

Stock Code : 3605



ACES ELECTRONICS CO., LTD.

2024 Annual Shareholders' Meeting

# Meeting Handbook

June 25, 2024

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# **ACES ELECTRONICS CO., LTD.**

## **2024 Annual Shareholders' Meeting**

### **Meeting Procedure**

- 1 、 Call the Meeting to Order**
- 2 、 Chairman Remarks**
- 3 、 Report Items**
- 4 、 Proposals Items**
- 5 、 Discussion Items**
- 6 、 Extemporaneous Motions**
- 7 、 Adjournment**

# **ACES ELECTRONICS CO., LTD.**

## **2024 Annual Shareholders' Meeting**

### **Meeting Agenda**

**Type of Meeting: Physical Meeting**

**Time: June 25, 2024 (Tuesday) at 9:00 am**

**Location: 3F, No. 398, Minquan Road, Zhongli District, Taoyuan City**  
**(Peach Blossom Hall, Kuva Chateau Hotel)**

**I. Report on attending shares of shareholders and call the Meeting to Order**

**II. Chairman Remarks**

**III. Report Items**

1. 2023 Business Report
2. Audit Committee's Review Report on the 2023 Financial Statements
3. 2023 Related Party Transactions Report

**IV. Proposals Items**

1. Adoption of 2023 Business Report and Financial Statements
2. Adoption of the Proposal for Distribution of 2023 Profits

**V. Discussion Items**

1. Proposal for the issuance of 2024 Employee Restriction Rights New Stock

**VI. Extemporaneous Motions**

**VII. Adjournment**

## Report Items

### 1. 2023 Business Report

Explanation : For the business report, please refer to Appendix 1 on page 8-10 of this handbook.

### 2. Audit Committee's Review Report on the 2023 Financial Statements

Explanation : For Audit Committee's Review Report, please refer to Appendix 2 on page 11 of this handbook.

### 3. 2023 Related Party Transactions Report

Explanation :

1. In response to the needs of future business development, the Company evaluated the acquisition of real estate from related parties in accordance with Article 15 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies". In September 2023, the Company purchased land adjacent to its Guoling plant from Director Hsu Chang-Fei, a related party, with an area of approximately 2,686 ping, at a total price of NT\$522,729 thousand. The land acquisition price was determined by referencing the evaluation review report of the Company's acquisition of real estate from related parties, with a valuation amount of NT\$577,471 thousand from the Chinese Real Estate Appraisal Association and NT\$554,693 thousand from the Cushman & Wakefield Real Estate Appraisal Office.
2. In response to business needs, the Company evaluated the acquisition of property usage rights assets from related parties in accordance with Article 15 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies". In 2023, the Company leased land adjacent to its Guoling plant from related parties Yuan Wan-Ting and Director Hsu Chang-Fei. The lease price was determined by referencing the rental rates and land market conditions in neighboring areas, evaluation review reports of the Company's acquisition of property usage rights assets from related parties, and the auditor's opinion on the reasonableness of prices. The total rent paid in 2023 was NT\$10,871 thousand.

## **Proposals Items**

1. Adoption of 2023 Business Report and Financial Statements. (Proposed by the Board of Directors)

### **Explanation:**

- 1.1. The Company's 2023 Financial Statements was reviewed and certified by Lin Heng-Sheng and Chen Zheng-Xue, accountants at CPA firm of KPMG, and an audit report has been issued. And it's proposed to be submitted with the Business Report to the annual shareholders meeting for approval.
- 1.2. For the 2023 Business Report, Independent Auditors' Report and Financial Statements, please refer to Appendix 1 on page 8~10 and Appendix 3 on page 12~27 of this handbook.
- 1.3. The proposal is submitted for Ratification.

### **Resolution:**

2. Adoption of the Proposal for Distribution of 2023 Profits. (Proposed by the Board of Directors)

### **Explanation:**

- 2.1. As of the beginning of 2023, the undistributed earnings of the Company amounted to NT\$2,501,114,202. After deducting the net loss after tax for 2023 and adding other adjustments, the distributable earnings for this period amounted to NT\$2,181,967,159.
- 2.2 No dividends were distributed for 2023.
- 2.2. For the 2023 Profit Distribution Table, please refer to Appendix 4 on page 28 of this handbook.
- 2.3. The proposal is submitted for Ratification.

### **Resolution:**

## Discussion Items

- 1 、 Proposal for the issuance of 2024 Employee Restriction Rights New Stock. (Proposed by the Board of Directors)

### Explanation:

1. It is proposed to 2024 Employee Restriction Rights New Stocks in accordance with Article 267 of the Company Act and relevant regulations such as the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers".
2. In accordance with Article 60-2 of the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" (hereinafter referred to as the "Offering Guidelines"), the following is explained:

2.1 Total issuance: Not exceeding 4,000,000 ordinary shares, with a par value of NT\$10 per share. The actual number of shares issued will be determined after approval by the shareholders' meeting and the competent authority following the approval of the Employee Restriction Rights New Stock issuance by the Board of Directors.

2.2 Main issuance conditions:

(1) Issue price: NT\$10 per share.

(2) Type of shares issued: Ordinary shares of the Company.

(3) Vesting conditions:

① Employees who remain in service for one year after receiving restricted employee benefit new shares (from the issuance date) without violating these issuance regulations and work rules during the fiscal year, and if the Company's annual consolidated revenue or consolidated net profit grows by at least 6% compared to the previous year, will be entitled to 40% of the shares.

② Employees who remain in service for two years after receiving restricted employee benefit new shares (from the issuance date) without violating these issuance regulations and work rules during the fiscal year, and if the Company's annual consolidated revenue or consolidated net profit grows by at least 10% compared to the previous year, will be entitled to 30% of the shares.

③ Employees who remain in service for three years after receiving restricted employee benefit new shares (from the issuance date) without violating these issuance regulations and work rules during the fiscal year, and if the Company's annual consolidated revenue or consolidated net profit grows by at least 10% compared to the previous year, will be entitled to 30% of the shares.

④ Entitlements will be distributed according to the above conditions, but in the event that the Company is affected by international or industry market conditions, the performance indicators or distribution ratios may be amended by the Company's Compensation Committee and approved by the Board of Directors. Upon issuance of this regulation, any amendments shall require resolution by the shareholders' meeting to alter the issuance procedure, followed by implementation upon obtaining the signed consent declaration from all employees regarding the modifications.

(4) Treatment of employees who do not meet the vesting conditions or in case of inheritance: The Company will repurchase the shares from employees at the

issuance price plus interest (calculated at an annual interest rate of 3.15%, prorated for less than one year), and cancel them; in exceptional circumstances (including but not limited to inheritance), the procedures stipulated in these regulations for the issuance of restricted employee benefit new shares will be followed.

2.3 Employee eligibility criteria and number of shares that can be allocated or subscribed:

- (1) Full-time employees of the Company and its subsidiaries who are employed on the day of issuance of restricted employee benefit new shares and are prioritized based on their connection to the company's future strategies and highly relevant development, (2) significant impact on the company's operations, and (3) critical core talent.
- (2) The quantity of restricted employee benefit new shares allocated to employees will be determined based on factors such as seniority, job level, job performance, overall contribution, special achievements, or other management considerations, and approved by the Chairman after review. However, for executives or directors who are also employees, approval must be obtained from the Compensation Committee. For employees who are not executives or directors, approval must be obtained from the Audit Committee.
- (3) The total number of shares that a single employee can acquire, including the cumulative number of restricted employee benefit new shares and the cumulative number of shares that can be subscribed through employee stock warrants issued by the Company in accordance with Article 56-1, Paragraph 1 of the Offering Guidelines, shall not exceed three per thousand of the total number of shares issued by the Company, and the cumulative number of shares that can be subscribed through employee stock warrants issued by the Company in accordance with Article 56-1, Paragraph 1 of the Offering Guidelines shall not exceed one percent of the total number of shares issued by the Company.

2.4 Justification for the issuance of restricted employee benefit new shares this time: To attract and retain necessary professional talents, motivate employees, and enhance their sense of belonging, in order to jointly create benefits for the company and shareholders.

2.5 Estimated expenses, dilution of earnings per share of the Company, and other impacts on shareholder equity:

(1) Estimated expenses:

If calculated based on an average closing price per share of NT\$38.69 on the business day of April 2024, and assuming the highest upper limit is reached for all vesting conditions, the total estimated expenses could be approximately NT\$114,760 thousand. According to the entitlement conditions, the estimated expenses for 2024, 2025, and 2026 would be approximately NT\$45,904 thousand, NT\$34,428 thousand, and NT\$34,428 thousand, respectively.

(2) Impact on earnings per share of the Company and other impacts on shareholder equity:

Based on the current total issued shares of 134,417,709 shares of the Company, the impact on earnings per share for 2024, 2025, and 2025 would be approximately NT\$0.34, NT\$0.26, and NT\$0.26, respectively. The dilution effect on future earnings per share of the Company is limited, and there is no significant impact on shareholder equity.



3. Other important provisions:

The restricted employee benefit new shares issued by the Company shall be managed through stock trust.

4. Within one year from the date of the resolution of the shareholders' meeting, the Company shall submit applications to the competent authority once or in installments, and the authorization for one-time or installment issuance shall be determined by the Chairman within two years from the date of receipt of the effective notification of approval from the competent authority.
5. If the conditions for the issuance of restricted employee benefit new shares this time are instructed by the competent authority, if relevant laws and regulations are amended, or if there are changes in the objective environment, it is proposed to authorize the Board of Directors or its authorized personnel to handle all matters.
6. The issuance of restricted employee benefit new shares this time and related restrictions and important provisions, or matters not covered herein, shall be handled in accordance with relevant laws and issuance regulations.
7. For 2024 Employee Restriction Rights New Stock Issuance Regulations, please refer to Annex 5 on page 29-32 of this manual.
8. The proposal is submitted for discussion.

Resolution:

### **Extemporary Motions**

### **Adjournment**

## Annex 1.

# ACES ELECTRONICS CO., LTD.

## 2023 Business Report

First of all, on behalf of the management team of ACES Electronics Co., Ltd., I 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, due to ongoing geopolitical tensions worldwide, high interest rates, high inflation, and the slowdown of the Chinese economy, global demand for end products has weakened. However, there have been changes globally and within the electronics industry driven by the acceleration of AI digitalization, 5G communication transmission driving server demand, and the development of automotive electronics driven by electric vehicles.

In response to changes in the industry, the Company has gradually shifted our focus from traditional product design and manufacturing 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 consolidated financial statements for 2023, the consolidated net operating revenue amounted to NT\$8.486 billion, consolidated operating net profit was (NT\$0.331) billion, consolidated pre-tax net profit was (NT\$0.27) billion, and consolidated net profit for the current period was (NT\$0.267) billion (attributable to the net profit of the parent company's shareholders), translating to basic earnings per share after tax of (NT\$1.98).

Unit: NT\$ Thousands			
Item	2023	2022	YoY Growth/Decrease Rate
Consolidated Net Revenue from Operations	8,486,228	10,392,504	(18.34%)
Consolidated Profit from Operations	(330,729)	56,747	(682.81%)
Consolidated Profit before Income Tax	(269,692)	315,063	(185.60%)
Consolidated Profit for the year	(268,188)	223,333	(220.08%)
Net Profit Attributable to Shareholders of the Parent	(266,543)	225,319	(218.30%)

The Company did not formally prepare financial forecasts for 2023. However, based on the Company's internal operating plan, the actual shipment amount for 2023 achieved 65% of

the original target, and the overall revenue decreased by 18% compared to the previous year.

### **In terms of financial balance and profitability**

Item		2023	2022
Return on Assets		(1.43%)	2.28%
Return on Equity		(4.89%)	4.04%
Profit Ratio of Paid up Capital	Profit from Operations	(24.60%)	4.22%
	Profit before Income Tax	(20.06%)	23.43%
Net Profit Margin		(3.14%)	2.16%
Earnings per Share (NT\$)		(NT\$1.98)	NT\$1.68

### **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, and chassis for data centers, auxiliary driving systems for automotive electronics, intelligent cabins, car networking, etc., 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 long-term strategic development needs and promote the maximum value and efficiency of each business entity, and focus on overseas markets and the mainland market. The Company's overseas sales bases cover the United States, Japan, Germany, Philippines, Vietnam, and Singapore. Deeply cultivating regional industrial development and enhancing penetration rates to target customers, providing connectors, cables, electromagnetic shielding covers, internal mechanical components, external casings, and complete assembly and testing services needed for consumer electronics, automotive electronics, cloud servers, industrial control industries, etc., to provide higher value-added products and services and increase 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. The construction is expected to complete in the first half 2024, expanding the production capacity of Taiwan's product line in the future 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), 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 (2024), 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: Huang Tien-Fu

Accounting Supervisor: Lee Shu-Yun

**Annex 2.**

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

The Board of Directors has submitted the Company's 2023 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 2024 Annual Shareholders' Meeting of the Company

Audit Committee Convener: Liaw Dar-Lii

March 12, 2024

### **Annex 3.**

## **Independent Auditors' Report**

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

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Description of key audit matter**

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

#### **1. Revenue Recognition**

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

## 2. Valuation of inventory

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

### **Other matter**

ACES Electronics Co., Ltd. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified audit opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRS, IAS, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal

control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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



entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

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

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

		December 31, 2023		December 31, 2022				December 31, 2023		December 31, 2022	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets :						Current liabilities :					
1100	Cash and cash equivalents (Note 6(1))	\$ 2,058,206	17	2,458,617	19	2100	Short-term borrowings (Note 6(11) and 8)	\$ 1,467,000	12	1,428,562	11
1110	Financial assets at fair value through profit or loss - current (Note 6(2))	-	-	62	-	2321	Current portion of corporate bonds (Note 6(13))	578,202	5	-	-
1150	Notes receivable, net (Note 6(3))	46,942	-	82,493	1	2150	Notes payable	1,868	-	518	-
1170	Accounts receivable, net (Note 6(3))	2,221,528	18	2,476,073	19	2170	Accounts payable	1,406,861	11	1,623,419	13
1180	Net trade receivable from related parties (Note 6(3) and 7)	25,422	-	23,553	-	2180	Accounts payable to related parties (Note 7)	65	-	327	-
1200	Other receivables (Note 6(3))	448,619	4	196,900	2	2200	Other payables (Note 6(6))	830,356	7	1,012,818	8
1212	Other receivables- related parties – others (Note 6(3) and 7)	528	-	-	-	2220	Other payables to related parties (Note 7)	813	-	2,823	-
1310	Inventories (Note 6(4))	1,189,410	10	1,453,691	11	2280	Lease liabilities - current (Note 6(14) and 7)	51,258	-	47,039	-
1410	Prepayments	87,022	1	141,154	1	2230	Current tax liabilities	11,769	-	56,365	-
1470	Other current assets (Note 6(1))	97,739	1	165,153	1	2322	Current installments of long-term borrowings (Note 6(12) and 8)	195,740	2	1,119,167	9
		6,175,416	51	6,997,696	54	2399	Other current liabilities - others	119,803	1	101,018	1
Non-current assets :						Non-current liabilities :					
1510	Financial assets at fair value through profit or loss - non-current (Note 6(2))	167,452	1	163,651	1	2530	Bonds payable (Note 6(13))	-	-	555,906	4
1535	Financial assets at amortized cost-non-current (Note 6(2))	-	-	220,400	2	2540	Long-term borrowings (Note 6(12) and 8)	1,737,355	14	660,121	5
1550	Investments in equity-accounted investees (Note 6(5))	428,470	3	447,170	3	2570	Deferred tax liabilities (Note 6(16))	307,893	3	317,009	3
1600	Property, plant and equipment (Note 6(7) and 8)	3,740,842	31	3,428,329	27	2580	Lease liabilities - non-current (Note 6(14) and 7)	110,084	1	75,665	1
1755	Right-of-use assets (Note 6(8))	598,340	5	517,628	4	2600	Other non-current liabilities (Note 6(6), (12) and (15))	175,318	1	184,265	2
1760	Investment properties, net (Note 6(9) and 8)	304,881	2	298,814	2			2,330,650	19	1,792,966	15
1780	Intangible assets (Note 6(10))	142,030	1	154,296	1			6,994,385	57	7,185,022	57
1915	Prepayment for equipment	227,093	2	327,288	3						
1840	Deferred tax assets (Note 6(16))	80,566	1	80,576	1						
1990	Other non-current assets - others	385,799	3	204,528	2						
		6,075,473	49	5,842,680	46						

See accompanying notes to consolidated financial statements.

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

		<b>2023</b>		<b>2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
	<b>Operating Revenue</b> (Note 6(19) and 7):				
4100	Net sales revenue	\$ 8,188,173	96	10,047,587	97
4800	Other operating revenue	298,055	4	344,917	3
	Net revenue from operations	8,486,228	100	10,392,504	100
5000	<b>Operating costs</b> (Note 6(4), (14), (15), and 7)	6,734,424	79	8,159,619	79
	<b>Gross profit</b>	1,751,804	21	2,232,885	21
	<b>Operating expenses</b> (Note 6(6), (14), (15), (21), and 7):				
6100	Selling expenses	585,051	7	686,463	7
6200	General and administrative expenses	876,700	10	915,292	9
6300	Research and development expenses	621,268	7	573,935	5
6450	Expected credit loss (gain) (Note 6(3))	(486)	-	448	-
	Total operating expenses	2,082,533	24	2,176,138	21
	<b>Profit from operations</b>	(330,729)	(3)	56,747	-
	<b>Non-operating income and expenses</b> (Note 6(22)):				
7100	Interest income	49,730	-	27,212	-
7010	Other income	124,934	1	141,151	1
7020	Other gains and losses	5,746	-	164,921	2
7050	Finance costs (Note 6(14) and (21))	(108,725)	(1)	(85,069)	-
7060	Share of profit of equity-accounted investees(Note 6(5))	(10,648)	-	10,101	-
	Total non-operating income and expenses	61,037	-	258,316	3
7900	<b>Profit before income tax</b>	(269,692)	(3)	315,063	3
7950	<b>Less: income tax expenses (gains)</b> (Note 6(16))	(1,504)	-	91,730	1
	<b>Profit for the year</b>	(268,188)	(3)	223,333	2
8300	<b>Other comprehensive income:</b>				
8310	Items that will never be reclassified to profit or loss				
8311	Remeasurement of defined benefit plans	1,911	-	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	1,911	-	10,880	-
8360	Items that are or may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation to the presentation currency	(60,484)	(1)	130,098	1
8399	Less: Income tax related to items that may be reclassified(Note 6(16))	(12,097)	-	26,020	-
	Total items that are or may be reclassified subsequently to profit or loss	(48,387)	(1)	104,078	1
8300	<b>Total other comprehensive income(net of tax) for the year</b>	(46,476)	(1)	114,958	1
	<b>Total comprehensive income for the year</b>	<u>\$ (314,664)</u>	<u>(4)</u>	<u>338,291</u>	<u>3</u>
	<b>Net profit attributable to:</b>				
8610	Shareholders of the parent	(266,543)	(3)	225,319	2
8620	Non-controlling interests	(1,645)	-	(1,986)	-
		<u>\$ (268,188)</u>	<u>(3)</u>	<u>223,333</u>	<u>2</u>
	<b>Total comprehensive income attributable to:</b>				
8710	Shareholders of the parent	\$ (313,086)	(4)	340,050	3
8720	Non-controlling interests	(1,578)	-	(1,759)	-
		<u>\$ (314,664)</u>	<u>(4)</u>	<u>338,291</u>	<u>3</u>
	<b>Earnings per share</b> (NT\$, Note 6(18))				
9750	Basic earnings per share	<u>\$ (1.98)</u>		<u>1.68</u>	
9850	Diluted earnings per share	<u>\$ (1.98)</u>		<u>1.64</u>	

See accompanying notes to consolidated financial statements.

ACES ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in thousands of New Taiwan dollars)

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

See accompanying notes to consolidated financial statements.

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

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

See accompanying notes to consolidated financial statements.

## **Independent Auditors' Report**

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

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Description of key audit matter**

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

#### **1. Revenue Recognition**

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

## 2. Valuation of inventory

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

### Description of key audit matter:

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

### How the matter was addressed in our audit:

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

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

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

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

Those charged with governance (inclusive of the Audit Committee) from ACES Electronics Co., Ltd are



responsible for overseeing the Company's financial reporting process.

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

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

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

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

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

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

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



December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

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

#### **Notes to Readers**

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

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

		<b>December 31, 2023</b>		<b>December 31, 2022</b>				<b>December 31, 2023</b>		<b>December 31, 2022</b>	
<b>Assets</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Liabilities and Equity</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current assets :</b>						<b>Current liabilities :</b>					
1100	Cash and cash equivalents (Note 6(1))	\$ 472,031	5	866,194	8	2100	Short-term borrowings (Note 6(10))	\$ 1,120,000	11	650,000	6
1110	Financial assets at fair value through profit or loss - current (Note 6(2) and 12)	-	-	62	-	2321	Current portion of corporate bonds (Note 6(12))	578,202	5	-	-
1150	Notes receivable, net (Note 6(3) and (18))	122	-	42	-	2150	Notes payable	1,868	-	518	-
1170	Accounts receivable, net (Note 6(3) and (18))	762,149	7	804,588	7	2170	Accounts payable	179,236	2	166,523	2
1180	Net trade receivable from related parties (Note 6(3), (18) and 7)	120,929	1	148,889	1	2180	Accounts payable to related parties (Note 7)	829,395	8	763,869	7
1200	Other receivables (Note 6(3))	246,248	2	55,462	1	2200	Other payables (Note 6(14))	325,166	3	327,078	3
1210	Other receivables from related parties (Note 6(3) and 7)	4,739	-	5,275	-	2220	Other payables to related parties (Note 7)	57,752	-	96,629	1
1310	Inventories (Note 6(4))	314,369	3	304,605	3	2230	Current tax liabilities (Note 6(15))	-	-	23,371	-
1470	Other current assets (Note 6(1))	<u>35,265</u>	-	<u>33,767</u>	1	2280	Lease liabilities - current (Note 6(13) and 7)	4,176	-	8,716	-
		<u>1,955,852</u>	18	<u>2,218,884</u>	21	2322	Current installments of long-term borrowings (Note 6(11))	187,500	2	1,106,000	11
						2399	Other current liabilities - others	<u>35,078</u>	-	<u>26,554</u>	-
								<u>3,318,373</u>	31	<u>3,169,258</u>	30
<b>Non-current assets :</b>						<b>Non-current liabilities :</b>					
1510	Financial assets at fair value through profit or loss - non-current (Note 6(2))	71,866	1	71,070	1	2530	Bonds payable (Note 6(12))	-	-	555,906	5
1550	Investments in equity-accounted investees (Note 6(5) and 6)	6,295,080	60	6,376,572	62	2540	Long-term borrowings (Note 6(11))	1,683,974	16	618,500	6
1600	Property, plant and equipment (Note 6(7) and 7)	1,759,922	17	1,351,408	13	2570	Deferred tax liabilities (Note 6(15))	266,508	3	276,386	4
1755	Right-of-use assets (Note 6(8) and 7)	9,901	-	9,751	-	2580	Lease liabilities - non-current (Note 6(13) and 7)	5,811	-	1,344	-
1780	Intangible assets (Note 6(9))	38,093	-	35,085	-	2600	Other non-current liabilities (Note 6(11) and (14))	<u>16,061</u>	-	<u>29,900</u>	-
1915	Prepayment for equipment	166,698	2	169,730	2			<u>1,972,354</u>	19	<u>1,482,036</u>	15
1840	Deferred tax assets (Note 6(15))	21,491	-	12,971	-			<u>5,290,727</u>	50	<u>4,651,294</u>	45
1990	Other non-current assets – others (Note 6(15))	<u>226,583</u>	2	<u>42,943</u>	1						
	<b>Assets</b>	8,589,634	82	8,069,530	79	3110	Common stock	<u>1,344,177</u>	13	<u>1,344,177</u>	13
						3200	Capital surplus (Note 6(12))	<u>993,270</u>	9	<u>988,615</u>	10
							Retained earnings :				
						3310	Legal Reserve	726,030	7	702,410	7
						3320	Special Reserve	62,371	1	168,631	2
						3350	Unappropriated earnings	<u>2,236,482</u>	21	<u>2,492,404</u>	24
								<u>3,024,883</u>	29	<u>3,363,445</u>	33
							Other equity:				
						3410	Exchange differences on translation of the Financial Statements foreign operations	(140,790)	(1)	(92,336)	(1)
						3460	Gain on property revaluation (Note 6(16))	<u>33,219</u>	-	<u>33,219</u>	-
							<b>Total equity</b>	<u>5,254,759</u>	50	<u>5,637,120</u>	55
	<b>Total assets</b>	<u><b>\$ 10,545,486</b></u>	<u><b>100</b></u>	<u><b>10,288,414</b></u>	<u><b>100</b></u>		<b>Total liabilities and equity</b>	<u><b>\$ 10,545,486</b></u>	<u><b>100</b></u>	<u><b>10,288,414</b></u>	<u><b>100</b></u>

See accompanying notes to parent company only financial statements.

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

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

See accompanying notes to parent company only financial statements.

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

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

See accompanying notes to parent company only financial statements.

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

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

See accompanying notes to parent company only financial statements.

**Annex 4.**

**ACES ELECTRONICS CO., LTD.**

**Profit Distribution Table**

**for 2023**

Unit: Thousands of NT\$

Item	Amount
Beginning retained earnings	2,501,114,202
Add: Changes in the current period due to re-measurement of defined benefit plans	1,911,801
Add: Net loss after tax for the current period (net loss after tax for fiscal year 2023 of the Republic of China)	(266,543,137)
Less: Special surplus appropriation (reversal) for equity reduction	48,454,829
Less: Special surplus appropriation (reversal) for net increase in fair value of investment properties accounted for using the fair value model	6,060,878
Ending retained earnings	2,181,967,159

Chairman: Yuan Wan-Ting; General Manager: Huang Tien-Fu; Accounting Supervisor: Lee Shu-Yun

## **Annex 5.**

# **ACES ELECTRONICS CO., LTD.**

## **Employee Restriction Rights New Stock Issuance Regulations for 2024**

### **Article 1: Purpose**

In order to attract and retain necessary professional talents, motivate employees, and enhance their sense of belonging, to jointly create benefits for the company and shareholders, pursuant to Article 267, paragraph 9 of the Company Act, Article 22 of the Securities and Exchange Act, and relevant regulations issued by the Financial Supervisory Commission such as the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" (hereinafter referred to as the "Offering Guidelines"), these regulations for the issuance of restricted employee benefit new stocks by the Company (hereinafter referred to as the "Regulations") are established.

### **Article 2: Issuance Period**

Within two years from the date of receipt of the effective notification of approval from the competent authority, the issuance may be made at one time or in installments as deemed necessary. The actual issuance date and related operational matters shall be determined by the Chairman authorized by the Board of Directors.

### **Article 3: Eligibility Criteria for Allocation**

- I. The eligible recipients are full-time employees of the Company and its subsidiaries who are employed on the day of issuance of the restricted employee benefit new stocks and prioritize those (1) highly relevant to the company's future strategies and development, (2) having a significant impact on the company's operations, and (3) considered key core talents.
- II. The quantity of restricted employee benefit new stocks allocated to employees shall be determined based on factors such as seniority, job level, job performance, overall contribution, special achievements, or other management considerations, and approved by the Chairman after review. However, for executives or directors who are also employees, approval must be obtained from the Compensation Committee. For employees who are not executives or directors, approval must be obtained from the Audit Committee.
- III. The total number of shares that a single employee can acquire, including the cumulative number of restricted employee benefit new shares and the cumulative number of shares that can be subscribed through employee stock warrants issued by the Company in accordance with Article 56-1, Paragraph 1 of the Offering Guidelines, shall not exceed three per thousand of the total number of shares issued by the Company, and the cumulative number of shares that can be subscribed through employee stock warrants issued by the Company in accordance with Article 56-1, Paragraph 1 of the Offering Guidelines shall not exceed one percent of the total number of shares issued by the Company. In the case of special approval by the competent authorities of various central enterprises, the total number of shares acquired by a single employee through employee stock warrants and restricted employee benefit new stocks shall not be subject to the aforementioned ratio. In the event of updates to relevant regulations by the competent authorities, the updated laws and regulations shall be followed accordingly.

### **Article 4: Estimated Total Issuance Amount**

The issuance shall not exceed 4,000,000 ordinary shares, with a par value of NT\$10 per share. The actual number of shares issued shall be determined after approval by the shareholders' meeting and the competent authority upon approval of the issuance of restricted employee benefit new stocks by the Board of Directors.

Article 5: Conditions for the Issuance of Restricted Employee Benefit New Stocks and Restrictions on Shareholder Rights

I. Issue price: NT\$10 per share.

II. Type of shares issued: Ordinary shares of the Company.

III. Vesting conditions:

1. Employees who remain in service for one year after receiving restricted employee benefit new shares (from the issuance date) without violating these issuance regulations and work rules during the fiscal year, and if the Company's annual consolidated revenue or consolidated net profit grows by at least 6% compared to the previous year, will be entitled to 40% of the shares.
2. Employees who remain in service for two years after receiving restricted employee benefit new shares (from the issuance date) without violating these issuance regulations and work rules during the fiscal year, and if the Company's annual consolidated revenue or consolidated net profit grows by at least 10% compared to the previous year, will be entitled to 30% of the shares.
3. Employees who remain in service for three years after receiving restricted employee benefit new shares (from the issuance date) without violating these issuance regulations and work rules during the fiscal year, and if the Company's annual consolidated revenue or consolidated net profit grows by at least 10% compared to the previous year, will be entitled to 30% of the shares.
4. Entitlements shall be distributed according to the above vesting conditions, but in the event that the Company is affected by international or industry market conditions, the performance indicators or distribution ratios may be amended by the Company's Compensation Committee and approved by the Board of Directors. Upon issuance of this regulation, any amendments shall require resolution by the shareholders' meeting to alter the issuance procedure, followed by implementation upon obtaining the signed consent declaration from all employees regarding the modifications.

IV. Treatment of employees who do not meet the vesting conditions:

1. Employees who voluntarily resign, are dismissed, or terminated within three years from the issuance date, and have not yet met the vesting conditions for the respective year, shall have their shares repurchased by the Company at the issuance price plus interest (Note 1).
2. Employees who fail to meet the vesting conditions upon expiration shall have their shares repurchased by the Company at the issuance price plus interest (Note 1).
3. Stock dividends and cash dividends received during the entitlement period shall be given to employees free of charge.
4. Before the vesting conditions are met, if employees violate the provisions of Article 7 and Article 8 herein and terminate or dissolve the agency authorization of the Company, the Company shall repurchase their shares at the issuance price plus interest (Note 1).

V. Treatment of Unvested Restricted Employee Benefit New Stocks:

1. Leave without pay:

Employees who are on leave without pay with the approval of the Company and have not met the vesting conditions for restricted employee benefit new stocks may regain their entitlement upon returning to work. However, the number of shares that can be vested shall be calculated proportionally based on the actual period of employment and



the proportion of vesting conditions specified in Article 5, Paragraph 3 during the actual period of employment, subject to the restrictions specified in Article 5, Paragraph 3. The shares deducted during the period of leave without pay shall be repurchased by the Company at the issuance price plus interest (Note 1) upon return to work and shall be canceled.

2. Retirement: Employees who subscribe to restricted employee benefit new stocks in accordance with these regulations and subsequently retire, and have not met the vesting conditions specified in Article 5, Paragraph 3 at the effective date of retirement, shall have their shares repurchased by the Company at the issuance price plus interest (Note 1) from the effective date of retirement, and shall be canceled.
3. Due to occupational disability, death, or general death:
  - (1) Employees who are unable to continue working due to occupational disability caused by occupational accidents shall be deemed fully vested in the restricted employee benefit new stocks that have not yet vested upon the effective date of resignation.
  - (2) In the event of death due to occupational accidents, the restricted employee benefit new stocks that have not yet vested shall be deemed fully vested upon the death of the employee. Upon completion of the statutory necessary procedures and provision of relevant supporting documents by the heirs, they may apply to receive the shares or disposed benefits they are entitled to inherit.
  - (3) In the case of general death and failure to meet the vesting conditions specified in Article 5, Paragraph 3 at the time of death, the shares subscribed to in accordance with these regulations shall be repurchased by the Company at the issuance price plus interest (Note 1) from the date of death, and shall be canceled.
4. Transfer to related enterprises: Employees of the Company who are transferred to related enterprises as determined by the Company for operational needs may continue to hold unvested restricted employee benefit new stocks upon transfer. However, they must meet the vesting conditions specified in Article 5, Paragraph 3 before vesting.

VI. The restricted employee benefit new stocks repurchased by the Company shall be canceled.

VII. Restrictions on Shareholder Rights before vesting:

1. During the entitlement period, except for inheritance, employees may not sell, pledge, transfer, gift to others, set, or dispose of the restricted employee benefit new stocks in any other way.
2. During the entitlement period, employees may still participate in stock dividends, cash dividends, and rights issues.
3. After the issuance of restricted employee benefit new stocks, they shall be immediately entrusted, and before the vesting conditions are met, employees shall not request the return of restricted employee benefit new stocks from the trustee for any reason or in any way.
4. Before the vesting conditions are met, employees shall entrust the trustee to exercise their rights as shareholders in attendance, proposals, speeches, voting rights, and other matters related to shareholder rights at the Company's shareholders' meeting.

VIII. Other Agreements:

1. The restricted employee benefit new stocks issued by the Company shall be managed through stock trust.
2. During the period of entrustment of restricted employee benefit new stocks, the Company shall fully represent employees and negotiate, sign, revise, extend, terminate, and terminate trust contracts with stock trust institutions (including but not limited to) the delivery, utilization, and disposal instructions of trust assets.

Article 6: Contracting and Confidentiality

Employees who receive restricted employee benefit new stocks shall abide by confidentiality

regulations and shall not disclose the quantity of shares allocated and all related contents except as required by laws or competent authorities. In the event of any violation deemed significant by the Company, the employee shall immediately lose the qualification to receive shares that have not yet met the vesting conditions, and the Company shall have the right to repurchase their shares at the issuance price plus interest (Note 1) and cancel them.

#### Article 7: Taxes

The relevant taxes on the restricted employee benefit new stocks received pursuant to these regulations shall be handled in accordance with the relevant laws and regulations applicable in the country where the participating employees are located at the time.

#### Article 8: Other Important Matters

- I. These regulations shall take effect upon approval by the Board of Directors and filing with the competent authority. In the event of subsequent modifications due to changes in laws and regulations, requests from regulatory authorities, or changes in the objective environment, the Chairman is authorized to amend these regulations. Subsequently, the amendments shall be submitted to the Board of Directors for retroactive approval before issuance.
- II. Any matters not covered by these regulations shall be handled in accordance with relevant laws and regulations.

Note 1: Interest shall be calculated at an annual rate of 3.15%, and for periods less than one year, it shall be calculated proportionally based on the annual rate.

## Appendix 1.

# ACES ELECTRONICS CO., LTD.

## Rules of Procedure for Shareholders' Meeting

- Article 1 The rules of procedure of the Company's shareholders' meeting shall be handled in accordance with these rules, unless otherwise stipulated by laws, regulations or the articles of incorporation.
- Article 2 The Company shall set up a signature book for the attendance of the shareholders themselves or their authorized agents (hereinafter referred to as “shareholders”), or an attendance card for proxy sign-in shall be submitted by the shareholders in attendance.
- Article 3 Attendance at the shareholders' meeting shall be calculated based on the number of shares. The number of shares attended shall be calculated according to the shares indicated by the signature book or attendance card handed and video conferencing platform, in plus the number of shares that voting rights are exercised by correspondence or electronically. When the meeting time has expired, the chairman shall immediately call the meeting to order at the appointed meeting time, and at the same time announce relevant information such as the number of non-voting rights and the number of shares present. However, when attending shareholders do not represent more than half of the total number of issued shares, the chairman may announce a postponement of the meeting. The number of postponements is limited to two, and the total delay time shall not exceed one hour. If there are still not enough shareholders representing more than one-third of the total number of issued shares after the second postponement, the chairman may announce adjournment. If the shareholders' meeting is held by video conference, the Company shall also announce the adjournment on the video conference platform of the shareholders' meeting.
- Article 4 The company shall make audio or video recordings of the entire shareholders' meeting process and keep them for at least one year. However, if a shareholder initiates a lawsuit in accordance with Article 189 of the Company Art, the recording shall be preserved until the conclusion of the litigation.
- Article 5 If the shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be determined by the Board of Directors, and the meeting shall be conducted in accordance with the agenda, which may not be changed without a resolution of the shareholders' meeting.
- If a shareholders' meeting is convened by a party with the right to convene that is not the board of directors, the provisions of the preceding paragraph shall apply mutatis mutandis.
- The chairman shall not announce the adjournment of the meeting to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting; if the chairman violates the rules of procedure and announces the adjournment, other members of the Board of Directors shall promptly assist the attending shareholders in accordance with legal procedures to elect a person as chairman with the consent of more than half of the voting rights of the attending shareholders, and continue the meeting.
- The chairman shall provide sufficient explanation and opportunities for discussion on proposals, amendments or interim motions proposed by shareholders, and may announce the suspension of discussion and put them up

- for voting when the resolution has reached a point where it is ready for voting.
- Article 6 Before attending the speech of shareholders, they must first fill in a speech slip to specify the subject of the speech, shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chairman.
- A shareholder in attendance who has only submitted speech slip but does not make speech shall be deemed to have not spoken. If the content of the speech is inconsistent with the subject given on the speech slip, the content of the speech shall prevail.
- Each shareholder's speech on the same proposal shall not exceed twice without the consent of the chairman, and a single speech shall not exceed five minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chairman may terminate the speech.
- When a shareholder present is speaking, other shareholders are not allowed to interfere with the speech unless they have obtained the consent of the chairman and the shareholder who is speaking, and the chairman shall stop any violation.
- When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal
- After attending shareholders' speeches, the chairman may reply in person or direct relevant personnel to respond.
- If the shareholders meeting is convened by video conference, shareholders who participate in the video conference may submit questions in text on the shareholders meeting video conference platform, during the period from the announcement of the meeting by the chairman until the adjournment. The number of questions for each agenda item shall not exceed twice and with a limit of 200 characters per question, and the provisions of items 1 to 5 shall not apply in this case.
- Article 7 Shareholders who hold more than 1% of the total number of issued shares may submit a proposal to the company in writing for the shareholder's meeting in accordance with the provisions of the Company Art. However, it is limited to one proposal, and those with more than one proposal shall not be included in the agenda.
- Article 8 Voting at a shareholders' meeting shall be calculated based on the number of shares.
- For the resolution of the shareholders' meeting, the number of shares held by a shareholder with no voting rights shall not be included as part of the total number of issued shares.
- Shareholders are not allowed to participate in voting if they have an interest in relation to an agenda item, and there is likelihood that such a relationship would prejudice the interests of the Company, and they are not allowed to exercise their voting rights as proxy for any other shareholders.
- The number of shares that cannot exercise voting rights under the preceding paragraph shall not be included as part of the voting rights represented by attending shareholders.
- Except for a trust enterprise or a stock affairs agency approved by the competent securities authority, when one person is entrusted as proxy by two or more shareholders at the same time, the voting rights represented by that proxy shall not exceed 3% of the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

- Article 9 Each shareholder is entitled to one vote per share; however, those who are restricted or have no voting rights as listed in Paragraph 2 of Article 179 of the Company Act, are not limited to this.
- Article 10 When voting on each proposal, the chairman or the designated person shall announce the total number of voting rights represented by the attending shareholders. The shareholders shall vote on a case-by-case basis, and on the same day of the shareholders' meeting, the voting results of the shareholders' meeting, including approval, objection, and abstention results shall be reported to the Public Information Observatory.
- Article 11 The scrutiny and counting personnel for voting on proposals shall be appointed by the chairman, provided that all the scrutiny personnel shall have the status of shareholders. The votes shall be counted publicly at the shareholders' meeting, and the results of the voting shall be announced on the spot and recorded.
- When the Company holds a video meeting of the shareholders' meeting, shareholders who participate in the video conference shall vote on various proposals and election proposals through the video conference platform after the chairman announces the commencement of the meeting. The voting must be completed before the chairman announces the end of the voting, and any vote cast after the deadline will be considered as abstained.
- If the shareholders meeting is convened by video conference, after the chairman announces the end of the vote, a one-time counting of the votes shall be counted, and the results of the vote and election shall be announced.
- When the Company convenes a video-assisted shareholders' meeting, shareholders who have registered to attend the shareholders' meeting via video conference in accordance with the regulations, but want to attend the physical shareholders' meeting in person, should cancel the registration in the same way as the registration two days before the shareholders' meeting. Failure to cancel on time will result in the shareholder only being able to attend the shareholders meeting via video conference.
- Article 12 When the shareholders' meeting elects directors, it shall be handled in accordance with the relevant election rules stipulated by the Company, and the election results shall be announced on the spot, including the list of elected directors and their number of votes, as well as the list of unsuccessful directors and their number of votes. The ballots for the elections referred to in the preceding paragraph shall be sealed and signed by the scrutineers, and shall be kept in a safe place for at least one year. However, if a shareholder initiates a lawsuit in accordance with Article 189 of the Company Art, it shall be preserved until the conclusion of the lawsuit.
- Article 13 The resolutions of the shareholders' meeting shall be recorded in minutes, signed or sealed by the chairman, and the minutes shall be distributed to all shareholders within 20 days after the meeting. The distribution of the meeting minutes may be done by announcement.
- The minutes of the meeting shall be accurately recorded in terms of the year, month, day, place, name of the chairman, resolution method, essentials of the proceedings and the results of the meeting, and shall be permanently preserved during the existence of the Company.
- If the shareholders meeting is convened by video conference, in addition to the requirement referred to in the preceding paragraph, the minutes shall record the start and end time of the shareholders meeting, the method of convening the meeting, the name of the chairman and recorder, the alternative measures provided to shareholders who will be in difficulty for participating via video

conference, and the handling procedures and situations in the event of obstacles to the video conferencing platform or participation in the form of video conferencing due to natural disasters, accidents or other force majeure circumstances.

Article 14 When a meeting is in progress, the chairman may announce a break at a discretionary time. In the event of an irresistible event, the chairman may rule to temporarily suspend the meeting and announce a time for the continuation of the meeting as appropriate.

Before the end of the agenda scheduled by the shareholders' meeting (including extraordinary motions), the venue for the meeting is no longer available for continued use at that time, the shareholders' meeting may resolve to find another venue to continue.

The shareholders' meeting may, in accordance with Article 182 of the Company Art, resolve to postpone or continue the meeting within five days.

Article 15 If the shareholders' meeting is held by video conference, the Company shall immediately disclose the voting results and election results of various proposals on the shareholders' meeting video conference platform in accordance with regulations after the voting is completed, and continue to disclose at least 15 minutes after the chairman announces the adjournment of the meeting.

Article 16 When the Company holds a shareholders meeting via video conference, the chairman and the recorder should be at the same place in the country, and the chairman should announce the address of the place at the time of the start of meeting.

Article 17 If the shareholders' meeting is held by video conference, the Company shall provide shareholders with a simple connection test before the meeting, and provide relevant services in a timely manner before and during the meeting to assist in dealing with technical issues related to communication.

If the shareholders' meeting is convened by video conference, the chairman shall, when announcing the beginning of the meeting, separately announce that it is no necessary to postpone or continue the meeting except for the circumstances specified in Paragraph 24, Article 44 of the Regulations Governing the Administration of Shareholder Services of Public Companies. Before the chairman announces the adjournment of the meeting, if there is a technical obstacle on the video conferencing platform or participation in video conferencing due to natural disasters, accidents or other force majeure events that lasts for more than 30 minutes, the date of meeting shall be postponed or continued within five days, and the provisions of Article 182 of the Company Art shall not apply.

For the meeting referred to in the preceding paragraph which is postponed or resumed, shareholders who did not register to participate in the original shareholders' meeting via video conference are not allowed to participate in the postponed or continued meeting.

For the meeting which is postponed or resumed according to the provisions of Paragraph 2, shareholders who have registered to participate in the original shareholders' meeting via video conference and completed the registration, but did not participate in the postponed or continued meeting, shall have their attended number of shares, the exercised voting rights and election rights at the original shareholders' meeting, counted towards the total number of shares, voting rights, and election rights of shareholders attending the postponed or continued meeting.

In accordance with the provisions of Paragraph 2, when the shareholders'

meeting is postponed or continued, no re-discussion and resolution is required for proposals that have completed voting, counting, and announcing the voting results or the list of directors elected.

When the Company convenes a video-assisted shareholders' meeting and is unable to continue the video conference as stipulated in Paragraph 2, if the total number of shares in attendance still meets the statutory quota for the convening of a shareholders' meeting after deducting the number of shares attending the shareholders' meeting by video conference, the shareholders' meeting shall proceed without postponed or continued in accordance with the provisions of the Paragraph 2.

If the meeting should continue as stated in the preceding paragraph, shareholders who participate in the shareholders' meeting via video conference shall have their shares counted in the total number of shares of the shareholders present, but their vote shall be deemed as abstention for all the proposals of the shareholders' meeting.

When the company postpones or continues a meeting in accordance with the provisions of the Paragraph 2, it shall follow the provisions listed in Paragraph 7, Article 44-27 of Regulations Governing the Administration of Shareholder Services of Public Companies, and handle pre-work relevant matters in accordance with the original date of the shareholders' meeting and the provisions of the article.

During the period prescribed in the latter paragraph of Article 12 and Paragraph 3 of Article 13 of the Regulations Governing the Use of Proxies for Attendance at Shareholder Meeting of Public Companies, the Paragraph 2 of Article 44-5, Paragraph 15 of Article 44-10, and Paragraph 1 of Article 44-17 of Regulations Governing the Administration of Shareholder Services of Public Companies, the company shall postpone or continue the date of the shareholders' meeting in accordance with the provisions of Paragraph 2.

Article 18 When the company convenes a shareholders meeting via video conference, it shall provide appropriate alternative measures for shareholders who have difficulty in attending the shareholders' meeting via video conference.

Article 19 These rules, and any amendments hereto, shall be implemented after adoption by the shareholders' meeting.

Article 20 The rules of procedure for the shareholders' meeting were established on June 25, 2005.

The first amendment was on June 28, 2007.

The second amendment was on June 6, 2012.

The third amendment was on June 29, 2022.

## Appendix 2.

# ACES ELECTRONICS CO., LTD. Articles of Incorporation

## Chapter I. General Provisions

- Article 1 The company is incorporated in accordance with the provisions of the Company Act and registered under the business name "宏致電子股份有限公司", and the English name is "ACES ELECTRONICS CO., LTD."
- Article 2 The company's scope of businesses are as follows:
1. C805050 Industrial Plastic Products Manufacturing
  2. CC01080 Electronic Component Manufacturing
  3. CF01011 Medical equipment manufacturing
  4. CQ01010 Mold Manufacturing
  5. E605010 Computer Equipment Installation
  6. F108031 Wholesale of Medical equipment
  7. F113050 Wholesale of Computer and Clerical Machinery Equipment
  8. F113070 Wholesales of Telecom Materials
  9. F118010 Wholesales of Computer Software
  10. F119010 Wholesale of Electronic Materials
  11. F208031 Retail Sale of Medical equipment
  12. F213030 Retail Sale of Computer and Clerical Machinery Equipment
  13. F213060 Retails Sale of Telecom Materials
  14. F218010 Retails Sale of Computer Software
  15. F219010 Retails Sale of Electronic Materials
  16. I301010 Software Design Service
  17. ZZ99999 All business activities that are not prohibited or restricted by law, expect those that are subject to special approval.
- Article 3 The Company needs to provide assurances to external parties due to business needs.
- Article 4 The total amount of investment transferred by the Company is not subject to the restrictions by Article 13 of the Company Art.
- Article 5 The Company has its head office located in Taoyuan City, and may establish branch offices domestically and internationally when deemed necessary, subject to the approval of the Board of Directors and the competent authorities.

## Chapter II. Shares

- Article 6 The total amount of the Company's capital is NT\$2.0 billion, which is further divided into 200 million shares, and the value per share is NT\$10. All of them are ordinary shares. The Board of Directors is authorized to issue unissued shares as deemed necessary for business needs.  
NT\$1,000 million of the capital in the preceding paragraph shall be reserved for the issuance of share warrant, special shares with warrants, or corporate



bonds with warrants, totaling 10 million shares at NT\$10 per share, which may be issued in installments according to the resolution of the Board of Directors. If the Company's shares can be repurchased by the Company itself according to law, the Board of Directors is authorized to do so in accordance with laws and regulations.

If the stock option price issued by the Company for employee stock option is lower than the closing price of the Company's stock on the date of issuance, or if the price of treasury stock transferred to employees is lower than the average price of the Company's repurchased shares, the shareholders' meeting shall represent the issued shares, it shall be approved by a resolution of the shareholders' meeting with the attendance of more than half of the total shareholders, and the consent of more than two-thirds of the voting rights of the present shareholders.

Article 6-1 The objects of treasury stocks, employee stock option certificates, employee remuneration, pre-emptive right for issuance of new shares, and employee restricted stock that the company transfers or distributes to employees, may include employees of the controlling or subordinate companies who meet the conditions set by the Board of Directors or its authorized personnel.

Article 7 The stock of the Company shall be registered stocks, signed or sealed by the director representing the Company, and issued according to legal requirements. Shares issued by the Company can be exempted from printing stock certificates after being registered by a centralized securities depository institution, and the same applies to the issuance of other securities.

Article 8 The transfer of ownership and renaming of stocks shall be stopped within 30 days prior to the regular meeting of shareholders, within 15 days prior to the extraordinary meeting of shareholders, or within 5 days prior to the reference date for distribution of dividends, bonuses, or other benefits. After the public issuance of the Company's stock, the transfer of ownership and renaming of stocks shall be suspended within 60 days prior to the regular meeting of shareholders, within 30 days prior to the extraordinary general meeting of shareholders, or within 5 days prior to the reference date for distribution of dividends, bonuses, or other benefits.

### Chapter III. Shareholders' Meeting

Article 9 Shareholders' meetings are divided into two types: regular meeting and extraordinary meeting. Regular meeting shall be convened at least once a year within six months after the close of each fiscal year. Extraordinary meeting shall be convened when necessary, in accordance with the law. Except as otherwise provided by the Company Art, the shareholder meeting referred to in the preceding paragraph shall be convened by the Board of Directors.

Article 10 When a shareholder is unable to attend the shareholders' meeting for any reason, he or she shall submit a proxy to attend by offering company issued solicitation document stipulating the extent of the authorization, with signature or company seal thereon. The use of the power of attorney shall be conducted in accordance with Article 177 of the Company Art. After the Company's stock is publicly issued, it shall be handled in accordance with the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" by the corresponding government department.

Article 11 Unless otherwise stipulated by the Company Art, resolutions of the shareholders' meeting shall be executed by shareholders representing more than half of the total number of issued shares present in person or by proxy,

- and shall be carried out with the consent of more than half of the voting rights of the attending shareholders.
- Article 12 When the Company's shareholders consist of only one legal person shareholder, the powers of the Company's shareholders' meeting shall be exercised by the Board of Directors, and the provisions related to the shareholders' meeting in this charter shall not apply.
- Article 13 Each shareholder of the Company shall have one voting right, unless otherwise stipulated in Article 179 of the Company Art relating to the circumstances of certain shares as having no voting right.
- Article 14 The shareholders' meeting shall be convened by the Board of Directors, with the chairman of the board as the chairman of the meeting. In the absence of the chairman, the chairman shall designate a director to act as the proxy. If no such designation is made, a director shall be elected by the board to act as the proxy; if the meeting is convened by a person other than the Board of Directors, the chairman shall be appointed by the convener, and when there are two or more convener, one person should be elected from among themselves.
- Article 15 Resolutions adopted at the shareholders' meeting shall be recorded in minutes, signed or sealed by the chairman of the shareholders' meeting, and distributed to all shareholders within 20 days after the meeting. The distribution of the meeting minutes may be done by announcement.
- Article 15-1 When the Company's shareholders' meeting is held, it may be held by video conference or other methods announced by the Ministry of Economic Affairs.

#### Chapter IV. Directors and Functional Committees

- Article 16 The company shall have five to seven directors, with a term of three years, who shall be elected by the shareholders' meeting from among individuals with legal capacity, and may be re-elected for consecutive terms. The total shareholding ratio of all directors of the Company will be in accordance with the regulations of the security's regulatory authority. During the tenure of the directors, the Company may purchase liability insurance for them in respect of the compensation liability that he should bear in accordance with the law in the scope of his executes within the scope of their business.
- In accordance with the provisions of the Securities and Exchange Art, the Company shall appoint independent directors among the total number of directors referred to in the preceding paragraph. The number of independent directors shall not be less than three, and shall not be less than one-fifth of the total number of directors. The relevant matters shall be handled in accordance with the regulations of the competent securities authority.
- The election of the Company's directors (including independent directors) adopts a candidate nomination system, and they shall be elected by the shareholders' meeting from the list of nominated candidates for directors.
- The Company may set up various functional committees, and each committee shall formulate regulations for exercising its duties, which shall be implemented after being approved by the Board of Directors.
- The Company has set up an audit committee composed of all independent directors, one of whom is the convener, and at least one of them shall have expertise in accounting or finance; the exercise of its powers and other matters to be complied with shall be handled in accordance with the relevant regulations of the security's regulatory authority and the Company.
- Article 16-1 The Company's shareholders' meeting adopts a cumulative voting system for the election of directors, with each share having the same number of voting

- right as the number of directors to be elected. One person can be elected collectively, or several people can be allocated for election. The candidate who receives the most voting rights will be elected as a director.
- Article 17 When the vacancy of directors reaches one-third, the Board of Directors shall convene an extraordinary meeting of shareholders within 30 days for by-election, and the term of office for the new members shall not exceed the original term of office. After the public issuing of the Company's stocks, the Board of Directors shall convene an extraordinary shareholders' meeting within 60 days for a by-election.
- Article 18 The Board of Directors is organized by directors, and the chairman is elected by mutual recommendation of two-thirds or more of the directors present and the agreement of more than half of the attending directors. The chairman represents the company externally.
- Article 18-1 The convening of the Board of Directors of the Company shall state the reasons and notify all directors seven days in advance. However, in case of emergency, it may be convened at any time.  
The convening of the Board of Directors of the Company may be notified to all directors in writing, by email or by fax.
- Article 19 Unless otherwise provided by the Company Act, the resolutions of the Board of Directors shall be attended by the presence of more than half of the directors, and shall be carried out with the consent of more than half of the attended directors. A director who participates in a meeting through a video screen is deemed to be present in person; if a director is unable to attend the board meeting due to unavoidable reasons, the director may appoint another director as his/her proxy, and the appointment shall be handled in accordance with Article 205 of the Company Art.
- Article 20 When the chairman is on leave or unable to execute his/her duties due to reason, his/her proxy shall handle the matter in accordance with the provisions of Article 208 of the Company Art.
- Article 21 The remuneration of the directors of the Company may be determined by the Board of Directors according to their level of participation and contribution to the Company's operations, and with reference to the usual industry standards.

#### Chapter V. Managers

- Article 22 The Company may set a position of manager whose appointment, discharge and remuneration shall be subject to Article 29 of the Company Art.

#### Chapter VI. Accounting

- Article 23 At the end of each fiscal year, the Company shall prepare the following list by the Board of Directors and submit to the general meeting of shareholders for approval:
- 1) Business Report
  - 2) Financial Statements
  - 3) Surplus earning distribution or loss off-setting proposals
- Article 24 If the Company have profits in the year (profit refers to the pre-tax income deducting the distribution of employee remuneration and director's remuneration), then no less than 1% of the profit should be allocated as employee remuneration and no more than 3% should be allocated as director's remuneration. However, when the Company still has accumulated losses, it should reserve the amount to offset the losses in advance.

The employee remuneration referred to in the preceding paragraph may be paid in stock or in cash. If the Board of Directors decides to issue stock as a payment, the same resolution may be made in the form of issuing new shares or repurchasing its own shares. The director remuneration referred to in the preceding paragraph shall be paid in cash only.

The preceding two items shall be implemented by a resolution of the Board of Directors and reported to the shareholders' meeting.

Article 25

If there is a surplus in the Company's annual final accounts, taxes should be paid first to make up for previous losses, and then 10% should be set aside as legal reserve, but where such legal reserve amounts to the total authorized capital, this provision shall not apply. In addition, the Company may set up a special reserve according to its operating needs and legal requirements. If there is still surplus and undistributed surplus at the beginning of the same period, the Board of Directors shall propose a surplus earnings distribution proposal and submit it to the shareholders' meeting for resolution.

The profit distribution proposal referred to in the preceding paragraph, authorized the Board of Directors to distribute dividends and bonuses, or all or part of the legal reserve and capital surplus in accordance with Article 241 of the Company Art, with more than two-thirds of the directors present and a resolution passed by more than half of the directors present, in cash form, and report to the shareholders' meeting.

The dividend distribution of the Company is coordinating with the current year's earnings status and based on the principle of maintaining dividend stability; in consideration of the Company's future capital needs and long-term financial planning, among the distributed shareholder dividends, the cash dividends shall not be less than 20% of the total dividends amount. However, the shareholders' meeting may adjust it depending on the actual earning status of the current year and future capital planning.

## Chapter VII. Supplemental Provisions

Article 26 When the Company intends to revoke the public issuance of its stock, a resolution shall be passed by the shareholders' meeting, and this article shall not be changed during the emerging period and the listing period.

Article 27 If there are any matters not covered in this Articles of Incorporation, they shall be handled in accordance with the Company Art and relevant laws and regulations.

Article 28 This article was established on November 4, 1996.  
The first amendment was on January 25, 1997.  
The second amendment was on September 1, 1997.  
The third amendment was on July 20, 1999.  
The fourth amendment was made on March 5, 2000.  
The fifth amendment was made on April 12, 2001.  
The sixth amendment was made on May 18, 2001.  
The seventh amendment was on October 8, 2001.  
The eighth amendment was made on May 10, 2002.  
The ninth amendment was made on February 12, 2003.  
The tenth amendment was made on June 30, 2004.  
The eleventh amendment was made on September 14, 2004.  
The twelfth amendment was made on November 17, 2004.  
The thirteenth amendment was made on August 8, 2005.  
The fourteenth amendment was made on May 17, 2006.  
The fifteenth amendment was on June 23, 2006.

The sixteenth amendment was made on June 28, 2007.  
The seventeenth amendment was made on June 6, 2008.  
The eighteenth amendment was made on June 8, 2010.  
The nineteenth amendment was made on June 15, 2011.  
The twentieth amendment was made on June 6, 2012.  
The twenty-first amendment was made on June 20, 2013.  
The twenty-second amendment was made on June 28, 2016.  
The twenty-third amendment was made on June 22, 2017.  
The twenty-fourth amendment was made on June 28, 2019.  
The twenty-fifth amendment was made on August 31, 2021.  
The twenty-sixth amendment was on June 29, 2022.  
The twenty-seventh amendment was on June 27, 2023.

ACES ELECTRONICS CO., LTD.

Chairman: Yuan Wan-Ting

**Appendix 3.****ACES ELECTRONICS CO., LTD.****Shareholding of All Directors****Reference Date: April 27, 2024**

<b>Position</b>	<b>Name</b>	<b>Numbers of share held (shares)</b>	<b>Shareholding ratio (%)</b>
Chairman	Yuan Wan-Ting	8,863,487	6.59
Director	Weiji Investment Co., Ltd.	5,583,185	4.15
Director	Hsieh Han-Chang	0	0.00
Director	Hsu Chang-Fei	6,128,631	4.56
Independent Director	Lee An-Chen	0	0.00
Independent Director	Liaw Dar-Lii	0	0.00
Independent Director	Sheen Gwo-Ji	0	0.00
Total number of shareholdings of all directors (excluding independent directors)		20,575,303	15.31

Note: As of the book closure date of the general meeting of shareholders on April 27, 2024, the total number of issued shares of the Company is 134,417,709 shares. According to Article 26 of the Securities and Exchange Act and regulations of "Rules and Review Procedures for Directors and Supervisor Share Ownership Ratios at Public Companies", the minimum number of shares which is required to be held by all directors of the Company is 8,065,062 shares.