living environment. The Company strictly requires compliance with emission standards and adopts the following environmental measures for pollution and waste generated during the production process:

a. The Company has a dedicated environmental protection unit and personnel.

Item	Name	License types	License No.
Environmental Specialist	Chen Mei-Chen	Class B Labor Safety and Health Manager	103-030844

b. There is no risk of pollution during the Company's production process. There have been no instances of air pollutant test values exceeding regulatory emission standards. Regarding noise pollution generated by machinery, the Company has strengthened appropriate soundproof measures and conducts environmental inspections every six months. The degree of noise pollution complies with the noise control standards for industrial areas set by the Environmental Protection Agency. General business waste is entrusted to legal environmental companies for disposal and reported online for waste flow according to the law, to legally clean up waste and recycle resource waste. Therefore, as of the date of the annual report, there have been no instances of environmental pollution.

(B) The Company has always adhered to environmental protection policies, strictly abiding by environmental protection laws and regulations, as well as customer requirements. The Company effectively controls the flow of raw materials, production, and shipping processes, and continuously improves product quality through ongoing improvement activities. The Company ensures that the products provided do not contain restricted substances and promotes upstream suppliers to move towards a green supply chain to comply with RoHS regulations.

(C) The current pollution status and improvement status, their impact on the Company's earnings, competitive position, and capital expenditures, as well as significant

environmental capital expenditures expected in the next two years, are as follows:

a. Significant environmental capital expenditures are expected in the next two years

	2023	2024
Planned pollution prevention and control equipment to be purchased	None	None
Expected improvement	None	None
Amount of expenditure	None	None

b. The impact after improvement: There will be no impact on the Company's earnings and competitive position in the past two years.

(5) Labor relations

A. The following is a list of employee welfare measures, continuing education and training, retirement systems, and their implementation, as well as agreements between labor and management and the implementation of measures to protect employee rights.

The Company is committed to establishing a harmonious atmosphere of trust between labor and management in its business management. The Company adopts an actively open management model to create a challenging and comfortable working environment. Through the convening of labor-management coordination meetings, the Company values employee rights and expresses concern for its employees. The Company has set up an employee complaint mailbox, which is handled by dedicated personnel to handle employee feedback. The Company regularly holds employee meetings to allow employees to express their opinions, and the Company responds and communicates with employees. In addition, the Company holds health lectures, employee purchase activities, and monthly birthday celebrations to help employees relax and increase their sense of belonging. The Employee Welfare Committee organizes various beneficial physical and mental activities for employees and participates in donations to vulnerable groups. The Company places great importance on employee workplace safety and health issues and regularly holds social responsibility meetings and environmental safety review meetings, with continuous improvement as the goal. Outstanding employees are recognized and rewarded annually through the selection process. The Company also promotes various forms of public welfare activities under the name of outstanding employees. This motivational approach to employees enables them to have a sense of satisfaction and happiness, making them work smarter and live healthier lives.

(A) Employee welfare measures

In addition to complying with the Labor Standards Act and related laws, the Company provides group insurance, employee health checks, and other measures. The Company also established an Employee Welfare Committee to coordinate employee welfare. In addition to subsidies for marriage, funerals, hospitalization, and childbirth, the Company also provides employees with subsidies for further education and club activities. The Company also regularly organizes employee travel, birthday parties, family day activities, and other welfare activities.

(B) Employee continuing education and training situation

The Company provides an open and diverse learning environment for employees. Colleagues can continue to learn and grow through departmental in-house training, external training, internal open courses, or mentorship programs. Employees can also use the "Hongzhi Academy" digital platform for self-learning, breaking through previous time and space limitations and continuously improving their knowledge and skills.

Through the new employee and professional job function training system, the Company helps new employees quickly learn and integrate into the new work environment. Through departmental in-house training, internal open courses, job rotation, project assignments, and overseas assignments, employees can continue to grow in their professional fields and personal development. To strengthen the

management capabilities of supervisors, the Company arranges irregular training on management-related topics such as leadership, strategy, and execution to enhance the management and leadership abilities of managers.

Given the internationalization of the organization's development and to facilitate smoother communication and interaction within the group and with the outside world, in 2021, the Company launched a special project to subsidize the improvement of employees' English language abilities. The Company provides partial training fees to encourage employees to continue learning foreign languages and improve their professional skills during their free time.

The Company conducts the following related training courses in accordance with the annual education and training plan:

a. New employee pre-employment training: It includes company culture and regulations, intellectual property overview, basic operating system operations, quality management awareness, non-hazardous substance policy promotion, personal job responsibilities and explanations, and professional job function training. The Company has established a "new employee mentorship system" where new employees follow a plan to receive complete pre-employment education and training, along with guidance from a dedicated mentor to assist new employees in quickly becoming familiar with and integrating into their work positions.

b. Professional job function training:

(a) Internal training: Department managers or senior employees serve as trainers and arrange training courses according to the technical and professional training needs of each functional unit. The goal is to enhance employees' value and sense of responsibility, correct work attitudes and concepts, strengthen professional skills to improve productivity and efficiency, and expand career development opportunities.

(b) External training: The Company allocates an education and training budget every year to send employees to professional training institutions for training to acquire external professional knowledge and skills. The Company also encourages employees to continue their education while on the job.

c. Quality consciousness:

Through the "Knowledge Management Zone," the Company regularly updates internal and external audit recommendations and improvement plans, and shares and analyzes common customer complaint cases. Using this quality information exchange channel helps to continuously optimize internal business processes and quality management capabilities.

d. ACES Academy:

We have established the "ACES Academy" digital learning platform to provide diverse and rich learning content, including training categories such as management functions, business sales, research and development, production management, general education, and language, in a more flexible manner and learning style to meet the needs of more employees.

e. The statistics of employee education and training in our company for the year 2022 are as follows:

Item	Classes	People	Training hours
New Employee Training	12	105	787.5
Professional Skills Training	205	1765	4892.4
Total	217	1,870	5,679.9

(C) Retirement system and its implementation status

The Company has established an employee retirement policy in accordance with the

Labor Standards Act, which includes setting aside retirement reserves each month based on the total salary amount and depositing them into a designated account with Taiwan Bank. The Labor Pension Act has been in effect since July 1, 2005, and after adopting a defined contribution plan, employees of the Company may choose to apply the retirement provisions of the Labor Standards Act or the retirement system under the Labor Pension Act, while retaining the work seniority before the implementation of the Act. For employees who apply the Labor Pension Act, the Company's contribution rate for employee retirement shall not be less than 6% of the employee's monthly salary.

(D) Employee behavior or code of ethics.

The Company has established work rules as a basis for employees' daily work and behavior. The work rules include the following code of ethics that employees should abide by:

- a. Professional ethics: Both employers and employees of the Company should strive to establish corporate ethics and professional ethics, consider each other, and maintain a good labor-management relationship.
- b. Employees should cherish the honor of the Company, demonstrate team spirit, and be loyal and diligent in carrying out their tasks.
- c. Employees should be diligent in their duties and comply with all rules and regulations of the Company.
- d. Employees should obey the instructions and supervision of all levels of management and not engage in any deceptive or shirking behavior. Managers at all levels should guide and instruct employees kindly and require attention to work safety.
- e. Employees should work diligently, cherish public property, reduce losses, improve work quality, and increase work efficiency.
- f. Absolutely confidential about the Company's business or job duties.
- g. Employees of the Company should handle their duties and public affairs in order and not report them to higher levels without authorization, except in emergencies or special situations.
- h. When a significant fault occurs in any unit responsible for the Company, the immediate supervisor should receive joint disciplinary action according to the circumstances, and significant achievements should receive joint rewards.
- i. No arrogant, lazy, or corrupt behavior, accepting invitations, gifts, kickbacks, or other unlawful benefits, or other behavior that could damage personal or Company reputation.
- j. Employees should not use the Company's name for any purposes outside of their responsibilities.
- k. Employees are not allowed, without the Company's written consent, to engage in the same or similar business as the Company for themselves or a third party, or to be an unlimited liability shareholder, business executor, director, or manager of a similar business company or an explicit or hidden partner of a business.
- l. Employees are not allowed to take public property out of the factory without approval.
- m. Labor-management meetings: The Company holds labor-management meetings in accordance with the "Implementation Measures for Labor-Management Meetings" to coordinate labor-management relations, promote mutual understanding, enhance labor-management cooperation, and improve work efficiency. Regular meetings are held to exchange opinions, and both employers and employees should adhere to the principles of harmony and integrity to negotiate and resolve problems.
- n. Social responsibility meetings: The Company attaches great importance to labor rights, strives to provide a quality working environment and respect for labor rights, and holds regular social responsibility meetings every quarter to announce corporate labor and environmental health and safety policies and measures, which

serve as a channel for communication between employers and employees.

- o. Employee complaint handling system: The Company has set up an employee suggestion box and an "employee complaint handling system" to provide employees with a channel to express complaints and suggestions, and to strengthen the labor-management relationship.
 - (a) If an employee makes an oral complaint, the receiving staff in each department should record it and immediately report it for processing.
 - (b) If an employee's rights are infringed upon, or if they have other opinions, they may submit a complaint form or other written documents directly to the Company in accordance with the Company's complaint handling procedures, and the supervisor of each unit should immediately investigate and handle the matter or report it for processing, and reply to the complainant with the results or handling the situation in writing.

(E) Working environment and employee personal safety protection measures

Given the importance of the work environment and employee personal safety protection measures, the Company has been certified with the ISO 14001 Environmental Management System and ISO 45001 Occupational Health and Safety Management System. The ISO 14001 and ISO 45001 management systems are used to address significant environmental considerations and occupational safety and health risks, using target and program management to prioritize improvements. Lower-risk factors are controlled through operation management methods, and through good operation and improvement, significant effects and control have been achieved.

The following are the measures that the Company has taken to promote environmental and occupational safety and health:

- a. Promotion of the Restriction of Hazardous Substances (ROHS) and REACH regulations.

The ROHS officially took effect on July 1, 2006, and products sold to the EU cannot contain six hazardous substances, including lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyls (PBB), and polybrominated diphenyl ethers (PBDE). The Company actively promotes green production and procurement, implements it in the production process, and has already complied with the requirements of major customers for products that are free of hazardous substances, receiving recognition from them.

- b. Resource recycling and waste reduction plan

The Company actively utilizes resources effectively to reduce waste and lower production costs. It improves process and operational management to reduce the generation of scrap materials. On the other hand, it develops and selects pollution-free and low-pollution processes to reduce waste. The metal waste generated during production is quantified and recycled through an effective management system. The recovered waste metal is sold to waste recyclers, thereby reducing resource waste.

- c. Occupational hazard prevention plan

To achieve the goal of zero harm, the Company schedules an occupational hazard prevention program every year to promote knowledge of occupational hazard prevention among colleagues. Through an audit system, execution deficiencies are identified. Additionally, meetings are held annually to review and improve the environmental and safety deficiencies according to the plan. Through the PDCA approach, the Company reduces the risk of harm in business units year by year, ultimately achieving the goal of zero accidents.

- d. Implementation of automated inspection

Employees may face physical injuries when dealing with different working environments, processes, operations, and tasks due to unsafe operations, equipment, or management factors. Therefore, the Company actively establishes standard

procedures for production operations and reduces the probability of work-related injuries. Through the implementation of these measures, potential hazards can be identified, and improvements can be made to effectively control the risks.

- (F) Agreements between labor and management and the situation of various measures to safeguard employee rights and interests

The labor-management relationship in the Company is harmonious. In addition to regularly holding labor-management meetings and social responsibility meetings, the Company also communicates with employees through employee meetings and other means to maintain a good relationship between labor and management.

The Company is committed to promoting workplace gender equality and raising awareness among employees about the concept and purpose of maternal protection in the workplace. The Company has established facilities and equipment for maternal protection, such as lactation rooms, throughout the factory. The Company also arranges for occupational health specialists to provide on-site health services and organize workplace health promotion and hazard prevention activities regularly.

- B. Recent annual and year-to-date losses due to labor disputes (including violations of labor standards as determined by labor inspections, which should indicate the date of the penalty, penalty number, violated legal provisions, violation content, and penalty content), as well as estimated amounts and measures to address current and potential future losses, up to the date of publication of the annual report:

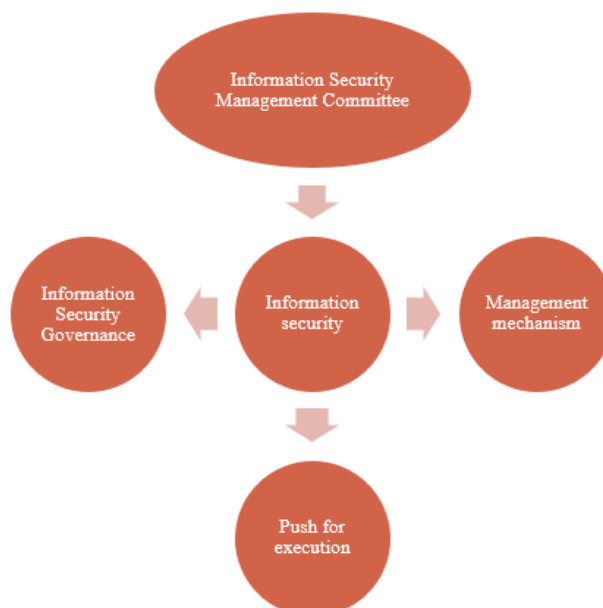
The Company and the labor union agree to follow the labor regulations promulgated by the government, and relevant management procedures have been established since the employees' date of hire. As of the date of publication of the annual report, the Company has not experienced any significant labor disputes or losses.

(6) Cyber security management:

- A. Information and communication security management strategy and framework

(A) ACES Information Security Management Committee.

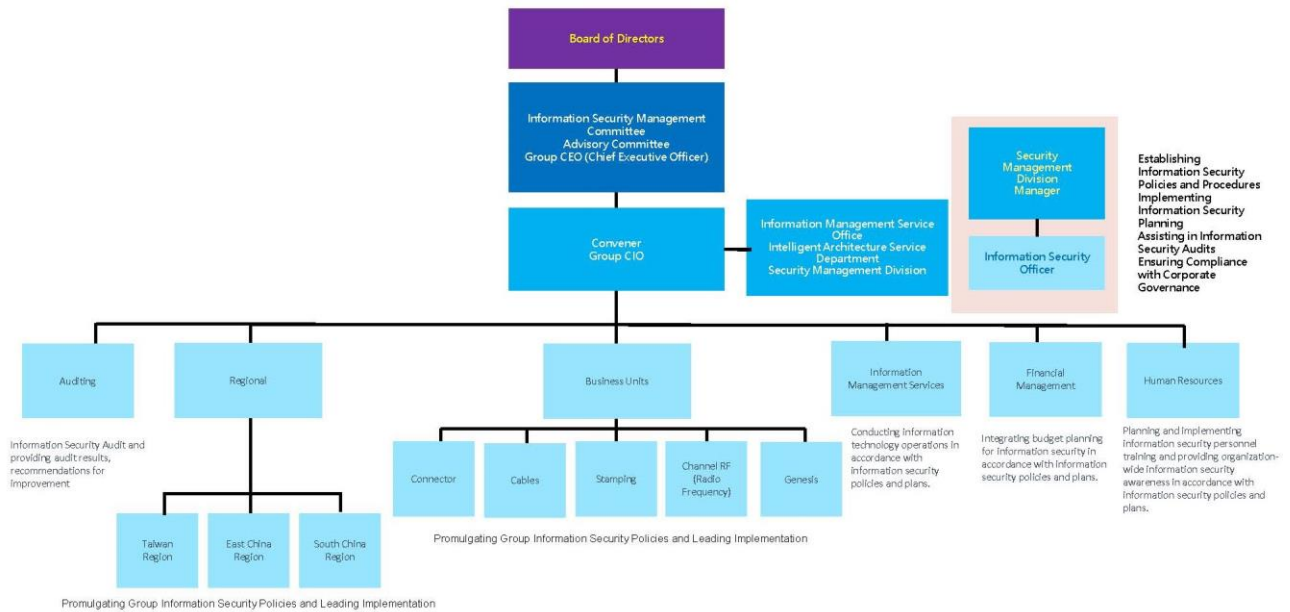
In response to the strengthening of the Company's information security management, the "ACES Information Security Management Committee" was established in October 2020. The committee is chaired by the head of the information department and is responsible for reviewing the information security governance policies of each subsidiary, supervising the operation of information security governance, and regularly reporting the overall situation of information security governance to the board of directors.



(B) The Organizational Structure of the ACES Information Security Management Committee

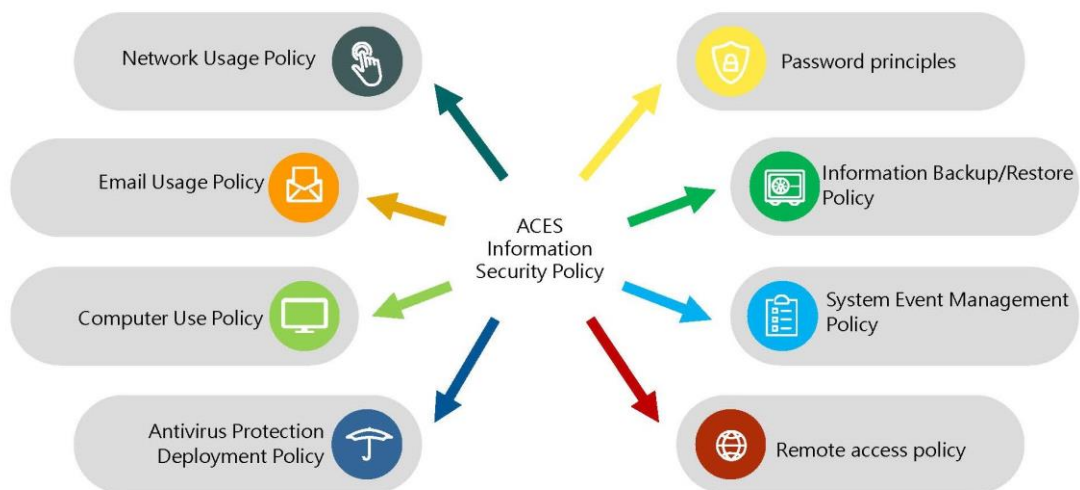
The Company has established a new information security management section and allocated resources to hire a dedicated information security manager and staff. The Information Security Service Management Meeting is held at least once every quarter, and the Group Information Security Management Committee meeting is held at least twice a year. The Company also reports on the status of information security governance to the board of directors at least once a year.

Roles and Responsibilities of the Information Security Committee



(C) Information and communication security policy

a. All global employees and contract workers of ACES Group must adhere to the following ACES Information and Communication Security Policy:



b. Specific management plan:

- (a) **Network Usage Policy:** Implement next-generation firewalls, control internet usage behavior, activate advanced network protection mechanisms, and control cross-site transmission to prevent virus spread.
- (b) **Email Usage Policy:** Strictly control spam emails, introduce APT protection mechanisms,

enhance awareness and conduct social security drills, and update email systems to improve self-protection.

- (c) Computer Usage Policy: Control end-user computer permissions, disable non-compliant software, replace outdated and insecure operating systems, implement vulnerability patches, and control removable storage media.
- (d) Anti-virus Protection Deployment Policy: Introduce server anti-virus systems, deploy anti-virus software, and update virus codes and anti-virus versions in real time.
- (e) Password Principles: Implement password complexity principles, force regular password changes, and activate abnormal usage lockout mechanisms.
- (f) Information Backup/Restore Policy: In addition to the basic system backup mechanism, introduce high-reliability backup systems to prevent data tampering, and plan off-site backup solutions; conduct regular disaster recovery drills for critical services.
- (g) System Event Management Policy: Establish automatic alarm mechanisms to reduce disaster diffusion and shorten service interruption time.
- (h) Remote Access Policy: Control internal remote access permissions, control internal and external information transmission, and disable P2P remote control software.

c. Review and Continuous Improvement:

- (a) Strengthen employees' awareness of social engineering attacks, regularly conduct information security drills, and hold information security courses.
- (b) Evaluate the adoption of zero-trust network mechanisms to prevent unauthorized devices from connecting to the company network.
- (c) Strengthen privilege account management and abnormal behavior detection mechanisms.
- (d) Enhance company data protection to prevent the leakage of important information.
- (e) Evaluate the adoption of more advanced backup mechanisms to prevent backup data from being destroyed.
- (f) Continuously strengthen anti-virus and anti-hacking capabilities.
- (g) Continuously virtualize physical hosts to shorten disaster recovery time and comply with sustainable management.

d. Execute according to the information security control procedure (TN-QP-7101):

To maintain the continuous operation of the information system, prevent hacking, viruses, and other intrusions and damage, avoid human errors and accidents, prevent unauthorized and illegal use, and maintain physical environment safety.

(D) Information security objectives



B. Information security risks and corresponding measures

The Company has established comprehensive network and computer-related cybersecurity measures and introduced a highly reliable backup system. However, it cannot guarantee complete avoidance of cyber-attacks, malicious software, and other forms of harassment because these attacks continuously update and find illegal ways to infiltrate the Company's internal network system, with the main objective of disrupting the Company's operations and damaging its reputation. In the event of a serious cyber-attack, the Company's system may lose important data, and the production line may also come to a halt. Nevertheless, the Company continues to evaluate existing information security regulations and review procedures to ensure their adequacy and effectiveness, to reduce the impact of constantly evolving information security threats, new risks, and attacks.

C. Significant information and communication security incidents

On March 6, 2023, part of the Company's information systems was subjected to a hacker network attack. At the time of the incident, the Information Department had activated relevant defense mechanisms and recovery operations comprehensively, while collaborating with external cybersecurity company technical experts. This cybersecurity incident had no significant impact on the Company's operations. The Information Department will strengthen the inspection and reinforce the existing infrastructure. The Company had already implemented off-site backup mechanisms for major systems, and will now more actively and comprehensively enhance network security levels to protect data security and integrity. Additionally, the Company will evaluate advanced server defense mechanisms, plan zero-trust network security mechanisms, strengthen OT network security, and actively promote information security awareness to establish information security defenses.

(7) Important contracts

As of May 12th, 2023

Contract nature	Parties involved	Contract start and end date	Main content	Limitation clauses
Technology transfer agreement	KUNSHAN ACES ELECTRONIC CO., LTD.	2023.01.01~2025.12.31	ACES KS has obtained the rights to manufacture and sell products based on ACES's technology and will pay ACES a technology fee based on a certain percentage of the net sales of the "Contract Products" for three years, as stipulated in the contract.	None
Technical service agreement	DONGGUAN ACES ELECTRONIC CO., LTD.	2023.01.01~2025.12.31	ACES DG will pay ACES a technology license fee based on a certain percentage of the net sales of the "Contract Products" for three years, as stipulated in the contract.	None
Joint credit agreement	E.SUN Commercial Bank, Ltd.	2018.05.14~2023.08.03	Credit agreement.	The financial ratios must meet the standards outlined in the contract.
Major engineering procurement contract	ACES ELECTRONICS CO., LTD.	2022.03.18~2024.02.28	ACES will pay Li-Yuan Construction a fee based on a certain percentage, as stipulated in the "Engineering Contract", according to the contract.	None

6. An overview of the company's financial status

(1) Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years

A. Consolidated condensed balance sheet - Adopting International Financial Reporting Standards (IFRS)

Unit: NTD thousand

Item	Year	Financial data for the latest five years					Financial data as of March 31, 2023, for the fiscal year ending on that date (Note 1)
		2018	2019	2020	2021	2022	
Current assets		5,492,584	5,486,737	5,724,348	7,594,984	6,997,696	6,911,365
Property, plant, and equipment (Note 2)		2,094,198	2,374,577	2,290,600	2,642,133	3,428,329	3,482,752
Intangible assets		33,448	24,904	26,466	156,098	154,296	150,390
Other assets (Note 2)		920,578	1,439,326	2,253,723	2,479,387	2,260,055	2,341,392
Total assets		8,540,808	9,325,544	10,295,137	12,872,602	12,840,376	12,885,899
Current liabilities	Before distribution	2,952,310	3,398,195	3,722,609	4,543,887	5,392,056	5,647,914
	After distribution	3,037,987	3,489,992	3,808,286	4,745,481	5,465,986	Undistributed
Non-current liabilities		1,321,922	1,594,197	2,008,378	2,796,512	1,792,965	1,812,537
Total liabilities	Before distribution	4,274,232	4,992,392	5,730,987	7,340,399	7,185,021	7,460,451
	After distribution	4,359,909	5,084,189	5,816,664	7,541,993	7,258,951	Undistributed
Equity attributable to shareholders of the parent		4,168,301	4,240,261	4,493,559	5,512,210	5,637,120	5,408,071
Common stock		1,223,959	1,223,959	1,223,959	1,343,959	1,344,177	1,344,177
Capital surplus		500,768	477,209	476,166	1,002,379	988,615	988,615
Retained earnings	Before distribution	2,516,927	2,726,073	2,912,004	3,328,840	3,363,445	3,127,143
	After distribution	2,431,250	2,634,276	2,826,327	3,127,246	3,289,515	Undistributed
Other equity		(73,353)	(186,980)	(118,570)	(162,968)	(59,117)	(51,864)
Treasury stock		—	—	—	—	—	—
Non-controlling interests		98,275	92,891	70,591	19,993	18,234	17,377
Total equity	Before distribution	4,266,576	4,333,152	4,564,150	5,532,203	5,655,354	5,425,448
	After distribution	4,180,899	4,241,355	4,478,473	5,330,609	5,581,424	Undistributed

Source of information: Consolidated financial statements were audited or reviewed by CPAs.

Note 1: Consolidated financial statements were reviewed by CPAs.

Note 2: Assets revaluation was not conducted during the year.

B. Parent company only condensed balance sheet - Adopting International Financial Reporting Standards (IFRS).

Unit: NTD thousand

Item	Year	Financial data for the latest five years					Financial data as of March 31, 2023 for the fiscal year ending on that date (Note 1).
		2018	2019	2020	2021	2022	
Current assets		1,855,091	1,922,113	1,883,902	2,865,762	2,218,884	—
Property, plant, and equipment (Note 2)		592,096	681,698	773,741	885,306	1,351,408	—
Intangible assets		7,674	6,978	10,627	31,376	35,085	—
Other assets (Note 2)		4,357,376	4,462,391	5,269,718	6,104,195	6,683,037	—
Total assets		6,812,237	7,073,180	7,937,988	9,886,639	10,288,414	—
Current liabilities	Before distribution	1,591,927	1,698,767	1,802,798	2,006,866	3,169,258	—
	After distribution	1,677,604	1,790,564	1,888,475	2,208,460	3,243,188	—
Non-current liabilities		1,052,009	1,134,152	1,641,631	2,367,563	1,482,036	—
Total liabilities	Before distribution	2,643,936	2,832,919	3,444,429	4,374,429	4,651,294	—
	After distribution	2,729,613	2,924,716	3,530,106	4,576,023	4,725,224	—
Equity attributable to shareholders of the parent		4,168,301	4,240,261	4,493,559	5,512,210	5,637,120	—
Common stock		1,223,959	1,223,959	1,223,959	1,343,959	1,344,177	—
Capital surplus		500,768	477,209	476,166	1,002,379	988,615	—
Retained earnings	Before distribution	2,516,927	2,726,073	2,912,004	3,328,840	3,363,445	—
	After distribution	2,431,250	2,634,276	2,826,327	3,127,246	3,289,515	—
Other equity		(73,353)	(186,980)	(118,570)	(162,968)	(59,117)	—
Treasury stock		—	—	—	—	—	—
Non-controlling interests		—	—	—	—	—	—
Total equity	Before distribution	4,168,301	4,240,261	4,493,559	5,512,210	5,637,120	—
	After distribution	4,082,624	4,148,464	4,407,882	5,310,616	5,563,190	—

Source of information: Parent company only financial statements were audited by CPAs.

Note 1: The Company did not prepare the parent company only financial statements for the first quarter of 2023 and therefore no disclosure is necessary.

Note 2: Assets revaluation was not conducted during the year.

C. Consolidated condensed statement of comprehensive income - Adopting International Financial Reporting Standards (IFRS).

Unit: NTD thousand

Item \ Year	Financial data for the latest five years					Financial data as of March 31, 2023 for the fiscal year ending on that date (Note 1).
	2018	2019	2020	2021	2022	
Operating revenue	6,710,893	7,311,836	8,062,865	10,575,862	10,392,504	2,040,206
Gross profit	1,372,894	1,672,405	1,835,966	2,429,221	2,232,885	375,461
Profit from operations	135,332	268,488	348,538	514,003	56,747	(130,101)
Profit before income tax	252,403	356,033	323,421	588,913	315,063	(155,161)
Net profit from continuing operations	222,354	302,717	259,946	508,171	223,333	(163,274)
Net Loss from discontinued operations	—	—	—	—	—	—
Profit for the year/period	222,354	302,717	259,946	508,171	223,333	(163,274)
Total other comprehensive income(net of tax) for the year/period	(36,906)	(118,631)	71,321	(43,992)	114,958	7,298
Total comprehensive income for the year/period	185,448	184,086	331,267	464,179	338,291	(155,976)
Net profit attributable to shareholders of the parent	234,843	311,498	276,373	510,855	225,319	(162,372)
Net profit attributable to non-controlling interests	(12,489)	(8,781)	(16,427)	(2,684)	(1,986)	(902)
Total comprehensive income attributable to shareholders of the parent	196,269	181,196	346,138	466,953	340,050	(155,119)
Total comprehensive income attributable to non-controlling interests	(10,821)	2,890	(14,871)	(2,774)	(1,759)	(857)
EPS	1.92	2.55	2.26	4.16	1.68	(1.21)

Source of information: Consolidated financial statements were audited or reviewed by CPAs.

Note 1: Consolidated financial statements were reviewed by CPAs.

D.Parent company only condensed statement of comprehensive income - Adopting
International Financial Reporting Standards (IFRS)

Unit: NTD thousand

Item \ Year	Financial data for the latest five years					Financial data as of March 31, 2023 for the fiscal year ending on that date (Note 1).
	2018	2019	2020	2021	2022	
Operating revenue	2,691,174	3,055,419	3,334,805	3,942,195	3,446,892	—
Gross profit	567,742	706,538	826,745	995,063	762,759	—
Profit from operations	119,029	192,681	228,750	304,222	37,459	—
Non - operating income and expenses	144,199	161,863	86,795	237,984	201,680	—
Profit before income tax	263,228	354,544	315,545	542,206	239,139	—
Net profit from continuing operations	234,843	311,498	276,373	510,855	225,319	—
Net Loss from discontinued operations	—	—	—	—	—	—
Profit for the year	234,843	311,498	276,373	510,855	225,319	—
Total other comprehensive income(net of tax) for the year	(38,574)	(130,302)	69,765	(43,902)	114,731	—
Total comprehensive income for the year	196,269	181,196	346,138	466,953	340,050	—
Net profit attributable to shareholders of the parent	—	—	—	—	—	—
Net profit attributable to non-controlling interests	—	—	—	—	—	—
Total comprehensive income attributable to shareholders of the parent	—	—	—	—	—	—
Total comprehensive income attributable to non-controlling interests	—	—	—	—	—	—
EPS	1.92	2.55	2.26	4.16	1.68	—

Source of information: Parent company only financial statements were audited by CPAs

Note 1: The Company did not prepare the parent company only financial statements for the first quarter of 2023 and therefore no disclosure is necessary.

E. The names of appointed certified accountants and their audit opinions in the last 5 years

(A) Consolidated financial statements:

Year	Name o accounting firm	Name of CPA	Audit opinion
2018	KPMG Taiwan	Yang Shu-Chih, Chen Pei-Chi	unqualified opinion
2019	KPMG Taiwan	Yang Shu-Chih, Chen Pei-Chi	unqualified opinion
2020	KPMG Taiwan	Lin Heng-Sheng, Chen Pei-Chi	unqualified opinion
2021	KPMG Taiwan	Lin Heng-Sheng, Chen Pei-Chi	unqualified opinion
2022	KPMG Taiwan	Lin Heng-Sheng, Chen Zheng-Xue	unqualified opinion

(B) Parent company only financial statements:

Year	Name o accounting firm	Name of CPA	Audit opinion
2018	KPMG Taiwan	Yang Shu-Chih, Chen Pei-Chi	unqualified opinion
2019	KPMG Taiwan	Yang Shu-Chih, Chen Pei-Chi	unqualified opinion
2020	KPMG Taiwan	Lin Heng-Sheng, Chen Pei-Chi	unqualified opinion
2021	KPMG Taiwan	Lin Heng-Sheng, Chen Pei-Chi	unqualified opinion
2022	KPMG Taiwan	Lin Heng-Sheng, Chen Zheng-Xue	unqualified opinion

(2) 、 Financial analyses for the past 5 fiscal years

A. Financial analysis

(A) Consolidated financial statements:

Item \ Year		Financial data for the latest five years (Note 1)					Financial information as of March 31, 2023
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt Ratio (%)	50.04	53.53	55.66	57.02	55.95	57.89
	Long-term Funds to Property, Plant, and Equipment Ratio (%)	262.16	245.70	283.85	314.47	216.72	207.32
Solvency %	Current Ratio (%)	186.04	161.46	153.77	167.14	129.77	122.37
	Quick Ratio (%)	149.18	126.12	120.16	128.19	100.20	96.51
	Times Interest Earned	869.68	1,022.24	1,028.46	1,385.49	470.36	(441.55)
Operating Performance	Average Collection Turnover (Times)	3.82	3.43	3.46	4.16	3.82	3.27
	Average Collection Days	95.54	106.41	105.51	87.79	95.54	111.62
	Average Inventory Turnover (Times)	5.86	5.41	5.58	5.77	5.23	4.93
	Average Payables Turnover(Times)	5.51	4.81	4.40	4.79	4.60	4.41
	Average Inventory Turnover Days	62.28	67.46	65.38	63.21	69.78	74.03
	Property, Plant, and Equipment Turnover (Times)	3.11	3.27	3.37	4.16	3.21	2.28
	Total Assets Turnover (Times)	0.80	0.81	0.82	0.91	0.77	0.63
Profitability	Return on Total Assets (%)	3.14	3.83	3.10	4.72	2.28	(1.08)
	Return on Equity (%)	5.73	7.40	6.32	10.21	4.04	(2.94)
	Pre-tax Income to Capital (%)	20.62	29.08	26.42	43.81	23.43	(11.54)
	Net Profit Margin (%)	3.49	4.26	3.42	4.83	2.16	(7.95)
	Earnings per share (NT)	1.92	2.55	2.26	4.16	1.68	(1.21)
Cash flow	Cash Flow Ratio (%)	10.28	20.14	21.25	22.89	20.68	(1.17)
	Cash Flow Adequacy Ratio (%)	81.09	66.38	70.10	74.09	74.83	73.57
	Cash Flow Reinvestment Ratio (%)	3.22	7.15	8.22	9.45	9.48	(0.70)
Leverage	Operating Leverage	4.06	2.69	2.34	2.15	13.22	(0.30)
	Financial Leverage	1.31	1.16	1.11	1.10	(2.00)	0.82

Analysis of significant changes in financial ratios over the last two years (20% change):

1. Long-term funds to property, plant, and equipment ratio: mainly due to the increase in the amount of property, plant, and equipment.
2. Current ratio and quick ratio: mainly due to the decrease in financial assets measured at fair value through profit or loss - current and the increase in long-term loans due within one year or one operating cycle.
3. Times interests earned: mainly due to the decrease in net profit for the period compared to the previous period, and the increase in financial costs compared to the previous period.
4. Property, plant, and equipment turnover (times): mainly due to the increase in the amount of property, plant, and equipment.
5. Return on assets: mainly due to the decrease in net profit for the period compared to the previous period, and the increase in financial costs compared to the previous period.
6. Return on equity: mainly due to the decrease in net profit for the period compared to the previous period.
7. Pre-tax income to capital: mainly due to the decrease in pre-tax net profit for the period compared to the previous period.
8. Net profit margin: mainly due to the decrease in net profit after tax compared to the previous period.
9. Earnings per share: mainly due to the decrease in net profit for the period compared to the previous period.
10. Operating leverage: mainly due to the decrease in net profit for the period compared to the previous period.
11. Financial leverage: mainly due to the decrease in net profit for the period compared to the previous period, and the increase in financial costs compared to the previous period.

Source of information: Consolidated financial statements were audited or reviewed by CPAs.

Note 1: Numbers after the second decimal place are rounded off by truncation.

(B) Parent company only financial statements

Item		Year	Financial data for the latest five years (Note 1)					Financial information as of March 31, 2023 (Note 2).
			2018	2019	2020	2021	2022	
Financial structure (%)	Debt Ratio (%)		38.81	40.05	43.39	44.24	45.20	—
	Long-term Funds to Property, Plant, and Equipment Ratio (%)		758.37	666.63	622.10	725.88	481.02	—
Solvency %	Current Ratio (%)		116.53	113.14	104.49	142.79	70.01	—
	Quick Ratio (%)		105.80	101.19	91.08	124.83	59.82	—
	Times Interest Earned		1585.06	2210.00	1835.48	2240.23	579.91	—
Operating Performance	Average Collection Turnover (Times)		3.17	3.11	3.19	3.82	3.46	—
	Average Collection Days		115.14	117.36	114.42	95.54	105.49	—
	Average Inventory Turnover (Times)		13.57	12.76	11.42	9.94	8.14	—
	Average Payables Turnover(Times)		3.21	2.88	2.81	3.05	2.67	—
	Average Inventory Turnover Days		26.89	28.60	31.96	36.72	44.84	—
	Property, Plant, and Equipment Turnover (Times)		4.52	4.79	4.58	4.75	3.07	—
	Total Assets Turnover (Times)		0.41	0.44	0.44	0.44	0.34	—
Profitability	Return on Total Assets (%)		3.82	4.68	3.88	5.95	2.62	—
	Return on Equity (%)		5.73	7.40	6.32	10.21	4.04	—
	Pre-tax Income to Capital (%)		21.50	28.96	25.78	40.34	17.79	—
	Net Profit Margin (%)		8.72	10.19	8.28	12.95	6.53	—
	Earnings per share (NT)		1.92	2.55	2.26	4.16	1.68	—
Cash flow	Cash Flow Ratio (%)		23.41	28.11	6.29	43.60	9.27	—
	Cash Flow Adequacy Ratio (%)		108.71	99.65	65.49	98.97	90.12	—
	Cash Flow Reinvestment Ratio (%)		5.48	6.37	0.32	8.89	1.11	—
Leverage	Operating Leverage		1.91	1.61	1.62	1.59	6.93	—
	Financial Leverage		1.17	1.09	1.08	1.09	(3.02)	—

Analysis of significant changes in financial ratios over the last two years (20% change):

1. Long-term funds to property, plant, and equipment ratio: mainly due to the increase in the amount of property, plant, and equipment.
2. Current ratio and quick ratio: mainly due to the decrease in financial assets measured at fair value through profit or loss - current and the increase in long-term loans due within one year or one operating cycle.
3. Times interests earned: mainly due to the decrease in net profit for the period compared to the previous period, and the increase in financial costs compared to the previous period.
4. Average days of inventory: mainly due to the increase in the average balance of inventory for the period compared to the previous period.
5. Property, plant, and equipment turnover (times): mainly due to the increase in the amount of property, plant, and equipment.
6. Total asset turnover (times): mainly due to the increase in total assets.
7. Return on assets: mainly due to the decrease in net profit after tax compared to the previous period.
8. Return on equity: mainly due to the decrease in net profit after tax compared to the previous period.
9. Pre-tax income to capital: mainly due to the decrease in pre-tax net profit for the period compared to the previous period.
10. Net profit margin: mainly due to the decrease in net profit after tax compared to the previous period.
11. Earnings per share: mainly due to the decrease in net profit after tax compared to the previous period.
12. Cash flow adequacy ratio: mainly due to the increase in short-term borrowings and the current portion of long-term borrowings, as well as the decrease in net profit leading to a corresponding decrease in cash flows from operating activities, resulting in a decrease in the cash ratio.
13. Cash reinvestment ratio: mainly due to the decrease in net profit leading to a corresponding decrease in cash flows from operating activities, as well as a higher cash dividend payout in the current year, resulting in a decrease in the cash reinvestment ratio.
14. Operating leverage: mainly due to the decrease in net profit compared to the previous period.
15. Financial leverage: mainly due to the decrease in net profit for the period compared to the previous period, and the increase in financial costs compared to the previous period.

Source of information: Parent company only financial statements were audited by CPAs.

Note 1: Numbers after the second decimal place are rounded off by truncation.

Note 2: The Company did not prepare the parent company only financial statements for the first quarter of 2023 and therefore no disclosure is necessary.

The formula is as follows:

(A) Financial structure

- a. Debt Ratio = Total Liabilities / Total Assets
- b. Long-term Fund to Property, Plant and Equipment Ratio = (Total Equity + Non-current Liabilities) / Net Property, Plant and Equipment

(B) Solvency

- a. Current Ratio = Current Assets / Current Liabilities
- b. Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
- c. Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

(C) Operating Performance

- a. Average Collection Turnover = Net Sales / Average Accounts Receivable
- b. Average Collection Days = 365 / Average Collection Turnover
- c. Average Inventory Turnover = Cost of Sales / Average Inventory
- d. Average Payment Turnover = Cost of Sales / Average Accounts Payable
- e. Average Inventory Turnover Days = 365 / Average Inventory Turnover
- f. Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
- g. Total Assets Turnover = Net Sales / Average Total Assets

(D) Profitability

- a. Return on Total Assets = (Net Profit + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
- b. Return on Equity = Net Profit Attributable to Shareholders of the Parent / Average Equity Attributable to Shareholders of the Parent
- c. Net Profit Margin = Net Profit / Net Sales
- d. (Earnings Per Share = (Net Profit Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

(E) Cash Flow

- a. Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
- b. Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
- c. Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)

(F) Leverage

- a. Operating Leverage = (Net Sales - Variable Cost) / Profit from Operations
- b. Financial Leverage = Profit from Operations / (Profit from Operations - Interest Expenses)

(3) Audit committee's report on the financial statement of the latest fiscal year

ACES ELECTRONICS CO., LTD. Audit Committee's Review Report

The Board of Directors has submitted the Company's 2022 business report, financial statements, and proposal for profit distribution, in which the financial statements were audited by CPAs Lin Heng-Sheng and Chen Zheng-Xue of KPMG, and an audit report has been issued. The business report referred to in the preceding paragraph, financial statement and proposal for profit distribution have been completed the deliberation by the Audit Committee and found there is no discrepancy. Reported above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, please verify.

Sincerely,

The 2023 Annual Shareholders' Meeting of the Company

Audit Committee Convener: Liaw Dar-Lii

March 24, 2023

(4) Financial statement for the most recent fiscal year

Representation Letter

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

Hereby declare

Company Name: ACES Electronics Co., Ltd.

Chairman: Yuan Wan-ting

Date: March 24, 2023

Independent Auditors' Report

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

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the ACES Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Description of key audit matter

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

1. Revenue Recognition

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

2. Valuation of inventory

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

Other matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 24, 2023

ACES Electronics Co., Ltd. and Subsidiaries

Consolidated Financial Statements

December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars)

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

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

		2022		2021	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
	Operating Revenue (Note 6(20) and 7):				
4100	Net sales revenue	\$ 10,047,587	97	\$ 10,047,587	97
4800	Other operating revenue	344,917	3	344,917	3
	Net revenue from operations	<u>10,392,504</u>	<u>100</u>	<u>10,392,504</u>	<u>100</u>
5000	Operating costs (Note 6(4), (14), (15), and 7)	<u>8,159,619</u>	<u>79</u>	<u>8,159,619</u>	<u>79</u>
	Gross profit	<u>2,232,885</u>	<u>21</u>	<u>2,232,885</u>	<u>21</u>
	Operating expenses (Note 6(6), (14), (15), (21), and 7):				
6100	Selling expenses	686,463	7	686,463	7
6200	General and administrative expenses	915,292	9	915,292	9
6300	Research and development expenses	573,935	5	573,935	5
6450	Expected credit loss (gain) (Note 6(3))	448	-	448	-
	Total operating expenses	<u>2,176,138</u>	<u>21</u>	<u>2,176,138</u>	<u>21</u>
	Profit from operations	<u>56,747</u>	<u>-</u>	<u>56,747</u>	<u>-</u>
	Non-operating income and expenses (Note 6(22)):				
7100	Interest income	27,212	-	27,212	-
7010	Other income	141,151	1	141,151	1
7020	Other gains and losses	164,921	2	164,921	2
7050	Finance costs (Note 6(13) and (22))	(85,069)	-	(85,069)	-
7060	Share of profit of equity-accounted investees (Note 6(5))	10,101	-	10,101	-
	Total non-operating income and expenses	<u>258,316</u>	<u>3</u>	<u>258,316</u>	<u>3</u>
7900	Profit before income tax	<u>315,063</u>	<u>3</u>	<u>315,063</u>	<u>3</u>
7950	Less: income tax expenses (Note 6(16))	<u>91,730</u>	<u>1</u>	<u>91,730</u>	<u>1</u>
	Profit for the year	<u>223,333</u>	<u>2</u>	<u>223,333</u>	<u>2</u>
8300	Other comprehensive income:				
8310	Items that will never be reclassified to profit or loss				
8311	Remeasurement of defined benefit plans	10,880	-	10,880	-
8349	Less: Income tax related to non-reclassified items (Note 6(16))	-	-	-	-
	Total items that will never be reclassified to profit or loss	<u>10,880</u>	<u>-</u>	<u>10,880</u>	<u>-</u>
8360	Items that are or may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation to the presentation currency	130,098	1	130,098	1
8399	Less: Income tax related to items that may be reclassified (Note 6(16))	26,020	-	26,020	-
	Total items that are or may be reclassified subsequently to profit or loss	<u>104,078</u>	<u>1</u>	<u>104,078</u>	<u>1</u>
8300	Total other comprehensive income (net of tax) for the year	<u>114,958</u>	<u>1</u>	<u>114,958</u>	<u>1</u>
	Total comprehensive income for the year	<u>\$ 338,291</u>	<u>3</u>	<u>\$ 338,291</u>	<u>3</u>
	Net profit attributable to:				
8610	Shareholders of the parent	\$ 225,319	2	\$ 225,319	2
8620	Non-controlling interests	(1,986)	-	(1,986)	-
		<u>\$ 223,333</u>	<u>2</u>	<u>\$ 223,333</u>	<u>2</u>
	Total comprehensive income attributable to:				
8710	Shareholders of the parent	\$ 340,050	3	\$ 340,050	3
8720	Non-controlling interests	(1,759)	-	(1,759)	-
		<u>\$ 338,291</u>	<u>3</u>	<u>\$ 338,291</u>	<u>3</u>
	Earnings per share (NT\$, Note 6(19))				
9750	Basic earnings per share	<u>\$ 1.68</u>		<u>\$ 4.16</u>	
9850	Diluted earnings per share	<u>\$ 1.64</u>		<u>\$ 3.78</u>	

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

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

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

	2022	2021
Cash flows from operating activities:		
Profit before income tax	\$ 315,063	588,913
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation expense	650,950	563,718
Amortization expense	47,707	29,455
Expected credit loss (gain) recognized	448	(6,834)
Net loss (gain) on financial assets at fair value through profit or loss	32,741	(39,466)
Interest expense	85,069	45,812
Interest income	(27,212)	(23,765)
Share-based payment costs	-	20,880
Reversal of impairment loss	(2,802)	-
Share of profit (loss) of equity-account investees	(10,101)	(31,264)
Loss on disposal of property, plant, and equipment	15,899	1,459
Loss (gain) on property revaluation	2,158	(1,878)
Total adjustments to reconcile profit (loss)	794,857	558,117
Changes in operating assets and liabilities :		
Net changes in operating assets :		
Increase (decrease) in notes receivable	(21,136)	12,035
Decrease (increase) in accounts receivable	314,171	(87,928)
Increase (decrease) in accounts receivable from related parties	(23,553)	36
Decrease (increase) in other receivables	(60,959)	(10,810)
Increase (decrease) in inventories	224,985	(310,365)
Increase in prepaid expenses	(34,701)	(9,370)
Increase in other current assets	(39,438)	(81,958)
Total net changes in operating assets	359,369	(488,360)
Net changes in operating liabilities :		
Decrease in notes payable	(1,081)	(190)
Increase (decrease) in accounts payable	(296,549)	27,232
Decrease in accounts payable to related parties	(153)	(288)
Increase in other payables	88,354	180,712
Increase in other payables to related parties	322	409
Increase in other current liabilities	9,292	27,913
Increase (decrease) in net defined benefit liabilities	4,270	(1,481)
Total net changes in operating liabilities	(195,545)	234,307
Total adjustments	958,681	304,064
Cash generated from operations	1,273,744	892,977
Interest received	27,212	23,765
Interest paid	(63,611)	(43,593)
Income tax paid	(100,440)	(104,251)
Net cash provided by operating activities	1,136,905	768,898
Cash flows from investing activities :		
Acquisitions of financial assets at amortized cost	-	(217,200)
Acquisitions of financial assets at fair value through profit or loss	(8,260)	(11,548)
Disposals of financial assets at fair value through profit or loss	81,833	254,566
Acquisitions of equity-accounted investees	(16,898)	-
Acquisitions of subsidiaries (net of cash acquired)	-	117,614
Acquisitions of property, plant, and equipment	(922,935)	(745,628)
Disposals of property, plant, and equipment	22,474	37,003
Acquisitions of intangible assets	(36,445)	(38,587)
Increase in other non-current assets	(82,832)	(4,789)
Increase in prepaid equipment payments	(192,952)	(273,973)
Dividends received	20,391	-
Net cash used in investing activities	(1,135,624)	(882,542)
Cash flows from financing activities :		
Increase in short-term borrowings	353,711	(158,742)
Issuance of corporate bonds	-	603,181
Proceeds from long-term borrowings	3,961,000	3,759,000
Repayment of long-term borrowings	(3,945,279)	(3,445,255)
Repayment of lease liabilities	(69,369)	(56,097)
Decrease in other non-current liabilities	(136,526)	(33,749)
Cash dividends	(201,594)	(85,677)
Cash capital increase	-	477,500
Acquisitions of subsidiary's equity	(1,028)	(59,996)
Net cash (used in) provided by financing activities	(39,085)	1,000,165
Effect of exchange rate change on cash and cash equivalents	(111,599)	(58,802)
Net (decrease) increase in cash and cash equivalents	(149,403)	827,719
Cash and cash equivalents at January 1	2,567,895	1,740,176
Cash and cash equivalents at December 31	\$ 2,418,492	2,567,895

ACES Electronics Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

1. Organization

ACES Electronics Co., Ltd. (“The Company”) was established on November 7, 1996 with the approval of the Ministry of Economic Affairs. Its registered office is located at 13 Dong-Yuan Road, Chung-Li District, Taoyuan City, the Republic of China (“ROC”). The Group and its subsidiaries (hereinafter refer to as “the Group”) is mainly engaging in processing, manufacturing and selling of connectors, connector cable sets, metal stamping parts and other electronic components.

2. The Authorization of Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on the parent company only financial statements.

- Amendments to IFRS 10 and IAS 28, ‘Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture’
- Amendments to IFRS 17, Initial Application of IFRS 17 and IFRS 9 – Comparative Information
- Amendments to IFRS 16, Lease Liability in a Sale and Leaseback

4. Summary of Significant Accounting Policies

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

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

(1) Statement of compliance

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

(2) Basis of preparation

a. Basis of measurement

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

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

b. Functional and presentation currency

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

(3) Basis of consolidation

a. Principle of preparation of the consolidated financial statements

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

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

2. Subsidiaries included in the consolidated financial statements

Subsidiaries included in the consolidated financial statements:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) Foreign currency

a. Foreign currency transactions

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

Exchange differences are recognized in profit or loss.

b. Foreign operations

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

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

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

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

An asset is classified as current when:

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

All other assets are classified as non-current.

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

A liability is classified as current when:

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

(6) Cash and cash equivalents

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

(7) Financial instruments

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

a. Financial assets

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

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

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

(i) Financial assets measured at amortized cost

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

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

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

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

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

All financial assets not classified as at amortized cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. The consolidated company has the intention to sell account receivable at fair price through profit and loss immediately or recently; these amounts are recorded under account receivables currently.

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

(iii) Business model assessment

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

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

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

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

(v) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(vi) Derecognition of financial assets

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

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

b. Financial liabilities and equity instruments

(i) Classification of debt or equity

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

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

(ii) Equity instrument

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

(iii) Compound financial instruments

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

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

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

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

(iv) Financial liabilities

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

(v) Derecognition of financial liabilities

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

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

(vi) Offsetting of financial assets and liabilities

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

c. Derivative financial instruments

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

(8) Inventories

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

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

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

(9) Investing in the affiliated Companies

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

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

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

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

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

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

(10) Investment property

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

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

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

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

(11) Property, plant and equipment

a. Recognition and measurement

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

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

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

b. Subsequent expenditure

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

c. Depreciation

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

Land is not depreciated.

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

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

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

(12) Lease

a. Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease.

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

b. As a lessee

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

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

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

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

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

- (i) fixed payments, including in-substance fixed payments;
 - (ii) payments for purchase or termination options that are reasonably certain to be exercised.
- The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:
- (i) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
 - (ii) there is a change of its assessment on whether it will exercise an extension or termination option; or
 - (iii) there is any lease modification.

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

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

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

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

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

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

c. As a lessor

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

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

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

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

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

(13) Intangible assets

a. Recognition and measurement

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

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

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

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

b. Subsequent expenditure

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

c. Amortization

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

(i) Software: 1~ 3 years

(ii) Franchising: 8 years

(iii) Customer relationship: 3 years

(iv) Other intangible assets 1~ 3 years

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

(14) Impairment of non-financial assets

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

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

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

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

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

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

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

(15) Revenue Recognition

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

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

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

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

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

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

(16) Government grants

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

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

(17) Employee benefits

a. Defined contribution plans

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

b. Defined benefit plans

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

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

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

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

c. Short-term employee benefits

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

(18) Share-based payment

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

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

(19) Income taxes

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

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

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

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

- a. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- b. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

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

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

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

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

(20) Earning per share

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

(21) Operating segments

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

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

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

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

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

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

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

(1) Valuation of inventories

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

(2) Impairment of goodwill

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

(3) Valuation process

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

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

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

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

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

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

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

6. Description of Significant Accounts

(1) Cash and Cash Equivalents

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

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

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

(2) Financial assets

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

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

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

b Financial assets measured at amortized cost - non-current

	December 31, 2022	December 31, 2021
Time deposit	\$ 220,400	217,200

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

(3) Notes, trade and other receivables

a. Details as follows:

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

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

- b. The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes, accounts and other receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision for notes receivable, accounts receivable and other receivables for the years ended December 31 2022 and 2021 was analyzed as follows:

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

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

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

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

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

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

December 31, 2022						
Underwriting bank	Factoring amount	Acceptable advances	Amount collected in advance	Transfer to other receivable amount	Interest rate	Amount pledged (in thousands of USD)
Financial institutes	\$ 207,627	476,471	186,865	20,762	0.6812% ~6.1311%	-
Financial institutes	5,700	221,112	-	5,700	1.23% ~2.55%	Promissory Note 8,000
Financial institutes	39,710	107,638	2,918	36,792	1.13287% ~6.37374%	Promissory Note 4,000
	\$ 253,037	805,221	189,783	63,254		

December 31, 2021						
Underwriting bank	Factoring amount	Acceptable advances	Amount collected in advance	Transfer to other receivable amount	Interest rate	Amount pledged (in thousands of USD)
Financial institutes	\$ 351,124	348,308	316,012	35,112	0.6851% ~0.9032%	-
Financial institutes	64,481	135,909	57,851	6,630	1.167% ~1.28%	Promissory Note 7,000
Financial institutes	82,942	36,261	74,459	8,483	1.21493% ~1.30585%	Promissory Note 4,000
	\$ 498,547	520,478	448,322	50,225		

(4) Inventories

- a. Details as follows:

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

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

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

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

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

(5) Investments accounted for using equity method

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

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

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

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

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

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

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

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

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

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

(6) Acquisition of Subsidiaries and Non-controlling interests

a. Acquisition of Genesis Group

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

(i) identifiable assets acquired and liabilities assumed

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

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

(ii) Goodwill

Goodwill recognized on acquisition:

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

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

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

(iii) Except from transfer consideration set forth by the purchase contract, it was agreed additionally on a sales mechanism (Earn-out) which stipulates certain percentage to be paid to certain selling shareholders at the end of December 31 2021, 2022 and 2023 depending on the operating results as their remuneration for continues services from the Company. Such payments shall be recognized as operating expenses.

According to transfer consideration and contingent benefit on both parties' purchase contract, the Company has outstanding payments of \$61,857 thousand and \$127,386 thousand in the years ended December 31, 2022 and 2021 respectively. These amounts were recorded under 'other payables' and 'other non-current'.

(iv) Impact on business performance from business combination

From the date of purchase through to the end of December 31, 2021, the revenue and net profit from Genesis Group were \$1,111,094 thousand and (\$7,294) thousand respectively. If the purchase occurred on January 1, 2021, the management estimated the Company's revenue would be \$1,495,085 thousand and the net profit would be (\$11,767) thousand. Upon deciding such amounts, the management assumed the acquisition was finalized on January 1, 2021 and assumed that the temporary fair value adjustment on the date of purchase was the same.

(v) Costs related to acquisition

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

b. Acquisition of subsidiary - JASON TECHNOLOGY LIMITED.

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

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

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

(ii) identifiable assets acquired and liabilities assumed

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

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

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

(iii) Impact on business performance from business combination

From the date of purchase through to the end of December 31, 2021, the revenue and net profit from Jason Company were \$71,450 thousand and \$13,941 thousand respectively. If the purchase occurred on January 1, 2021, the management estimated the Company's revenue would be \$90,130 thousand and the net profit would be \$15,354 thousand in 2022. Upon deciding such amounts, the management assumed the acquisition was finalized on January 1, 2021 and assumed that the temporary fair value adjustment on the date of purchase was the same.

(iv) Costs related to acquisition

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

e. Change in ownership equity to a subsidiary

(i) MEC IMEX INC.

During the year of 2021, the Company purchased 4,802 thousand ordinary shares of MEC IMEX INC. (MEC IMEX) with the amount of \$59,996 thousand. During the same period, the Company purchased 9,990 thousand ordinary shares issued by cash increase of capital with the amount of \$99,900 thousand and increased its share percentage from 89.25% to 99.79%. The additional paid in capital has decreased by \$3,499 thousand and the reserved revenue has decreased by \$8,673 thousand due to the changes in owner's equity.

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

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

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

(iii) COMPUPACK TECHNOLOGY CO., LTD.

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

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

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

(7) Property, plant and equipment

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

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

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

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

(8) Right-of-use asset

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

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

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

(9) Investment property

a. Details of investment property as follows:

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

b Investment property fair value basis

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

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

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

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

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

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

(10) Intangible assets

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

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

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

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

(11) Short-term borrowings

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

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

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

(12) Long-term borrowings

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

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

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

c. The Company entered into a syndicated loan agreement with group of banks. During the loan term, the Company is required to calculate and maintain certain financial ratios at an agreed level based on the consolidated financial statements audit. For the years ended December 31, 2022 and 2021, there is no incident of the Company violating such financial ratios.

d. The Company has obtained special low-interest rate loans of \$600,000 thousand from banks according to "Welcome Businesses Returning to Taiwan to Invest Solution" on June 2020. The actual special loan interest rate was 0.85%, and the difference of \$11,325 thousand calculated by the fair loan value on market interest rate of 1.35% was regarded as government grants and recorded as deferred income. As of December 31, 2022 and 2021, deferred income were \$6,500 thousand and \$6,493 thousand respectively. These amounts were recorded under 'other non-current liabilities'.

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

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

(13) Bonds payable

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

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

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

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

(ii) Interest rate: 0%

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

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

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

(iv) Terms of conversion:

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

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

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

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

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

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

(14) Lease liabilities

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

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

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

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

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

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

d. Lease of land, property and plants

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

e. Other lease

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

(15) Employee benefits

a. Defined benefit plans

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined obligation	\$ 71,058	75,946
Fair value of plan assets	(25,692)	(22,997)
Net defined benefit liabilities	<u>\$ 45,366</u>	<u>52,949</u>

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

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

(i) Composition of plan assets

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

As of reporting date, the Company's Bank of Taiwan labor pension reserve account balance amounted to \$25,692 thousand. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(ii) Changes on current value of defined obligation

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

	For the year ended December 31, 2022	For the year ended December 31, 2021
Defined benefit obligation on January 1	\$ 75,946	75,196
Current service cost and interest	3,724	3,392
Remeasurements of net defined benefit liabilities	(9,039)	4,600
Exchange differences	427	(7,242)
Defined benefit obligation on December 31	<u>\$ 71,058</u>	<u>75,946</u>

(iii) Changes on fair value of plan assets

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

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

(iv) Expenses recognized in profit or loss

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

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

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

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

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

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

(6) Actuarial assumptions

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

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

The Company has planned to appropriate in the amount of \$821 thousand for defined benefit plan within 1 year after the reporting date of the year ended December 31, 2022.

The weighted average duration for defined benefit plan is 11 to 14 years.

(vii) Sensitivity analysis

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

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

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

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

b. Defined contribution plans

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

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

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

(16) Income taxes

a. Income tax expenses

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

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

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

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

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

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

b. Deferred tax assets and liabilities

(i) Unrecognized deferred tax liabilities

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

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

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

(ii) Unrecognized deferred tax assets

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

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

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

(iii) Recognized deferred tax assets and liabilities

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

	Inventory valuation loss	Unrealized gains or losses	Share of profit or loss of subsidiaries accounted for using equity method	Others	Total
Deferred income tax assets:					
January 1, 2022	\$ 9,707	1,289	63,449	3,938	78,383
(Debit) credit profit or loss	<u>3,559</u>	<u>(970)</u>	<u>(3,217)</u>	<u>2,821</u>	<u>2,193</u>
December 31, 2022	<u>\$ 13,266</u>	<u>319</u>	<u>60,232</u>	<u>6,759</u>	<u>80,576</u>
December 31, 2021	\$ 5,406	4,035	63,449	(2,434)	70,456
(Debit) credit profit or loss	<u>4,301</u>	<u>(2,746)</u>	<u>-</u>	<u>6,372</u>	<u>7,927</u>
December 31, 2021	<u>\$ 9,707</u>	<u>1,289</u>	<u>63,449</u>	<u>3,938</u>	<u>78,383</u>

	Share of profit or loss of subsidiaries accounted for using equity method	Exchange differences on translation of foreign financial statements	Unrealized gains or losses from financial assets	Others	Total
Deferred tax liabilities:					
January 1, 2022	\$ 311,045	(45,903)	(5,121)	41,946	301,967
Credit (debit) profit or loss	<u>93</u>	<u>(11,641)</u>	<u>-</u>	<u>(1,433)</u>	<u>(12,981)</u>
Credit (debt) of other comprehensive income	<u>-</u>	<u>26,020</u>	<u>-</u>	<u>-</u>	<u>26,020</u>
Exchange differences on translation of foreign financial statements	<u>2,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,003</u>
December 31, 2022	<u>\$ 313,141</u>	<u>(31,524)</u>	<u>(5,121)</u>	<u>40,513</u>	<u>317,009</u>

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

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

c. Assessment of tax

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

(17) Capital and other equity

a. Share capital

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

(a) Common stock

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

(ii) Capital reserve

The balances of capital surplus were as follows:

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

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

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

Please refer to notes 6(6) and 6(18) for details on other changes on capital surplus.

c. Retained earnings

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

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

(i) Legal reserve

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

(ii) Special reserve

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

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

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

(iii) Earnings distribution

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

	For the year ended December 31, 2021		For the year ended December 31, 2020	
	Dividend (dollar)	Amount	Dividend (dollar)	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 1.50	201,594	0.70	85,677

d. Other equity

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

(18) Share-based payment

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

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

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

a. Measurement parameters of fair value of grant date

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

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

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

b. Employees expenses and liabilities

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

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

(19) Earnings per share

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

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

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

(20) Revenue from contracts with customers
a. Disaggregation of revenue

For the year ended December 31, 2022					
	Connectors segment	Connectors segment	Metal stamping segment	Other segment	Total
Primary geographical markets:					
Taiwan	\$ 900,558	403,164	495,932	141,229	1,940,883
China	3,701,789	504,866	941,494	143,058	5,291,207
Philippines	1,269	750,275	157,616	-	909,160
USA	86,025	184,035	190,332	37,672	498,064
Other countries	308,921	241,516	693,409	509,344	1,753,190
	\$ 4,998,562	2,083,856	2,478,783	831,303	10,392,504
Major products/services lines:					
Connectors	\$ 4,998,562	-	-	-	4,998,562
Connector cable set	-	2,083,856	-	-	2,083,856
Metal stamping parts	-	-	2,478,783	-	2,478,783
Others	-	-	-	831,303	831,303
	\$ 4,998,562	2,083,856	2,478,783	831,303	10,392,504

For the year ended December 31, 2021					
	Connectors segment	Connectors segment	Metal stamping segment	Other segment	Total
Primary geographical markets:					
Taiwan	\$ 836,476	531,925	797,827	228,770	2,394,998
China	4,013,251	682,912	632,629	136,087	5,464,879
Philippines	691	687,559	2,023	-	690,273
USA	45,840	155,538	129,559	42,260	373,197
Other countries	652,996	182,765	405,737	411,017	1,652,515
	\$ 5,549,254	2,240,699	1,967,775	818,134	10,575,862
Major products/services lines:					
Connectors	\$ 5,549,254	-	-	-	5,549,254
Connector cable set	-	2,240,699	-	-	2,240,699
Metal stamping parts	-	-	1,967,775	-	1,967,775
Others	-	-	-	818,134	818,134
	\$ 5,549,254	2,240,699	1,967,775	818,134	10,575,862

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

b. Contract balances

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

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

(21) Remunerations to employees and directors

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

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

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

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

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

(22) Non-operating income and expenses

a. Other revenue

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

b. Other gains and losses

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

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

The Company can no longer obtain market price from periodical financial tools SPECTRA SPC POWERFUND. According to Article 13 'Fair value measurement' of IFRS on assessment of relevant information credibility and limitations, it is therefore moved from Level 1 to Level 3. The Company measured loss on fair value of the aforementioned asset recognized under 'other gains and losses'. Please refer to note 6(2) and 6(23) for details.

c. Finance costs

	For the year ended December 31, 2022	For the year ended December 31, 2021
Bank loan interest	\$ 59,008	38,932
Lease liabilities interest	4,602	4,661
Convertible company bond interest	21,459	2,219
	<u>\$ 85,069</u>	<u>45,812</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 credit risks of notes and accounts receivables, please refer to Note 6(3).

b. Liquidity Risk

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

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

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

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

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

c. Currency risk

(i) Currency risk

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

	Expressed in thousands of dollars					
	<u>December 31, 2022</u>			<u>December 31, 2021</u>		
	<u>Foreign currency</u>	<u>Exchange rate (dollar)</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate (dollar)</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 111,539	30.71	3,425,363	137,829	27.68	3,815,102
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	55,474	30.71	1,703,593	85,834	27.68	2,375,892

(ii) Sensitivity analysis

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

In 2022, if the exchange rate had changed, given no changes in other factors, when NTD is depreciated or appreciated against USD by 5%, profit after tax would have increased or decreased by \$86,089 thousand and \$71,961 thousand for the years ended December 31, 2022 and 2021, respectively. The method of analysis remains the same for both periods.

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

(iii) Foreign exchange gains and losses on monetary items

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

d Interest rate analysis

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

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

If the interest rate increased or decreased by 1%, given no changes in other factors, the profit before tax will decrease or increase by \$32,079thousand and \$28,078thousand for the years ended December 31, 2022 and 2021 respectively. This is mainly because of the Company's floating rate loans.

v. Fair value

(i) Fair value hierarchy

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

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

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

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

A. Non-derivative financial instruments

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

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

B. Derivative financial instruments

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

(iii) Changes on Level 3 table

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

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

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

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

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

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

Quantified information of significant unobservable inputs was as follow:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Interrelationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit and loss - non-current	Net asset valuation method	Net asset valuation	Not applicable
Financial assets at fair value through profit and loss - current	Net asset valuation method	Illiquidity and market discount and credit risk adjustment (including risk of breach of contract) were 100%.	<ul style="list-style-type: none"> • 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, 2022 and 2021.

d. Liquidity Risk

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

Bank borrowing is an important source of liquidity for the Company. As of December 31, 2022 and 2021, the Company' s unused credit line were amounted to \$3,669,996 and \$3,623,300, respectively.

e. Market risk

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

(ii) Currency risk

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

(iii) Interest rate risk

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

(iv) Other market price risk

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

(25) Capital management

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

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

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

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

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

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

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

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

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

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

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

7. Related-party transactions

(1) Names and relationship with related parties

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

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

Note: COMPUPACK had replaced its chairman in January 2022.

(2) Significant related party transactions

a. Operating revenue

Significant sales to related parties were as follows;

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

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

b. Purchase

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

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

c. Receivables from related parties

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

d. Payables to Related Parties

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

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

e. Lease

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

(3) Key management personnel transactions

Key management personnel compensation comprised:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Short-term employee benefits	\$ 76,061	90,594
Post-employment benefits	1,844	2,018
	<u>\$ 77,905</u>	<u>92,612</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, 2022	December 31, 2021
Property, plant and equipment			
Land	Bank loan and credit limit guarantee	\$ 49,920	49,920
Property and plants	"	29,935	30,731
		<u>\$ 79,855</u>	<u>80,651</u>
Investment property			
Land	Bank loan and credit limit guarantee	\$ 259,599	261,048
Property and plants	"	39,215	39,924
		<u>\$ 298,814</u>	<u>300,972</u>

9. Significant Commitments and contingencies:

(1) Significant and unrecognized commitments of the Company:

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

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

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

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

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

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

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

10. Due to Major Disasters: none.

11. Materiality after the period: None

12. Other

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

By item	By function For the year ended December 31, 2022			For the year ended December 31, 2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	1,297,353	900,732	2,198,085	1,285,593	818,535	2,104,128
Labor and health insurance	70,820	63,638	134,458	70,580	61,236	131,816
Pension	57,969	40,917	98,886	62,729	40,067	102,796
Other employee benefits	87,226	60,156	147,382	94,777	160,828	255,605
Depreciation	444,800	206,150	650,950	410,555	153,163	563,718
Amortization	437	47,270	47,707	1,317	28,138	29,455

13. Other disclosures

(1) Information of significant transactions

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

a. Lending to other parties:

No.	Loan amount	Name of borrower	Account name	Related party	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements during the period	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			
1	KUNSHAN ACES ELECTRONIC CO., LTD.	GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	Other receivables	Yes	410,780	198,360	198,360	1.50% -2.10%	2	-	Operation requirements	-	None	-	2,836,190	2,836,190	Note 3, 4, 12
1	KUNSHAN ACES ELECTRONIC CO., LTD.	KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	Other receivables	Yes	132,240	132,240	-	0.00%	2	-	Operation requirements	-	None	-	2,836,190	2,836,190	Note 3, 4, 12
2	MEC IMEX INC.	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Other receivables	Yes	200,375	76,775	-	0.00%	2	-	Operation requirements	-	None	-	233,096	233,096	Note 4, 5, 12
2	MEC IMEX INC.	HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Other receivables	Yes	32,215	30,710	30,710	2.65%	2	-	Operation requirements	-	None	-	233,096	233,096	"
2	MEC IMEX INC.	MEC SUZHOU ELECTRONICS CO., LTD.	Other receivables	Yes	96,645	92,130	92,130	2.65%	2	-	Operation requirements	-	None	-	233,096	233,096	"

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

No.	Loan amount Name of Holder	Name of borrower Underwriting bank	Account name Financial Statement Account	Related party Name of related parties	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Interest rate	Maximum limit of fund financing	Business Name of borrower	Unusual transaction details	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing	Note Note 12
					Amount	Balance at end of the year	Amount	Interest rate	Amount			Amount	Item	Value			
3	MEC INTERNATIONAL COMPANY LTD.	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Other receivables	Yes	23,952	-	-	0.00%	2	-	Operation requirements	-	None	-	156,789	156,789	Note 3, 4, 12
4	MEC BEST KNOWN COMPANY LIMITED	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Other receivables	Yes	82,530	42,994	42,994	1.00%	2	-	Operation requirements	-	None	-	128,982	128,982	Note 6, 12
5	MEC ELECTRONICS (HK) COMPANY LTD.	HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Other receivables	Yes	35,784	17,632	17,632	1.30%~2.00%	2	-	Operation requirements	-	None	-	122,840	122,840	Note 8, 12
5	MEC ELECTRONICS (HK) COMPANY LTD.	HOMEPRIDE TECHNOLOGY LIMITED	Other receivables	Yes	28,994	27,639	15,355	1.00%	2	-	Operation requirements	-	None	-	122,840	122,840	"
6	MEC ELECTRONICS (SUZHOU) CO., LTD.	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Other receivables	Yes	67,590	39,672	39,672	2.00%	2	-	Operation requirements	-	None	-	132,240	132,240	Note 7, 12
6	MEC ELECTRONICS (SUZHOU) CO., LTD.	HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Other receivables	Yes	27,036	26,448	26,448	2.00%	2	-	Operation requirements	-	None	-	132,240	132,240	"
7	GENESIS ELECTRO-MECHANICAL LIMITED	GENESIS INNOVATION GROUP LIMITED	Other receivables	Yes	92,135	87,831	15,355	1.20%	2	-	Operation requirements	-	None	-	705,509	705,509	Note 9, 12
7	GENESIS ELECTRO-MECHANICAL LIMITED	GENESIS TECHNOLOGY USA, INC.	Other receivables	Yes	48,323	46,065	46,065	1.20%	2	-	Operation requirements	-	None	-	705,509	705,509	"
7	GENESIS ELECTRO-MECHANICAL LIMITED	MEC ELECTRONICS PHILIPPINES CORP.	Other receivables	Yes	32,215	30,710	30,710	1.20%	2	-	Operation requirements	-	None	-	141,102	141,102	"
7	GENESIS ELECTRO-MECHANICAL LIMITED	MEC IMEX INC.	Other receivables	Yes	64,430	61,420	61,420	1.20%~3.50%	2	-	Operation requirements	-	None	-	141,102	141,102	"
7	GENESIS ELECTRO-MECHANICAL LIMITED	MICON PRECISE CORP.	Other receivables	Yes	28,625	-	-	0.00%	2	-	Operation requirements	-	None	-	141,102	141,102	"
7	GENESIS ELECTRO-MECHANICAL LIMITED	COMPUPACK TECHNOLOGY CO., LTD.	Other receivables	Yes	28,625	-	-	0.00%	2	-	Operation requirements	-	None	-	141,102	141,102	"
8	GENESIS INNOVATION GROUP LIMITED	DONGGUAN POLIXIN ELECTRIC CO., LTD.	Other receivables	Yes	63,678	61,420	61,420	1.20%~3.50%	2	-	Operation requirements	-	None	-	861,596	861,596	"
8	GENESIS INNOVATION GROUP LIMITED	MEC IMEX INC.	Other receivables	Yes	125,850	122,840	122,840	3.10%~3.50%	2	-	Operation requirements	-	None	-	172,319	172,319	"
8	GENESIS INNOVATION GROUP LIMITED	COMPUPACK TECHNOLOGY CO., LTD.	Other receivables	Yes	85,875	-	-	0.00%	2	-	Operation requirements	-	None	-	172,319	172,319	"
9	MEC SUZHOU ELECTRONICS CO., LTD.	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Other receivables	Yes	45,060	44,080	-	2.00%	2	-	Operation requirements	-	None	-	106,257	106,257	Note 10, 12

Note 1: In accordance with the Company's 'Procedures for Lending Funds to Others', when lending funds to companies or firms that are in need of short-term working capital, the individual loan amount shall not exceed 10% of the Company's net value.

Note 2: In accordance with the Company's 'Procedures for Lending Funds to Others', when lending funds to others, the total loan amount shall not exceed 40% of the Company's net value.

Note 3: According to 'Procedures for Lending Funds to Others' of subsidiaries KUNSHAN ACES

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

ELECTRONIC CO., LTD. and MEC INTERNATIONAL COMPANY LTD., when lending funds to companies or firms that are in need of short-term working capital, the individual loan amount shall not exceed 10% of each lending company. However, if the borrowing company and its parent company directly or indirectly hold 100% of the voting shares of the foreign company, the individual loan amount shall not exceed 100% of the net value of that subsidiary.

Note 4: According to 'Procedures for Lending Funds to Others' of subsidiaries KUNSHAN ACES ELECTRONIC CO., LTD., MEC IMEX INC., and MEC INTERNATIONAL COMPANY LTD., when lending funds to companies or firms that are in need of short-term working capital, the individual loan amount shall not exceed 40% of each lending company. However, if the borrowing company and its parent company directly or indirectly hold 100% of the voting shares of the foreign company, the individual loan amount shall not exceed 100% of the net value of that subsidiary.

Note 5: According to 'Procedures for Lending Funds to Others' of subsidiary MEC IMEX INC., when lending funds to companies or firms that are in need of short-term working capital, the individual loan amount shall not exceed 40% of each lending company. However, if the borrowing company and its parent company directly or indirectly hold 100% of the voting shares of the foreign company, the individual loan amount shall not exceed 100% of the net value of that subsidiary.

Note 6: The total amount of funds lent to others and the limit for individual loans for an individual enterprise by MEC BEST KNOWN COMPANY LTD., a subsidiary of the Company, was fixed at USD4,200 thousand.

Note 7: The total amount of funds lent to others and the limit for individual loans for an individual enterprise by MEC ELECTRONICS (SUZHOU) CO., LTD., a subsidiary of the Company, was fixed at CNY30,000 thousand.

Note 8: The total amount of funds lent to others and the limit for individual loans for an individual enterprise by MEC ELECTRONICS (HK) COMPANY LTD., a subsidiary of the Company, was fixed at USD4,000 thousand.

Note 9: According to 'Procedures for Lending Funds to Others' of subsidiaries GENESIS ELECTRO-MECHANICAL LIMITED and GENESIS INNOVATION GROUP LIMITED., when lending funds to companies or firms that are in need of short-term working capital, the individual loan amount shall not exceed 40% of each lending company. However, if the borrowing company and its parent company directly or indirectly hold 100% of the voting shares of the foreign company, the individual loan amount shall not exceed 200% of the net value of that subsidiary.

Note 10: According to 'Procedures for Lending Funds to Others' of subsidiary MEC SUZHOU ELECTRONICS CO., LTD., when lending funds to companies or firms that are in need of short-term working capital, the total amount lend to others shall not exceed 40% of the company's net value, and the individual loan amount shall not exceed 40% of each lending company. However, if the borrowing company and its parent company directly or indirectly hold 100% of the voting shares of the foreign company, the individual loan amount shall not exceed 300% of the net value of that subsidiary.

Note 11: Nature of the loan as filled out below:

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

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

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

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

b. Guarantees and endorsements for others:

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

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

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

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

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

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

(i) Companies with business relationship.

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

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

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

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

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

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

Note 6: According to 'Endorsement Guarantee Procedure' of subsidiary DONGGUAN KUANGYING HARDWARE

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

PLASTIC PRODUCT CO., LTD. And SUZHOU KUANG YING ELECTRIC CO., LTD., the guarantees and endorsements for an individual enterprise shall not exceed the Company's paid-in capital. However, if it holds more than 100% of the company's direct or indirect voting rights, then guarantees and endorsements shall not exceed the endorsing company's paid-in capital. The guarantees and endorsements shall not exceed the company's paid-in capital.

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

(Shares in thousands)

Name of Holder	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Financial Statement Account	December 31				Highest balance for guarantees and endorsements during the period	Note
				Shares	Carrying amount	Percentage of ownership	Fair value		
The Company	SPECTRA SPC POWERFUND	-	Financial assets at FVTPL – current	380	-	- %	-	- %	-
The Company	Fund: China Development Advantage Venture Capital Limited Partnership.	-	Financial assets at FVTPL – non-current	-	71,070	1.54%	71,070	- %	-
KUNSHAN ACES ELECTRONIC CO., LTD.	Fund - Kung Shan Hua Cheng Yi Da Equity Investment Company (limited partnership company)	-	Financial assets at FVTPL – non-current	-	92,581	2.49%	92,581	- %	-

- d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- e. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- f. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

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

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

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

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

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

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

Recorded as other receivables	Name of counter-party	Relationship	Receivables from related parties (Note 1)	Turnover rate	Overdue receivables from related parties		Receivables from related parties	Allowance for bad debt Amount
					Amount	Action taken		
DONGGUAN ACES ELECTRONIC CO., LTD.	The Company	Subsidiary	334,089	2.29	-	-	104,360	-
KUNSHAN ACES ELECTRONIC CO., LTD.	The Company	Subsidiary	399,661	2.24	-	-	176,312	-
GENESIS TECHNOLOGY(NINGBO) INC.	GENESIS TECHNOLOGY USA, INC.	Affiliates	209,853	4.69	-	-	87,771	-
DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	KUANG YING COMPUTER EQUIPMENT CO., LTD.	Affiliates	113,388	4.78	-	-	55,873	-
MEC SUZHOU ELECTRONICS CO., LTD.	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Affiliates	142,640 Note 2	-	-	-	-	-

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

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

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

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

Note 1: Fill out the numbers as follows:

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

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

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

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

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

(2) Information on investments:

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

Investor Company	Investee Company	Location	Main Activities	Original investment amount		Balance as of December 31, 2022			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying amount				
The Company	ACECONN ELECTRONIC CO., LTD.	SAMOA	Investment holding	318,665	318,665	19,800	100.00%	3,947,663	- %	180,653	170,626	Note 1
The Company	ACES (HONG KONG) ELECTRONIC CO., LTD.	SAMOA	Connectors sales	9,579	9,579	300	100.00%	12,727	- %	(20)	(20)	"
The Company	ACES PRECISION INDUSTRY PTE LTD.	Singapore	Connectors sales business	208,410	208,410	8,162	100.00%	51,721	- %	(771)	(771)	Note 1
The Company	ACESCONN HOLDINGS CO., LTD.	SAMOA	Investment holding	351,112	351,112	12,000	100.00%	190,259	- %	(22,562)	(22,562)	"
The Company	WEI HONG INTERNATIONAL INVESTMENT CO., LTD.	Taiwan	Investment business	25,000	25,000	2,500	100.00%	27,973	- %	(322)	(322)	"
The Company	MEC IMEX INC.	Taiwan	Connector cable set sales business	809,032	709,034	45,575	99.84%	552,065	- %	(123,746)	(92,668)	"
The Company	ACES JAPAN CO., LTD.	Japan	Connector development business	15,137	15,137	4.5	100.00%	13,978	- %	100	100	"
The Company	ACES INTERCONNECT (USA), INC.	USA	Connectors sales industry	9,711	9,711	300	100.00%	9,684	- %	(236)	(236)	"
The Company	COMPUPACK TECHNOLOGY CO., LTD.	Taiwan	Electronic component sales business	277,237	247,237	20,138	93.67%	238,248	- %	(29,173)	(21,337)	"
The Company	KUANG YING COMPUTER EQUIPMENT CO., LTD.	Taiwan	Electronic component manufacturing and sales business	198,697	223,612	25,906	99.66%	248,337	- %	29,588	37,922	"
The Company	ACES Precision Machinery Co., Ltd.	Taiwan	Mold part manufacturing and sales business	130,000	130,000	13,000	100.00%	90,521	- %	(12,936)	(12,936)	"
The Company	GENESIS HOLDING COMPANY	Cayman	Investment holding	589,118	589,118	27,778	100.00%	845,798	- %	162,458	204,026	"
The Company	GENESIS TECHNOLOGY USA, INC.	USA	Electronic component sales business	20,104	20,104	1.5	100.00%	137,237	- %	(40,093)	(40,093)	"
The Company	JASON TECHNOLOGY LIMITED.	Hong Kong	Electronic component sales business	-	-	5,000	100.00%	10,361	- %	(9,166)	(11,132)	"

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

Investor Company	Investee Company	Location	Main Activities	Original investment amount		Balance as of December 31, 2022			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying amount	Percentage of ownership			
ACESCONN HOLDINGS CO., LTD.	ASIA CENTURY INVESTMENT LTD.	SAMOA	Investment holding	351,112	351,112	9,150	100.00%	190,259	- %	(22,562)	(22,562)	"
MEC IMEX INC.	MEC INTERNATIONAL COMPANY LTD.	British Virgin Islands	Investment holding	992,350	901,660	24	100.00%	156,789	- %	(99,144)	(99,144)	"
MEC IMEX INC.	MEC ELECTRIC SOLUTIONS GMBH	Germany	Connector cable set sales business	3,179	-	1	100.00%	3,371	- %	107	107	Note 1, 2
MEC INTERNATIONAL COMPANY LTD.	MEC Best Known Company Limited	Hong Kong	Investment holding	313,435	285,425	79,500	100.00%	(146,231)	- %	(3,035)	(3,035)	Note 1
MEC INTERNATIONAL COMPANY LTD.	MEC Ultramax (HK) Company Limited	Hong Kong	Investment holding	122,400	122,400	30,000	100.00%	81,129	- %	886	886	"
MEC INTERNATIONAL COMPANY LTD.	MEC Electronics (HK) Company Limited	Hong Kong	Connector cable set sales business	157,515	157,515	394	100.00%	50,267	- %	10,126	10,126	"
MEC INTERNATIONAL COMPANY LTD.	MEC Electronics Philippines Corporation	Philippines	Connector cable set manufacturing and sales business	54,085	54,085	8,000	100.00%	252,205	- %	10,092	10,092	"
MEC Electronics Philippines Corporation	MEC IMEX (USA), INC.	USA	Connector cable set sales business	12,544	12,544	4	100.00%	17,744	- %	(427)	(427)	Note 1
MEC Electronics (HK) Company Limited	Homepride Technology Limited	Hong Kong	Investment holding	182,331	182,331	45,125	100.00%	(15,715)	- %	12,805	12,805	"
COMPUPACK TECHNOLOGY CO., LTD.	MICON PRECISE CORP.	Taiwan	Electronic component sales business	333,845	303,845	12,859	98.91%	36,197	- %	(26,179)	(25,854)	"
COMPUPACK TECHNOLOGY CO., LTD.	GLOBAL ACUMEN LIMITED	Belize	Electronic component sales business	1,497	1,497	50	100.00%	14,603	- %	171	171	"
MICON PRECISE CORP.	CONG TY TNHH CHINH XAC NGAN VUONG	Vietnam	Electronic component manufacturing and sales business	336,292	304,130	-	100.00%	31,729	- %	(26,467)	(26,467)	"
KUANG YING COMPUTER EQUIPMENT CO., LTD.	INFOMIGHT INVESTMENTS LIMITED	SAMOA	Investment holding	285,904	285,904	7,980	100.00%	163,079	- %	38,007	37,168	"
INFOMIGHT INVESTMENTS LIMITED	BELTA INTERNATIONAL LIMITED	British Virgin Islands	Investment holding	52,349	52,349	4	100.00%	125,157	- %	38,639	38,639	"
INFOMIGHT INVESTMENTS LIMITED	CERTILINK INTERNATIONAL LIMITED	British Virgin Islands	Sales business	1,605	1,605	50	100.00%	(4,363)	- %	(50)	(50)	"

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

Investor Company	Investee Company	Location	Main Activities	Original investment amount		Balance as of December 31, 2022			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying amount	Percentage of ownership			
INFOMIGHT INVESTMENTS LIMITED	ACCURATE GROUP LIMITED	Samoa	Investment holding	131,588	131,588	4,100	100.00%	38,785	- %	(557)	(557)	"
GENESIS HOLDING COMPANY	GENESIS INNOVATION GROUP LIMITED	Hong Kong	Investment holding	228,280	228,280	8,000	100.00%	430,798	- %	102,272	102,272	"
GENESIS HOLDING COMPANY	GENESIS ELECTRO-MECHANICAL LIMITED	Hong Kong	Investment holding	268,229	268,229	9,400	100.00%	350,566	- %	(9,690)	(9,690)	"

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

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

(3) Information on investment in mainland China:

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

Name of investee	Main Activities	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated remittance from Taiwan as of January 1, 2022	Investment flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Maximum Shareholding in the Interim	Investor's Share of Profit (Loss) of Investee	Carrying amount of Investment as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022	Note
					Outflow	Inflow								
DONGGUAN ACES ELECTRONIC CO., LTD.	Connector manufacturing and sales business	115,301	(2)	115,301	-	-	115,301	83,339	100.00%	100.00%	83,339	654,903	451,444	Note 11
KUNSHAN ACES ELECTRONIC CO., LTD.	Connector manufacturing and sales business	629,475	(2)	163,447	-	-	163,447	94,298	100.00%	100.00%	94,298	2,836,190	452,925	"
KUNSHAN ACES TRADING CO., LTD.	Connectors sales business	9,087	(2)	9,087	-	-	9,087	(35)	100.00%	100.00%	(35)	47,301	-	"
CHONGQING HONG GAO ELECTRONIC CO., LTD.	Connectors sales business	173,985	(2)	188,086	-	-	188,086	(154)	100.00%	100.00%	(154)	(241)	-	"
GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	Surface treatment and sales business	256,682	(2)	351,112	-	-	351,112	(22,645)	100.00%	100.00%	(22,645)	169,568	-	"
KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	Connector manufacturing and sales business	434,035	(2)	-	-	-	Note 6:	(3,100)	100.00%	100.00%	(3,100)	429,350	-	Note 6, 11
Nantong Dadi Electric Co., Ltd.	Automobile cable bundle manufacturing and sales business	410,404	(3)	-	-	-	Note 2:	40,614	19.31%	19.31%	7,843	428,398	-	Note 2

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

Name of investee	Main Activities	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated remittance from Taiwan as of January 1, 2022	Investment flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Maximum Shareholding in the Interim	Investor's Share of Profit (Loss) of Investee	Carrying amount of Investment as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022	Note
					Outflow	Inflow								
Kung Shan Ching Zhi Electric Co., Ltd.	Electronic component sales business	-	(3)	-	-	-	Note 10:	7,527	30.00%	30.00%	2,258	18,772	-	Note 10
MEC ELECTRONICS (SUZHOU) CO., LTD.	Connector cable set manufacturing and sales business	121,853	(2)	301,403	-	-	301,403	1,017	100.00%	100.00%	1,017	76,168	-	Note 3, 11
SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Connector cable set manufacturing and sales business	311,640	(2)	210,065	-	-	210,065	(3,206)	100.00%	100.00%	(3,206)	(191,796)	-	"
HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Connector cable set manufacturing and sales business	167,061	(2)	73,123	-	-	73,123	13,050	100.00%	100.00%	13,050	864	-	"
MEC SUZHOU ELECTRONICS CO., LTD.	Connector cable set manufacturing and sales business	176,960	(2)	114,280	62,680	-	176,960	(113,306)	100.00%	100.00%	(113,306)	35,419	-	"
DONGGUAN COMPUPACK TECHNOLOGY CO., LTD.	Electronic component sales business	10,477	(1)	10,477	-	-	10,477	743	100.00%	100.00%	743	10,017	-	Note 4, 11
DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	Electronic component manufacturing and sales	128,110	(2)	129,711	-	-	129,711	38,688	100.00%	100.00%	38,688	123,307	-	Note 5, 11
SUZHOU KUANG YING ELECTRIC CO., LTD.	Electronic component manufacturing and sales	104,307	(2)	153,819	-	-	153,819	(628)	100.00%	100.00%	(628)	1,901	-	"
GENESIS INTERCONNECT CO., LTD.	Electronic component sales business	109,860	(2)	56,432	-	-	56,432	(1,401)	100.00%	100.00%	(1,401)	41,002	-	Note 7, 11
GENESIS GUIZHOU TECHNOLOGY CO., LTD.	Electronic component sales business	108,600	(2)	161,665	-	-	161,665	(6,086)	100.00%	100.00%	(6,086)	8,825	-	"
DONGGUAN POLIXIN ELECTRIC CO., LTD.	Electronic component sales business	65,150	(3)	-	-	-	-	(30,722)	100.00%	100.00%	(30,722)	2,612	-	Note 7, 8, 11

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

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

Note 1: There are 3 types of investment:

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

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

Note 3: Indirect investment of MEC IMEX INC.

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

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

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

Note 7: Indirect investment of GENESIS INNOVATION GROUP LIMITED.

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

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

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

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

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

b. Limitation on investment in Mainland China:

Name of investee	Accumulated remittance from Taiwan to China as of December 31, 2022 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on investment in Mainland China set by Investment Commission, Ministry of Economic Affairs
ACES Electronics Co.,Ltd.	1,442,430 (USD 48,316 thousand)	2,742,188 (USD 89,293 thousand)(Note 2)	3,382,272
MEC IMEX INC.	761,551 (USD 25,896 thousand)	1,027,096 (USD 33,445 thousand)	349,644
COMPUPACK TECHNOLOGY CO.,LTD.	10,477 (USD 350 thousand)	10,749 (USD 350 thousand)	106,013
KUANG YING COMPUTER EQUIPMENT CO., LTD.	283,530 (USD 8,983 thousand)	307,223 (USD 10,004 thousand)	Note 3

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

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

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

c. Significant transactions:

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

(4) Major shareholders:

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

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

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

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

14. Segment information:

(1) General Information

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

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

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

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

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

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

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

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

(3) Information on products

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

(4) Geographic information

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

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

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

Non-current assets:

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

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

(5) Information on key customers:

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

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

(5) A parent company only financial statement for the most recent fiscal year, certified by a CPA

Independent Auditors' Report

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

Opinion

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

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of ACES Electronics Co., Ltd. as of December 31, 2022 and 2021, and its financial performance and its cash flows for each of the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Description of key audit matter

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

1. Revenue Recognition

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

2. Valuation of inventory

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determined those matters that

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 24, 2023

Notes to Readers

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

ACES ELECTRONICS CO., LTD.

Balance Sheets

December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars)

		December 31, 2022		December 31, 2021				December 31, 2022		December 31, 2021	
Assets		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Liabilities and Equity					
1100	Cash and cash equivalents (Note 6(1))	\$ 826,070	8	1,231,459	13	Current liabilities					
110	Financial assets at fair value through profit or loss - current (Note 6(2) and (12))	62	-	99,988	1	2100	Short-term borrowings (Note 6(10))	\$ 650,000	6	260,000	3
1150	Notes receivable, net (Note 6(3) and (19))	42	-	478	-	2150	Notes payable	518	-	595	-
1170	Accounts receivable, net (Note 6(3), (19), and 7)	804,588	7	867,868	9	2170	Accounts payable	166,523	2	248,646	3
1180	Net trade receivable from related parties (Note 6(3))	148,889	1	169,858	2	2180	Accounts payable to related parties (Note 7)	763,869	7	824,492	8
1200	Other receivables (Note 6(3))	55,462	1	51,051	1	2200	Other payables (Note 6(14))	327,078	3	328,525	3
1210	Other receivables from related parties (Note 6(3) and 7)	5,275	-	4,936	-	2220	Other payables to related parties (Note 7)	96,629	1	58,109	1
1310	Inventories (Note 6(4))	304,605	3	354,629	4	2230	Current tax liabilities (Note 6(15))	23,371	-	21,619	-
1470	Other current assets (Note 6(1))	73,891	1	85,495	-	2280	Lease liabilities - current (Note 6(13) and 7)	8,716	-	15,025	-
		<u>2,218,884</u>	<u>21</u>	<u>2,865,762</u>	<u>30</u>	2322	Current installments of long-term borrowings (Note 6(11))	1,106,000	11	226,000	2
Non-current assets:						2399	Other current liabilities - others	26,554	-	23,855	-
1510	Financial assets at fair value through profit or loss - non-current (Note 6(2))	71,070	1	78,152	1			<u>3,169,258</u>	<u>30</u>	<u>2,006,866</u>	<u>20</u>
1550	Investments in equity-accounted investees (Note 6(5) and (6))	6,376,572	62	5,833,683	59	Non-current liabilities :					
1600	Property, plant and equipment (Note 6(7) and 7)	1,351,408	13	892,641	9	2530	Bonds payable (Note 6(12))	555,906	5	535,452	5
1755	Right-of-use assets (Note 6(8) and 7)	9,751	-	24,305	-	2540	Long-term borrowings (Note 6(11))	618,500	6	1,453,507	15
1780	Intangible assets (Note 6(9))	35,085	-	31,376	-	2570	Deferred tax liabilities (Note 6(15))	276,386	4	263,052	3
1915	Prepayment for equipment	169,730	2	139,929	1	2580	Lease liabilities - non-current (Note 6(13) and 7)	1,344	-	9,681	-
1990	Other non-current assets - other (Note 6(15))	55,914	1	20,791	-	2600	Other non-current liabilities (Note 6(11) and (14))	29,900	-	105,871	1
		<u>8,069,530</u>	<u>79</u>	<u>7,020,877</u>	<u>70</u>			<u>1,482,036</u>	<u>15</u>	<u>2,367,563</u>	<u>24</u>
Total assets		<u>\$ 10,288,414</u>	<u>100</u>	<u>9,886,639</u>	<u>100</u>	Total liabilities		<u>4,651,294</u>	<u>45</u>	<u>4,374,429</u>	<u>44</u>
						Equity (Note 6(16)):					
						3110	Common stock	1,344,177	13	1,343,959	14
						3200	Capital surplus (Note 6 (12) and (17)):	988,615	10	1,002,379	10
						Retained earnings:					
						3310	Legal Reserve	702,410	7	651,554	7
						3320	Special Reserve	168,631	2	122,358	1
						3350	Unappropriated earnings	2,492,404	24	2,554,928	26
								<u>3,363,445</u>	<u>33</u>	<u>3,328,840</u>	<u>34</u>
						Other equity:					
						3410	Exchange differences on translation of the Financial Statements foreign operations	(92,336)	(1)	(196,187)	(2)
						3460	Gain on property revaluation (Note 6(16))	33,219	-	33,219	-
						Total equity		<u>5,637,120</u>	<u>55</u>	<u>5,512,210</u>	<u>56</u>
						Total liabilities and equity		<u>\$ 10,288,414</u>	<u>100</u>	<u>9,886,639</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

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

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

See accompanying notes to parent company only financial statements.

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

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

See accompanying notes to parent company only financial statements.

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

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

See accompanying notes to parent company only financial statements.

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

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2022 and 2021

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

1. Organization

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

2. The Authorization of Financial Statements

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

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

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

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

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

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

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

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

ACES Electronics Co., Ltd.

Notes to the Parent Company Only Financial Statements

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

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

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

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

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on the parent company only financial statements.

- Amendments to IFRS 10 and IAS 28, ‘Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture’
- IFRS 17, ‘Insurance Contracts’ and amendments to IFRS 17
- Amendments to IFRS 17, Initial Application of IFRS 17 and IFRS 9 – Comparative Information
- Amendments to IFRS 16, Lease Liability in a Sale and Leaseback

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4. Summary of Significant Accounting Policies

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

(1) Statement of compliance

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

(2) Basis of preparation

a. Basis of measurement

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

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

b. Functional and presentation currency

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

(3) Foreign currency

a. Foreign currency transactions

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

Exchange differences are generally recognized in profit or loss.

b. Foreign operations

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

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

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

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

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

(5) Cash and cash equivalents

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

(6) Financial instruments

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

a. Financial assets

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

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

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(i) Financial assets measured at amortized cost

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

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

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

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

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

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

(iii) Business model assessment

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

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

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

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

(v) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(vi) Derecognition of financial assets

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

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

b. Financial liabilities and equity instruments

(i) Classification of debt or equity

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

(ii) Equity instrument

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

(iii) Compound financial instruments

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

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

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

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

(iv) Financial liabilities

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

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(v) Derecognition of financial liabilities

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

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

(vi) Offsetting of financial assets and liabilities

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

c. Derivative financial instruments

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

(7) Inventories

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

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

(8) Investments in subsidiaries

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

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

(9) Property, plant and equipment

a. Recognition and measurement

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

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

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

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b. Subsequent expenditure

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

c. Depreciation

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

Land is not depreciated.

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

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

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

(10) Lease

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

a. As a lessee

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

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

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

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

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

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

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

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

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

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

b. As a lessor

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

(11) Intangible assets

a. Recognition and measurement

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

b. Subsequent expenditure

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

c. Amortization

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

(i) Software: 1~2 years

(ii) Other intangible assets 1~3 years

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

(12) Impairment of non-financial assets

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

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

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

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

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

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

(13) Revenue Recognition

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

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

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

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

(14) Government grants

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

(15) Employee benefits

a. Defined contribution plans

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

b. Defined benefit plans

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

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

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

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

c. Short-term employee benefits

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

(16) Share-based payment

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

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

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

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

(17) Income taxes

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

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years.

The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainly related to income tax, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

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

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

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

(18) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Goodwill is measured as the excess of the acquisition-date fair value of consideration transferred (including any non-controlling interest in the acquiree) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed and recognize any additional assets or liabilities that are identified in that review, and shall recognize a gain on the bargain purchase thereafter.

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

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

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(19) Earnings per share

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

(20) Operating segments

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

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

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

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

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

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

(1) Valuation of inventories

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

(2) Valuation process

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

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

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

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

6. Description of Significant Accounts

(1) Cash and Cash Equivalents

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

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

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

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

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

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

(3) Notes, trade and other receivables

a. Details as follows:

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

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- b. The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes, accounts and other receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision for notes receivable, accounts receivable and other receivables for the years ended December 31 2022 and 2021 was analyzed as follows:

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

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

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

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

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

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

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

(4) Inventories

- a. Details as follows:

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

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

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

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

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(5) Investments accounted for using equity method

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

a. Change in ownership of a subsidiary

(i) MEC IMEX INC.

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

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

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

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

(iii) COMPUPACK TECHNOLOGY CO., LTD.

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

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

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(6) Business combination

a. Genesis Group

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

(i) Identifiable assets acquired and liabilities assumed

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

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

(ii) Goodwill

Goodwill recognized on acquisition:

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

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

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

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(iv) Impact on business performance from business combination

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

(v) Costs related to acquisition

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

b. JASON TECHNOLOGY LIMITED.

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

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

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

(ii) Identifiable assets acquired and liabilities assumed

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

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

(iii) Impact on business performance from business combination

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

(iv) Costs related to acquisition

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

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(7) Property, plant and equipment

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

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

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

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(8) Right-of-use asset

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

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

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(9) Intangible assets

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

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

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

(10) Short-term borrowings

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

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

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(11) Long-term borrowings

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

December 31, 2022				
	Currency	Interest rate	Maturity year	Amount
Unsecured bank loans	NTD	0.96%~1.86%	112~115	\$ 1,724,500
Less: current maturity				(1,106,000)
Total				\$ 618,500
Unused credit facility				\$ 456,000
December 31, 2021				
	Currency	Interest rate	Maturity year	Amount
Unsecured bank loans	NTD	0.85%~1.797%	112-115	\$ 1,679,507
Less: current maturity				(226,000)
Total				\$ 1,453,507
Unused credit lines				\$ 1,311,000

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

(12) Bonds payable

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

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

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

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

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

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(13) Lease liabilities

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

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

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

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

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

a. Lease of land, property and plant

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

b. Other lease

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

(14) Employee benefits

a. Defined benefit plans

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

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

The Company's employee benefit liability details as follows:

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

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.

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(i) Composition of plan assets

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

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

(ii) Changes on current value of defined obligation

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

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

(iii) Movements on fair value of plan assets

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

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

(iv) Expenses recognized in profit or loss

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

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

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

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

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

- (6) Actuarial assumptions

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

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

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

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

- (vii) Sensitivity analysis

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

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

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

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

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b. Defined contribution plans

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

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

(15) Income taxes

a. Income tax expenses

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

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

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

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

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

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

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b. Deferred tax assets and liabilities

(i) Unrecognized deferred tax liabilities

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

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

(ii) Recognized deferred tax assets and liabilities

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

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

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

c. Assessment of tax

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

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(16) Capital and other equity

a. Share capital

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

(a) Common stock

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

(b) Capital surplus

The balances of capital surplus were as follows:

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

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

c. Retained earnings

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

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

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

(i) Legal reserve

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

(ii) Special reserve

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

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

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Notes to the Parent Company Only Financial Statements

(iii) Earnings distribution

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

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

d. Other equity

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

(17) Share-based payment

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

	Cash increase of capital reserved for employee stock options
Grant date	November 12, 2021
Number unit	1,800 thousand shares
Vesting conditions	Vest immediately

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a. Measurement parameters of fair value of grant date

The fair value of the share-based payments granted by the Company was measured at the date of grant using the Black-Scholes option pricing model. Inputs from such model as follows:

	For the year ended December 31, 2021
	Cash increase of capital reserved for employee stock options
Fair value at the date of grant	11.60
Stock price at the date of grant	51.30
Exercise price	40.00
Volatility (%)	51.17%
Stock option expected life	40 days
Cash stock interest rate	2.45
Non-risk interest rate (%)	0.256%

Volatility is based on historical stock price volatility for the past year; and is in accordance with the Company's regulation on stock issuance within stock option expected life. Cash stock interest rate is based on cash stock interest rate issued by the Company for the past 3 years; non-risk interest rate is based on government bonds. Determination of fair value does not include considerations for service or non-market price conditions in current ongoing transactions.

c. Employees expenses and liabilities

Details of expenses incurred due to share-based payment in the year of 2021 as follows:

	For the year ended December 31, 2021
Expenses for cash increase of capital appropriated for employee stock options	\$ 20,880

(18) Earning per share

The calculation of basic earnings per share and diluted earnings per share were as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Basic earnings per share		
Current net profit attributable to the Company	\$ 225,319	510,855
Weighted average number of ordinary shares outstanding (shares in thousands)	134,406	122,922
Basic earnings per share (dollar)	\$ 1.68	4.16
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company (basic)	\$ 225,319	510,855
After tax shares of interest expenses of convertible bonds	17,167	1,775
Profit attributable to ordinary shareholders of the Company (diluted)	\$ 242,486	512,630
Weighted average number of ordinary shares outstanding (basic)	134,406	122,922
Effect of dilutive ordinary shares		
Effect of remuneration to employees in stock	1,147	917
Effect of conversion of convertible Company bonds	12,360	11,905
Weighted average number of ordinary shares outstanding (diluted)(shares in thousands)	147,913	135,744
Diluted earnings per share(dollar)	\$ 1.64	3.78

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(19) Revenue from contracts with customers

a. Disaggregation of revenue

	For the year ended December 31, 2022	For the year ended December 31, 2021
Primary geographical markets:		
Taiwan	\$ 782,215	719,345
China	2,255,705	2,801,572
Other countries	408,972	421,278
Total	\$ 3,446,892	3,942,195
Major products/services lines:		
Connectors	\$ 2,823,024	3,372,528
Connector accessories	82,978	130,255
Others	540,890	439,412
	\$ 3,446,892	3,942,195

b. Contract balances

	December 31, 2022	December 31, 2021
Notes receivable	\$ 42	478
Account receivable (including related parties)	955,890	1,040,370
Less: Loss allowance	(2,413)	(2,644)
Total	\$ 953,519	1,038,204

For details on notes and accounts receivable (including related parties) and allowance for impairment, please refer to note 6(3).

(20) Remunerations to employees and directors

Estimations for remunerations to employees and directors as follow:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Employees remuneration	\$ 10,776	39,826
Directors remuneration	6,408	14,924
	\$ 17,184	54,750

In accordance with the Articles of Incorporation, if there's any profit of the year, no less than 1% shall be appropriated to employees remuneration and no more than 3% to directors remuneration. However, if the Company has accumulated deficits, this profit shall be reserved for covering losses. The aforementioned employees remuneration must be controlled with conditions set forth by the Board of Directors or its proxy, or employees of subsidiaries.

The aforementioned employees compensation shall be distributed in the form of shares or cash. Those who received shares by the resolution of the board of directors can resolve in new share or purchase own shares. Compensation for the board of directors can only be distributed in the form of cash.

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The employee compensation and directors' remuneration were estimated as the income before tax, excluding the amount of employee compensation and directors' remuneration, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses. If there is a difference between estimation and actual appropriated amounts, changes in accounting estimates shall be applied. Such effect on changes shall be recognized in profit and loss in the next year.

The amount, as stated in the parent company only financial statements, are identical to those of the actual distributions for 2022 and 2021. Relevant information can be referred to on the "Market Observation Post System".

(21) Non-operating income and expenses

a. Other gains and losses

Details of other gains and losses of the Company for the years ended December 31, 2022 and 2021 were as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Foreign exchange gains	\$ 63,196	5,595
Gains (losses) on disposals of property, plant and equipment	(75)	222
Gains (losses) on financial assets at fair value through profit or loss	(37,358)	39,466
Other loss	(2,045)	(2,636)
	\$ 23,718	42,647

The Company can no longer obtain market price from periodical financial tools SPECTRA SPC POWERFUND. According to Article 13 'Fair value measurement' of IFRS on assessment of relevant information credibility and limitations, it is therefore moved from Level 1 to Level 3. The Company measured loss on fair value of the aforementioned asset recognized under 'other gains and losses'. Please refer to note 6(2) and 6(22) for details.

b. Finance costs

Details of finance costs of the Company for the years ended December 31, 2022 and 2021 were as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Bank loan interest	\$ (28,073)	(22,586)
Lease liabilities interest	(298)	(529)
Convertible company bond interest	(21,458)	(2,219)
	\$ (49,829)	(25,334)

(22) Financial instruments

a. Credit risk

(i) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(ii) Concentration to credit risk

The customers of the Company has a significant concentration on hi-tech industry. As of December 31, 2022 and 2021, the balance of accounts receivable had 61% and 52% from 7 and 5 customers respectively. This has presented high concentration of credit risk for the Company. In order to reduce accounts receivable credit risk, the Company continues to assess financial status of its customers.

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b. Liquidity Risk

Below table specifies maturity dates of financial liabilities contracts, including estimated interest, but not including effects on net amount agreements.

	Carrying amount	contractual cash flows	Within 1 year	2-5 years	Over 5 years
December 31, 2022					
Non-derivative financial liabilities					
Short-term borrowings	\$ 650,000	664,365	664,365	-	-
Notes payable	518	518	518	-	-
Account payable (including related parties)	930,392	930,392	930,392	-	-
Bonds payable	555,906	600,000	-	600,000	-
Other payable (including related parties)	423,707	423,707	423,707	-	-
Lease liabilities	10,060	10,157	8,804	1,353	-
Long-term (including due within 1 year)	1,724,500	1,764,926	1,132,344	632,582	-
	\$ 4,295,083	4,394,065	3,160,130	1,233,935	-
December 31, 2021					
Non-derivative financial liabilities					
Short-term borrowings	\$ 260,000	265,469	265,469	-	-
Notes payable	595	595	595	-	-
Account payable (including related parties)	1,073,138	1,073,138	1,073,138	-	-
Bonds payable	535,452	600,000	-	600,000	-
Other payable (including related parties)	386,634	386,634	386,634	-	-
Lease liabilities	24,706	25,089	15,318	9,771	-
Long-term borrowings (including due within 1 year)	1,679,507	1,713,396	85,033	1,628,363	-
	\$ 3,960,032	4,064,321	1,826,187	2,238,134	-

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

b. Currency risk

(i) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

Currency: expressed in thousands of dollars

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate (dollar)	NTD	Foreign currency	Exchange rate (dollar)	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 41,161	30.71	1,264,059	42,481	27.68	1,175,878
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	29,657	30.71	910,751	35,423	27.68	980,516

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(ii) Sensitivity analysis

The foreign currency risk mainly arose from the translation of cash and cash equivalents, accounts receivable, other receivables, accounts payable, and other payables.

As of December 31, 2022 and 2021, if the exchange rate had changed, given no changes in other factors, when NTD is depreciated or appreciated against USD by 5%, profit after tax would have increased or decreased by \$17,665 thousand and \$9,768 thousand for the years ended December 31, 2022 and 2021, respectively. The method of analysis remains the same for both periods.

(iii) Foreign exchange gains and losses on monetary items

The Company's information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years ended December 31, 2022 and 2021, foreign exchange gains (loss) (including realized and unrealized portions) amounted to \$63,196 thousands and \$5,595 thousands, respectively.

iv. Interest rate analysis

The Company's exposure to interest rate risk arising from financial assets and liabilities is described in the liquidity risk part of this note.

The following sensitivity analysis is determined through the exposure to interest rate risk of derivative and non-derivative instruments on the reporting date. For floating rate liabilities, the analysis assumes that the balances of outstanding liabilities on the reporting date have been outstanding for the whole period, and their rational change intervals are being estimated. If the interest rate increases/decreases by 1%, representing the reasonable interest rates changes made by management.

If the interest rate increased or decreased by 1%, given no changes in other factors, the profit before tax will decrease or increase by \$23,745 thousand and \$19,395 thousand for the years ended December 31, 2022 and 2021 respectively. This is mainly because of the Company's floating rate loans.

v. Fair value

(i) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss are measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy are stated below:

	December 31, 2022				
	Carrying amount	Fair value			Total
Level 1		Level 2	Level 3		
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatory measured at FVTPL	\$ 71,070	-	-	71,070	71,070
Convertible bonds of embedded derivatives	62	-	62	-	62
Subtotal	71,132	-	62	71,070	71,132

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	December 31, 2022				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 826,070	-	-	-	-
Notes receivable	42	-	-	-	-
Account receivable (including related parties)	953,477	-	-	-	-
Other receivables (including related parties)	60,737	-	-	-	-
Subtotal	1,840,326	-	-	-	-
Total	\$ 1,911,458	-	62	71,070	71,132
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 650,000	-	-	-	-
Notes payable	518	-	-	-	-
Account payable (including related parties)	930,392	-	-	-	-
Convertible company bond - liability components	555,906	-	-	-	-
Other payable (including related parties)	423,707	-	-	-	-
Lease liabilities	10,060	-	-	-	-
Long-term borrowings (including due within 1 year)	1,724,500	-	-	-	-
Subtotal	4,295,083	-	-	-	-
Total	\$ 4,295,083	-	-	-	-
	December 31, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatory measured at FVTPL	\$ 176,774	98,622	-	78,152	176,774
Convertible bonds of embedded derivatives	1,366	-	1,366	-	1,366
Subtotal	178,140	98,622	1,366	78,152	178,140
Financial assets measured at amortized cost					
Cash and cash equivalents	1,231,459	-	-	-	-
Notes receivable	478	-	-	-	-
Account receivable (including related parties)	1,037,726	-	-	-	-
Other receivables (including related parties)	55,987	-	-	-	-
Subtotal	2,325,650	-	-	-	-
Total	\$ 2,503,790	98,622	1,366	78,152	178,140
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 260,000	-	-	-	-
Notes payable	595	-	-	-	-
Account payable (including related parties)	1,073,138	-	-	-	-
Convertible company bond - liability components	535,452	-	-	-	-
Other payable (including related parties)	386,634	-	-	-	-
Lease liabilities	24,706	-	-	-	-
Long-term borrowings (including due within 1 year)	1,679,507	-	-	-	-
Subtotal	3,960,032	-	-	-	-
Total	\$ 3,960,032	-	-	-	-

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(ii) Valuation techniques of financial instruments not measured at fair value

A. Non-derivative financial instruments

Financial instruments traded in active market are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies equity instrument and debt instrument of the quoted price in an active market. If a quoted price of a financial instrument can be obtained readily and regularly from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities, and such price can reflect those actual trading and regularly occurring in the market. Then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not in accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a nonactive market. If the financial instrument held by the Company is of an active market, the fair value of it is determined in accordance with market price. If its of a nonactive market, the fair value is measured by net assets.

B. Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models (Black-Scholes Model).

(iii) Changes on Level 3 table

	Non-derivative financial assets mandatory measured at FVTPL
January 1, 2022	\$ -
Recategorized from Level 1	46,683
Total loss (recognized on profit and loss)	<u>(46,683)</u>
December 31, 2022	<u>\$ -</u>

The Company can longer obtain market price from periodical financial tools. According to Article 13 ‘Fair value measurement’ of IFRS on assessment of relevant information credibility and limitations, it is therefore moved from Level 1 to Level 3. The above loss was recorded under ‘other gain and loss’.

(iv) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include financial assets and liabilities measured at fair value through profit and loss.

Most of the Company's fair value were classified as Level 3 with only one significant unobservable input. Only liabilities instruments of nonactive market has more than one significant unobservable inputs. The significant unobservable inputs of financial instrument investments without an active market are individually independent, and there is no correlation between them.

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Quantified information of significant unobservable inputs was as follow:

Item	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit and loss - non-current	Net asset valuation method	Net asset valuation	Not applicable
Financial assets at fair value through profit and loss - current	Net asset valuation method	Illiquidity and market discount and credit risk adjustment (including risk of breach of contract) were 100%.	<ul style="list-style-type: none"> ● The higher the market illiquidity discount is, the lower the fair value. ● The higher the credit risk is, the lower the fair value.

(23) Financial risk management

a. Overview

The Company have exposures to the following risks from its financial instruments:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying parent company only financial statements.

b. Structure of risk management

Detailed financial information on the Company's significant financial instruments were disclosed under notes of each listing. However, the Company is still exposed to financial risks posed by aforementioned financial instruments. Such risks include market risks (including exchange rate risks, interest rate risks and other pricing risks) credit risk and liquidity risk.

The Company has stipulated risk management policies or risk management procedure in writing which were in resolution with the board of directors in order to identify, measure, monitor and control credit risks, market risks and liquidity risks. Risk management of the Company is executed by the finance department in accordance with risk management polices approved by the board of directors. Risk management department works closely with other departments to identify, evaluate and avoid any kind of financial risks. The board of directors has stipulated written policies for risk management. Such policies included certain risk exposures such as exchange rate risks, interest rate risks, credit risks, derivatives and non-derivatives financial instrument risks and etc. Moreover, the internal audit department is also responsible for risk management and control of environment for independent audit.

c. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment of marketable securities.

(i) Accounts receivable and other receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered, thus set up individual credit limit in order to control credit risk.

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(ii) Financial investments

The credit risk exposure in the bank deposits, fix income investments and other financial instruments are measured and monitored by the Company's finance department. As the Company deals with the banks and other external parties with good credit standing and financial institutions, corporate organization and government agencies which are graded above investment level, the management believes that the Company does not have any compliance issues, and therefore, there is no significant credit risk.

(iii) Guarantee

The Company only provide guarantee to parties listed under procedures for guarantee and endorsement. The Company did not provide guarantee to any third party not listed by the Company's policy as of December 31, 2022 and 2021.

d. Liquidity risk

The Company is supporting the operation and reducing effects caused by cash flow fluctuations by manage and maintain sufficient cash and cash equivalents. The management of the Company monitors financing credit limits from banks and makes sure contracts were adhered to.

Bank borrowing is an important source of liquidity for the Company. As of December 31, 2022 and 2021, the Company' s unused credit line were amounted to \$1,779,550 and \$2,660,760, respectively.

e. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company' s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Company. The currencies used in these transactions are the US dollar (USD).

(ii) Interest rate risk

The Company borrows with both floating interest rate and fixed interest rate, thus change risk and cash flow risk were incurred for fair value. The Company can manage its interest risk through maintaining an appropriate portfolio of floating interest rate and fixed interest rate.

(iii) Other market price risk

The Company is exposed to equity price risk due to the investment in equity securities. This is a strategic investment and is not held for trading. The Company does not actively trade in these investments as the management of the Company minimizes the risk by holding different investment portfolios.

(24) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain the future development of the business. The capital includes common stock, capital surplus, retained earnings and other equities. The board of directors are in control of ordinary shares' dividend value.

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The Company use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital is the total components of equity (i.e. share capital, capital surplus, retained earnings and other equities).

Debt-to-equity ratio for the years ended December 31, 2022 and 2021 as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 4,651,294	4,374,429
Less: cash and cash equivalents	(826,070)	(1,231,459)
Net liabilities	\$ 3,825,224	3,142,970
Total equity	\$ 5,637,120	5,512,210
Debt-to-equity ratio	67.86%	57.02%

(25) Investing and financing activities not affecting the current cash flow

Details of investing and financing activities not affecting the current cash flow of the Company for the years ended December 31, 2022 and 2021 were as follows:

- a. Conversion of convertible bonds to ordinary shares, please refer to Note 6(16) for details.
- b. Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2022	Cash flow	Non-Cash changes	December 31, 2022
Long-term borrowings (including due within 1 year)	\$ 1,679,507	45,000	(7)	1,724,500
Short-term borrowings	260,000	390,000	-	650,000
Lease liabilities	24,706	(15,130)	484	10,060
Bonds payable	535,452	-	20,454	555,906
Total liabilities from financing activities	\$ 2,499,665	419,870	20,931	2,940,466

	January 1, 2021	Cash flow	Non-Cash changes	December 31, 2021
Long-term borrowings (including due within 1 year)	\$ 1,354,700	326,000	(1,193)	1,679,507
Short-term borrowings	526,640	(266,640)	-	260,000
Lease liabilities	20,603	(17,666)	21,769	24,706
Bonds payable	-	603,181	(67,729)	535,452
Total liabilities from financing activities	\$ 1,901,943	644,875	(47,153)	2,499,665

7. Related-party transactions

(1) Names and relationship with related parties

Name of related parties	Relationship with the Company
ACECONN ELECTRONIC CO., LTD.	Subsidiary
ACES PRECISION INDUSTRY PTE LTD.	Subsidiary
ACESCONN HOLDINGS CO., LTD.	Subsidiary
WEI HONG INTERNATIONAL INVESTMENT CO., LTD.	Subsidiary
ACES (HONG KONG) ELECTRONIC CO., LTD.	Subsidiary
MEC IMEX INC.	Subsidiary
ACES JAPAN CO., LTD.	Subsidiary

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Name of related parties	Relationship with the Company
ACES INTERCONNECT (USA), INC.	Subsidiary
COMPUPACK TECHNOLOGY CO., LTD.	Subsidiary
ACES Precision Machinery Co., Ltd.	Subsidiary
KUNSHAN ACES TRADING CO., LTD.	Subsidiary
DONGGUAN ACES ELECTRONIC CO., LTD.	Subsidiary
KUNSHAN ACES ELECTRONIC CO., LTD..	Subsidiary
CHONGQING HONG GAO ELECTRONIC CO., LTD.	Subsidiary
KUANG YING COMPUTER EQUIPMENT CO., LTD.	Subsidiary
KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	Subsidiary
ASIA CENTURY INVESTMENT LTD.	Subsidiary
GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	Subsidiary
MEC INTERNATIONAL COMPANY LTD.	Subsidiary
MEC ELECTRIC SOLUTIONS GMBH	Subsidiary
MEC ULTRAMAX (H.K.) COMPANY LIMITED	Subsidiary
MEC BEST KNOWN COMPANY LIMITED	Subsidiary
MEC ELECTRONICS (HK) COMPANY LIMITED	Subsidiary
MEC ELECTRONICS PHILIPPINES CORPORATION	Subsidiary
MEC ELECTRONICS (SUZHOU) CO., LTD.	Subsidiary
SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Subsidiary
HOMEPRIDE TECHNOLOGY LIMITED	Subsidiary
HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Subsidiary
MEC IMEX (USA), INC.	Subsidiary
MEC SUZHOU ELECTRONICS CO., LTD.	Subsidiary
MICON PRECISE CORP.	Subsidiary
GLOBAL ACUMEN LIMITED	Subsidiary
DONGGUAN COMPUPACK TECHNOLOGY CO., LTD.	Subsidiary
CONG TY TNHH CHINH XAC NGAN VUONG	Subsidiary
INFOMIGHT INVESTMENTS LIMITED	Subsidiary
BELTA INTERNATIONAL LIMITED	Subsidiary
CERTILINK INTERNATIONAL LIMITED	Subsidiary
ACCURATE GROUP LIMITED	Subsidiary
KIMBEST INTERNATIONAL LIMITED (Note1)	Subsidiary

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<u>Name of related parties</u>	<u>Relationship with the Company</u>
DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD..	Subsidiary
SUZHOU KUANG YING ELECTRIC CO., LTD.	Subsidiary
GENESIS ELECTROMECHANICAL LIMITED	Subsidiary
GENESIS INNOVATION GROUP LIMITED	Subsidiary
GENESIS HOLDING COMPANY	Subsidiary
GENESIS TECHNOLOGY USA, INC.	Subsidiary
JASON TECHNOLOGY LIMITED.	Subsidiary
GENESIS TECHNOLOGY(NINGBO) INC.	Subsidiary
SHENZHEN JINO ELECTRONIC CO., LTD.	Subsidiary
GENESIS INTERCONNECT CO., LTD.	Subsidiary
GENESIS GUIZHOU TECHNOLOGY CO., LTD.	Subsidiary
DONGGUAN POLIXIN ELECTRIC CO., LTD.	Subsidiary
Wei Chi Investment Co., Ltd.	Corporate director of the Company
Hsu Cheng-Fei	Board of director
Nantong Dadi Electric Co., Ltd.	Affiliated company
Kung Shan Ching Zhi Electric Co., Ltd.	Affiliated company

Note 1: The company completed liquidation during the year of 2021.

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(2) Significant related party transactions

- a. The amounts of significant sales, services provide, and balance due from the Company to related parties were as follows:

	Sales and services provided		Receivables from related parties	
	For the year ended December 31, 2022	For the year ended December 31, 2021	December 31, 2022	December 31, 2021
	Sales	\$ 222,864	289,179	100,973
Technical service	24,297	25,061	10,601	11,565
Use of trade mark	43,289	48,049	19,805	23,474
Commission for purchase	<u>3,083</u>	<u>3,435</u>	<u>17,510</u>	<u>23,010</u>
	<u>\$ 293,533</u>	<u>365,724</u>	<u>148,889</u>	<u>169,858</u>

Selling price and sales term to subsidiaries is not significantly different from general sales. . The terms for receivables from related parties were O/A 90 to 120 days while it's 90 to 150 day to ordinary customers.

No collaterals were pledged from the receivables of the related parties and it was deemed not necessary to be recorded as impairment loss after assessment.

- b. Purchase amount and balance due from the Company to related parties as follows:

	Purchase		Payables to Related Parties	
	For the year ended December 31, 2022	For the year ended December 31, 2021	December 31, 2022	December 31, 2021
	Subsidiaries	<u>\$ 1,833,125</u>	<u>2,055,828</u>	<u>763,869</u>

The Company did not purchase the same type of products from other supplier; therefore there is no comparison. The terms for payables to related parties were 90 to 120 days while it's 90 to 150 day to ordinary suppliers.

- c. Service provided by related parties and balance due as follows:

	Transaction amount		Other payable - related parties	
	For the year ended December 31, 2022	For the year ended December 31, 2021	December 31, 2022	December 31, 2021
	Subsidiaries	<u>\$ 11,847</u>	<u>15,030</u>	<u>2,020</u>

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d. Property transactions

- (i) The disposals of equipment to related parties and balance due are summarized as follows:

	Transaction amount		Gain (loss) on disposal		Other receivables – related parties	
	For the year ended	For the year ended	For the year ended	For the year ended	December	December
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	31, 2022	31, 2021
Subsidiaries	\$ 465	-	71	-	465	134

e. Endorsement

The Company has endorsed its subsidiaries for taking out loans from banks for the years of 2022 and 2021, and the actual amount used as guarantee were \$127,840 thousand and \$249,120 thousand respectively.

f. Leases

The Company has rented buildings and land from related parties, and signed 1 to 3 years lease contracts with reference of neighboring rental market price and land market price in the total contract amount of \$36,759 thousand and \$36,606 thousand for the year of 2022 and 2021 respectively. The lease payment were \$13,710 thousand and \$13,629 for the year of 2022 and 2021 respectively. And as of the end of December 31, 2022 and 2021, the balance of lease liabilities were \$6,826 and \$18,482 respectively.

g. Others

As of December 31, 2022 and 2021, other receivables from collection and payment on behalf of. another party, various expenses and other expenditures between the Company and related parties were \$4,810 thousand and \$4,802 thousand respectively. Other payables were \$94,609 thousand and \$56,982 thousand respectively.

(3) Key management personnel transactions

Key management personnel compensation comprised:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Short-term employee benefits	\$ 43,960	64,359
Post-employment benefits	1,199	1,154
	\$ 45,159	65,513

8. Assets pledged as security: none.

9. Significant Commitments and contingencies:

(1) Unrecognized commitments of the Company:

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment	\$ 675,102	28,189
Acquisition of intangible assets	27,174	-
Total	\$ 702,276	28,189

For the purpose of sales development and future operational needs, the board of directors approved to use own land to build buildings on August 12, 2021. A building contract was signed with not-related parties in the first quarter of 2021 in the amount of \$1,098,800 thousand. As of December 31, 2022, \$395,568 thousand of the contracted price had been paid.

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(2) Promissory note issued by the Company for credit limit:

	December 31, 2022	December 31, 2021
	\$ 4,973,550	4,513,760

(3) Amounts paid in as customs duties guarantee for imported goods:

	December 31, 2022	December 31, 2021
	\$ 4,000	4,000

10. Due to Major Disasters: none.

11. Significant Subsequent Events: none.

12. Other

a. A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By function By item	For the year ended December 31, 2022			For the year ended December 31, 2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	163,457	350,325	513,782	148,857	318,954	467,811
Labor and health insurance	18,732	31,344	50,076	16,940	25,692	42,632
Pension	7,831	16,288	24,119	6,918	13,574	20,492
Remuneration of directors	-	14,580	14,580	-	20,544	20,544
Other employee benefits	19,376	19,789	39,165	22,361	37,236	59,597
Depreciation	164,125	36,993	201,118	132,485	38,025	170,510
Amortization	173	24,919	25,092	408	10,236	10,644

b. The additional information of number of employees and employee benefits in the year 2022 2021 was as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Number of employees	683	613
Number of non-employee directors	7	5
Average employee benefits	\$ 928	971
Average employee salary	\$ 760	769
Adjustment of average employee salary	(1.17)%	0.13%
Supervisor's remuneration	\$ -	32

c. The Company's remuneration policy including directors, supervisors, managers, and employees is stated below:

The remuneration for the Company's directors and supervisors are mainly consisted of travel allowance and remuneration. Travel allowance is in accordance with market related amount and remuneration is in accordance with Articles of Incorporation of the Company. It shall not be higher than 3% of the current annual revenue and it has to in resolution of the board of directors and reported in the shareholders' meeting. The remuneration is determined by the performance of directors of the Company, taken into consideration of the overall operating result, future industry operating risks and development.

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Actual absence in board meetings, individual performance and contribution to the company's performance were taken into consideration for determining reasonable remuneration.

The remuneration of the Company's managers includes salary, bonus, special disbursement, and employees remuneration. The Article of Incorporation stipulated that more than 1% of the year's profit shall be allocated to employees remuneration. Manager's remuneration is determined based on his or her position and contribution to the Company and with reference to the industry standard. The reasonableness of relevant remuneration has been approved by the Committee of Salary Remuneration in order to make sure balance of continuous business and risk control.

Salary policy of the employees is following the rules set forth by salary management procedures. Employees grade, promotion and salary all have procedures to follow with. Salary is mainly consist of fixed salary, various allowance and overtime payment. Bonus systems such as performance bonus, year-end bonus and remuneration distribute operating profits to employees according to individual performance. Hence the salary of employees will grow with the Company.

13. Other disclosures

(1) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the years ended December 31, 2022.

a. Lending to other parties:

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 8)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt			Collateral	Individual funding loan limits	Maximum limit of fund financing	Note
												Amount	Item	Value				
1	KUNSHAN ACES ELECTRONIC CO., LTD..	GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	Other receivables	Yes	410,780	198,360	198,360	1.50%-2.10%	2	-	Operation requirements	-	None	-	2,836,190	2,836,190	Note 3, 4, 12	
1	KUNSHAN ACES ELECTRONIC CO., LTD..	KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	Other receivables	Yes	132,240	132,240	-	0.00%	2	-	Operation requirements	-	None	-	2,836,190	2,836,190	Note 3, 4, 12	
2	MEC IMEX INC.	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Other receivables	Yes	200,375	76,775	-	0.00%	2	-	Operation requirements	-	None	-	233,096	233,096	Note 4, 5, 12	
2	MEC IMEX INC.	HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Other receivables	Yes	32,215	30,710	30,710	2.65%	2	-	Operation requirements	-	None	-	233,096	233,096	"	
2	MEC IMEX INC.	MEC SUZHOU ELECTRONICS CO., LTD.	Other receivables	Yes	96,645	92,130	92,130	2.65%	2	-	Operation requirements	-	None	-	233,096	233,096	"	
3	MEC INTERNATIONAL COMPANY LTD.	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Other receivables	Yes	23,952	-	-	0.00%	2	-	Operation requirements	-	None	-	156,789	156,789	Note 3, 4, 12	

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No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 8)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing	Note
													Amount	Item			
4	MEC BEST KNOWNCOMPANY LIMITED	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Other receivables	Yes	82,530	42,994	42,994	1.00%	2	-	Operation requirements	-	None	-	128,982	128,982	Note 6, 12
5	MEC ELECTRONICS (HK) COMPANY LTD.	HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Other receivables	Yes	35,784	17,632	17,632	1.30%~2.00%	2	-	Operation requirements	-	None	-	122,840	122,840	Note 8, 12
5	MEC ELECTRONICS (HK) COMPANY LTD.	HOMEPRIDE TECHNOLOGY LIMITED	Other receivables	Yes	28,994	27,639	15,355	1.00%	2	-	Operation requirements	-	None	-	122,840	122,840	"
6	MEC ELECTRONICS (SUZHOU) CO., LTD.	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Other receivables	Yes	67,590	39,672	39,672	2.00%	2	-	Operation requirements	-	None	-	132,240	132,240	Note 7, 12
6	MEC ELECTRONICS (SUZHOU) CO., LTD.	HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Other receivables	Yes	27,036	26,448	26,448	2.00%	2	-	Operation requirements	-	None	-	132,240	132,240	"
7	GENESIS ELECTRO-MECH ANICAL LIMITED	GENESIS INNOVATION GROUP LIMITED	Other receivables	Yes	92,135	87,831	15,355	1.20%	2	-	Operation requirements	-	None	-	705,509	705,509	Note 9, 12
7	GENESIS ELECTRO-MECH ANICAL LIMITED	GENESIS TECHNOLOGY USA, INC.	Other receivables	Yes	48,323	46,065	46,065	1.20%	2	-	Operation requirements	-	None	-	705,509	705,509	Note 9, 12
7	GENESIS ELECTRO-MECH ANICAL LIMITED	MEC ELECTRONICS PHILIPPINES CORP.	Other receivables	Yes	32,215	30,710	30,710	1.20%	2	-	Operation requirements	-	None	-	141,102	141,102	"
7	GENESIS ELECTRO-MECH ANICAL LIMITED	MEC IMEX INC.	Other receivables	Yes	64,430	61,420	61,420	1.20%~3.50%	2	-	Operation requirements	-	None	-	141,102	141,102	"
7	GENESIS ELECTRO-MECH ANICAL LIMITED	MICON PRECISE CORP.	Other receivables	Yes	28,625	-	-	0.00%	2	-	Operation requirements	-	None	-	141,102	141,102	"
7	GENESIS ELECTRO-MECH ANICAL LIMITED	COMPUPACK TECHNOLOGY CO., LTD.	Other receivables	Yes	28,625	-	-	0.00%	2	-	Operation requirements	-	None	-	141,102	141,102	Note 9, 12
8	GENESIS INNOVATION GROUP LIMITED	DONGGUAN POLIXIN ELECTRIC CO., LTD.	Other receivables	Yes	63,678	61,420	61,420	1.20%~3.50%	2	-	Operation requirements	-	None	-	861,596	861,596	"
8	GENESIS INNOVATION GROUP LIMITED	MEC IMEX INC.	Other receivables	Yes	125,850	122,840	122,840	3.10%~3.50%	2	-	Operation requirements	-	None	-	172,319	172,319	"
8	GENESIS INNOVATION GROUP LIMITED	COMPUPACK TECHNOLOGY CO., LTD.	Other receivables	Yes	85,875	-	-	0.00%	2	-	Operation requirements	-	None	-	172,319	172,319	"
9	MEC SUZHOU ELECTRONICS CO., LTD.	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Other receivables	Yes	45,060	44,080	-	2.00%	2	-	Operation requirements	-	None	-	106,257	106,257	Note 10, 12

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- Note 1: In accordance with the Company's 'Procedures for Lending Funds to Others', when lending funds to companies or firms that are in need of short-term working capital, the individual loan amount shall not exceed 10% of the Company's net value.
- Note 2: In accordance with the Company's 'Procedures for Lending Funds to Others', when lending funds to others, the total loan amount shall not exceed 40% of the Company's net value.
- Note 3: According to 'Procedures for Lending Funds to Others' of subsidiaries KUNSHAN ACES ELECTRONIC CO., LTD., and MEC INTERNATIONAL COMPANY LTD., when lending funds to companies or firms that are in need of short-term working capital, the individual loan amount shall not exceed 10% of each lending company. However, if the borrowing company and its parent company directly or indirectly hold 100% of the voting shares of the foreign company, the individual loan amount shall not exceed 100% of the net value of that subsidiary.
- Note 4: According to 'Procedures for Lending Funds to Others' of subsidiaries KUNSHAN ACES ELECTRONIC CO., LTD., MEC IMEX INC., and MEC INTERNATIONAL COMPANY LTD., when lending funds to companies or firms that are in need of short-term working capital, the individual loan amount shall not exceed 40% of each lending company. However, if the borrowing company and its parent company directly or indirectly hold 100% of the voting shares of the foreign company, the individual loan amount shall not exceed 100% of the net value of that subsidiary.
- Note 5: According to 'Procedures for Lending Funds to Others' of subsidiary MEC IMEX INC., when lending funds to companies or firms that are in need of short-term working capital, the individual loan amount shall not exceed 40% of each lending company. However, if the borrowing company and its parent company directly or indirectly hold 100% of the voting shares of the foreign company, the individual loan amount shall not exceed 100% of the net value of that subsidiary.
- Note 6: The total amount of funds lent to others and the limit for individual loans for an individual enterprise by MEC BEST KNOWN COMPANY LTD., a subsidiary of the Company, was fixed at USD4,200 thousand
- Note 7: The total amount of funds lent to others and the limit for individual loans for an individual enterprise by MEC ELECTRONICS (SUZHOU) CO., LTD., a subsidiary of the Company, was fixed at CNY30,000 thousand.
- Note 8: The total amount of funds lent to others and the limit for individual loans for an individual enterprise by MEC ELECTRONICS (HK) COMPANY LTD., a subsidiary of the Company, was fixed at USD4,000 thousand.
- Note 9: According to 'Procedures for Lending Funds to Others' of subsidiaries GENESIS ELECTRO-MECHANICAL LIMITED and GENESIS INNOVATION GROUP LIMITED., when lending funds to companies or firms that are in need of short-term working capital, the individual loan amount shall not exceed 40% of each lending company. However, if the borrowing company and its parent company directly or indirectly hold 100% of the voting shares of the foreign company, the individual loan amount shall not exceed 200% of the net value of that subsidiary.
- Note 10: According to 'Procedures for Lending Funds to Others' of subsidiary MEC SUZHOU ELECTRONICS CO., LTD., when lending funds to companies or firms that are in need of short-term working capital, the total amount lend to others shall not exceed 40% of the company's net value, and the individual loan amount shall not exceed 40% of each lending company. However, if the borrowing company and its parent company directly or indirectly hold 100% of the voting shares of the foreign company, the individual loan amount shall not exceed 300% of the net value of that subsidiary.
- Note 11: Methods on how to fill in nature of the loan below:
(i) Fill in "1" for business transactions.
(ii) Fill in "2" for necessary short-term working capital.
- Note 12: The above transactions have been written-off in preparation of consolidated financial statements.

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b. Endorsement for others:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for an enterprise individual (Note 1, 3, 4, 5)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net equity of the latest financial statements	Maximum amount for guarantees and endorsements (Note 2, 3, 4, 5)	Endorsements/guarantees by parent company	Subsidiary endorsements/guarantees by a subsidiary	Endorsements/guarantees to a subsidiary in Mainland China
		Name	Relationship (Note 7)										
0	The Company	KUNSHAN ACES ELECTRONIC CO., LTD..	2	5,637,120	594,400	307,100	-	-	5.45%	5,637,120	Y	N	Y
0	The Company	CONG TY TNHH CHINH XAC NGAN VUONG	2	5,637,120	317,500	153,550	122,840	-	2.72%	5,637,120	Y	N	N
0	The Company	ACES Precision Machinery Co., Ltd.	2	5,637,120	50,000	50,000	5,000	-	0.89%	5,637,120	Y	N	N
1	MEC IMEX INC.	MEC INTERNATIONAL COMPANY LTD.	2	582,739	273,828	107,485	107,485	-	18.44%	582,739	N	N	N
2	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD..	KUANG YING COMPUTER EQUIPMENT CO., LTD.	3	128,675	4,832	4,607	1,357	-	3.74%	128,675	N	N	N
2	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD..	KUNSHAN ACES ELECTRONIC CO., LTD..	2	128,675	4,832	4,607	1,357	-	3.74%	128,675	N	N	Y
3	SUZHOU KUANG YING ELECTRIC CO., LTD.	KUANG YING COMPUTER EQUIPMENT CO., LTD.	3	99,808	4,832	4,607	178	-	242.34%	99,808	N	N	N
3	SUZHOU KUANG YING ELECTRIC CO., LTD.	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	2	99,808	4,832	4,607	178	-	242.34%	99,808	N	N	Y

Note 1: According to 'Endorsement Guarantee Procedure' of the Company, the guarantees and endorsements for an individual enterprise shall not exceed 20% of the Company's net value. However, if it holds more than 50% of the Company's direct or indirect voting rights, then guarantees and endorsements shall not exceed 100% of the Company's net value.

Note 2: According to 'Endorsement Guarantee Procedure' of the Company, the guarantees and endorsements shall not exceed 100% of the Company's net value.

Note 3: According to 'Endorsement Guarantee Procedure' of subsidiary MEC IMEX INC., the guarantees and endorsements for an individual enterprise shall not exceed 20% of the Company's net value. However, if it holds more than 20% of the Company's direct or indirect voting rights, then guarantees and endorsements shall not exceed 100% of the Company's net value. The guarantees and endorsements shall not exceed 100% of the Company's net value.

Note 4: The Company and its subsidiaries provide customs guarantee for themselves in accordance with rules and regulations for guarantees and endorsements for an individual enterprise from 'Endorsement Guarantee Procedure'.

Note 5: Relationship between the Company and counter-party of guarantee and endorsement as follows:

(i) Companies with business relationship.

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Notes to the Parent Company Only Financial Statements

(ii) The Company holds over 50% voting rights over the counter-party directly or indirectly.

(iii) The counter-party holds over 50% voting rights of the Company directly or indirectly.

(iv) Companies that hold over 90% voting rights directly or indirectly.

(v) Companies for which the endorsement guarantee was provided by all shareholders based on shareholding ratio due to joint investment venture.

(vi) Companies mutually providing guarantee according to contract requirements for engineering contracts or joint ventures.

(vii) Joint and several guarantees for performance guarantees under pre-sale housing sales contracts among peers in accordance with the Consumer Protection Act.

Note 6: According to 'Endorsement Guarantee Procedure' of subsidiary DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD. And SUZHOU KUANG YING ELECTRIC CO., LTD., the guarantees and endorsements for an individual enterprise shall not exceed the Company's paid-in capital. However, if it holds more than 100% of the company's direct or indirect voting rights, then guarantees and endorsements shall not exceed the endorsing company's paid-in capital. The guarantees and endorsements shall not exceed the company's paid-in capital.

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- c. Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(Shares in thousands)

Name of Holder	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2022				Note
				Shares	Carrying amount	Percentage of ownership	Fair value	
The Company	SPECTRA SPC POWERFUND	-	Financial assets at FVTPL – current	380	-	- %	-	-
The Company	Fund: China Development Advantage Venture Capital Limited Partnership.	-	Financial assets at FVTPL – non-current	-	71,070	1.54%	71,070	-

- d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- e. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- f. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- g. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Counter-party of sales/purchase	Name of counter-party	Relationship	Transaction details				Unusual transaction details		Notes and accounts receivables (payables)		Note
			Sales/purchase	Amount	Percentage of total purchases/sales	Credit terms	Unit price	Credit terms	Balance amount	Percentage in total notes and accounts receivable (payable)	
The Company	DONGGUAN ACES ELECTRONIC CO., LTD.	Subsidiary	Purchase	695,663	31.52%	OA 120 days	-	-	334,089	35.89%	
The Company	KUNSHAN ACES ELECTRONIC CO., LTD.	Subsidiary	Purchase	1,040,965	47.17%	OA 120 days	-	-	399,661	42.93%	
KUNSHAN ACES ELECTRONIC CO., LTD.	GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	Affiliates	Purchase	310,799	39.85%	OA 30 days	-	-	64,008	20.37%	
DONGGUAN ACES ELECTRONIC CO., LTD.	KUNSHAN ACES ELECTRONIC CO., LTD.	Affiliates	Purchase	229,599	26.05%	OA 90 days	-	-	69,462	17.79%	
GENESIS TECHNOLOGY USA, INC.	GENESIS TECHNOLOGY(NINGBO) INC.	Affiliates	Purchase	492,117	64.18%	OA 120 days	-	-	209,853	74.22%	
KUANG YING COMPUTER EQUIPMENT CO., LTD.	DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	Affiliates	Purchase	518,267	83.99%	OA 60 days	-	-	113,388	72.05%	
MEC IMEX INC.	MEC SUZHOU ELECTRONICS CO., LTD.	Affiliates	Purchase	468,917	74.80%	OA 90 days	-	-	-	-%	

Note 1: Only information pertaining to purchase was disclosed, relevant sales information will not be reiterated.

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h. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Relationship	Nature of relationship	Turnover rate	Overdue		Accounts received in subsequent period	Allowance for bad debt
					Amount	Action taken		
DONGGUAN ACES ELECTRONIC CO., LTD.	The Company	Subsidiary	334,089	2.29	-	-	104,360	-
KUNSHAN ACES ELECTRONIC CO., LTD.	The Company	Subsidiary	399,661	2.24	-	-	176,312	-
GENESIS TECHNOLOGY(NINGBO) INC.	GENESIS TECHNOLOGY USA, INC.	Affiliates	209,853	4.69	-	-	87,771	-
DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	KUANG YING COMPUTER EQUIPMENT CO., LTD.	Affiliates	113,388	4.78	-	-	55,873	-
MEC SUZHOU ELECTRONICS CO., LTD.	SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Affiliates	142,640	-	-	-	-	-

Note 1: Loan and interest receivables.

i. Trading in derivative instruments: None.

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(2) Information on investments:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Name of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying amount			
The Company	ACECONN ELECTRONIC CO., LTD.	SAMOA	Investment holding	318,665	318,665	19,800	100.00%	3,947,663	180,653	170,626	
The Company	ACES (HONG KONG) ELECTRONIC CO., LTD.	SAMOA	Connectors sales	9,579	9,579	300	100.00%	12,727	(20)	(20)	
The Company	ACES PRECISION INDUSTRY PTE LTD.	Singapore	Connectors sales business	208,410	208,410	8,162	100.00%	51,721	(771)	(771)	
The Company	ACESCONN HOLDINGS CO., LTD	SAMOA	Investment holding	351,112	351,112	12,000	100.00%	190,259	(22,562)	(22,562)	
The Company	WEI HONG INTERNATIONAL INVESTMENT CO., LTD.	Taiwan	Investment business	25,000	25,000	2,500	100.00%	27,973	(322)	(322)	
The Company	MEC IMEX INC.	Taiwan	Connector cable set sales business	809,032	709,034	45,575	99.84%	552,065	(123,746)	(92,668)	
The Company	ACES JAPAN CO., LTD.	Japan	Connector development business	15,137	15,137	4.5	100.00%	13,978	100	100	
The Company	ACES INTERCONNECT (USA) INC.	USA	Connectors sales industry	9,711	9,711	300	100.00%	9,684	(236)	(236)	
The Company	COMPUPACK TECHNOLOGY CO., LTD.	Taiwan	Electronic component sales business	277,237	247,237	20,138	93.67%	238,248	(29,173)	(21,337)	
The Company	KUANG YING COMPUTER EQUIPMENT CO., LTD.	Taiwan	Electronic component manufacturing and sales business	198,697	223,612	25,906	99.66%	248,337	29,588	37,922	
The Company	ACES Precision Machinery Co., Ltd.	Taiwan	Mold part manufacturing and sales business	130,000	130,000	13,000	100.00%	90,521	(12,936)	(12,936)	
The Company	GENESIS HOLDING COMPANY	Cayman	Investment holding	589,118	589,118	27,778	100.00%	845,798	162,458	204,026	
The Company	GENESIS TECHNOLOGY USA, INC.	USA	Electronic component sales business	20,104	20,104	1.5	100.00%	137,237	(40,093)	(40,093)	

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Name of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying amount			
The Company	JASON TECHNOLOGY LIMITED.	Hong Kong	Electronic component sales business	-	-	5,000	100.00%	10,361	(9,166)	(11,132)	Note 2
ACESCONN HOLDINGS CO.,LTD	ASIA CENTURY INVESTMENT LTD	SAMOA	Investment holding	351,112	351,112	9,150	100.00%	190,259	(22,562)	(22,562)	
MEC IMEX INC.	MEC INTERNATIONAL COMPANY LTD.	British Virgin Islands	Investment holding	992,350	901,660	24	100.00%	156,789	(99,144)	(99,144)	
MEC IMEX INC.	MEC ELECTRIC SOLUTIONS GMBH	Germany	Connector cable set sales business	3,179	-	1	100.00%	3,371	107	107	Note 3
MEC INTERNATIONAL COMPANY LTD.	MEC Best Known Company Limited	Hong Kong	Investment holding	313,435	285,425	79,500	100.00%	(146,231)	(3,035)	(3,035)	
MEC INTERNATIONAL COMPANY LTD.	MEC Ultramax (HK) Company Limited	Hong Kong	Investment holding	122,400	122,400	30,000	100.00%	81,129	886	886	
MEC INTERNATIONAL COMPANY LTD.	MEC Electronics (HK) Company Limited	Hong Kong	Connector cable set sales business	157,515	157,515	394	100.00%	50,267	10,126	10,126	
MEC INTERNATIONAL COMPANY LTD.	MEC Electronics Philippines Corporation	Philippines	Connector cable set manufacturing and sales business	54,085	54,085	8,000	100.00%	252,205	10,092	10,092	
MEC Electronics Philippines Corporation	MEC IMEX (USA), INC.	USA	Connector cable set sales business	12,544	12,544	4	100.00%	17,744	(427)	(427)	
MEC Electronics (HK) Company Limited	Homepride Technology Limited	Hong Kong	Investment holding	182,331	182,331	45,125	100.00%	(15,715)	12,805	12,805	
COMPUPACK TECHNOLOGY CO., LTD.	MICON PRECISE CORP.	Taiwan	Electronic component sales business	333,845	303,845	12,859	98.91%	36,197	(26,179)	(25,854)	
COMPUPACK TECHNOLOGY CO., LTD.	GLOBAL ACUMEN LIMITED	Belize	Electronic component sales business	1,497	1,497	50	100.00%	14,603	171	171	
MICON PRECISE CORP.	CONG TY TNHH CHINH XAC NGAN VUONG	Vietnam	Electronic component manufacturing and sales business	336,292	304,130	-	100.00%	31,729	(26,467)	(26,467)	
KUANG YING COMPUTER EQUIPMENT CO., Ltd.	INFOMIGHT INVESTMENTS LIMITED	SAMOA	Investment holding	285,904	285,904	7,980	100.00%	163,079	38,007	37,168	

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Name of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying amount			
INFOMIGHT INVESTMENTS LIMITED	BELTA INTERNATIONAL LIMITED	British Virgin Islands	Investment holding	52,349	52,349	4	100.00%	125,157	38,639	38,639	
INFOMIGHT INVESTMENTS LIMITED	CERTILINK INTERNATIONAL LIMITED	British Virgin Islands	Sales business	1,605	1,605	50	100.00%	(4,363)	(50)	(50)	
INFOMIGHT INVESTMENTS LIMITED	ACCURATE GROUP LIMITED	SAMOA	Investment holding	131,588	131,588	4,100	100.00%	38,785	(557)	(557)	
GENESIS HOLDING COMPANY	GENESIS INNOVATION GROUP LIMITED	Hong Kong	Investment holding	228,280	228,280	8,000	100.00%	430,798	102,272	102,272	Note 1
GENESIS HOLDING COMPANY	GENESIS ELECTRO-MECHANICAL LIMITED	Hong Kong	Investment holding	268,229	268,229	9,400	100.00%	350,566	(9,690)	(9,690)	Note 1

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Note 1: The Company acquired control over GENESIS TECHNOLOGY USA, INC., GENESIS HOLDING COMPANY, and its subsidiaries on April 14, 2021, and has merged them into the consolidated company since that date.

Note 2: The Company acquired control over JASON TECHNOLOGY LIMITED. on July 1, 2021, and has merged it into the consolidated company since that date.

Note 3: The Company's subsidiary MEC IMEX INC. set up a German subsidiary during the year of 2022.

(3) Information on investment in mainland China:

a. The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated remittance from Taiwan as of January 1, 2022	Investment flows		Accumulated remittance from Taiwan as of December 31, 2022	Name of investee	Direct or indirect investment holding percentage	Share of profit/losses of investee (Note 2)	Book value Accumulated remittance from Taiwan as of December 31, 2022	Accumulated remittance back to Taiwan as of December 31, 2022	Note
					Outflow	Inflow							
DONGGUAN ACES ELECTRONIC CO., LTD.	Connector manufacturing and sales business	115,301	(2)	115,301	-	-	115,301	83,339	100.00%	83,339	654,903	451,444	
KUNSHAN ACES ELECTRONIC CO., LTD.	Connector manufacturing and sales business	629,475	(2)	163,447	-	-	163,447	94,298	100.00%	94,298	2,836,190	452,925	
KUNSHAN ACES TRADING CO., LTD.	Connectors sales business	9,087	(2)	9,087	-	-	9,087	(35)	100.00%	(35)	47,301	-	
CHONGQING HONG GAO ELECTRONIC CO., LTD.	Connectors sales business	173,985	(2)	188,086	-	-	188,086	(154)	100.00%	(154)	(241)	-	
GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	Surface treatment and sales business	256,682	(2)	351,112	-	-	351,112	(22,645)	100.00%	(22,645)	169,568	-	
KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	Connector manufacturing and sales business	434,035	(2)	-	-	-	Note 7:	(3,100)	100.00%	(3,100)	429,350	-	Note :
Nantong Dadi Electric Co., Ltd.	Automobile cable bundle manufacturing and sales business	410,404	(3)	-	-	-	Note 3:	40,614	19.31%	7,843	428,398	-	Note 3
Kung Shan Ching Zhi Electric Co., Ltd.	Electronic component sales business	-	(3)	-	-	-	Note 11:	7,527	30.00%	2,258	18,772	-	Note 11
MEC ELECTRONICS (SUZHOU) CO., LTD.	Connector cable set manufacturing and sales business	121,853	(2)	301,403	-	-	301,403	1,017	100.00%	1,017	76,168	-	Note 4
SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	Connector cable set manufacturing and sales business	311,640	(2)	210,065	-	-	210,065	(3,206)	100.00%	(3,206)	(191,796)	-	Note 4
HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED.	Connector cable set manufacturing and sales business	167,061	(2)	73,123	-	-	73,123	13,050	100.00%	13,050	864	-	Note 4

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Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated remittance from Taiwan as of January 1, 2022	Investment flows		Accumulated remittance from Taiwan as of December 31, 2022	Name of investee	Direct or indirect investment holding percentage	Share of profit/losses of investee (Note 2)	Book value Accumulated remittance from Taiwan as of December 31, 2022	Accumulated remittance back to Taiwan as of December 31, 2022	Note
					Outflow	Inflow							
MEC SUZHOU ELECTRONICS CO., LTD.	Connector cable set manufacturing and sales business	176,960	(2)	114,280	62,680	-	176,960	(113,306)	100.00%	(113,306)	35,419	-	Note 4:
DONGGUAN COMPUPACK TECHNOLOGY CO., LTD.	Electronic component sales business	10,477	(1)	10,477	-	-	10,477	743	100.00%	743	10,017	-	Note 5:
DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD.	Electronic component manufacturing and sales	128,110	(2)	129,711	-	-	129,711	38,688	100.00%	38,688	123,307	-	Note 6:
SUZHOU KUANGYING ELECTRIC CO., LTD.	Electronic component manufacturing and sales	104,307	(2)	153,819	-	-	153,819	(628)	100.00%	(628)	1,901	-	Note 6:
GENESIS INTERCONNECT CO., LTD.	Electronic component sales business	109,860	(2)	56,432	-	-	56,432	(1,401)	100.00%	(1,401)	41,002	-	Note 8:
GENESIS GUIZHOU TECHNOLOGY CO., LTD.	Electronic component sales business	108,600	(2)	161,665	-	-	161,665	(6,086)	100.00%	(6,086)	8,825	-	Note 8:
DONGGUAN POLIXIN ELECTRIC CO., LTD.	Electronic component sales business	65,150	(3)	-	-	-	-	(30,722)	100.00%	(30,722)	2,612	-	Note 8, 9
GENESIS TECHNOLOGY(NINGBO) INC.	Electronic component sales business	21,720	(2)	228,805	-	-	228,805	(11,743)	100.00%	(11,743)	76,855	-	Note 10:
SHENZHEN JINO ELECTRONIC CO., LTD.	Electronic component sales business	80,897	(2)	168,495	-	-	168,495	(27)	100.00%	(27)	8,479	-	Note 10:

(Note 1): There are 3 types of investment:

- (1) Direct investment from Mainland China.
- (2) Investment through a company located at a third party area.
- (3) Other methods.

(Note 2): The recognition basis for gain or loss from investment is based on the financial report audited by auditors from parent company in Taiwan.

(Note 3): Direct investment of KUNSHAN ACES ELECTRONIC CO., LTD. in the amount of RMB43,397 thousand.

(Note 4): Indirect investment of MEC IMEX INC.

(Note 5): Direct investment of COMPUPACK TECHNOLOGY CO., LTD. in the amount of USD350 thousand.

(Note 6): Indirect investment of KUANG YING COMPUTER EQUIPMENT CO., LTD.

(Note 7): Direct investment of ACECONN ELECTRONIC CO., LTD. In the amount of RMB72,906 thousand.

(Note 8): Indirect investment of GENESIS INNOVATION GROUP LIMITED.

(Note 9): Indirect investment of GEUESIS INNOVATION GROUP LIMITED due to internal reorganization of the Group.

(Note 10): Indirect investment of GENESIS ELECTRO-MACHANICAL LIMITED.

(Note 11): Direct investment of KUNSHAN ACES ELECTRONIC CO., LTD. in the amount of RMB3,750 thousand.

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b. Limitation on investment in Mainland China:

Accumulated remittance from Taiwan to China as of December 31, 2022 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on investment in Mainland China set by Investment Commission, Ministry of Economic Affairs
1,442,430 (USD 48,316 thousand)	2,742,188 (USD 89,293 thousand) (Note 2)	3,382,272

(Note 1) Accumulated remittance amount from Taiwan to China as of December 31, 2022 was estimated by historical exchange rates.

(Note 2) Inclusive on the amount of USD15,038 thousand authorized by Investment Commission as capital reserve to increase.

c. Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China are disclosed in “Information on significant transactions”.

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(4) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Yuan Wan-Ting		8,863,487	6.59%

Note: (1)The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of the total nonphysical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered nonphysical stocks may be different from the capital stocks disclosed in the financial statement due to different calculations basis.

(2) If the aforementioned data contained shares which were kept in trust by the shareholders, the data disclosed will be deemed as the settlor's separate account for the fund set by the trustee. As for the shareholder who reports its share equity as an insider and whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act and include its self-owned shares and trusted shares, as well as the shares of the individuals who have power to decide how to allocate the trust assets. For the information on reported share equity of the insider, please refer to the Market Observation Post System.

14. Segment information:

Please refer to the consolidated financial statements for the years ended December 31, 2022.

- (6) If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None.

7. A review and analysis of the Company's financial position and financial performance, and a listing of risks

- (1) Financial position: The main causes and effects of significant changes in assets, liabilities, and equity in the past two years should be stated if the impact is significant.

Unit: NTD thousand;%

Item \ Year	2021	2022	Difference	
			Amount	Ratio
Current assets	7,594,984	6,997,696	(597,288)	(7.86)
Non-current assets	5,277,618	5,842,680	565,062	10.71
Total assets	12,872,602	12,840,376	(32,226)	(0.25)
Current liabilities	4,543,887	5,392,056	848,169	18.67
Non-current liabilities	2,796,512	1,792,966	(1,003,546)	(35.89)
Total liabilities	7,340,399	7,185,022	(155,377)	(2.12)
Common stock	1,343,959	1,344,177	218	0.02
Capital surplus	1,002,379	988,615	(13,764)	(1.37)
Retained earnings	3,328,840	3,363,445	34,605	1.04
Other equity	(162,968)	(59,117)	103,851	(63.72)
Treasury stock	-	-	-	-
Non-controlling interests	19,993	18,234	(1,759)	(8.80)
Total equity	5,532,203	5,655,354	123,151	2.23
Explanation of significant changes (changes between periods exceeding 20% and with a change amount of at least NT\$10 million):				
1. Reduction in non-current liabilities: mainly due to an increase in long-term loans due within one year or one operating cycle and a decrease in other non-current liabilities.				
2. Increase in other equity: mainly due to an increase in exchange differences arising from the translation of financial statements of overseas operating entities.				

(2) Financial performance

A. Analysis of the main reasons for significant changes in operating revenue, operating net profit, and pre-tax net profit in the past two years:

Unit: NTD Thousand; %

Item	2021	2022	Increased(Decreased) Amount	% change
Net revenue from operations	10,575,862	10,392,504	(183,358)	(1.73)
Operating costs	8,146,641	8,159,619	12,978	0.16
Gross profit	2,429,221	2,232,885	(196,336)	(8.08)
Operating expenses	1,915,218	2,176,138	260,920	13.62
Operating profit	514,003	56,747	(457,256)	(88.96)
Non - operating income and expenses	74,910	258,316	183,406	244.84
Profit before income tax	588,913	315,063	(273,850)	(46.50)
Less: Income tax expenses	80,742	91,730	10,988	13.61
Profit for the year	508,171	223,333	(284,838)	(56.05)

Explanation of significant changes (when the changes between the current and previous period exceed 20% and the amount of change is at least NT\$10 million):

1. Decrease in operating profit: primarily due to an increase in operating expenses.
2. Increase in non-operating income and expenses: mainly due to an increase in foreign exchange gains for the Company.
3. Decrease in profit before income tax: mainly due to a decrease in operating profit and an increase in operating expenses.
4. Decrease in profit for the year: primarily due to a decrease in operating profit.

B. The expected sale amount and its basis, the Company's future financial performance, and the plan for any possible impact

The Company estimates sales volume based on industry supply and demand, capacity planning, and past business performance. As the overall industry continues to show a growth trend, the Company expects its sales volume to increase accordingly. In addition to strengthening product diversity and customer diversification in the existing notebook computer market sales channels, the Company will continue to develop and manufacture related products such as connectors and cable assemblies for smart phones, consumer electronics, automotive electronics, network communication, and industrial equipment, which have high development potential. To cope with the growth of its operations, the Company has formulated appropriate financial strategies. For an analysis of the Company's cash flow liquidity in the next year, please refer to the following content explanation.

(3) Cash flow

A. Explanation of changes in cash flows for the recent year

Item \ Year	2021	2122	% change
Cash flow ratio (%)	22.89	20.68	(9.65%)
Cash flow adequacy ratio (%)	74.09	74.83	1%
Cash reinvestment ratio (%)	9.45	9.48	0.32%

Explanation of Changes in Proportions:

1. Cash flow ratio: The decrease in the cash flow ratio from the previous period was mainly due to the transfer of long-term borrowings to current liabilities.
2. Cash reinvestment ratio: The increase in the cash reinvestment ratio was mainly due to the increase in net cash flow from operating activities and capital expenditures.

B. Insufficient Capital liquidity improvement plan: Not applicable.

C. Cash flow forecast analysis (2023)

Unit: NTD thousand

Beginning cash balance (1)	Cash flow from operating activities (2)	Projected cash inflows and outflows (3)	Net cash flow balance (1)+(2)+(3)	Cash shortage contingency plan	
				Investment plan	Financing plan
2,418,492	1,166,292	(576,241)	3,008,543	—	—
(1) Analysis of changes in cash flow over the next year:					
I. Operating Activities: It is expected that there will still be profit generated in the fiscal year 2023, leading to net cash inflows from operating activities.					
II. Investing Activities: Considering the long-term strategic development needs, integration of overall resources, expansion of business scale to enhance global competitiveness, and to maintain long-term competitiveness and deepening technological development, the Company will construct factories in Taiwan and continue to increase investments in machinery, molds, and other equipment, leading to net cash outflows from investing activities.					
III. Financing Activities: The Company plans to distribute cash dividends to shareholders in the fiscal year 2023, and will flexibly utilize operating funds and bank borrowing facilities.					
(2) Remedial measures for expected cash shortages and liquidity analysis: Not applicable.					

(4) The effect upon financial operations of any major capital expenditures in the most recent fiscal year: None.

(5) The Company's reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year

A. Recent year's reinvestment policy

The Company's management policy regarding its reinvestment activities is based on the internal control system's "investment cycle" and "acquisition or disposal of assets processing procedures" as guidelines for managing the operations of its investee companies. The investee companies regularly provide their financial information to the Company to ensure that it is informed of its financial and operational status. In addition, the Company's internal auditing team periodically conducts on-site audits of the operations and internal control execution of the investee companies to facilitate effective management of these investments and achieve effective control over their operations.

B. The main reasons for the recent year's reinvestment profits

The Company's equity method accounted investment earnings for the year 2022 were NT\$210,597 thousand, mainly due to the improving operational performance of the investee companies and the benefits of strategic cooperation.

C. Investment plan for the next year

The Company has always upheld the concept of "knowledge, vision, value, attitude, commitment, and execution power," operating with integrity and striving to enhance the operational efficiency of the group. To meet the long-term strategic development needs, the Company integrates the group's resources into four business groups, promoting the maximum value and efficiency of each business group, and expanding its focus on overseas markets and mainland China. The Company's overseas sales points cover regions such as the United States, Japan, Germany, the United Kingdom, India, and Singapore, providing products and services including connectors, cables, electromagnetic shielding covers, electronic components for internal structure, external casings for system equipment, and whole machine assembly and testing, etc., that are required by industries such as consumer electronics, automotive electronics, cloud servers, and industrial control, to increase the added value of technology and production and enhance growth momentum.

To meet the long-term development needs, the Company started construction of a research and development headquarters building in Taoyuan, Taiwan in April 2022, which is currently under smooth construction. This will expand the Company's production capacity in Taiwan and enhance the competitiveness of the group. The Company has also established strong production capacity in the Asian region, with manufacturing locations including Taiwan, mainland China (Kunshan, Dongguan, Ningbo), the Philippines, and Vietnam. The Company will continue to execute its lean process plan and optimize cost structures by increasing the proportion of automated production to become the preferred supplier for international customers.

(6) Risk analysis

A. Impact of interest rates, exchange rates, and inflation on the company's profit and loss, and future response measures

Unit: NTD thousand

Item	2021	2022	Q1, 2023
Net gain (loss) on foreign exchange (A)	(43,537)	227,551	(24,911)
Net revenue from operations (B)	10,575,862	10,392,504	2,040,206
Profit before income tax (C)	588,913	315,063	(155,161)
Ratio of net gain (loss) on foreign exchange to net revenue from operations (A)/(B)	(0.41%)	2.19%	(1.22%)
Ratio of net gain (loss) on foreign exchange to profit before income tax (A)/(C)	(7.39%)	72.22%	16.05%
Net interest income (expense). (D)	(22,047)	(57,857)	(19,411)
Ratio of net interest income (expense) to net revenue from operations (D)/(B)	(0.21%)	(0.56%)	(0.95%)
Ratio of net interest income (expense) to profit before income tax(D)/(C)	(3.74%)	(18.36%)	12.51%

Source of information: Parent company only financial statements are audited by accountants.

(A) Impact of interest rate changes on the Company's profit and loss, and future response measures.

The Company's interest expenses for the years 2022 and 2021 were NT\$85,069 thousand and NT\$45,812 thousand, respectively, which accounted for a very small ratio of net operating revenue for each period. As such, there was no significant adverse impact on the Company's profit and loss. In line with the Company's strategy of continuing business growth and development towards the capital market, except for significant capital expenditures and long-term investments financed by medium- to long-term funds, short-term operating cash flow remains the main financial adjustment used. Therefore, interest rate fluctuations are not expected to have a significant impact on the Company's profit and loss.

(B) Impact of exchange rate fluctuations on the Company's profit and loss, and future response measures

The Company's business is primarily export-oriented, and the pricing of its sales transactions is mostly based on the US dollar. However, as some of the Company's purchases are also priced in US dollars, there is a partial offsetting effect between purchases and sales. Nevertheless, exchange rate fluctuations still have a certain impact on the Company's overall operations.

The Company's exchange gains and losses for 2022 and 2021 were NT\$227,551 thousand and (NT\$43,537) thousand, respectively, which accounted for 2.19% and (0.41%) of the net operating revenue for each period. As such, they had a certain impact on the Company's profit and loss. Additionally, the Company has established foreign currency deposit accounts with major banks to handle incoming funds from customers. The Company will decide whether to convert the funds into local currency or deposit them into foreign currency accounts based on its actual fund requirements and exchange rate fluctuations. Furthermore, through its export and raw material import transactions, natural hedging effects can be generated from foreign currency receivables and payables, which can help mitigate the impact of exchange rate fluctuations on the Company's operations.

To strengthen the management of foreign exchange positions and exchange losses and gains, the Company utilizes the characteristics of natural hedging by using foreign currency accounts receivable to pay off foreign currency accounts payable generated from purchases. At the same time, when the business unit quotes prices to customers, they should consider the future trend of exchange rates and the factors that affect exchange rates, and provide a more conservative quote to minimize the impact of exchange rate fluctuations. In addition, our company has signed foreign exchange hedging contracts with banks, which can take hedging measures at any time to reduce the impact of exchange rate fluctuations on our Company's operations.

- (C) Impact of inflation on the Company's profit and loss and future response measures
In recent years, there has been a gradual upward trend in inflation. However, the Company has not yet experienced any significant immediate impact from inflation. The Company is also closely monitoring fluctuations in raw material market prices and maintaining good interaction with suppliers and customers to avoid any significant impact from inflation in the future.
- B. The main reasons for engaging in high-risk, high-leverage investments, lending funds to others, endorsing guarantees, and trading in derivative products, as well as the policies, profits or losses, and future response measures
The Company has established the "Acquisition or Disposal of Asset Processing Procedures," "Endorsement and Guarantee Operations Procedures," and "Funds Lending Operations Procedures," which were approved by the shareholders' meeting as the basis for the Company to carry out relevant transactions. The following is an explanation of the above items:
- (A) The main reasons for engaging in high-risk, high-leverage investments, lending funds to others, endorsing guarantees, and trading in derivative products, as well as the policies, profits or losses, and future response measures
The Company primarily focuses on the development of its core business and has not ventured into investments in other high-risk industries. The Company has always maintained a stable and financially sound operation and has not engaged in high-risk and high-leverage investments.
- (B) Policy, main reasons for profit or loss in lending funds to others, and future strategies:
As of the printing date of the annual report for the most recent fiscal year, the Company has not engaged in any fund lending activities, which have no significant adverse effects on the Company's financial condition.
As for our subsidiary, as of the printing date of our annual report for the most recent fiscal year, all of the recipients of the fund lending activities of the subsidiary are companies that directly or indirectly hold 99.79% or more of voting rights in the Company. These fund lending activities mainly support the subsidiary's expansion of its operational business. All of the aforementioned transactions were approved by the subsidiary's board of directors in accordance with regulations and announced and reported publicly. The balance of fund lending by the subsidiary did not exceed the limit set by the "Operating Procedures for Fund Lending to Others" of the subsidiary, and therefore, had no significant adverse effects on the subsidiary's financial condition.
- (C) Policy, main reasons, and future response measures on endorsing guarantees for profit or loss:
As of the printing date of our annual report for the most recent fiscal year, the parties to whom we provided endorsements and guarantees were our subsidiary companies, KUNSHAN ACES ELECTRONIC CO., LTD., CONG TY TNHH CHINH XAC NGAN VUONG, and ACES Precision Machinery Co., Ltd., all of which indirectly held 100% of voting shares in our company. The purpose of endorsing these guarantees was to assist our subsidiary companies in meeting their funding requirements for business expansion and obtaining financing from banks. All of these transactions were approved by our board of directors in accordance with regulations and publicly announced and reported. The balance of endorsement and guarantee did not exceed the limit set by the Company's "Endorsement and Guarantee Operating Procedures" and therefore had no significant adverse effects on our financial condition.
As for our subsidiary, as of the printing date of our annual report for the most recent fiscal year, the parties to whom the subsidiary provided endorsements and guarantees were companies that directly or indirectly held 100% of the subsidiary's voting shares. The purpose of endorsing these guarantees was to assist the subsidiary's subsidiary companies in meeting their funding requirements for business expansion and obtaining financing from banks. All of these transactions were approved by the subsidiary's board of directors in accordance with regulations and publicly announced and reported. The balance of endorsement and guarantee did not exceed the limit set by the subsidiary's "Endorsement and Guarantee Operating Procedures" and therefore had no significant adverse effects on the subsidiary's financial condition.
- (D) Policy, main reasons for engaging in derivative trading for profit or loss, and future response measures:
If the Company and its subsidiaries engage in derivative trading, they will strictly abide by the "Acquisition or Disposal of Assets Processing Procedures" regulations and regularly report on derivative trading to the Board of Directors. At the same time, they will also disclose derivative trading in accordance with regulations.

C. Future research and development plans and projected R&D expenses

As of May 12, 2023

Item	The current progress of ongoing research and development projects	Projected R&D expenses	Estimated time of completion for mass production	The primary factors that could influence future research and development success
Commissioned research for the development of supercritical cable extrusion technology	In the process of product development	NTD 50 million	Second half of 2024	Insulation material forming stability and metal plating coverage
Development of SFF-TA-1026 non-board high-speed interconnect technology	In the process of product development	NTD 20 million	Second half of 2023	Laser welding and automation technology, signal integrity
Development of PCI-CEM Rise card connector	In the process of product development	NTD 5 million	Second half of 2023	Signal integrity, high-density wiring technology
Development of electric vehicle charging gun for US regulations	In the process of product development	NTD 10 million	Second half of 2023	High current testing, aging testing, UL certification
Nearstack PCIe 6 high-speed connector cables	In the process of product development	NTD 60 million	Second half of 2023	Laser wire welding technology and precision wire manufacturing process capabilities
Server internal RISER CABLE	In the process of product development	NTD 7 million	Second half of 2023	Wire resistance welding technology and cable assembly capabilities
Low-profile high-current notebook power connector with built-in switch control	In the process of product development	NTD 10 million	Second half of 2023	Product design capability and product verification capability
Multiple M.2 card connectors for PCIe 5	In the process of product development	NTD 20 million	Second half of 2023	Automation design capability
Marine transmission cable	In the process of product development	NTD 10 million	First half of 2023	Product high-speed design, SI analysis verification capability, and production testing technology capability
Electric vehicle power supply low/high voltage wiring harness design	In the process of product development	NTD 1 million	First half of 2023	Product high-speed design, SI analysis verification capability, and production testing technology capability
USB4 40Gbps 240W Cable	In the process of product development	NTD 1 million	Second half of 2023	Product high-speed design, SI analysis verification capability, and production testing technology capability
USB4(V2.0) Gen4 80Gbps Cable	In the process of product development	NTD 1 million	First half of 2024	Product high-speed design, SI analysis verification capability, and production testing technology capability
High-speed transmission cables for gaming graphics cards (PCIe Gen4+USB4)	In the process of product development	NTD 2 million	Second half of 2024	Product high-speed design, SI analysis verification capability, and production testing technology capability
DP2.1 Cable	In the process of product development	NTD 1 million	Second half of 2024	Product high-speed design, SI analysis verification capability, and production testing technology capability

Note: The projected R&D expenses refer to the estimated amount to be invested in the research and development project. However, the actual recognition of "R&D expenses and fixed assets" will depend on the progress of the research project and the nature of the investments made, before it can be confirmed.

- D. The impact of significant domestic and international policy and legal changes on the Company's financial operations and the corresponding measures taken
The Company has not been financially or operationally affected by significant domestic or international policy and legal changes in the recent years up to the printing date of the annual report. The Company operates in compliance with relevant domestic and international laws and regulations and constantly monitors changes in domestic and international policies and laws. It is anticipated that the Company's financial and business operations will not be significantly adversely affected by future important domestic or international policy and legal changes.
- E. The impact of technological advancements (including information security risks) and industry changes on the Company's financial operations, as well as the corresponding measures to address them
The Company always keeps track of technological changes in the industry and timely launches products that align with market trends. We stay informed about market trends and evaluate their impact on the Company's operations. However, there have been no significant technological changes in recent years that have had a significant impact on the company's financial and business operations.
- F. The impact of corporate image change on crisis management and corresponding measures
The Company has always adhered to the principles of integrity and sound management. Since its establishment, we have actively strengthened internal management to enhance the quality and efficiency of our operations. The Company's corporate image has been consistently positive, and there have been no significant changes in the corporate image that would lead to a crisis.
- G. Expected benefits, potential risks, and mitigation measures of mergers and acquisitions
As of the date of printing of the annual report, the Company has no plans for any acquisitions.
- H. Expected benefits, potential risks, and mitigation measures for expanding the plant
After the official launch of the Taiwan Precision Center in the first quarter of 2012, the Company can accelerate the development of key technologies and products required in the precision fine-pitch connector, smartphone, automotive electronics, and network communication markets. It will gradually generate benefits in terms of production quality and technological accumulation. At the same time, it will also be responsible for the development of precision molds and mold components, serving as the Group's mold coordination center, effectively utilizing and allocating resources for the production of mold components used by various manufacturing units for molding and stamping, aiming to reduce costs and maintain quality stability. For highly automated processes and high-end niche products, production will be planned in the Precision Center. In addition, for long-term operational development and to master core technologies in the Taiwan headquarters, the Company will also leverage Taiwan's abundant technical human resources to cultivate excellent product development and precision mold design and manufacturing personnel, building a complete technical team. In April 2022, the Company started the construction of the Precision Center R&D Headquarters Building in Taoyuan, Taiwan, to enhance the long-term competitiveness and profitability of the Group. The establishment of the new building for the establishment of the Precision Center R&D Headquarters was funded through cash capital increase and the issuance of the second unsecured convertible corporate bonds in the domestic market in the fourth quarter of 2021, providing medium to

long-term funds to cope with the Company's operations without causing significant impact.

I. The risks and corresponding measures associated with concentrated procurement or sales

(A) Assessment of concentrated procurement risks and corresponding measures

The Company has two or more fixed qualified suppliers for each of its major raw materials to ensure the quality and stability of the supply, thereby mitigating the risk of over-reliance on a single source of supply.

(B) Assessment of concentrated sales risk and corresponding measures

In the past two fiscal years and the first quarter of 2023, the proportion of sales from customers of the Company to net revenue did not exceed 10%. Due to the recent vertical integration of the Company's industry and the increase in revenue, the proportion of net sales from U Company has increased in the Company's net revenue. U Company is one of the world's top five notebook computer contract manufacturers and is a major customer of the Company, which is reasonable.

In the future, the Company will continue to expand sales to domestic and international customers and actively develop connectors and related products in other fields. This should help reduce the risk associated with reliance on products in a single field.

J. Directors, supervisors, or major shareholders holding more than ten percent of the shares, the impact, risks, and response measures of significant transfers or changes in ownership on the Company

The Company has not experienced significant transfers or changes in equity during the recent fiscal year and up to the date of printing of the annual report.

K. The impact, risks, and mitigation measures of changes in ownership on the company's operations

The Company's directors and supervisors have long been involved in the Company's operations, and the management team has a strong sense of mission towards the company, considering the company's management as a lifelong career aspiration. In addition, employees identify with the company's development direction and are willing to hold the company's stocks for the long term, sharing in the Company's growth. Therefore, the Company should have no risk of a change in management control.

L. Litigation or non-litigation events

Significant litigation, non-litigation, or administrative disputes involving the Company, its directors, supervisors, general manager, substantial shareholders with a stake exceeding 10%, and subsidiary companies, which have been finally judged or are currently pending and may have a significant impact on shareholder equity or securities prices, should disclose the disputed facts, the amount in dispute, the commencement date of the litigation, the main parties involved, and the status of the proceedings as of the date of the annual report publication.

1. As of the date of the annual report publication, there are no litigation, non-litigation, or administrative disputes that have been finally judged or are currently pending, which could have a significant impact on shareholder equity or securities prices.

2. For lawsuits, non-litigation, or administrative disputes involving the Company's directors, supervisors, general manager, substantial shareholders with a stake exceeding 10%, and subsidiary companies, where the judgments have been finalized or are currently pending as of the date of the annual report publication, and the outcomes may have a significant impact on shareholder equity or securities prices: None.

M. Other significant risks and corresponding measures

The Company has not identified any other significant risk factors in its recent annual report up until the date of printing.

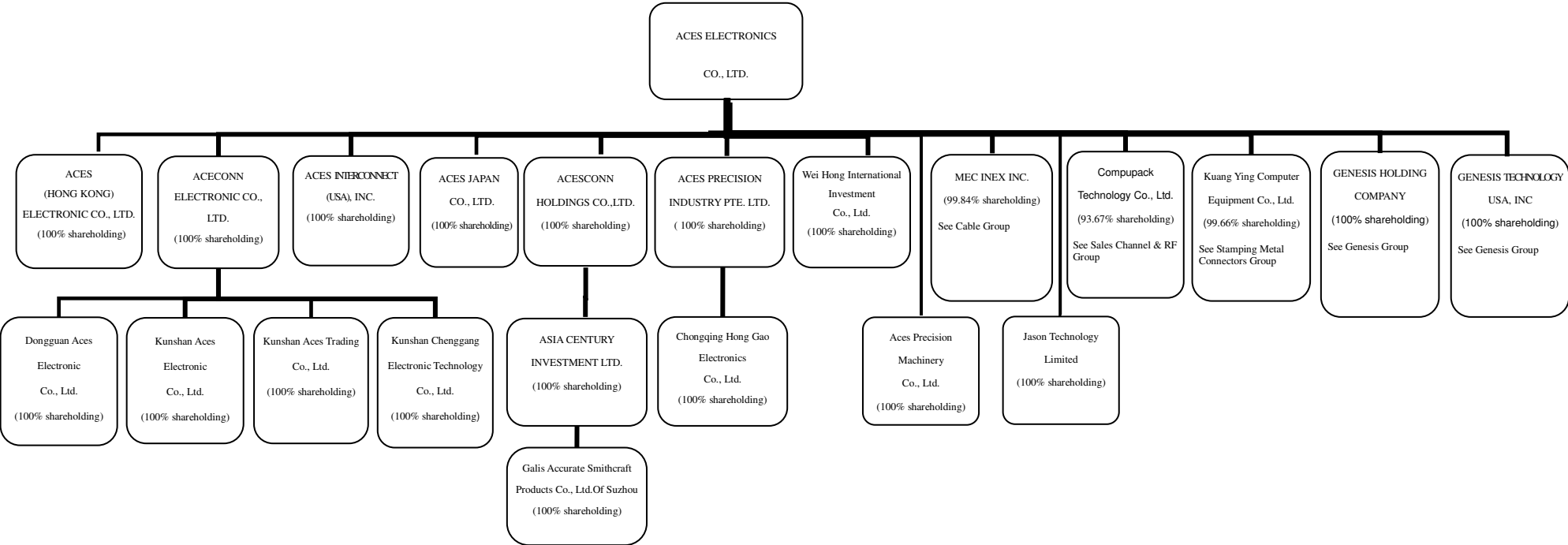
(7) Other important matters: None.

8. Other items deserving special mention

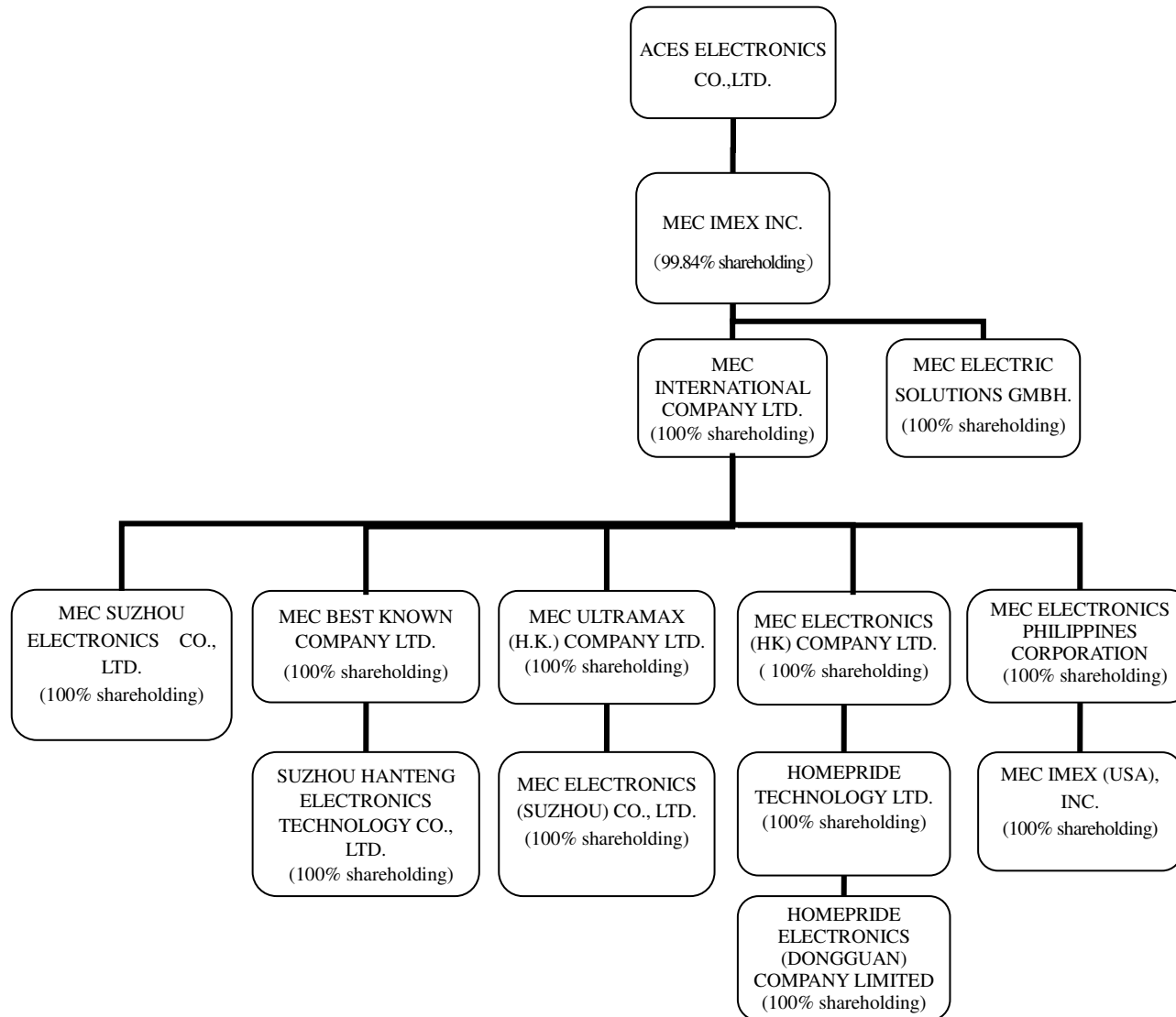
(1) information related to the company's affiliates

A. Consolidated business report of related companies

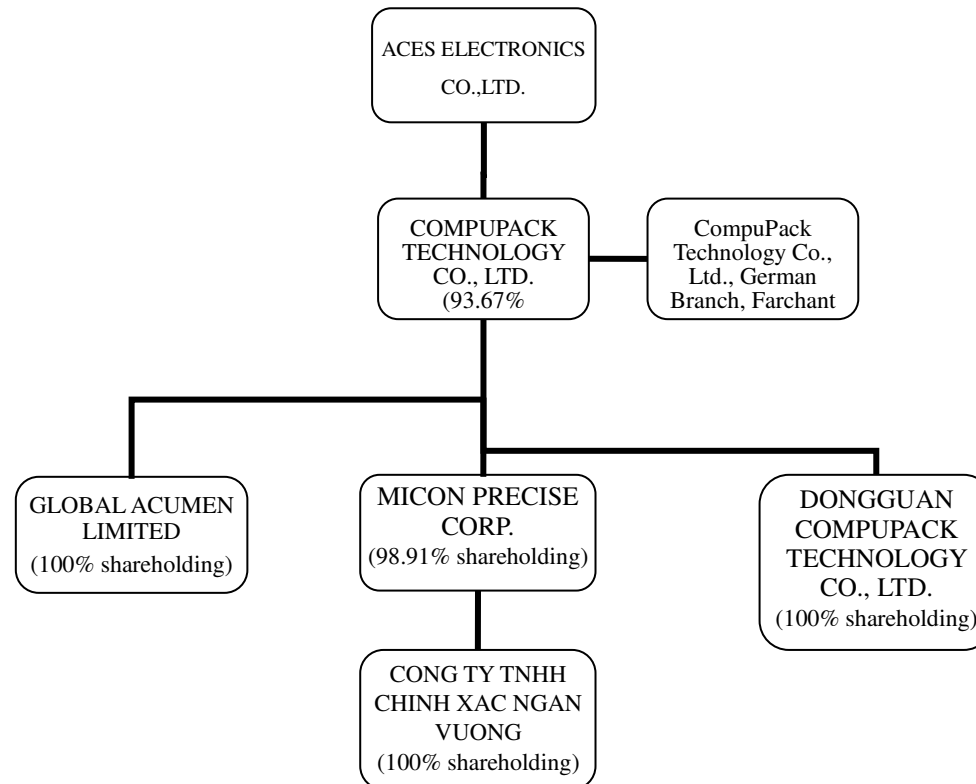
(A) Related company organizational chart (As of December 31, 2022)



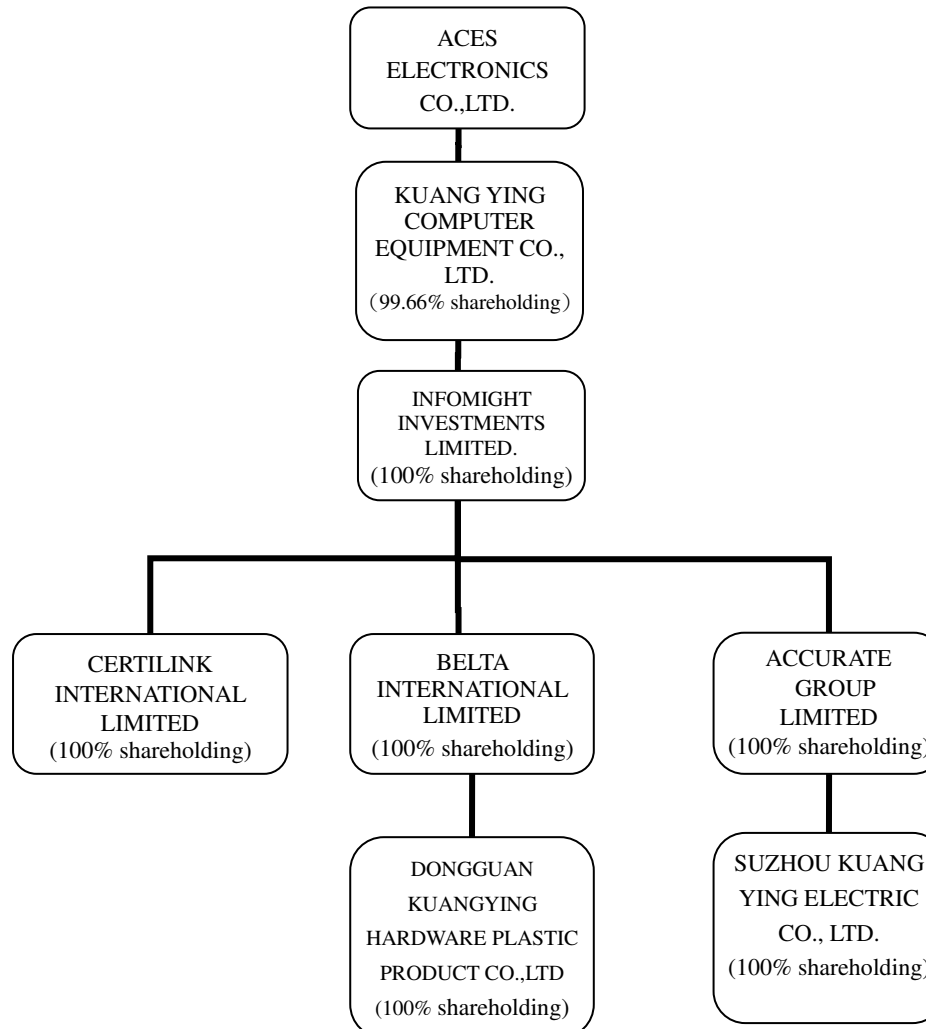
Cable Group



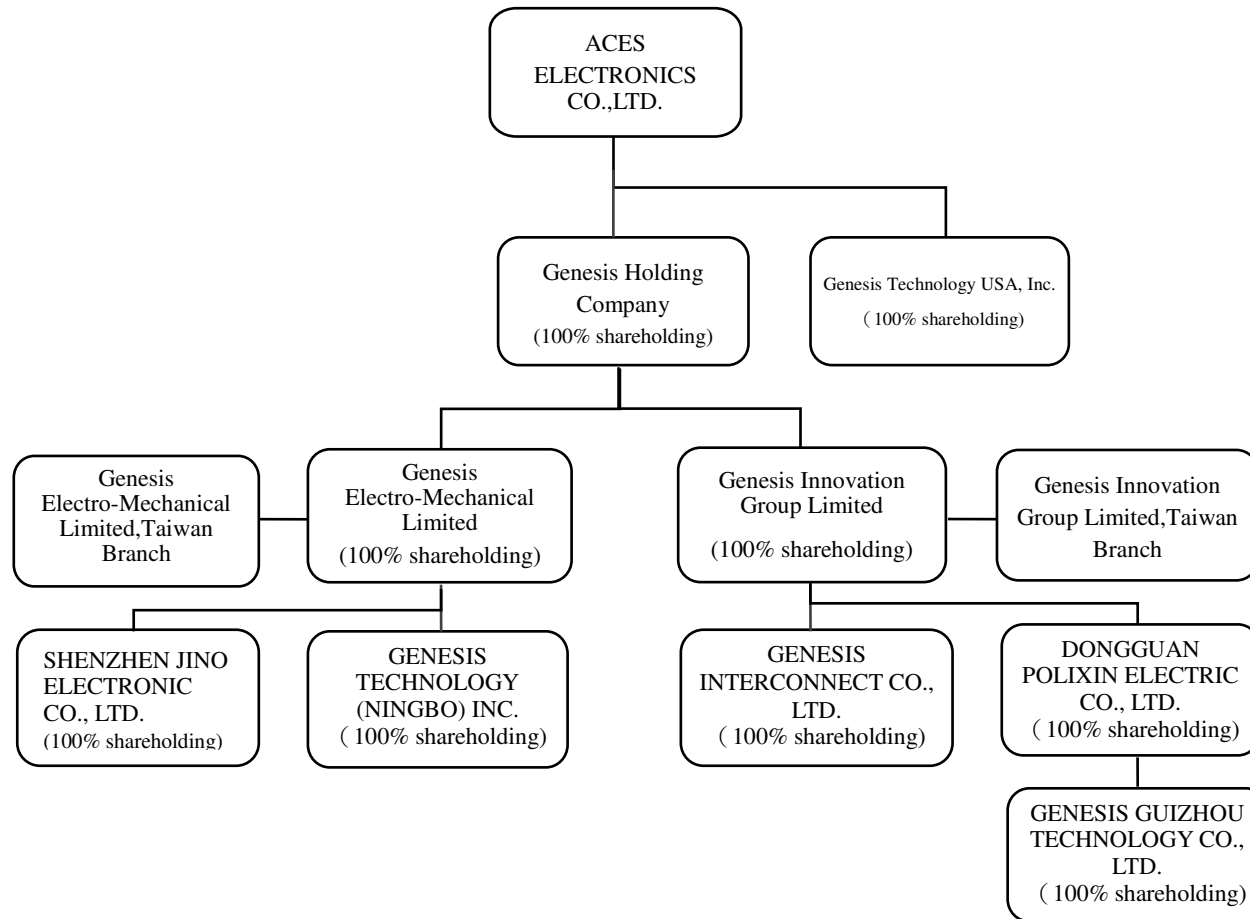
Sales Channel & RF Group



Stamping Metal Connectors Group



Genesis Group



(B) Basic information on affiliated companies

As of December 31, 2022.

Unit: Thousand

Company Name	Establishment date	Address	Paid-in capital	Primary business or production items
ACES (HONG KONG) ELECTRONIC CO., LTD.	2004/09/23	Portcullis Chambers, P.O. Box 1225, Apia, SAMOA	USD300	Connector sales business
ACECONN ELECTRONIC CO., LTD.	2002/05/21	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, SAMOA	USD19,800	Investment holding
ACES PRECISION INDUSTRY PTE LTD	1999/07/15	50 Serangoon North Avenue 4 #01-02 First Centre Singapore (555856)	SGD8,162	Connector sales business
ACESCONN HOLDINGS CO., LTD.	2012/01/09	Maystar Chambers, P.O. Box 3269, Apia, SAMOA	USD12,000	Investment holding
ASIA CENTURY INVESTMENT LTD.	2007/01/03	Maystar Chambers, P.O. Box 3269, Apia, SAMOA	USD9,150	Investment holding
DONGGUAN ACES ELECTRONIC CO., LTD.	2002/12/10	No. 1, Jiangnan Road, Chang'an Town, Dongguan City, Guangdong Province, China.	USD3,500	Connector manufacturing and sales business.
KUNSHAN ACES ELECTRONIC CO., LTD.	2003/02/12	No. 578, Qingyang North Road, Zhouzhi Town, Kunshan City, Jiangsu Province, China.	USD20,000	Connector manufacturing and sales business.
KUNSHAN ACES TRADING CO., LTD.	2008/06/13	Building B, 1st Floor, No. 578 Qingyang North Road, Zhouzhi Town, Kunshan City, Jiangsu Province, China.	USD300	Connector sales business
CHONGQING HONG GAO ELECTRONIC CO., LTD.	2010/07/07	No. 68, Fajian Road, Bajuan Street Office, Tongliang District, Chongqing City, Sichuan Province, China (Shangfeng Mingju), Building 5, Unit 1-29-3.	USD5,950	Connector sales business
WEI HONG INTERNATIONAL INVESTMENT CO., LTD.	2010/11/02	No. 13, Dongyuan Road, Zhongli District, Taoyuan City, Taiwan (R.O.C.)	NTD25,000	Investment
GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	2005/10/21	No. 102 Matang Road, Kunshan Development Zone, Jiangsu Province, China.	USD8,790	Surface treatment and sales operations.

Company Name	Establishment date	Address	Paid-in capital	Primary business or production items
ACES JAPAN CO., LTD.	2012/09/03	Tachikawa Nishiki-cho Building 5F Nishiki-Cho 1-8-7 Tachikawa-city Tokyo Japan	JPY45,000	Connector business development
ACES INTERCONNECT(USA), INC.	2015/10/26	25613 Dollar St.Ste.11 Hayward, CA 94544, USA	USD300	Connector sales business
KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	2018/2/27	Building A, 2nd floor, No. 578 Qingyang North Road, Zhoushi Town, Kunshan City, Jiangsu Province, China.	USD10,053	Connector manufacturing and sales business.
ACES PRECISION MACHINERY CO., LTD.	2019/8/28	No. 12, Dazhong Road, Taitung City, Taitung County	NTD130,000	Production and sales of mold components
JASON TECHNOLOGY LIMITED	2007/8/6	Room 2001, 20/F., 299 QRC, 287-299 Queen's Road Central, HongKong	—	Electronic component sales business
MEC IMEX INC.	1986/07/18	No. 13, Dongyuan Road, Zhongli District, Taoyuan City, Taiwan (R.O.C.)	NTD456,500	Cable assembly sales business
MEC INTERNATIONAL COMPANY LTD.	1998/06/24	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, BVI	USD23,900	Investment holding
MEC ELECTRONICS (HK) COMPANY LIMITED	1992/03/24	Room D1, 9/F, Block 2, Camelpaint Building, 62 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	HKD39,375	Cable assembly sales business
MEC ULTRAMAX (H.K.) COMPANY LIMITED	2008/01/11	Room D1, 9/F, Block 2, Camelpaint Building, 62 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	HKD30,000	Investment holding
MEC BEST KNOWN COMPANY LIMITED	2007/10/10	Room D1, 9/F, Block 2, Camelpaint Building, 62 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	HKD79,500	Investment holding
HOMEPRIDE TECHNOLOGY LIMITED	1998/05/20	Room D1, 9/F, Block 2, Camelpaint Building, 62 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	HKD45,125	Investment holding
MEC ELECTRONICS PHILIPPINES CORPORATION	1990/07/01	Lot 1 Block 8A Phase I, Cavite Economic Zone, Rosario, Cavite, Philippines	PHP80,000	Production and sales of cable assemblies
MEC IMEX (USA), Inc.	2013/08/22	25613 Dollar Street, Suite 11 Hayward, CA. 94544-2535, USA	USD400	Cable assembly sales business

Company Name	Establishment date	Address	Paid-in capital	Primary business or production items
MEC ELECTRIC SOLUTIONS GMBH (Note 1)	2022/03/30	Partenkirchener Straße 52, 82490 Farchant	EUR 100,000.00	Cable assembly sales business
MEC ELECTRONICS (SUZHOU) CO., LTD.	2001/12/20	Room 2604, Building 18, No. 3188 Renmin Road, Suzhou City, Jiangsu Province, China.	USD3,850	Cable assembly sales business
SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	2007/12/27	Room 2604, Building 18, No. 3188 Renmin Road, Suzhou City, Jiangsu Province, China.	USD10,200	Cable assembly sales business
HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED	2011/01/25	Building 1, No.1, Chang'an Zhenyuan West Road, Chang'an Town, Dongguan City, Guangdong Province, China.	USD5,550	Production and sales of cable assemblies.
MEC SUZHOU ELECTRONICS CO., LTD.	2020/01/07	Factory Buildings B and C, No. 555, Qingyang North Road, Zhoushi Town, Kunshan City, Jiangsu Province, China.	USD6,000	Production and sales of cable assemblies
COMPUPACK TECHNOLOGY CO., LTD.	2001/08/27	3F, No. 198, Chongyang Road, Nangang District, Taipei City, Taiwan (R.O.C.)	NTD215,000	Electronic component sales business
MICON PRECISE CORP.	1987/11/02	3F, No. 196, Chongyang Road, Nangang District, Taipei City, Taiwan (R.O.C.)	NTD130,000	Electronic component sales business
CONG TY TNHH CHINH XAC NGAN VUONG	2007/05/25	Tan Truong Industrial Zone, Cam Giang District, Hai Duong Province, Vietnam	VND217,383,296	Electronic components manufacturing and sales business.
GLOBAL ACUMEN LIMITED	2012/09/25	New Horizon Building, Ground Floor, 3 ½ Miles Philip S.W. Goldson Highway, Belize City, Belize	USD50	Electronic component sales business
DONGGUAN COMPUPACK TECHNOLOGY CO., LTD.	2017/10/24	Room 201, No. 1 Jianggan Road, Chang'an Town, Dongguan City, Guangdong Province, China.	USD350	Electronic component sales business
KUANG YING COMPUTER EQUIPMENT CO., LTD.	1991/8/1	No. 13, Dongyuan Road, Zhongli District, Taoyuan City, Taiwan (R.O.C.)	NTD284,946	Electronic components manufacturing and sales business.

Company Name	Establishment date	Address	Paid-in capital	Primary business or production items
INFOMIGHT INVESTMENTS LIMITED	2008/1/3	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, SAMOA	USD7,980	Investment holding
BELTA INTERNATIONAL LIMITED	2010/8/12	Palm Grove House, P.O. Box 438, Road Town, Tortola, BVI	USD3,600	Investment holding
CERTILINK INTERNATIONAL LIMITED	2004/10/18	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, BVI	USD50	Electronic component sales
ACCURATE GROUP LIMITED	2003/1/3	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, SAMOA	USD4,100	Investment holding
DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO.,LTD	2008/1/14	Building 1, No.1, Chang 'an Zhenyuan West Road, Chang 'an Town, Dongguan City, Guangdong Province, China.	USD4,190	Production and sales of electronic components.
SUZHOU KUANG YING ELECTRIC CO., LTD.	2003/5/9	Room 2604, Building 18, No. 3188 Renmin Road, Suzhou City, Jiangsu Province, China.	USD3,250	Production and sales of electronic components.
GENESIS TECHNOLOGY USA, INC.	2001/6/4	1325 Capital Circle, Suite A, Lawrenceville, GA 30043, USA	USD1.5	Electronic component sales business
GENESIS HOLDING COMPANY	2013/9/9	The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands.	NTD277,778	Investment holding
GENESIS ELECTRO-MECHANICAL LIMITED	2013/9/24	Suite C/21/F, Lee & Man Commercial Center, 169 Electric Road, North Point Hong Kong	USD12,500	Investment holding
GENESIS INNOVATION GROUP LIMITED	2017/7/21	Suite C/21/F, Lee & Man Commercial Center, 169 Electric Road, North Point Hong Kong	USD8,000	Investment holding
GENESIS TECHNOLOGY (NINGBO) INC.	2007/12/7	No. 20, Xingye Road, YangMing Science & Tech Industrial Park, Yuyao City, Zhejiang Province, China.	RMB5,000	Electronic components manufacturing and sales business.
GENESIS GUIZHOU TECHNOLOGY CO., LTD.	2017/11/9	Small and Micro Enterprise Entrepreneurship Park, Sitoupo Industrial Park, Anlong County, Qianxinan	RMB21,500	Electronic components manufacturing and sales

Company Name	Establishment date	Address	Paid-in capital	Primary business or production items
		City ,Guizhou Province, China		business.
GENESIS INTERCONNECT CO., LTD.	2017/9/12	Room 201, Building 1, No. 12 Junpeng Road, Tangxia Town, Dongguan City, Guangdong Province, China.	USD3,850	Electronic components manufacturing and sales business.
DONGGUAN POLIXIN ELECTRIC CO., LTD.	2006/5/18	No. 16 JunPeng Road, Qingyun Lin Industrial Zone, Tangxia Town, Dongguan City ,Guangdong Province , China	RMB15,000	Electronic components manufacturing and sales business.
SHENZHEN JINO ELECTRONIC CO., LTD.	2005/9/13	Building A, 3rd Floor, No. 4, Shangwei Yilu, Shangwei Industrial Zone, Guanhu Street, Longhua District, Shenzhen City, Guangdong Province, China.	USD2,835	Electronic components manufacturing and sales business.

Note 1: Applied for cancellation in January 2023.

(C) Estimated identical shareholder information for entities with control and subordinate relationships: None.

(D) The industries covered by the overall business operations of the affiliated enterprises. If there are interrelated business operations among the affiliated enterprises, their respective division of labor should be explained.

The industries covered by our company and its affiliated enterprises include the design, development, testing, manufacturing, and sales of electronic components such as connectors, cable assemblies, and Access and RF products. We also engage in investment activities.

(E) Information on Directors, Supervisors, and General Managers of Related Companies

As of December 31, 2022

Company Name	Title	Name or representative	Shareholding	
			Shares	Ratio
ACECONN ELECTRONIC CO., LTD.	Director	ACES ELECTRONICS CO., LTD. Representative: Yang Tsung-Lin	19,800,000	100%
ACES (HONG KONG) ELECTRONIC CO., LTD.	Director	ACES ELECTRONICS CO., LTD. Representative: Yang Tsung-Lin	300,000	100%
ACES PRECISION INDUSTRY PTE LTD	Director	Yuan Wan-Ting	0	0%
	Director	Yang Tsung-Lin	0	0%
	Director	Wai Siew-Ping	0	0%
	General Manager	Yang Tsung-Lin	0	0%
ACESCONN HOLDINGS CO., LTD.	Director	Yuan Wan-Ting	0	0%
ASIA CENTURY INVESTMENT LTD.	Director	Yuan Wan-Ting	0	0%
DONGGUAN ACES ELECTRONIC CO., LTD. (Note)	Chairman	Yuan Wan-Ting	-	-
	Director	Huang Wen-Cheng	-	-
	Director	Yang Tsung-Lin	-	-
	Supervisor	Wang Hsueh-Hui	-	-
	General Manager	Lin Ying-Yun	-	-
KUNSHAN ACES ELECTRONIC CO., LTD. (Note)	Chairman	Yuan Wan-Ting	-	-
	Director	Huang Wen-Cheng	-	-
	Director	Yang Tsung-Lin	-	-
	Supervisor	Wang Hsueh-Hui	-	-
	General Manager	Chan Wei-Chen	-	-
KUNSHAN ACES TRADING CO., LTD. (Note)	Chairman	Yuan Wan-Ting	-	-
	Director	Huang Wen-Cheng	-	-
	Director	Yang Tsung-Lin	-	-
	Supervisor	Wang Hsueh-Hui	-	-
	General Manager	Chan Wei-Chen	-	-

Company Name	Title	Name or representative	Shareholding	
			Shares	Ratio
CHONGQING HONG GAO ELECTRONIC CO., LTD. (Note)	Chairman	Yuan Wan-Ting	-	-
	Director	Huang Wen-Cheng	-	-
	Director	Yang Tsung-Lin	-	-
	Supervisor	Wang Hsueh-Hui	-	-
	General Manager	Chan Wei-Chen	-	-
WEI HONG INTERNATIONAL INVESTMENT CO., LTD.	Chairman	ACES ELECTRONICS CO., LTD. Representative: Yuan Wan-Ting	2,500,000	100%
GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU (Note)	Chairman	Yuan Wan-Ting	-	-
	Director	Huang Wen-Cheng	-	-
	Director	Yang Tsung-Lin	-	-
	Supervisor	Lu Yi-Hsing	-	-
	General Manager	Wang Hsueh-Hui	-	-
ACES JAPAN CO., LTD.	Representative Director	Yang Tsung-Lin	0	0%
	Representative Director	Kato Nobukazu	0	0%
ACES INTERCONNECT(USA), INC.	Director/ Representative	Yang Tsung-Lin	0	0%
KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD. (Note)	Chairman	Yuan Wan-Ting	-	-
	Director	Lin Wan-Fu	-	-
	Director	Yang Tsung-Lin	-	-
	Supervisor	Wang Hsueh-Hui	-	-
ACES Precision Machinery Co., Ltd.	Chairman	ACES ELECTRONICS CO., LTD. Representative: Yuan Wan-Ting	13,000,000	100%
	General Manager	Hsu Sheng-Hsien	0	0%
JASON TECHNOLOGY LIMITED	Director	Lin Wan-Fu	0	0%
	Director	Ho Wai-Kuen	0	0%

Company Name	Title	Name or representative	Shareholding	
			Shares	Ratio
MEC IMEX INC.	Chairman	ACES ELECTRONICS CO., LTD. Representative: Yuan Wan-Ting	45,575,292	99.84%
	Director	ACES ELECTRONICS CO., LTD. Representative: Hsieh Han-Chang	45,575,292	99.84%
	Director	ACES ELECTRONICS CO., LTD. Representative: Yang Tsung-Lin	45,575,292	99.84%
	Supervisor	Tsai Shu-Chuan	0	0%
	General Manager	Lee Shu-Yun	0	0%
MEC INTERNATIONAL COMPANY LTD.	Director	Yang Tsung-Lin	0	0%
MEC ELECTRONICS (HK) COMPANY LIMITED	Director	Yang Tsung-Lin	0	0%
MEC ULTRAMAX (H.K.) COMPANY LIMITED	Director	Yang Tsung-Lin	0	0%
MEC BEST KNOWN COMPANY LIMITED	Director	Yang Tsung-Lin	0	0%
HOMEPRIDE TECHNOLOGY LIMITED	Director	Yang Tsung-Lin	0	0%
MEC ELECTRONICS PHILIPPINES CORPORATION	Chairman	Yang Wei-Yen	0	0%
	Director	Yang Tsung-Lin	0	0%
	Director	Lu Yi-Hsing	0	0%
	Director	OLIVIA T. DE PERIO	0	0%
	Director	CUA, JULIE	0	0%
	General Manager	Lu Yi-Hsing	0	0%
MEC ELECTRONICS (SUZHOU) CO., LTD. (Note)	Chairman	Yang Tsung-Lin	-	-
	Director	Lee Shu-Yun	-	-
	Director	Chan Wei-Chen	-	-
	Supervisor	Wang Hsueh-Hui	-	-

Company Name	Title	Name or representative	Shareholding	
			Shares	Ratio
	General Manager	Chan Wei-Chen	-	-
SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD. (Note)	Chairman	Yang Tsung-Lin	-	-
	Director	Lee Shu-Yun	-	-
	Director	Chan Wei-Chen	-	-
	Supervisor	Wang Hsueh-Hui	-	-
	General Manager	Chan Wei-Chen	-	-
HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED (Note)	Chairman	Yang Tsung-Lin	-	-
	Director	Chan Wei-Chen	-	-
	Director	Lin Ying-Yun	-	-
	Supervisor	Wang Hsueh-Hui	-	-
	General Manager	Lin Ying-Yun	-	-
MEC SUZHOU ELECTRONICS CO., LTD. (Note)	Chairman	Yang Tsung-Lin	-	-
	Director	Lin Wan-Fu	-	-
	Director	Chan Wei-Chen	-	-
	Supervisor	Wang Hsueh-Hui	-	-
	General Manager	Chan Wei-Chen	-	-
MEC IMEX (USA), Inc.	Director/ Representative	Yang Wei-Xin	0	0%
COMPUPACK TECHNOLOGY CO., LTD.	Chairman	ACES ELECTRONICS CO., LTD. Representative: Fan Chi-Yuan	20,138,400	93.67%
	Director	ACES ELECTRONICS CO., LTD. Representative: Yang Tsung-Lin	20,138,400	93.67%
	Director	ACES ELECTRONICS CO., LTD. Representative: Huang Jen-Sheuan	20,138,400	93.67%
	Supervisor	Lee Shu-Yun	0	0%

Company Name	Title	Name or representative	Shareholding	
			Shares	Ratio
	General Manager	Fan Chi-Yuan	0	0%
MICON PRECISE CORP.	Chairman	COMPUPACK TECHNOLOGY CO., LTD. Representative: Fan Chi-Yuan	12,858,840	98.91%
	Director	COMPUPACK TECHNOLOGY CO., LTD. Representative: Yang Tsung-Lin	12,858,840	98.91%
	Director	COMPUPACK TECHNOLOGY CO., LTD. Representative: Huang Jen-Sheuan	12,858,840	98.91%
	Supervisor	Lee Shu-Yun	0	0%
	General Manager	Fan Chi-Yuan	0	0%
CONG TY TNHH CHINH XAC NGAN VUONG (Note)	Chairman	Fan Chi-Yuan	-	-
	Vice Chairman	Lin Wan-Fu	-	-
	Director and General Manager	Liao Cheng-Yang	-	-
GLOBAL ACUMEN LIMITED	Director	Fan Chi-Yuan	0	0%
DONGGUAN COMPUPACK TECHNOLOGY CO., LTD. (Note)	Chairman	Lin Ying-Yun	-	-
	Director	Yang Tsung-Lin	-	-
	Director	Huang Jen-Sheuan	-	-
	Supervisor	Lee Shu-Yun	-	-
	General Manager	Fan Chi-Yuan	-	-
KUANG YING COMPUTER EQUIPMENT CO., LTD.	Chairman	ACES ELECTRONICS CO., LTD. Representative: Yuan Wan-Ting	25,905,737	99.66%
	Director	ACES ELECTRONICS CO., LTD. Representative: Hsu Sheng-Hsien	25,905,737	99.66%

Company Name	Title	Name or representative	Shareholding	
			Shares	Ratio
	Director	ACES ELECTRONICS CO., LTD. Representative: Yang Tsung-Lin	25,905,737	99.66%
	Supervisor	Lee Shu-Yun	0	0%
	General Manager	Liu Fang-Sheng	0	0%
INFOMIGHT INVESTMENTS LIMITED	Director	Yang Tsung-Lin	0	0%
BELTA INTERNATIONAL LIMITED	Director	Yang Tsung-Lin	0	0%
CERTILINK INTERNATIONAL LIMITED	Director	Yang Tsung-Lin	0	0%
ACCURATE GROUP LIMITED	Director	Yang Tsung-Lin	0	0%
DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO.,LTD (Note)	Chairman	Yang Tsung-Lin	-	-
	Director	Hsu Sheng-Hsien	-	-
	Director	Lin Ying-Yun	-	-
	Supervisor	Wang Hsueh-Hui	-	-
	General Manager	Lin Ying-Yun	-	-
SUZHOU KUANG YING ELECTRIC CO., LTD. (Note)	Chairman	Yang Tsung-Lin	-	-
	Director	Hsu Sheng-Hsien	-	-
	Director	Chan Wei-Chen	-	-
	Supervisor	Wang Hsueh-Hui	-	-
	General Manager	Chan Wei-Chen	-	-
GENESIS TECHNOLOGY USA, INC.	Director	Yang Tsung-Lin	-	-
GENESIS HOLDING COMPANY	Director	Yang Tsung-Lin	-	-
GENESIS ELECTRO-MECHANICAL LIMITED	Director	Yang Tsung-Lin	-	-
GENESIS INNOVATION GROUP LIMITED	Director	Yang Tsung-Lin	-	-

Company Name	Title	Name or representative	Shareholding	
			Shares	Ratio
GENESIS TECHNOLOGY(NINGBO) INC. (Note)	Legal representative	Yang Tsung-Lin	-	-
	Executive Director	Yang Tsung-Lin	-	-
	Supervisor	Wang Hsueh-Hui	-	-
	General Manager	Chan Wei-Chen	-	-
GENESIS GUIZHOU TECHNOLOGY CO., LTD. (Note)	Legal representative	Lin Ying-Yun	-	-
	Executive Director	Lin Ying-Yun	-	-
	Supervisor	Wang Hsueh-Hui	-	-
	General Manager	Lin Ying-Yun	-	-
GENESIS INTERCONNECT CO., LTD. (Note)	Legal representative	Lin Ying-Yun	-	-
	Executive Director	Lin Ying-Yun	-	-
	Supervisor	Wang Hsueh-Hui	-	-
	General Manager	Lin Ying-Yun	-	-
DONGGUAN POLIXIN ELECTRIC CO., LTD. (Note)	Legal representative	Lin Ying-Yun	-	-
	Executive Director	Lin Ying-Yun	-	-
	Supervisor	Wang Hsueh-Hui	-	-
	General Manager	Lin Ying-Yun	-	-
SHENZHEN JINO ELECTRONIC CO., LTD. (Note)	Legal representative	Xiao Hong-Kuei	-	-
	Executive Director	Xiao Hong-Kuei	-	-

Note: DONGGUAN ACES ELECTRONIC CO., LTD. 、 KUNSHAN ACES ELECTRONIC CO., LTD. 、 KUNSHAN ACES TRADING CO., LTD. 、 CHONGQING HONG GAO ELECTRONIC CO., LTD. 、 GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU 、 KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD. 、 MEC ELECTRONICS (SUZHOU) CO., LTD. 、 SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD. 、 HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED 、 MEC SUZHOU ELECTRONICS CO., LTD. 、 CONG TY TNHH CHINH XAC NGAN VUONG 、 DONGGUAN COMPUPACK TECHNOLOGY CO., LTD. 、 DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO., LTD. 、 SUZHOU KUANG YING ELECTRIC CO., LTD. 、 GENESIS INTERCONNECT CO., LTD. 、 GENESIS GUIZHOU TECHNOLOGY CO., LTD. 、 DONGGUAN POLIXIN ELECTRIC CO., LTD. 、 GENESIS TECHNOLOGY(NINGBO) INC. and SHENZHEN JINO ELECTRONIC CO., LTD.

(F) Business operations of affiliated companies

As of December 31, 2022

Unit: NTD thousand(The earnings per share, excluding NT\$ per share)

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Profit (loss) from operations	Profit (loss) for the year	Earnings per share
ACES (HONG KONG) ELECTRONIC CO.,LTD.	9,579	12,727	—	12,727	—	(31)	(20)	(0.07)
ACECONN ELECTRONIC CO., LTD.	621,315	3,968,213	—	3,968,213	—	(167)	182,790	9.23
ACES PRECISION INDUSTRY PTE LTD.	208,410	66,642	14,921	51,721	18,758	(1,263)	(617)	(0.08)
DONGGUAN ACES ELECTRONIC CO., LTD.	115,301	1,127,477	472,573	654,904	1,608,549	51,942	83,342	Note 1
KUNSHAN ACES ELECTRONIC CO., LTD.	629,475	3,600,507	732,722	2,867,785	2,380,314	3,685	94,298	Note 1
KUNSHAN ACES TRADING CO., LTD.	9,087	75,631	28,330	47,301	107,745	98	(35)	Note 1
CHONGQING HONG GAO ELECTRONIC CO., LTD.	173,985	7,262	7,503	(241)	8,490	(177)	(154)	Note 1
KUNSHAN CHENGGANG ELECTRONIC TECHNOLOGY CO., LTD.	434,035	433,323	3,973	429,350	—	(3,265)	(3,100)	Note 1
WEI HONG INTERNATIONAL INVESTMENT CO., LTD.	25,000	27,974	1	27,973	—	(460)	(322)	(0.13)
ACESCONN HOLDINGS CO.,LTD.	351,112	190,260	—	190,260	—	—	(22,562)	1.88
ASIA CENTURY INVESTMENT LTD.	351,112	190,260	—	190,260	—	(42)	(22,562)	2.47
GALIS ACCURATE SMITHCRAFT PRODUCTS CO., LTD. OF SUZHOU	256,682	431,551	261,983	169,568	364,009	(21,657)	(22,645)	Note 1
ACES JAPAN CO., LTD.	15,137	13,545	(434)	13,979	18,064	284	100	22.32
ACES Precision Machinery Co., Ltd.	130,000	135,879	45,358	90,521	73,948	(12,989)	(12,936)	(1.00)
ACES INTERCONNECT(USA) INC.	9,711	11,721	2,037	9,684	5,833	(236)	(236)	0.79

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Profit (loss) from operations	Profit (loss) for the year	Earnings per share
MEC IMEX INC.	456,500	1,109,347	526,608	582,739	652,856	(30,191)	(123,746)	(2.71)
MEC INTERNATIONAL COMPANY LTD.	992,350	290,569	133,780	156,789	—	(291)	(99,144)	(1.00)
MEC ELECTRIC SOLUTIONS GMBH	3,179	3,511	140	3,371	6,231	65	107	0.34
MEC ELECTRONICS (HK) COMPANY LTD.	157,515	67,903	17,636	50,267	133,901	(2,528)	10,126	0.64
MEC ULTRAMAX (H.K.) COMPANY LTD.	122,400	81,231	102	81,129	—	(134)	886	0.07
MEC BEST KNOWN COMPANY LTD.	285,425	(145,938)	293	(146,231)	—	(219)	(3,035)	(0.11)
HOMEPRIDE TECHNOLOGY LTD.	182,331	1,794	17,509	(15,715)	—	(109)	12,805	0.70
MEC ELECTRONICS PHILIPPINES CORPORATION	54,085	598,095	345,890	252,205	1,257,298	15,692	10,092	1.87
MEC IMEX (USA), INC.	12,544	22,616	4,872	17,744	40,253	(427)	(427)	(0.34)
MEC ELECTRONICS (SUZHOU) CO., LTD.	121,853	76,651	483	76,168	—	(176)	1,017	Note 1
SUZHOU HANTENG ELECTRONICS TECHNOLOGY CO., LTD.	223,515	37,360	229,156	(191,796)	66,254	175	(3,206)	Note 1
HOMEPRIDE ELECTRONICS (DONGGUAN) COMPANY LIMITED	167,061	146,740	145,876	864	352,576	7,072	13,050	Note 1
MEC SUZHOU ELECTRONICS CO., LTD.	176,960	435,705	400,286	35,419	727,154	(102,883)	(113,306)	Note 1
COMPUPACK TECHNOLOGY CO., LTD.	215,000	576,948	400,795	176,153	651,352	(3,985)	(29,709)	(1.38)
MICON PRECISE CORP.	130,000	71,472	34,876	36,596	69,267	(1,502)	(26,179)	(2.01)

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Profit (loss) from operations	Profit (loss) for the year	Earnings per share
GLOBAL ACUMEN LIMITED	1,497	28,061	13,458	14,603	—	—	171	1.14
CONG TY TNHH CHINH XAC NGAN VUONG	336,292	185,780	154,051	31,729	84,688	(18,196)	(26,467)	Note 1
DONGGUAN COMPUPACK TECHNOLOGY CO., LTD.	10,477	29,148	19,130	10,018	84,768	52	743	Note 1
KUANG YING COMPUTER EQUIPMENT CO., LTD.	259,946	474,040	204,261	269,779	658,403	(33,029)	29,002	1.12
INFOMIGHT INVESTMENTS LIMITED	285,904	164,780	—	164,780	—	(37)	38,007	4.76
BELTA INTERNATIONAL LIMITED	52,349	125,157	—	125,157	—	(53)	38,639	9,659.75
CERTILINK INTERNATIONAL LIMITED	1,605	308	4,671	308	—	(50)	(50)	(0.99)
ACCURATE GROUP LIMITED	131,588	38,785	—	38,785	—	(37)	(557)	(0.14)
DONGGUAN KUANGYING HARDWARE PLASTIC PRODUCT CO.,LTD	128,110	325,197	201,890	123,307	591,792	26,753	38,758	Note 1
SUZHOU KUANG YING ELECTRIC CO., LTD.	104,307	7,918	6,017	1,901	19,671	(1,145)	(628)	Note 1
JASON TECHNOLOGY LIMITED	—	33,286	25,997	7,289	102,820	(11,132)	(11,132)	—
GENESIS HOLDING COMPANY	277,778	783,666	—	783,666	—	(179)	92,650	3.36
GENESIS TECHNOLOGY USA, INC	43	489,417	352,180	137,237	1,006,662	40,457	27,668	18,445.33
GENESIS INNOVATION GROUP LIMITED	226,952	904,793	194,946	709,847	817,675	142,505	244,545	30.57
GENESIS ELECTRO-MECHANICAL LIMITED	354,613	402,137	742	401,394	—	(2,512)	(10,039)	-1.07

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Profit (loss) from operations	Profit (loss) for the year	Earnings per share
GENESIS INTERCONNECT CO., LTD.	109,860	41,134	132	41,002	24,553	(2,067)	(1,595)	Note 1
GENESIS GUIZHOU TECHNOLOGY CO., LTD.	94,772	9,273	448	8,825	6,589	(6,981)	(7,008)	Note 1
DONGGUAN POLIXIN ELECTRIC CO., LTD.	66,120	151,486	150,180	1,306	255,381	(32,546)	(31,580)	Note 1
GENESIS TECHNOLOGY(NIN GBO) INC.	21,720	263,752	175,851	87,901	479,905	(1,684)	(6,039)	Note 1
SHENZHEN JINO ELECTRONIC CO., LTD.	80,897	6,942	(1,437)	8,379	—	(1,619)	(1,607)	Note 1

Note 1: The affiliated company is a limited company without shares, so it is not possible to calculate earnings per share.

B. Consolidated financial statements for related companies' merger

The company will not prepare a separate consolidated financial statement for related party mergers for the fiscal year 2022 (from January 1, 2022, to December 31, 2022) in accordance with the "Guidelines for the Preparation of Consolidated Financial Statements for Related Party Mergers, Related Financial Statements, and Reports" and International Accounting Standard No. 27 recognized by the Financial Supervisory Commission for the preparation of consolidated financial statements for parent and subsidiary companies. The relevant information required for the related party consolidated financial statements has already been disclosed in the aforementioned consolidated financial statements for parent and subsidiary companies, therefore, there is no need to prepare a separate consolidated financial statement for related party mergers.

C. Relationship report

According to Article 369-12 of the Company Law, as a subsidiary of a non-publicly traded stock company, our company is not required to prepare a related-party transaction report.

- (2) Execution status and disclosure items for the Company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.
- (3) Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.
- (4) Other matters that require additional description: None.
- (5) If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

ACES ELECTRONICS CO., LTD.

Chairman Yuan Wan-Ting