



Stock Code: 2432

# **Acer Gadget Inc.**

## **2023 Annual Report**

<b>Publication Date:</b>	<b>March 31, 2024</b>
<b>Website for Annual Reports:</b>	<b><a href="https://mops.twse.com.tw">https://mops.twse.com.tw</a></b>
<b>Company Website:</b>	<b><a href="https://www.acergadget.com">https://www.acergadget.com</a></b>

**I. Names, titles, contact numbers and emails of the Company's spokesperson and acting spokesperson:**

Spokesperson's name: Allen Jong

Job title: President

Contact number: 02-26960296

Email: IR.AGT@acergadget.com

Deputy spokesperson's name: Chia-Hao Cheng

Job title: Chief Financial Officer

Contact number: 02-26960296

Email: IR.AGT@acergadget.com

**II. Addresses and phone numbers of the headquarters, branches and factories:**

(I) Headquarters: 7F-5, No. 369, Fuxing N. Rd., Songshan Dist., Taipei City 02-26960296

(II) Main business address: 24F, No. 110 and No. 112, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City

(III) Branches: None.

(IV) Factories: None.

**III. Name, address, website, and phone number of the share registrar:**

Name: Transfer Agency Department, Taishin Securities Co., Ltd.

Address: B1, No. 96, Sec.1, Jianguo N. Rd., Zhongshan Dist., Taipei City

Website: [www.tssco.com.tw](http://www.tssco.com.tw)

Tel: (02)2504-8125

**IV. Name, firm name, firm address, website, and phone number of the CPA for the most recent financial statements:**

CPA's name: Ching-Wen Kao, Ken Tang

Firm name: KPMG Taiwan

Address: 68F, No. 7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City

Website: [www.kpmg.com.tw](http://www.kpmg.com.tw)

Tel: (02)8101-6666

**V. Names of overseas exchanges where the Company's marketable securities are traded, and methods for inquiring information about the overseas marketable securities:**

Not applicable.

**VI. Company website:**

<https://www.acergadget.com>

## Acer Gadget Inc.

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**Appendix I. 2023 Consolidated Financial Statements and Independent Auditor's Report**

**Appendix II. 2023 Parent Company Only Financial Statements and Independent Auditor's Report**

# **One. Report to Shareholders**

## **I. Business policy and implementation overview**

The Company, formerly known as E-TEN Information Systems, was established in 1986 at a time when GadgeTek, a subsidiary of the parent company, Acer, was focusing on smart wearables and 3C peripherals that improve lifestyles. Both companies took implementing cross-industry integration and providing solutions and products that improve lifestyles as the business core. Therefore, in order to integrate the group's resources, Acer's board of directors approved the merger of the two companies in mid-2021, with the Company as the surviving company and GadgeTek as the dissolved company.

After the merger, the Company has focused on "using technology to promote a smart life style." Our main products are smart device products, including computer peripherals, gaming peripherals, smart wearables, and smart mobility products. We have also branched out into the field of smart applications based on traditional computer peripheral components by developing smart computer peripherals, as well as sportswear and bags.

In recent years, we have been actively developing cross-industry integrated products, such as the smart wearable products with optimized electronic payment models, "Smart Prayers Beads" and "ePay Cross" in the early days, and the "Predator Thronos" and relevant gaming peripherals that have made esports training popular in Taiwan. These items have been selling well in the past. Due to the beginning of the pandemic in 2020, the Company's "Xplover E-Scooter", "NOZA Smart Trainer," and cycling apparel, bags, and accessories were sold well in Europe and Asia in 2021, building the Company's confidence in developing smart mobile product lines. Our eScooter launched in 2022 and our electric-assist bicycle and eKinect that converts kinetic energy to electricity rolled out in 2023 are innovative products developed by the Company using supply chain resources. In general, in addition to the growth in the sales of PC peripherals, which has benefited from the trend of using AI PCs, the Company's record revenue in 2023 was created with the help of the launch of the best-selling new products of the smart mobility product line.

## **II. Business plan implementation outcomes**

In May 2023, the Company was approved for a cash capital increase by issuing new shares prior to listing, increasing the paid-in capital from NTD 600,000,000 to NTD 618,600,000. With the injection of capital resources, we continue to invest in the R&D and launch of new products for our three major product lines, PC peripherals, apparel and bags, and smart mobility services.

As we have considered ESG and AI/big data as development strategies and benefited from the gradual recovery of PC market conditions, the demand for short-term orders in the second and third quarters and the better-than-expected recovery of gaming PC market conditions in the second half of the year have driven the growth of our PC peripheral product sales and further boosted our overall business at the end of the year. In addition, our smart mobility product line includes eScooter, ebii electric-assist bicycle, and eKinect. With big sales in the European market, the eScooter series had the strongest revenue growth among the items in 2023. The Company achieved record-high YoY growth in December and Q4 2023. The Company's revenue in December 2023 reached NTD 260 million, with an annual growth of 62.3%, which was also an all-time high in a single month and drove quarterly revenue to NTD 596 million, with a YoY growth of 55.6%. Our annual revenue reached NTD 2.086 billion, with a growth of 25.5% compared to 2022.

### III. Financial income and expenses and profitability

Item	2023		2022		NTD thousand	
	Amount	%	Amount	%	YoY	
Operating revenue	\$ 2,085,866	100%	\$ 1,662,340	100%	25%	
Operating cost	(1,760,547)	-84%	(1,402,799)	-84%	26%	
Gross operating profit	325,319	16%	259,541	16%	25%	
Operating expenses	(217,308)	-10%	(165,614)	-10%	31%	
Operating profit	108,011	5%	93,927	6%	15%	
Non-operating revenue and expenses	23,068	1%	26,746	2%	-14%	
Profit before tax	131,079	6%	120,673	7%	9%	
Income tax benefits (expenses)	(9,816)	0%	14,639	1%	-167%	
Current net profit	\$ 121,263	6%	\$ 135,312	8%	-10%	

### IV. Profitability analysis

The Company's net revenue reached a record high of NTD 2,085,866 thousand in 2023, with an increase of NTD 423,526 thousand from NTD 1,662,340 thousand in 2022, and both revenue and gross operating profit grew by 25% YoY. The one-time IPO fee for applying for listing in 2023 and the pre-launch R&D expenses for new products such as an electric-assist bicycle and eKinekt that converts kinetic energy to electricity made operating expenses increase from NTD 165,614 thousand in 2022 to NTD 217,308 thousand in 2023, with an increase of NTD 51,694 thousand. In 2023, the operating profit was NTD 108,011 thousand, showing an increase of NTD 14,084 thousand from NTD 93,927 thousand in 2022. An injection of NTD 23,068 thousand of exchange interest, interest revenue, and investment dividend revenue into the non-operating revenue had the profit before tax reach NTD 131,079 thousand. NTD 9,816 thousand of income tax expenses were recognized in the current period, resulting in an profit before tax of NTD 121,263 thousand, with a decrease of NTD 14,049 thousand from NTD 135,312 thousand in 2022.

### V. Research and development status

Global enterprises are moving towards a net zero carbon future. The Company responds with green sustainability practices and smart technology. In addition to the two main product lines of computer peripherals & apparel and bags with steady growth, we will continue to roll out new products using eco-friendly materials, combine AI and big data R&D capabilities, and create diversified application product lines and new micro-mobility solutions by using the advantages of cross-industry alliances and innovative business models in order to build a more complete zero-carbon urban mobility ecosystem for cities in the future.

In the future, the Company will keep our focus on innovative applications of smart devices and strive for outstanding performance in the field of micro-mobility vehicles. In early 2023, we further expanded our electric-assist bicycle series enabled by artificial intelligence. Our first-launched Acer ebii electric-assist bicycle with an innovative environmental protection concept and AI technology provides a personalized riding experience through machine learning, and has won major international design awards in 2023, including Time's Invention of the Year, Japan's Good Design Award, and Taiwan Excellence Award. Its ebiiGO application integrating big data has also been recognized by the German Red Dot Design Award. ebii became popular in the market immediately after its launch. We will keep increasing shipment momentum to further boost our business performance.

More importantly, looking to the future, we will incorporate our ESG blueprint that is gradually taking shape into the Company's innovative product planning and unique technology design. Through various patent applications and forward market analysis, innovation, design and technology are connected. From breadth to depth, we will create a stable pathway in the field of ESG-related products.

Chairman: Jerry Kao

President: Allen Jong

Chief Accounting Officer: Chia-Hao Cheng

## Two. Company Profile

I. Date of establishment: March 27, 1986

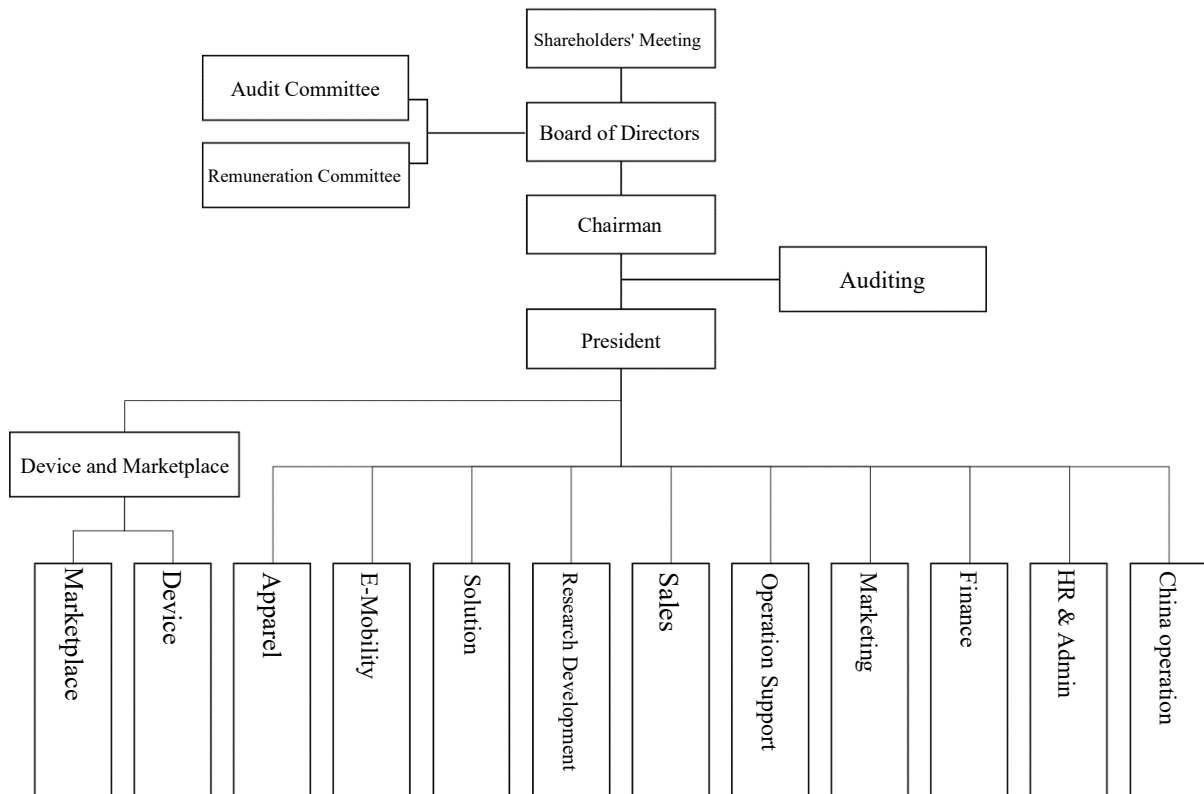
II. Company history:

Year	Major event
March 1986	E-TEN Information Systems Co., Ltd. was established with a capital of NTD 2 million.
May 1999	The Company's shares were listed for trading on the Taipei Exchange.
September 2000	The Company's shares were listed for trading on the Taiwan Stock Exchange.
August 2008	The Company had a stock swap with Acer Incorporated (hereinafter referred to as Acer) at the ratio of 1.07 shares of the Company for 1 share of Acer. After the stock swap, the Company became a subsidiary 100% owned by Acer.
August 2017	We collaborated with the Taipei City Government, MediaTek, and EasyCard to launch the Acer Leap Ware smart watch with the functions of EasyCard payment and sports monitoring for players, team staff and referees.
January 2019	The Predator Thronos gaming cockpit designed, manufactured and sold by the Company helped Acer win the highest honor, the COMPUTEX d&i gold award 2019.
June 2021	The Company formally merged with GadgeTek Inc., a subsidiary of Acer, and was renamed Acer Gadget Inc. After the merger, the paid-in capital amounted to NTD 125,397,360.
June 2021	The Company, together with the Pontifical Mission Societies, launched the world's first "ePay Cross." Using our exclusive 3D mobile contactless payment technology which was the lightest in the industry, it combined technology, faith, humanities and payment functions to provide a thoughtful and warm life experience.
December 2021	We signed a memorandum of cooperation with STARBIT to jointly operate Jcard 2.0, the NFT issuance and trading platform of STARBIT, aiming to create a meta-universe world of entertainment, pop, and art.
May 2022	The capital surplus was transferred for a capital increase by issuing new shares totaling NTD 174,602,640, and the paid-in capital amounted to NTD 300,000,000 after the capital increase.
August 2022	New shares totaling NTD 300,000,000 were issued for a cash capital increase, and the paid-in capital reached NTD 600,000,000 after the capital increase.
September 2022	The Company was approved by the Taipei Exchange for a public offering.
October 2022	We attended the "Taiwan Expo USA 2022" in Washington, D.C. with the Taiwan External Trade Development Council to exhibit our Acer Gadget Xplova electric scooter, smart trainer, and other products at the "Taiwan Excellence Interactive Experience Center."
October 2022	Acer Gadget cooperated with Jubo Health, a smart care brand, to launch the "JoyGood Health Management App."
January 2023	Our new eKinect BD 3 combining fitness and office was Exhibited at CES.
March 2023	We launched the ebii AI-based electric-assist bicycle at Taipei Cycle.
May 2023	The Company was approved by the Taiwan Stock Exchange for listing on the Taiwan Innovation Board.
July 2023	We worked with AUO to introduce our eKinect BD 3 in support of the EPA's Green Office program.
August 2023	The ebiiGO application's user interface for our ebi electric-assist bicycle received the Interface Design Award in the category of Brands & Communication Design in the German Red Dot Award 2023.
August 2023	The packaging of our Predator gaming headset and Acer ECO Mouse won the Packaging Design Award in the category of Brands & Communication Design in the German Red Dot Award 2023.
October 2023	Our ebii electric-assist bicycle won Japan's Good Design Award 2023.
October 2023	The Company's ebii electric-assist bicycle was awarded the Best Invention of 2023 by Time Magazine.
December 2023	The ebii electric-assist bicycle won the Taiwan Excellence Award 2023.

## Three. Corporate Governance Report

### I. Organizational system

#### (1) Organizational structure



#### (II) Major departments' business activities

Department	Responsibilities
Auditing	Assist the Board of Directors, the Audit Committee and managers in checking and reviewing any deficiencies in the internal control system, measuring the effect and efficiency of operations, and providing improvement suggestions in a timely manner to ensure the effective implementation, review, and revision of the internal control system.
Device and Marketplace	Manage the business activities of the Device and the Value-added Trade Product Business Division.
Device	Operate and manage the marketing, sale, and after-sales service of gaming and non-gaming peripheral items, as well as sustainable green energy products.
Marketplace	Operate and manage the marketing, sale, and after-sales service of innovative computer peripherals and smart home products in the domestic and foreign markets.
Apparel	Operate and manage the marketing, sale, and after-sales service of bags, apparel, suitcases, and relevant accessories.
E-Mobility	Operate and manage the marketing, sale, and after-sales service of smart mobility products.
Solution	Engage in system planning, design, development and testing, environment establishment and database introduction, system maintenance and operation, and service promotion.
Research Development	Engage in software design and application development, as well as the research and development of hardware products.



Department	Responsibilities
Sales	Responsible for market development, business information collection, customer and competitor analysis, strategic alliance planning, and establishment of cooperative relationships.
Operation Support	Responsible for the Company's information management, operation management, and customer services.
Marketing	Responsible for the Company's Marketing, promotion of marketing strategies, and planning of marketing activities.
Finance	Responsible for the Company's financial planning, investment management, fund management, credit management, risk management, and accounting.
HR & Admin	Responsible for formulating human resource-related strategies and organizational plans to meet the Company's needs for sustainable development.
China operation	Operate and manage the marketing, sale, and after-sales service of business activities and integrated platforms in the Chinese market.

## II. Information on directors, supervisors, President, Vice Presidents, Assistant Vice Presidents, and heads of departments and branches

### (I) Directors and supervisors

#### 1. Name, gender, age, nationality or place of registration, experience (education), shares held, and nature of directors and supervisors

March 31, 2024. Unit: shares

Job title	Name	Gender Age	Nationality or place of registration	Date of initial election	Date elected	Term of office	Shareholding at the time of election		Current shareholding		Shares currently held by spouse and underage children		Shares held in others' names		Main experience (education)	Positions in the Company and other companies	Chief officers, directors, or supervisors who are spouses or relatives within 2nd degree kinship			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job title	Name	Relationship	
Chairman	Acer Incorporated	Male 51-60	Republic of China	September 30, 2022	November 11, 2022	3 years	39,308,288	65.51%	39,308,288	63.54%	0	0%	0	0%	Master of Business Administration, College of Law and Commerce, National Chung	Note 2	None	None	None	
	Representative: Jerry Kao						0	0	600,000	0.97%	0	0%	0	0%						
Director	Acer Incorporated	Male Over 60 years old	Republic of China	September 30, 2022	November 11, 2022	3 years	39,308,288	65.51%	39,308,288	63.54%	0	0%	0	0%	MBA, University of Missouri- Columbia, USA Bachelor of Transportation and Communication	Note 2	None	None	None	
	Representative: Jason Chen						0	0%	0	0%	0	0%	2,046,641 (Note 1)	3.31%						
Director	Acer Incorporated	Female 51-60	Republic of China	September 30, 2022	November 11, 2022	3 years	39,308,288	65.51%	39,308,288	63.54%	0	0%	0	0%	MBA, University of Pittsburgh, USA Bachelor of Economics, National Tsing	Note 2	None	None	None	
	Representative: Yu-Ling Chen						0	0	10,000	0.02%	0	0%	0	0%						
Independent Director	Ming-Hui Lin	Male Over 60 years old	Republic of China	November 11, 2022	November 11, 2022	3 years	0	0%	0	0%	0	0%	0	0%	Master of Business Administration,	None	None	None	None	

Job title	Name	Gender Age	Nationality or place of registration	Date of initial election	Date elected	Term of office	Shareholding at the time of election		Current shareholding		Shares currently held by spouse and underage children		Shares held in others' names		Main experience (education)	Positions in the Company and other companies	Chief officers, directors, or supervisors who are spouses or relatives within 2nd degree kinship			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job title	Name	Relationship	
Independent Director	Chien-Kuang Wang	Male Over 60 years old	Republic of China	November 11, 2022	November 11, 2022	3 years	0	0%	0	0%	0	0%	0	0%	Bachelor and Master of Chemical Engineering, National Cheng Kung University Taiwan Semiconductor Manufacturing Co., Ltd. Senior Vice President of Corporate Planning Organization, Senior Vice President of Wafer Plant Operations, Vice President of Wafer Plant Operations, and Vice President of 12-inch Wafer Plants	Note 2	None	None	None	

Job title	Name	Gender Age	Nationality or place of registration	Date of initial election	Date elected	Term of office	Shareholding at the time of election		Current shareholding		Shares currently held by spouse and underage children		Shares held in others' names		Main experience (education)	Positions in the Company and other companies	Chief officers, directors, or supervisors who are spouses or relatives within 2nd degree kinship			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job title	Name	Relationship	
Independent Director	Ying-Chi Yu	Male Over 60 years old	Republic of China	November 11, 2022	November 11, 2022	3 years	1,740	0.00%	1,740	0.00%	0	0%	0	0%	Master of Management, College of Management, National Chiayi University Chief Human Resources Officer, Director, and Manager of Acer Incorporated Director, Supervisor, and Lecturer of Chinese Human Resource Management Association	Note 2	None	None	None	
Independent Director	Pi-Wei Chin	Female 51-60	Republic of China	November 11, 2022	November 11, 2022	3 years	0	0%	0	0%	0	0%	0	0%	Bachelor of Transportation and Communication Management Science, National Cheng Kung University Executive Vice President of Li & Fung (Taiwan) Ltd.	Note 2	None	None	None	



Director	Company	Job title
	Beijing Altos Computing Ltd.	Supervisor
	Wellife Inc.	Supervisor
	StarVR Corporation	Supervisor
	Acer (Chongqing) Ltd.	Supervisor
	Acer Being Communication Inc.	Supervisor
	Acerpure Inc.	Supervisor
	Acer BeingWare Holding Inc.	Supervisor
	Acer Cloud Technology (Taiwan) Inc.	Supervisor
	Acer Computer (Shanghai) Ltd.	Supervisor
	Pecer Bio-Medical Technology Incorporated	Supervisor
	Aspire Service & Development Inc.	Supervisor
	Xplova Inc.	Supervisor
	Acer Digital Service Co.	Supervisor
	Acer Property Development Inc.	Supervisor
	Acer Mobile Power System Inc.	Supervisor
	Acer Energy Pack Inc.	Supervisor
	Acer AI Cloud Inc.	Supervisor
	Smart Frequency Technology Inc.	Supervisor
	Acer Computer (Singapore) Pte. Ltd.	Director
	Acer Computer Australia Pty. Limited	Director
	Acer Computer Co., Ltd.	Director
	Acer Computer New Zealand limited	Director
	Acer India Private Limited	Director
	Acer Vietnam Co., Ltd.	Director
	Japan subsidiary of Acer International	Supervisor
	PT. Acer Manufacturing Indonesia	Commissioner
	PT Acer Indonesia	Commissioner
	Acer Global Merchandise Philippines Inc..	Director
	Acer Service Corporation	Director
	Acer Marketing Services LLC	Director
	Acer Asset Management Incorporated	Director
Chien-Kuang Wang	TSMC Education & Culture Foundation	Director
Ying-Chi Yu	Lungyen Life Service Corporation	Independent Director
	E-life Mall Corporation	Independent Director
	ANTUNG CORPORATION	Director
	Meridian Health care consulting Co., Ltd.	Supervisor
Pi-Wei Chin	Lim Chiu-Chung Culture and Arts Foundation	Chairman

## 2. Major shareholders of corporate shareholders

April 2, 2024

Corporate shareholder Name	Corporate shareholder's major shareholder	Shareholding ratio
Acer Incorporated	Yuanta Taiwan High Dividend Fund Account	4.72%
	Hongrong Investment Co., Ltd.	2.42%
	Investment Account for Fuh Hwa Taiwan Technology Dividend Highlight ETF in trust with Taipei Fubon Commercial Bank Co., Ltd.	2.40%
	Stan Shih	1.15%
	New Labor Pension Fund	1.09%
	Investment Account for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds, in trust with JPMorgan Chase Bank N.A. Taipei Branch	1.01%
	J.P. Morgan Securities (Taiwan) Limited Investment Account in trust with JPMorgan Chase Bank N.A. Taipei Branch	0.96%
	ACER depository receipts in trust with Citibank (Taiwan)	0.91%
	Singapore Government Investment Account in trust with Citibank National Association	0.65%
	Vanguard Group Manager Investment Account for the Vanguard Emerging Markets Stock Index Fund in trust with JPMorgan Chase Bank N.A. Taipei Branch	0.63%

## 3. Major shareholders of major corporate shareholders

April 2, 2024

Name of corporate shareholder	Corporate shareholder's major shareholder	Shareholding ratio
Hongrong Investment Co., Ltd.	Maverick Shih	26.09%
	Carolyn Yeh	20.13%
	Hsuan-Jung Shih	17.25%
	Eric Shih	17.16%
	Fang-Cheng Shih	8.93%
	Ting-Yu Yeh	8.84%
	StanShih Foundation	1.60%

#### 4. Professional knowledge and independence of directors and supervisors

<div>Criteria</div> <div>Name</div>	Professional qualifications and experience	Independence	Number of other public companies where he/she also serves as an independent director
Acer Incorporated Representative: Jerry Kao	<p>1. Jerry Kao joined Acer in 1995 and has served as President of Acer's Information Products Business since March 2016. He is responsible for the management of laptops, desktops, monitors, peripherals, virtual/augmented reality, and design and R&amp;D, as well as product cycle management. In addition, he has been Acer's Co-Chief Operating Officer and President of Acer's IT Products Business since November 2018.</p> <p>2. Jerry Kao holds a bachelor's degree in electrical engineering from National Tsing Hua University and a master's degree in business administration from National Chung Hsing University.</p> <p>3. He specializes in the professional fields of information technology and management, and does not fall under any conditions set forth in Article 30 of the Company Act.</p>	<p>1. He concurrently serves as a director of some group companies. Neither his spouse nor his relatives within the 2nd degree of kinship have served as a director, supervisor or employee of a group company.</p> <p>2. He holds 600,000 shares (0.97%) in the Company; also, his spouse or relatives within the 2nd degree of kinship do not hold any shares in the Company.</p> <p>3. Neither he nor his spouse nor his relatives within the 2nd degree of kinship have served as a director, supervisor or employee of companies having specific relationships with the Company, nor have they provided commercial, legal, financial or accounting services to any group company.</p>	None
Acer Incorporated Representative: Jason Chen	<p>1. Jason Chen served as the Global President and CEO of Acer from 2014, when he joined the Company, to 2017. He has been the Chairman and CEO of Acer since 2017, where he led the team in corporate transformation and actively expanded the Company into new business territories.</p> <p>2. Jason Chen worked for TSMC from 2005 to 2013, where he held the highest position as Senior Vice President of TSMC's Global Marketing Business; from 1991 to 2005, he served Intel Corporation for 14 years, and then went to its U.S. headquarters to be in charge of sales and marketing, and assumed the position of Global Vice President. Thus, he is familiar</p>	<p>1. He concurrently serves as a director of some group companies. Neither his spouse nor his relatives within the 2nd degree of kinship have served as a director, supervisor or employee of a group company.</p> <p>2. He does not hold any shares in the Company. The number of shares he holds in the name of Mu-Shi Investment Co., Ltd. is 2,046,641 (3.41%).</p> <p>3. Neither he nor his spouse nor his relatives within the 2nd degree of kinship have served as a director, supervisor or employee of companies having specific relationships with the Company, nor have they provided commercial, legal, financial or accounting services to any group company.</p>	1



Name \ Criteria	Professional qualifications and experience	Independence	Number of other public companies where he/she also serves as an independent director
	<p>with the global market environment. Before that, he worked for IBM Taiwan from 1988 to 1991.</p> <p>3. He has expertise in the professional fields of information technology and finance, and does not fall under any conditions set forth in Article 30 of the Company Act.</p>		
Acer Incorporated Representative: Yu-Ling Chen	<p>1. In addition to being the corporate director representative of Acer, Yu-Ling Chen is currently the Chief Accounting Officer of Acer.</p> <p>2. Yu-Ling Chen holds a master's degree in business administration from the University of Pittsburgh, USA.</p> <p>3. She has expertise in the professional field of finance and accounting, and does not fall under any conditions set forth in Article 30 of the Company Act.</p>	<p>1. Neither she nor her spouse nor her relatives within the 2nd degree of kinship have served as a director, supervisor or employee of a group company.</p> <p>2. He holds 10,000 shares (0.02%) in the Company; also, his spouse or relatives within the 2nd degree of kinship do not hold any shares in the Company.</p> <p>3. Neither he nor his spouse nor his relatives within the 2nd degree of kinship have served as a director, supervisor or employee of companies having specific relationships with the Company, nor have they provided commercial, legal, financial or accounting services to any group company.</p>	None
Ming-Hui Lin	<p>1. Ming-Hui Lin served as the Chairman and President of Jih Sun Futures Co., Ltd.</p> <p>2. Ming-Hui Lin holds a master's degree in business administration from National Chung Hsing University.</p> <p>3. She has expertise in the professional field of finance and accounting, and does not fall under any conditions set forth in Article 30 of the Company Act.</p>	<p>1. Neither she nor her spouse nor her relatives within the 2nd degree of kinship have served as a director, supervisor or employee of a group company.</p> <p>2. Neither he nor his spouse nor his relatives within the 2nd degree of kinship hold shares in the Company.</p> <p>3. Neither he nor his spouse nor his relatives within the 2nd degree of kinship have served as a director, supervisor or employee of companies having specific relationships with the Company, nor have they provided commercial, legal, financial or accounting services to any group company.</p>	None

<div>Criteria</div> <div>Name</div>	Professional qualifications and experience	Independence	Number of other public companies where he/she also serves as an independent director
Chien-Kuang Wang	<ol style="list-style-type: none"> <li>1. Chien-Kuang Wang is currently a director of TSMC Education &amp; Culture Foundation.</li> <li>2. Chien-Kuang Wang served various positions in TSMC, including Senior Vice President of Corporate Planning Organization, Senior Vice President of Wafer Plant Operations, Vice President of Wafer Plant Operations, and Vice President of 12-inch Wafer Plants.</li> <li>3. Chien-Kuang Wang holds a master's degree in chemical engineering from National Cheng Kung University.</li> <li>4. He specializes in the professional field of semiconductors, and does not fall under any conditions set forth in Article 30 of the Company Act.</li> </ol>	<ol style="list-style-type: none"> <li>1. Neither she nor her spouse nor her relatives within the 2nd degree of kinship have served as a director, supervisor or employee of a group company.</li> <li>2. Neither he nor his spouse nor his relatives within the 2nd degree of kinship hold shares in the Company.</li> <li>3. Neither he nor his spouse nor his relatives within the 2nd degree of kinship have served as a director, supervisor or employee of companies having specific relationships with the Company, nor have they provided commercial, legal, financial or accounting services to any group company.</li> </ol>	None
Ying-Chi Yu	<ol style="list-style-type: none"> <li>1. Ying-Chi Yu is currently an independent director of Lungyen Life Service Corporation, an independent director of E-life Mall Corporation, and a director of ANTUNG CORPORATION.</li> <li>2. Ying-Chi Yu served as the Chief Human Resources Officer of Acer, and the director and lecturer of Chinese Human Resource Management Association.</li> <li>3. Ying-Chi Yu holds a master's degree in management from the College of Management, National Chiayi University.</li> <li>4. He specializes in the professional field of human resources, and does not fall under any conditions set forth in Article 30 of the Company Act.</li> </ol>	<ol style="list-style-type: none"> <li>1. Neither she nor her spouse nor her relatives within the 2nd degree of kinship have served as a director, supervisor or employee of a group company.</li> <li>2. He holds 1,740 shares (0.00%) in the Company, which were subscribed by him as a former shareholder of Acer when participating in Acer Gadget's seasoned equity offering plan. In addition, neither his spouse nor his relatives within the 2nd degree of kinship hold shares in the Company.</li> <li>3. Neither he nor his spouse nor his relatives within the 2nd degree of kinship have served as a director, supervisor or employee of companies having specific relationships with the Company, nor have they provided commercial, legal, financial or accounting services to any group company.</li> </ol>	2
Pi-Wei Chin	<ol style="list-style-type: none"> <li>1. Pi-Wei Chin is currently the Chairman of Lim Chiu-Chung Culture and Arts Foundation.</li> </ol>	<ol style="list-style-type: none"> <li>1. Neither she nor her spouse nor her relatives within the 2nd degree of kinship have served as a director,</li> </ol>	None

Name \ Criteria	Professional qualifications and experience	Independence	Number of other public companies where he/she also serves as an independent director
	2. Pi-Wei Chin was the Executive Vice President of Li & Fung (Taiwan) Ltd. 3. Pi-Wei Chin holds a bachelor's degree in transportation and communication management science from National Cheng Kung University. 4. She specializes in the professional fields of marketing and cultural education, and does not fall under any conditions set forth in Article 30 of the Company Act.	supervisor or employee of a group company. 2. Neither he nor his spouse nor his relatives within the 2nd degree of kinship hold shares in the Company. 3. Neither he nor his spouse nor his relatives within the 2nd degree of kinship have served as a director, supervisor or employee of companies having specific relationships with the Company, nor have they provided commercial, legal, financial or accounting services to any group company.	

## 5. Board diversity policy

The Company's Board of Directors shall provide guidance on the Company's strategies, supervise the management, and be accountable to the Company and shareholders. The operations and arrangements of the corporate governance system shall ensure that the Board of Directors exercises its functions and powers in accordance with laws and regulations, the Company's Articles of Incorporation, or resolutions adopted by the shareholders' meetings.

The structure of the Company's Board of Directors shall be based on the scale of the Company's business development and the shareholdings of major shareholders, and an appropriate number of directors shall be determined based on the needs of practical operations.

Diversity shall be taken into consideration when it comes to the composition of the Board of Directors. It is advisable that no more than one-third of the board seats are occupied by directors who concurrently serve as the Company's managers. An appropriate policy for diversity in terms of its own operation, business model, and development needs must be adopted. It is advisable to include but not limit the following standards for the two major aspects:

- (1) Basic criteria and values: gender, age, nationality, culture, etc.
- (2) Professional knowledge and skills: professional backgrounds (such as law, finance, accounting, industry, marketing, and technology), professional skills, and industry experience.

Board members shall generally possess the necessary knowledge, skills, and literacy to perform their duties. In order to achieve the ideal goal of corporate governance, the Board of Directors as a whole shall have the following capabilities:

- (1) The ability to make operational judgments.
- (2) Accounting and financial analysis.
- (3) Operation and management.
- (4) Crisis management.
- (5) Industry knowledge.
- (6) International market outlook.
- (7) Leadership.
- (8) Decision-making.

#### 6. Specific management goals for board diversity

Board diversity helps the Board function effectively. The election of the Company's board members is in accordance with the Company's Articles of Incorporation, and the candidate nomination system is adopted after the public offering to ensure the diversity and independence of board members.

The Company currently has two female directors. For the next election of directors, we hope to invite two or more female candidates and select directors with different professional knowledge and skills to provide with different perspectives and contributions to further strengthen the functions of the Board of Directors.

## 7. Board diversity implementation

(1) Expertise in the operation and marketing of global brand products and services: Mr. Jerry Kao, Mr. Jason Chen, Ms. Pi-Wei Chin.

(2) Accounting and finance expertise: Ms. Yu-Ling Chen, Mr. Ming-Hui Lin.

(3) Expertise in the semiconductor industry: Mr. Jason Chen and Mr. Chien-Kuang Wang.

(4) Human resource expertise: Mr. Ying-Chi Yu.

Name	Gender	Nationality	Category	Age		Marketing	Semiconductor	Culture and education	Human resources	Financial and accounting
				51~60	61~70					
Jerry Kao	Male	Republic of China	General Director	V		V				
Jason Chen	Male	Republic of China	General Director		V	V	V			
Yu-Ling Chen	Female	Republic of China	General Director	V						V
Ming-Hui Lin	Male	Republic of China	Independent Director		V					V
Chien-Kuang Wang	Male	Republic of China	Independent Director		V		V			
Ying-Chi Yu	Male	Republic of China	Independent Director		V				V	
Pi-Wei Chin	Female	Republic of China	Independent Director	V		V		V		

## 8. Independence of the Board of Directors

The Company's Board of Directors consists of seven directors, including four independent directors, accounting for 4/7 of the board seats. They are generally equipped with the necessary knowledge, skills and literacy to perform their duties. The Board of Directors is committed to continuously evaluating the independence of directors, which will take into account all relevant factors, including: whether relevant directors can continue to raise constructive questions for the management and other directors, and whether the opinions expressed are independent of the management or other directors. The above-mentioned board members are not in the circumstances described in Article 26-3, Paragraph 3 and 4 of the Securities and Exchange Act, and none of the directors is related to each other as spouse or relative within the 2nd degree of kinship.

The Company established the Audit Committee in accordance with the law to replace supervisors. Hence, Article 26-3, Paragraph 4 of the Securities and Exchange Act does not apply.

(II) President, Vice Presidents, Assistant Vice Presidents, and heads of departments and branches

May 8, 2024. Unit: shares

Job title	Name	Gender	Nationality	Date of taking office	Shareholding		Shares held by spouse and underage children		Shares held in others' names		Main experience (education)	Positions in other companies	Managers who are his/her spouse or relative within the 2nd degree of kinship			Managers' acquisition of employee stock warrants	Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job title	Name	Relationship		
President	Allen Jong	Male	Republic of China	September 30, 2022	1,060,000	1.71%	0	0%	0	0%	Bachelor of Electrical Engineering, National Taiwan University Director of Gadget Product Business Group, Acer Incorporated	None	None	None	None	None	None
Vice President	Jen-Yang Chen	Male	Republic of China	September 30, 2022	400,000	0.65%	0	0%	0	0%	MBA, University of Detroit Mercy Bachelor of Physics, Tamkang University Senior Director, Gadget Product Business Group, Acer Incorporated	None	None	None	None	None	None

Chief Operating Officer	Kuo-Hsien Chang	Male	Republic of China	September 30, 2022	50,000	0.08%	0	0%	0	0%	Master of Electrical Engineering, University of Washington Bachelor of Electrical Engineering, Chung Yuan Christian University Director of Gadget Product Business Group, Acer Incorporated	None	None	None	None	None	None
Chief Financial and Accounting Officer	Chia-Hao Cheng	Male	Republic of China	September 30, 2022	200,000	0.32%	0	0%	0	0%	Master of Accounting, Tamkang University Bachelor of Finance and Cooperative Management, National Taipei University Finance Director of Vakos Holdings Limited Taiwan Branch (SAMOA)	None	None	None	None	None	None

(III) Where the Chairman and the President or any other person of an equivalent post (the top level manager) are the same person, spouses or relatives within the 1st degree of kinship, the reasons, rationality, necessity, and measures to be taken in response thereto shall be explained. (Table 1 and Table 1-1): Not applicable

### III. Remuneration paid to directors, supervisors, President, and Vice Presidents in the most recent year

#### (I) Remuneration paid to directors, supervisors, President, and Vice Presidents in the most recent year (2023)

##### 1. Remuneration to directors

2023. Unit: NTD thousand

Job title	Name	Remuneration to directors								Sum of A, B, C, and D as a percentage of profit after tax (%)		Remuneration for concurrently serving as an employee								Sum of A, B, C, D, E, F and G as a percentage of profit after tax (%)		Remuneration received from invested businesses other than subsidiaries or the parent company (Note 1)
		Compensation (A)		Post-employment pension (B)		Director remuneration (C)		Business execution expenses (D)		The Company	All companies included in the financial statements	Salaries, bonuses, allowances, etc. (E)		Post-employment pension (F)		Employee remuneration (G)				The Company	All companies included in the financial statements	
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements			The Company	All companies included in the financial statements	The Company		All companies included in the financial statements						
														Amount in cash	Amount in shares	Amount in cash	Amount in shares					
Corporate Director	Acer Incorporated	900	900	0	0	0	0	0	0	900 0.74%	900 0.74%	0	0	0	0	0	0	0	0	900 0.74%	900 0.74%	0
Chairman	Acer Incorporated Representative: Jerry Kao	0	0	0	0	0	0	75	75	75	75	0	0	0	0	0	0	0	75 0.06%	75 0.06%	42,844	
Director	Acer Incorporated Representative: Jason Chen																					
Director	Acer Incorporated Representative: Yu-Ling Chen																					
Independent Director	Ming-Hui Lin	1,400	1,400	0	0	920	920	100	100	2,420 2.00%	2,420 2.00%	0	0	0	0	0	0	0	2,420 2.00%	2,420 2.00%	0	
Independent Director	Chien-Kuang Wang																					
Independent Director	Ying-Chi Yu																					
Independent Director	Pi-Wei Chin																					

1. Please specify the policy, system, standard and structure for the payment of remuneration to independent directors and explain the correlation between the amount of remuneration and their responsibilities, risks, time invested and other factors: Not applicable.

2. Other than the disclosure in the above table, remuneration received by the Company's directors for providing services (such as serving as a non-employee consultant of the parent company/all companies listed in the financial statements/invested businesses, etc.) in the most recent year:

None.

Note 1: "Remuneration received from invested businesses other than subsidiaries or the parent company" disclosed in the above table refers to the total amount of remuneration paid by the parent company, Acer Incorporated.



## Remuneration Range Table

Range of remuneration paid to the Company's directors	Director's name			
	Sum of the first four remunerations (A+B+C+D)		Sum of the first seven remunerations (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements	The Company	Parent company and all invested businesses
Less than NTD 1,000,000	Jason Chen, Yu-Ling Chen, Jerry Kao, Ming-Hui Lin, Chien-Kuang Wang, Ying-Chi Yu, Pi-Wei Chin	Jason Chen, Yu-Ling Chen, Jerry Kao, Ming-Hui Lin, Chien-Kuang Wang, Ying-Chi Yu, Pi-Wei Chin	Jason Chen, Yu-Ling Chen, Jerry Kao, Ming-Hui Lin, Chien-Kuang Wang, Ying-Chi Yu, Pi-Wei Chin	Ming-Hui Lin, Chien-Kuang Wang, Ying-Chi Yu, Pi-Wei Chin
NTD 1,000,000 (inclusive) - NTD 2,000,000 (exclusive)	-	-	-	-
NTD 2,000,000 (inclusive) - NTD 3,500,000 (exclusive)	-	-	-	
NTD 3,500,000 (inclusive) - NTD 5,000,000 (exclusive)	-	-	-	Jason Chen, Yu-Ling Chen
NTD 5,000,000 (inclusive) - NTD 10,000,000 (exclusive)	-	-	-	
NTD 10,000,000 (inclusive) - NTD 15,000,000 (exclusive)	-	-	-	-
NTD 15,000,000 (inclusive) - NTD 30,000,000 (exclusive)	-	-	-	Jerry Kao
NTD 30,000,000 (inclusive) - NTD 50,000,000 (exclusive)	-	-	-	-
NTD 50,000,000 (inclusive) - NTD 100,000,000 (exclusive)	-	-	-	-
More than NTD 100,000,000	-	-	-	-
Total	8 people in total	8 people in total	8 people in total	8 people in total

2. Remuneration to supervisors: Not applicable

### 3. Remuneration to the President and Vice Presidents

2023. Unit: NTD thousand

Job title	Name	Salary (A)		Post-employment pension (B)		Bonuses, allowances, etc. (C)		Employee remuneration (D)				Sum of A, B, C, and D as a percentage of profit after tax		Remuneration received from invested businesses other than subsidiaries or the parent company
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Amount in cash	Amount in shares	Amount in cash	Amount in shares			
President	Allen Jong	9,516	9,516	394	394	4,555	4,555	3,300	0	3,300	0	17,765 14.65%	17,765 14.65%	0
Vice President	Jen-Yang Chen													
Chief Operating Officer	Kuo-Hsien Chang													
Chief Financial and Accounting Officer	Chia-Hao Cheng													

### Remuneration Range Table

Range of remuneration paid to the Company's President and Vice Presidents	President and Vice Presidents' names	
	The Company	All companies included in the financial statements
Less than NTD 1,000,000	-	-
NTD 1,000,000 (inclusive) - NTD 2,000,000 (exclusive)	Chia-Hao Cheng	Chia-Hao Cheng
NTD 2,000,000 (inclusive) - NTD 3,500,000 (exclusive)	-	-
NTD 3,500,000 (inclusive) - NTD 5,000,000 (exclusive)	Jen-Yang Chen, Kuo-Hsien Chang	Jen-Yang Chen, Kuo-Hsien Chang
NTD 5,000,000 (inclusive) - NTD 10,000,000 (exclusive)	Allen Jong	Allen Jong
NTD 10,000,000 (inclusive) - NTD 15,000,000 (exclusive)	-	-
NTD 15,000,000 (inclusive) - NTD 30,000,000 (exclusive)	-	-
NTD 30,000,000 (inclusive) - NTD 50,000,000 (exclusive)	-	-
NTD 50,000,000 (inclusive) - NTD 100,000,000 (exclusive)	-	-
More than NTD 100,000,000	-	-
Total	4 people in total	4 people in total

4. Names of managers receiving employee remuneration in the most recent year (2023) and the distribution of the remuneration:

Manager	Job title	Name	Amount in shares	Amount in cash	Total	Total as a percentage of profit after tax (%)
	President	Allen Jong	0	3,300	3,300	2.72%
	Vice President	Jen-Yang Chen				
	Chief Operating Officer	Kuo-Hsien Chang				
	Chief Financial Officer	Chia-Hao Cheng				

(II) Analysis of the total amount of remuneration paid to the Company's directors, supervisors, President, and Vice Presidents in the most recent two years by the Company and all companies included in the consolidated financial statements as a percentage of the profit after tax in the parent company only or individual financial statements, and a description of the policy, standard, and package for the payment of remuneration, the procedure for determining remuneration, and their correlation with operating performance and future risks

1. Analysis of the total amount of remuneration paid to the Company's directors, supervisors, President, and Vice Presidents in the most recent two years as a percentage of profit after tax

Unit: NTD thousand

Analysis item  Remuneration recipient	2022 (after restatement)				2023			
	The Company		All companies included in the financial statements		The Company		All companies included in the financial statements	
	Total remuneration	As a percentage of profit (loss) after tax	Total remuneration	As a percentage of profit (loss) after tax	Total remuneration	As a percentage of profit (loss) after tax	Total remuneration	As a percentage of profit (loss) after tax
Director	286	0.21%	286	0.21%	3,395	2.80%	3,395	2.80%
President and Vice Presidents	17,667	13.06%	17,667	13.06%	17,765	14.65%	17,765	14.65%

2. The policy, standard, and package for the payment of remuneration, the procedure for determining remuneration, and their correlation with operating performance and future risks

- (1) The method of distributing remuneration to the directors and supervisors of the Company is clearly defined in the Articles of Incorporation, and proposals for remuneration distribution shall be submitted to the shareholders' meeting for reporting.
- (2) Remuneration structure: After the Company established the Remuneration Committee on November 11, 2022, all relevant distribution proposals have been reviewed and discussed by the Remuneration Committee.

- A. Directors: The Company pays remuneration to directors in accordance with the "Principles for the Payment of Remuneration to Directors" approved by the Remuneration Committee and the Board of Directors. The remuneration includes fixed compensation, the Company's profit allocated as remuneration, and business execution expenses (transportation expenses). The Company's profit allocated as remuneration is determined by reference to the general range in the industry, and is listed in the Articles of Incorporation approved by the shareholders' meeting. The remuneration paid to directors by the Company is highly related to the operating performance thereof. The earnings ratio is within a reasonable range, which does not cause the moral hazard of directors pursuing short-term performance.
- B. President and Vice Presidents: The remuneration to the Company's President and Vice Presidents is paid in accordance with the "Principles for the Payment of Fixed Salaries and Variable Bonuses for Managers" approved by the Remuneration Committee and the Board of Directors. The remuneration includes fixed salaries, variable bonuses, and employee remuneration. The remuneration is paid based on the general level in the industry. In addition to ensuring a competitive remuneration level in the industry to attract outstanding talent and considering incentive effects and agency costs, we link part of the reward to the Company's operating performance to maximize the benefits of professional management.
- (3) The Company's salary adjustments, bonuses and employee remuneration are determined based on the Company's management and individual performance, and are approved by appropriate levels of management before distribution.

#### IV. Operation of corporate governance

##### (I) Information on the operation of the Board of Directors

1. The Company's Board of Directors convened 5 times (A) in the most recent year (2023). The attendance of directors (as non-voting participants) is as follows:

Job title	Name	Number of attendances in person (as non-voting participants) B	Number of attendances by proxy	In-person attendance rate (as non-voting participants) (%) [B/A]	Remarks
Chairman	Acer Incorporated Representative: Jerry Kao	5	0	100%	The required number of meetings attended by the current Board of Directors members as of December 31, 2023 is 5 (A).
Director	Acer Incorporated Representative: Jason Chen	5	0	100%	
Director	Acer Incorporated Representative: Yu-Ling Chen	5	0	100%	
Independent Director	Ming-Hui Lin	5	0	100%	
Independent Director	Chien-Kuang Wang	5	0	100%	
Independent Director	Ying-Chi Yu	5	0	100%	
Independent Director	Pi-Wei Chin	5	0	100%	

##### 2. Other information to be disclosed

- (1) If any of the following circumstances exists with respect to the operation of the Board of Directors, the date and session of the board meeting, the content of the proposal, the opinions of all independent directors, and the Company's handling of the opinions shall be specified:

A. Matters listed in Article 14-3 of the Securities and Exchange Act: as shown in the table below.

B. Board meeting resolutions to which independent directors raised objections or qualified opinions recorded or stated in writing, other than those aforementioned:

Board of Directors Date and term	Proposal content	Matters listed in Article 14-3 of the Securities and Exchange Act	Objection or qualified opinion from independent directors
February 22, 2023 1st board meeting in 2023	1. Distribution of remuneration to employees and directors in 2022	V	None
	2. Proposal to appoint CPAs for reviewing and auditing the financial statements and evaluate the independence of the CPAs	V	None
	The Company's handling of independent directors' objections or qualified opinions: None.		
	Resolution: Passed as proposed by all present directors unanimously		
April 25, 2023	1. Proposal to issue new shares for a cash capital increase	V	None

Board of Directors Date and term	Proposal content	Matters listed in Article 14-3 of the Securities and Exchange Act	Objection or qualified opinion from independent directors
2nd board meeting in 2023	2. Acquisition of the right-of-use assets of real estate from related parties	V	None
	The Company's handling of independent directors' objections or qualified opinions: None.		
	Resolution: Passed as proposed by all present directors unanimously		
October 31, 2023 5th board meeting in 2023	1. Proposal to amend the Company's internal regulations	V	None
	The Company's handling of independent directors' objections or qualified opinions: None.		
	Resolution: Passed as proposed by all present directors unanimously		

## (2) Implementation of directors' recusal from proposals having conflicts of interest

Board of Directors Date and term	Proposal content	Implementation of directors' recusal from proposals having conflicts of interest
February 22, 2023 1st board meeting in 2023	1. Distribution of remuneration to employees and directors in 2022	Independent Directors Chien-Kuang Wang, Ming-Hui Lin, Pi-Wei Chin, and Ying-Chi Yu recused themselves in accordance with Article 16, Paragraph 1 of the Company's Board of Directors' Meeting Rules as their personal interests were involved. The proposal was passed as proposed by unanimous consent obtained by the chairperson asking if the remaining present directors had any objection.
April 25, 2023 2nd board meeting in 2023	1. Acquisition of the right-of-use assets of real estate from related parties	Directors Jerry Kao, Jason Chen, and Yu-Ling Chen as corporate representatives recused themselves in accordance with Article 16, Paragraph 1 of Company's Board of Directors' Meeting Rules as the interests of the corporates they represent were involved. The proposal was passed as proposed by unanimous consent obtained by the chairperson asking if the remaining present directors had any objection.

## (3) TWSE/TPEX listed companies shall disclose the cycle, period, scope, method, and items of the Board of Directors' self-evaluation (or peer evaluation):

The implementation of the Board of Directors' evaluation is as follows:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation item
Once a year	Evaluation of the performance from January 1, 2023 to December 31, 2023	Board of Directors' performance evaluation Individual board members' performance evaluation Functional committees' performance evaluation	Board of Directors' self-evaluation Board members' self-evaluation	<b>Board of Directors' self-evaluation</b> 1. Participation in the Company's management 2. Improvement of the Board's decision-making quality 3. Composition and structure of the Board 4. Election and continuing education of directors 5. Internal control <b>Board members' self-evaluation</b> 6. Alignment with the Company's goals and missions 7. Awareness of the duties of a director 8. Participation in the Company's operation 9. Internal relationship management and communication 10. Election and continuing education of directors 11. Internal control <b>Functional committees' self-evaluation</b> 12. Participation in the Company's operation 13. Awareness of the duties of functional committees

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation item
				14. Improvement of functional committees' decision-making quality 15. Composition of functional committees and election of their members 16. Internal control

On October 4, 2022, the Board of Directors approved the "Procedures for the Board of Directors' Performance Evaluation," which stipulate that the Board of Directors shall conduct a performance evaluation for the Board of Directors, its members, the Remuneration Committee, and the Audit Committee at least once a year.

The 2023 evaluation results are as follows and were reported to the Board of Directors on March 12, 2024.

Evaluation category	Evaluation item	Evaluation result
Board of Directors' performance evaluation	1. Participation in the Company's management 2. Improvement of the Board's decision-making quality 3. Composition and structure of the Board 4. Election and continuing education of directors 5. Internal control	Overall operation rating: Good
Board members' performance evaluation	1. Alignment with the Company's goals and missions 2. Awareness of the duties of a director 3. Participation in the Company's operation 4. Internal relationship management and communication 5. Directors' professionalism and continuing education 6. Internal control	Overall rating: Good
Audit Committee's performance evaluation	1. Alignment with the Company's goals and missions 2. Awareness of the duties of a director 3. Participation in the Company's operation 4. Internal relationship management and communication 5. Directors' professionalism and continuing education 6. Internal control	Overall operation rating: Good
Remuneration Committee's performance evaluation	1. Alignment with the Company's goals and missions 2. Awareness of the duties of a director 3. Participation in the Company's operation 4. Internal relationship management and communication 5. Directors' professionalism and continuing education 6. Internal control	Overall operation rating: Good

(4) Enhancement of the functionality of the Board of Directors in the current year and the most recent year and the evaluation thereof

A. The Company has established the "Regulations Governing the Procedure for Board of Directors' Meetings" in accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies," and announced important resolutions on the Market Observation Post System immediately after board meetings to ensure full disclosure of information and protect the rights and interests of shareholders.

B. The Company has established the Audit Committee and the Remuneration Committee to assist the Board of Directors in fulfilling its supervisory duties, actively strengthen the functions of the Board of Directors, and implement corporate governance. We are also committed to complying with the best

practice principles for TWSE/TPEX listed companies. In addition, to improve information transparency, the Company's website has an investor section to keep the Company's information updated. Moreover, all of the current board members have participated in corporate governance-related courses.

- C. In order to implement corporate governance and improve the functions of the Board of Directors, the Company conducts a performance evaluation for the Board of Directors and functional committees every year. The performance evaluation in 2022 was completed by board members performing a self-evaluation.
- D. To protect directors from the risks they bear in fulfilling their duties, the Company takes out directors' liability insurance for them every year to ensure a sufficient insurance indemnity and coverage requirements and makes a report to the Board of Directors on a regular basis.

## (II) Operation of the Audit Committee

The Audit Committee aims to reinforce the supervisory function of the Board of Directors, strengthen its management mechanism, and assist its in improving corporate governance performance. The main functions and powers of the Audit Committee include assisting the Board of Directors in supervising the quality and integrity of the Company's implementation of accounting, auditing, financial reporting processes, and financial control.

The functions and powers of the Audit Committee are as follows:

- Establish or amend the internal control system in accordance with Article 14-5 of the Securities and Exchange Act.
- Evaluate the effectiveness of the internal control system.
- Establish or amend the procedures for material financial business activities such as the acquisition or disposal of assets, engagement in derivative transactions, loaning of funds to others, and endorsements or guarantees for others in accordance with Article 36-1 of the Securities and Exchange Act.
- Matters involving the interests of directors.
- Material asset or derivative transactions.
- Material loans, endorsements, or guarantees.
- Offer, issue or conduct private placement of marketable equity securities.
- Appoint or dismiss CPAs or determine their remuneration (including reviewing their qualifications, independence and performance).
- Appoint the Chief Financial Officer, Chief Accounting Officer or Chief Internal Auditor.
- Financial statements.
- Regulatory compliance.
- Supervise the Company's risk appetite and strategies.
- Review the fulfillment of duties by the Audit Committee.
- Complete the Audit Committee's self-evaluation questionnaire.



- Other important matters specified by the Company or the competent authority.

According to the laws of the Republic of China, the Audit Committee shall consist of all independent directors. The Company's Audit Committee complies with the above provision.

In order to perform its duties, the Audit Committee has the right to conduct any appropriate review and investigation in accordance with its Articles of Association, and has direct communication channels with the Company's internal auditors, CPAs and all employees. The Audit Committee is also entitled to hire and supervise lawyers, accountants or other consultants to assist in performing its duties.

The Audit Committee shall convene a regular meeting at least once per quarter. Please refer to the annual reports of the Company for details of the Committee's meetings and the attendance rate of each Committee member.

#### Operation of the Audit Committee:

The number of Audit Committee meetings convened in the most recent year (2023) was 5 (A). The attendance of independent directors (as non-voting participants) is as follows:

Job title	Name	Number of attendances in person (B)	Number of attendances by proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	Ming-Hui Lin	5	0	100%	The Company held a special shareholders' meeting on November 11, 2022 for a full re-election, and the Audit Committee was established to replace supervisors.
Member	Chien-Kuang Wang	5	0	100%	
Member	Ying-Chi Yu	5	0	100%	
Member	Pi-Wei Chin	5	0	100%	

#### Other information to be disclosed (Audit Committee):

1. If any of the following circumstances exists with respect to the operation of the Audit Committee, the date and session of the Committee meeting, the content of the proposal, the objections, qualified opinions, or material suggestions from independent directors, the resolutions of the Audit Committee, and the Company's handling of the opinions of Committee members shall be specified:

- (1) Matters listed in Article 14-5 of the Securities and Exchange Act: as shown in the table below.
- (2) Resolutions not passed by the Audit Committee but approved by two-thirds or more of all directors, other than those aforementioned: As shown in the table below.

Audit Committee meeting date and session	Proposal content	Matters listed in Article 14-5 of the Securities and Exchange Act	Resolutions not passed by the Audit Committee but approved by two-thirds or more of all directors
February 22, 2023 1st Audit Committee meeting in 2023	1. Proposal for approval of the Company's business report and financial statements for 2022	V	None
	2. Proposal for approval for the 2022 "Statement on Internal Control"	V	None

	3. Proposal to appoint CPAs for reviewing and auditing the financial statements and evaluate the independence of the CPAs	V	None
	Audit Committee's resolution: Passed by all members of the Audit Committee.		
	The Company's handling of the opinions of the Audit Committee: Approved by all attending directors		
April 25, 2023 2nd Audit Committee meeting in 2023	1. Proposal to issue new shares for a cash capital increase	V	None
	2. Acquisition of the right-of-use assets of real estate from related parties	V	None
	Audit Committee's resolution: Passed by all members of the Audit Committee.		
	The Company's handling of the opinions of the Audit Committee: Approved by all attending directors		
August 1, 2023 4th Audit Committee meeting in 2023	1. Proposal for approval of the CPA-reviewed consolidated financial statements for the second quarter of 2023.	V	None
	The Company's handling of independent directors' objections or qualified opinions: None.		
	Resolution: Passed as proposed by all present directors unanimously		
October 31, 2023 5th Audit Committee meeting in 2023	1. Proposal to amend the Company's internal regulations	V	None
	The Company's handling of independent directors' objections or qualified opinions: None.		
	Resolution: Passed as proposed by all present directors unanimously		

2. For the recusal of an independent director from a proposal due to a conflict of interest, the name of the independent director, the content of the proposal, the reason for recusal, and his/her participation in voting shall be disclosed: None.

3. Communication between independent directors and the Chief Internal Auditor and CPAs:

(1) The Company's Chief Internal Auditor makes a report to independent directors on a quarterly basis and attends each Audit Committee meeting as a non-voting participant to make an internal audit report and provide the quarterly audit results for the independent directors to understand the Company's operations. At each annual and semi-annual Audit Committee meeting, the Chief Internal Auditor is invited to discuss issues related to audit operations and corporate governance best practice principles and sign independent directors' review report.

(2) The Company's CPAs report the results of the audit of the annual financial statements and other matters required to be communicated by relevant laws and regulations at each annual Audit Committee meeting. At each annual Audit Committee meeting, CPAs are invited to discuss issues related to the financial statements and corporate governance best practice principles and sign independent directors' review report.

(III) Supervisors' participation in the operation of the Board of Directors: Not applicable.

(IV) The operation of corporate governance, any deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons therefor

Evaluation item	Operation (Note)			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
I. Has the company established and disclosed its corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	V		Amendments to the Company's "Corporate Governance Best Practice Principles" were approved by the Board of Directors on December 8, 2022.	No significant deviation
II. Company's shareholding structure and shareholders' rights and interests				
(I) Does the company establish internal operating procedures to handle shareholders' suggestions, doubts, disputes and litigation matters, and implement the procedures?	V		(I) In order to protect the rights and interests of shareholders, the Company has appointed a spokesperson to handle shareholders' suggestions.	No significant deviation
(II) Does the company keep track of major shareholders who actually control the Company and their ultimate controllers?	V		(II) Through the reporting of insider shareholding changes and the roster of shareholders provided by the share registration agent, the Company keeps proper track of major shareholders that actually control the Company and their ultimate controllers.	No significant deviation
(III) Does the company establish and implement risk control and firewall mechanisms with its affiliates?	V		(III) The Company has established the "Regulations Governing Transactions with Related Parties," "Operating Procedures for Endorsements and Guarantees," "Operating Procedures for the Loaning of Funds to Others," and "Procedures for the Acquisition or Disposal of Assets" in accordance with relevant laws and regulations to establish a risk control mechanism.	No significant deviation
(IV) Does the company establish internal regulations to prohibit insiders from trading marketable securities using	V		(IV) The Company has the "Regulations Governing the Prevention of Insider Trading" in place to prohibit insiders from trading marketable securities using undisclosed information in the market.	No significant deviation

Evaluation item	Operation (Note)			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
undisclosed information in the market?				
III. Board of directors' composition and duties				
(I) Does the board of directors formulate and implement any diversity policies, set specific management goals, and implement the goals?	V		(I) The Company has established the "Procedures for the Election of Directors." Diversity is a factor that is valued in the composition of the Board of Directors. Currently, the Company has seven directors, including four independent directors. They generally have the necessary knowledge, skills and literacy to perform their duties. With their expertise, they can provide sound suggestions to the Board of Directors on the implementation of the Company's internal control system and related proposals.	No significant deviation
(II) In addition to establishing a remuneration committee and an audit committee as required by law, does the company set up other functional committees voluntarily?		V	(II) The Company has set up the Remuneration Committee and the Audit Committee. In the future, other functional committees will be established in accordance with laws and actual needs.	No significant deviation
(III) Does the company establish procedures and methods for evaluating the performance of the board of directors, conduct annual performance evaluations regularly, report the results of the performance evaluations to the board of directors, and use them as a reference	V		(III) The Board of Directors has passed the "Procedures for the Board of Directors' Performance Evaluation" on October 4, 2022. The performance of directors is evaluated every year, and the evaluation results will be used as a reference for individual directors' remuneration and nomination for reappointment. The 2023 evaluation results were reported to the Board of Directors on March 12, 2024.	No significant deviation

Evaluation item	Operation (Note)			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
<p>for individual directors' remuneration and nomination for reappointment?</p> <p>(IV) Does the company regularly evaluate the independence of CPAs?</p>	V		<p>(IV) Assessing the qualifications and independence of CPAs is one of the main duties of the Company's Audit Committee. The Committee regularly evaluates the independence of CPAs every year and submits a report to the Audit Committee and the Board of Directors for approval. After the latest evaluation was approved by the Audit Committee on March 12, 2024, it was submitted to the Board of Directors for approval on March 12, 2024. The Audit Committee conducted a comprehensive evaluation based on the statement of independence issued by the CPAs and in accordance with related regulations. Important evaluation items are as follows:</p> <p>(1) Does the Company's management respect the objective and challenging audit process put forward by CPAs?</p> <p>(2) Whether the non-audit services provided by CPAs may impair the independence of the audit.</p> <p>(3) Whether the accounting firm has established independence regulations, requiring the firm, its personnel and other personnel subject to independence requirements, to maintain independence in accordance with the code of professional ethics for certified public accountants, and has prohibited any personnel from engaging in insider trading and misusing inside information or any misleading act in the securities or capital market.</p> <p>(4) Whether the lead auditor and concurring auditors are rotated on a regular</p>	

Evaluation item	Operation (Note)			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
			<p>basis when their tenure has reached the prescribed term.</p> <p>(5) Obtaining information on the 13 Audit Quality Indicators (AQIs) provided by the CPA firm, and evaluating the audit quality of the CPA firm and the audit team in accordance with the "Guide to the Audit Committee's Interpretation of Audit Quality Indicators (AQI)" issued by the competent authority. The evaluation results are as follows: The independence between the CPAs and the Company complies with the Republic of China's Certified Public Accountant Act, the code of professional ethics for certified public accountants, and the SEC and PCAOB of the United States. The CPAs appointed by the Company have been rotated regularly within the prescribed time frames. There has been no significant deviation between the AQIs of the CPA firm and those of industry peers.</p>	
IV. Whether the TWSE/TPEX listed company appoints an appropriate number of competent corporate governance personnel and designates a Chief Corporate Governance Officer to be in charge of corporate governance-related matters (including but not limited to providing directors and supervisors with the information needed to perform their duties, assisting them in compliance with laws and regulations, handling matters related to Board of Directors' meetings and	V		<p>On December 8, 2022, the Board of Directors resolved to appoint the Company's Chief Financial Officer Chia-Hao Cheng as the Chief Corporate Governance Officer of the Company. He is responsible for providing directors with the information required to perform their duties, assisting them in complying with laws and regulations, handling matters related to board meetings and shareholders' meetings, preparing minutes of board meetings and shareholders' meetings, and overseeing other corporate governance affairs.</p> <p>The business execution in 2023 includes the following:</p> <ol style="list-style-type: none"> <li>1. Assisting independent directors and general directors in performing their duties, providing required information, and arranging continuing education for directors:</li> </ol> <p>(1) Informing board members on the revision and development of laws and regulations related to corporate governance.</p>	No significant deviation

Evaluation item	Operation (Note)			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
shareholders' meetings in accordance with the law, and preparing minutes of Board of Directors' meetings and shareholders' meetings).			<p>(2) Compiling and providing sufficient meeting materials to meeting members, and offering appropriate and timely information and administrative assistance.</p> <p>(3) Arranging meetings of independent directors and CPAs to understand the Company's financial and business status; when necessary, assisting directors (including independent directors) in discussing with the Chief Internal Auditor internal control-related matters.</p> <p>2. Assisting in ensuring the compliance of the procedures and resolutions of board meetings and shareholders' meetings with laws and regulations:</p> <p>(1) Reporting the implementation of corporate governance-related items to the Board of Directors, independent directors and Audit Committee.</p> <p>(2) Making sure that the Company's shareholders' meetings and board meetings are in compliance with relevant laws and corporate governance practices.</p> <p>(3) Assisting and reminding directors to comply with laws and regulations when performing their duties or adopting formal resolutions at board meetings.</p> <p>(4) Reviewing important resolutions of the Board of Directors to be published to ensure their legality and correctness as well as the synchronization of trading information for investors.</p> <p>3. Assembling board meeting proposals and issuing a notice of the agenda with the information required for the meeting seven days before the meeting. If it is necessary to avoid a conflict of interest, a reminder shall be given in advance, and the minutes of the Board of Directors' meeting shall be prepared within 20 days after the meeting.</p> <p>4. Supervising the pre-registration of the date of the shareholders' meeting, and preparing a meeting notice, meeting handbook, meeting minutes and carrying out registration of amendments to the Articles of Incorporation prior to the statutory</p>	

Evaluation item	Operation (Note)			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
			deadline.	
V. Does the company create channels for communication with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), set up a stakeholder section on the Company's website, and appropriately respond to important corporate social responsibility issues of stakeholders' concern?	V		The Company has established a spokesperson system to regularly publish important financial/business and other relevant information on the Market Observation Post System, and set up a stakeholder section on the Company's website as a channel for external communication with stakeholders, enabling them to quickly understand the Company's operations in order to protect their rights and interests.	No significant deviation
VI. Does the company commission a professional shareholder services agent to handle shareholders' meeting affairs?	V		The Company commissions the Transfer Agency Department of Taishin Securities Co., Ltd. to handle shareholders' meeting affairs.	No significant deviation
VII. Information Disclosure				
(I) Does the company set up a website to disclose its financial, business, and corporate governance information?	V		(I) An investor section is in place on the Company's website to regularly disclose the Company's financial, business, and corporate governance information.	No significant deviation
(II) Does the company adopt other means of information disclosure (e.g. setting up an English website, appointing dedicated personnel to collect and disclose information on the company, implementing a spokesperson system, posting the proceedings of investor conferences on the company's website)?	V		(II) The Company has established a spokesperson system, and has designated a person to collect and disclose material matters. We disclose relevant information on the "Market Observation Post System" in accordance with regulations.	No significant deviation
(III) Does the company announce and report		V	(III) The Company announced and reported the financial statements for the first,	No significant deviation



Evaluation item	Operation (Note)			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
its annual financial statements within two months after the end of each fiscal year, and announce and report its financial statements for the first, second, and third quarters and the operations of each month prior to the prescribed deadline?			second and third quarters and the operations of each month in advance of the prescribed deadline. However, although it was difficult for the Company to announce and report the annual financial statements within two months after the end of the fiscal year, Also, the Company still made public announcements and reports within the time limit specified in Article 36 of the Securities and Exchange Act.	
VIII. Does the company have other important information that is helpful in understanding the implementation of corporate governance (including but not limited to employees' rights and interests, employee care, investor relations, supplier relations, stakeholders' rights, directors' and supervisors' continuing education, the implementation of risk management policies and risk measurement standards, the implementation of customer policies, and the purchase of liability insurance for directors and supervisors)?	V		<p>(I) The Company has always protected the rights and interests of employees. In addition to basic statutory protections, the Company also provides good welfare measures.</p> <p>(II) The Company fully discloses relevant information through the Market Observation Post System and the Company's website so that investors can understand the Company's operations.</p> <p>(III) In addition to the continuing education required by the competent authority, the directors of the Company also participate in relevant continuing education courses organized by the Company.</p> <p>(IV) The Company has clearly stipulated in the Board of Directors' Meeting Rules that directors shall recuse themselves from the discussion and voting of proposals related to their interests.</p> <p>(V) The Company has taken out liability insurance for directors and managers.</p>	No significant deviation
IX. Please describe the improvements made based on the corporate governance evaluation results published by the Corporate Governance Center of Taiwan Stock Exchange in the most recent year, and propose prioritized enhancements and measures for deficiencies that have not yet been corrected: None.				

(V) If the Company has established a Remuneration Committee or Nomination Committee, the composition and operation of the Committee shall be disclosed

1. Information on Remuneration Committee members

Criteria		Professional qualifications and experience	Independence	Number of other public companies where he/she also serves as a Remuneration Committee member
Identity	Name			
Independent Director	Ying-Chi Yu	<p>1. Ying-Chi Yu is currently an independent director of the Company, an independent director of Lungyen Life Service Corporation, an independent director of E-life Mall Corporation, and a director of ANTUNG CORPORATION. He also served as the Chief Human Resources Officer of Acer Incorporated, and the director and lecturer of Chinese Human Resource Management Association.</p> <p>2. Ying-Chi Yu holds a master's degree in management from the College of Management, National Chiayi University.</p> <p>3. He specializes in the professional field of human resources, and does not fall under any conditions set forth in Article 30 of the Company Act.</p>	<p>None of the four independent directors of the Company is an employee, manager, director, supervisor of the Company or any of the affiliates thereof; or is the spouse, a relative within the 2nd degree of kinship, or a lineal relative within the 3rd degree of kinship of the aforesaid persons; or is a natural-person shareholder who holds 1% or more of the Company's total issued shares or holds shares as one of the top ten shareholders, by himself/herself or in the name of his/her spouse, underage children, or others; or is a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's total issued shares, or that ranks among the top five shareholders, or that designates its representative to serve as a director or supervisor of the Company under Article 27, Paragraph 1 or 2 of the Company Act; or is a director,</p>	2
Independent Director	Ming-Hui Lin	<p>1. Ming-Hui Lin currently serves as an independent director of the Company, and was the Chairman and President of Jih Sun Futures Co., Ltd.</p> <p>2. Ming-Hui Lin holds a master's degree in business administration from National Chung Hsing University.</p> <p>3. He specializes in the professional field of finance and accounting, and does not fall under any conditions set forth in Article 30 of the Company Act.</p>	<p>employee of a corporate shareholder that directly holds 5% or more of the Company's total issued shares, or that ranks among the top five shareholders, or that designates its representative to serve as a director or supervisor of the Company under Article 27, Paragraph 1 or 2 of the Company Act; or is a director,</p>	0

Criteria		Professional qualifications and experience	Independence	Number of other public companies where he/she also serves as a Remuneration Committee member
Identity	Name			
Independent Director	Chien-Kuang Wang	<ol style="list-style-type: none"> <li>1. Chien-Kuang Wang is currently an independent director of the Company and a director of TSMC Education &amp; Culture Foundation. He served various positions in TSMC, including Senior Vice President of Corporate Planning Organization, Senior Vice President of Wafer Plant Operations, Vice President of Wafer Plant Operations, and Vice President of 12-inch Wafer Plants.</li> <li>2. Chien-Kuang Wang holds a master's degree in chemical engineering from National Cheng Kung University.</li> <li>3. He specializes in the professional field of semiconductors, and does not fall under any conditions set forth in Article 30 of the Company Act.</li> </ol>	<p>supervisor, or employee of another company whose majority of director seats or voting shares is controlled by the same person who controls those of the Company; or is a director, supervisor, or employee of another company or institution who is the Chairman or President of the Company, holds an equivalent position in the Company, or is the spouse thereof; or is a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution that has</p>	0
Independent Director	Pi-Wei Chin	<ol style="list-style-type: none"> <li>1. Pi-Wei Chin is currently an independent director of the Company and the Chairman of Lim Chiu-Chung Culture and Arts Foundation. She was the Executive Vice President of Li &amp; Fung (Taiwan) Ltd.</li> <li>2. Pi-Wei Chin holds a bachelor's degree in transportation and communication management science from National Cheng Kung University.</li> <li>3. She specializes in the professional fields of marketing and cultural education, and does not fall under any conditions set forth in Article 30 of the Company Act.</li> </ol>	<p>a financial or business relationship with the Company; or is a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides audit services to the Company or any affiliate thereof, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate thereof for which the cumulative compensation received in the most recent two years has not exceeded NTD 500,000, or the spouse thereof; and none of them is the spouse or a relative within the 2nd degree of kinship of any other directors.</p>	0

## 2. Information on the operation of the Remuneration Committee

(1) The Company's Remuneration Committee consists of 4 members

(2) Current members' term of office: The Company established the Remuneration Committee on November 11, 2022. The term of the members of the 1st Remuneration Committee is from November 11, 2022 to November 10, 2025. The Remuneration Committee met a total of 3 times (A) in the most recent year (2023). Members' qualifications and attendance are as follows:

Job title	Name	Number of attendances in person (B)	Number of attendances by proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	Ying-Chi Yu	3	0	100.00	Required number of attendances since 2023 until now: 3.
Member	Chien-Kuang Wang	3	0	100.00	
Member	Ming-Hui Lin	3	0	100.00	
Member	Pi-Wei Chin	3	0	100.00	
Other information to be disclosed:					
I. If the Board of Directors does not adopt or amend the suggestions of the Remuneration Committee, the date and session of the board meeting, the content of the proposal, the resolutions of the Board of Directors, and the Company's handling of the Remuneration Committee's opinions shall be disclosed (If the salary/remuneration passed by the Board of Director is higher than that suggested by the Remuneration Committee, the difference and the reasons therefor shall be specified): None.					
II. If a member has a dissenting or qualified opinion on a resolution of the Remuneration Committee and it is on record or stated in writing, the date and session of the Remuneration Committee meeting, the content of the proposal, the opinions of all members, and the handling of the opinions shall be specified: None.					

3. Information on the Nomination Committee' members and operation: None.

(VI) Implementation of sustainable development, any deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons therefor

Promotion item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
I. Does the company establish a governance structure for the promotion of sustainable development, and set up a full-time (or part-time) unit to promote sustainable development, with the senior management authorized by the board of directors to manage the unit? How the board of directors supervise the unit?		V	Although the Company does not set up a dedicated (or part-time) unit to promote sustainable development, each department fulfills their duties to implement the Company's social responsibility and maintain social welfare operations, and pays attention to corporate sustainable development in their daily operating activities.	No significant deviation
II. Does the company conduct risk assessments on environmental, social and corporate governance issues related to company operations in accordance with the principle of materiality, and establish relevant risk management policies or strategies?		V	<p>The Company has established the "Sustainable Development Best Practice Principles," "Regulations Governing the Prevention of Insider Trading," "Code of Ethical Conduct," and "Internal Control Self-Assessment Procedures and Methods" to control and respond to risks to the operating environment, employee safety, customers, suppliers, and other stakeholders through the continuous implementation of various management procedures. The relevant risk management policies or strategies established are as follows:</p> <p>(1) Environment</p> <p>The Company is not a manufacturing business. However, to implement environmental protection and reduce the Company's overall carbon emissions, we are committed to energy conservation, waste sorting, waste recycling, and paperless operations. We also control indoor air-conditioning temperatures in offices and comply with environmental protection laws and regulations to achieve energy conservation and carbon reduction.</p> <p>(2) Society</p> <p>A. Regularly promote or organize employee information security training to enhance employees' awareness of information security and avoid the risk of company and customer data leakage.</p>	No significant deviation

Promotion item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Summary	
			<p>B. Internal important websites and application systems are separated from the external Internet by firewalls to enhance network security and avoid the risk of external malicious intrusions and attacks.</p> <p>C. Convene Employee Welfare Committee and labor-management meetings on a quarterly basis to communicate with employees, and communicate laws and regulations in a timely manner to avoid labor disputes. Employees can make suggestions through meetings or through the suggestion box. The Company works with employees to create harmonious labor-management relations.</p> <p>(3) Corporate governance</p> <p>A. Arrange continuing education courses for directors every year and inform them of the latest laws and policies.</p> <p>B. Take out director liability insurance for directors to protect them from litigation or claims.</p> <p>C. Every year, each department regularly conducts internal control self-assessment to review their implementation of internal control and legal compliance in the previous year.</p> <p>D. Establish communication channels for active communication to reduce conflicts and misunderstandings. An e-mail address is set up for investors to provide their opinions which are handled and responded to by the spokesperson.</p>	
III. Environmental Issues				
(I) Does the company establish an appropriate environmental management system based on the characteristics of its industry?	V		(I) The Company is not a manufacturing business. However, to reduce our impact on the environment, we do not use prohibited substances and raw materials, and save energy and prevent environmental pollution.	No significant deviation
(II) Is the company committed to improving energy efficiency and using recycled materials with low impact on the environment?	V		(II) The Company encourages employees to ensure waste sorting, further implement recycling, and reduce the use of resources.	No significant deviation
(III) Does the company evaluate the potential risks and	V		(III) The Company has established the "Sustainable Development Best Practice Principles" which	No significant deviation

Promotion item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Summary	
<p>opportunities posed by climate change to the company at present and in the future, and take countermeasures in response to climate-related issues?</p> <p>(IV) Does the company gather statistics on its greenhouse gas emissions, water consumption, and total weight of waste in the past two years, and formulate policies for energy conservation, carbon reduction, greenhouse gas reduction, water consumption reduction, or waste management?</p>	V		<p>requires the Company not only to consider the impact of operations on ecological benefits, but also to implement and promote the importance of environmental protection and the potential impact assessment of climate change, in order to achieve the goal of enhanced environmental protection.</p> <p>(IV) Acer Group continues to collect electricity, water, and waste information through its online system in accordance with the GRI Sustainability Reporting Standards (GRI Standards) and the GHG Protocol and in line with the Group's consolidated financial reporting boundaries, and commissions a third-party verification agency to conduct verification. Since 2022, the Company has been included in Acer's greenhouse gas inventory, collection of electricity, water, and waste information, and third-party verification.</p> <p>The following is a description of relevant management practices:</p> <ol style="list-style-type: none"> <li>1. Greenhouse gases: We have formulated an integrated energy and climate change strategy, and set long-term carbon reduction targets using the methodology recommended by the Science-Based Targets (SBT). We expect to reduce Scope 1 and Scope 2 emissions by 50% by 2030 in comparison with the base year of 2019 and to reduce value chain carbon (Scope 3) emissions by 35% by 2030 from the base year of 2020. For the greenhouse gas information, the Company passed third-party verification and obtained an ISO14064-1 certificate in 2021 and 2022.</li> <li>2. Water consumption: According to statistics, the reduction in Acer's global water consumption in 2022 surpassed the medium- and long-term target. The reason for the decline in water consumption in 2021-2022 was that many offices around world turned to work-from-home (WFH) due to the pandemic. Thus, we reset the medium- and long-term target to reduce the total water withdrawal by 7% by 2030 from 2023.</li> <li>3. Waste: Domestic waste is the main source of Acer's waste. In order to reduce waste production, we encourage our employees to reduce the use of disposable plastics, cutlery,</li> </ol>	No significant deviation

Promotion item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor																	
	Yes	No	Summary																		
			<p>and paper cups, and promote the reuse of waste through various recycling measures and regular business waste recycling and management. For global waste reduction, Acer has set a short-term target: a 1% reduction from the base year (2022) by 2023 and a medium- and long-term target: a 10% reduction from the base year by 2030.</p> <p>4. Information on water, waste, and greenhouse gases has been verified by a third-party verification body, SGS, and disclosed in the sustainability report:</p> <table border="1"> <thead> <tr> <th rowspan="2">Year</th><th colspan="2">Greenhouse gas emissions (tons of carbon dioxide equivalent)</th><th rowspan="2">Water consumption (m3)</th><th rowspan="2">Total weight of waste (tons)</th></tr> <tr> <th>Scope 1</th><th>Scope 2 (market-based)</th></tr> </thead> <tbody> <tr> <td>2022</td><td>2,705.30</td><td>8,793.92</td><td>162,655</td><td>2,165</td></tr> <tr> <td>2023</td><td>Note</td><td>Note</td><td>179,741</td><td>1,839</td></tr> </tbody> </table> <p>Note: The Company continues to collect statistics on the greenhouse gas emissions. The information for 2023 is still in the process of verification as of the publication date of the annual report. For the latest information, please visit the MOPS <a href="https://mops.twse.com.tw/mops/web/t214sb01">https://mops.twse.com.tw/mops/web/t214sb01</a></p>	Year	Greenhouse gas emissions (tons of carbon dioxide equivalent)		Water consumption (m3)	Total weight of waste (tons)	Scope 1	Scope 2 (market-based)	2022	2,705.30	8,793.92	162,655	2,165	2023	Note	Note	179,741	1,839	
Year	Greenhouse gas emissions (tons of carbon dioxide equivalent)		Water consumption (m3)		Total weight of waste (tons)																
	Scope 1	Scope 2 (market-based)																			
2022	2,705.30	8,793.92	162,655	2,165																	
2023	Note	Note	179,741	1,839																	
IV. Social Issues (I) Does the company establish relevant management policies and procedures in accordance with applicable laws and international human rights conventions?	V		(I) The Company recognizes and voluntarily follows internationally recognized human rights standards such as the "United Nations Universal Declaration of Human Rights," "United Nations Global Compact," "United Nations Guiding Principles on Business and Human Rights," and "United Nations International Labor Organization." We abide by relevant labor laws and regulations, and establish personnel management rules and related work rules to ensure that all working conditions ranging from employee recruitment, employment, related benefits, to retirement are in compliance with applicable laws and regulations. In addition, we regularly review our operations and internal regulations by paying attention to	No significant deviation																	



Promotion item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor								
	Yes	No	Summary									
(II) Does the company establish and implement reasonable employee welfare measures (including remuneration, leave, and other benefits) and have employee remuneration appropriately reflect the company’s business results or performance?	V		<p>major social issues and regulatory amendments every year, and continue to formulate and implement improvement plans. The Company's human rights management policies and specific plans are summarized as follows:</p> <table><tr><th>Human rights management policy</th><th>Specific plan</th></tr><tr><td>Providing a safe and healthy work environment to help employees maintain physical and mental health and work-life balance</td><td>The Company provides employees with a comfortable work environment and builds a happy and healthy workplace; organizes sports competitions, family days, art seminars, club activities, and health promotion programs to enrich the life of employees and enhance the relationship among them. The Company works with external professional bodies to provide "Employee Assistance Programs" in order to offer professional consulting services on personal and work problems for employees. Moreover, we provide an employee health check program every year and hire visually impaired massage therapists to provide massage services for employees to relax. Employees can also make donations at will, and the donation money will be donated to social welfare organizations.</td></tr><tr><td>Prohibiting forced labor and abiding by the labor laws and regulations of the local government</td><td>A leave system is implemented to encourage employees to value work-life balance.</td></tr><tr><td>Diversity and respect in the workplace</td><td>We ensure inclusion of talent of different races, skin colors, genders, languages, religions, political views, and nationalities to establish a work environment where employees feel respected.</td></tr></table>	Human rights management policy	Specific plan	Providing a safe and healthy work environment to help employees maintain physical and mental health and work-life balance	The Company provides employees with a comfortable work environment and builds a happy and healthy workplace; organizes sports competitions, family days, art seminars, club activities, and health promotion programs to enrich the life of employees and enhance the relationship among them. The Company works with external professional bodies to provide "Employee Assistance Programs" in order to offer professional consulting services on personal and work problems for employees. Moreover, we provide an employee health check program every year and hire visually impaired massage therapists to provide massage services for employees to relax. Employees can also make donations at will, and the donation money will be donated to social welfare organizations.	Prohibiting forced labor and abiding by the labor laws and regulations of the local government	A leave system is implemented to encourage employees to value work-life balance.	Diversity and respect in the workplace	We ensure inclusion of talent of different races, skin colors, genders, languages, religions, political views, and nationalities to establish a work environment where employees feel respected.	No significant deviation
Human rights management policy	Specific plan											
Providing a safe and healthy work environment to help employees maintain physical and mental health and work-life balance	The Company provides employees with a comfortable work environment and builds a happy and healthy workplace; organizes sports competitions, family days, art seminars, club activities, and health promotion programs to enrich the life of employees and enhance the relationship among them. The Company works with external professional bodies to provide "Employee Assistance Programs" in order to offer professional consulting services on personal and work problems for employees. Moreover, we provide an employee health check program every year and hire visually impaired massage therapists to provide massage services for employees to relax. Employees can also make donations at will, and the donation money will be donated to social welfare organizations.											
Prohibiting forced labor and abiding by the labor laws and regulations of the local government	A leave system is implemented to encourage employees to value work-life balance.											
Diversity and respect in the workplace	We ensure inclusion of talent of different races, skin colors, genders, languages, religions, political views, and nationalities to establish a work environment where employees feel respected.											
(II) Employee rewards and benefits, and workplace diversity and equality			(1) Employee remuneration:  The Company participates in market remuneration surveys every year and adjusts salaries based on the general salary level in the market, economic trends, and individual performance to maintain overall salary competitiveness. In 2023, the Company granted three festival bonuses to both managerial and non-managerial employees in Taiwan, adjusted their salary and gave performance bonuses and employee rewards based on the Company’s operations and individual performance, motivating all employees to work together for the Company’s goals. We also offered attractive remuneration, salary adjustment, and promotion packages.  (2) Employee welfare measures									

Promotion item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
			<p>The Company has set up the Employee Welfare Committee to plan and provide various high-quality benefits for employees, such as: employee travel subsidies, cash gifts for three festivals and birthdays, marriage allowance, maternity allowance, funeral allowance, etc.; organize sports competitions, family days, art seminars, club activities, and health promotion programs to enrich the life of employees and enhance the relationship among them. An employee health check program is provided annually, and visually impaired massage therapists are hired to provide massage services for employees to relax. For the leave system, employees are provided with annual leave for new employees, sick leave with full pay, and volunteer leave, which are better than the leave system under the Labor Standards Act. Also, we offer group medical insurance, cash gifts for weddings, funerals, and giving birth, emergency relief, festival gifts and bonuses, birthday cash gifts, e-vouchers, employee travel subsidies, and so on to share profits with every employee.</p> <p>(3) Workplace diversity and equality</p> <p>A. We strive to realize equal pay and equal promotion opportunities for men and women for equal work and keep the percentage of female executive positions at higher than 50% to promote sustainable and inclusive economic growth. This year, female employees accounted for an average of 53%, and female chief officers accounted for an average of 21%.</p> <p>B. On the basis of mutual trust between the Company and employees, the employees are allowed to adjust their starting and ending hours flexibly to achieve a better balance among work, life, and family.</p> <p>C. The Company endeavors to create gender equality in the workplace, regardless of gender, and respect employees with different gender identities, sexual orientations, and gender temperaments. By promoting gender equality-related mechanisms and providing maternity-friendly measures, we introduce the concept of equality into the workplace</p>	

Promotion item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Summary	
(III) Does the company provide employees with a safe and healthy work environment and give them safety and health education on a regular basis?	V		<p>and create a gender-friendly workplace that respects diversity.</p> <p>(III) Regarding the work environment and personal safety of employees, the Company strengthens the maintenance of the company environment and employee safety management at work through the implementation of a management system. We regularly conduct operating environment inspections, annual employee health examinations, etc. as required by law, and organize various courses to raise employees' awareness of hazards, reduce hazard occurrences, and ensure the safety and health of employees.</p> <p>Occupational health and safety policies:</p> <ol style="list-style-type: none"> <li>(1) Complying with relevant laws and regulations and committing ourselves to surpassing industry norms.</li> <li>(2) Committed to pollution prevention, energy efficiency improvement, and waste reduction to enhance resource productivity.</li> <li>(3) Implementing green design and carefully selecting raw materials and suppliers to provide safe products with low environmental impact.</li> <li>(4) Providing a healthy and safe work environment to maintain the physical and mental health of workers and reduce occupational safety and health risks.</li> <li>(5) Having all employees receive consultation and continuously improving performance in terms of environment, health, and safety.</li> </ol>	No significant deviation
(IV) Does the company develop an effective career development training program for employees?	V		<p>(IV) As a people-oriented company, we value talent cultivation, arrange internal and external training courses from time to time based on our strategic development plan and the needs of each department, and pay attention to the development of both generalists and specialists, so that each employee can develop their own career path based on their interests and goals.</p> <p>Relevant measures are as follows:</p> <ol style="list-style-type: none"> <li>(1) The Company formulates comprehensive competency training plans for managers and employees at all levels, including for the professional skills of different positions, general</li> </ol>	No significant deviation

Promotion item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Summary	
<p>(V) Does the company comply with relevant laws and regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services, and establish relevant policies and complaint procedures for the protection of consumer rights?</p> <p>(VI) Does the company have a supplier management policy in place to require suppliers to comply with relevant regulations on environmental protection, occupational safety and health, or labor human rights? How is the policy implemented?</p>	V		<p>knowledge courses such as office computer application training, and training courses for managers at all levels, forming a complete education and training system for employees to ensure both personal growth and company development.</p> <p>(2) Orientation, personal mentors, and a new employee training plan are arranged for new employees immediately after they join the Company, so that they can quickly get familiar with the team's operations.</p> <p>(3) We have developed the "Heading towards a Cloud-based Future" intern program to encourage students to apply what they have learned, accumulate practical experience through internships, and explore careers early. This can also help the organization build a pool of excellent talent for the future.</p> <p>(V) The marketing and labeling of all the products and services provided by the Company comply with the laws and regulations of Taiwan and marketing regions, as well as international standards. The Company maintains good communication channels with customers and provides transparent and effective procedures for handling customer complaints about products and services. Any complaints are provided for relevant internal units to formulate effective countermeasures.</p> <p>(VI) The Company has established a supplier management mechanism and thoroughly implemented it. The Company assesses the corporate social responsibility records of suppliers during collaboration before making a purchase or signing a contract. Although the Company's contracts signed with suppliers do not include a corporate social responsibility policy, we will further sign with suppliers to make sure the fulfillment of both parties' corporate social responsibilities.</p>	<p>No significant deviation</p> <p>No significant deviation</p>
V. Does the company prepare reports disclosing the company's non-financial information, such as a Sustainability Report, in accordance with international		V	The Company is not yet required to prepare a CSR report. In the future, we will prepare a CSR report according to the "New Corporate Governance Roadmap."	The Company has established the "Sustainable

Promotion item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
reporting standards or guidelines? Do the said reports obtain assurance from a third-party verification body?				Development Best Practice Principles" and will implement them based on the Company's needs or according to laws and regulations.
<p>VI. If the company has established its own sustainable development principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please describe any deviation between its current practices and its sustainable development principles:</p> <p>The Company has established the "Sustainable Development Best Practice Principles" in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies," with the Company's practical operations taken into consideration. We have duly implemented ethical management pursuant to the relevant laws and regulations to specify what the Company's personnel shall keep an eye on when performing their duties.</p>				

VII. Companies meeting certain requirements shall disclose climate-related information

(I) Climate-related implementation

Item	Implementation
1. Describe the monitoring and governance of climate-related risks and opportunities by the Board of Directors and the management.	<p>Since 2008, the Sustainable Development Office (renamed the ESG Office in 2011) of the parent company, Acer Incorporated, has been assigned to take charge of the greenhouse gas inventory of Acer Group's global operations. External greenhouse gas verification has been introduced since 2022, and the Company has been certified to ISO 10464. The Group's greenhouse gas emission data are disclosed in the sustainability report on a yearly basis. The Company and subsidiaries have participated in and included the greenhouse gas inventory and verification plan of the Group since 2022, and completed the 2022 Acer Group greenhouse gas inventory in June 2023. The 2023 Acer Group greenhouse gas inventory started in January 2024. Data collection, internal and external inspections and certifications have been executed sequentially.</p> <p>In accordance with the requirements of the "Sustainable Development Roadmap" in Letter Jin-Guan-Zheng-Fa-Zi No. 11103811030 issued by the Financial Supervisory Commission on March 9, 2022, the Company reported the "Greenhouse Gas Inventory and Verification Schedule Plan" and its subsequent implementation to directors at the quarterly board meeting in 2023. In addition, the Company plans to establish an ESG working group, with the Chief Corporate Governance Officer as the convener, responsible for leading the implementation of ESG work, and promoting and implementing the Company's overall ESG related policies in accordance with the overall operating strategy and operating environment.</p>
2. Describe how the identified climate risks and opportunities affect the business, strategy and finance of the Company (short-, medium-, and long-term).	<p>Climate risks and opportunities affect the Company in terms of business operations, strategy adjustments, and financial status. The scope of possible impacts is described below:</p> <p>Short-term impact: Unexpected climate events such as floods, typhoons or fires may cause serious disruptions to the supply chain, resulting in shortages of raw materials, delays in production, and reduced operating efficiency of business units. For logistics or technical units, it may be necessary to adjust the corresponding work mode immediately, including emergency preparedness such as remote work and video conferencing. In addition, these events may also generate additional costs, including increased shipping and transportation costs, the establishment of remote execution systems or related network security mechanisms, and emergency repairs.</p> <p>Medium-term impact: Climate change may affect the stability of the supply chain and delay the delivery of goods, thereby affecting the Company' operating revenue recognition and cash flow. Therefore, we may need to adjust our product lines and</p>

		<p>develop more innovative green products to maintain our competitive edge in the highly competitive market. In response to the recent rise in climate awareness, the demand for environmentally friendly products and services has increased, and more companies have joined the ranks of responding to climate change. It is necessary to find a more diversified and flexible supply chain to reduce the dependence on specific regions or resources in order to satisfy market demand.</p> <p>Long-term impact: Climate change is likely to have a profound impact on the industrial structure and market demand. The Company needs to adapt to the dynamic changes in policies, technologies, consumer preferences, and the global market, including by adjusting the business model, reducing carbon emissions, participating in climate risk management and mitigation plans, and complying with the climate policy developed by the government. In addition, long-term climate change may result in major capital expenditures by the Company or the government's introduction of new carbon tax, an emissions trading system, or other regulations.</p>	
	3. Describe the financial impact of extreme climate events and transition actions.	<p>The financial impact of extreme climate events is on all aspects of the Company. For example, typhoons, floods or droughts may damage the Company's fixed assets and inventory, resulting in forced business interruption. In addition, frequent climate events may also cause the Company's related insurance costs, such as property insurance and commercial interruption insurance, to rise. However, in recent years, the society has paid more attention to ESG. The Company is committed to establishing response strategies for corporate operations and products and services to reduce the financial impact of these risks. For example, we have further introduced various green and sustainable materials as our product lines and for packaging, and released smart bicycles and scooters integrated with the concept of eco-friendly living.</p>	
	4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	<p>Integrating the processes of climate risk identification, assessment and management into the overall risk management system is required for the Company to maintain long-term stable operations, and helps the Company better respond to the potential threats posed by climate change, so as to improve the Company's adaptability and competitiveness. The general steps of the integration process are as follows:</p> <ul style="list-style-type: none"> <li>● Identification of climate risks: Through the relevant information released by government departments, we can identify climate-related risks that may affect the Company, such as extreme climate events and climate change trends.</li> <li>● Assessment of the impact and likelihood of risks: We use data analysis to assess the potential impacts of climate risks, including financial and operational impacts. We also consider the probability of occurrence, degree of impact, and timeline of climate risks in order to formulate corresponding response strategies.</li> </ul>	

		<ul style="list-style-type: none"> <li>● Integration into the risk management framework: We incorporate climate risks into the corporate risk management framework to identify relevant risk owners and risk managers and clarify risk management processes and procedures.</li> <li>● Formulation of response strategies: Based on the risk assessment results, we formulate strategies and plans to cope with climate risks, including for risk mitigation, transfer, acceptance or avoidance. We also take long-term climate trends into account and adopt adaptive measures in response to the long-term impacts of climate change on the business.</li> </ul> <p>Implementation and monitoring: We implement the formulated strategies and plans in actual business operations to ensure that the corresponding risk management measures are executed. We monitor the changes and development of climate risks on a regular basis, and adjust response strategies to deal with new situations and challenges and make continuous improvements.</p>	
	5. If scenario analysis is used to assess the resilience in the face of climate change risks, the scenarios, parameters, assumptions, analysis factors, and main financial impacts used shall be described.	<p>The following is a description of the scenario analysis for assessment and its impact:</p> <p>Scenario analysis:</p> <ul style="list-style-type: none"> <li>● Scenario description: First of all, clearly describe the scenario, such as a city, a rural area or an enterprise. This includes geographic location, climate characteristics, economic structure, and socio-demographic structure.</li> <li>● Parameter setting: Determine the parameters to be assessed, which may include the expected impacts of climate change, such as the frequency and intensity of extreme climate events, the rise of average temperature, and sea level rise.</li> <li>● Assumption setting: Make assumptions about possible future impacts of climate change, which may be based on scientific models, historical data, and expert opinions.</li> </ul> <p>Analysis factors: Identify the main factors affecting resilience, which may include resource availability, government policies, and technology level. Including these factors in the analysis can help identify key measures to strengthen resilience.</p>	
	6. If there is a transition plan in response to the management of climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	The Company has not yet formulated a transition plan.	
	7. If internal carbon pricing is used as a planning tool, the basis for setting the price shall be stated.	The Company has not yet adopted internal carbon pricing.	



	<p>8. If climate-related targets are set, the activities covered, the scope of greenhouse gas emissions, the planned schedule, and the progress of each year shall be described; if carbon offsets or renewable energy certificates (RECs) are used to achieve the targets, the source and amount of the carbon offsets or the amount of the RECs shall be described.</p>	<p>Activities covered by the targets:</p> <ul style="list-style-type: none"> <li>● Reduction of greenhouse gas emissions: Including direct emissions (e.g. factory emissions, vehicle emissions) and indirect emissions (e.g. supply chain emissions).</li> <li>● Energy efficiency improvement: Reduce energy consumption through energy-saving measures and technology upgrades.</li> <li>● Increase of renewable energy use: Increase the proportion of renewable energy in the energy structure, such as solar power and wind power.</li> <li>● Resource recycling: Promote the effective recycling of resources and reduce waste generation and emissions.</li> <li>● Climate risk management: Strengthen risk management against climate change and extreme climate events.</li> </ul> <p>Scope of greenhouse gas emissions:</p> <ul style="list-style-type: none"> <li>● Scope 1: Direct emissions, such as carbon dioxide and methane emissions from the Company's internal production activities.</li> <li>● Scope 2: Indirect energy emissions, such as carbon dioxide emissions from the use of electricity and heat.</li> <li>● Scope 3: Other indirect emissions, including emissions from the supply chain and the use of products, such as the production, transportation, and manufacturing of raw materials.</li> </ul> <p>Planned schedule:</p> <ul style="list-style-type: none"> <li>● Short-term targets: Usually set for one to five years, used to identify fast and feasible measures to achieve immediate benefits and progress.</li> <li>● Medium-term targets: Set for five to ten years, used to implement broader changes, such as energy structure adjustments and technology upgrades.</li> <li>● Long-term targets: Usually set for more than ten years, used to achieve more challenging targets.</li> </ul> <p>The Company will establish a monitoring and reporting mechanism to determine the annual progress and achievement status, perform regular measurement and assessment, and adjust the action plan based on the actual progress. This information will help the Company determine climate-related targets and formulate corresponding action plans to achieve the climate targets and the goal of sustainable development.</p>	
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(II) Greenhouse gas inventory and assurance in the most recent two years

1. Greenhouse gas inventory information

Implementation

The information of greenhouse gas emissions in 2022 and 2023 is as follows:

Year	Greenhouse gas emissions (tons of carbon dioxide equivalent)		Intensity (tons CO <sub>2</sub> e/NTD million)
	Scope 1	Scope 2 (market-based)	
2022	0.05	67.00	2022
2023	(Note 2)	(Note 2)	2023

Note 1: The scope of greenhouse gas emission inventory is consistent with the boundary of the Group's consolidated financial statements

Note 2: The information for 2023 is still in the process of verification as of the publication date of the annual report. For the latest information, please visit the MOPS

<https://mops.twse.com.tw/mops/web/t214sb01>

2. Greenhouse gas assurance information

The Company commissioned the greenhouse gas emission assurance agency SGS Taiwan to conduct greenhouse gas emission verification for direct and indirect categories (Scope 1, Scope 2, and Scope 3) and obtained an ISO 14064-1: 2018 greenhouse gas audit statement. In 2022, an unqualified opinion was issued. The information for 2023 is still in the process of verification as of the publication date of the annual report.

3. Greenhouse gas reduction targets, strategies, and concrete action plans

Reduction targets and strategies:

As a member of Acer Group, the Company has launched nine strategies in three major aspects in response to the Group's policy to achieve Acer's goal of net zero carbon emission by 2050. We are committed to focusing on the three aspects of corporate sustainable operations, products and services, and value chain and executing the nine strategies of energy consumption reduction, use of renewable energy, negative carbon offsetting, low-carbon products and services, use of renewable materials, investment in smart and green energy applications, carbon reduction targets and commitments, green manufacturing and logistics, and practice of low-carbon circular economy, in order to seek a balance between product management and environmental performance, comprehensively reducing carbon footprints.

Concrete action plans:

- Energy structure transition: Promote the development of renewable energy (e.g. wind power, solar power) and other low-carbon energy sources to reduce dependence on fossil fuels.

- Energy efficiency improvement: Improve energy efficiency and reduce greenhouse gas emissions through technological innovation and policy support.
- Energy conservation and emission reduction policies: Formulate and implement energy conservation and emission reduction policies to encourage the application and promotion of energy-saving and emission reduction technologies.

(VII) Implementation of ethical management, any deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons therefor

Evaluation item	Operation (Note)			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
I. Establishment of Ethical Management Policies and Plans				
(I) Does the company establish an ethical management policy, have it approved by the board of directors, and explicitly specify the Company's policies and practices on ethical management, as well as the commitment of the board of directors and senior management to actively implement management policies in its regulations or external documents?	V		(I) The Board of Directors established the "Operating Procedures for Ethical Management and Behavioral Guidelines" on December 8, 2022, and has duly implemented them.	No significant deviation
(II) Does the company develop an assessment mechanism for the risk of unethical conduct, analyze and assess the business activities with higher risk of unethical conduct within the business scope on a regular basis, and establish a program for the prevention of unethical conduct accordingly, which at least cover preventive measures against the acts set forth in Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?	V		(II) The Company has the "Ethical Management Best Practice Principles," "Operating Procedures for Ethical Management and Behavioral Guidelines," and "Code of Ethical Conduct" in place. We also communicate our policies on ethical management to employees when they join the Company.	No significant deviation
(III) Does the company have operating procedures, behavioral guidelines, punishment and	V		(III) The Company has developed an effective internal control system and accounting system, which are reviewed from time to time to ensure continuous effectiveness in	No significant deviation

Evaluation item	Operation (Note)			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Summary	
complaint systems specified in the program for the prevention of unethical conduct? Are they thoroughly implemented? Is the said program regularly reviewed and amended?			their design and implementation and to prevent business activities involving unethical conduct.	
II. Implementation of Ethical Management				
(I) Does the company evaluate the record of integrity of its counterparts and specify ethical conduct clauses in the contracts signed with the counterparts?	V		(i) For the Company's commercial activities, the Finance Department reviews and rates customers, and asks the Legal Department for opinions on the terms of contracts signed with counterparts in order to avoid trading with those with a record of unethical conduct.	No significant deviation
(II) Does the company set up a dedicated unit subordinate to the board of directors to promote corporate ethical management, and have the unit report the Company's ethical management policies and programs for the prevention of unethical conduct as well as their supervision and implementation to the board of directors (at least once a year)?	V		(ii) Under the supervision of the Board of Directors, the Company's Finance, Human Resources, and Audit Departments work together to promote ethical corporate management. All employees and stakeholders are required to comply with relevant regulations and make a report to the Board of Directors in a timely manner to concretely implement corporate integrity management.	No significant deviation
(III) Does the company formulate policies to prevent conflicts of interest, provide appropriate channels for communication, and implement them thoroughly?	V		(iii) The Company's "Ethical Management Best Practice Principles" and "Operating Procedures for Ethical Management and Behavioral Guidelines" have clearly specified the policy for preventing conflicts of interest, and smooth channels are in place for employees to express their opinions.	No significant deviation
(IV) Does the company establish an effective accounting system and internal control system to implement ethical management, and has the	V		(iv) The Company's internal auditors audit the implementation of the accounting system and internal control system established by the Company according to a certain plan, and external CPAs are also commissioned for the audit.	No significant deviation

Evaluation item	Operation (Note)			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Summary	
<p>internal audit unit draw up relevant audit plans based on the assessment results for the risk of unethical conduct, and audit compliance with the program for the prevention of unethical conduct accordingly, or commission a CPA to do so?</p> <p>(V) Does the company organize internal and external training on ethical management on a regular basis?</p>	V		(v) The Company has established the "Ethical Management Best Practice Principles," "Operating Procedures for Ethical Management and Behavioral Guidelines" and "Code of Ethical Conduct" as the highest codes of conduct for all employees to follow when performing business activities. Education and training are provided to new employees to require their compliance.	No significant deviation
<p>III. Operation of the Company's Whistleblowing System</p> <p>(I) Does the company establish specific whistleblowing and reward systems, create a convenient channel for whistleblowing, and assign appropriate dedicated personnel to reported subjects?</p>	V		(i) The Company has specific whistleblowing and reward systems in the "Ethical Management Best Practice Principles," "Operating Procedures for Ethical Management and Behavioral Guidelines" and "Code of Ethical Conduct," and the dedicated unit designates appropriate personnel to be in charge based on the nature of reports.	No significant deviation
<p>(II) Does the company establish standard operating procedures for the investigation of reported matters, specify follow-up measures to be taken after the investigation is completed, and develop relevant confidentiality mechanisms?</p>	V		(ii) The Company has standard operating procedures for the investigation of reports and relevant confidentiality mechanisms.	No significant deviation
<p>(III) Does the company take measures to protect whistleblowers from improper treatment due to whistleblowing?</p>	V		(iii) The Company takes measures to protect whistleblowers from improper treatment as a result of whistleblowing.	No significant deviation
IV. Enhancement of Information Disclosure	V		The Company has established a website to disclose the "Ethical Management Best	No significant deviation

Evaluation item	Operation (Note)			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
Does the company disclose its ethical management principles and the effectiveness of their implementation on its website and the Market Observation Post System?			Practice Principles" and the "Operating Procedures for Ethical Management and Behavioral Guidelines," and makes timely announcements and updates on the Market Observation Post System.	
<p>V. If the company has established its own ethical management principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," please describe any deviation between its current practices and its ethical management principles:</p> <p>The Company has established the "Ethical Management Best Practice Principles" and "Operating Procedures for Ethical Management and Behavioral Guidelines" in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," with the Company's practical operations taken into consideration. We have duly implemented ethical management pursuant to the relevant laws and regulations to specify what the Company's personnel shall keep an eye on when performing their duties.</p>				
<p>VI. Other important information that is helpful in understanding the implementation of the Company's ethical management: We comply with relevant laws and regulations and our internal control system and strictly prohibit unethical conduct or violations of laws and regulations.</p>				

(VIII) If the Company has established corporate governance principles and relevant regulations, the method to assess them shall be disclosed: Please refer to the Company's website <https://www.acergadget.com>.

(IX) Other important information that allows for a better understanding of the implementation of the Company's corporate governance:

Directors' continuing education:

Job title	Name	Course date		Organizer	Course name	Continuing education hours
		From	To			
Independent Director	Chien-Kuang Wang	August 25, 2023	August 25, 2023	Taiwan Corporate Governance Association	Analysis of the Current State and Future of Global Economy and Finance	3.0
		August 25, 2023	August 25, 2023	Taiwan Corporate Governance Association	A Killer Application in the Man-Machine Era: Advantages and Blind Spots of Generative AI	3.0
		August 24, 2023	August 24, 2023	Taiwan Corporate Governance Association	Securities Laws and Corporate Governance	3.0
Independent Director	Pi-Wei Chin	August 25, 2023	August 25, 2023	Taiwan Corporate Governance Association	A Killer Application in the Man-Machine Era: Advantages and Blind Spots of Generative AI	3.0
		August 24, 2023	August 24, 2023	Taiwan Corporate Governance Association	Securities Laws and Corporate Governance	3.0
Independent Director	Ying-Chi Yu	August 25, 2023	August 25, 2023	Taiwan Corporate Governance Association	Analysis of the Current State and Future of Global Economy and Finance	3.0
		August 4, 2023	August 4, 2023	Taiwan Corporate Governance Association	Net Zero Emissions, Carbon Neutrality, and Corporate Compliance	3.0
		July 21, 2023	July 21, 2023	Taiwan Corporate Governance Association	Start-ups' Equity Planning and Organizational Structure Design	3.0
Independent Director	Ming-Hui Lin	August 25, 2023	August 25, 2023	Taiwan Corporate Governance Association	A Killer Application in the Man-Machine Era: Advantages and Blind Spots of Generative AI	3.0
		August 24, 2023	August 24, 2023	Taiwan Corporate Governance Association	Securities Laws and Corporate Governance	3.0
Representative of Corporate Director	Jerry Kao	August 25, 2023	August 25, 2023	Taiwan Corporate Governance Association	A Killer Application in the Man-Machine Era: Advantages and Blind Spots of Generative AI	3.0
		August 3, 2023	August 3, 2023	Taiwan Corporate Governance Association	Corporate ESG Sustainability Trends and Updates on Securities and Exchange Regulations	1.5
		May 4, 2023	May 4, 2023	Taiwan Corporate Governance Association	Global Future Risks and Opportunities for Sustainable Transformation	1.5
		March 16, 2023	March 16, 2023	Taiwan Corporate Governance Association	Global Economic Outlook in 2023	1.5
Representative of Corporate Director	Jason Chen	August 25, 2023	August 25, 2023	Taiwan Corporate Governance Association	Analysis of the Current State and Future of Global Economy and Finance	3.0
		August 24, 2023	August 24, 2023	Taiwan Corporate Governance Association	Securities Laws and Corporate Governance	3.0
		August 3, 2023	August 3, 2023	Taiwan Corporate Governance Association	Corporate ESG Sustainability Trends and Updates on Securities and Exchange Regulations	1.5
		May 4, 2023	May 4, 2023	Taiwan Corporate Governance Association	Global Future Risks and Opportunities for Sustainable Transformation	1.5



Job title	Name	Course date		Organizer	Course name	Continuing education hours
		From	To			
		March 16, 2023	March 16, 2023	Taiwan Corporate Governance Association	Global Economic Outlook in 2023	1.5
Representative of Corporate Director	Yu-Ling Chen	August 25, 2023	August 25, 2023	Taiwan Corporate Governance Association	Analysis of the Current State and Future of Global Economy and Finance	3.0
		August 25, 2023	August 25, 2023	Taiwan Corporate Governance Association	A Killer Application in the Man-Machine Era: Advantages and Blind Spots of Generative AI	3.0
		August 24, 2023	August 24, 2023	Taiwan Corporate Governance Association	Securities Laws and Corporate Governance	3.0
		August 3, 2023	August 3, 2023	Taiwan Corporate Governance Association	Corporate ESG Sustainability Trends and Updates on Securities and Exchange Regulations	1.5
		May 4, 2023	May 4, 2023	Taiwan Corporate Governance Association	Global Future Risks and Opportunities for Sustainable Transformation	1.5
		March 16, 2023	March 16, 2023	Taiwan Corporate Governance Association	Global Economic Outlook in 2023	1.5

### Chief Corporate Governance Officer's business execution and continuing education:

#### 1. The business execution in 2023 is as follows:

(1) Assisting independent directors and general directors in performing their duties, providing required information, and arranging continuing education for directors:

- A. Informing board members on the revision and development of laws and regulations related to corporate governance.
- B. Compiling and providing sufficient meeting materials to meeting members, and offering appropriate and timely information and administrative assistance.
- C. Arranging meetings of independent directors and CPAs to understand the Company's financial and business status; when necessary, assisting directors (including independent directors) in discussing internal control-related matters with the Chief Internal Auditor.

(2) Assisting in ensuring the compliance of the procedures and resolutions of board meetings and shareholders' meetings with laws and regulations:

- A. Reporting the implementation of corporate governance-related items to the Board of Directors, independent directors and Audit Committee.
- B. Making sure that the Company's shareholders' meetings and board meetings are in compliance with relevant laws and corporate governance practices.
- C. Assisting and reminding directors to comply with laws and regulations when performing their duties or adopting formal resolutions at board meetings.
- D. Reviewing important resolutions of the Board of Directors to be published to ensure their legality and correctness as well as the synchronization of trading information for investors.

(3) Assembling board meeting proposals and issuing a notice of the agenda with the information required for the meeting seven days before the meeting. If it is necessary to avoid a conflict of interest, a reminder shall be given in advance, and the minutes of the Board of Directors' meeting shall be prepared within 20 days after the meeting.

- (4) Supervising the pre-registration of the date of the shareholders' meeting, and preparing a meeting notice, meeting handbook, meeting minutes and carrying out registration of amendments to the Articles of Incorporation prior to the statutory deadline.

2. The continuing education in 2023 is as follows:

Organizer	Course name	Continuing education duration	Continuing education hours
Securities & Futures Institute	2023 Insider Equity Transaction Compliance Advocacy Briefing	November 15, 2023	3.0
Taiwan Corporate Governance Association	Analysis of the Current State and Future of Global Economy and Finance	August 25, 2023	3.0
Taiwan Corporate Governance Association	A Killer Application in the Man-Machine Era: Advantages and Blind Spots of Generative AI	August 25, 2023	3.0
Taiwan Corporate Governance Association	Securities Laws and Corporate Governance	August 24, 2023	3.0
Taiwan Corporate Governance Association	Net Zero Sustainability Talent Development Course [Northern Taiwan - Enterprises' Low-carbon Transformation Strategies]	August 17, 2023-August 18, 2023	9.0
Taipei Exchange	Insider Equity Advocacy Briefing for TPEx Listed/Emerging Companies	August 7, 2023	3.0
Taiwan Corporate Governance Association	Corporate ESG Sustainability Trends and Updates on Securities and Exchange Regulations	August 3, 2023	1.5

(IX) Matters to be disclosed regarding the implementation of the internal control system:

1. Statement on Internal Control

**Acer Gadget Inc.**  
**Statement on Internal Control**

Date: May 7, 2024

Based on the findings of a self-assessment, Acer Gadget Inc. (hereinafter, the "Company") states the following with regard to its internal control system during year 2023:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and managers. The Company has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safe-guarding of assets), (2) reliability, timeliness, transparency, and regulatory compliance of reporting, and (3) compliance with applicable laws, regulations and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and the Company promptly takes corrective actions whenever a deficiency is identified.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission (hereinafter, the "Regulations"). The criteria adopted by the Regulations identify five constituent elements of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each constituent element further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the results of the evaluation mentioned in the preceding paragraph, the Company believes that, as of December 31, 2023, its internal control system (including its supervision of subsidiaries), was effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. In order to comply with related regulation, the Company has engaged a CPA to audit its internal control system related to the reliability of external financial reporting and safeguarding of asset security( to ensure the asset will not be acquired, used or disposed under un-authorization) for the period of year 2023 based on the criteria provided in the Article 34, of the "Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings". As mentioned in the preceding paragraph, the Company's internal control system was effective in design and operation. There is no material deficiency that has influenced on the financial information's record, process, summary and reliability of reporting. And also no material deficiency that has influenced on the safeguarding of asset security and let asset be acquired, used or disposed under un-authorization.
7. This Statement will be an essential content of the Company's Annual Report for the year 2023 and Prospectus, and will be publicly disclosed. Any false-hood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchanged Act.
8. This Statement has been passed by the Board of Directors in their meeting held on May 7, 2024, with 0 of the 6 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

  
Acer Gadget Inc.

Jerry Kao



Allen Jong



Chairman

President

## 2. CPA Review Report from the CPAs commissioned to review the internal control system



安侯建業聯合會計師事務所

KPMG

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## REVIEW OF INTERNAL CONTROL SYSTEM

### Independent Auditor's Reasonable Assurance Report

To Acer Gadget Inc.:

The effectiveness of the design and implementation of Acer Gadget Inc.'s (the "Company") internal control system related to external financial reporting and asset safeguarding as of December 31, 2023 has been assessed and confirmed by the Company on May 7, 2024. We have duly executed this statement after completing all the necessary procedures.

#### Subject Matter, Subject Matter Information, and Applicable Criteria of Assurance

The subject matter and subject matter information of this assurance engagement are the design and implementation of the Company's internal control system related to external financial reporting and asset safeguarding as of December 31, 2023, as well as the statement issued by the Company on May 7, 2024, confirming the effectiveness of the design and implementation of its internal control system related to external financial reporting and asset safeguarding as of December 31, 2023 (collectively the "subject matter").

The applicable criteria used to measure or evaluate the subject matter mentioned above are the "Regulations Governing Establishment of Internal Control Systems by Public Companies," specifically the criteria for assessing the effectiveness of the internal control system.





### **Inherent Limitations**

Due to inherent limitations in any internal control system, it is possible that the Company's aforementioned internal control system may not prevent or detect errors or fraud that have already occurred. Furthermore, future changes in the environment may result in a decrease in the degree of compliance with the internal control system. Therefore, the effectiveness of the current internal control system does not guarantee its effectiveness in the future.

### **Responsibilities of Management**

The responsibility of management is to establish an internal control system in accordance with the relevant laws and regulations. The management are also responsible for continuously reviewing and maintaining the effectiveness of the design and implementation of the internal control system and issuing a statement of its internal control system after evaluation.

### **Auditor's Responsibilities**

The responsibility of the auditor is to perform necessary procedures in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" to obtain reasonable assurance on the subject matter and express a conclusion on whether the subject matter and subject matter information, in all material respects, comply with the applicable criteria.

### **Independence and Quality Controls**

The auditor and the firm have complied with the independence and other ethical requirements of The Norm of Professional Ethics for Certified Public Accountant, which contains integrity, objectivity, professional competence and due care, confidentiality, and professional behavior as the fundamental principles. In addition, the firm follows quality control standards and maintains a comprehensive system of quality controls, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable laws and regulations.



### **Summary of the Implemented Procedures Performed**

The auditor relies on professional judgment to plan and execute necessary procedures to obtain evidence related to the subject matter. The procedures performed include understanding the Company's internal control system, evaluating the management's assessment process of the overall effectiveness of the internal control system, testing and assessing the effectiveness of the design and implementation of the internal control system related to external financial reporting and asset safeguarding, and any other assurance procedures deemed necessary by the auditor. We believe that our audit procedures are sufficient to provide reasonableness for our conclusion.

### **Assurance Engagement Conclusion**

In our opinion, which is determined based on the criteria for assessing the effectiveness of the internal control system outlined in the "Regulations Governing Establishment of Internal Control Systems by Public Companies", the Company sustains, in all material respects, the effectiveness of the design and implementation of its internal control system related to external financial reporting and asset safeguarding as of December 31, 2023. The statement issued by the Company on May 7, 2024, confirming the effectiveness of the design and implementation of its internal control system related to external financial reporting and asset safeguarding, in all material respects, has been expressed appropriately.

KPMG

Taipei, Taiwan (Republic of China)

May 7, 2024

(X) Where, in the most recent year and up to the publication date of this annual report, the Company and the internal personnel thereof have been punished according to laws, or the Company has imposed a penalty on the internal personnel thereof for violation of the internal control system, and the penalty may have a significant impact on shareholders' equity or securities prices, the penalty, major deficiencies, and improvements made shall be specified: None.

(XI) Important resolutions of the shareholders' meeting and the Board of Directors in the most recent year and up to the publication date of this annual report

#### 1. Important resolutions of the Board of Directors

Date	Meeting title	Important resolution
2023.2.22	1st board meeting in 2023	<ul style="list-style-type: none"> <li>● Approved the distribution of remuneration to employees and directors in 2022</li> <li>● Approved the proposal to grant target bonuses for 2022 to the Company's managers</li> <li>● Approved the proposal to adjust the salary of the Company's managers in 2023</li> <li>● Approved the Company's business report and financial statements for 2022</li> <li>● Approved the earnings distribution in 2022</li> <li>● Approved distribution of capital surplus in cash</li> <li>● Approved the 2022 "Statement on the Internal Control System"</li> <li>● Approved the matters related to the convening of the Company's annual general meeting in 2023</li> <li>● Approved the proposal to appoint CPAs for reviewing and auditing the financial statements and evaluate the independence of the CPAs</li> </ul>
April 25, 2023	2nd board meeting in 2023	<ul style="list-style-type: none"> <li>● Approved the proposal to issue new shares for a cash capital increase</li> <li>● Approved the acquisition of the right-of-use assets of real estate from related parties</li> <li>● Approved the proposal to sign a securities compliance advisory contract with Taishin Securities to continue commissioning it to assist with the Company's compliance after listing on the Taiwan Innovation Board</li> </ul>
May 11, 2023	3rd board meeting in 2023	<ul style="list-style-type: none"> <li>● Approved the CPA-reviewed consolidated financial statements for the first quarter of 2023</li> <li>● Approved the establishment of general principles for the pre-approval of non-assurance services</li> <li>● Approved the renewal of contracts with financial institutions</li> </ul>
August 1, 2023	4th board meeting in 2023	<ul style="list-style-type: none"> <li>● Approved the CPA-reviewed consolidated financial statements for the second quarter of 2023</li> <li>● Approved the establishment of a 100% owned subsidiary to develop related businesses</li> <li>● Approved the renewal of contracts with financial institutions</li> </ul>
October 31, 2023	5th board meeting in 2023	<ul style="list-style-type: none"> <li>● Approved the CPA-reviewed consolidated financial statements for the third quarter of 2023</li> <li>● Approved the business plan and budget for 2024</li> <li>● Approved the change of the Chief Internal Auditor</li> <li>● Approved the audit plan for 2024</li> <li>● Approved the proposal to amend the Company's internal regulations</li> <li>● Approved the Company's application for credit facilities with financial institutions</li> <li>● Approved the proposal on the managers' target bonuses in 2024</li> <li>● Approved the proposal on a salary adjustment in 2024</li> </ul>

#### 2. Resolutions of shareholders' meetings and their implementation

Date	Meeting title	Resolution	Implementation
May 18, 2023	Annual general meeting	Ratification of the business report and financial statements for 2022	Passed as proposed at the meeting
		Ratification of earnings distribution in 2022	May 24, 2023 was set as the ex-dividend date, June 21, 2023 as the distribution date, and a cash dividend of NTD 1.3458687 per share was distributed.

		Discussion on the distribution of capital surplus in cash	May 24, 2023 was set as the ex-dividend date, June 21, 2023 as the distribution date, and NTD 0.3041313 was distributed per share in cash.
--	--	---	--

(XII) The main content of any dissenting opinion from a director or supervisor with respect to a material resolution adopted by the Board of Directors which has been on record or stated in writing in the most recent year and up to the publication date of this annual report: None.

(XIII) A summary of the resignation and dismissal of the Company's Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Chief Corporate Governance Officer, and Chief R&D Officer in the most recent year and up to the publication date of this annual report:

Job title	Name	Date of arrival at post	Date of dismissal	Reasons for resignation or dismissal
Chief Auditor	Yi-Wei Hsu	May 23, 2022	October 13, 2023	Resignation

#### V. Information on CPA fees

##### (I) Information on CPA fees

Unit: NTD thousand

CPA firm's name	CPA's name	Audit period	Audit fee	Non-audit fee	Total	Remarks
KPMG Taiwan	CPA Ching-Wen Kao	2023	3,040	1,110	4,150	None
	CPA Ken Tang					

Note: Fees for specialized an internal control review and tax compliance audit after listing on the Taiwan Innovation Board in May 2023.

(II) If the CPA firm is changed and the audit fees paid in the year of change are lower than those paid in the previous year, the amount of audit fees before and after the change and the reason therefor shall be disclosed: None.

(III) If audit fees has been reduced by 10% or more from the previous year, the amount, percentage and reason of the reduction shall be disclosed: None.

VI. Change of CPAs: None.

VII. Any of the Company's Chairman, President, or managers in charge of financial or accounting affairs being employed by the CPA firm or any of its affiliates in the most recent year: None.



VIII. Transfer of shareholder equity and equity pledge changes by a director, supervisor, manager, or shareholder with a stake of more than 10% in the most recent year and up to the publication date of this annual report:

(I) Changes in the shareholding of directors, supervisors, managers, and major shareholders and equity pledges

Unit: shares

Job title	Name	2023		As of March 31 of the current year	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman and major shareholder	Acer Incorporated	0	0	0	0
	Jerry Kao	0	0	0	0
Director and major shareholder	Acer Incorporated	0	0	0	0
	Jason Chen	0	0	0	0
Director and major shareholder	Acer Incorporated	0	0	0	0
	Yu-Ling Chen	0	0	0	0
Independent Director	Ming-Hui Lin	0	0	0	0
Independent Director	Chien-Kuang Wang	0	0	0	0
Independent Director	Ying-Chi Yu	0	0	0	0
Independent Director	Pi-Wei Chin	0	0	0	0
President	Allen Jong	0	0	0	0
Chief Operating Officer	Kuo-Hsien Chang	0	0	0	0
Vice President	Jen-Yang Chen	0	0	0	0
R&D personnel	Chih-Yuan Chang	0	0	0	0
R&D personnel	Chun-An Lin	31,000	0	0	0
R&D personnel	Hsin-Hung Wu	0	0	0	0

(II) Information on directors, supervisors, managers, and major shareholders whose counterparts in equity transfer are related parties: None.

(III) Information on equity pledges: None.

IX. Information on the top ten shareholders who are related parties, spouses, or relatives within the 2nd degree of kinship:

March 31, 2024. Unit: shares; %

NAME	SHARES HELD BY THE SHAREHOLDER		SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN		TOTAL SHARES HELD IN THE NAME OF OTHERS		NAMES AND RELATIONSHIPS OF TOP TEN SHAREHOLDERS WHO ARE RELATED PARTIES, SPOUSES, OR RELATIVES WITHIN THE 2ND DEGREE OF KINSHIP		REMARKS
	NUMBER OF SHARES	SHAREHOLDING RATIO	NUMBER OF SHARES	SHAREHOLDING RATIO	NUMBER OF SHARES	SHAREHOLDING RATIO	NAME	RELATIONSHIP	
Acer Incorporated REPRESENTATIVE: JASON CHEN	39,308,288	63.54	0	0	0	0	MU-SHI INVESTMENT CO., LTD.	THE CHAIRMAN OF THE COMPANY	-
	0	0	0	0	2,046,641	3.41			
Hongrong Investment Co., Ltd. COMPANY REPRESENTATIVE: Carolyn Yeh	2,669,964	4.32	0	0	0	0	Acer Incorporated	CORPORATE DIRECTOR OF THE COMPANY	-
	0	0	0	0	0	0			
Mu-Shi Investment Co., Ltd. REPRESENTATIVE: JASON CHEN	2,046,641	3.31	0	0	-	-	ACER INCORPORATED	THE CHAIRMAN OF THE COMPANY	-
	0	0	0	0	0	0			
Allen Jong	1,060,000	1.71	0	0	0	0			-
Jerry Kao	600,000	0.97	0	0	0	0	-	-	-
George Huang	547,470	0.89	0	0	0	0	-	-	-
Li-Ta Lu	450,000	0.73	0	0	0	0	-	-	-
Jen-Yang Chen	400,000	0.65	0	0	0	0	-	-	-
Jack Lan	400,000	0.65	0	0	0	0	-	-	-
Haydn Hsieh	320,000	0.52	0	0	0	0	-	-	-

X. The number of shares held by the Company, the directors, supervisors, and managers thereof, and the companies directly or indirectly controlled thereby in the same invested business, and the consolidated shareholding ratio:

December 31, 2023. Unit: shares

Invested business	The Company's investment		Investment of directors, supervisors, managers, and directly or indirectly controlled businesses		Consolidated investment	
	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)
GadgeTek (Shanghai) Limited	Note	100%	0	0	Note	100%

Note: Since it is a limited company, no shares were issued

## Four. Capital Overview

### I. Capital and Shares

#### (I) Source of share capital

##### 1. Formation of shares

Unit: NTD/shares

Year/Month	Issue price (NTD)	Authorized share capital		Paid-in share capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Property other than cash for share payment	Others
September 2008	10	220,000,000	2,200,000,000	179,930,000	1,799,300,000	A stock swap with Acer to become its 100%-owned subsidiary	None	Note 1
September 2008	10	120,000,000	1,200,000,000	79,930,000	799,300,000	Refund of NTD 1,000,000,000 due to capital reduction	None	Note 2
August 2009	10	120,000,000	1,200,000,000	69,930,000	699,300,000	Refund of NTD 10,000,000 due to capital reduction	None	Note 3
August 2010	10	120,000,000	1,200,000,000	50,000,000	500,000,000	Capitalization of a capital surplus NTD 300,700,000 Refund of NTD 500,000,000 due to capital reduction	None	Note 4
August 2014	10	120,000,000	1,200,000,000	20,000,000	200,000,000	Refund of NTD 300,000,000 due to capital reduction	None	Note 5
December, 2019	10	120,000,000	1,200,000,000	16,000,000	160,000,000	Capital reduction for offsetting a loss of NTD 40,000,000	None	Note 6
December, 2020	10	120,000,000	1,200,000,000	10,000,000	100,000,000	Capital reduction for offsetting a loss of NTD 60,000,000	None	Note 7
July 2021	10	120,000,000	1,200,000,000	12,539,736	125,397,360	Stock swap worth NTD 25,397,360	None	Note 8
June 2022	10	120,000,000	1,200,000,000	30,000,000	300,000,000	Capitalization of a capital surplus NTD 174,602,640	None	Note 9
August, 2022	18	120,000,000	1,200,000,000	60,000,000	600,000,000	Cash capital increase of NTD 300,000,000	None	Note 10
July 2023	26	120,000,000	1,200,000,000	61,860,000	618,600,000	Cash capital increase of NTD 18,600,000	None	Note 11

Note 1: The Company carried out a stock swap with Acer in September 2008. After the swap, the Company became a subsidiary 100% owned by Acer.

Note 2: Approved by Letter Jing-Shou-Shang-Zi No. 09701245260 dated September 30, 2008.

Note 3: Approved by Letter Jing-Shou-Shang-Zi No. 09801181530 dated August 19, 2009.

Note 4: Approved by Letter Jing-Shou-Shang-Zi No. 09901183100 dated August 12, 2010.

Note 5: Approved by Letter Fu-Chan-Ye-Shang-Zi No. 10387032300 dated August 25, 2014.

Note 6: Approved by Letter Fu-Chan-Ye-Shang-Zi No. 10857507600 dated December 27, 2019.

Note 7: Approved by Letter Fu-Chan-Ye-Shang-Zi No. 10957592600 dated December 25, 2020.

Note 8: Approved by Letter Fu-Chan-Ye-Shang-Zi No. 11050296410 dated July 12, 2021.

Note 9: Approved by Letter Fu-Chan-Ye-Shang-Zi No. 11149492810 dated June 7, 2022.

Note 10: Approved by Letter Jing-Shou-Shang-Zi No. 11101144460 dated August 16, 2022.

Note 11: Approved by Letter Jing-Shou-Shang-Zi No. 11230105650 dated July 13, 2023.

## 2. Types of shares

March 31, 2024. Unit: people; shares: %

Type of share capital	Authorized share capital			Remarks
	Outstanding shares	Unissued shares	Total	
Common stock	61,860,000 shares	58,140,000 shares	120,000,000 shares	

3. Information on the offering and issuance of securities by the issuer approved under the shelf registration system: None.

## (II) Shareholder structure

March 31, 2024. Unit: people; shares: %

Quantity \ Shareholder structure	Government agencies	Financial institutions	Other corporate entities	Individuals	Foreign institutions and foreigners	Total
Number of shareholders (persons)	0	4	13	1,080	11	1,108
Number of shares held (shares)	0	54,000	44,085,637	17,452,363	268,000	61,860,000
Shareholding ratio (%)	0.00%	0.09%	71.27%	28.21%	0.43%	100.00%

## (III) Shareholding holding

March 31, 2024. Face value per share: NTD 10

Range	Number of shareholders (persons)	Number of shares held (shares)	Shareholding ratio (%)
1 to 999	115	28,066	0.05%
1,000 to 5,000	558	1,444,157	2.33%
5,001 to 10,000	204	1,791,818	2.90%
10,001 to 15,000	49	648,936	1.05%
15,001 to 20,000	48	915,892	1.48%
20,001 to 30,000	42	1,094,661	1.77%
30,001 to 40,000	16	554,458	0.90%
40,001 to 50,000	10	484,000	0.78%
50,001 to 100,000	29	2,176,901	3.52%
100,001 to 200,000	20	3,211,000	5.19%
200,001 to 400,000	10	2,827,748	4.57%
400,001 to 600,000	3	1,597,470	2.58%
600,001 to 800,000	0	0	0.00%
800,001 to 1,000,000	0	0	0.00%
More than 1,000,001	4	45,084,893	72.88%
Total	1,108	61,860,000	100.00%

Dispersion of preferred stock ownership: None.

(IV) List of major shareholders

March 31, 2024. Unit: shares

Shareholding Name of major shareholder	Number of shares held	Shareholding ratio (%)
Acer Incorporated	39,308,288	63.54%
Hongrong Investment Co., Ltd.	2,669,964	4.32%
Mu-Shi Investment Co., Ltd.	2,046,641	3.31%
Allen Jong	1,060,000	1.71%
Jerry Kao	600,000	0.97%
George Huang	547,470	0.89%
Li-Ta Lu	450,000	0.73%
Jen-Yang Chen	400,000	0.65%
Jack Lan	400,000	0.65%
Ching-Feng Yen	320,000	0.52%

(V) Market price, net worth, earnings, dividend per share, and relevant information in the most recent two years

Unit: NTD; thousand shares

Item		Year	2022	2023
Market price per share	Highest		Unlisted	67.10
	Lowest		Unlisted	28.60
	Average		Unlisted	43.02
Net worth per share	Before distribution		17.50	20.59
	After distribution		16.15	18.94
Earnings per share	Weighted average number of shares		44,465	61,106
	Before retrospective adjustment		2.26	1.98
	After retrospective adjustment		3.04	1.98
Dividend per share	Cash dividend		1.3458687	1.65
	Bonus stock dividend	-	-	-
		-	-	-
	Accumulated unpaid dividend		-	-
Return on investment analysis	Price-earnings ratio		Unlisted	21.72
	Price-dividend ratio		Unlisted	26.07
	Cash dividend yield		Unlisted	3.84%

Note 1: Price-to-Earnings Ratio = Average closing price per share for the year / Earnings per share

Note 2: Price-to-Cash Flow Ratio = Average closing price per share for the year / Cash dividend per share

Note 3: Cash Dividend Yield = Cash dividend per share / Average closing price per share for the year

(VI) The Company's dividend policy and its implementation

1. Articles 20 and 21 of the Company's Articles of Incorporation regarding the distribution of dividends stipulate that:

“If the Company has earnings after year-end closing, the earnings shall be used to pay taxes and make up past losses first, and then 10% thereof shall be set aside as legal reserve unless the accumulated legal reserve has equaled or exceeded the Company's paid-in capital. A certain portion of the earnings shall be set aside or reversed as special reserve as required by law or the competent authority. Any surplus together with any accumulated undistributed earnings may be used to distribute a shareholder dividend. The Board of Directors shall make a proposal on earnings distribution and submit it to the shareholders' meeting for resolution of distribution of the shareholder dividend.”

The Company's dividend policy is to appropriate no less than 10% of distributable earnings to distribute a shareholder dividend according to current and future development plans, taking into account the investment environment, fund requirements, domestic and international competition, and the interests of shareholders. The dividend may be paid in cash or shares. However, the dividend may not be distributed if the Board of Directors resolves not to do so and the resolution is passed by the shareholders' meeting. Unless the Board of Directors resolves not to distribute a dividend in cash and the resolution is passed by the shareholders' meeting, the percentage of cash dividends shall not be less than 10% of the total dividends in dividend distribution in order to ensure a balanced and stable dividend policy.

2. Proposed (completed) dividend distribution for the current year

The Company's earnings distribution for 2023 was approved by the Board of Directors on March 12, 2024. The total dividends distributed to shareholders in cash amounted to NTD 80,752,122, and the tentative amount of cash dividend per share was NTD 1.3458687. Additional paid-in capital of NTD 18,247,878 would be distributed in cash, and the tentative amount per share was NTD 0.3041313 based on the number of shares held by shareholders as recorded in the shareholder register on the record date for the distribution of capital surplus in cash. The distribution will be conducted in accordance with relevant regulations after a resolution is adopted at the annual general meeting in 2024.

(VII) Effect of the proposed bonus stock dividends for the current year on the Company's operating performance and earnings per share: Not applicable.

(VIII) Remuneration to employees, directors, and supervisors

1. Percentages or ranges of remuneration to employees, directors, and supervisors set forth in the Company's Articles of Incorporation

If the Company records a profit in a fiscal year, the Company shall reserve a certain amount in advance to offset accumulated losses, and then appropriate no less than 2% as the remuneration of employees and no more than 8% as the remuneration of directors and supervisors.

The recipients of the remuneration of employees which may be distributed in shares or cash may include the employees of any controlled company or subsidiary who have met certain requirements set by the Board of Directors. The remuneration of directors and

supervisors is distributed in cash.

2. The basis for estimating the amount of remuneration to employees, directors, and supervisors, the basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimate:

The Company calculates estimates by multiplying the profit before tax without deduction of the remuneration of employees, directors, and supervisors by the distribution percentages for employee remuneration and the remuneration of directors and supervisors as specified in the Articles of Incorporation of the Company. If there is a significant change in the distribution amount resolved by the Board of Directors prior to the publication date of annual financial statements, the originally recognized annual expense is adjusted. If there is still a change in the amount after the publication date of annual financial statements, it will be treated as an accounting estimate change and accounted for in the following year.

3. Remuneration distribution approved by the Board of Directors:

- (1) If there is any difference between the amounts of employees' remuneration and the remuneration of directors and supervisors distributed in cash or shares and the estimates recognized as expenses, the difference, the reason therefor, and the treatment thereof shall be disclosed: On March 12, 2024, the Board of Directors resolved to distribute NTD 11,380 thousand as employee remuneration and NTD 920 thousand as director remuneration in cash for 2023, and there was no difference between the estimates and the actual distributed amounts.

- (2) The amount of employee remuneration distributed in shares as a percentage of the sum of the current profit after tax and total employee remuneration: The Company paid employee remuneration for 2023 fully in cash, and no employee remuneration was distributed in shares.

4. The actual distribution of remuneration to employees, directors, and supervisors in the previous year (including the number of shares, amount, and stock price), and any difference from the recognized remuneration to employees, directors, and supervisors, the reason therefor, and the treatment thereof shall be specified: Not applicable as no remuneration was distributed to employees, directors, and supervisors due to accumulated losses from the previous year.

(IX) Shares repurchased by the Company: None.

II. Issuance of Corporate Bonds (including overseas corporate bonds): None.

III. Issuance of Preferred Stock: None.

IV. Issuance of Global Depositary Receipts: None.

V. Issuance of Employee Stock Warrants: None.

VI. Issuance of Restricted Stock Awards: None.

VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares with Other Companies: None.

## VIII. Implementation of the Capital Utilization Plan:

### (I) The first issuance of new shares for a cash capital increase in 2023

#### 1. Plan description

- (1) Date of approval by the competent authority and document number: Letter Fu-Chan-Ye-Shang-Zi No. 11230105650 dated July 13, 2023.
- (2) Total funds required for the plan: NTD 48,360 thousand.
- (3) Source of funds: 1,860 thousand shares were issued for a capital increase in cash. The par value per share was NTD 10 and the issue price per share was NTD 26, with the total raised funds amounting to NTD 48,360 thousand.



(4) Planned items and fund utilization progress

Unit: NTD thousand

Item		Year	Before capital increase (March 31, 2023)	After capital increase (September 30, 2023)
Basic financial information	Current assets		1,207,844	1,503,633
	Current liabilities		339,199	635,615
	Total liabilities		356,806	651,747
	Operating revenue		415,234	507,893
Operating capacity	Inventory turnover (times)		3.24	4.07
	Average sales days (days)		28	22
Profitability	Return on assets (%)		0.80	1.53
	Return on equity (%)		1.12	2.28

Source: The Company's consolidated financial statements audited or reviewed by CPAs

(5) Date of entering information to the website designated by the Securities and Futures

Bureau: July 7, 2023.

(6) Changes in the plan, the reasons therefor, and benefits before and after the changes: None.

2. Implementation

Unit: NTD thousand

Planned item	Implementation as of 2023 Q3			Progress ahead or behind schedule, the reasons therefor, and any corrective plan
1st in 2023	Amount used	Expected	48,360	The plan has been executed as scheduled
		Actual	48,360	
	Implementation progress	Expected	100%	
		Actual	100%	

3. Implementation benefits

This capital increase by issuing new shares raised NTD 48,360 thousand and all of the funds were used to replenish working capital in the third quarter of 2023. Based on the operating capacity and profitability after the planned fundraising, the inventory turnover increased from 3.24 before the capital increase to 4.07, and the average sales days decreased from 28 days before the capital increase to 22 days; and the return on assets and the return on capital raised rose from 0.8% and 1.12% before fundraising to 1.53% and 2.28%, respectively. In conclusion, the Company used the funds raised to enrich working capital, which has effectively improved its operating capacity and profitability, and the benefits of fundraising have emerged.

## **Five. Operational Overview**

### **I. Business Activities**

#### **(I) Business scope**

##### **1. Main business activities**

###### **Device**

This division specializes in the development of computer peripherals (e.g. Multitasking Extension and Gaming Peripheral series), innovative accessories (e.g. Wearable Payment Device and ESG & Eco-friendly series), and sustainable green energy products (e.g. Acer Power Bar series), and relevant services. It focuses on the implementation of creativity and technology and takes realizing smart life as its mission.

###### **Apparel**

This division engages in the design, purchase, distribution, and marketing of bags, apparel, suitcases, and relevant accessories. It has distribution channels around the world, through which Acer Xplover, Predator, ConceptD, and Killuminati, as well as the product series of self-owned and licensed brands, have been launched. With years of experience in providing reliable quality, it continues to innovate and optimize the user experience and, with the aim of environmental sustainability, continuously creates more appropriate protective, portable, and wearable solutions for business people, sports lovers, computer/mobile game players, city explorers, and trend leaders.

###### **E-Mobility**

This division focuses on the development, marketing, and sale of smart mobility products, and relevant services. It has rolled out smart mobility products such as electric-assist bicycles and electric scooters in the global market. It provides efficient power-assisted mobility products, enhances personal riding experience with AI, and uses multiple information and communication technologies to ensure cycling safety to realize the vision of green mobility and urban sustainability.

## 2. Proportion of main products

Unit: NTD thousand; %

Commodity value Item	2022		2023	
	Turnover	Proportion	Turnover	Proportion
Computer peripherals	1,187,280	71.42	1,335,344	64.02
Apparel and bags	293,348	17.65	345,882	16.58
Smart mobility products	106,960	6.43	329,013	15.77
Others	74,752	4.50	75,627	3.63
Total	1,662,340	100.00	2,085,866	100.00

## 3. The Company's current main products (services)

### Device

- (1) Computer peripherals: Gaming Peripheral, Multitasking Extension, and Business Peripheral series
- (2) Innovative accessories: Wearable Payment Device and ESG & Eco-friendly series
- (3) Sustainable green energy products: The Acer Power Bar series and its accessories, etc.

### Apparel

This division engages in the design, purchase, distribution, and marketing of bags, apparel, suitcases, and relevant accessories.

- (1) Bags include back packs, handbags, protective cases, bicycle bags, crossbody bags, tote bags, fanny packs, etc.
- (2) Apparel includes cycling jerseys, shorts, caps, and relevant accessories, as well as relevant clothing developed for game lovers.
- (3) Suitcases are available in sizes ranging from 20" to 28" and in materials of PC, ABS, etc.

### E-Mobility

This division is committed to the development, marketing, and sale of smart mobility products such as the ebii electric-assist bicycle, eKinect, and e-Scooter, and provides relevant services.

## 4. New products (services) to be developed

### Device

In response to the RE100 Initiative of Acer Group, in addition to continuing to develop and provide sustainable and eco-friendly accessories to consumers, we constantly reflect on how to expand the influence of Earthion to provide professional multitasking products for professional users who wish to apply sustainability and environmental protection in their daily work and life.

In the second quarter of 2023, we started to invest in the research and development of sustainable green energy products and work with suppliers to develop the Acer

Power Bar series and its accessories. Our marketing and sales teams have analyzed market trends and targeted specific customer segments and usage scenarios from personal outdoor to home indoor uses, indicating that the Company has officially branched out into the field of energy storage solutions.

In addition to adhering to the policy of combining technological innovation and smart life, performing repeated functional tests, and obtaining multi-national safety certifications, we made a further commitment to ESG implementation at COP28 in 2023. We also launched the Acer Power Bar series that ensures both safety and multitasking compatibility and features a neat and simple design.

### Apparel

In response to the everyday smart peripheral demand of the existing target audience for computer peripherals and cycling equipment, the Apparel extends its focus from laptops and the bags and peripherals of cycling electronics to stylish smart wearables, and introduces various green and sustainable materials to implement ESG concepts:

(1) With the soaring demand for electric scooters and bicycles, consumers often overlook the importance of safety protection while enjoying the thrill of sports or mobility, resulting in many unnecessary casualties. According to a report by the U.S. Department of Transportation, 62% of cyclists killed in fatal accidents in the U.S. in 2019 did not wear appropriate protective gear such as helmets. This was particularly evident in large cities such as New York City with a percentage of as high as 97%. In view of this, governments worldwide have enacted relevant laws and regulations requiring personal micro-mobility vehicle users to wear certain protective equipment to reduce heavy casualties. Therefore, Acer Gadget began to develop relevant products to ensure consumers' safety in sports.

(2) Development of smart suitcases for business people and city explorers

With the advent of the post-pandemic era, domestic and foreign travel is gradually recovering. Business travels and domestic trips are the first to welcome a recovery. The concept of smart suitcase has been around for several years and has attracted many tech enthusiasts. However, during the pandemic, the sales of various travel goods declined, and manufacturers were less willing to innovate, causing the market to be quiet for a long time. Founded as a tech firm, we hope to use different IOT solutions such as trackers and motion sensors to empower our suitcase and bag products to bring consumers a more convenient travel experience.

(3) Further introduction of a variety of green and sustainable materials for all product lines and their packaging

At present, Acer Gadget has introduced yarn made from recycled bottles and recycled marine debris to the bag product line. Our next step will be to expand the types of raw materials and product lines used, and we aim to introduce green and sustainable materials to more than 30% of our product lines in the next two years.

## E-Mobility

With the recent drastic changes in the global environment and social structure, we have to think about how to do our best as human beings when we reflect on ourselves. In addition, as a new wave of the global mobile industry is gradually emerging, communication between people and mobile devices is moving towards a combination of electricity and intelligence. At the same time, numerous business opportunities for product development are hidden in various forward-looking and market-oriented comprehensive solutions in the ecosystem where shared platforms are derived from built-in intelligent platforms.

In line with the trends of energy saving and carbon reduction, environmental protection, outdoor sports, and health, electric-assist bicycles have become popular as a personal mobility vehicle. Unlike existing electric-assist bicycles in the market whose batteries, motors, controllers, and HMIs are fixed, our “ebii” bicycle is designed to allow for motor placement at the front or middle or at the rear hub. Moreover, the single-fork wheel set where the motor is placed enables users to remove/install and service the motor without tools. For advanced cyclists, this bicycle still has room for customization by choosing the parts of other brands. For beginner and intermediate cyclists, this product made using design thinking can meet their needs, creating technology empowerment for bicycles and solving user pain points.

We also use our advantages as a group enterprise to collect and utilize development information to think about what we are going focus in terms of R&D in the next stage. In the future, through AI combined with the technology of the Internet of Things, mobile vehicles can not only monitor personal health conditions while riding a bicycle or scooter and provide an early warning of physical danger, but also check real-time road conditions and sense the air quality of the riding environment, truly realizing smart cycling.

The Company started to develop the patented product "eKinect" that "can convert kinetic energy into electricity." This product would be provided as a professional item that can be used in multitasking scenarios for professional users who wish to apply the concept of sustainability and environmental protection in their daily work and life (Green Heart). In addition to creating a work-while-exercise model, users can build a healthy heart. Also, with the patented design, the kinetic energy generated by users pedaling every second is shown in the display in real-time through accurate intelligent conversion. The faster the pedaling speed and the stronger the pedaling force, the higher the amount of electricity generated. The electricity can be used to charge mobile devices such as personal laptops and mobile phones on the desk without consuming any electricity. The simple and clean appearance design of eKinect adds a neat and high-end feeling to public office spaces or users' homes. The Company rolled out "Kinect" that is both functional and stylish as a medium for sustainability and green energy to consumers to help Green Heart users put the idea of environmental protection into practice, thereby supporting the parent company Acer's "RE100 Initiative."

In order to provide a medium for sustainability and green energy to consumers and expand the influence of Earthion, we started to develop the patented product "eKinect" that "can convert kinetic energy into electricity." This product would be provided as a professional item that can be used in multitasking scenarios for professional Green Heart users who wish to apply the concept of sustainability and

environmental protection in their daily work and life in response to the RE100 Initiative of Acer Group.

In addition to creating a work-while-exercise model, users can build a healthy heart. Also, with the patented design, the kinetic energy generated by users pedaling every second is shown in the display in real-time through accurate intelligent conversion. The faster the pedaling speed and the stronger the pedaling force, the higher the amount of electricity generated. The electricity can be used to charge mobile devices such as personal laptops and mobile phones on the desk without consuming any electricity. The simple and clean appearance design of eKinekt adds a neat and high-end feeling to public office spaces or users' homes. "Kinekt" that is both functional and stylish helps Green Heart users put the idea of environmental protection into practice.

## (II) Industry overview

### 1. Current state and development of the industry

#### Device:

#### (1) Computer peripherals

Evolved from a department of Acer Group's IT Products Business Group to one of Acer Group's Golden Tigers, we have been grown slowly but surely with our peripheral accessories series as our foundation. Even though there has been intense competition in peripheral accessories, we uphold our original aspiration of innovation, and always maintain differentiation and originality in the competitive market. By applying for design, form, and technology patents for items as small as a connecting wire and as large as a gaming cockpit, the Company has developed short-term, medium-term, and long-term pathways for products while introducing innovate development technologies to stay resilient against the current changing world. The following is a description of computer peripherals:

##### A. Peripheral accessories series

In response to the market trends of thin and light laptops and multitasking compatibility, the unique patented structural design of the upcoming PD 90W Thunderbolt™ 4 Dock provides a significant power increase while ensuring safety and heat dissipation. With maximized compatibility and modularity, this product is added to the Multitasking Extension series as a competitive item. In addition, for the booming education market, we introduced a fast, intelligent, and safe changing cart for schools to effectively and safely manage the laptops used by students.

##### B. Gaming product series

With industry-leading foresight, Acer Gadget has stepped into the field of high-end gaming products. We are also the first company that has successfully patented a gaming cockpit. Our products have been recognized by top design awards both at home and abroad for providing ultimate comprehensive, immersive enjoyment for the best game players and in high-end game environments. In the wake of the pandemic, we have realized the recovery of the gaming market and the need of game players for more comprehensive sensory equipment, and therefore introduced manual and electric gaming desks along with gaming chairs with different functions and features. Also, as the growth of gamepads has been projected, we have launched wired and wireless Bluetooth gamepads to satisfy different preferences of game players.

#### (2) Innovative accessories

In 2016, a year that was dubbed the "War of E-tickets" by the media, the most important change for people was that they no longer had to worry about which cards could not be used for buses or which cards could be used for MRT. One card could be used to travel almost all over Taiwan. From the perspective of technology, e-tickets use contactless chips. As long as the corresponding card reader is used, cards can be used for contactless payment. With profound

industrial design know-how and years of technology experience, we have used our exclusive lightest 3D contactless payment technology to make e-tickets wearable and extend the convenience of smart life to more groups and usage scenarios.

In addition, supporting ESG has become a global trend and a development trend for enterprises. In this international competition, enterprises must keep a leading position. To implement ESG and initiate the transformation to low-carbon manufacturing, we need to start from product design, raw material extraction, and manufacturing processes. According to statistics, about 8 million tons of electronic waste is generated every year in the world. However, only 15% to 30% of the waste has been properly treated and recycled, and the rest is buried without proper treatment, causing serious damage to the environment. Countries including the European Union, the United States, and Japan have also begun to attach great importance to the issue of e-waste recycling. Many governments have even passed legislation to require vendors to recycle waste electronic devices. By leveraging on the advantage of a wide range of products and raw material suppliers' experience in eco-friendly materials, the Company has experimented with various eco-friendly and recycled materials in the production of computer peripherals (keyboards, mice) and apparel, and developed sustainable, eco-friendly, and competitive products.

### (3) Sustainable green energy products

The Ministry of Economic Affairs has advocated the goal of zero carbon emission by 2050 and actively called on enterprises to participate in the promotion of energy transformation. Acer Gadget has also reflected on the fact that natural energy is no longer inexhaustible in the face of rapid changes in the macro environment.

We have rapidly integrated the supply chain and improved our R&D strength to launch products of different energy storage capacities with an appropriate price range and multiple usage scenarios in the personal/household market. This can not only meet the needs of consumers themselves, but also promote the necessary awareness of energy saving and carbon reduction, as well as energy storage, helping Acer Gadget and consumers pave the way for the future of net zero carbon emissions.

## Apparel

### (1) Bags

According to Euromonitor International's 2021 report, the global sales of bags and suitcases approximated USD 137.2 billion, compared to USD 123.4 billion in 2020, and an estimate of USD 195 billion in 2025. The demand for backpacks and business bags grew by nearly 10%, and the demand for suitcases also grew by about 13%. It is expected that between 2022 and 2026, the global sales of bags and suitcases will have a compound annual growth rate (CAGR) of 8.5%, and the CAGR of backpacks, business bags, and suitcases will be 8.2%, 12.0%, and 7.1%, respectively.

For laptop cases, according to the 2022 data from Grand View Research, the global laptop case market was estimated to be worth USD 1.57 billion in 2021, of which backpacks accounted for 54.84%. The Asia-Pacific market represents more than 35% of the global market. The compound growth rate of the overall market



from 2022 to 2030 is about 6.6%.

As for bicycle bags, according to the 2022 data from Industry Research, the global bicycle bag market approximated USD 138 million in 2021, with a compound growth rate of about 6.0% by 2027.

## (2) Apparel:

Euromonitor International's 2021 report showed that the global sales of sportswear was estimated to be USD 174.2 billion and expected to reach USD 258 billion in 2025, with a CAGR of 8.2%. Functional sportswear, outdoor wear, and fashion and leisure sportswear accounted for 44%, 16%, and 40%, respectively. According to the research data released by Comprar Acciones based in Spain in 2020, the sportswear market had a certain degree of resistance to the economic impact of COVID-19. For example, in the United States, during the 2019 holiday season, the sales of sportswear and leisure wear accounted for 26% of all apparel. However, due to the pandemic, in the 2020 holiday season, the percentage of the sales grew to 31%. The pandemic also pushed up the percentage of online sales.

For cycling apparel, according to the 2022 data from Statista, the global cycling apparel market reached USD 4.32 billion in 2021, with a compound growth rate of about 7.2% by 2025. For bicycle helmets, Marget Research Future forecasted in 2021 that the global bicycle helmet market would top reach USD 1.12 billion by 2028, with a compound growth rate of about 5.53% from 2021 to 2028.

## E-Mobility

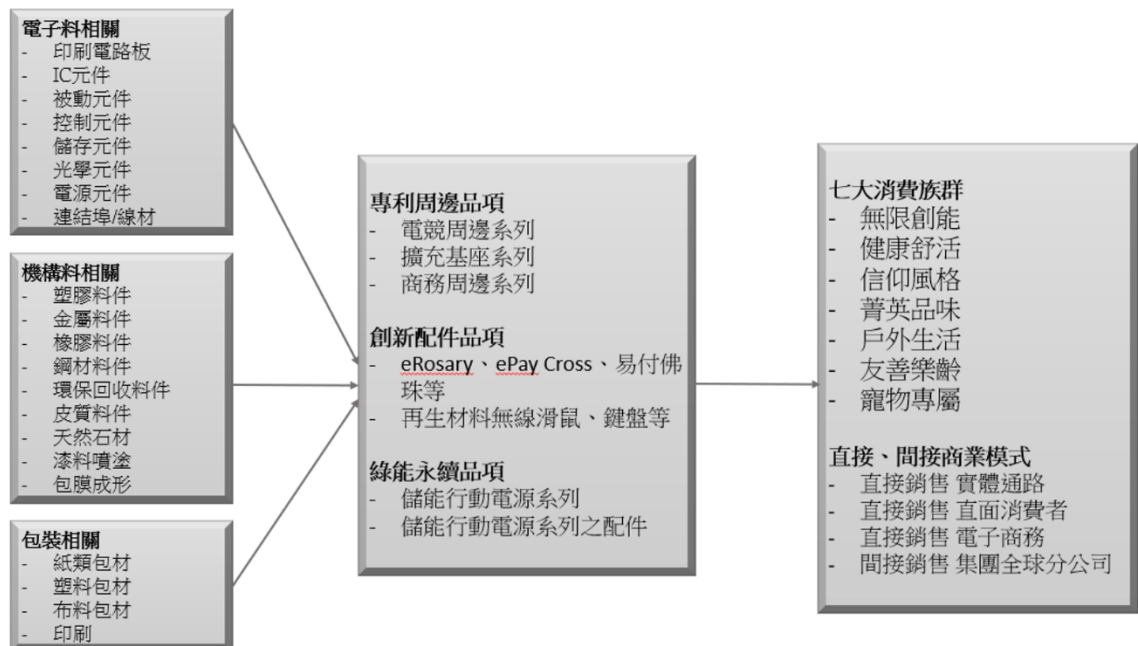
As the world will move towards an electric, intelligent, and shared ecosystem, human-vehicle communication and shared platform solutions will enjoy promising growth and marketability. For personal micro-mobility vehicles, the global e-scooter and electric-assist bicycle markets are expected to reach USD 40.6 billion by 2030. The acceptance and demand for this type of products among young people has increased significantly, and the purchasing power of the middle class in developing countries has gradually risen, which can better cope with the rapid urbanization in most countries, where people frequently make micro-movements over short distances.

The Company has run XPLOVA and NOZA for many years, even during the pandemic, and has accumulated numerous reviews from cycling enthusiasts. We have established cooperation models with well-known domestic and foreign dealers such as Chong Yue Bike Shop. The e-scooters, electric-assist bicycles, and eKinekt that have been launched can be used in a variety of customized usage scenarios. With mobile intelligence, a full range of hardware and software product lines is created to build a shared ecosystem.

Through our full range of product lines, the vision of sustainability and green energy has gradually become reality from a slogan for individuals, the Group, and even different industries. With the actual product strength and motivation, we will work with the Group to create a blueprint for smart mobility products and fulfill our ESG responsibility as we embark on the next decade of booming development.

## 2. The correlation between the upstream, midstream and downstream segments of the industry

### Device



### Apparel

Upstream - Plastics, textile, and other raw material suppliers

Midstream - Bag and apparel/accessories manufacturers and processors

Downstream - Equipment providers, distributors, and end consumers



### E-Mobility



### 3. Development trends of products

#### Device

##### (1) Computer peripherals

Portable electronic devices such as smart phones, laptops, and tablets are widely used for personal and commercial use. As users seek easy connection to devices for power supply, the demand for docking stations has become higher. The rising trend of Bring Your Own Device (BYOD) is also driving market growth. The increase in office space and rapid urbanization in developed and developing countries further drive the market to grow. The global docking station market is expected to grow steadily in the next five years. For docking stations and ports, we used to focus on high-end multitasking product planning. Now, our goal is to connect different levels of consumer groups and adjust functions. We also increase strategic partners and plan to develop products that can meet both simple and high-level requirements, with the simultaneous development of technical depth and product breadth.

The slowdown of COVID-19 and the lifting of lockdowns around the world have resulted in frequent business transactions. How to inject patented technologies that seek differences from similarities into the business peripherals market to provide a series of business peripherals that enables multitasking and precision has also become a future product development focus. Moreover, with the advantage of our team's years of experience in software development and integration, we are able to break the barriers between consumers and technology, extend the breadth and depth of product planning, and deploy exclusive software in a timely manner. A combination of a solid foundation and soft power allows Acer Gadget to roll out more competitive and unique computer peripherals continuously.

In the past decade, due to the rise of fast-moving consumer products, post-consumer waste is derived from the shortened life cycle of products, and an average of 68%-85% of marine debris generated around the world are of plastic. How to effectively use post-consumer waste and marine debris has become one of the most important medium-term and long-term missions of each enterprise and each brand. Although the current e-waste recycling rate is only 15% to 30%, the global e-waste management market reached USD 63.4 billion in 2022. IMARC Group expects that the market scale will top USD 132.5 billion by 2028, showing a growth rate (CAGR) of 12.84% during 2023-2028. This demonstrates that there will be amazing business opportunities ahead. We plan to utilize the Group's strategies and resources to convert two major types of waste (PCR post-consumer recycled materials and OBP recycled materials) into recycled materials and launch eco-friendly product series with innovative design made from these materials. Through appropriate marketing activities, initiatives, and joint efforts by all employees, we hope to increase the proportion of the Eco-friendly series in order to fulfill the mission of the entire group, "Saving the Earth is not easy, but it is not impossible as long as we work together."

Also, due to the vigorous development of cloud technology and the popularity of 5G mobile phones in recent years, the market share of mobile games has increased significantly through smartphones. In view of the great business opportunities in the game market, the Company has also rolled out mobile game controllers, etc. to

increase the breadth of our gaming peripheral offerings.

The Company uses basic gaming peripherals as the foundation to reach high-end game players with gaming cockpits. Our product design team is working on creating unique design elements and exterior structures for gaming desks and chairs. In addition to successfully patenting these products, we hope to offer gaming items that can be integrated into home spaces for gamers. In view of the vigorous development of cloud technology and the popularity of 5G mobile phones, the market share of mobile games through has increased significantly through smart phones. With our experience in PC gaming products and the great business opportunities in the game market, we has rolled out mobile game controllers and so on to increase the breadth of our gaming peripheral offerings, growing the Company in all aspects simultaneously in pursuit of the realization of higher goals.

## (2) Innovative accessories

The launch of the first-generation “Smart Prayers Beads” in 2018 and the “Dajia Smart Prayers Beads” as a crossover collaboration with Dajia Jenn Lann Temple, as well as “eRosary” rolled out together with Pope's Worldwide Prayer Network to Catholic users and for relevant usage scenarios, have made Acer Gadget a leader in “perfectly combining technology, humanities, and faith.” How does smart wearables break new ground and become accessories? How does the design of smart wearables reflect users’ lifestyle? How does smart wearable technology convey comfort? How does smart wearable technology work with health management tools? How does smart wearable technology expand application fields and timing? Since 2018, we have adopted a blue ocean strategy for the differentiation of our smart wearables. The Company has gained the capability to develop a variety of innovative smart wearables that have been co-branded with other companies and won bids. We are always prepared for product iteration.

## (3) Sustainable green energy products

Since the signing of the "Paris Agreement" by more than 170 countries in 2016, pledging to curb global warming and reduce carbon emissions, energy conservation and carbon reduction have become the mission of countries, all walks of life, and mankind. In response to this, development opportunities and trends have emerged,

such as micro-mobility, ESG data management, and net zero carbon reduction. As the energy storage market was expected to top USD 7.8 billion from 2021, Acer Gadget officially released the Acer Power Bar series, following the introduction of the eMobility product line, as an active response to the forecast that the global energy storage market would usher in a period of rapid growth in the next 5 to 10 years. With comprehensive product line planning, we will implement our promise of energy saving and carbon reduction (ESG).

## Apparel

- (1) Rise of the concept of environmental sustainability: With the frequent occurrence of climate anomalies and ecological disasters, consumers are becoming increasingly aware of environmental protection, carbon reduction, and energy

conservation. They start to support enterprises that are actively engaged in this regard through their own consumption activities, and pay more attention to whether the products they used are eco-friendly and non-toxic. In recent years, companies in the textile and fashion industries, whether it is a luxury brand, a fast fashion brand, or a sports brand, have all begun to take action on materials, production processes, recycling, etc.

- (2) Rise of sports and fitness driving the sales of sportswear and relevant bags/accessories: After the pandemic, consumers tend to pay more attention to their health, and do different sports to exercise. Cycling, jogging, and yoga are suitable for all age groups. According to the recent data from Statista, the global sportswear market is expected to keep growing in the next few years, from USD 300 billion in 2021, to USD 400 billion in 2026, and to USD 450 billion in 2028. In the United States, for example, the proportion of women's sportswear has exceeded that of men and children, and it is increasingly popular to wear sportswear in daily life.
- (3) Gradual recovery of tourism: According to the data released by the International Air Transport Association (IATA), the global air passenger traffic in 2023 increased by 36.9% YoY, returning to 94.1%, around the same level as 2019. The global air passenger traffic in December 2023 also grew by 25.3% YoY. It is foreseeable that consumer demand for travel goods such as suitcases will stabilize and return to a normal growth trend as it was before the pandemic.
- (4) Online social events driving business opportunities for virtual products: During the pandemic, consumers switched from physical to online social events. This not only stimulated the growth of online events such as gaming, but also inspired consumers to purchase relevant accessories and apparel. Meta also claimed that its Metaverse Blueprint could generate business opportunities of hundreds of billions of dollars. Its Avatar Store has launched various virtual apparel and accessories, and many fashion brands have joined hands with it. In the future, apparel, bags, and other products will not exist only in the physical world.

### E-Mobility

We also use our advantages as a group enterprise to collect and utilize development information to think about what we are going focus in terms of R&D in the next stage. In the future, through AI combined with the technology of the Internet of Things, mobile vehicles can not only monitor personal health conditions while riding a bicycle or scooter and provide an early warning of physical danger, but also check real-time road conditions and sense the air quality of the riding environment, truly realizing smart cycling. In addition, mobile vehicles integrated with a cloud system can record and upload the internal and external conditions of the ride, and confirm them through the mobile app. Finally, the system will perform big data calculations to analyze appropriate suggestions and provides related reference materials. This enables the smart mobility industry to get closer to the experiential needs of end customers. The ebii electric-assist bicycle is an ultimate product that integrates various resources within the Group in the vision of smart mobility.

Our e-Scooter has recently become a favorite vehicle among young people. It can be easily placed in the trunk of a car and provides users with last-mile convenience. Our accumulated experience in the sale of e-Scooter in Europe since 2020 allows us to

better grasp the needs of users right away and plan a full range of product series with market competitiveness. For example, we equip the app with intelligent control, and offer a beginner version with a minimalist design and an advanced version for extreme sports to allow more different level of users to easily shuttle in cities.

In addition, the Company will maximize the influence of our e-Mobility items for the long-term common good. We have formed a B2B alliance with our upstream and downstream partners and homogeneous enterprises at home and abroad that are also pursuing sustainability and green energy to spread the design concepts and sustainability features of ebii and eKinekt to the business or office spaces of other enterprises. Through the app, it is possible to record the contribution of carbon reduction and energy saving or the conversion of kinetic energy into electricity, thereby enabling smart pushing on social media and healthy competition. In this regard, Acer Gadget continues to implement the mission of "developing products with technology and creativity, realizing a smart lifestyle, and breaking down barriers between people and technology" and make the vision of sustainable ESG a reality.

#### 4. Competition

##### Device

Looking at the overall market of computer peripherals, it is common to see homogeneous products (from competing brands: ASUS, MSI, Logitech, Razer, Corsair, etc.), not to mention the white label products that are dumped at low prices from China. Despite that, the Company still maintains differentiation and originality in the competitive market for not only possessing core patented hardware technologies, but also having a team dedicated to key segments such as grasping market trends and creating innovative designs.

Also, we are not worried about intensifying competition in non-gaming peripherals. In addition to the above-mentioned first-tier brands, there are also other up-and-coming brands (such as J5 Create, Targus). In response to the trend of lightweight laptops and the impact of the pandemic that have changed the using habits of consumers, we use the Group's resources to get an insight into trend changes in advance. By gaining an understanding of the key trends in laptop ICs, we can carry out the planning of products of different levels for the Multitasking Extension series to maintain a certain market share.

Since 1999 when CSR started to be promoted, all large and small companies around the world have advocated and supported the idea. However, when it comes to the introduction of ESG measurements in practice, they are not as active as they claim. Acer Gadget adheres to the ESG governance and strategies advocated by Acer Group and uses the sustainability of the environment, society, and company management as measurement indicators. We will continue to break the barriers between human beings and technology with our entrepreneurial spirit and strive to develop the ESG & Eco-friendly series.

##### Apparel

The bag, apparel or suitcase market is a pyramid in terms of price. Famous and conspicuous brands such as Tumi in business bags, arc'teryx in sportswear, and Rimowa in suitcases make up the top part. At the middle are brands that focus on functionality or

materials and have relatively lower prices, such as Samsonite with travel bags, Thule with sports bags, or Port Design with urban bags with emphasis on design. The bottom is white labels with sharp prices and concerning quality. The Company's products currently are mid-priced in this market, hoping to win the trust of the target audience with our image featuring reliable quality, key functions, and classic design.

### E-Mobility

Smart mobility products including electric-assist bicycles and e-scooters are rapidly emerging in the European and American markets, which have become battlefields for companies. How to increase future growth momentum through vertical integration and expansion into other industries has become a major challenge. Based on the hardware experience accumulated through trainers in the past, Acer Gadget will maintain the advantages of traditional bicycles, create innovative exterior and patented electromechanical designs, and combine bicycles with intelligent control to create a niche for market differentiation.

## (III) Technology and R&D overview

### 1. Technical level of business activities and R&D

#### Device

Evolved from a department of Acer Group's IT Products Business Group to GadgeTek, a company that spun off from Acer Group in 2018, we gained a firm foothold in the R&D, design, production, and sale of computer peripherals (as small as a connecting wire and as large as a gaming cockpit). We obtained many design, form, and technology patents during the period, but we did not settle for this. In the Red Ocean of e-tickets, with patented technology and unique design and development capabilities, the Company made e-tickets wearable accessories. After that, we formed cross-industry alliances to continuously increase the market share of contactless payment products.

In June 2021, E-TEN Information Systems officially merged with GadgeTek to become Acer Gadget Inc. With E-TEN Information Systems' long-standing experience in software development and integration, we have tried to break the barriers between consumers and technology. By using many innovative smart peripherals introduced by the Device, consumers can sense that these products with various features and optimized usage scenarios are designed specifically for them.

Our target consumer groups are not limited to general and business consumers that other competitive brands focus on. We expand connectivity to include the elderly, outdoor sportspersons, religious people, and even pets in our target audience. Our aim is to develop products with technology and creativity to allow each target group to experience a smart lifestyle.

More importantly, looking to the future, we will incorporate our ESG blueprint that is gradually taking shape into the Company's innovative product planning and unique technology design. Through various patent applications and forward market analysis, innovation, design and technology are connected. From breadth to depth, we will create a stable pathway in the field of ESG-related products.

## Apparel

At present, the design of products focuses on functions and emphasizes consumer experience and feedback. Therefore, we work with internal and external teams that are familiar with user experience (UE) to analyze the latest trends in design, materials, and usage scenarios, and then determine new product directions. Product managers and designers develop product blueprints which are later delivered to factories for production.

In terms of industrial knowledge and technology trends, the Company teams up with related external associations and laboratories to regularly exchange information on material applications, processing technologies, quality control verification, etc., and sends relevant employees to training courses to refine their knowledge and skills for the field they are in. In the supply chain, we also give preference to partners with certain development capabilities. Through the exchange of market feedback, trends, technology progress, and material supply, we can produce a technology application blueprint for the next one to two years, allowing us to make step-by step adjustments in response to front-end needs so as to maintain our advantageous position in the apparel, bag, and suitcase fields.

## E-Mobility

As industrial technologies and trends change rapidly, in addition to cementing cooperation with existing industries, we continue to improve our technical capabilities related to batteries, motors, and electronic control, and integrate intelligence, artificial intelligence, and various information and communication technologies to increase the depth and breadth of our core product portfolio.

### 2. R&D personnel and their academic background and work experience

Unit: Person

Academic background	2022	2023
Doctor's degree	-	-
Master's degree	5	6
College/university	-	-
Below high school	-	-
Total	5	6
Seniority	18.7	19.5

### 3. R&D expenses in each of the most recent five years

Unit: NTD thousand

Item	2019	2020	2021 (after restatement)	2022	2023
R&D expenses	67,142	80,158	58,466	45,630	62,109
Operating revenue	201,619	1,030,737	1,445,713	1,662,340	2,085,866
As a percentage of total revenue	33.30%	7.78%	4.04%	4.54%	2.98%



#### 4. Technologies or products successfully developed in the most recent five years

##### Device

Year	Technology	Product
2019	Electronic system and human-machine interaction method	eRosary
2019	Headset (Through a new design technology, the built-in electrodes in the earmuffs can detect the physiological information of the user)	Predator Galea500 True Harmony™ 3D Soundscape Headset
2020	Wearable electronic device	ePay Cross launched together with the Pontifical Mission Societies and iPASS
2021	Gaming cockpit (including a base, a stand, and support components. It uses a new patented technology where the stand is placed over the base and the support components are installed on the stand)	Predator Thronos Full-featured Gaming Cockpit

##### E-Mobility

Year	Technology	Developed product
2022	Connection and intelligence	eScooter series
2023	Kinetic energy-electricity conversion device	eKinekt
2023	Sensing and data analysis, including an automatic assist calculation system, an optimal bicycle path planning system, and a bicycle training improvement system	ebii Electric-assist Bicycle

#### (IV) Long-term and short-term business development plans

##### 1. Short-term business development plan

###### Device

In addition to consolidating the existing PC sales channels, the Company will also focus more on the development of innovative accessories other than computer peripherals to develop different sales areas. For example:

- Smart Prayers Beads launched for the Dajia Matsu Pilgrimage event.
- eRosary and ePay Cross designed specifically for Catholic users.
- Smart thermometers provided for shopping malls, hotels, and schools during the pandemic.
- Smart mattresses provided for long-term care patients.

For gaming products, our business development plan is as follows:

- Continue the research and development of new technologies and unique products so that gamers can associate the Company's innovative products with the gaming industry. For example, the Predator Thronos Full-featured Gaming Cockpit has been marketed in many countries and participated in many large-scale gaming or shopping mall events.
- Actively participate in international awards such as Red Dot, Good Design, Computex, Taiwan Excellence Award, and CES Innovation Award to improve product visibility.
- Collaborate with schools with e-sports classrooms to train e-sports players. For example, Shu-De Home-Economics & Commercial High School in Kaohsiung uses our gaming laptops bundled with desktops in its e-sports classroom.

For sustainable green energy products, our business development plan is as follows:

- Enter the European market where energy is relatively limited in line with international trends, allowing individual households to easily store and save energy.

###### Apparel

Continue to grow our existing IT channels, consolidate the market for computers, gaming, and business bags, further expand product lines and channels, and open up the market for sports bags and apparel/accessories.

###### E-Mobility

Use the technology combined with the IoT and AI to monitor personal health conditions while riding a bicycle or scooter, provide an early warning of physical crisis, check real-time road conditions, and sense the air quality of the riding

environment, truly realizing smart cycling. In addition, mobile vehicles integrated with a cloud system can record and upload the internal and external conditions of the ride, and confirm them through the mobile app. Finally, the system will perform big data calculations to analyze appropriate suggestions and provides related reference materials. This enables the smart mobility industry to get closer to the experiential needs of end customers.

Business development:

- Market eScooter in the American and Asian markets in addition to Europe.
- Develop B2B channels for eKinekt and bring in more corporate customers.
- Develop e-bikes other than the flagship model ebii to meet the needs of different customer groups, and open distribution and direct sales channels around the world.

## 2. Long-term business development plan

### Device

Move on in two directions in the long run: running self-owned brands and acting as an OEM for other brands. As a part of Acer, we are fully aware of the importance of branding. Only by owning its own brand can an enterprise ensure long-term management. We do not position our products only as computer peripherals. As a diversification strategy, our products are combined with life, humanities, environment, religion, technology, etc. to expand the smart lifestyle field.

Our biggest advantage is that we are familiar with many industrial manufacturers and have full control of upstream and downstream supply chains. We can reliably track the source of materials, production and manufacturing, and logistics deployment, and help brand distributors with the planning of high-quality products with high cost performance.

### Apparel

Aim at environmental sustainability and create more appropriate protective, portable, and wearable solutions for different target groups.

### E-Mobility

- Create industrial modules: Accumulate development experience to establish professional system modules, reduce learning time and errors during the establishment of new systems, create an expert system through AI technology, quickly launch products that can meet customer needs, and reduce development time and costs.
- Continue to strengthen the integration of information and communication technology functions and build a competitive advantage over traditional smart mobility product brands.

## II. Overview of the Market, Production and Sales

### (I) Market analysis

#### 1. Regions where main products (services) are marketed

Unit: NTD thousand; %

Marketing region \ Year	2022		2023	
	Sales	Proportion (%)	Sales	Proportion (%)
Domestic sales	1,234,792	74.28	1,166,913	55.94
Export sales	427,578	25.72	918,953	44.06
Total	1,662,340	100.00	2,085,866	100.00

#### 2. Market share

##### Device

At present, the Company's smart devices are marketed through retail channels and bundled with laptops. The Company's main products include mice, headsets, styluses, adaptors, and other small accessories. In 2023, the global laptop shipment reached 200 million units, of which Acer's laptops accounted for about 10%. 5-10% of the Company's products are bundled with laptops, with an annual shipment volume of 1000K-2000K. If the retail shipment volume is counted in, the market share would be about 3-4%.

##### Apparel

According to 360iResearch's report, the global market for laptop bags was about USD 1.23 billion in 2023, and the Company's accounted for a market share of about 0.8% in this market.

##### E-Mobility

Due to the scale and the resources invested, we focus on long-term collaboration with customers, and we mainly work with customers to achieve mutual benefits. In the short term, we will keep our focus on industrial applications and customer support, so we do not plan to estimate market share.

#### 3. Future supply, demand, and growth of the market

##### Device

After an explosive growth due to the pandemic, the demand for PCs will gradually weaken, and this will be the case for computer peripherals. Fortunately, Acer Gadget has already developed other non-computer peripheral products, such as the Innovative Accessories and Sustainable Green Energy series, which are products developed in response to trends.

By the end of 2022, the global e-sports industry generated nearly USD 1.38 billion in revenue. The CAGR from 2022 to 2025 is projected to reach 27.6%, 23.4%, and

19%, respectively. By 2025, global e-sports revenue will grow to USD 1.86 billion at a steady CAGR of 13.4%. For gaming products, we not only increase the number and types of products, but also work with schools with e-sports classrooms to sponsor product promotion and e-sports events, exposing our brand to students.

### Apparel

Technavio projects a compound growth rate of about 7.62% for the global travel and business bag market between 2022 and 2026 and expects that the market will grow to USD 11.27 billion during the period. Considering the increase in vaccination rates across countries, the lifting of travel restrictions in response to international agreements, and consumers' desire to go abroad for vacation or business trips due to the prolonged absence of travel during the pandemic, the Company estimates that there will be a significant growth for travel goods such as bags.

Grand View Research forecasts that the global bicycle market will grow at a CAGR of about 8.2% between 2021 and 2029. A study conducted by NPD Group in mid-2022 showed that the bicycle sales of many retailers in the United States increased by 63% compared to 2019, and the sales of various accessories also grew by 75% YoY. After the pandemic, consumers tend to pay more attention to their health, and do different sports to exercise. Therefore, the Company maintains a positive forecast for related products such as bags and apparel.

### E-Mobility

Omdia expects that the current global e-scooter market currently remains stable at about 3.7 million units per year; the electric-assist bicycle market will grow rapidly from 10 million units in 2020 to 20 million units in 2025. Fortune Business Insights also estimates that the annual output value of the electric-assist bicycle market will grow from USD 37 billion in 2022, at a CAGR of 15.6%, to USD 120 billion in 2030.

In the next 5-10 years, global demand for e-scooters and electric-assist bicycles will reach 40-50 million units. Demonstrating lifestyles, pursuing health, embodying environmental protection concepts, providing flexibility in commuting and mobility, and combine shared platforms with the IoT are all opportunities to expand smart mobility products in the future.

## 4. Competitive niche

### Device

Acer Gadget has design strength for gaming peripherals, and the peripherals designed such as gaming laptops and desktops are very popular in the gaming market. Our specially designed keyboard (Aethon700) and various mouse and headset products are niche products of our gaming brand that focus on high performance and are designed exclusively for gamers. As the chip manufacturing process is advancing day by day, our entire series of multifunctional docking stations has an excellent price-performance ratio in line with the trend. The series has also gone through rigorous extended compatibility testing to be compatible with the computers of major brands, making it more attractive to consumers.

In recent years, we have also been actively working on software and hardware integration, focusing on "lifestyle technology" products. The "Wearable Payment Device" underscores the Company's in-depth research and track record in adding value to software as well as hardware design. The advantage of multiple products combined with raw material suppliers' grasp of eco-friendly materials helps us develop various products that are sustainable, environmentally friendly, and competitive. This not only attracts consumers who appreciate environmental protection, but also contributes to the Company's image. Responding to the Group's long-term investment in ESG once again, in the second half of 2023, we planned to develop the Acer Power Bar Series and continue the rigorous testing, sophisticated design, sales strategies, and comprehensive after-sales service of other product lines through our experience in the development of multiple product lines and our in-depth analysis and grasp of green energy and sustainability trends. By doing so, we can stand out from competitors and demonstrate our action power to implement ESG.

### Apparel

- (1) In-depth understanding of the computer industry: Laptop bags are ones of our main products at this stage. Our in-depth understanding of the industry is helpful for our product development, marketing, and competitiveness enhancement in this field.
- (2) Multi-brand roadmap: Acer Group has Acer, Predator, Nitro, ConceptD, and other brands, and we have Xplova and Pawbo. They all have their own target groups, and product design and development differ accordingly, which helps maintain product diversity.
- (3) Global customer base and service experience.

### E-Mobility

Acer Group has a footprint in more than 160 countries around the world. Marketing resources, channel relationships, and after-sales service network are the cornerstones for us to expand our smart mobility business. With years of experience in information technology and information security management, as well as in-depth technical capabilities and resources, we gain an advantage in the AI and big data application field.

With the resources invested by the Group in ESG and our expertise in vertical integration and innovative planning, early observation of the market through overseas branches, and experience in upstream and downstream supply chains and software development for trainers from E-TEN Information Systems, Acer Gadget can have comprehensive strategic planning and implementation for design, materials, manufacturing, and sale in constructing existing and future e-Mobility product lines.

## 5. Favorable and unfavorable factors for development prospects and countermeasures

### Device

#### (1) Favorable factors

- Industry growth (e.g. the gaming market and smart driving market).
- Technology leadership (the capability to integrate software and hardware).

- Product diversification (products spanning gaming and non-gaming fields and covering ESG issues).
- OEM and branding.
- Establishment of domestic and overseas channels.

## (2) Unfavorable factors and countermeasures

- Fierce competition in PC peripherals causes limited room for gross margin. The countermeasure is increasing the product portfolio with higher gross margin (such as docking stations and power banks).
- The risk of shortage of materials has led to material mismatch, causing financial pressure, and prolonged production time will affect the tender process and the normal distribution process. The countermeasure is reviewing product design and avoiding launching products for which there are no alternative materials.
- Our countermeasures against rising freight costs or longer transit time include creating an appropriate inventory mechanism and using land transportation (e.g. trains between Europe and Asia).
- Our countermeasures against the lack of cross-disciplinary R&D capacities that affects product competitiveness include continuously engaging in cross-department collaboration and increasing investment in R&D and design to ensure innovation momentum.

## Apparel

### (1) Favorable factors

- Many of our existing IT channels have not started to market laptop bags or are not quite familiar with this business. Therefore, there is a lot of room for growth.
- Our multi-brand product roadmap can help maintain product diversity.
- Our global customer base and service experience help us grasp market dynamics and roll out new product lines in the shortest time possible.

### (2) Unfavorable factors

- Inflation prolongs the purchase cycle of consumer products or reduces the amount consumers are willing to pay for consumer products. The countermeasures include maintaining a balance between products of different price ranges while ensuring a certain level of quality, and investing resources in aspects that consumers value to improve product attractiveness and, in the medium term, expand the circular economy operation plan.
- Our countermeasures against rising freight costs or longer transit time include coordinating with distributors in countries to appropriately accumulate

inventory in order to reduce possible losses that may be caused by rush orders, and continuing to develop local production lines to reduce the proportion of freight costs in total costs.

- Our countermeasure against the improper management of restricted substances (RSL) in the upstream supply chain is working with internal and external quality supervision and testing bodies to implement internal quality control procedures and standards and ensure the safety of supplied materials.
- The lack of R&D and design capacities cannot support the product competitiveness required for business growth. The countermeasure is continuously investing in R&D and design to ensure innovation momentum within the Company.
- A brain drain hinders operations and business promotion. The countermeasures are providing a stage for competent employees with potential to develop, ensuring smooth communication and flexible job rotation, and offering an employee stock subscription plan to share with all employees growth dividends that the Company enjoys.

### E-Mobility

#### (1) Favorable factors

- We have accumulated information technology capabilities over the years, which is an great advantage for the development of new applications in the field of AI and big data.
- Acer Group has a footprint in more than 160 countries around the world. Marketing resources, channel relationships, and after-sales service network are the cornerstones for us to expand our smart mobility business.

#### (2) Unfavorable factors

- COVID-19 has caused imbalance in the supply chain, and distribution channels are still depleting existing inventory.
- Geopolitics and wars have resulted in an uncertain global economic outlook, and inflation has also affected consumers' disposable income and consumer confidence.

### (II) Important uses and production processes of main products

#### Device:

1. Important uses of main products: Entertainment, commercial or leisure goods.
2. Production process of main products: Not applicable as our main products are mainly processed by external vendors.



Apparel:

1. Important uses of main products: Apparel, bags, etc.
2. Production process of main products: Not applicable as our main products are mainly processed by external vendors.

E-Mobility:

1. Important uses of main products: Personal smart mobile products.
2. Production process of main products: Not applicable as our main products are mainly processed by external vendors.

(III) Supply of main raw materials

Business unit	Main materials	Supply status
Device	Electronic materials, mechanical materials, and packaging materials	Through the procedure involving inquiry, comparison, and bargaining, a number of strategic partners are carefully selected for the effective allocation, scheduling and control of major parts
Apparel	Nylon, spandex, PC/ABS, etc.	The Company works with multiple suppliers for a multi-regional production plan. We source these materials mainly from Taiwan, Vietnam, and Italy. At this stage, we are also strategically avoiding the use of raw materials with unique specifications to reduce the risk of supply disruptions caused by a single source.
E-Mobility	Electronic materials and mechanical materials	We implement a multi-partner strategy, carefully select partners for mechanism materials, and ensure the supply of key electronic components

(IV) Names of suppliers (customers) accounting for more than 10% of the total purchase (sales) in any of the most recent two years, the amount and proportion of the purchase (sales) therefrom (thereto), and an explanation of the reasons for any increase/decrease.

1. Names of suppliers accounting for more than 10% of the total purchase in any of the most recent two years, and the amount and proportion of the purchase therefrom

Unit: NTD thousand

Year	2022				2023			
Item	Name	Amount	As a percentage of net purchase of the year (%)	Relationship with the issuer	Name	Amount	As a percentage of net purchase of the year (%)	Relationship with the issuer
1	Vendor A	226,162	15.90	-	Vendor A	193,057	11.05	-
2	Vendor B	168,734	11.86	-	Vendor B	185,242	10.60	-
	Others	1,027,912	72.24		Net purchase	1,368,742	78.35	
	Net purchase	1,422,808	100.00			1,747,041	100.00	

Explanation of the increase or decrease: The net purchase from Supplier A in 2023 decreased from 2022 mainly due to the increase in the number of suppliers for purchasing certain items to adjust required purchase quantities. The increase in the net purchase from Supplier B in 2023 compared to 2022 was mainly due to the increase in orders, which drove up purchases.

2. Names of customers accounting for more than 10% of the total sales in any of the most recent two years, and the amount and proportion of the sales thereto

Unit: NTD thousand

Year	2022				2023			
Item	Name	Amount	As a percentage of net sales of the year (%)	Relationship with the issuer	Name	Amount	As a percentage of net sales of the year (%)	Relationship with the issuer
1	ACER	952,666	57.31	Parent company	ACER	971,197	46.56	Parent company
2	Acer (Chongqing) Ltd.	49,680	3.00	Affiliate	Acer (Chongqing) Ltd.	276,408	13.25	Affiliate
	Others	659,994	39.69		Others	838,261	40.19	
	Net sales	1,662,340	100.00		Net sales	2,085,866	100.00	

Explanation of the increase or decrease: The growth in the sales of PC peripherals, which has benefited from the trend of demand for replacement PCs, resulting in an increase in the proportion of sales to the parent company and affiliates year by year. Therefore, the Company has actively developed business and found new customers in order to reduce the proportion of sales to the parent company and affiliates year by year.

(V) Production volume and value in the most recent two years: Not applicable as the Company's main products in the most recent two years were mainly processed by external vendors.

(VI) Sales volume and value in the most recent two years

Unit: Thousand; NTD thousand

Year Sales volume and value Main product	2022				2023			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Computer peripherals	2,234	891,366	1,832	295,914	1,722	560,093	3,519	775,251
Smart mobility	35	90,792	5	16,168	495	296,074	5	32,939
Apparel and bags	1,011	177,977	678	115,371	1,246	235,799	637	110,084
Others (Note)	4	74,658	—	95	100	74,947	2	679
Total	3,284	1,234,792	2,515	427,548	3,564	1,166,913	4,164	918,953

Note: There is no consistent measurement unit for other revenue. Therefore, only the domestic and export sales values of businesses are shown.

### III. Number of employees in the most recent two years and up to the publication date

Unit: Person

Year		2022	2023	March 31, 2024
Number of employees (persons)	Manager	4	4	4
	Regular employees	41	41	51
	R&D personnel	5	6	4
	Total	50	51	59
Average age (years)		44.8	46.2	46.2
Average years of service (years)		11.8	12.6	12.6
Education distribution (%)	Doctor's degree	4%	0%	0%
	Master's degree	32%	33%	34%
	Junior college	62%	65%	64%
	Below high school	2%	2%	2%

### IV. Information on Environmental Protection Expenditure

1. According to laws and regulations, if it is necessary to apply for a pollution facility installation permit or a pollution discharge permit, or if a pollution prevention fee shall be paid, or if a dedicated environmental protection unit with personnel shall be established, the application, payment, and establishment shall be described: None.
2. Investment in main environmental pollution prevention and control facilities, their intended use, and possible benefits: None.
3. The process of mitigating environmental pollution in the most recent two years and up to the publication date of this annual report; if there is a pollution dispute, the process of handling it shall be described: None.
4. Losses incurred by the Company's due to environmental pollution in the most recent two years and up to the publication date of this annual report (including compensation and violations of environmental laws and regulations in environmental audits. The date

of penalty imposition, document number, violated provisions, the content of the provisions, and penalty details shall be specified). The estimated amount of possible current and future penalties, and countermeasures shall be disclosed. If the amount cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be described: None.

5. The impact of the current pollution and its mitigation on the Company's earnings, competitive position, and capital expenditures, and the estimated major capital expenditures on environmental protection in the next two years: None.

## V. Labor-Management Relations

1. Employee welfare measures, continuing education, training, retirement systems and their implementation, labor-management agreements, and measures to protect the rights and interests of employees

### (1) Employee welfare measures and their implementation

- A. Annual leave system (as per the Labor Standards Act).
- B. Insurance: Labor insurance, National Health Insurance, group accident and medical insurance, free group insurance for spouses and children, and overseas business trip insurance for employees.
- C. Health care: Free regular health examinations are provided.
- D. Leisure: Employees are granted travel subsidies according to their seniority.
- E. Bonus: Year-end bonus and remuneration (earnings distribution).
- F. Subsidies: Cash gifts for weddings and funerals, funeral subsidy, condolences for sickness and injuries, physical/monetary gifts for festivals, cash gifts for birthdays, language training subsidy, etc.

### (2) Continuing education and training for employees and their implementation

#### A. Orientation training for new employees

The orientation is organized by the Human Resources Department, and relevant departments send instructors to provide pre-job training for new employees when they report first join the Company. The training includes courses related to company policies, occupational safety and health, quality systems, business secrets, information security, etc., to help them get familiar with and adapt to the work environment.

#### B. Internal training for each department

In response to the Company's long-term development, business needs of each unit, and legal requirements for various professional practitioners, each department draws up employee education and training plans and budgets for the following year at the end of each year, and the courses to be provided shall cover general education, professional and management competency training. The implementation of the plans is reviewed at the end of each year.

#### C. Professional training

The Operations Management Department, Human Resources Department, and other management units shall, from time to time, organize seminars or drills on illegal infringements, first aid, fire/earthquake prevention, as well as health seminars on various topics such as medical care, food safety, and stress relief.

D. Subsidies for language training and examination fees

In order to encourage employees to continuously improve their language skills, subsidies for training expenses and language certification exams are provided.

(3) Retirement system and its implementation

For employees who choose the pension system under the Labor Pension Act, since July 1, 2005, the Company has appropriated 6% of the monthly salary of the employees to their personal pension accounts every month in accordance with the act. Workers may voluntarily make an additional pension contribution of no more than 6% from their monthly salary.

(4) Labor-management agreements and measures to protect the rights and interests of employees

All systems of the Company are reasonable and legal. Employee attendance and absence, the calculation of overtime pay, leave of absence, and retirement are handled in accordance with the Labor Standards Act. Year-end bonuses are paid based on business performance and work performance evaluation results. To ensure harmonious labor-management relations, enhance mutual understanding, and promote labor-management collaboration, regular labor-management meetings are held in accordance with the "Regulations for Implementing Labor-Management Meeting" to exchange opinions in the hope of achieving a win-win situation for labor-management relations under a reasonable and institutionalized personnel and welfare system.

2. Losses incurred by the Company due to labor disputes in the most recent two years and up to the publication date of this annual report (including violations of the Labor Standards Act in labor inspections. The date of penalty imposition, document number, violated provisions, the content of the provisions, and penalty details shall be specified). The estimated amount of possible current and future penalties, and countermeasures shall be disclosed. If the amount cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be described: None.

## VI. Cybersecurity Management

1. Cybersecurity risk management framework, cybersecurity policy, specific management plan, and resources invested in cybersecurity management

(1) Cybersecurity risk management framework

The Company has an independent computer room and leases an external IDC computer room for the management of important servers for operation. The Operation Support currently has 4 IT management personnel responsible for system maintenance and management and the maintenance and operation of networks, software, and hardware. In addition, at this stage, the Company leases office space

from a related party, Acer, and enjoys services for network cabling, operation, and maintenance provided thereby. In summary, the Company has established a basic network and computer security protection system to control or maintain important functions such as R&D, operations, and finance and accounting. The information control cycle is regularly reviewed and evaluated to ensure its appropriateness and effectiveness, thereby enhancing cybersecurity and adaptability.

## (2) Cybersecurity policy

The Company's computer system, network, data, equipment, personnel, and anti-virus and anti-hacker environments have been included in a security management mechanism, and a set of preventive and emergency response measures has been established. We also communicate the importance of cybersecurity from time to time to ensure the security of the Company's information operations.

## (3) Specific management plan

- A. Personnel safety management and training
- B. Computer system security management
- C. Network security management
- D. System access control
- E. Safety management of physical equipment, peripherals, and environment
- F. Emergency response mechanism for information security incidents

## (4) Resources invested in cybersecurity management

Every year, we review and check our cybersecurity equipment, services, and personnel, and budget for cybersecurity management.

2. Losses incurred as a result of a material cybersecurity incident in the most recent two years and up to the publication date of this annual report, the possible impact, and countermeasures. If the impact cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be described: None.

## VII. Important Contracts

Contract nature	Contracting party	Contract start/end date	Main contents	Restrictive clause
Procurement contract	Z-SUPER TECHNOLOGY ELECTRONICS LIMITED	January 1, 2024 to December 31, 2024	Product purchase contract	Prohibition on transfer of the rights and obligations under this contract, except for the transfer from Acer Gadget to affiliates
Procurement contract	Newtech International Group Co., Ltd.	January 1, 2024 to December 31, 2025	Product purchase contract	Prohibition on transfer of the rights and obligations under this contract, except for the transfer from Acer Gadget to affiliates
Procurement contract	Case Labs PTE LTD	February 23, 2024 to February 22, 2025	Product purchase contract	Prohibition on transfer of the rights and obligations under this contract, except for the transfer from Acer Gadget to affiliates
Procurement contract	Tianjin Fuji-ta Bicycle Industrial Co., Ltd.	January 1, 2023 to December 31, 2024	Product purchase contract	Prohibition on transfer of rights and obligations under this contract

Comprehensive credit line	Taishin International Bank	September 13, 2023 to May 31, 2024	Credit line	Prohibition on transfer of rights and obligations under this contract
Comprehensive credit line	Cathay United Bank	September 6, 2023 - September 6, 2024	Credit line	None
Comprehensive credit line	Taiwan Business Bank	November 28, 2023 - November 28, 2024	Credit line	None
Comprehensive credit line	KGI Bank	November 30, 2023 - November 30, 2024	Credit line	Prohibition on transfer of rights and obligations under this contract
Comprehensive credit line	Yuanta Commercial Bank	December 14, 2023 - December 14, 2024	Credit line	None
Trademark licensing contract	Acer Incorporated	January 1, 2024 - December 31, 2024	Trademark licensing	1. No use of trademark on specific products 2. Prohibition on license transfer

## Six. Financial Overview

### I. Condensed Financial Information for the Most Recent Five Years

#### (I) Condensed balance sheet and comprehensive income statement

##### 1. Condensed balance sheet

##### (1) IFRS - Consolidated financial statements

Unit: NTD thousand

Unit: NTD thousand

Year		Financial information for the most recent five years					
		2019	2020 (Note 2)	2021 (Note 3)	2022	2023	
Item							
Current assets			544,393	718,550	1,325,486	1,497,542	
Property, plant and equipment (Note 1)			478	794	709	505	
Intangible assets			-	202	2,471	1,906	
Other assets (Note 1)			202,346	221,299	202,036	360,765	
Total assets			747,217	940,845	1,530,701	1,860,718	
Current liabilities	Before distribution		359,157	495,486	465,054	566,986	
	After distribution		359,157	495,486	465,054	566,986	
Non-current liabilities			20,023	15,198	15,621	20,136	
Total liabilities	Before distribution		379,180	510,684	480,675	587,122	
	After distribution		379,180	510,684	480,675	587,122	
Equity attributable to owners of the parent company			292,440	415,925	1,050,026	1,273,596	
Source of		Not applicable (Note 4)	100,000	125,397	600,000	618,600	
Capital collected in advance			-	-	-	-	
Capital surplus			300,642	348,324	413,737	422,373	
Retained earnings	Before distribution		46,689	53,985	187,329	227,840	
	After distribution		46,689	53,985	106,577	227,840	
Other equity			(154,891)	(111,781)	(151,040)	4,783	
Equity attributable to former owner of business combination under common control			63,232	14,236	-	-	
Equity attributable to non-controlling interest before business combination under common control			12,365	-	-	-	
Total equity	Before distribution			368,037	430,161	1,050,026	1,273,596
	After distribution			368,037	430,161	969,274	1,273,596

Source: Each year's consolidated financial statements audited and reviewed by CPAs

Note 1: No asset revaluation was performed in the most recent five years

Note 2: The Company issued new shares in June 2021 to merge with GadgeTek Inc., a subsidiary of Acer. According to the Q&A published by the Accounting Research and Development Foundation and Letter (2012) Ji-Mi-Zi No. 301, this transaction was an organization restructure under common control. Thus, the subsidiary shall be considered to had been acquired in the first place, and the consolidated financial statements for 2020 shall be retrospectively restated accordingly.

Note 3: The Company acquired the gaming peripheral business from Acer Gaming Inc., a subsidiary of the parent company Acer Incorporated, by means of transfer in March 2022. According to the Q&A published by the Accounting Research and Development Foundation and Letter (2012) Ji-Mi-Zi No. 301, this transaction was an organization restructure under common control. Thus, the business shall be considered to had been acquired in the first place, and the consolidated financial statements for 2021 shall be retrospectively restated accordingly. This business was not included in 2020.

Note 4: No consolidated financial statements were available for the year



(2) IFRS - Parent company only financial statements

Unit: NTD thousand

Year Item		Financial information for the most recent five years				
		2019	2020 (Note 2)	2021 (Note 3)	2022	2023
Current assets		283,656	503,840	640,244	1,216,409	1,349,543
Property, plant and equipment (Note 1)		1,146	478	794	709	505
Intangible assets		-	-	202	2,471	1,906
Other assets (Note 1)		171,883	223,325	255,868	248,620	425,531
Total assets		456,685	727,643	897,108	1,468,209	1,777,485
Current liabilities	Before distribution	126,394	339,583	451,749	402,562	483,753
	After distribution	126,394	339,583	451,749	402,562	483,753
Non-current liabilities		23,186	20,023	15,198	15,621	20,136
Total liabilities	Before distribution	149,580	359,606	466,947	418,183	503,889
	After distribution	149,580	359,606	466,947	418,183	503,889
Source of		160,000	100,000	125,397	600,000	618,600
Capital collected in advance		-	-	-	-	-
Capital surplus		300,642	300,642	348,324	413,737	422,373
Retained earnings	Before distribution	26,445	46,689	53,985	187,329	227,840
	After distribution	26,445	46,689	53,985	106,577	227,840
Other equity		(179,982)	(154,891)	(111,781)	(151,040)	4,783
Equity attributable to former owner of business combination under common control		-	63,232	14,236	-	-
Equity attributable to non-controlling interest before business combination under common control		-	12,365	-	-	-
Total equity	Before distribution	307,105	368,037	430,161	1,050,026	1,273,596
	After distribution	307,105	368,037	430,161	969,274	1,273,596

Source: Parent company only financial statements audited by CPAs

Note 1: No asset revaluation was performed in the most recent five years

Note 2: The Company issued new shares in June 2021 to merge with GadgeTek Inc., a subsidiary of Acer. According to the Q&A published by the Accounting Research and Development Foundation and Letter (2012) Ji-Mi-Zi No. 301, this transaction was an organization restructure under common control. Thus, the subsidiary shall be considered to had been acquired in the first place, and the parent company only financial statements for 2020 shall be retrospectively restated accordingly.

Note 3: The Company acquired the gaming peripheral business from Acer Gaming Inc., a subsidiary of the parent company Acer Incorporated, by means of transfer in March 2022. According to the Q&A published by the Accounting Research and Development Foundation and Letter (2012) Ji-Mi-Zi No. 301, this transaction was an organization restructure under common control. Thus, the business shall be considered to had been acquired in the first place, and the consolidated financial statements for 2021 shall be retrospectively restated accordingly. This business was not included in 2020.

## 2. Condensed comprehensive income statement

### (1) IFRS - Consolidated financial statements

Unit: NTD thousand; EPS: NTD

Year		Financial information for the most recent five years				
Item	2019	2020 (Note 1)	2021 (Note 2)	2022	2023	
Operating revenue	Not applicable (Note 3)	1,030,737	1,445,713	1,662,340	2,085,866	
Gross operating profit		152,485	221,198	259,541	325,319	
Operating profit/loss		(32,445)	42,667	93,927	108,011	
Non-operating revenue and expenses		11,993	12,707	26,746	23,068	
Profit before tax		(20,452)	55,374	120,673	131,079	
Current net profit from continuing operations		(24,325)	28,631	135,312	121,263	
Losses from discontinued operations		-	-	-	-	
Current net profit (loss)		(24,325)	28,631	135,312	121,263	
Other comprehensive income for the period (after tax)		25,275	43,349	(39,259)	155,823	
Total comprehensive income for the period		950	71,980	96,053	277,086	
Current net profit (loss) attributable to:						
Owners of the Company		(39,756)	7,296	133,344	121,263	
Equity attributable to former owner of business combination under common control		12,907	18,983	1,968	-	
Equity attributable to non-controlling interest before business combination under common control		2,524	2,352	-	-	
Total comprehensive income attributable to:						
Owners of the Company		(14,665)	50,814	94,085	277,086	
Equity attributable to former owner of business combination under common control		13,061	18,830	1,968	-	
Equity attributable to non-controlling interest before business combination under common control	2,554	2,336	-	-		
Earnings per share (Note 4)		(0.81)	0.95	3.04	1.98	

Source: Consolidated financial statements audited and reviewed by CPAs

Note 1: The Company issued new shares in June 2021 to merge with GadgeTek Inc., a subsidiary of Acer.

According to the Q&A published by the Accounting Research and Development Foundation and Letter (2012) Ji-Mi-Zi No. 301, this transaction was an organization restructure under common control. Thus, the subsidiary shall be considered to had been acquired in the first place, and the consolidated financial statements for 2020 shall be retrospectively restated accordingly.

Note 2: The Company acquired the gaming peripheral business from Acer Gaming Inc., a subsidiary of the parent company Acer Incorporated, by means of transfer in March 2022. According to the Q&A published by the Accounting Research and Development Foundation and Letter (2012) Ji-Mi-Zi No. 301, this transaction was an organization restructure under common control. Thus, the business shall be considered to had been acquired in the first place, and the consolidated financial statements for 2021 shall be retrospectively restated accordingly. This business was not included in 2020.

Note 3: No consolidated financial statements were available for the year

Note 4: Due to the Company's capitalization of capital surplus in the second quarter of 2022, the Company made full retrospective adjustments when calculating the earnings per share of prior years.

(2) IFRS - Parent company only financial statements

Unit: NTD thousand; EPS: NTD

Item	Year	Financial information for the most recent five years				
		2019	2020 (Note 1)	2021 (Note 2)	2022	2023
Operating revenue		201,619	914,153	1,240,807	1,458,833	1,652,784
Gross operating profit		88,973	140,495	202,478	244,852	298,294
Operating profit/loss		(75,709)	(38,559)	24,771	80,875	84,791
Non-operating revenue and expenses		4,857	17,799	25,544	35,221	40,448
Profit before tax		(70,852)	(20,760)	50,315	116,096	125,239
Current net profit from continuing operations		(72,109)	(24,325)	28,631	135,312	121,263
Losses from discontinued operations		-	-	-	-	-
Current net profit (loss)		(72,109)	(24,325)	28,631	135,312	121,263
Other comprehensive income for the period (after tax)		(1,899)	25,275	43,349	(39,259)	155,823
Total comprehensive income for the period		(74,008)	950	71,980	96,053	277,086
Current net profit (loss) attributable to:						
Owners of the Company		(72,109)	(39,756)	7,296	133,344	121,263
Equity attributable to former owner of business combination under common control		-	12,907	18,983	1,968	-
Equity attributable to non-controlling interest before business combination under common control		-	2,554	2,352	-	-
Total comprehensive income attributable to:						
Owners of the Company		(74,008)	(14,665)	50,814	94,085	277,086
Equity attributable to former owner of business combination under common control		-	13,061	18,830	1,968	-
Equity attributable to non-controlling interest before business combination under common control		-	2,554	2,336	-	-
Earnings per share (Note 3)		(2.40)	(0.81)	0.95	3.04	1.98

Source: Parent company only financial statements audited by CPAs

Note 1: The Company issued new shares in June 2021 to merge with GadgeTek Inc., a subsidiary of Acer.

According to the Q&A published by the Accounting Research and Development Foundation and Letter (2012) Ji-Mi-Zi No. 301, this transaction was an organization restructure under common control. Thus, the subsidiary shall be considered to had been acquired in the first place, and the parent company only financial statements for 2020 shall be retrospectively restated accordingly.

Note 2: The Company acquired the gaming peripheral business from Acer Gaming Inc., a subsidiary of the parent company Acer Incorporated, by means of transfer in March 2022. According to the Q&A published by the Accounting Research and Development Foundation and Letter (2012) Ji-Mi-Zi No. 301, this transaction was an organization restructure under common control. Thus, the business shall be considered to had been acquired in the first place, and the consolidated financial statements for 2021 shall be retrospectively restated accordingly. This business was not included in 2020.

Note 3: Due to the Company's capitalization of capital surplus in the second quarter of 2022, the Company made full retrospective adjustments when calculating the earnings per share of prior years.

(II) Names and audit opinions of CPAs in the most recent five years

1. Names and audit opinions of CPAs in the most recent five years

Year	CPA firm's name	CPA's name	Audit opinions
2019	KPMG Taiwan	Huei-Chen Chang	Unqualified opinion
2020	KPMG Taiwan	Huei-Chen Chang	Unqualified opinion
2021	KPMG Taiwan	Ken Tang, Ching-Wen Kao	Unqualified opinion (Note)
2022	KPMG Taiwan	Ching-Wen Kao, Ken Tang	Unqualified opinion (Note)
2023	KPMG Taiwan	Ching-Wen Kao, Ken Tang	Unqualified opinion

Note: An unqualified opinion with a paragraph on emphasis of matter

1. If there was a change of CPAs in the most recent five years, please provide the Company, predecessor and successor CPAs' description of the reasons for the change:  
Job rotation within the CPA firm.
2. If the financial statements of a domestic listed company have been audited by the same CPA for the most recent consecutive seven years after its IPO or if the financial statements of a foreign listed company have been audited by the same CPA for the most recent consecutive seven years, the reasons for not changing the CPA, the independence of the CPA, and the company's specific measures to improve the independence of the CPA shall be described: Not applicable.

## II. Financial Analysis Financial Analysis for the Most Recent Five Years

### (I) Consolidated financial analysis - IFRS

Analysis item		Year	Financial analysis for the most recent five years				
			2019	109 years (Note 1)	110 years (After restatement)	2022	2023
Financial structure (%)	Liabilities-to-assets ratio (%)	Not applicable (Note 2)	50.75	54.28	31.40	31.55	
	Long-term fund to property, plant and equipment ratio (%)		81,184.10	56,088.24	150,383.12	256,196.73	
Solvency (%)	Current ratio (%)		151.58	145.02	285.02	264.12	
	Quick ratio (%)		132.69	123.07	257.88	234.33	
	Interest coverage ratio		(34.14)	191.64	3,001.54	1,631.58	
Operating capacity	Receivables turnover ratio (times)		6.70	5.25	5.30	5.60	
	Average collection days (days)		55	70	69	65	
	Inventory turnover (times)		12.46	13.69	12.39	15.19	
	Payables turnover rate (times)		8.35	5.77	4.97	5.05	
	Average sales days (days)		30	27	29	24	
	Property, plant and equipment turnover (times)		1,269.38	2,273.07	2,212.54	3,437.49	
	Total asset turnover ratio (times)		1.52	1.71	1.35	1.23	
Profitability	Return on assets (%)		(3.51)	3.42	10.95	7.15	
	Return on equity (%)		(7.21)	7.17	18.28	10.44	
	Pre-tax profit to paid-in capital ratio (%)		(5.10)	11.69	11.90	12.59	
	Net profit margin (%)		(2.36)	1.98	8.14	5.81	
	Earnings per share (NTD) (Note 6)		(0.81)	0.95	3.04	1.98	
Cash flow	Cash flow ratio (%)		Note 3	10.71	16.35	15.21	
	Cash flow adequacy ratio (%)		Note 4	Note 4	Note 4	Note 4	
	Cash reinvestment ratio (%)		Note 3	11.46	6.81	Note 3	
Leverage	Operating leverage		(29.01)	32.23	16.98	18.54	
	Financial leverage		0.98	1.01	1.00	1.00	
Reasons for financial ratio changes in the most recent two years. (If the increase/decrease is less than 20%, analysis thereof is not required.)							
1.Increase in the long-term fund to property, plant and equipment ratio: Mainly due to an increase in long-term funds as a result of the cash capital increase in 2023 and the accumulation of earnings.							
2.Decrease in the interest coverage ratio: Mainly due to an increase in financial costs.							
3.Increase in inventory turnover (times): Mainly due to a gradual increase in the cost of goods sold as revenue grew steadily, and effective destocking.							
4.Increase in property, plant and equipment turnover (times): Mainly due to a stable growth in sales revenue.							
5.Decrease in return on assets and return on equity: Mainly due to an increase in total assets and total equity as a result of the cash capital increase in 2023.							
6.Decrease in net profit margin and earnings per share: Mainly due to a decrease in income tax expenses in 2023 compared to the income tax benefits recognized in 2022, resulting in lower profit after tax.							
7.Decrease in the cash flow ratio: Mainly due to a decrease in net cash inflow from operating activities.							

Source: Each year's consolidated financial statements audited or reviewed by CPAs

Note 1: Calculated based on restated figures

Note 2: No consolidated financial statements were available for the year

Note 3: Not applicable as there was a net cash outflow from operating activities, which does not fit the definition of cash flows in cash flow analysis

Note 4: No consolidated financial statements were issued in 2020 and prior years. The financial data calculated cover less than five years, so the cash flow adequacy ratio is not applicable

Note 5: The calculation formulae are as follows:

1. Financial structure

(1) Liabilities-to-assets ratio = Total liabilities/Total assets.

(2) Long-term fund to property, plant and equipment ratio = (Total equity + Non-current liabilities) / Net property, plant and equipment.

2. Solvency

(1) Current ratio = Current assets/Current liabilities.

(2) Quick ratio = (Current assets - Inventory - Prepayment)/Current liabilities.

(3) Interest coverage ratio = Pre-income tax and interest profit/Current interest expense.

3. Operating capacity

(1) Receivables (including accounts receivable and the notes receivable arising from operations) turnover ratio = Net sales/Average balance of receivables (including accounts receivable and the notes receivable arising from operations) for each period.

(2) Average collection days = 365/Receivables turnover ratio.

(3) Inventory turnover = Cost of goods sold/Average inventory.

(4) Payables (including accounts payable and the notes payable arising from operations) turnover ratio = Cost of goods sold/Average balance of payables (including accounts payable and the notes payable arising from operations) for each period.

(5) Average sales days = 365/Inventory turnover.

(6) Property, plant and equipment turnover = Net sales/Average net property, plant and equipment.

(7) Total asset turnover ratio = Net sales/Average total assets.

4. Profitability

(1) Return on assets = [Profit or loss after tax + Interest expense x (1 - Tax rate)]/Average total assets.

(2) Return on equity = Profit or loss after tax/Average total equity.

(3) Net profit margin = Profit or loss after tax/Net sales.

(4) Earnings per share = (Profit or loss attributable to owners of the parent company - Preferred stock dividend)/Weighted average number of issued shares.

5. Cash flow

(1) Cash flow ratio = Net cash flow from operating activities/Current liabilities.

(2) Net cash flow adequacy ratio = Net cash flow from operating activities in the most recent five years/(Capital expenditures + Increase in inventory + Cash dividend) in the most recent five years.

(3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividend) / (Gross property, plant and equipment + Long-term investment + Other non-current assets + Working capital).

6. Leverage

(1) Operating leverage = (Net operating revenue - Variable operating costs and expenses)/Operating profit.

(2) Financial leverage = Operating profit/(Operating profit - Interest expense).

Note 6: Due to the Company's capitalization of capital surplus in the second quarter of 2022, the Company made full retrospective adjustments when calculating the earnings per share of prior years and six months.

## (II) Parent company only financial analysis - IFRS

Analysis item		Financial analysis for the most recent five years				
		2019	109 years (Note 2)	110 years (After restatement)	2022	2023
Financial structure %	Liabilities-to-assets ratio	32.75	49.42	52.05	28.48	28.35
	Long-term fund to property, plant and equipment ratio	28,821.20	81,184.10	56,088.31	150,383.12	256,196.73
Solvency (%)	Current ratio	224.42	148.37	141.73	302.17	278.97
	Quick ratio	181.32	128.39	117.65	270.88	244.11
	Interest coverage ratio	(95.66)	(34.67)	173.92	2,887.74	1,558.93
Operating capacity	Receivables turnover ratio (times)	14.34	5.96	4.69	5.08	5.45
	Average collection days	25	62	78	72	67
	Inventory turnover (times)	2.24	10.98	13.79	11.96	12.91
	Payables turnover rate (times)	12.01	10.30	5.38	4.83	4.55
	Average sales days	163	34	26	31	28
	Property, plant and equipment turnover (times)	115.15	1,125.80	1,950.90	1,941.68	2,723.78
	Total asset turnover ratio (times)	0.41	1.54	1.53	1.23	1.02
Profitability	Return on assets (%)	(14.51)	(4.03)	3.55	11.44	7.48
	Return on equity (%)	(20.96)	(7.21)	7.17	18.28	10.44
	Pre-tax profit to paid-in capital ratio (%)	(15.38)	(5.18)	10.62	11.45	12.03
	Net profit margin (%)	(35.76)	(2.66)	2.31	9.28	7.34
	Earnings per share (NTD) (Note 4)	(2.40)	(0.81)	0.95	3.04	1.98
Cash flow	Cash flow ratio (%)	Note 1	Note 1	8.19	13.70	17.83
	Cash flow adequacy ratio (%)	Note 1	Note 1	Note 1	Note 1	Note 1
	Cash reinvestment ratio (%)	Note 1	Note 1	6.07	4.56	Note 1
Leverage	Operating leverage	(1.55)	(21.52)	47.28	17.22	18.54
	Financial leverage	0.99	0.99	1.01	1.00	1.00
Reasons for financial ratio changes in the most recent two years. (If the increase/decrease is less than 20%, analysis thereof is not required.)						
<ol style="list-style-type: none"> <li>1. Increase in the long-term fund to property, plant and equipment ratio: Mainly due to an increase in long-term funds as a result of the cash capital increase in 2023 and the accumulation of earnings.</li> <li>2. Decrease in the interest coverage ratio: Mainly due to an increase in financial costs.</li> <li>3. Increase in property, plant and equipment turnover (times): Mainly due to a stable growth in sales revenue.</li> <li>4. Decrease in return on assets and return on equity: Mainly due to an increase in total assets and total equity as a result of the cash capital increase in 2023.</li> <li>5. Decrease in net profit margin and earnings per share: Mainly due to a decrease in income tax expenses recognized in 2023 compared to the income tax benefits recognized in 2022, resulting in lower profit after tax.</li> <li>6. Increase in the cash flow ratio: Mainly due to an increase in net cash inflow from operating activities.</li> </ol>						

Source: Each year's parent company only financial statements audited by CPAs

Note 1: Not applicable as there was a net cash outflow from operating activities, which does not fit the definition of cash flows in cash flow analysis

Note 2: Calculated based on restated figures

Note 3: The calculation formulae are as follows:

### 1. Financial structure

(1) Liabilities-to-assets ratio = Total liabilities/Total assets.

(2) Long-term fund to property, plant and equipment ratio = (Total equity + Non-current liabilities) / Net property, plant and equipment.

### 2. Solvency

(1) Current ratio = Current assets/Current liabilities.

(2) Quick ratio = (Current assets - Inventory - Prepayment)/Current liabilities.

(3) Interest coverage ratio = Pre-income tax and interest profit/Current interest expense.

### 3. Operating capacity

(1) Receivables (including accounts receivable and the notes receivable arising from operations) turnover ratio = Net sales/Average balance of receivables (including accounts receivable and the notes receivable arising from operations) for each period.

- (2) Average collection days =  $365/\text{Receivables turnover ratio}$ .
- (3) Inventory turnover =  $\text{Cost of goods sold}/\text{Average inventory}$ .
- (4) Payables (including accounts payable and the notes payable arising from operations) turnover ratio =  $\text{Cost of goods sold}/\text{Average balance of payables (including accounts payable and the notes payable arising from operations)}$  for each period.
- (5) Average sales days =  $365/\text{Inventory turnover}$ .
- (6) Property, plant and equipment turnover =  $\text{Net sales}/\text{Average net property, plant and equipment}$ .
- (7) Total asset turnover ratio =  $\text{Net sales}/\text{Average total assets}$ .

#### 4. Profitability

- (1) Return on assets =  $[\text{Profit or loss after tax} + \text{Interest expense} \times (1 - \text{Tax rate})]/\text{Average total assets}$ .
- (2) Return on equity =  $\text{Profit or loss after tax}/\text{Average total equity}$ .
- (3) Net profit margin =  $\text{Profit or loss after tax}/\text{Net sales}$ .
- (4) Earnings per share =  $(\text{Profit or loss attributable to owners of the parent company} - \text{Preferred stock dividend})/\text{Weighted average number of issued shares}$ .

#### 5. Cash flow

- (1) Cash flow ratio =  $\text{Net cash flow from operating activities}/\text{Current liabilities}$ .
- (2) Net cash flow adequacy ratio =  $\text{Net cash flow from operating activities in the most recent five years}/(\text{Capital expenditures} + \text{Increase in inventory} + \text{Cash dividend})$  in the most recent five years.
- (3) Cash reinvestment ratio =  $(\text{Net cash flow from operating activities} - \text{Cash dividend}) / (\text{Gross property, plant and equipment} + \text{Long-term investment} + \text{Other non-current assets} + \text{Working capital})$ .

#### 6. Leverage

- (1) Operating leverage =  $(\text{Net operating revenue} - \text{Variable operating costs and expenses})/\text{Operating profit}$ .
- (2) Financial leverage =  $\text{Operating profit}/(\text{Operating profit} - \text{Interest expense})$ .

Note 4: Due to the Company's capitalization of capital surplus in the second quarter of 2022, the Company made full retrospective adjustments when calculating the earnings per share of prior years and six months.



### III. Audit Committee's review report on the financial statements of the most recent year

The Board of Directors has prepared the Company's 2023 Business Report, Financial Statements, and the Proposal for profit & loss appropriation. The CPA Ching-Wen Kao and Ken Tang from KPMG were retained to audit Acer Gadget Inc's Financial Statements and have issued an audit report relating to the Financial Statements. The said Business Report, Financial Statements, and Proposal for profit & loss appropriation have been reviewed and determined to be correct and accurate by the Audit Committee of Acer Gadget Inc in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this Report.

Acer Gadget Inc.

Convener of the Audit Committee : Ming-Hui Lin

March 12, 2024

IV. Financial report for the most recent year, including the auditor's report, two-year comparative balance sheet, comprehensive income statement, statement of changes in equity, cash flow statement, and notes or tables: Please refer to Appendix II.

V. Company's CPA-audited parent company only financial statement in the most recent year, which does not include a detailed statement of important accounting items: Please refer to Appendix III.

VI. If the Company and the affiliates thereof have experienced financial difficulties in the most recent year and up to the publication date of this annual report, their impact on the Company's financial position shall be specified: None.

## Seven. Review and Analysis of Financial Position and Financial Performance, and Assessment of Risks

### I. Financial position

#### (I) Financial position - IFRS (consolidated financial statements):

Unit: NTD thousand; %

Item	Year	2023	2022	Difference	
				Amount	%
Current assets		1,497,542	1,325,486	172,056	12.98
Property, plant and equipment		505	709	(204)	(28.74)
Intangible assets		1,906	2,471	(565)	(22.86)
Other assets		360,765	202,036	158,729	78.56
Total assets		1,860,718	1,530,701	330,017	21.56
Current liabilities		566,986	465,054	101,931	21.92
Non-current liabilities		20,136	15,621	4,515	28.90
Total liabilities		587,122	480,675	106,447	22.15
Source of		618,600	600,000	18,600	3.10
Capital surplus		422,373	413,737	8,636	2.09
Retained earnings		227,840	187,329	40,511	21.63
Other equity		4,783	-151,040	155,823	103.17
Total equity		1,273,596	1,050,026	223,571	21.29
Analysis of material changes: (with a difference of NTD 10,000 thousand or more , or 20% or higher)					
1. Increase in other assets: Mainly due to an increase in prepayment to suppliers for materials preparation requirements.					
2. Increase in total assets: Mainly due to an increase in revenue, resulting in an increase in accounts receivable (including from related parties), and an increase in the gain on year-end valuation of financial assets measured at fair value through other comprehensive income.					
3. Increase in current liabilities: Mainly due to an increase in payables for purchase of goods as a result of an increase in revenue.					
4. Increase in total liabilities: Mainly due to an increase in payables for purchase of goods as a result of an increase in revenue.					
5. Increase in retained earnings: Mainly due to the appropriation of legal and special reserves from the net profit generated from operations in 2022.					
6. Increase in other equity: Mainly due to an increase in unrealized gains on financial assets measured at fair value through other comprehensive income.					
7. Increase in total equity: Mainly due to the appropriation of legal and special reserves from the net profit generated from operations in 2022 and an increase in unrealized gains on financial assets measured at fair value through other comprehensive income.					

(II) Future response plans for material changes: The above changes are all related to normal operating activities and have no significant adverse impact on the Company. Furthermore, there is no significant abnormality in the overall performance of the Company, so there should be no need to formulate a response plan.

## II. Financial Performance

### (I) Financial performance - IFRS (consolidated financial statements):

Unit: NTD thousand; %

Item	Year	2023	2022	Difference	
				Amount	%
Net sales revenue		2,085,866	1,662,340	423,526	25.48
Operating cost		1,760,547	1,402,799	357,748	25.50
Gross operating profit		325,319	259,541	65,778	25.34
Operating expenses		217,308	165,614	51,694	31.21
Net operating profit		108,011	93,927	14,084	14.99
Non-operating revenue and expenses		23,068	26,746	(3,678)	(13.75)
Profit before tax		131,079	120,673	10,406	8.62
Income tax benefits (expenses)		(9,816)	14,639	(24,455)	(167.05)
Current net profit		121,263	135,312	(14,049)	(10.38)
Other comprehensive income for the period (after tax)		155,823	-39,259	195,082	496.91
Total comprehensive income for the period		277,086	96,053	181,033	188.47
Current net profit attributable to owners of the parent company		121,263	133,344	(12,081)	(9.06)
Total comprehensive income attributable to owners of the parent company		277,086	94,085	183,001	194.51
Analysis of material changes: (with a difference of NTD 10,000 thousand or more , or 20% or higher)					
1. Increase in net sales revenue, operating cost and gross operating profit: Mainly due to an increase in the sales of computer peripherals thanks to the launch of new products for the smart mobility product line, the emergence of AI PCs, and the continuously booming gaming market.					
2. Increase in operating expenses: Mainly due to the one-time IPO fee for applying for stock listing in the year, and an increase in pre-launch R&D expenses for new products such as an electric-assisted bicycle and eKinekt that converts kinetic energy to electricity.					
3. Increase in net operating profit: Mainly due to the growth that drove sales revenue to a record high.					
4. Decrease in income tax benefits (expenses) and current net profit: Mainly due to the difference between the income tax expenses recognized in the current period and the income tax benefits recognized in the previous period.					
5. Increase in other comprehensive income for the period (after tax), total comprehensive income for the period, and total comprehensive income attributable to owners of the parent company: Mainly due to an increase in unrealized gains on valuation of investment in equity instruments measured at fair value through other comprehensive income.					

(II) Expected sales volume and its basis, any possible impact on the Company's future finance and business, and response plans: The Company did not issue financial forecasts, so the expected sales volume and its basis are not applicable. We can set an annual shipment target only based on the industrial environment and future market supply and demand conditions and by reference to information related to business development, estimated customer demand, and recent operations. We project continuous growth in our future sales.

### III. Cash flow

#### (I) Analysis of cash flow changes in the most recent year

Unit: NTD thousand; %

Annual accounting item	2023	2022	Increase (decrease)	
			Amount	Percentage (%)
Cash inflow (outflow) from	49,578	76,053	(26,475)	(34.81)
Cash inflow (outflow) from	6,734	78,616	(71,882)	(91.43)
Cash inflow (outflow) from	(58,770)	520,282	(579,052)	(111.30)
Analysis of material changes: (with a difference of NTD 10,000 thousand or more , or 20% or higher)				
1. Decrease in net cash inflow from operating activities: Mainly due to a decrease in cash inflow from net changes in assets and liabilities related to operating activities.				
2. Decrease in net cash inflow from investing activities: Mainly due to the recovery of loans from related parties in 2022 and the absence of lending in 2023.				
3. Net cash outflow from financing activities: Mainly due to the distribution of dividends from earnings in 2023 and the absence of such in 2022.				

(II) Improvement plan for lack of liquidity: The Company has no lack of liquidity.

#### (III) Cash liquidity analysis for the coming year (2024)

Unit: NTD thousand

Opening cash balance (1)	Estimated annual net cash inflow (outflow) from operating activities (2)	Estimated annual net cash inflow (outflow) from investing and financing activities (3)	Estimated cash surplus (deficit) (1)+(2)+(3)	Remedies for expected cash shortage	
				Investment plan	Wealth management plan
889,139	105,000	(110,000)	884,139	-	-
1. Analysis of cash flow changes					
(1) Operating activities: Net variable cash inflow, mainly due to the expected continuous growth of the operation scale.					
(2) Investing activities: Cash outflow, mainly due to the receipt of cash dividends from securities invested by the Company and an increase in the number of invested subsidiaries.					
(3) Financing activities: Mainly due to the distribution of cash dividends.					
2. Remedies for expected cash shortage: Not applicable					

### IV. Impact of material capital expenditures in the most recent year on finance and business:

The Company had no material capital expenditures in the most recent year, so there was no significant adverse impact on the Company's finance and business.

V. The investment policy in the most recent year, the main reason for gain or loss, any improvement plan, and the investment plan for the coming year

(I) Investment policy

The Company invests to meet operational needs. The companies we invested in include GadgeTek (Shanghai) Limited and ACER GADGET AMERICA INC. In the future, the Company will expand the scale of operations or establish subsidiaries at home and abroad, if needed.

The Company currently has the "Procedures for the Acquisition or Disposal of Assets" and the "Regulations Governing the Management of Subsidiaries" in place, and has implemented various management mechanisms to maximize the management performance of each invested business.

(2) The main reason for investment gain or loss and improvement plan

Unit: NTD thousand

Name of investee	Initial investment amount	Investment gains (losses) recognized in 2023	Main business activities	Main reason for gain or loss	Improvement plan
GadgeTek (Shanghai) Limited	15,368	19,711	Sale of computer peripherals	Good operating performance	None

(iv) Investment plan for the coming year:

The Company's short-term goal is to develop retail channels and focus on customer relationship management. We also hope to create a sales process and an overseas warehousing inventory management system. Our medium- and long-term development strategy is to improve the team's local business development capabilities, and look for new channel distributors for collaboration and merger in order to transform the Company into a local professional import service provider. After that, we will expand the scope of after-sales service based on the import trading business. In the future, we may set up subsidiaries at home and abroad or form a strategic alliance or integration to expand operations after assessment, and will continue to prudently assess investment plans based on market conditions and actual needs.

VI. Analysis and assessment of risks in the most recent year and up to the publication date of this annual report

(I) The impact of changes in interest rates, exchange rates and inflation on the Company's profit/loss, and future countermeasures

1. The impact of interest rate changes on the Company's profit/loss and future countermeasures

The Company is operated mainly using the funds thereof, with a low bank loan drawdown rate. Therefore, changes in interest rates have no impact on the profit/loss of the Company and the subsidiaries thereof.

2. The impact of exchange rate changes on the Company's profit/loss and future countermeasures

The Company is mainly engaged in domestic and foreign telecommunication value-added network services, the design, sale, and rental of computer software and hardware application systems, and the sale of innovative computer peripherals and smart home products. Our export sales are collected in the U.S. dollar. Part of our merchandise inventory is sourced from foreign suppliers, with payment made mainly in U.S. dollars. The Company made an exchange gain of NTD 9,485 thousand and NTD 4,088 thousand in 2022 and 2023, accounting for 0.57% and 0.20% of the operating revenue, respectively. In order to effectively respond to the business risks generated by exchange rate fluctuations, we maintain close contact with the foreign exchange departments of our banks to get foreign exchange market information in real time, which is used as important reference information for the management of foreign exchange positions and for providing quotations to customers and purchasing raw materials. Also, hedging instruments are used appropriately based on exchange rate fluctuations to reduce the risk caused by exchange rate changes.

### 3. The impact of inflation on the Company's profit/loss and future countermeasures

In 2023 and up to the publication date of this annual report, there has been no significant impact on the Company's profit/loss due to inflation. The Company will continue to monitor the price fluctuations of upstream raw materials, maintain good relationships with suppliers and customers, and flexibly adjust production and sales strategies to reduce the impact of inflation on the profit/loss of the Company and the subsidiaries thereof.

## (2) Policies on engaging in high-risk and high-leverage investments, loaning of funds to others, endorsements and guarantees, and derivative transactions, the main reasons for gain or loss, and future countermeasures

We have always focused on the development of our own business while upholding the principle of pragmatism for business management. Our financial policy has also been prudent and conservative, and we have not engaged in high-risk, high-leverage investments. The Company follows the "Operating Procedures for the Loaning of Funds to Others," "Operating Procedures for Endorsements and Guarantees," and "Procedures for the Acquisition or Disposal of Assets" when engaging in the loading of funds to others, the making of endorsements/guarantees, and financial derivative transactions. The Company has not engaged in high-risk, high-leverage investment or derivative trading in the most recent year and up to the publication date of this annual report.

## (III) Future R&D plans and expected R&D expenses

### 1. Device

This division's future development will focus on innovative accessories (e.g. ESG & Eco-friendly series) and sustainable green energy products (e.g. Acer Power Bar series and its accessories). To meet the demand for devices for people to return to their offices after the pandemic in the market, lifestyles and integrated functions that enhance productivity

become the main requirements for our products. We will continue to invest an estimate of 1.5%-2.5% of our operating revenue in research and development, make prudent investments based on the Company's operations, market trends, and national policies, make fund injections into research and development projects, and launch new technologies and services that meet the needs of customers and end users in a timely manner to expand the Company's operation scale and market share.

## 2. Apparel

In order to enhance the competitiveness of our bags, apparel, and suitcases, our will increase and gradually adjust the resource investment in product design, new material development and application, and new technology application.

## 3. E-Mobility

This division will continue to invest resources in AI and big data analysis projects, focusing on the analysis of cyclists' behavior patterns and road conditions. The results of the analysis can be fed back to product design to provide users with a better riding experience.

## (IV) The impact of important domestic and foreign policies and legal changes on the Company's finance and business, and countermeasures

The Company's daily operations are carried out in accordance with relevant domestic and foreign laws and regulations. We also constantly pay attention to important domestic and foreign policy development trends and regulatory changes, and collect relevant information for the management's reference, in order to respond to changes in the market environment and adopt appropriate responsive strategies. In the most recent year and up to the publication date of this annual report, there has been no material or adverse impact on the finance and business of the Company and the subsidiaries thereof due to changes in domestic and foreign laws.

(V) The impact of changes in technology (including cybersecurity risks) and industry changes on the Company's finance and business, and countermeasures

The Company has always paid close attention to the changes in the industry and technology, kept an eye on the industry's pulse and market information, collected relevant information on industry-related technology and trend changes at any time, and provided the information to the management as a reference for decision-making, so that it can quickly adjust the Company's operating strategy and formulate countermeasures. Technology and industry changes do not cause immediate and significant impacts on the Company's finance and business.

The Company has an independent computer room and leases an external IDC computer room for the management of important servers for operation. The Operation Support currently has 4 IT management personnel responsible for system maintenance and management and the maintenance and operation of networks, software, and hardware. In addition, at this stage, the Company leases office space from a related party, Acer, and enjoys services for network cabling, operation, and maintenance provided thereby. In summary, the Company has established a basic network and computer security protection system to control or maintain important functions such as R&D, operations, and finance and accounting. The information control cycle is regularly reviewed and evaluated to ensure its appropriateness and effectiveness, thereby enhancing cybersecurity and adaptability.

In the most recent year and up to the publication date of this annual report, there have been no changes in technology (including cybersecurity risks) or changes in the industry that caused significant impacts on the Company's business.

(VI) The impact of changes in corporate image on corporate crisis management and countermeasures

Since inception, the Company has been adhering to the core corporate values of integrity and fairness, reliability, innovation and development, and customer trust. We are committed to maintaining our corporate image and risk control, expanding business proactively, and complying with laws and regulations. Internally, we actively strengthen management and improve performance; externally, we maintain a good corporate image and enhance the quality of products and services. Up to the publication date of this annual report, there has been no change in our corporate image that would result in a crisis needing to be managed.

(VII) Expected benefits and possible risks of mergers and acquisitions, and countermeasures

In the most recent year and up to the publication date of this annual report, the Company has had no merger or acquisition activities. However, if there is any plan of mergers and acquisitions in the future, it will be executed in accordance with relevant laws and regulations and the relevant management regulations established by the Company to secure the interests of the Company and shareholders' rights.



(VIII) Expected benefits and possible risks of plant expansion, and countermeasures

In the most recent year and up to the publication date of this annual report, the Company has had no plan for plant expansion.

(IX) Risks associated with purchase or sales concentration, and countermeasures

The Company provides a variety of professional computer peripherals and software integration and development services. Our suppliers include world-renowned manufacturers with whom we have good interactions and long-term partnerships to ensure a stable source of supply and diversify procurement risks. In addition, the Company is still in the initial stage of business development. As a subsidiary of the listed company Acer, the Company designs products, formulates global product plans and strategies, and uses Acer Group's global resources for international market expansion. Despite sales concentration, there is no risk of sales concentration to a single customer. Hence, in spite of high customer sales concentration, we continue to improve our operational footprint, actively expand the scope of services in diversified industries, and engage with end customers. In the future, the Company plans to engage in design and OEM services for big international companies, and will gradually expand our sales channels to increase the possibility of selling our own products, which should reduce the material risk of a high proportion of sales to a single customer.

(X) The impact and risk to the Company in the event that a major quantity of shares belonging to a director, supervisor, or shareholder with a stake of more than 10% has been transferred or has otherwise changed hands, and countermeasures

In the most recent year and up to the publication date of this annual report, no major quantity of shares belonging to a director, supervisor, or shareholder with a stake of more than 10% in the Company has been transferred or has otherwise changed hands, which would cause significant impacts on the Group.

(XI) The impact and risk of changes in management rights to the Company, and countermeasures

In the most recent year and up to the publication date of this annual report, there has been no change in the Company's management rights.

(XII) Litigation and non-litigation events

1. If the Company has had any litigation, non-litigation or administrative litigation event for which a final judgment has been entered or that have still been in process in the most recent two years and up to the publication date of this annual report, and the result of which might have a significant impact on shareholders' equity or securities prices, the fact of litigation, amount involved, litigation commencement date, principal parties involved, and current status shall be disclosed: None.
2. The Company's directors, supervisors, President, de facto responsible person, major shareholders with a stake of more than 10%, and subsidiaries have had any litigation, non-litigation or administrative litigation event for which a final judgment has been

entered or that have still been in process in the most recent two years and up to the publication date of this annual report, and the result of which might have a significant impact on shareholders' equity or securities prices:

The Company's ultimate parent company, Acer, has had the following litigations in progress:

- (1) In the ordinary course of business, Acer receives from time to time notices of patent infringement claims or patent authorization requests from third parties. Although Acer does not expect the results of such claims (individually or collectively) to cause significant adverse impacts on its financial position or business status, dispute resolution solutions may affect Acer's operating results or cash flow in a specific period as legal proceeding results are difficult to predict.
- (2) Due to rapid changes in the international tax environment, Acer is faced with various tax challenges in many countries around the world, and tax authorities around the world have different opinions. In response to these, Acer has appropriately made relevant estimates for tax cases (including but not limited to on income tax, withholding tax, and business tax) that meet the conditions for recognizing provisions in accordance with relevant regulations. However, since tax issues are usually complex and take years to clarify, the results are difficult to predict, and the final results may affect Acer's operating results or cash flow in a specific period.

In summary, the above litigation events are all civil disputes derived from the corporate operation of Acer. After assessment, there should be no other material violations of the law or the principle of good faith, and the events have no significant impact on Acer's future operations and does not affect the finance and business of the Company. Thus, there has been no significant impact on the Company's shareholders' equity or securities prices.

3. Any of the circumstances set forth in Article 157 of the Securities and Exchange Act that has occurred to the Company's directors, supervisors, managers, and major shareholders with a stake of more than 10% in the most recent two years and up to the publication date of this annual report, and the Company's current handling thereof:
4. If the Company's directors, supervisors, managers, and major shareholders holding more than 10% of the Company's shares have had financial difficulties or loss of credit in the most recent two years and up to the publication date of this annual report, the impact thereof on the Company's financial position shall be specified: None.

#### (XIII) Other important risks and countermeasures

##### (1) Device

###### A. Impact of the global political and economic situation

The increasing uncertainties of the global political and economic situation, such as the trade war between China and the U.S., the Russo-Ukrainian War, and global inflation,

have all caused instability in the economy and made it more difficult for enterprises to operate. They have also caused a huge impact on the market structure and shipping volume and time.

Countermeasures:

The Device has diversified product lines. It flexibly adjusts the proportion of these product lines and makes effective consolidation and transportation adjustments through logistics partners. In addition, the Company will always pay attention to the changes in the COVID-19 pandemic and international conditions, and increase the cash level in timely response to economic risks. Our finance and sales personnel regularly and irregularly review the recovery of receivables, and effectively adjust and control inventory according to customer needs and raw material supply to improve operation and management performance.

#### B. Risks associated with changes in the demand for consumer electronic products

With the continuous development of the electronic product market, the transformation of the consumer market, and the introduction of new electronic products, the demand for consumer electronics depends on the preferences of consumers and the strategies of governments, and products must be designed in line with market trends. The relevant measures of government departments also affect the sales and demand of consumer electronics.

Countermeasures:

The R&D and sales personnel of the Company will keep an eye on market need changes in order to grasp opportunities early, and actively look for various business opportunities to develop products that better fit market needs and use leading technology, so as to reduce risks from changes in the needs for consumer electronics. Meanwhile, they will also pay attention to relevant government policy changes to mitigate the unfavorable impact of changed government policies.

### (2) Apparel

- A. Inflation prolongs the purchase cycle of consumer products or reduces the amount consumers are willing to pay for consumer products: Maintaining a balance between products of different price ranges while ensuring a certain level of quality, and investing resources in aspects that consumers value to improve product attractiveness and, in the medium term, expand the circular economy operation plan.
- B. Changes to tariff agreements between countries: Ensuring the diversity of countries where the Company's OEM plants are located based on the premise that quality is guaranteed in order to adjust the supply chain network in a timely manner.
- C. Rising freight costs or longer transit time: Coordinating with distributors in countries to appropriately accumulate inventory in order to reduce possible losses that may be caused by rush orders, and continuing to develop local production lines to reduce the proportion of freight costs in total costs.
- D. Improper management of restricted substances (RSL) in the upstream supply chain: Working with internal and external quality supervision and testing bodies to

implement internal quality control procedures and standards and ensure the safety of supplied materials.

E. Lack of R&D and design capacities cannot support the product competitiveness required for business growth: Continuously investing in R&D and design to ensure innovation momentum within the Company.

F. A brain drain hinders operations and business promotion: Providing a stage for competent employees with potential to develop, ensuring smooth communication and flexible job rotation, and offering an employee stock subscription plan to share with all employees growth dividends that the Company enjoys.

### (3) E-Mobility

A. COVID-19 has caused imbalance in the supply chain, and distribution channels are still depleting existing inventory.

Countermeasure: Developing differentiated products to assist channels in attracting consumers and stimulating consumption.

B. Geopolitics and wars have resulted in an uncertain global economic outlook, and inflation has also affected consumers' disposable income and consumer confidence.

Countermeasure: Creating high-end differentiated products for customer groups that are less affected by inflation in the early stage, keeping investing in brand exposure, and developing high cost-performance ratio products to enter the mass market.

## VII. Other important matters: Information security risk assessment and analysis, countermeasures, and other important risk assessment matters.

In order to strengthen the information security management of the Company and the subsidiaries thereof, establish a safe and reliable information system, ensure the security of data, systems, equipment and networks, enhance the awareness of information security among employees, protect rights and interests, and comply with relevant information security regulations, the Company has implemented an information security management mechanism and risk assessment:

1. Our internal control system has a “cybersecurity review” in place, and its effectiveness is regularly reviewed.
2. The Company leases office space from a related party, Acer, and enjoys services for network cabling, operation, and maintenance provided thereby. In addition, the Operation Support currently has 4 IT management personnel, and the Company’s Chief Information Security Officer, together with the lessor Acer, conducts annual information security inspections.
3. We strengthen the awareness of information security among employees, regularly communicate the importance of information security, and strictly manage the use, security, and maintenance of data.
4. The Company has established a "data backup mechanism" and a "disaster recovery plan" to enable smooth business recovery as quickly as possible and reduce possible losses and risks in the event of information system damage, thereby ensuring the normal operation of the information system and data preservation and reducing the risk of system interruption caused

by unexpected natural disasters and human negligence.

5. To ensure information system security, data access shall be subject to appropriate authorization, and the authorization shall be checked regularly to prevent the risk of leakage of confidential information.

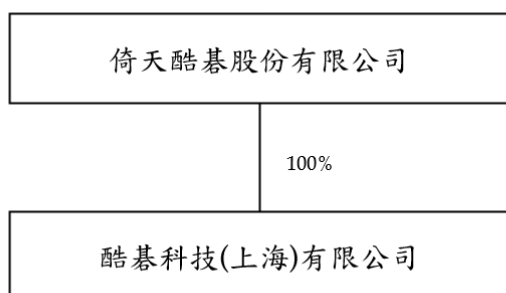
## Eight. Special Notes

### I. Information on Affiliates:

#### (I) Consolidated business report of affiliates

##### 1. Affiliates' organizational structure:

Date: December 31, 2023



##### 2. Affiliate profile

December 31, 2023. Unit: thousand shares, NTD thousand

Affiliate name	Relationship	Shares held by the Company in the affiliate			Basic information			
		Number of shares	Amount invested	Shareholding ratio	Date of establishment	Address	Paid-up capital	Main business
GadgeTek (Shanghai) Limited	Subsidiary	Not applicable (Note 1)	15,368 (USD 500) (Note 2)	100%	July 3, 2019	China	64,766	Sale of computer peripherals

Note 1: No registered share capital

Note 2: Converted based on the exchange rate USD:NTD = 1:30.735 on December 31, 2023

##### 3. Information on shareholders shared by affiliates presumed to have a relationship of control and subordination: None.

##### 4. Operational overview of each affiliate

December 31, 2023. Unit: NTD thousand

Affiliate name	Value of total assets	Value of total liabilities	Net worth	Operating revenue	Operating profit	Current profit and loss (after tax)	Earnings per share (NTD) (after tax)
GadgeTek (Shanghai) Limited	62,492	15,909	64,766	203,507	13,052	19,711	N.A.

##### 5. Information on the directors, supervisors, and presidents of affiliates

December 31, 2023. Unit: shares; %

Affiliate name	Job title	Name or representative	Number of shares	Shareholding
GadgeTek (Shanghai) Limited	Director	Jen-Yang Chen	NA	100
	Supervisor	Yu-Ling Chen		

- II. For the private placement of securities in the most recent year and up to the publication date of this annual report, the date of the resolution and the amount resolved by the shareholders' meeting or the Board of Directors; the basis for setting the price and the reasonableness thereof; the specific person selected; the reasons for conducting the private placement; the targets of the private placement and their qualification requirements, subscription quantity, relationship with the Company, and participation in the management of the Company; actual subscription (or conversion) price and any difference between the actual subscription (or conversion) price and the reference price; the impact of the private placement on shareholders' equity; and the utilization of funds, plan implementation progress, and plan benefit realization from the time the share payments or proceeds was received in full to the completion of the fund utilization plan: None.
- III. Holding or disposal of the Company's shares by subsidiaries in the most recent year and up to the publication date of this annual report: None.
- IV. Other information to be disclosed: None.
- V. Matters with a significant impact on shareholders' equity or securities prices as set forth in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act in the most recent year and up to the publication date of this annual report: None.



## Appendix I

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### 2023 Consolidated Financial Statements and Independent Auditor's Report



**ACER GADGET INC. AND SUBSIDIARIES****Consolidated Financial Statements****With Independent Auditors' Report****For the Years Ended December 31, 2023 and 2022**

Address: 7F-5, No. 369, Fuxing N. Rd., Songshan Dist., Taipei City, Taiwan  
Telephone: 886-2-2696-0296

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

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## **Representation Letter**

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

Hereby declare

Acer Gadget Inc.  
Jerry Kao  
Chairman  
March 12, 2024



安侯建業聯合會計師事務所  
KPMG

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## Independent Auditors' Report

To the Board of Directors Acer Gadget Inc.:

### Opinion

We have audited the consolidated financial statements of Acer Gadget Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Acer Gadget Inc. and its subsidiaries as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and 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 Acer Gadget Inc. 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.

### Key Audit Matters

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.

Key audit matters for Acer Gadget Inc. and its subsidiaries' consolidated financial statements for the year ended December 31, 2023 are stated as follows:

1. Revenue recognition

Refer to Note 4(o) for the accounting policies on revenue recognition and Note 6(p) for related disclosures of revenue recognition, respectively, to the consolidated financial statements.

Description of key audit matter:

Acer Gadget Inc. and its subsidiaries deal with customers located in different geographic areas worldwide and have various trade terms with customers. Revenue is recognized at the timing of transferring control of goods to customers, which is identified based on each individual sale transaction and trade term. Therefore, revenue recognition has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures including, among others, testing Acer Gadget Inc. and its subsidiaries' internal controls over financial reporting in the sales and collection cycle; ensuring the correctness of the timing of revenue recognition through understanding of trade terms between Acer Gadget Inc. and its subsidiaries and their customers as well as performing a sample test of related transaction documents; performing analysis of revenue fluctuation of major customers and performing a sample test on sales transactions that took place before and after the balance sheet date to assess the accuracy of the timing of revenue recognition.

2. Valuation of inventories

Refer to Note 4(h) for the accounting policies on inventory valuation, Note 5(a) for the uncertainty of accounting estimations and assumptions for inventory valuation and Note 6(d) for the details of the write-down of inventories, respectively, to the consolidated financial statements.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the fierce market competition of innovative computer peripherals and smart life consumer products, Acer Gadget Inc. and its subsidiaries' product price may fluctuate rapidly. Furthermore, the stocks for products may not meet customers' demands thus becoming obsolete. These factors expose Acer Gadget Inc. and its subsidiaries to significant level of uncertainty particularly in the area of estimating net realizable value, which is subject to management's judgments. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain audit procedures including, among others, evaluating whether valuation of inventories was accounted for in accordance with Acer Gadget Inc. and its subsidiaries' accounting policies; obtaining the inventory aging report, analyzing the fluctuation of inventory aging and selecting samples to verify the accuracy of inventory aging classification; and testing the net realizable value of inventories to evaluate the reasonableness of inventory provisions.

**Other Matter**

Acer Gadget Inc. 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 unmodified audit opinion and unmodified opinion with emphasis of matter paragraph, respectively.

## **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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC, and 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 Acer Gadget Inc. 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 Acer Gadget Inc. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing Acer Gadget Inc. and its subsidiaries' 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 auditors' 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. Identify and assess 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. Obtain 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 Acer Gadget Inc. and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude 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 Acer Gadget Inc. 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 Acer Gadget Inc. and its subsidiaries to cease to continue as a going concern.

5. Evaluate 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. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Acer Gadget Inc. and its subsidiaries 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 communicate 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 identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate 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 determine 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 Kao, Ching-Wen and Tang, Chia-Chien.

KPMG

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

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**ACER GADGET INC. AND SUBSIDIARIES****Consolidated 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>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>			<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Assets</b>						<b>Liabilities and Equity</b>					
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 889,139	48	893,125	59	2130	Contract liabilities — current (note 6(p))	\$ 41,566	2	39,713	3
1170	Accounts receivable, net (notes 6(c) and (p))	80,593	4	48,911	3	2170	Accounts payable	384,107	22	291,475	19
1181	Accounts receivable from related parties (notes 6(c), (p) and 7)	357,660	19	255,115	17	2180	Accounts payable to related parties (note 7)	20,842	1	1,353	-
1200	Other receivables	1,241	-	1,216	-	2209	Other payables (note 6(q))	82,815	5	92,813	6
1210	Other receivables from related parties (note 7)	-	-	929	-	2220	Other payables to related parties (note 7)	6,422	-	11,714	1
130X	Inventories (note 6(d))	102,964	6	106,942	7	2230	Current income tax liabilities	4,917	-	7,961	-
1479	Prepayments and other current assets	65,945	4	19,248	1	2250	Provisions — current (note 6(i))	7,802	-	11,230	1
	<b>Total current assets</b>	<u>1,497,542</u>	<u>81</u>	<u>1,325,486</u>	<u>87</u>	2280	Lease liabilities — current (notes 6(h) and 7)	3,165	-	1,208	-
<b>Non-current assets:</b>						2365	Refund liabilities — current (note 7)	14,258	1	6,528	-
1517	Financial assets measured at fair value through other comprehensive income — non-current (note 6(b))	281,591	15	124,240	8	2399	Other current liabilities	1,092	-	1,059	-
1600	Property, plant and equipment (note 6(e))	505	-	709	-		<b>Total current liabilities</b>	<u>566,986</u>	<u>31</u>	<u>465,054</u>	<u>30</u>
1755	Right-of-use assets (note 6(f))	3,567	-	1,199	-		<b>Non-current liabilities:</b>				
1760	Investment property (note 6(g))	6,315	-	6,446	1	2527	Contract liabilities — non-current (note 6(p))	730	-	998	-
1780	Intangible assets (note 7)	1,906	-	2,471	-	2570	Deferred income tax liabilities (note 6(l))	17,479	1	13,123	1
1840	Deferred income tax assets (note 6(l))	19,617	1	21,051	1	2580	Lease liabilities — non-current (notes 6(h) and 7)	427	-	-	-
1975	Net defined benefit assets (note 6(k))	46,887	3	45,913	3	2645	Guarantee deposits received	1,500	-	1,500	-
1980	Refundable deposits (note 8)	1,801	-	1,856	-		<b>Total non-current liabilities</b>	<u>20,136</u>	<u>1</u>	<u>15,621</u>	<u>1</u>
1990	Other non-current assets	987	-	1,330	-		<b>Total liabilities</b>	<u>587,122</u>	<u>32</u>	<u>480,675</u>	<u>31</u>
	<b>Total non-current assets</b>	<u>363,176</u>	<u>19</u>	<u>205,215</u>	<u>13</u>		<b>Equity (note 6(m)):</b>				
						3110	Common stock	618,600	33	600,000	39
						3200	Capital surplus	422,373	23	413,737	27
							Retained earnings:				
						3310	Legal reserve	67,318	4	53,985	4
						3320	Special reserve	39,259	2	-	-
						3350	Retained earnings	121,263	6	133,344	9
							Total retained earnings	227,840	12	187,329	13
						3400	Other equity	4,783	-	(151,040)	(10)
							<b>Total equity</b>	<u>1,273,596</u>	<u>68</u>	<u>1,050,026</u>	<u>69</u>
	<b>Total assets</b>	<u>\$ 1,860,718</u>	<u>100</u>	<u>1,530,701</u>	<u>100</u>		<b>Total liabilities and equity</b>	<u>\$ 1,860,718</u>	<u>100</u>	<u>1,530,701</u>	<u>100</u>

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**ACER GADGET INC. 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>
4000	<b>Net revenue (notes 6(p), 7 and 14)</b>	\$ 2,085,866	100	1,662,340	100
5000	<b>Cost of revenue (notes 6(d), (i), 7 and 12)</b>	(1,760,547)	(84)	(1,402,799)	(84)
	<b>Gross profit</b>	325,319	16	259,541	16
	<b>Operating expenses (notes 6(c), (e), (f), (g), (h), (k), (n), (q), 7 and 12):</b>				
6100	Selling expenses	(83,839)	(4)	(67,782)	(4)
6200	Administrative expenses	(71,337)	(4)	(51,918)	(3)
6300	Research and development expenses	(62,109)	(3)	(45,630)	(3)
6450	Expected credit loss	(23)	-	(284)	-
	<b>Total operating expenses</b>	(217,308)	(11)	(165,614)	(10)
	<b>Operating income</b>	108,011	5	93,927	6
	<b>Non-operating income and loss (notes 6(h), (j), (r) and 7):</b>				
7100	Interest income	10,419	1	2,538	-
7190	Other income	8,251	-	12,466	1
7020	Other gains and losses	4,478	-	11,782	-
7050	Finance costs	(80)	-	(40)	-
	<b>Total non-operating income and loss</b>	23,068	1	26,746	1
	<b>Income before income tax</b>	131,079	6	120,673	7
7950	<b>Income tax benefit (expense) (note 6(l))</b>	(9,816)	-	14,639	1
	<b>Net income</b>	121,263	6	135,312	8
	<b>Other comprehensive income (loss) (note 6(m)):</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>				
8311	Remeasurements of defined benefit plans	-	-	4,794	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	157,351	7	(43,924)	(2)
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	-	-	(959)	-
	<b>Total items that will not be reclassified subsequently to profit or loss</b>	157,351	7	(40,089)	(2)
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign operations	(1,528)	-	830	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
	<b>Total items that may be reclassified subsequently to profit or loss</b>	(1,528)	-	830	-
	<b>Other comprehensive income (loss), net of income tax</b>	155,823	7	(39,259)	(2)
	<b>Total comprehensive income for the year</b>	<u>\$ 277,086</u>	<u>13</u>	<u>96,053</u>	<u>6</u>
	<b>Net income attributable to:</b>				
8610	Shareholders of the Parent	\$ 121,263	6	133,344	8
8615	Former owner of organizational restructuring under common control	-	-	1,968	-
		<u>\$ 121,263</u>	<u>6</u>	<u>135,312</u>	<u>8</u>
	<b>Total comprehensive income attributable to:</b>				
8710	Shareholders of the Parent	\$ 277,086	13	94,085	6
8715	Former owner of organizational restructuring under common control	-	-	1,968	-
		<u>\$ 277,086</u>	<u>13</u>	<u>96,053</u>	<u>6</u>
	<b>Earnings per share (in New Taiwan dollars) (note 6(o)):</b>				
9750	<b>Basic earnings per share</b>				
	Shareholders of the Parent	\$	1.98		3.00
	Former owner of organizational restructuring under common control	-			0.04
	<b>Basic earnings per share</b>	<u>\$ 1.98</u>		<u>3.04</u>	
	<b>Diluted earnings per share</b>				
	Shareholders of the Parent	\$	1.97		2.95
9850	Former owner of organizational restructuring under common control	-			0.04
	<b>Diluted earnings per share</b>	<u>\$ 1.97</u>		<u>2.99</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

## ACER GADGET INC. AND SUBSIDIARIES

## Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Parent												Equity attributable to former owner of organizational restructuring under common control	Total equity
	Retained earnings						Other equity							
	Common stock	Capital surplus	Legal reserve	Special reserve	Retained earnings (accumulated deficit)	Total	Foreign currency translation differences	Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total equity attributable to shareholders of the Parent			
Balance at January 1, 2022	\$ 125,397	348,324	143,269	-	(89,284)	53,985	(201)	(106,444)	(5,136)	(111,781)	415,925	14,236	430,161	
Net income in 2022	-	-	-	-	133,344	133,344	-	-	-	-	133,344	1,968	135,312	
Other comprehensive income (loss) in 2022	-	-	-	-	-	-	830	(43,924)	3,835	(39,259)	(39,259)	-	(39,259)	
Total comprehensive income (loss) in 2022	-	-	-	-	133,344	133,344	830	(43,924)	3,835	(39,259)	94,085	1,968	96,053	
Appropriation of earnings:														
Legal reserve used to offset accumulated deficits	-	-	(89,284)	-	89,284	-	-	-	-	-	-	-	-	
Capital surplus transferred to common stock	174,603	(174,603)	-	-	-	-	-	-	-	-	-	-	-	
Capital increase by cash	300,000	240,000	-	-	-	-	-	-	-	-	540,000	-	540,000	
Organizational restructuring under common control	-	-	-	-	-	-	-	-	-	-	-	(16,204)	(16,204)	
Share-based compensation cost	-	16	-	-	-	-	-	-	-	-	16	-	16	
Balance at December 31, 2022	600,000	413,737	53,985	-	133,344	187,329	629	(150,368)	(1,301)	(151,040)	1,050,026	-	1,050,026	
Net income in 2023	-	-	-	-	121,263	121,263	-	-	-	-	121,263	-	121,263	
Other comprehensive income (loss) in 2023	-	-	-	-	-	-	(1,528)	157,351	-	155,823	155,823	-	155,823	
Total comprehensive income (loss) in 2023	-	-	-	-	121,263	121,263	(1,528)	157,351	-	155,823	277,086	-	277,086	
Appropriation of earnings:														
Legal reserve	-	-	13,333	-	(13,333)	-	-	-	-	-	-	-	-	
Special reserve	-	-	-	39,259	(39,259)	-	-	-	-	-	-	-	-	
Cash dividends distributed to shareholders	-	-	-	-	(80,752)	(80,752)	-	-	-	-	(80,752)	-	(80,752)	
Share-based compensation cost	-	124	-	-	-	-	-	-	-	-	124	-	124	
Cash distributed from capital surplus	-	(18,248)	-	-	-	-	-	-	-	-	(18,248)	-	(18,248)	
Capital increase by cash	18,600	26,760	-	-	-	-	-	-	-	-	45,360	-	45,360	
Balance at December 31, 2023	\$ 618,600	422,373	67,318	39,259	121,263	227,840	(899)	6,983	(1,301)	4,783	1,273,596	-	1,273,596	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**ACER GADGET INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ <u>131,079</u>	<u>120,673</u>
<b>Adjustments:</b>		
Adjustments to reconcile profit or loss:		
Interest income	(10,419)	(2,538)
Depreciation	5,667	3,916
Amortization	665	164
Expected credit loss	23	284
Interest expense	80	40
Dividend income	(6,965)	(10,629)
Share-based compensation cost	124	16
Loss on disposal of property, plant and equipment	<u>-</u>	<u>32</u>
Total adjustments for profit or loss	<u>(10,825)</u>	<u>(8,715)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	(31,705)	76,441
Accounts receivables from related parties	(102,545)	(60,479)
Other receivables	(25)	(203)
Other receivables from related parties	929	245
Inventories	3,978	(10,804)
Prepayments and other assets	(45,535)	(6,295)
Net defined benefit assets	<u>(974)</u>	<u>(1,572)</u>
Total changes in operating assets	<u>(175,877)</u>	<u>(2,667)</u>
Changes in operating liabilities:		
Accounts payable	92,632	31,433
Accounts payable to related parties	19,489	(10,470)
Other payables	(9,998)	(28,899)
Other payables to related parties	(5,292)	(13,409)
Refund liabilities	7,730	(5,854)
Contract liabilities	1,585	(8,475)
Other current liabilities	33	(1,836)
Provisions	<u>(3,428)</u>	<u>3,916</u>
Total changes in operating liabilities	<u>102,751</u>	<u>(33,594)</u>
Total changes in operating assets and liabilities	<u>(73,126)</u>	<u>(36,261)</u>
Cash provided by operations	47,128	75,697
Interest received	10,419	2,538
Interest paid	(80)	(40)
Income taxes paid	<u>(7,889)</u>	<u>(2,142)</u>
<b>Net cash flows provided by operating activities</b>	<u>49,578</u>	<u>76,053</u>

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**ACER GADGET INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows (Continued)****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from investing activities:</b>		
Additions to property, plant and equipment	(186)	(279)
Decrease in refundable deposits	55	699
Decrease in other receivables from related parties	-	70,000
Additions to intangible assets	(100)	(2,433)
Dividends received	<u>6,965</u>	<u>10,629</u>
<b>Net cash flows provided by investing activities</b>	<u>6,734</u>	<u>78,616</u>
<b>Cash flows from financing activities:</b>		
Decrease in guarantee deposits received	-	(46)
Payment of lease liabilities	(5,130)	(3,468)
Cash dividends distributed to shareholders	(99,000)	-
Capital increase by cash	45,360	540,000
Organizational restructuring under common control	<u>-</u>	<u>(16,204)</u>
<b>Net cash flows provided by (used in) financing activities</b>	<u>(58,770)</u>	<u>520,282</u>
<b>Effect of exchange rate changes</b>	<u>(1,528)</u>	<u>830</u>
<b>Increase (decrease) in cash and cash equivalents</b>	(3,986)	675,781
<b>Cash and cash equivalents at beginning of year</b>	<u>893,125</u>	<u>217,344</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 889,139</u></u>	<u><u>893,125</u></u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**ACER GADGET INC. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**1. Organization and business**

Acer Gadget Inc. (the “Company”, formerly E-TEN Information Systems Co., Ltd.) was incorporated on March 27, 1986, as a company limited by shares under the Company Act of the Republic of China (“R.O.C.”). The Company merged with GadgeTek Inc. (“GadgeTek”), one of the subsidiaries of Acer Incorporated (“Acer”), through the issuance of new shares, with the merger date set on June 1, 2021. After the merger, the Company became the sole surviving entity and GadgeTek became the dissolved company. The address of the Company’s registered office is 7F-5, No. 369, Fuxing N. Rd., Songshan Dist., Taipei City, Taiwan.

The Company acquired gaming peripherals business from Acer Gaming Inc. (“Acer Gaming”), one of the subsidiaries of Acer, on March 17, 2022. The aforementioned transaction is an organizational restructuring under common control. Refer to note 7(c) for the related information.

The Company and its subsidiaries (the “Group”) are primarily engaged in telecommunication value-added internet business, design, sales and leasing of computer hardware and software application system and sales of innovative computer peripherals and smart life consumer products.

**2. Authorization of the consolidated financial statements**

These consolidated financial statements were authorized for issuance by the Board of Directors on March 12, 2024.

**3. Application of new and revised accounting standards and interpretations**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

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

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) The impact of IFRS endorsed by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

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

**4. Summary of material accounting policies**

The material accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies have been applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

The Group’s accompanying consolidated financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (the “Regulations”) and the IFRSs, IASs, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (collectively as “Taiwan-IFRSs”).

(b) Basis of preparation

(i) Basis of measurement

The accompanying consolidated financial statements have been prepared on a historical cost basis except for the following items:

- 1) Financial assets measured at fair value through other comprehensive income; and
- 2) Net defined benefit asset (liability) measured at present value of defined benefit obligation less the fair value of plan assets.

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(iii) Organizational restructuring under common control

The Company acquired gaming peripherals business from Acer Gaming Inc., one of the subsidiaries of its parent company, Acer, on March 17, 2022. In accordance with the Interpretations (2012) No. 301 and Comments on IFRS for Business Combination under Common Control issued by Accounting Research and Development Foundation on October 26, 2018, the transaction is accounted for using book value method and the prior period comparative information in the financial statements is restated as if the organization restricting under common control had already occurred before the beginning of the period. Equity attributable to former owner of organizational restructuring under common control was recognized in "equity attributable to former owner of organizational restructuring under common control" in the consolidated financial statements. Profit or loss attributable to former owner of organizational restructuring under common control was recognized in "income attributable to former owner of organizational restructuring under common control" in the consolidated statements of comprehensive income.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The accompanying consolidated financial statements incorporate the financial statements of the Company and its controlled entities (the subsidiaries) in which the Company has power over the investee to lead the financial and operating policy and earns returns from its involvement.

When necessary, financial statements of subsidiaries are adjusted to align the accounting policies with those adopted by the Company.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date on which control ceases. All inter-company balances, transactions, and resulting unrealized income and loss are eliminated on consolidation. Total comprehensive income (loss) of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (ii) List of subsidiaries included in the consolidated financial statements

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership		Note
			December 31, 2023	December 31, 2022	
The Company	GADGETEK (SHANGHAI) LIMITED ("GCN")	Sale of 3C peripherals	100.00 %	100.00 %	-
The Company	ACER GADGET AMERICA INC. ("AGA")	Sale of 3C peripherals	100.00 %	-	Note 1

Note 1: AGA was established in November 2023 while the capital injection was in 2024.

- (iii) List of subsidiaries which are not included in the consolidated financial statements: None.

- (d) Foreign currency

- (i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period ("the reporting date"), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

- (ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into the presentation currency of the Group's consolidated financial statements at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated into the presentation currency of the Group's consolidated financial statements at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the accumulated exchange differences related to that foreign operation is reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary, the proportionate share of accumulated exchange differences is reclassified to non-controlling interests. For a partial disposal of the Group's ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

(Continued)



**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, the monetary item is, in substance, a part of net investment in that foreign operation, and the related foreign exchange gains and losses thereon are recognized as other comprehensive income.

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

An asset is classified as current when one of the following criteria is met; all other assets are classified as non-current assets:

- (i) It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when one of the following criteria is met; all other liabilities are classified as non-current liabilities:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash consists of cash on hand, checking deposits and demand deposits. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the aforesaid criteria and are not held for investing purposes are also classified as cash equivalents.

(g) Financial instruments

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

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost and fair value through other comprehensive income (FVOCI). All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

Subsequent to initial recognition, these assets are measured at amortized cost, using the effective interest method less impairment loss. Interest income, foreign exchange gains and losses, and recognition of impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

Financial assets measured at fair value through other comprehensive income are subsequently measured at fair value. Foreign exchange gains and losses, interest income calculated using the effective interest method, impairment loss and dividends income (unless the dividend clearly represents a recovery of part of the cost of the investment) are recognized in profit or loss. Other changes are recognized in other comprehensive income and accumulated in other equity as unrealized gain (loss) from financial assets measured at fair value through other comprehensive income. On derecognition for debt investments, gains and losses accumulated in equity are reclassified to profit or loss. On derecognition for equity investments, gains and losses accumulated in equity are reclassified to retain earnings and are never reclassified to profit or loss.

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Dividend income derived from equity investments is recognized on the date that the Group's right to receive the dividends is established (usually the ex-dividend date).

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses ("ECL") on financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties) and refundable deposits).

The Group measures loss allowances for accounts receivable and other financial assets at an amount equal to lifetime ECL, except for the following financial assets which are measured using 12-month ECL:

- bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

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

- significant financial difficulty of the borrower;
- a breach of contract such as a default or being more than 180 days past due;

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- the Group, for economic or contractual reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the Group would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

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

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

4) Derecognition of financial assets

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

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

(ii) Financial liabilities

1) Equity instruments

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

2) Financial liabilities

Financial liabilities are classified as measured at amortized cost and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

4) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted-average method, and includes all necessary expenditure incurred in bringing them to the location and condition ready for sale. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and selling expenses.

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is calculated on the cost of assets less their residual values and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life.

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Land is not depreciated. The estimated useful lives of property, plant and equipment are as follows: machinery and equipment: 5 years; furniture and fixtures: 3 years; leasehold improvements: 3 to 5 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. The methods for depreciating and determining the useful life and residual value of investment property are the same as those adopted for property, plant and equipment.

Rental income from investment property is recognized as other operating income and expenses on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

An investment property is reclassified to property, plant and equipment at its carrying amount when the purpose of the investment property has been changed from investment to owner-occupied.

(k) Intangible assets

Intangible assets are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is using straight-line method over the following estimated useful lives: acquired software: 1 to 3 years; patents: 5 years; trademarks: 10 years.

The residual value, amortization period, and amortization method are reviewed at least at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

(l) Leases

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

(i) As a lessee

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

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

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**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of the Group's assessment on whether it will exercise an option to purchase the underlying asset; or
- there is a change in the lease term resulting from a change of the Group's assessment on whether it will exercise an extension or termination option; or
- there is any lease modification in lease subject, scope of the lease or other terms.

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

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

The Group presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the consolidated balance sheets.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) As a lessor

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

For operating lease, the Group recognizes rental income on a straight-line basis over the lease term.

(m) Impairment of non-financial assets

The Group assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets (other than inventories and deferred income tax assets) may be impaired. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually or when there are indications of impairment.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. Goodwill arising from a business combination is allocated to cash-generating units ("CGUs") or groups of CGUs that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(n) Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A provision for warranties is recognized when the underlying products or services are sold. This provision reflects the historical warranty claim rate and the weighting of all possible outcomes against their associated probabilities.

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**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(o) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

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

The Group recognizes revenue based on the price specified in the contract, net of the estimated volume discounts and rebates. Accumulated experience is used to estimate the discounts and rebates using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognized for expected sales discounts and rebate payable to customers in relation to sales made until the end of the reporting period.

The Group's obligation to provide a refund for faulty goods under the standard warranty terms is recognized as a provision for warranty.

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

(ii) Financing components

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

(p) Government grants

A government grant is recognized in profit or loss only when there is reasonable assurance that the Group will comply with the conditions associated with the grant and that the grant will be received. A government grant is recognized in profit or loss in the period in which it becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group without future related costs.

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**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed during the year in which employees render services.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The discount rate for calculating the present value of the defined benefit obligation refers to the interest rate of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method.

When the benefits of a plan are improved, the expenses related to the increased obligations resulting from the services rendered by employees in the past years are recognized in profit or loss immediately.

The remeasurements of the net defined benefit liability (asset) comprise 1) actuarial gains and losses; 2) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and 3) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). The remeasurements of the net defined benefit liability (asset) are recognized in other comprehensive income and reflected in other equity.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to make such payments as a result of past service provided by the employees, and the obligation can be estimated reliably.

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**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

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

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities at the reporting date and their respective tax base. Deferred taxes are not recognized for:

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction 1) affects neither accounting nor taxable profits (losses) and 2) does not give rise to equal taxable and deductible temporary differences;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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

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

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(s) Earnings per share (“EPS”)

The basic and diluted EPS attributable to stockholders of the Parent are disclosed in the consolidated financial statements. Basic EPS is calculated by dividing net income attributable to stockholders of the Parent by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to stockholders of the Parent and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Group’s dilutive potential common shares include profit sharing for employees to be settled in the form of common stock.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group’s chief operating decision maker to make decisions on the allocation of resources to the segment and to assess its performance. Each operating segment consists of standalone financial information.

**5. Critical accounting judgments and key sources of estimation and assumption uncertainty**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in the future periods affected.

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

(a) Valuation of inventories

As inventories are measured at the lower of cost or net realizable value, the Group estimates the net realizable value of inventory at the reporting date, taking obsolescence and unmarketable items into account, and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a time horizon, which could result in significant adjustments. Refer to note 6(d) for further description of inventory write-downs.

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**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**6. Significant account disclosures**

(a) Cash and cash equivalents

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Demand deposits and checking accounts	\$ 127,669	543,125
Time deposits with original maturities less than three months	761,470	350,000
	<b><u>\$ 889,139</u></b>	<b><u>893,125</u></b>

(b) Financial assets measured at fair value through other comprehensive income — non-current

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Equity investments measured at fair value through other comprehensive income:		
Domestic listed stock	<b><u>\$ 281,591</u></b>	<b><u>124,240</u></b>

The Group designated the above investments as financial assets measured at fair value through other comprehensive income as these equity instruments are held for long-term strategic purposes and not for trading. For the years ended December 31, 2023 and 2022, no strategic investments were disposed.

(c) Accounts receivable, net (measured at amortized cost)

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Accounts receivable	\$ 81,799	50,094
Accounts receivable from related parties	357,660	255,115
	439,459	305,209
Less: loss allowance	(1,206)	(1,183)
	<b><u>\$ 438,253</u></b>	<b><u>304,026</u></b>

The Group applies the simplified approach to provide for its expected credit losses, i.e., the use of lifetime expected loss provision for all receivables. Forward-looking information is taken into consideration as well. Analysis of expected credit losses on accounts receivable was as follows:

	<b>December 31, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
Current	\$ 78,196	0.00%	-
Past due 1-30 days	349	0.00%	-
Past due 31-60 days	1,787	0.00%	-
Past due 151-180 days	284	8.10%	(23)
Past due 181 days or over	1,183	100.00%	(1,183)
	<b><u>\$ 81,799</u></b>		<b><u>(1,206)</u></b>

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**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
Current	\$ 47,948	0.00%	-
Past due 1-30 days	50	0.00%	-
Past due 61-90 days	877	0.00%	-
Past due 91-120 days	36	0.00%	-
Past due 181 days or over	1,183	100%	(1,183)
	<b><u>\$ 50,094</u></b>		<b><u>(1,183)</u></b>

As of December 31, 2023 and 2022, no expected credit losses were provided for accounts receivable from related parties after management's assessment. Analysis of expected credit losses on accounts receivable from related parties was as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current	\$ 309,261	174,783
Past due 1-30 days	47,189	80,170
Past due 31-60 days	-	162
Past due 61-90 days	1,210	-
	<b><u>\$ 357,660</u></b>	<b><u>255,115</u></b>

Movements of the allowance for accounts receivable were as follows:

	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 1,183	1,273
Impairment losses recognized	23	284
Write-off	-	(374)
Balance at December 31	<b><u>\$ 1,206</u></b>	<b><u>1,183</u></b>

(d) Inventories

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Raw materials	\$ 2,399	14,299
Merchandise and finished goods	100,565	92,643
	<b><u>\$ 102,964</u></b>	<b><u>106,942</u></b>

The amounts of inventories recognized as cost of revenue were as follows:

	<b>2023</b>	<b>2022</b>
Cost of inventories sold	\$ 1,752,719	1,378,033
Write-downs of inventories	5,072	15,595
	<b><u>\$ 1,757,791</u></b>	<b><u>1,393,628</u></b>

The write-downs of inventories arose from the write-downs of inventories to net realizable value.

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**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(e) Property, plant and equipment

	<b>Machinery and equipment</b>	<b>Furniture and fixtures</b>	<b>Leasehold improvements</b>	<b>Total</b>
Cost:				
Balance at January 1, 2023	\$ 198	21,164	337	21,699
Additions	-	186	-	186
Disposals	-	(20,412)	(58)	(20,470)
Balance at December 31, 2023	<b>\$ 198</b>	<b>938</b>	<b>279</b>	<b>1,415</b>
Balance at January 1, 2022	\$ 198	21,371	3,104	24,673
Additions	-	-	279	279
Disposals	-	(207)	(3,046)	(3,253)
Balance at December 31, 2022	<b>\$ 198</b>	<b>21,164</b>	<b>337</b>	<b>21,699</b>
Accumulated depreciation:				
Balance at January 1, 2023	\$ 161	20,731	98	20,990
Depreciation	37	261	92	390
Disposals	-	(20,412)	(58)	(20,470)
Balance at December 31, 2023	<b>\$ 198</b>	<b>580</b>	<b>132</b>	<b>910</b>
Balance at January 1, 2022	\$ 122	20,684	3,073	23,879
Depreciation	39	254	39	332
Disposals	-	(207)	(3,014)	(3,221)
Balance at December 31, 2022	<b>\$ 161</b>	<b>20,731</b>	<b>98</b>	<b>20,990</b>
Carrying amounts:				
Balance at December 31, 2023	<b>\$ -</b>	<b>358</b>	<b>147</b>	<b>505</b>
Balance at December 31, 2022	<b>\$ 37</b>	<b>433</b>	<b>239</b>	<b>709</b>
Balance at January 1, 2022	<b>\$ 76</b>	<b>687</b>	<b>31</b>	<b>794</b>

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**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(f) Right-of-use assets

	<u>Buildings</u>	<u>Others</u>	<u>Total</u>
Cost:			
Balance at January 1, 2023	\$ 1,870	4,769	6,639
Additions	2,503	4,790	7,293
Lease modifications	-	221	221
Disposals	<u>(1,870)</u>	<u>(4,769)</u>	<u>(6,639)</u>
Balance at December 31, 2023	<u><b>\$ 2,503</b></u>	<u><b>5,011</b></u>	<u><b>7,514</b></u>
Balance at January 1, 2022	\$ 3,715	4,769	8,484
Additions	1,870	-	1,870
Disposals	<u>(3,715)</u>	<u>-</u>	<u>(3,715)</u>
Balance at December 31, 2022	<u><b>\$ 1,870</b></u>	<u><b>4,769</b></u>	<u><b>6,639</b></u>
Accumulated depreciation:			
Balance at January 1, 2023	\$ 1,069	4,371	5,440
Depreciation	2,679	2,467	5,146
Disposals	<u>(1,870)</u>	<u>(4,769)</u>	<u>(6,639)</u>
Balance at December 31, 2023	<u><b>\$ 1,878</b></u>	<u><b>2,069</b></u>	<u><b>3,947</b></u>
Balance at January 1, 2022	\$ 3,715	1,987	5,702
Depreciation	1,069	2,384	3,453
Disposals	<u>(3,715)</u>	<u>-</u>	<u>(3,715)</u>
Balance at December 31, 2022	<u><b>\$ 1,069</b></u>	<u><b>4,371</b></u>	<u><b>5,440</b></u>
Carrying amounts:			
Balance at December 31, 2023	<u><b>\$ 625</b></u>	<u><b>2,942</b></u>	<u><b>3,567</b></u>
Balance at December 31, 2022	<u><b>\$ 801</b></u>	<u><b>398</b></u>	<u><b>1,199</b></u>
Balance at January 1, 2022	<u><b>\$ -</b></u>	<u><b>2,782</b></u>	<u><b>2,782</b></u>

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**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(g) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Others</u>	<u>Total</u>
Cost:				
Balance at January 1, 2023				
(Balance at December 31, 2023)	\$ <u>20,145</u>	<u>9,033</u>	<u>300</u>	<u>29,478</u>
Accumulated depreciation and impairment loss:				
Balance at January 1, 2023	\$ 16,291	6,441	300	23,032
Depreciation	<u>-</u>	<u>131</u>	<u>-</u>	<u>131</u>
Balance at December 31, 2023	\$ <u>16,291</u>	<u>6,572</u>	<u>300</u>	<u>23,163</u>
Balance at January 1, 2022	\$ 16,291	6,310	300	22,901
Depreciation	<u>-</u>	<u>131</u>	<u>-</u>	<u>131</u>
Balance at December 31, 2022	\$ <u>16,291</u>	<u>6,441</u>	<u>300</u>	<u>23,032</u>
Carrying amounts:				
Balance at December 31, 2023	\$ <u>3,854</u>	<u>2,461</u>	<u>-</u>	<u>6,315</u>
Balance at December 31, 2022	\$ <u>3,854</u>	<u>2,592</u>	<u>-</u>	<u>6,446</u>
Balance at January 1, 2022	\$ <u>3,854</u>	<u>2,723</u>	<u>-</u>	<u>6,577</u>
Fair value:				
Balance at December 31, 2023				\$ <u>17,864</u>
Balance at December 31, 2022				\$ <u>16,072</u>

The fair value of the investment property is determined by management based on the valuation made by independent appraisers. The inputs, which were used in the fair value measurement, were classified to level 3.

(h) Lease liabilities

(i) The carrying amounts of lease liabilities were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current	\$ <u>3,165</u>	<u>1,208</u>
Non-current	\$ <u>427</u>	<u>-</u>

Refer to note 6(t) for the maturity analysis of lease liabilities.

(ii) The amounts recognized in profit or loss were as follows:

	<u>2023</u>	<u>2022</u>
Interest expense on lease liabilities	\$ <u>80</u>	<u>40</u>
Expenses relating to short-term leases	\$ <u>57</u>	<u>44</u>
Expenses relating to leases of low-value assets	\$ <u>99</u>	<u>27</u>

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**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) The amounts recognized in the statement of cash flows were as follows:

	<b>2023</b>	<b>2022</b>
Total cash outflow for leases	<b>\$ <u>5,366</u></b>	<b><u>3,579</u></b>

(iv) Major terms of leases

The Group leases buildings, office equipment, and miscellaneous equipment with lease terms of 1 to 2 years. Certain leases of buildings, office equipment, and miscellaneous equipment are short-term lease or low-value assets and therefore, the Group elected to applied exemption and not to recognize right-of-use assets and lease liabilities.

(i) Provisions — current

	<b>Warranties</b>
Balance at January 1, 2023	\$ 11,230
Amount reversed	(1,522)
Amount utilized	(1,866)
Effect of exchange rate changes	(40)
Balance at December 31, 2023	<b>\$ <u>7,802</u></b>
Balance at January 1, 2022	\$ 7,314
Additions	4,645
Amount utilized	(1,461)
Effect of exchange rate changes	732
Balance at December 31, 2022	<b>\$ <u>11,230</u></b>

(i) Warranties

The provision for warranties is made based on the number of units sold currently under warranty, historical rates of warranty claim on those units, and cost per claim to satisfy the warranty obligation. The Group reviews the estimation basis on an ongoing basis and revises it when appropriate.

(j) Operating lease of lessor

The Group leases its investment property and has classified these leases as operating leases as it does not transfer substantially all the risks and rewards incidental to ownership of the assets to lessee. Refer to note 6(g) for the information of investment property.

For the years ended December 31, 2023 and 2022, the rental income from the lease of investment property amounted to \$323 and \$300, respectively.

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**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(k) Employee benefits

(i) Defined benefit plans

The reconciliation between the present value of defined benefit obligations and the net defined benefit assets (liabilities) for defined benefit plans was as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Present value of benefit obligations	\$ -	-
Fair value of plan assets	46,887	45,913
Net defined benefit assets	<u><u>\$ 46,887</u></u>	<u><u>45,913</u></u>

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pension benefits for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive a payment based on years of service and average salary for the six months prior to the employee's retirement. In 2022, the Group reached an agreement with its employees on the settlement of the defined benefit plan and made cash payments to employees, wherein the present value of defined benefit obligations amounted to \$0 on December 31, 2022.

1) Composition of plan assets

The pension fund (the "Fund") contributed by the Company is managed and administered by the Bureau of Labor Funds of the Ministry of Labor (the Bureau of Labor Funds). According to the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", with regard to the utilization of the Fund, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

As of December 31, 2023 and 2022, the balances of aforementioned pension funds were \$46,887 and \$45,913, respectively. For information on the domestic labor pension fund assets (including the asset portfolio and yield of the fund), refer to the website of the Bureau of Labor Funds.

2) Movements in present value of the defined benefit obligations

	<b>2023</b>	<b>2022</b>
Defined benefit obligations at January 1	\$ -	1,317
Interest expense	-	8
Settlement	-	(1,325)
Defined benefit obligations at December 31	<u><u>\$ -</u></u>	<u><u>-</u></u>

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Movements in fair value of plan assets

	<b>2023</b>	<b>2022</b>
Fair value of plan assets at January 1	\$ 45,913	40,864
Interest income	974	255
Remeasurement on the net defined benefit assets:		
— Return on plan assets (excluding current interest expense)	-	4,794
Fair value of plan assets at December 31	<u><u>\$ 46,887</u></u>	<u><u>45,913</u></u>

4) Changes in the effect of the asset ceiling

In 2023 and 2022, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

	<b>2023</b>	<b>2022</b>
Net interest income of net defined benefit assets	\$ (974)	(247)
Gains on settlement	-	(57)
Operating expenses	<u><u>\$ (974)</u></u>	<u><u>(304)</u></u>

6) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Discount rate	Not applicable	1.750 %
Future salary change	Not applicable	Not applicable

(ii) Defined contribution plans

The Company contributes monthly an amount equal to 6% of each employee's monthly wages to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group has no legal or constructive obligation to pay additional amounts after contributing a fixed amount to the Bureau of Labor Insurance. For the years ended December 31, 2023 and 2022, the Group recognized pension expenses of \$3,225 and \$2,790, respectively, and contributed the amount to Bureau of Labor Insurance in relation to the defined contribution plans.

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(l) Income taxes

(i) The components of income tax expense (benefit) were as follows:

	<u>2023</u>	<u>2022</u>
Current income tax expense		
Current period	\$ 5,638	5,069
Adjustments for prior years	<u>(1,612)</u>	<u>-</u>
	<u>4,026</u>	<u>5,069</u>
Deferred income tax expense (benefit)		
Origination and reversal of temporary differences	<u>5,790</u>	<u>(19,708)</u>
	<u><u>\$ 9,816</u></u>	<u><u>(14,639)</u></u>

The components of income tax expense recognized in other comprehensive income were as follows:

	<u>2023</u>	<u>2022</u>
Remeasurement of defined benefit plans	<u>\$ -</u>	<u>959</u>

Reconciliation of income tax expense (benefit) and income before income tax for 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Income before income tax	<u>\$ 131,079</u>	<u>120,673</u>
Income tax using the Company's statutory tax rate	\$ 26,216	24,135
Effect of different tax rates in foreign jurisdictions	1,278	788
Permanent difference	(1,393)	(2,379)
Adjustments for prior-year income tax	(1,612)	-
Recognition of previously unrecognized tax losses	(3,078)	(19,760)
Utilization of previously unrecognized tax losses	-	(23,672)
Changes in unrecognized temporary differences and tax losses	(14,787)	3,619
Others	<u>3,192</u>	<u>2,630</u>
Income tax expense (benefit)	<u><u>\$ 9,816</u></u>	<u><u>(14,639)</u></u>

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Unrecognized deferred income tax assets:		
Tax losses	\$ -	3,078
Deductible temporary differences	<u>-</u>	<u>24,595</u>
	<u><b>\$ -</b></u>	<u><b>27,673</b></u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, can be carried forward for 10 years to offset future taxable profit. Deferred tax assets have not been fully recognized in respect of these items as the management believed that it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

2) Recognized deferred income tax assets and liabilities

Deferred income tax assets:

	<b>Allowance for sales rebates</b>	<b>Provision for inventory obsolescence</b>	<b>Tax losses</b>	<b>Accrued expenses and others</b>	<b>Total</b>
<b>Balance at January 1, 2023</b>	\$ -	-	19,760	1,291	21,051
Recognized in profit or loss	<u>2,310</u>	<u>6,319</u>	<u>(13,373)</u>	<u>3,310</u>	<u>(1,434)</u>
<b>Balance at December 31, 2023</b>	<u><b>\$ 2,310</b></u>	<u><b>6,319</b></u>	<u><b>6,387</b></u>	<u><b>4,601</b></u>	<u><b>19,617</b></u>
<b>Balance at January 1, 2022</b>	\$ -	-	-	-	-
Recognized in profit or loss	<u>-</u>	<u>-</u>	<u>19,760</u>	<u>1,291</u>	<u>21,051</u>
<b>Balance at December 31, 2022</b>	<u><b>\$ -</b></u>	<u><b>-</b></u>	<u><b>19,760</b></u>	<u><b>1,291</b></u>	<u><b>21,051</b></u>

Deferred income tax liabilities:

	<b>Defined benefit plans</b>	<b>Share of profits of subsidiaries</b>	<b>Others</b>	<b>Total</b>
<b>Balance at January 1, 2023</b>	\$ 7,064	6,059	-	13,123
Recognized in profit or loss	<u>-</u>	<u>3,942</u>	<u>414</u>	<u>4,356</u>
<b>Balance at December 31, 2023</b>	<u><b>\$ 7,064</b></u>	<u><b>10,001</b></u>	<u><b>414</b></u>	<u><b>17,479</b></u>
<b>Balance at January 1, 2022</b>	\$ 6,045	3,821	955	10,821
Recognized in profit or loss	<u>60</u>	<u>2,238</u>	<u>(955)</u>	<u>1,343</u>
Recognized in other comprehensive income	<u>959</u>	<u>-</u>	<u>-</u>	<u>959</u>
<b>Balance at December 31, 2022</b>	<u><b>\$ 7,064</b></u>	<u><b>6,059</b></u>	<u><b>-</b></u>	<u><b>13,123</b></u>

(iii) The Company's income tax returns for the years through 2021 have been examined and approved by the R.O.C. income tax authorities.

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(m) Capital and other equity

(i) Common stock

As of December 31, 2023 and 2022, the Company's authorized shares of common stock consisted of 120,000 thousand shares, of which 61,860 thousand and 60,000 thousand shares were issued, respectively. The par value of the Company's common stock is \$10 (in New Taiwan dollars) per share.

The movements in outstanding shares of common stock were as follows (in thousands of shares):

	<u>2023</u>	<u>2022</u>
Balance at January 1	60,000	12,540
Capital surplus transferred to common stock	-	17,460
Capital increase by cash	<u>1,860</u>	<u>30,000</u>
Balance at December 31	<u><b>61,860</b></u>	<u><b>60,000</b></u>

The issuance of 1,860 thousand of common shares at price of \$26 per share (in New Taiwan dollars) was resolved by the Company's Board of Directors on April 25, 2023, wherein 279 thousand of common shares, comprising 15% of the newly issued common shares, were reserved for employee subscription in accordance with the Company's Articles of Incorporation. In the case that the Company's employees waived the right to subscribe, or the shares reserved for employees were not fully subscribed by employees, the Chairman may include specific person for subscription. The effective date of capital increase was set on May 29, 2023 with a total consideration amounting to \$45,360 (net of the direct issuing cost of \$3,000) and the related registration procedures have been completed.

The issuance of 30,000 thousand of common shares was resolved by the Company's Board of Directors on May 16, 2022. Except for 4,500 thousand of common shares, comprising 15% of the newly issued common shares, were reserved for employee subscription, shareholders may subscribe to the new shares in proportion to their ownership percentage on the effective date. In the case that the Company's employees or shareholders have not subscribed sufficiently, or waived the right to subscribe, the Chairman may include specific person for subscription. The effective date of capital increase was set on July 8, 2022 and the related registration procedures have been completed.

The issuance of 17,460 thousand of common shares transferred from capital surplus amounting to \$174,603 was resolved by the Company's Board of Directors on May 4, 2022. The effective date of capital increase was set on May 11, 2022 and the related registration procedures have been completed.

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Capital surplus

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Paid-in capital in excess of par value	\$ 327,749	319,237
Surplus related to treasury stock transactions	46,802	46,802
Surplus from mergers	47,682	47,682
Employee stock options	140	16
	<b><u>\$ 422,373</u></b>	<b><u>413,737</u></b>

Pursuant to the Company Act, any realized capital surplus is initially used to cover accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends or distributed by cash based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company.

(iii) Retained earnings and dividend policy

1) Legal reserve

Pursuant to the Company Act, if the Company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or distributing cash for the portion of legal reserve which exceeds 25% of the paid-in capital.

2) Special reserve

In accordance with the rulings issued by the FSC, a special reserve equal to the total amount of items that are accounted for as deductions from stockholders' equity shall be set aside from the after-tax net profit in the period, plus items other than the after-tax net profit in the period that are included in the current-period undistributed earnings, and prior-period undistributed earnings. This special reserve shall revert to retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders' equity are reversed in subsequent periods.

3) Earnings distribution

The Company's Articles of Incorporation stipulate that at least 10% of annual net income, after deducting accumulated deficit, if any, must be retained as legal reserve until the legal reserve has reached the Company's total paid-in capital. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations when necessary. The remaining balance, together with the accumulated unappropriated earnings can be distributed as dividends to stockholders, pursuant to the appropriation of earnings proposed by the Board of Directors and approved by the stockholders.

(Continued)



**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Earnings are distributed in consideration of the Company's current and long-term development, the overall economic environment, capital needs, market competition in domestic and international business and long-term interest of its shareholders. Earnings can be distributed by stock or cash, wherein no less than 10% of the distributable earnings shall be appropriated as shareholder dividends unless the Company's Board of Directors resolve not to distribute any cash dividend and approved by the shareholders. The Company has adopted a stable dividend policy in which cash dividends comprise at least 10% of the total distribution of dividends except when the Company's Board of Directors resolve not to distribute any cash dividend and approved by the shareholders.

On May 5, 2022, the Company's Board of Directors, on behalf of shareholders, resolved to offset the accumulated deficit by using 2021 net income of \$7,296 and legal reserve of \$89,284 and not to distribute dividends.

On May 18, 2023, the shareholders approved the distribution of cash dividends amounting to \$80,752 (\$1.3458687 per share, in New Taiwan dollars), and the distribution of cash dividends from capital surplus amounting to \$18,248 (\$0.3041313 per share, in New Taiwan dollars).

On March 12, 2024, the Company's Board of Directors proposed the distribution of cash dividends amounting to \$102,069 (\$1.65 per share, in New Taiwan dollars).

Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(iv) Other equity items (net after tax)

1) Foreign currency translation differences

	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 629	(201)
Foreign exchange differences arising from translation of foreign operations	<u>(1,528)</u>	<u>830</u>
Balance at December 31	<u><b>\$ (899)</b></u>	<u><b>629</b></u>

2) Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income

	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ (150,368)	(106,444)
Changes in fair value of financial assets measured at fair value through other comprehensive income	<u>157,351</u>	<u>(43,924)</u>
Balance at December 31	<u><b>\$ 6,983</b></u>	<u><b>(150,368)</b></u>

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Remeasurement of defined benefit plans

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ (1,301)	(5,136)
Remeasurement of defined benefit plans	<u>-</u>	<u>3,835</u>
Balance at December 31	<u><u>\$ (1,301)</u></u>	<u><u>(1,301)</u></u>

(n) Share-based payment

The Company's share-based payment arrangements in 2023 and 2022 were as follows

	<b>2023</b>	<b>2022</b>
	<b>Issuance of new shares reserved for employee subscription</b>	<b>Issuance of new shares reserved for employee subscription</b>
Grant date	<u>2023/04/25</u>	<u>2022/05/16</u>
Number of shares granted (in thousands)	279	4,500
Contract term	2023/04/25~2023/05/24	2022/05/16~2022/06/17
Qualified employees	Employees of the Company	Employees of the Company
Vesting conditions	Immediately vested	Immediately vested

The Company used the Black-Scholes Model in measuring the fair value of its employee stock options at the grant date. The main inputs used in the valuation model were as follows:

	<b>2023</b>	<b>2022</b>
	<b>Issuance of new shares reserved for employee subscription</b>	<b>Issuance of new shares reserved for employee subscription</b>
Fair value of options granted (NT\$/ share)	0.444284	0.003449
Fair value of stock at grant date (NT\$/ share)	24.82	13.66
Exercise price (NT\$/ share)	26.00	18.00
Expected life (in years)	0.082	0.085
Expected volatility (%)	31.31%	37.77%
Risk-free interest rate (%)	0.933%	0.726%

Expected volatility was determined based on the vesting period and historical volatility of the comparable companies. The risk-free interest rate was determined based on government bonds.

In 2023 and 2022, the compensation costs recognized for the above-mentioned share-based payment arrangements amounted to \$124 and \$16, respectively, which were reported in the operating expense.

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**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(o) Earnings per share (“EPS”)

(i) Basic earnings per share

	<u>2023</u>	<u>2022</u>
Net income attributable to shareholders of the Parent	\$ 121,263	133,344
Net income attributable to former owner of organizational restructuring under common control	<u>-</u>	<u>1,968</u>
Net income	<u><b>\$ 121,263</b></u>	<u><b>135,312</b></u>
Weighted-average number of common shares outstanding (in thousands)	<u><b>61,106</b></u>	<u><b>44,465</b></u>
Basic earnings per share attributable to shareholders of the Parent (in New Taiwan dollars)	\$ 1.98	3.00
Basic earnings per share attributable to former owner of organizational restructuring under common control (in New Taiwan dollars)	<u>-</u>	<u>0.04</u>
Basic earnings per share (in New Taiwan dollars)	<u><b>\$ 1.98</b></u>	<u><b>3.04</b></u>

(ii) Diluted earnings per share

	<u>2023</u>	<u>2022</u>
Net income attributable to shareholders of the Parent	\$ 121,263	133,344
Net income attributable to former owner of organizational restructuring under common control	<u>-</u>	<u>1,968</u>
Net income	<u>121,263</u>	<u>135,312</u>
Weighted-average number of common shares outstanding (in thousands)	61,106	44,465
Effect of dilutive potential common shares (in thousands):		
Effect of remuneration to employees	<u>378</u>	<u>722</u>
Weighted-average number of common shares outstanding (in thousands)	<u>61,484</u>	<u>45,187</u>
Diluted earnings per share attributable to shareholders of the Parent (in New Taiwan dollars)	\$ 1.97	2.95
Diluted earnings per share attributable to former owner of organizational restructuring under common control (in New Taiwan dollars)	<u>-</u>	<u>0.04</u>
Diluted earnings per share (in New Taiwan dollars)	<u><b>\$ 1.97</b></u>	<u><b>2.99</b></u>

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**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2023</u>	<u>2022</u>
Primary geographical markets:		
Taiwan	\$ 1,165,307	1,234,792
Mainland China	434,768	228,782
Russia	163,717	-
America	112,083	3,323
Philippines	57,398	42,676
Switzerland	41,842	67,283
Others	<u>110,751</u>	<u>85,484</u>
	<u><b>\$ 2,085,866</b></u>	<u><b>1,662,340</b></u>
Major products/services lines		
Smart device products	\$ 1,639,255	1,286,696
Smart wearables	361,765	288,829
Others	<u>84,846</u>	<u>86,815</u>
	<u><b>\$ 2,085,866</b></u>	<u><b>1,662,340</b></u>

(ii) Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Accounts receivable (including related parties)	\$ 439,459	305,209	321,545
Less: loss allowance	<u>(1,206)</u>	<u>(1,183)</u>	<u>(1,273)</u>
Total	<u><b>\$ 438,253</b></u>	<u><b>304,026</b></u>	<u><b>320,272</b></u>
Contract liabilities — current	<u><b>\$ 41,566</b></u>	<u><b>39,713</b></u>	<u><b>46,760</b></u>
Contract liabilities — non-current	<u><b>\$ 730</b></u>	<u><b>998</b></u>	<u><b>2,426</b></u>

Refer to note 6(c) for details on accounts receivable and related loss allowance.

The changes in the balance of contract liabilities were mainly due to the timing difference between the satisfaction of performance obligation and the receipt of customer's payment.

The amounts of revenue recognized in 2023 and 2022 that were included in the balances of contract liabilities at January 1, 2023 and 2022, was \$38,001 and \$46,482, respectively.

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**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(q) Remuneration to employees and directors

The Company's Articles of Incorporation, amended on May 5, 2022, require that annual earning shall first be offset against any accumulated deficit, then, a minimum of 2% shall be allocated as employee remuneration and a maximum of 0.8% be allocated as directors' remuneration. Employees who are entitled to receive the abovementioned employee remuneration, in share or cash, include the employees of subsidiaries of the Company who meet certain specific requirements set by the Board of Directors. Directors are entitled to receive the abovementioned directors' remuneration in cash.

For the years ended December 31, 2023 and 2022, the Company accrued its remuneration to employees amounting to \$11,380 and \$12,645, respectively, and the remuneration to directors amounting to \$920 and \$169, respectively. The said amounts, which were recognized as operating expenses, were calculated based on pre-tax net profit for each year before deducting the amount of the remuneration to employees and directors, multiplied by the proposed distribution ratio of remuneration to employees and directors. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in next year. The aforementioned accrued remunerations to employees and directors were the same as the amounts resolved by the Board of Directors, which were all paid in cash. Related information is available on the Market Observation Post System website of Taiwan Stock Exchange.

(r) Non-operating income and loss

(i) Interest income

	<b>2023</b>	<b>2022</b>
Interest income from bank deposits	\$ 10,419	2,322
Interest income from loans to related parties (note 7(c))	-	216
	<b>\$ 10,419</b>	<b>2,538</b>

(ii) Other income

	<b>2023</b>	<b>2022</b>
Dividend income	\$ 6,965	10,629
Government grants	1,286	1,837
	<b>\$ 8,251</b>	<b>12,466</b>

(iii) Other gains and losses

	<b>2023</b>	<b>2022</b>
Foreign currency exchange gains, net	\$ 4,088	9,485
Losses on disposal of property, plant and equipment	-	(32)
Rental income (note 6(j))	323	300
Others	67	2,029
	<b>\$ 4,478</b>	<b>11,782</b>

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Finance costs

	<b>2023</b>	<b>2022</b>
Interest expense on lease liabilities	<u><u>\$ 80</u></u>	<u><u>40</u></u>

(s) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Financial assets measured at fair value through other comprehensive income	\$ 281,591	124,240
Financial assets measured at amortized cost (loans and receivables):		
Cash and cash equivalents	889,139	893,125
Accounts receivable (including related parties)	438,253	304,026
Other receivables (including related parties)	1,241	2,145
Refundable deposits	<u>1,801</u>	<u>1,856</u>
	<u><u>\$ 1,612,025</u></u>	<u><u>1,325,392</u></u>

2) Financial liabilities

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Financial liabilities measured at amortized cost:		
Accounts payable (including related parties)	\$ 404,949	292,828
Other payables (including related parties)	89,237	104,527
Lease liabilities (including non-current)	3,592	1,208
Guarantee deposits received	<u>1,500</u>	<u>1,500</u>
	<u><u>\$ 499,278</u></u>	<u><u>400,063</u></u>

(ii) Fair value information

1) Financial instruments not measured at fair value

The Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

2) Financial instruments measured at fair value

The following financial instruments are measured at fair value on a recurring basis.

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
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The table below analyzes the financial instruments measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

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

<b>December 31, 2023</b>				
<b>Fair value</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets measured at fair value through other comprehensive income:				
Domestic listed stock	\$ 281,591	-	-	281,591
Unlisted stock	-	-	-	-
	<u><u>\$ 281,591</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>281,591</u></u>

<b>December 31, 2022</b>				
<b>Fair value</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets measured at fair value through other comprehensive income:				
Domestic listed stock	\$ 124,240	-	-	124,240
Unlisted stock	-	-	-	-
	<u><u>\$ 124,240</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>124,240</u></u>

There were no transfers among fair value hierarchies for the years ended December 31, 2023 and 2022.

- 3) Valuation techniques and inputs used for financial instruments measured at fair value
  - a) The fair values of financial assets with standard terms and conditions and traded on active markets are determined with reference to quoted market prices (e.g., listed stocks).
  - b) The fair value of unlisted stocks in Level 3 fair value hierarchy is estimated by using the market approach and is determined by reference to recent financing activities, valuations of similar companies, market conditions, and other economic indicators. The significant unobservable input is the liquidity discount. No quantitative information is disclosed as the possible changes in liquidity discount would not cause significant potential financial impact.

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(t) Financial risk management

The Group is exposed to credit risk, liquidity risk, and market risk. The Group has disclosed the information on exposure to the aforementioned risks and the Group's policies and procedures to measure and manage those risks as well as the quantitative information below.

(i) Credit risk

1) The maximum exposure to credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of financial instruments fails to meet its contractual obligations, which arises principally from the Group's cash and cash equivalents, receivables from customers, and other receivables. The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets.

2) Concentration of credit risk

The Group has established a credit policy under which each customer is analyzed individually for creditworthiness for purposes of setting the credit limit. As of December 31, 2023 and 2022, 78% and 76%, respectively, of accounts receivable (including related parties) were from three customers. The Group continuously evaluates the credit quality of customers to minimize the credit risk.

3) Credit risk from receivables

Refer to note 6(c) for credit risk exposure of accounts receivable. Other financial assets measured at amortized cost include other receivables and refundable deposits. Abovementioned financial assets are considered low-credit-risk financial assets, and thus, the loss allowance is measured using 12-months ECL. Refer to note 4(g) for descriptions about how the Group determines the credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or another financial assets. The Group manages liquidity risk by monitoring regularly the current and estimated mid-term to long-term cash demand, maintaining adequate cash, and ensuring compliance with the terms of the loan agreements.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>
<b>December 31, 2023</b>					
Non-derivative financial liabilities:					
Accounts payable (including related parties)	\$ 404,949	404,949	-	-	-
Other payables (including related parties)	89,237	89,237	-	-	-
Guarantee deposits received	1,500	-	60	-	1,440
Lease liabilities	3,625	1,914	1,283	428	-
	<u>\$ 499,311</u>	<u>496,100</u>	<u>1,343</u>	<u>428</u>	<u>1,440</u>

(Continued)



**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>
<b>December 31, 2022</b>					
Non-derivative financial liabilities:					
Accounts payable (including related parties)	\$ 292,828	292,828	-	-	-
Other payables (including related parties)	104,527	104,527	-	-	-
Guarantee deposits received	1,500	-	-	60	1,440
Lease liabilities	<u>1,210</u>	<u>1,210</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><b>\$ 400,065</b></u>	<u><b>398,565</b></u>	<u><b>-</b></u>	<u><b>60</b></u>	<u><b>1,440</b></u>

(iii) Market risk

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

1) Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchase transactions that are denominated in a currency other than the functional currency of the Group.

a) Exposure to foreign currency risk

At the reporting date, the carrying amounts of the Group's monetary assets and liabilities denominated in a currency other than the functional currency of the Group were as follows:

	<u>December 31, 2023</u>			<u>December 31, 2022</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 13,186	30.735	405,272	15,459	30.708	474,715
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	11,110	30.735	341,466	9,678	30.708	297,192

b) Sensitivity analysis

The Group's exposure to foreign currency risk arises from cash and cash equivalents and accounts receivable (payable) (including related parties) that are denominated in foreign currencies. As of December 31, 2023 and 2022, a 1% depreciation or appreciation of the TWD against the USD would have affected the Group's income (loss) before tax for the years ended December 31, 2023 and 2022 by \$638 and \$1,775, respectively. This analysis assumes that all other variables remain constant and is performed on the same basis for the current and prior periods.

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Other market price risk

The Group is exposed to the risk of price fluctuation in securities resulting from its investment in publicly traded stocks. The Group supervises the equity price risk actively and manages the risk based on fair value. The Group also has strategic investments in privately held stocks, in which the Group does not actively participate in their trading.

Assuming a hypothetical increase or decrease of 5% in equity prices of the equity investments at each reporting date, the other comprehensive income for the years ended December 31, 2023 and 2022, would have increased or decreased by \$14,080 and \$6,212, respectively.

(u) Capital management

In consideration of the industry dynamics and future developments, as well as external environment factors, the Group maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, research and development activities, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

The Group's liability-to-equity ratio at the end of each reporting period was as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total liabilities	<b>\$ 587,122</b>	<b>480,675</b>
Total equity	<b>\$ 1,273,596</b>	<b>1,050,026</b>
Liability-to-equity ratio	<b>46.10 %</b>	<b>45.78 %</b>

(v) Investing and financing activities not affecting cash flows

(i) Refer to note 6(f) for a description of acquisition of the right-of-use assets through leases.

(ii) The reconciliation of liabilities arising from financing activities was as follows:

	<b>January 1, 2023</b>	<b>Cash flows</b>	<b>Non-cash changes in leases</b>	<b>December 31, 2023</b>
Guarantee deposits received	\$ 1,500	-	-	1,500
Lease liabilities	1,208	(5,130)	7,514	3,592
Total liabilities from financing activities	<b>\$ 2,708</b>	<b>(5,130)</b>	<b>7,514</b>	<b>5,092</b>

	<b>January 1, 2022</b>	<b>Cash flows</b>	<b>Non-cash changes in leases</b>	<b>December 31, 2022</b>
Guarantee deposits received	\$ 1,546	(46)	-	1,500
Lease liabilities	2,806	(3,468)	1,870	1,208
Total liabilities from financing activities	<b>\$ 4,352</b>	<b>(3,514)</b>	<b>1,870</b>	<b>2,708</b>

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**7. Related-party transactions**

(a) Parent company and ultimate controlling party

Acer Incorporated is the parent company and the ultimate controlling party of the Group and owns 63.54% and 65.51%, respectively, of the outstanding shares of the Company as of December 31, 2023 and 2022. Acer Incorporated has issued the consolidated financial statements for public use.

(b) Related party name and categories

The followings are related parties that have had transactions with the Group during the reporting periods:

<u>Name of related party</u>	<u>Relationship with the Group</u>
Acer Incorporated (“Acer”)	The parent company and the ultimate controlling party of the Group
Other related parties:	
Acer America corporation (“AAC”)	Acer’s subsidiary
Acer Computer Australia Pty. Limited (“ACA”)	Acer’s subsidiary
Acer Computer Co., Ltd. (“ATH”)	Acer’s subsidiary
Acer Computer (Far East) Limited (“AFE”)	Acer’s subsidiary
Acer Computer (Singapore) Pte. Ltd. (“ACS”)	Acer’s subsidiary
Acer Europe SA (“AEG”)	Acer’s subsidiary
ACER INDIA PRIVATE LIMITED (“AIL”)	Acer’s subsidiary
Acer Japan Corporation (“AJC”)	Acer’s subsidiary
Acer Philippines, Inc. (“APHI”)	Acer’s subsidiary
Acer Service Corporation (“ASC”)	Acer’s subsidiary
Acer Sales and Services SDN BHD (“ASSB”)	Acer’s subsidiary
Acer Vietnam Co., Ltd. (“AVN”)	Acer’s subsidiary
Asplex Sp. z o.o. (“APX”)	Acer’s subsidiary
PT. Acer Indonesia (“AIN”)	Acer’s subsidiary
PT. Acer Manufacturing Indonesia (“AMI”)	Acer’s subsidiary
AOPEN Computer B.V. (“AOE”)	Acer’s subsidiary
Acer (Chongqing) Ltd. (“ACCQ”)	Acer’s subsidiary
Acer e-Enabling Service Business Inc. (“AEB”)	Acer’s subsidiary
Acer Being Communication Inc. (“ABC”)	Acer’s subsidiary
Acer ITS Inc. (“ITS”)	Acer’s subsidiary
Acer Gaming Inc. (“AGM”)	Acer’s subsidiary
Acer AI Cloud Inc. (“AIC”)	Acer’s subsidiary

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<b>Name of related party</b>	<b>Relationship with the Group</b>
Weblink International Inc. (“WLII”)	Acer’s subsidiary
Altos Computing Inc. (“ALT”)	Acer’s subsidiary
Highpoint Service Network Corporation (“HSNC”)	Acer’s subsidiary
Xplover Inc. (“XPL”)	Acer’s subsidiary
Aspire Service & Development Inc. (“ASDI”)	Acer’s subsidiary
MPS Energy Inc. (“MPS”)	Acer’s subsidiary
AcerPure Inc. (“API”)	Acer’s subsidiary
Acer Medical Inc. (“AMED”)	Acer’s subsidiary
Acer Cyber Security Incorporated (“ACSI”)	Acer’s subsidiary
Acer Foundation	Acer’s substantive related party

(c) Significant related-party transactions

(i) Revenue

The amounts of significant sales to related parties were as follows:

	<b>2023</b>	<b>2022</b>
Acer	\$ 971,197	952,666
ACCQ	276,408	49,680
Other related parties	219,624	175,751
	<b>\$ 1,467,229</b>	<b>1,178,097</b>

The payment terms of sales to related parties are not significantly different from those with third-party customers. The selling prices of sales to related parties are determined depending on the economic environment, market competition and the specifications of products, and are not comparable to those with third-party customers.

(ii) Purchases and other cost of revenue

The amounts of significant purchases and other cost of revenue from related parties were as follows:

	<b>2023</b>	<b>2022</b>
Acer	\$ 29,248	7,320
Other related parties	3,274	2,522
	<b>\$ 32,522</b>	<b>9,842</b>

The purchase prices with related parties are not comparable to those with third-party vendors as the specifications of products are different. There are no significant differences between the payment terms for related parties and those for third-party vendors.

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (iii) In response to strengthen its layout in the patent and operation development needs, the Group purchased patents from Acer and XPL for considerations of \$1,794 and \$376, respectively, in the fourth quarter of 2022. The related payables were classified as other payables to related parties at December 31, 2022. The related payables were fully paid as of December 31, 2023.

- (iv) Operating expenses

The operating expenses related to the management consulting service, system maintenance service and technology development provided by related parties were as follows:

<u>Account</u>	<u>Related-party categories</u>	<u>2023</u>	<u>2022</u>
Operating expenses	Acer	\$ 4,869	6,247
Operating expenses	Other related parties	9,458	1,409
		<u>\$ 14,327</u>	<u>7,656</u>

- (v) Lease

The Group leased office premises from Acer and the rent is determined with reference to the nearby office rental rates. In 2023 and 2022, additions to right-of-use assets and lease liabilities amounted to \$2,503 and \$1,870, respectively. For the years ended December 31, 2023 and 2022, the related interest expenses on lease liabilities amounted to \$22 and \$4, respectively. As of December 31, 2023 and 2022, the balances of the lease liabilities amounted to \$630 and \$803, respectively.

- (vi) Loans to related parties

The amounts of loans to related parties actually drawn were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Acer	\$ -	-
Interest rate	-	0.60%

Interest income related to loans to the parent company in 2022 amounted to \$216.

- (vii) Defined benefit liabilities arising from employees transfer

Due to employees transfer among affiliates, the Group assumed employees' service years under defined benefit plan in its affiliates, wherein the defined benefit liabilities were transferred to the Group. As of December 31, 2023 and 2022, related receivables amounted to \$0 and \$929, respectively, were recognized in other receivables from related parties.

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(viii) Accounts receivables

The receivables from related parties as a result of the abovementioned sales and employees transfer were as follows:

<u>Account</u>	<u>Related-party categories</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable from related parties	Acer	\$ 206,865	173,919
Accounts receivable from related parties	ACCQ	107,784	30,692
Accounts receivable from related parties	AEG	2,967	27,164
Accounts receivable from related parties	Other related parties	40,044	23,340
Other receivables from related parties	Acer	-	929
		<u>\$ 357,660</u>	<u>256,044</u>

(ix) Accounts payables

The payables to related parties as a result of the abovementioned purchases, services cost, sales allowances and payments made by related parties on behalf of the Group were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable to related parties	Acer	\$ 18,873	1,189
Accounts payable to related parties	Other related parties	1,969	164
Other payables to related parties	Acer	4,787	10,859
Other payables to related parties	Other related parties	1,635	855
Refund liabilities — related parties	Acer	5	248
Refund liabilities — related parties	Other related parties	5,958	1,744
		<u>\$ 33,227</u>	<u>15,059</u>

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(x) Organizational restructuring

As stated in Note 1 to the consolidated financial statements, the Company acquired gaming peripherals business from Acer Gaming Inc. on March 17, 2022 for a consideration of \$5,346. The carrying amounts of assets and liabilities were as follows:

Assets:

Accounts receivable	\$ 366
Accounts receivable from related parties	10,601
Inventories	<u>25,029</u>
Subtotal	<u>35,996</u>

Liabilities

Accounts payable	(8,923)
Accounts payable to related parties	(2,629)
Refund liabilities	(132)
Other payables to related parties	(16,020)
Accrued expenses	<u>(2,946)</u>
Subtotal	<u>(30,650)</u>

Net assets	<u><u>\$ 5,346</u></u>
------------	------------------------

(xi) Others

The equity investment in Acer owned by the Group was classified as financial assets measured at fair value through other comprehensive income. In 2023 and 2022, dividend income amounted to \$6,457 and \$9,816, respectively.

(d) Compensation for key management personnel

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 19,152	16,812
Post-employment benefits	<u>394</u>	<u>392</u>
	<u><u>\$ 19,546</u></u>	<u><u>17,204</u></u>

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**8. Pledged assets**

The carrying values of pledged assets were as follows:

<b>Assets</b>	<b>Pledged to secure</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Refundable deposits	Guarantee for project fulfillment	<b>\$ 1,801</b>	<b>1,856</b>

**9. Significant commitments and contingencies: None**

**10. Significant loss from disaster: None**

**11. Significant subsequent events: None**

**12. Others**

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

	<b>2023</b>			<b>2022</b>		
	<b>Cost of revenue</b>	<b>Operating expenses</b>	<b>Total</b>	<b>Cost of revenue</b>	<b>Operating expenses</b>	<b>Total</b>
Employee benefits:						
Salaries	-	93,833	93,833	-	83,549	83,549
Insurance	-	5,750	5,750	-	5,217	5,217
Pension	-	2,251	2,251	-	2,486	2,486
Others	-	2,182	2,182	-	3,441	3,441
Depreciation	-	5,667	5,667	-	3,916	3,916
Amortization	-	665	665	-	164	164

(Continued)



**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**13. Additional disclosures**

(a) Information on significant transactions

The followings are the additional disclosures required by the Regulations Governing the Preparation of Financial Reports by Securities Issuers for the year ended December 31, 2023:

- (i) Financing provided to other parties: None
- (ii) Guarantee and endorsement provided to other parties: None
- (iii) Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities):

(In Thousands of Shares)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2023				Maximum Percentage of Ownership during 2023		Note
				Shares	Carrying Value	Percentage of Ownership	Fair Value	Shares	Percentage of Ownership	
The Company	Stock: Royal Tek Company Ltd.	-	Financial assets at fair value through other comprehensive income — non-current	1,015	49,961	2.01 %	49,961	1,015	2.01 %	-
"	Stock: Acer	Parent/Subsidiary	"	4,305	231,630	0.14 %	231,630	4,305	0.14 %	-
"	Stock: Ability SHI-Pro Co., Ltd.	-	"	208	-	7.89 %	-	208	7.89 %	-

- (iv) Marketable securities for which the accumulated purchase or sale amounts exceed \$300 million or 20% of the paid-in capital: None
- (v) Acquisition of real estate which exceeds \$300 million or 20% of the paid-in capital: None
- (vi) Disposal of real estate which exceeds \$300 million or 20% of the paid-in capital: None
- (vii) Total purchases from and sales to related parties which exceed \$100 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/ (Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Notes/Accounts Receivable or (Payable)	
The Company	Acer	Parent/Subsidiary	(Sales)	(970,455)	58.72%	OA 60	Note 1	Note 2	206,865	62.60 %	-
GCN	ACCQ	Affiliate	(Sales)	(276,408)	63.82%	OA 60	Note 1	Note 2	107,784	100.00%	-

Note 1: The selling prices of sales to related parties depend on the economic environment, market competition and the specifications of products, and are not comparable to those with third-party customers.

Note 2: The payment terms of sales to related parties are not significantly different from those with third-party customers.

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(viii) Receivables from related parties which exceed \$100 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Loss Allowance	Note
					Amount	Action Taken			
The Company	Acer	Parent/Subsidiary	206,865	5.10	44,111	Under collection	119,985	-	-
GCN	ACCQ	Affiliate	107,784	1.56	2,087	Under collection	69,056	-	-

(ix) Information about derivative instrument transactions: None

(x) Business relationships and significant intercompany transactions: None

(b) Information on investees: None

(c) Information on investment in Mainland China

(i) Information on investments in Mainland China:

(In Thousands of US Dollars / New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Maximum Percentage of Ownership during 2023	Maximum Percentage of Ownership during 2023	Investment Income (Loss)	Carrying Value as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow								
GadgeTek (Shanghai) Limited ("GCN")	Sale of 3C peripherals	15,368 (USD 500)	Note 2	15,368 (USD 500)	-	-	15,368 (USD 500)	19,711	100.00 %	-	100.00 %	19,711	64,766 (Note 1)	-

Note 1: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

Note 2: Direct investment in Mainland China.

Note 3: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$30.735.

(ii) Limits on investment in Mainland China:

(In Thousands of US Dollars / New Taiwan Dollars)

Accumulated Investment in Mainland China as of December 31, 2023 (Note 1) (Note 2)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1) (Note 2)	Upper Limit on Investment Authorized by Investment Commission, MOEA
15,368 (USD 500)	15,368 (USD 500)	764,158

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$30.735.

Note 2: Direct investment in Mainland China.

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Significant transactions with investee companies in Mainland China:

For the Group's significant direct or indirect transactions with investee companies in Mainland China for the year ended December 31, 2023, refer to the "Information on significant transactions" above.

(d) Major shareholders

Major Shareholder's Name	Shareholding	Shares	Percentage
Acer Incorporated		39,308,288	63.54 %

**14. Segment information**

(a) General information

Smart device products, smart wearables, value-added business and smart solution are the Group's reportable segments. Smart device products segment is mainly engaged in the business of gaming and non-gaming peripherals, energy conversion products and related services. Smart wearables segment is mainly engaged in the design, purchase, distribution and marketing of bags, sportswear, suitcases and related projects. Value-added business segment is mainly engaged in the sale of innovative computer peripherals and smart life consumer products. Smart solution segment is mainly engaged in the system planning, design, development, testing, environment module build, system maintenance and outreach services.

As the Group considers long-term development strategies and the operating segment's performance is mainly evaluated based on revenue; therefore, the Group did not allocate the costs, expenses, and non-recurring profits and losses to the abovementioned reportable segments. The reported amount was consistent with the information used by the chief operation decision maker.

The Group's operating segment information and reconciliation were as follows:

2023						
	Smart device products	Smart wearables	Value-added business	Smart solution	Adjustments and eliminations	Total
Revenues from external customers	<u>\$ 1,179,990</u>	<u>361,765</u>	<u>459,265</u>	<u>84,846</u>	<u>-</u>	<u>2,085,866</u>

2022						
	Smart device products	Smart wearables	Value-added business	Smart solution	Adjustments and eliminations	Total
Revenues from external customers	<u>\$ 1,027,109</u>	<u>288,829</u>	<u>259,587</u>	<u>86,815</u>	<u>-</u>	<u>1,662,340</u>

(Continued)

**ACER GADGET INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Product and service information

Revenues from external customers are detailed below:

<u>Products and services</u>	<u>2023</u>	<u>2022</u>
Smart device products	\$ 1,639,255	1,286,696
Smart wearables	361,765	288,829
Others	84,846	86,815
	<u>\$ 2,085,866</u>	<u>1,662,340</u>

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Revenues from external customers are detailed below:

<u>Region</u>	<u>2023</u>	<u>2022</u>
Taiwan	\$ 1,165,307	1,234,792
Mainland China	434,768	228,782
Russia	163,717	-
America	112,083	3,323
Philippines	57,398	42,676
Switzerland	41,842	67,283
Others	110,751	85,484
	<u>\$ 2,085,866</u>	<u>1,662,340</u>

Non-current assets:

<u>Region</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Taiwan	\$ <u>13,280</u>	<u>12,155</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, investment property and other non-current assets, and do not include financial instruments, deferred income tax assets, and pension fund assets.

(d) Major customers' information

	<u>2023</u>	<u>2022</u>
Total consolidated revenue from Customer A	\$ 971,197	952,666
Total consolidated revenue from Customer B	276,408	49,680
	<u>\$ 1,247,605</u>	<u>1,002,346</u>



## Appendix II

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### 2023 Parent Company Only Financial Statements and Independent Auditor's Report

**ACER GADGET INC.**  
**Parent-Company-Only Financial Statements**  
**With Independent Auditors' Report**  
**For the Years Ended December 31, 2023 and 2022**

Address: 7F-5, No. 369, Fuxing N. Rd., Songshan Dist., Taipei City, Taiwan  
Telephone: 886-2-2696-0296

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

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## Independent Auditors' Report

To the Board of Directors Acer Gadget Inc.:

### Opinion

We have audited the parent-company-only financial statements of Acer Gadget Inc. ( the “Company”), which comprise the parent-company-only balance sheets as of December 31, 2023 and 2022, the parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including a summary of material accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the parent-company-only financial position of the Company as of December 31, 2023 and 2022, and its parent-company-only financial performance and its parent-company-only cash flows for 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and 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 Parent-Company-Only Financial Statements section of our report. We are independent of the Company 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.

### Key Audit Matters

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.



Key audit matters for the Company's parent-company-only financial statements for the year ended December 31, 2023 are stated as follows:

1. Revenue recognition

Refer to Note 4(o) for the accounting policies on revenue recognition and Note 6(q) for related disclosures of revenue recognition, respectively, to the parent-company-only financial statements.

Description of key audit matter:

The Company deals with customers located in different geographic areas worldwide and has various trade terms with customers. Revenue is recognized at the timing of transferring control of goods to customers, which is identified based on each individual sale transaction and trade term. Therefore, revenue recognition has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures including, among others, testing the Company's internal controls over financial reporting in the sales and collection cycle; ensuring the correctness of the timing of revenue recognition through understanding of trade terms between the Company and its customers as well as performing a sample test of related transaction documents; performing analysis of revenue fluctuation of major customers and performing a sample test on sales transactions that took place before and after the balance sheet date to assess the accuracy of the timing of revenue recognition.

2. Valuation of inventories

Refer to Note 4(g) for the accounting policies on inventory valuation, Note 5(a) for uncertainty of accounting estimations and assumptions for inventory valuation and Note 6(d) for the details of the write-down of inventories, respectively, to the parent-company-only financial statements.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the fierce market competition of innovative computer peripherals and smart life consumer products, the Company's product price may fluctuate rapidly. Furthermore, the stocks for products may not meet customers' demands thus becoming obsolete. These factors expose the Company to significant level of uncertainty particularly in the area of estimating net realizable value, which is subject to management's judgments. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain audit procedures including, among others, evaluating whether valuation of inventories was accounted for in accordance with the Company's accounting policies; obtaining the inventory aging report, analyzing the fluctuation of inventory aging and selecting samples to verify the accuracy of inventory aging classification; and testing the net realizable value of inventories to evaluate the reasonableness of inventory provisions.

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

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the 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-company-only financial statements, management is responsible for assessing the Company'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 the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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-company-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. Identify and assess the risks of material misstatement of the parent-company-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. Obtain 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 the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude 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 the Company'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-company-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 Company to cease to continue as a going concern.
5. Evaluate 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. Obtain sufficient appropriate audit evidence regarding the financial information of the investee companies accounted for using the equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate 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 identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate 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 determine those matters that were of most significance in the audit of the parent-company-only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Kao, Ching-Wen and Tang, Chia-Chien.

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 parent-company-only financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent-company-only financial statements are those generally accepted and applied in the Republic of China.

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

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

## ACER GADGET INC.

## Parent-Company-Only Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022				December 31, 2023		December 31, 2022	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 849,203	48	814,973	56	2130	Contract liabilities—current (note 6(q))	\$ 36,711	2	26,003	2
1170	Accounts receivable, net (notes 6(c) and (q))	80,593	4	48,911	4	2170	Accounts payable	316,582	18	256,263	17
1180	Accounts receivable from related parties (notes 6(c), (q) and 7)	249,876	14	224,422	15	2180	Accounts payable to related parties (note 7)	20,842	1	1,353	-
1200	Other receivables	1,241	-	1,216	-	2200	Other payables	81,947	5	92,239	6
1210	Other receivables from related parties (note 7)	-	-	929	-	2220	Other payables to related parties (note 7)	5,462	-	9,089	1
130X	Inventories (note 6(d))	102,964	6	106,942	7	2230	Current income tax liabilities	-	-	4,880	-
1479	Prepayments and other current assets	65,666	4	19,016	1	2250	Provisions—current (note 6(j))	6,404	-	8,197	1
	<b>Total current assets</b>	<u>1,349,543</u>	<u>76</u>	<u>1,216,409</u>	<u>83</u>	2280	Lease liabilities—current (notes 6(i) and 7)	3,165	-	1,208	-
<b>Non-current assets:</b>						2365	Refund liabilities—current (note 7)	11,548	1	2,271	-
1517	Financial assets measured at fair value through other comprehensive income—non-current (note 6(b))	281,591	16	124,240	9	2399	Other current liabilities	1,092	-	1,059	-
1550	Investments accounted for using the equity method (note 6(e))	64,766	4	46,583	3		<b>Total current liabilities</b>	<u>483,753</u>	<u>27</u>	<u>402,562</u>	<u>27</u>
1600	Property, plant and equipment (note 6(f))	505	-	709	-		<b>Non-current liabilities:</b>				
1755	Right-of-use assets (note 6(g))	3,567	-	1,199	-	2527	Contract liabilities—non-current (note 6(q))	730	-	998	-
1760	Investment property (note 6(h))	6,315	-	6,446	1	2570	Deferred income tax liabilities (note 6(m))	17,479	1	13,123	1
1780	Intangible assets (note 7)	1,906	-	2,471	-	2580	Lease liabilities—non-current (notes 6(i) and 7)	427	-	-	-
1840	Deferred income tax assets (note 6(m))	19,617	1	21,051	1	2645	Guarantee deposits received	1,500	-	1,500	-
1975	Net defined benefit assets (note 6(l))	46,887	3	45,913	3		<b>Total non-current liabilities</b>	<u>20,136</u>	<u>1</u>	<u>15,621</u>	<u>1</u>
1980	Refundable deposits (note 8)	1,801	-	1,856	-		<b>Total liabilities</b>	<u>503,889</u>	<u>28</u>	<u>418,183</u>	<u>28</u>
1990	Other non-current assets	987	-	1,332	-		<b>Equity (note 6(n)):</b>				
	<b>Total non-current assets</b>	<u>427,942</u>	<u>24</u>	<u>251,800</u>	<u>17</u>	3110	Common stock	618,600	35	600,000	41
						3200	Capital surplus	422,373	24	413,737	28
							Retained earnings:				
						3310	Legal reserve	67,318	4	53,985	4
						3320	Special reserve	39,259	2	-	-
						3350	Retained earnings	121,263	7	133,344	9
							Total retained earnings	227,840	13	187,329	13
						3400	Other equity	4,783	-	(151,040)	(10)
							<b>Total equity</b>	<u>1,273,596</u>	<u>72</u>	<u>1,050,026</u>	<u>72</u>
							<b>Total liabilities and equity</b>	<u>\$ 1,777,485</u>	<u>100</u>	<u>1,468,209</u>	<u>100</u>
	<b>Total assets</b>	<u>\$ 1,777,485</u>	<u>100</u>	<u>1,468,209</u>	<u>100</u>						

See accompanying notes to parent-company-only financial statements.

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

**ACER GADGET INC.****Parent-Company-Only 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>
4000	<b>Net revenue (notes 6(q) and 7)</b>	\$ 1,652,784	100	1,458,833	100
5000	<b>Cost of revenue (notes 6(d), (j), 7 and 12)</b>	(1,354,490)	(82)	(1,213,981)	(83)
	<b>Gross profit</b>	<u>298,294</u>	<u>18</u>	<u>244,852</u>	<u>17</u>
	<b>Operating expenses (notes 6(c), (f), (g), (h), (i), (l), (o), (r), 7 and 12):</b>				
6100	Selling expenses	(80,403)	(5)	(66,482)	(4)
6200	Administrative expenses	(70,968)	(4)	(51,580)	(4)
6300	Research and development expenses	(62,109)	(4)	(45,631)	(3)
6450	Expected credit loss	(23)	-	(284)	-
	<b>Total operating expenses</b>	<u>(213,503)</u>	<u>(13)</u>	<u>(163,977)</u>	<u>(11)</u>
	<b>Operating income</b>	<u>84,791</u>	<u>5</u>	<u>80,875</u>	<u>6</u>
	<b>Non-operating income and loss (notes 6(f), (i), (k), (s) and 7):</b>				
7100	Interest income	9,336	1	1,666	-
7190	Other income	6,965	-	10,629	-
7020	Other gains and losses	4,516	-	11,782	1
7375	Share of profits of subsidiaries	19,711	1	11,184	1
7050	Finance costs	(80)	-	(40)	-
	<b>Total non-operating income and loss</b>	<u>40,448</u>	<u>2</u>	<u>35,221</u>	<u>2</u>
	<b>Income before income tax</b>	<u>125,239</u>	<u>7</u>	<u>116,096</u>	<u>8</u>
7950	<b>Income tax benefit (expense) (note 6(m))</b>	<u>(3,976)</u>	<u>-</u>	<u>19,216</u>	<u>1</u>
	<b>Net income</b>	<u>121,263</u>	<u>7</u>	<u>135,312</u>	<u>9</u>
	<b>Other comprehensive income (loss) (notes 6(l), (m) and (n)):</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>				
8311	Remeasurements of defined benefit plans	-	-	4,794	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	157,351	10	(43,924)	(2)
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	-	-	(959)	-
	<b>Total items that will not be reclassified subsequently to profit or loss</b>	<u>157,351</u>	<u>10</u>	<u>(40,089)</u>	<u>(2)</u>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign operations	(1,528)	-	830	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
	<b>Total items that may be reclassified subsequently to profit or loss</b>	<u>(1,528)</u>	<u>-</u>	<u>830</u>	<u>-</u>
	<b>Other comprehensive income (loss), net of income tax</b>	<u>155,823</u>	<u>10</u>	<u>(39,259)</u>	<u>(2)</u>
	<b>Total comprehensive income for the year</b>	<u>\$ 277,086</u>	<u>17</u>	<u>96,053</u>	<u>7</u>
	<b>Net income attributable to:</b>				
8610	Shareholders of the Parent	\$ 121,263	7	133,344	9
8615	Former owner of organizational restructuring under common control	-	-	1,968	-
		<u>\$ 121,263</u>	<u>7</u>	<u>135,312</u>	<u>9</u>
	<b>Total comprehensive income attributable to:</b>				
8710	Shareholders of the Parent	\$ 277,086	17	94,085	7
8715	Former owner of organizational restructuring under common control	-	-	1,968	-
		<u>\$ 277,086</u>	<u>17</u>	<u>96,053</u>	<u>7</u>
	<b>Earnings per share (in New Taiwan dollars) (note 6(p)):</b>				
9750	<b>Basic earnings per share</b>				
	Shareholders of the Parent	\$ 1.98		3.00	
	Former owner of organizational restructuring under common control	-		0.04	
	<b>Basic earnings per share</b>	<u>\$ 1.98</u>		<u>3.04</u>	
9850	<b>Diluted earnings per share</b>				
	Shareholders of the Parent	\$ 1.97		2.95	
	Former owner of organizational restructuring under common control	-		0.04	
	<b>Diluted earnings per share</b>	<u>\$ 1.97</u>		<u>2.99</u>	

See accompanying notes to parent-company-only financial statements.

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

## ACER GADGET INC.

## Parent-Company-Only Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings						Other equity					
	Common stock	Capital surplus	Legal reserve	Special reserve	Retained earnings (accumulated deficit)	Total	Foreign currency translation differences	Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Equity attributable to former owner of organizational restructuring under common control	Total equity
<b>Balance at January 1, 2022</b>	\$ 125,397	348,324	143,269	-	(89,284)	53,985	(201)	(106,444)	(5,136)	(111,781)	14,236	430,161
Net income in 2022	-	-	-	-	133,344	133,344	-	-	-	-	1,968	135,312
Other comprehensive income (loss) in 2022	-	-	-	-	-	-	830	(43,924)	3,835	(39,259)	-	(39,259)
Total comprehensive income (loss) in 2022	-	-	-	-	133,344	133,344	830	(43,924)	3,835	(39,259)	1,968	96,053
Appropriation of earnings:												
Legal reserve used to offset accumulated deficits	-	-	(89,284)	-	89,284	-	-	-	-	-	-	-
Capital surplus transferred to common stock	174,603	(174,603)	-	-	-	-	-	-	-	-	-	-
Capital increase by cash	300,000	240,000	-	-	-	-	-	-	-	-	-	540,000
Share-based compensation cost	-	16	-	-	-	-	-	-	-	-	-	16
Organizational restructuring under common control	-	-	-	-	-	-	-	-	-	-	(16,204)	(16,204)
<b>Balance at December 31, 2022</b>	<u>600,000</u>	<u>413,737</u>	<u>53,985</u>	<u>-</u>	<u>133,344</u>	<u>187,329</u>	<u>629</u>	<u>(150,368)</u>	<u>(1,301)</u>	<u>(151,040)</u>	<u>-</u>	<u>1,050,026</u>
Net income in 2023	-	-	-	-	121,263	121,263	-	-	-	-	-	121,263
Other comprehensive income (loss) in 2023	-	-	-	-	-	-	(1,528)	157,351	-	155,823	-	155,823
Total comprehensive income (loss) in 2023	-	-	-	-	121,263	121,263	(1,528)	157,351	-	155,823	-	277,086
Appropriation of earnings:												
Legal reserve	-	-	13,333	-	(13,333)	-	-	-	-	-	-	-
Special reserve	-	-	-	39,259	(39,259)	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(80,752)	(80,752)	-	-	-	-	-	(80,752)
Share-based compensation cost	-	124	-	-	-	-	-	-	-	-	-	124
Cash distributed from capital surplus	-	(18,248)	-	-	-	-	-	-	-	-	-	(18,248)
Capital increase by cash	18,600	26,760	-	-	-	-	-	-	-	-	-	45,360
<b>Balance at December 31, 2023</b>	<u>\$ 618,600</u>	<u>422,373</u>	<u>67,318</u>	<u>39,259</u>	<u>121,263</u>	<u>227,840</u>	<u>(899)</u>	<u>6,983</u>	<u>(1,301)</u>	<u>4,783</u>	<u>-</u>	<u>1,273,596</u>

See accompanying notes to parent-company-only financial statements.

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

**ACER GADGET INC.****Parent-Company-Only Statements of Cash Flows****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ <u>125,239</u>	<u>116,096</u>
<b>Adjustments:</b>		
Adjustments to reconcile profit or loss:		
Depreciation	5,667	3,916
Amortization	665	164
Expected credit loss	23	284
Interest income	(9,336)	(1,666)
Share-based compensation cost	124	16
Dividend income	(6,965)	(10,629)
Interest expense	80	40
Share of profit of subsidiaries	(19,711)	(11,184)
Loss on disposal of property, plant and equipment	<u>-</u>	<u>32</u>
Total adjustments for profit or loss	<u>(29,453)</u>	<u>(19,027)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	(31,705)	60,648
Accounts receivables from related parties	(25,454)	(35,859)
Other receivables	(25)	(203)
Other receivables from related parties	929	245
Inventories	3,978	(10,804)
Prepayments and other assets	(45,487)	(6,065)
Net defined benefit assets	<u>(974)</u>	<u>(1,572)</u>
Changes in operating assets	<u>(98,738)</u>	<u>6,390</u>
Accounts payable	60,319	22,573
Accounts payable to related parties	19,489	(10,470)
Other payables	(10,292)	(29,463)
Other payables to related parties	(3,627)	(14,048)
Refund liabilities	9,277	(6,739)
Contract liabilities	10,440	(14,572)
Provisions	(1,793)	3,534
Other current liabilities	<u>33</u>	<u>(83)</u>
Changes in operating liabilities	<u>83,846</u>	<u>(49,268)</u>
Total changes in operating assets and liabilities	<u>(14,892)</u>	<u>(42,878)</u>
Cash provided by operations	80,894	54,191
Interest received	9,336	1,666
Interest paid	(80)	(40)
Income taxes paid	<u>(3,884)</u>	<u>(646)</u>
<b>Net cash flows provided by operating activities</b>	<u>86,266</u>	<u>55,171</u>

(Continued)

See accompanying notes to parent-company-only financial statements.

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

**ACER GADGET INC.****Parent-Company-Only Statements of Cash Flows (Continued)****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from investing activities:</b>		
Additions to property, plant and equipment	(186)	(279)
Decrease in other receivables from related parties	-	70,000
Additions to intangible assets	(100)	(2,433)
Decrease in refundable deposits	55	699
Dividends received	<u>6,965</u>	<u>10,629</u>
<b>Net cash flows provided by investing activities</b>	<u>6,734</u>	<u>78,616</u>
<b>Cash flows from financing activities:</b>		
Decrease in guarantee deposits received	-	(46)
Payment of lease liabilities	(5,130)	(3,468)
Cash dividends distributed to shareholders	(99,000)	-
Capital increase by cash	45,360	540,000
Organizational restructuring under common control	<u>-</u>	<u>(16,204)</u>
<b>Net cash flows provided by (used in) financing activities</b>	<u>(58,770)</u>	<u>520,282</u>
<b>Increase in cash and cash equivalents</b>	34,230	654,069
<b>Cash and cash equivalents at beginning of year</b>	<u>814,973</u>	<u>160,904</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 849,203</u></u>	<u><u>814,973</u></u>

See accompanying notes to parent-company-only financial statements.



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

**ACER GADGET INC.**

**Notes to the Parent-Company-Only Financial Statements**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**1. Organization and business**

Acer Gadget Inc. (the “Company”, formerly E-TEN Information Systems Co., Ltd.) was incorporated on March 27, 1986, as a company limited by shares under the Company Act of the Republic of China (“R.O.C.”). The Company merged with GadgeTek Inc. (“GadgeTek”), one of the subsidiaries of Acer Incorporated (“Acer”), through the issuance of new shares, with the merger date set on June 1, 2021. After the merger, the Company became the sole surviving entity and GadgeTek became the dissolved company. The address of the Company’s registered office is 7F-5, No. 369, Fuxing N. Rd., Songshan Dist., Taipei City, Taiwan.

The Company acquired gaming peripherals business of Acer Gaming Inc. (“Acer Gaming”), one of the subsidiaries of Acer, on March 17, 2022. The aforementioned transaction is an organizational restructuring under common control. Refer to note 7(c) for the related information.

The Company is primarily engaged in telecommunication value-added internet business, design, sales and leasing of computer hardware and software application system and sales of innovative computer peripherals and smart life consumer products.

**2. Authorization of the parent-company-only financial statements**

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

**3. Application of new and revised accounting standards and interpretations**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from January 1, 2023:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from May 23, 2023:

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

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(b) The impact of IFRS endorsed by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its parent-company-only financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

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

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

**4. Summary of material accounting policies**

The material accounting policies presented in the parent-company-only financial statements are summarized as follows. The following accounting policies have been applied consistently throughout the periods presented in the parent-company-only financial statements.

(a) Statement of compliance

The Company’s accompanying parent-company-only financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (the “Regulations”).

(b) Basis of preparation

(i) Basis of measurement

The accompanying parent-company-only financial statements have been prepared on a historical cost basis except for the following items:

- 1) Financial assets measured at fair value through other comprehensive income; and
- 2) Net defined benefit asset (liability) measured at present value of defined benefit obligation less the fair value of plan assets.

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The Company's parent-company-only financial statements are presented in New Taiwan dollars, which is the Company's functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(iii) Organizational restructuring under common control

The Company acquired gaming peripherals business from Acer Gaming Inc., one of the subsidiaries of its parent company, Acer, on March 17, 2022. In accordance with the Interpretations (2012) No. 301 and Comments on IFRS for Business Combination under Common Control issued by Accounting Research and Development Foundation on October 26, 2018, the transaction is accounted for using book value method and the prior period comparative information in the financial statements is restated as if the organization restricting under common control had already occurred before the beginning of the period. Equity attributable to former owner before organizational restructuring under common control was recognized in "equity attributable to former owner of organizational restructuring under common control" in the parent-company-only financial statements. Profit or loss attributable to former owner of organizational restructuring under common control was recognized in "income attributable to former owner of organizational restructuring under common control" in the parent-company-only statements of comprehensive income.

(c) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period ("the reporting date"), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into the presentation currency of the Company's parent-company-only financial statements at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated into the presentation currency of the Company's parent-company-only financial statements at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the accumulated exchange differences related to that foreign operation is reclassified to profit or loss. In the case of a partial disposal that does not result in the Company losing control over a subsidiary, the proportionate share of the accumulated exchange differences is reclassified to non-controlling interests. For a partial disposal of the Company's ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, the monetary item is, in substance, a part of net investment in that foreign operation, and the related foreign exchange gains and losses thereon are recognized as other comprehensive income.

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

An asset is classified as current when one of the following criteria is met; all other assets are classified as non-current assets:

- (i) It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when one of the following criteria is met; all other liabilities are classified as non-current liabilities:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(e) Cash and cash equivalents

Cash comprises cash on hand, checking deposits and demand deposits. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the aforesaid criteria and are not held for investing purposes are also classified as cash equivalents.

(f) Financial instruments

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

(i) Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost and fair value through other comprehensive income (FVOCI). All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

Subsequent to initial recognition, these assets are measured at amortized cost, using the effective interest method less impairment loss. Interest income, foreign exchange gains and losses, and recognition of impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

(Continued)

## ACER GADGET INC.

### Notes to the Parent-Company-Only Financial Statements

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

Financial assets measured at fair value through other comprehensive income are subsequently measured at fair value. Foreign exchange gains and losses, interest income calculated using the effective interest method, impairment loss and dividends income (unless the dividend clearly represents a recovery of part of the cost of the investment) are recognized in profit or loss. Other changes are recognized in other comprehensive income and accumulated in other equity as unrealized gain (loss) from financial assets measured at fair value through other comprehensive income. On derecognition for debt investments, gains and losses accumulated in equity are reclassified to profit or loss. On derecognition for equity investments, gains and losses accumulated in equity are reclassified to retain earnings and are never reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive the dividends is established (usually the ex-dividend date).

#### 3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses ("ECL") on financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties) and refundable deposits).

The Company measures loss allowances for accounts receivable and other financial assets at an amount equal to lifetime ECL, except for the following financial assets which are measured using 12-month ECL:

- bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

(Continued)

## ACER GADGET INC.

### Notes to the Parent-Company-Only Financial Statements

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

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

- significant financial difficulty of the borrower;
- a breach of contract such as a default or being more than 180 days past due;
- the Company, for economic or contractual reasons relating to the borrower’s financial difficulty, grants to the borrower a concession that the Company would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

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

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

#### 4) Derecognition of financial assets

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

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

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(ii) Financial liabilities

1) Equity instruments

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

2) Financial liabilities

Financial liabilities are classified as measured at amortized cost and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

4) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted-average method, and includes all necessary expenditure incurred in bringing them to the location and condition ready for sale. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and selling expenses.

(h) Investments in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under equity method, profit or loss and other comprehensive income recognized in parent-company-only financial statement is in line with total comprehensive income attributable to shareholders of the Company in the consolidated financial statements. In addition, the equity recognized in the parent-company-only financial statements are in line with the equity attributable to shareholders of the Company in the consolidated financial statements.

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

(Continued)



**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is calculated on the cost of assets less their residual values and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life. The estimated useful lives of property, plant and equipment are as follows: machinery and equipment: 5 years; furniture and fixtures: 3 years; leasehold improvements: 3 to 5 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. The methods for depreciating and determining the useful life and residual value of investment property are the same as those adopted for property, plant and equipment.

Rental income from investment property is recognized as other operating income and expenses on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

An investment property is reclassified to property, plant and equipment at its carrying amount when the purpose of the investment property has been changed from investment to owner-occupied.

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(k) Intangible assets

Intangible assets are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is using straight-line basis over the following estimated useful lives: acquired software: 1 to 3 years; patents: 5 years; trademarks: 10 years.

The residual value, amortization period, and amortization method are reviewed at least at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

(l) Leases

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

(i) As a lessee

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

- there is a change of the Company's assessment on whether it will exercise an option to purchase the underlying asset; or
- there is a change in the lease term resulting from a change of the Company's assessment on whether it will exercise an extension or termination option; or
- there is any lease modification in lease subject, scope of the lease or other terms.

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

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

The Company presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the parent-company-only balance sheets.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

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

For operating lease, the Company recognizes rental income on a straight-line basis over the lease term.

(m) Impairment of non-financial assets

The Company assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets (other than inventories and deferred tax assets) may be impaired. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually or when there are indications of impairment.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. Goodwill arising from a business combination is allocated to cash-generating units ("CGUs") or groups of CGUs that are expected to benefit from the synergies of the combination.

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(n) Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A provision for warranties is recognized when the underlying products or services are sold. This provision reflects the historical warranty claim rate and the weighting of all possible outcomes against their associated probabilities.

(o) Revenue from contracts with customers

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

(i) Sale of goods

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

The Company recognizes revenue based on the price specified in the contract, net of the estimated volume discounts and rebates. Accumulated experience is used to estimate the discounts and rebates using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognized for expected sales discounts and rebate payable to customers in relation to sales made until the end of the reporting period.

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

The Company's obligation to provide a refund for faulty goods under the standard warranty terms is recognized as a provision for warranty.

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

(ii) Financing components

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

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed during the year in which employees render services.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The discount rate for calculating the present value of the defined benefit obligation refers to the interest rate of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method.

When the benefits of a plan are improved, the expenses related to the increased obligations resulting from the services rendered by employees in the past years are recognized in profit or loss immediately.

The remeasurements of the net defined benefit liability (asset) comprise 1) actuarial gains and losses; 2) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and 3) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). The remeasurements of the net defined benefit liability (asset) are recognized in other comprehensive income and reflected in other equity.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to make such payments as a result of past service provided by the employees, and the obligation can be estimated reliably.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

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

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities at the reporting date and their respective tax base. Deferred taxes are not recognized for:

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction 1) affects neither accounting nor taxable profits (losses) and 2) does not give rise to equal taxable and deductible temporary differences;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

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

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

(r) Earnings per share (“EPS”)

The basic and diluted EPS attributable to stockholders of the Parent are disclosed in the parent-company-only financial statements. Basic EPS is calculated by dividing net income attributable to stockholders of the Parent by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to stockholders of the Parent and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Company’s dilutive potential common shares include profit sharing for employees to be settled in the form of common stock.

(s) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent-company-only financial statements.

**5. Critical accounting judgments and key sources of estimation and assumption uncertainty**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in the future periods affected.

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

(a) Valuation of inventories

As inventories are measured at the lower of cost or net realizable value, the Company estimates the net realizable value of inventory at the reporting date, taking obsolescence and unmarketable items into account, and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a time horizon, which could result in significant adjustments. Refer to note 6(d) for further description of inventory write-downs.

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

**6. Significant account disclosures**

(a) Cash and cash equivalents

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Demand deposits and checking accounts	\$ 87,733	464,973
Time deposits with original maturities less than three months	761,470	350,000
	<b><u>\$ 849,203</u></b>	<b><u>814,973</u></b>

(b) Financial assets measured at fair value through other comprehensive income — non-current

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Equity investments measured at fair value through other comprehensive income:		
Domestic listed stock	<b><u>\$ 281,591</u></b>	<b><u>124,240</u></b>

The Company designated the above investments as financial assets measured at fair value through other comprehensive income as these equity instruments are held for long-term strategic purposes and not for trading. For the years ended December 31, 2023 and 2022, no strategic investments was disposed.

(c) Accounts receivable, net (measured at amortized cost)

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Accounts receivable	\$ 81,799	50,094
Accounts receivable from related parties	249,876	224,422
	331,675	274,516
Less: loss allowance	(1,206)	(1,183)
	<b><u>\$ 330,469</u></b>	<b><u>273,333</u></b>

The Company applies the simplified approach to provide for its expected credit losses, i.e., the use of lifetime expected loss provision for all receivables. Forward-looking information is taken into consideration as well. Analysis of expected credit losses on accounts receivable was as follows:

	<b>December 31, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
Current	\$ 78,196	0.00%	-
Past due 1-30 days	349	0.00%	-
Past due 31-60 days	1,787	0.00%	-
Past due 151 days or over	284	8.10%	(23)
Past due 181 days or over	1,183	100.00%	(1,183)
	<b><u>\$ 81,799</u></b>		<b><u>(1,206)</u></b>

(Continued)



**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
Current	\$ 47,948	0.00%	-
Past due 1-30 days	50	0.00%	-
Past due 61-90 days	877	0.00%	-
Past due 91-120 days	36	0.00%	-
Past due 181 days or over	1,183	100.00%	(1,183)
	<u><u>\$ 50,094</u></u>		<u><u>(1,183)</u></u>

As of December 31, 2023 and 2022, no expected credit losses was provided for accounts receivable from related parties after management's assessment. Analysis of expected credit losses on accounts receivable from related parties was as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current	\$ 203,564	148,290
Past due 1-30 days	45,102	75,970
Past due 31-60 days	-	162
Past due 61-90 days	1,210	-
Past due 181 days or over	-	-
	<u><u>\$ 249,876</u></u>	<u><u>224,422</u></u>

Movements of the allowance for accounts receivable were as follows:

	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 1,183	1,273
Impairment losses recognized	23	284
Write-off	-	(374)
Balance at December 31	<u><u>\$ 1,206</u></u>	<u><u>1,183</u></u>

(d) Inventories

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Raw materials	\$ 2,399	14,299
Merchandise and finished goods	100,565	92,643
	<u><u>\$ 102,964</u></u>	<u><u>106,942</u></u>

The amounts of inventories recognized as cost of revenue were as follows:

	<b>2023</b>	<b>2022</b>
Cost of inventories sold	\$ 1,345,123	1,189,215
Write-downs of inventories	5,072	15,595
	<u><u>\$ 1,350,195</u></u>	<u><u>1,204,810</u></u>

The write-downs of inventories arose from the write-downs of inventories to net realizable value.

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(e) Investments accounted for using the equity method

A summary of the Company's investments accounted for using the equity method at the reporting date is as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Subsidiaries	<b>\$ 64,766</b>	<b>46,583</b>

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

(f) Property, plant and equipment

The movements of cost and accumulated depreciation of the property, plant and equipment were as follows:

	<b><u>Machinery and equipment</u></b>	<b><u>Furniture and fixtures</u></b>	<b><u>Leasehold improvements</u></b>	<b><u>Total</u></b>
Cost:				
Balance at January 1, 2023	\$ 198	21,164	337	21,699
Additions	-	186	-	186
Disposals	-	(20,412)	(58)	(20,470)
Balance at December 31, 2023	<b>\$ 198</b>	<b>938</b>	<b>279</b>	<b>1,415</b>
Balance at January 1, 2022	\$ 198	21,371	3,104	24,673
Additions	-	-	279	279
Disposals	-	(207)	(3,046)	(3,253)
Balance at December 31, 2022	<b>\$ 198</b>	<b>21,164</b>	<b>337</b>	<b>21,699</b>
Accumulated depreciation:				
Balance at January 1, 2023	\$ 161	20,731	98	20,990
Depreciation	37	261	92	390
Disposals	-	(20,412)	(58)	(20,470)
Balance at December 31, 2023	<b>\$ 198</b>	<b>580</b>	<b>132</b>	<b>910</b>
Balance at January 1, 2022	\$ 122	20,684	3,073	23,879
Depreciation	39	254	39	332
Disposals	-	(207)	(3,014)	(3,221)
Balance at December 31, 2022	<b>\$ 161</b>	<b>20,731</b>	<b>98</b>	<b>20,990</b>
Carrying amounts:				
Balance at December 31, 2023	<b>\$ -</b>	<b>358</b>	<b>147</b>	<b>505</b>
Balance at December 31, 2022	<b>\$ 37</b>	<b>433</b>	<b>239</b>	<b>709</b>
Balance at January 1, 2022	<b>\$ 76</b>	<b>687</b>	<b>31</b>	<b>794</b>

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(g) Right-of-use assets

	<u>Buildings</u>	<u>Others</u>	<u>Total</u>
Cost:			
Balance at January 1, 2023	\$ 1,870	4,769	6,639
Additions	2,503	4,790	7,293
Lease modifications	-	221	221
Disposals	(1,870)	(4,769)	(6,639)
Balance at December 31, 2023	<u>\$ 2,503</u>	<u>5,011</u>	<u>7,514</u>
Balance at January 1, 2022	\$ 3,715	4,769	8,484
Additions	1,870	-	1,870
Disposals	(3,715)	-	(3,715)
Balance at December 31, 2022	<u>\$ 1,870</u>	<u>4,769</u>	<u>6,639</u>
Accumulated depreciation:			
Balance at January 1, 2023	\$ 1,069	4,371	5,440
Depreciation	2,679	2,467	5,146
Disposals	(1,870)	(4,769)	(6,639)
Balance at December 31, 2023	<u>\$ 1,878</u>	<u>2,069</u>	<u>3,947</u>
Balance at January 1, 2022	\$ 3,715	1,987	5,702
Depreciation	1,069	2,384	3,453
Disposals	(3,715)	-	(3,715)
Balance at December 31, 2022	<u>\$ 1,069</u>	<u>4,371</u>	<u>5,440</u>
Carrying amounts:			
Balance at December 31, 2023	<u>\$ 625</u>	<u>2,942</u>	<u>3,567</u>
Balance at December 31, 2022	<u>\$ 801</u>	<u>398</u>	<u>1,199</u>
Balance at January 1, 2022	<u>\$ -</u>	<u>2,782</u>	<u>2,782</u>

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(h) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Others</u>	<u>Total</u>
Cost:				
Balance at January 1, 2023				
(Balance at December 31, 2023)	\$ <u>20,145</u>	<u>9,033</u>	<u>300</u>	<u>29,478</u>
Balance at January 1, 2022				
(Balance at December 31, 2022)	\$ <u>20,145</u>	<u>9,033</u>	<u>300</u>	<u>29,478</u>
Accumulated depreciation and impairment loss:				
Balance at January 1, 2023	\$ 16,291	6,441	300	23,032
Depreciation	<u>-</u>	<u>131</u>	<u>-</u>	<u>131</u>
Balance at December 31, 2023	\$ <u>16,291</u>	<u>6,572</u>	<u>300</u>	<u>23,163</u>
Balance at January 1, 2022	\$ 16,291	6,310	300	22,901
Depreciation	<u>-</u>	<u>131</u>	<u>-</u>	<u>131</u>
Balance at December 31, 2022	\$ <u>16,291</u>	<u>6,441</u>	<u>300</u>	<u>23,032</u>
Carrying amounts:				
Balance at December 31, 2023	\$ <u>3,854</u>	<u>2,461</u>	<u>-</u>	<u>6,315</u>
Balance at December 31, 2022	\$ <u>3,854</u>	<u>2,592</u>	<u>-</u>	<u>6,446</u>
Balance at January 1, 2022	\$ <u>3,854</u>	<u>2,723</u>	<u>-</u>	<u>6,577</u>
Fair value:				
Balance at December 31, 2023				\$ <u>17,864</u>
Balance at December 31, 2022				\$ <u>16,072</u>

The fair value of the investment property is determined by management based on the valuation made by independent appraisers. The inputs, which were used in the fair value measurement, were classified to level 3.

(i) Lease liabilities

(i) The carrying amount of lease liabilities were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current	\$ <u>3,165</u>	<u>1,208</u>
Non-current	\$ <u>427</u>	<u>-</u>

Refer to note 6(u) for the maturity analysis of lease liabilities.

(ii) The amounts recognized in profit or loss were as follows:

	<u>2023</u>	<u>2022</u>
Interest expense on lease liabilities	\$ <u>80</u>	<u>40</u>
Expenses relating to short-term leases	\$ <u>57</u>	<u>44</u>
Expenses relating to leases of low-value assets	\$ <u>99</u>	<u>27</u>

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

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

	<u>2023</u>	<u>2022</u>
Total cash outflow for leases	\$ <u><u>5,366</u></u>	<u><u>3,579</u></u>

(iv) Major terms of leases

The Company leases buildings, office equipment, and miscellaneous equipment with lease terms of 1 to 2 years. Certain the leases of buildings, office equipment, and miscellaneous equipment are short-term lease or low-value assets and therefore, the Company elected to applied exemption and not to recognize right-of-use assets and lease liabilities.

(j) Provisions

	<b>Warranties</b>
Balance at January 1, 2023	\$ 8,197
Additions	30
Amount utilized	(1,866)
Effect of exchange rate changes	43
Balance at December 31, 2023	\$ <u><u>6,404</u></u>
Balance at January 1, 2022	\$ 4,663
Additions	4,321
Amount utilized	(1,461)
Effect of exchange rate changes	674
Balance at December 31, 2022	\$ <u><u>8,197</u></u>

(i) Warranties

The provision for warranties is made based on the number of units sold currently under warranty, historical rates of warranty claim on those units, and cost per claim to satisfy the warranty obligation. The Company reviews the estimation basis on an ongoing basis and revises it when appropriate.

(k) Operating lease of lessor

The Company leases its investment property and has classified these leases as operating leases as it does not transfer substantially all the risks and rewards incidental to ownership of the assets to lessee. Refer to note 6(h) for the information of investment property.

For the years ended December 31, 2023 and 2022, the rental income from the lease of investment property amounted to \$323 and \$300, respectively.

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**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(l) Employee benefits

(i) Defined benefit plans

The reconciliation between the present value of defined benefit obligations and the net defined benefit assets (liabilities) for defined benefit plans was as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Present value of benefit obligations	\$ -	-
Fair value of plan assets	46,887	45,913
Net defined benefit assets	<u><u>\$ 46,887</u></u>	<u><u>45,913</u></u>

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pension benefits for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive a payment based on years of service and average salary for the six months prior to the employee's retirement. In 2022, the Company reached an agreement with its employees on the early settlement of the defined benefit plan and made cash payments to employees, wherein the present value of defined benefit obligations amounted to \$0 on December 31, 2022.

1) Composition of plan assets

The pension fund (the "Fund") contributed by the Company is managed and administered by the Bureau of Labor Funds of the Ministry of Labor (the Bureau of Labor Funds). According to the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", with regard to the utilization of the Fund, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

As of December 31, 2023 and 2022, the balances of aforementioned pension funds were \$46,887 and \$45,913, respectively. For information on the domestic labor pension fund assets (including the asset portfolio and yield of the fund), refer to the website of the Bureau of Labor Funds.

2) Movements in present value of the defined benefit obligations

	<b>2023</b>	<b>2022</b>
Defined benefit obligations at January 1	\$ -	1,317
Interest expense	-	8
Settlement	-	(1,325)
Defined benefit obligations at December 31	<u><u>\$ -</u></u>	<u><u>-</u></u>

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

3) Movements in fair value of plan assets

	<b>2023</b>	<b>2022</b>
Fair value of plan assets at January 1	\$ 45,913	40,864
Interest income	974	255
Remeasurement on the net defined benefit assets:		
— Return on plan assets (excluding current interest expense)	-	4,794
Fair value of plan assets at December 31	<u><u>\$ 46,887</u></u>	<u><u>45,913</u></u>

4) Changes in the effect of the asset ceiling

In 2023 and 2022, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

	<b>2023</b>	<b>2022</b>
Net interest income of net defined benefit assets	\$ (974)	(247)
Gains on settlement	-	(57)
Operating expenses	<u><u>\$ (974)</u></u>	<u><u>(304)</u></u>

6) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Discount rate	Not applicable	1.750 %
Future salary change	Not applicable	Not applicable

(ii) Defined contribution plans

The Company contributes monthly an amount equal to 6% of each employee's monthly wages to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company has no legal or constructive obligation to pay additional amounts after contributing a fixed amount to the Bureau of Labor Insurance. For the years ended December 31, 2023 and 2022, the Company recognized pension expenses of \$3,022 and \$2,790, respectively, in relation to the defined contribution plans.

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(m) Income taxes

(i) The components of income tax expense (benefit) were as follows:

	<u>2023</u>	<u>2022</u>
Current income tax expense (benefit)		
Current period	\$ -	492
Adjustments for prior years	(1,814)	-
	<u>(1,814)</u>	<u>492</u>
Deferred income tax expense (benefit)		
Origination and reversal of temporary differences	5,790	(19,708)
	<u>\$ 3,976</u>	<u>(19,216)</u>

The components of income tax expense recognized in other comprehensive income were as follows:

	<u>2023</u>	<u>2022</u>
Remeasurement of defined benefit plans	\$ -	959

Reconciliation of income tax expense (benefit) and income before income tax for 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Income before income tax	\$ <u>125,239</u>	\$ <u>116,096</u>
Income tax using the Company's statutory tax rate	25,048	23,219
Permanent difference	(1,393)	(2,379)
Adjustments for prior-year income tax expense	(1,814)	-
Recognition of previously unrecognized tax losses	(3,078)	(19,760)
Utilization of previously unrecognized tax losses	-	(23,672)
Changes in unrecognized temporary differences	(14,787)	3,619
Others	-	(243)
Income tax expense (benefit)	<u>\$ 3,976</u>	<u>(19,216)</u>

(Continued)



**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Unrecognized deferred income tax assets:		
Tax losses	\$ -	3,078
Deductible temporary differences	<u>-</u>	<u>24,595</u>
	<u><b>\$ -</b></u>	<u><b>27,673</b></u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, can be carried forward for 10 years to offset future taxable profit. Deferred tax assets have not been fully recognized in respect of these items as the management believed that it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

2) Recognized deferred income tax assets and liabilities

Deferred income tax assets:

	<b>Allowance for sales rebates</b>	<b>Provision for inventory obsolescence</b>	<b>Tax losses</b>	<b>Accrued expenses and others</b>	<b>Total</b>
<b>Balance at January 1, 2023</b>	\$ -	-	19,760	1,291	21,051
Recognized in profit or loss	<u>2,310</u>	<u>6,319</u>	<u>(13,373)</u>	<u>3,310</u>	<u>(1,434)</u>
<b>Balance at December 31, 2023</b>	<u><b>\$ 2,310</b></u>	<u><b>6,319</b></u>	<u><b>6,387</b></u>	<u><b>4,601</b></u>	<u><b>19,617</b></u>
<b>Balance at January 1, 2022</b>	\$ -	-	-	-	-
Recognized in profit or loss	<u>-</u>	<u>-</u>	<u>19,760</u>	<u>1,291</u>	<u>21,051</u>
<b>Balance at December 31, 2022</b>	<u><b>\$ -</b></u>	<u><b>-</b></u>	<u><b>19,760</b></u>	<u><b>1,291</b></u>	<u><b>21,051</b></u>

Deferred income tax liabilities:

	<b>Defined benefit plans</b>	<b>Share of profits of subsidiaries</b>	<b>Others</b>	<b>Total</b>
<b>Balance at January 1, 2023</b>	\$ 7,064	6,059	-	13,123
Recognized in profit or loss	<u>-</u>	<u>3,942</u>	<u>414</u>	<u>4,356</u>
<b>Balance at December 31, 2023</b>	<u><b>\$ 7,064</b></u>	<u><b>10,001</b></u>	<u><b>414</b></u>	<u><b>17,479</b></u>
<b>Balance at January 1, 2022</b>	\$ 6,045	3,821	955	10,821
Recognized in profit or loss	<u>60</u>	<u>2,238</u>	<u>(955)</u>	<u>1,343</u>
Recognized in other comprehensive income	<u>959</u>	<u>-</u>	<u>-</u>	<u>959</u>
<b>Balance at December 31, 2022</b>	<u><b>\$ 7,064</b></u>	<u><b>6,059</b></u>	<u><b>-</b></u>	<u><b>13,123</b></u>

(iii) The Company's income tax returns for the years through 2021 have been examined and approved by the R.O.C. income tax authorities.

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(n) Capital and other equity

(i) Common stock

As of December 31, 2023 and 2022, the Company's authorized shares of common stock consisted of 120,000 thousand shares, of which 61,860 thousand and 60,000 thousand shares were issued, respectively. The par value of the Company's common stock is \$10 (in New Taiwan dollars) per share.

The movements in outstanding shares of common stock were as follows (in thousands of shares):

	<u>2023</u>	<u>2022</u>
Balance at January 1	60,000	12,540
Capital surplus transferred to common stock	-	17,460
Capital increase by cash	<u>1,860</u>	<u>30,000</u>
Balance at December 31	<u><b>61,860</b></u>	<u><b>60,000</b></u>

The issuance of 1,860 thousand of common shares at price of \$26 per share (in New Taiwan dollars) was resolved by the Company's Board of Directors on April 25, 2023, wherein 279 thousand of common shares, comprising 15% of the newly issued common shares, were reserved for employee subscription in accordance with the Company's Articles of Incorporation. In the case that the Company's employees waived the right to subscribe, or the shares reserved for employees were not fully subscribed by employees, the Chairman may include specific person for subscription. The effective date of capital increase was set on May 29, 2023 with a total consideration amounting to \$45,360 (net of the direct issuing cost of \$3,000) and the related registration procedures have been completed.

The issuance of 30,000 thousand of common shares was resolved by the Company's Board of Directors on May 16, 2022. Except for 4,500 thousand of common shares, comprising 15% of the newly issued common shares, were reserved for employee subscription, shareholders may subscribe to the new shares in proportion to their ownership percentage on the effective date. In the case that the Company's employees or shareholders have not subscribed sufficiently, or waived the right to subscribe, the Chairman may include specific person for subscription. The effective date of capital increase was set on July 8, 2022 and the related registration procedures have been completed.

The issuance of 17,460 thousand of common shares transferred from capital surplus amounting to \$174,603 was resolved by the Company's Board of Directors on May 4, 2022. The effective date of capital increase was set on May 11, 2022 and the related registration procedures have been completed.

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(ii) Capital surplus

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Paid-in capital in excess of par value	\$ 327,749	319,237
Surplus related to treasury stock transactions	46,802	46,802
Surplus from mergers	47,682	47,682
Employee stock options	140	16
	<b><u>\$ 422,373</u></b>	<b><u>413,737</u></b>

Pursuant to the Company Act, any realized capital surplus is initially used to cover accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends or distributed by cash based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company.

(iii) Retained earnings and dividend policy

1) Legal reserve

Pursuant to the Company Act, if the Company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or distributing cash for the portion of legal reserve which exceeds 25% of the paid-in capital.

2) Special reserve

In accordance with the rulings issued by the FSC, a special reserve equal to the total amount of items that are accounted for as deductions from stockholders' equity shall be set aside from the after-tax net profit in the period, plus items other than the after-tax net profit in the period that are included in the current-period undistributed earnings, and prior-period undistributed earnings. This special reserve shall revert to retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders' equity are reversed in subsequent periods.

3) Earnings distribution

The Company's Articles of Incorporation stipulate that at least 10% of annual net income, after deducting accumulated deficit, if any, must be retained as legal reserve until the legal reserve has reached the Company's total paid-in capital. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations when necessary. The remaining balance, together with the accumulated unappropriated earnings can be distributed as dividends to stockholders, pursuant to the appropriation of earnings proposed by the Board of Directors and approved by the stockholders.

(Continued)

# ACER GADGET INC.

## Notes to the Parent-Company-Only Financial Statements

Earnings are distributed in consideration of the Company's current and long-term development, the overall economic environment, capital needs, market competition in domestic and international business and long-term interest of its shareholders. Earnings can be distributed by stock or cash, wherein no less than 10% of the distributable earnings shall be appropriated as shareholder dividends unless the Company's Board of Directors resolved not to distribute any cash dividend and approved by the shareholders. The Company has adopted a stable dividend policy in which cash dividends comprise at least 10% of the total distribution of dividends except when the Company's Board of Directors resolve not to distribute any cash dividend and approved by the shareholders.

On May 5, 2022, the Company's Board of Directors, on behalf of shareholders, resolved to offset the accumulated deficit by using 2021 net income of \$7,296 and legal reserve of \$89,284 and not to distribute dividends.

On May 18, 2023, the shareholders approved the distribution of cash dividends amounting to \$80,752 (\$1.3458687 per share, in New Taiwan dollars), and the distribution of cash dividends from capital surplus amounting to \$18,248 (\$0.3041313 per share, in New Taiwan dollars).

On March 12, 2024, the Company's Board of Directors proposed the distribution of cash dividends amounting to \$102,069 (\$1.65 per share, in New Taiwan dollars).

Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

### (iv) Other equity items (net after tax)

#### 1) Foreign currency translation differences:

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 629	(201)
Foreign exchange differences arising from translation of foreign operations	<u>(1,528)</u>	<u>830</u>
Balance at December 31	<u><u>\$ (899)</u></u>	<u><u>629</u></u>

#### 2) Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income:

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ (150,368)	(106,444)
Changes in fair value of financial assets measured at fair value through other comprehensive income	<u>157,351</u>	<u>(43,924)</u>
Balance at December 31	<u><u>\$ 6,983</u></u>	<u><u>(150,368)</u></u>

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

3) Remeasurement of defined benefit plans

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ (1,301)	(5,136)
Remeasurement of defined benefit plans	<u>-</u>	<u>3,835</u>
Balance at December 31	<u>\$ (1,301)</u>	<u>(1,301)</u>

(o) Share-based payment

The Company's share-based payment arrangements in 2023 and 2022 were as follows:

	<b>2023</b>	<b>2022</b>
	<b>Issuance of new shares reserved for employee subscription</b>	<b>Issuance of new shares reserved for employee subscription</b>
Grant date	<u>2023/04/25</u>	<u>2022/05/16</u>
Number of shares granted (in thousands)	279	4,500
Contract term	2023/04/25~2023/05/24	2022/05/16~2022/06/17
Qualified employees	Employees of the Company	Employees of the Company
Vesting conditions	Immediately vested	Immediately vested

The Company used the Black-Scholes Model in measuring the fair value of employee stock options at the grant date. The main inputs used in the valuation model were as follows:

	<b>2023</b>	<b>2022</b>
	<b>Issuance of new shares reserved for employee subscription</b>	<b>Issuance of new shares reserved for employee subscription</b>
Fair value of options granted (NT\$/ share)	0.444284	0.003449
Fair value of stock at grant date (NT\$/ share)	24.82	13.66
Exercise price (NT\$/ share)	26.00	18.00
Expected life (in years)	0.082	0.085
Expected volatility (%)	31.31%	37.77%
Risk-free interest rate (%)	0.933%	0.726%

Expected volatility was determined based on the vesting period and historical volatility of the comparable companies. The risk-free interest rate was determined based on government bonds.

In 2023 and 2022, the compensation costs recognized for the above-mentioned share-based payment arrangements amounted to \$124 and \$16, respectively, which were reported in the operating expense.

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(p) Earnings per share (“EPS”)

(i) Basic earnings per share

	<u>2023</u>	<u>2022</u>
Net income attributable to shareholders of the Parent	\$ 121,263	133,344
Net income attributable to former owner of organizational restructuring under common control	<u>-</u>	<u>1,968</u>
Net income	<u><u>\$ 121,263</u></u>	<u><u>135,312</u></u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u><u>61,106</u></u>	<u><u>44,465</u></u>
Basic earnings per share attributable to shareholders of the Parent (in New Taiwan dollars)	\$ 1.98	3.00
Basic earnings per share attributable to former owner of organizational restructuring under common control (in New Taiwan dollars)	<u>-</u>	<u>0.04</u>
Basic earnings per share (in New Taiwan dollars)	<u><u>\$ 1.98</u></u>	<u><u>3.04</u></u>

(ii) Diluted earnings per share

	<u>2023</u>	<u>2022</u>
Net income attributable to shareholders of the Parent	\$ 121,263	133,344
Net income attributable to former owner of organizational restructuring under common control	<u>-</u>	<u>1,968</u>
Net income	<u><u>\$ 121,263</u></u>	<u><u>135,312</u></u>
Weighted-average number of common shares outstanding (in thousands)	61,106	44,465
Effect of dilutive potential common shares (in thousands):		
Effect of remuneration to employees	<u>378</u>	<u>722</u>
Weighted-average number of common shares outstanding (in thousands)	<u>61,484</u>	<u>45,187</u>
Diluted earnings per share attributable to shareholders of the Parent (in New Taiwan dollars)	\$ 1.97	3
Diluted earnings per share attributable to former owner of organizational restructuring under common control (in New Taiwan dollars)	<u>-</u>	<u>0.04</u>
Diluted earnings per share (in New Taiwan dollars)	<u><u>\$ 1.97</u></u>	<u><u>2.99</u></u>

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2023</u>	<u>2022</u>
Primary geographical markets:		
Taiwan	\$ 1,165,307	1,234,792
Russia	163,717	-
America	112,083	3,323
Philippines	57,398	42,676
Switzerland	41,842	67,283
Malaysia	20,132	14,993
Thailand	10,518	19,873
Mainland China	1,686	25,276
Others	<u>80,101</u>	<u>50,617</u>
	<u><b>\$ 1,652,784</b></u>	<u><b>1,458,833</b></u>
Major products/services lines		
Smart device products	\$ 1,209,710	1,104,324
Smart wearables	358,228	267,694
Others	<u>84,846</u>	<u>86,815</u>
	<u><b>\$ 1,652,784</b></u>	<u><b>1,458,833</b></u>

(ii) Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Accounts receivable (including related parties)	\$ 331,675	274,516	299,679
Less: loss allowance	<u>(1,206)</u>	<u>(1,183)</u>	<u>(1,273)</u>
Total	<u><b>\$ 330,469</b></u>	<u><b>273,333</b></u>	<u><b>298,406</b></u>
Contract liabilities — current	<u><b>\$ 36,711</b></u>	<u><b>26,003</b></u>	<u><b>39,147</b></u>
Contract liabilities — non-current	<u><b>\$ 730</b></u>	<u><b>998</b></u>	<u><b>2,426</b></u>

Refer to note 6(c) for details on accounts receivable and related loss allowance.

The changes in the balance of contract liabilities were mainly due to the timing difference between the satisfaction of performance obligation and the receipt of customer's payment.

The amount of revenue recognized in 2023 and 2022 that were included in the balances of contract liabilities at January 1, 2023 and 2022, was \$25,978 and \$38,869, respectively.

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(r) Remuneration to employees and directors

The Company's Articles of Incorporation, amended on May 5, 2022, require that annual earning shall first be offset against any accumulated deficit, then, a minimum of 2% shall be allocated as employee remuneration and a maximum of 0.8% be allocated as directors' remuneration. Employees who are entitled to receive the abovementioned employee remuneration, in share or cash, include the employees of subsidiaries of the Company who meet certain specific requirements set by the Board of Directors. Directors are entitled to receive the abovementioned directors' remuneration in cash.

For the years ended December 31, 2023 and 2022, the Company accrued its remuneration to employees amounting to \$11,380 and \$12,645, respectively, and the remuneration to directors amounting to \$920 and \$169, respectively. The said amounts, which were recognized as operating expenses, were calculated based on pre-tax net profit for each year before deducting the amount of the remuneration to employees and directors, multiplied by the proposed distribution ratio of remuneration to employees and directors. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in next year. The aforementioned accrued remunerations to employees and directors were the same as the amounts resolved by the Board of Directors, which were all paid in cash. Related information is available on the Market Observation Post System website of Taiwan Stock Exchange.

(s) Non-operating income and loss

(i) Interest income

	<b>2023</b>	<b>2022</b>
Interest income from bank deposits	\$ 9,336	1,450
Interest income from loans to related parties (note 7(c))	-	216
	<b><u>\$ 9,336</u></b>	<b><u>1,666</u></b>

(ii) Other income

	<b>2023</b>	<b>2022</b>
Dividend income	\$ <b><u>6,965</u></b>	<b><u>10,629</u></b>

(iii) Other gains and losses

	<b>2023</b>	<b>2022</b>
Foreign currency exchange gains, net	\$ 4,109	9,485
Rental income (note 6(k))	323	300
Losses on disposal of property, plant and equipment	-	(32)
Others	84	2,029
	<b><u>\$ 4,516</u></b>	<b><u>11,782</u></b>

(Continued)



**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(iv) Finance costs

	<b>2023</b>	<b>2022</b>
Interest expense on lease liabilities	<u><u>\$ 80</u></u>	<u><u>40</u></u>

(t) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Financial assets measured at fair value through other comprehensive income	\$ 281,591	124,240
Financial assets measured at amortized cost (loans and receivables):		
Cash and cash equivalents	849,203	814,973
Accounts receivable (including related parties)	330,469	273,333
Other receivables (including related parties)	1,241	2,145
Refundable deposits	<u>1,801</u>	<u>1,856</u>
	<u><u>\$ 1,464,305</u></u>	<u><u>1,216,547</u></u>

2) Financial liabilities

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Financial liabilities measured at amortized cost:		
Accounts payable (including related parties)	\$ 337,424	257,616
Other payables (including related parties)	87,409	101,328
Lease liabilities	3,592	1,208
Guarantee deposits received	<u>1,500</u>	<u>1,500</u>
	<u><u>\$ 429,925</u></u>	<u><u>361,652</u></u>

(ii) Fair value information

1) Financial instruments not measured at fair value

The Company considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

2) Financial instruments measured at fair value

The following financial instruments are measured at fair value on a recurring basis.

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

The table below analyzes the financial instruments measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

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

<b>December 31, 2023</b>				
<b>Fair value</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets measured at fair value through other comprehensive income:				
Domestic listed stock	\$ 281,591	-	-	281,591
Unlisted stock	-	-	-	-
	<u><u>\$ 281,591</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>281,591</u></u>

<b>December 31, 2022</b>				
<b>Fair value</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets measured at fair value through other comprehensive income:				
Domestic listed stock	\$ 124,240	-	-	124,240
Unlisted stock	-	-	-	-
	<u><u>\$ 124,240</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>124,240</u></u>

There were no transfers among fair value hierarchies for the years ended December 31, 2023 and 2022.

- 3) Valuation techniques and inputs used for financial instruments measured at fair value
  - a) The fair values of financial assets with standard terms and conditions and traded on active markets are determined with reference to quoted market prices (e.g., listed stocks).
  - b) The fair value of unlisted stocks in Level 3 fair value hierarchy is estimated by using the market approach and is determined by reference to recent financing activities, valuations of similar companies, market conditions, and other economic indicators. The significant unobservable input is the liquidity discount. No quantitative information is disclosed as the possible changes in liquidity discount would not cause significant potential financial impact.

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(u) Financial risk management

The Company is exposed to credit risk, liquidity risk, and market risk. The Company has disclosed the information on exposure to the aforementioned risks and the Company's policies and procedures to measure and manage those risks as well as the quantitative information below.

(i) Credit risk

1) The maximum exposure to credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents, receivables from customers, other receivables. The maximum exposure to credit risk is equal to the carrying amount of the Company's financial assets.

2) Concentration of credit risk

The Company has established a credit policy under which each customer is analyzed individually for creditworthiness for purposes of setting the credit limit. As of December 31, 2023 and 2022, 77% and 83%, respectively, of accounts receivable (including related parties) were from three customer. The Company continuously evaluates the credit quality of customers to minimize the credit risk.

3) Credit risk from receivables

Refer to note 6(c) for credit risk exposure of accounts receivable. Other financial assets measured at amortized cost include other receivables and refundable deposits. Abovementioned financial assets are considered low-credit-risk financial assets, and thus, the loss allowance is measured using 12-months ECL. Refer to note 4(f) for descriptions about how the Company determines the credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in settling its financial liabilities by delivering cash or another financial assets. The Company manages liquidity risk by monitoring regularly the current and mid-term to long-term cash demand, maintaining adequate cash, and ensuring compliance with the terms of the loan agreements.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>
<b>December 31, 2023</b>					
Non-derivative financial liabilities:					
Accounts payable (including related parties)	\$ 337,424	337,424	-	-	-
Other payables (including related parties)	87,409	87,409	-	-	-
Guarantee deposits received	1,500	-	60	-	1,440
Lease liabilities	3,625	1,914	1,283	428	-
	<u><b>429,958</b></u>	<u><b>426,747</b></u>	<u><b>1,343</b></u>	<u><b>428</b></u>	<u><b>1,440</b></u>

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>
<b>December 31, 2022</b>					
Non-derivative financial liabilities:					
Accounts payable (including related parties)	\$ 257,616	257,616	-	-	-
Other payables (including related parties)	101,328	101,328	-	-	-
Guarantee deposits received	1,500	-	-	60	1,440
Lease liabilities	1,210	1,210	-	-	-
	<u><b>361,654</b></u>	<u><b>360,154</b></u>	<u><b>-</b></u>	<u><b>60</b></u>	<u><b>1,440</b></u>

(iii) Market risk

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

1) Foreign currency risk

The Company is exposed to foreign currency risk on sales and purchase transactions that are denominated in a currency other than the functional currency of the Company.

a) Exposure to foreign currency risk

At the reporting date, the carrying amounts of the Company's monetary assets and liabilities denominated in a currency other than the functional currency of the Company were as follows:

	<u>December 31, 2023</u>			<u>December 31, 2022</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 13,186	30.735	405,272	15,459	30.708	474,715
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	11,110	30.735	341,466	9,678	30.708	297,192

b) Sensitivity analysis

The Company's exposure to foreign currency risk arises from cash and cash equivalents and accounts receivable (payable) (including related parties) that are denominated in foreign currencies. As of December 31, 2023 and 2022, a 1% depreciation or appreciation of the TWD against the USD would have affected the Company's income (loss) before tax for the years ended December 31, 2023 and 2022 by \$638 and \$1,775, respectively. This analysis assumes that all other variables remain constant and is performed on the same basis for the current and prior periods.

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

2) Other market price risk

The Company is exposed to the risk of price fluctuation in securities resulting from its investment in publicly traded stocks. The Company supervises the equity price risk actively and manages the risk based on fair value. The Company also has strategic investments in privately held stocks, in which the Company does not actively participate in their trading.

Assuming a hypothetical increase or decrease of 5% in equity prices of the equity investments at each reporting date, the other comprehensive income for the years ended December 31, 2023 and 2022, would have increased or decreased by \$14,080 and \$6,212, respectively.

(v) Capital management

In consideration of the industry dynamics and future developments, as well as external environment factors, the Company maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, research and development activities, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

The Company's liability-to-equity ratio at the end of each reporting period was as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total liabilities	<b>\$ 503,889</b>	<b>418,183</b>
Total equity	<b>\$ 1,273,596</b>	<b>1,050,026</b>
Liability-to-equity ratio	<b>39.56 %</b>	<b>39.83 %</b>

(w) Investing and financing activities not affecting cash flows

(i) Refer to note 6(g) for a description of acquisition of the right-of-use assets through leases.

(ii) The reconciliation of liabilities arising from financing activities was as follows:

	<b>January 1, 2023</b>	<b>Cash flows</b>	<b>Non-cash changes in leases</b>	<b>December 31, 2023</b>
Guarantee deposits received	\$ 1,500	-	-	1,500
Lease liabilities	1,208	(5,130)	7,514	3,592
Total liabilities from financing activities	<b>\$ 2,708</b>	<b>(5,130)</b>	<b>7,514</b>	<b>5,092</b>

	<b>January 1, 2022</b>	<b>Cash flows</b>	<b>Non-cash changes in leases</b>	<b>December 31, 2022</b>
Guarantee deposits received	\$ 1,546	(46)	-	1,500
Lease liabilities	2,806	(3,468)	1,870	1,208
Total liabilities from financing activities	<b>\$ 4,352</b>	<b>(3,514)</b>	<b>1,870</b>	<b>2,708</b>

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

**7. Related-party transactions**

(a) Parent company and ultimate controlling party

Acer Incorporated is the parent company and the ultimate controlling party of the Company and owns 63.54% and 65.51%, respectively, of the outstanding shares of the Company as of December 31, 2023 and 2022. Acer Incorporated has issued the consolidated financial statements for public use.

(b) Related party name and categories

The followings are the Company's subsidiaries and related parties that have had transactions with the Company during the reporting periods:

<u>Name of related party</u>	<u>Relationship with the Company</u>
Acer Incorporated ("Acer")	The parent company and the ultimate controlling party of the Company
Gadgetek (Shanghai) Limited ("GCN")	The Company's subsidiary
Other related parties:	
Acer America corporation ("AAC")	Acer's subsidiary
Acer Computer Australia Pty. Limited ("ACA")	Acer's subsidiary
Acer Computer Co., Ltd. ("ATH")	Acer's subsidiary
Acer Computer (Far East) Limited ("AFE")	Acer's subsidiary
Acer Computer (Singapore) Pte. Ltd. ("ACS")	Acer's subsidiary
Acer Europe SA ("AEG")	Acer's subsidiary
ACER INDIA PRIVATE LIMITED ("AIL")	Acer's subsidiary
Acer Japan Corporation ("AJC")	Acer's subsidiary
Acer Philippines, Inc. ("APHI")	Acer's subsidiary
Acer Service Corporation ("ASC")	Acer's subsidiary
Acer Sales and Services SDN BHD ("ASSB")	Acer's subsidiary
Acer Vietnam Co., Ltd. ("AVN")	Acer's subsidiary
Asplex Sp. z o.o. ("APX")	Acer's subsidiary
PT. Acer Indonesia ("AIN")	Acer's subsidiary
PT. Acer Manufacturing Indonesia ("AMI")	Acer's subsidiary
AOPEN Computer B.V. ("AOE")	Acer's subsidiary
Acer e-Enabling Service Business Inc. ("AEB")	Acer's subsidiary
Acer Being Communication Inc. ("ABC")	Acer's subsidiary
Acer ITS Inc. ("ITS")	Acer's subsidiary
Acer Gaming Inc. ("AGM")	Acer's subsidiary
Acer AI Cloud Inc. ("AIC")	Acer's subsidiary

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Company</u>
Acer Healthcare Inc. (“ABHI”)	Acer’s subsidiary
Acer Cyber Security Incorporated (“ACSI”)	Acer’s subsidiary
Weblink International Inc. (“WLII”)	Acer’s subsidiary
Altos Computing Inc. (“ALT”)	Acer’s subsidiary
Highpoint Service Network Corporation (“HSNC”)	Acer’s subsidiary
Xplova Inc. (“XPL”)	Acer’s subsidiary
Aspire Service & Development Inc. (“ASDI”)	Acer’s subsidiary
MPS Energy Inc. (“MPS”)	Acer’s subsidiary
AcerPure Inc. (“API”)	Acer’s subsidiary
Acer Foundation	Acer’s substantive related party

(c) Significant related-party transactions

(i) Revenue

The amounts of significant sales to related parties were as follows:

	<u>2023</u>	<u>2022</u>
Acer	\$ 970,455	952,666
Other related parties	219,624	175,751
	<u><u>\$ 1,190,079</u></u>	<u><u>1,128,417</u></u>

The payment terms of sales to related parties are not significantly different from those with third-party customers. The selling prices of sales to related parties are determined depending on the economic environment, market competition and the specifications of products, and are not comparable to those with third-party customers.

(ii) Purchases and other cost of revenue

The amounts of significant purchases and other cost of revenue from related parties were as follows:

	<u>2023</u>	<u>2022</u>
Acer	\$ 28,511	6,293
Other related parties	3,274	2,522
	<u><u>\$ 31,785</u></u>	<u><u>8,815</u></u>

The purchase prices with related parties are not comparable to those with third-party vendors as the specifications of products are different. There are no significant differences between the payment terms for related parties and those for third-party vendors.

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

- (iii) In response to strengthen its layout in the patent and operation development needs, the Company purchased patents from Acer and XPL for considerations of \$1,794 and \$376, respectively, in 2022. The related payables were classified as other payables to related parties at December 31, 2022. The related payables were fully paid as of December 31, 2023.

- (iv) Operating expenses

The operating expenses related to the management consulting service, system maintenance service and technology development provided by related parties were as follows:

<u>Account</u>	<u>Related-party categories</u>	<u>2023</u>	<u>2022</u>
Operating expenses	Acer	\$ 4,869	6,247
Operating expenses	Other related parties	9,235	1,186
		<u>\$ 14,104</u>	<u>7,433</u>

- (v) Lease

The Company leased office premises from Acer and the rent is determined with reference to the nearby office rental rates. In 2023 and 2022, additions to right-of-use assets and lease liabilities amounted to \$2,503 and \$1,870, respectively. For the years ended December 31, 2023 and 2022, the related interest expenses on lease liabilities amounted to \$22 and \$4, respectively. As of December 31, 2023 and 2022, the balances of the lease liabilities amounted to \$630 and \$803, respectively.

- (vi) Loans to related parties

The amounts of loans to related parties actually drawn were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Acer	\$ -	-
Interest rate		0.6%

Interest income related to loans to the parent company in 2022 amounted to \$216.

- (vii) Defined benefit liabilities arising from employees transfer

Due to employees transfer among affiliates, the Company assumed employees' service years under defined benefit plan in its affiliates, wherein the defined benefit liabilities were transferred to the Company. As of December 31, 2023 and 2022, related receivables amounted to \$0 and \$929, respectively, were recognized in other receivables from related parties.

(Continued)



**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(viii) Accounts receivables

The receivables from related parties as a result of the abovementioned sales and employees transfer were as follows:

<u>Account</u>	<u>Related-party categories</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable from related parties	Acer	\$ 206,865	173,919
Accounts receivable from related parties	AEG	2,967	27,164
Accounts receivable from related parties	Other related parties	40,044	23,339
Other receivables from related parties	Acer	-	929
		<u>\$ 249,876</u>	<u>225,351</u>

(ix) Accounts payables

The payables to related parties as a result of the abovementioned purchases, services cost, sales allowances and payments made by related parties on behalf of the Company were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable to related parties	Acer	\$ 18,873	1,189
Accounts payable to related parties	Other related parties	1,969	164
Other payables to related parties	Acer	4,059	8,474
Other payables to related parties	Other related parties	1,403	615
Refund liabilities — related parties	Acer	5	248
Refund liabilities — related parties	Other related parties	5,958	1,070
		<u>\$ 32,267</u>	<u>11,760</u>

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(x) Organizational restructuring

As stated in Note 1 to the parent-company-only financial statements, the Company acquired gaming peripherals from Acer Gaming Inc. on March 17, 2022 for a consideration of \$5,346. The carrying amounts of assets and liabilities were as follows:

Assets:

Accounts receivable	\$ 366
Accounts receivable from related parties	10,601
Inventories	<u>25,029</u>
Subtotal	<u>35,996</u>

Liabilities

Accounts payable	(8,923)
Accounts payable to related parties	(2,629)
Refund liabilities	(132)
Other payables to related parties	(16,020)
Accrued expenses	<u>(2,946)</u>
Subtotal	<u>(30,650)</u>

Net assets	<u><u>\$ 5,346</u></u>
------------	------------------------

(xi) Others

The equity investment in Acer owned by the Company was classified as financial assets at fair value through other comprehensive income. In 2023 and 2022, dividend income amounted to \$6,457 and \$9,816, respectively.

(d) Compensation for key management personnel

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 19,152	16,812
Post-employment benefits	<u>394</u>	<u>392</u>
	<u><u>\$ 19,546</u></u>	<u><u>17,204</u></u>

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

**8. Pledged assets**

The carrying values of pledged assets were as follows:

<b>Assets</b>	<b>Pledged to secure</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Refundable deposits	Guarantee for project fulfillment	<b>\$ 1,801</b>	<b>1,856</b>

**9. Significant commitments and contingencies: None**

**10. Significant loss from disaster: None**

**11. Significant subsequent events: None**

**12. Others**

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

	<b>2023</b>			<b>2022</b>		
	<b>Cost of revenue</b>	<b>Operating expenses</b>	<b>Total</b>	<b>Cost of revenue</b>	<b>Operating expenses</b>	<b>Total</b>
Employee benefits:						
Salaries	-	88,798	88,798	-	82,312	82,312
Insurance	-	5,643	5,643	-	5,217	5,217
Pension	-	2,048	2,048	-	2,486	2,486
Remuneration to directors	-	3,395	3,395	-	622	622
Others	-	2,002	2,002	-	2,923	2,923
Depreciation	-	5,667	5,667	-	3,916	3,916
Amortization	-	665	665	-	164	164

Additional information related to the number of employees and employee benefits of 2023 and 2022 was as follows:

	<b>2023</b>	<b>2022</b>
The number of employees	<b>58</b>	<b>56</b>
The number of non-employee directors	<b>7</b>	<b>7</b>
Average employee benefits	<b>\$ 1,931</b>	<b>1,897</b>
Average employee salaries	<b>\$ 1,741</b>	<b>1,680</b>
Average employee salaries adjustment rate	<b>3.63 %</b>	
Remuneration to supervisors	<b>\$ -</b>	<b>-</b>

Information on the Company's remuneration policy (including directors, managers, and employees) is as follows:

Remuneration to directors and managers is evaluated and reviewed by the Remuneration Committee periodically. For remuneration to employees, the Company annually performs salary surveys and reviews the salary benchmark to provide competitive awards to its employees.

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

**13. Additional disclosures**

(a) Information on significant transactions:

The followings are the additional disclosures required by the Regulations Governing the Preparation of Financial Reports by Securities Issuers for the year ended December 31, 2023:

- (i) Financing provided to other parties: None
- (ii) Guarantee and endorsement provided to other parties: None
- (iii) Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities):

(In Thousands of Shares)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2023				Note
				Shares	Carrying Value	Percentage of Ownership	Fair Value	
The Company	Stock: Royal Tek Company Ltd.	-	Financial assets at fair value through other comprehensive income — non-current	1,015	49,961	2.01 %	49,961	-
"	Stock: Acer	Parent/Subsidiary	"	4,305	231,630	0.14 %	231,630	-
"	Stock: Ability SHI-Pro Co., Ltd.	-	"	208	-	7.89 %	-	-

- (iv) Marketable securities for which the accumulated purchase or sale amounts exceed \$300 million or 20% of the paid-in capital: None
- (v) Acquisition of real estate which exceeds \$300 million or 20% of the paid-in capital: None
- (vi) Disposal of real estate which exceeds \$300 million or 20% of the paid-in capital: None
- (vii) Total purchases from and sales to related parties which exceed \$100 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable or (Payable)		Note
			Purchases / (Sales)	Amount	% of Total Purchases/ (Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Notes/Accounts Receivable or (Payable)	
The Company	Acer	Parent/Subsidiary	(Sales)	(970,455)	58.72%	OA 60	Note 1	Note 2	206,865	62.60 %	-
GCN	ACCQ	Affiliates	(Sales)	(276,408)	63.82%	OA 60	Note 1	Note 2	107,784	100.00%	-

Note 1: The selling prices of sales to related parties depend on the economic environment, market competition and the specifications of products, and are not comparable to those with third-party customers.

Note 2: The payment terms of sales to related parties are not significantly different from those with third-party customers.

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(viii) Receivables from related parties which exceed \$100 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Loss Allowance	Note
					Amount	Action Taken			
The Company	Acer	Parent/Subsidiary	206,865	5.10	44,111	Under collection	119,985	-	-
GCN	ACCQ	Affiliates	107,784	1.56	2,087	Under collection	69,056	-	"

(ix) Information about derivative instrument transactions: None

(b) Information on investees: None

(c) Information on investment in Mainland China:

(i) Information on investments in Mainland China:

(In Thousands of US Dollars / New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
GadgeTek (Shanghai) Limited ("GCN")	Sale of 3C peripherals	15,368 (USD 500)	Note 1	15,368 (USD 500)	-	-	15,368 (USD 500)	19,711	100.00 %	19,711	64,766	-

Note 1: Direct investment in Mainland China.

Note 2: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$30.735.

(ii) Limits on investment in Mainland China:

(In Thousands of US Dollars / New Taiwan Dollars)

Company Name	Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
GadgeTek (Shanghai) Limited ("GCN")	15,368 (USD 500)	15,368 (USD 500)	764,158

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$30.735.

(Continued)

**ACER GADGET INC.**  
**Notes to the Parent-Company-Only Financial Statements**

(iii) Significant transactions with investee companies in Mainland China:

For the Company's significant direct or indirect transactions with investee companies in Mainland China for the year ended December 31, 2023, refer to the "Information on significant transactions" above.

(d) Major shareholders:

<b>Major Shareholder's Name</b>	<b>Shareholding</b>	<b>Shares</b>	<b>Percentage</b>
Acer Incorporated		39,308,288	63.54 %

**14. Segment information**

Refer to the consolidated financial statements for detailed information.

**ACER GADGET INC.**  
**Statement of Cash and Cash Equivalents**  
**December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

<u>Item</u>		<u>Amount</u>
Demand deposits and checking accounts	Note	\$ 87,733
Time deposits with original maturities less than three months	Interest rate: 1.32%~5.32%	761,470
		<u><u>\$ 849,203</u></u>

Note: The foreign currency deposits and spot exchange rate of each foreign currency at December 31, 2023 were as follows:

USD \$ 1,233	USD : NTD=1 : 30.7350
EUR \$ 314	EUR : NTD=1 : 33.9284

(Continued)

**ACER GADGET INC.**  
**Statement of Accounts Receivable**  
**December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

<u>Client Name</u>	<u>Amount</u>
Client 1	\$ 26,996
Client 2	20,838
Client 3	7,837
Client 4	5,947
Client 5	5,367
Others (Note)	14,814
Less: loss allowance	<u>(1,206)</u>
	<u><u>\$ 80,593</u></u>

Note: The amount of individual client included in others did not exceed 5% of the account balance.

**Statement of Inventories**

<u>Item</u>	<u>Amount</u>		<u>Note</u>
	<u>Carrying Amount</u>	<u>Market Value</u>	
Raw materials	\$ 2,399	3,484	Market value at net realizable value
Finished goods and merchandise	<u>100,565</u>	<u>165,601</u>	Market value at net realizable value
	<u><u>\$ 102,964</u></u>	<u><u>169,085</u></u>	

(Continued)



## ACER GADGET INC.

Statement of Movements of Financial Assets Measured at Fair Value through Other Comprehensive  
Income—Non-current

For the year ended December 31, 2023

(Expressed in Thousands of New Taiwan Dollars / Shares)

Name of Financial Instrument	Beginning balance		Addition		Decrease		Unrealized Gain (Loss)	Ending Balance		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount	
Stock: Royal Tek Company Ltd.	1,015	\$ 22,848	-	-	-	-	27,113	1,015	49,961	-
Stock: Acer	4,305	101,392	-	-	-	-	130,238	4,305	231,630	-
Stock: Ability SHI-Pro Co., Ltd.	208	-	-	-	-	-	-	208	-	-
		<u>\$ 124,240</u>		<u>-</u>		<u>-</u>	<u>157,351</u>		<u>281,591</u>	

## Statement of Prepayments and Other Current Assets

December 31, 2023

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount
Prepayment for purchase		\$ 57,138
Overpaid VAT		3,355
Others (Note)		5,173
		<u>\$ 65,666</u>

Note: The amount of individual item included in others did not exceed 5% of the account balance.

(Continued)

ACER GADGET INC.

Statement of Movements of Investments Accounted for Using the Equity Method

For the year ended December 31, 2023

(Expressed in Thousands of New Taiwan Dollars / Shares)

Name of Investee	Beginning Balance		Addition		Decrease		Investment Income (Loss)	Translation Adjustments	Ending balance			Market Value or Net Assets Value		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount (note)			Shares	Percentage of Ownership	Amount	Unit Price (In Dollars)	Total Amount	
Gadgetek (Shanghai) Limited	-	\$ 46,583	-	-	-	-	19,711	(1,528)	-	-	64,766	-	64,766	-

**ACER GADGET INC.**  
**Statement of Accounts Payable**  
**December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

<u>Vendor Name</u>	<u>Amount</u>
Vendor A	\$ 85,354
Vendor B	53,407
Vendor C	40,784
Vendor D	29,985
Vendor E	16,594
Others (Note)	<u>90,458</u>
	<b>\$ <u><u>316,582</u></u></b>

Note: The amount of individual vendor included in others did not exceed 5% of the account balance.

**Statement of Other Payables**

<u>Item</u>	<u>Amount</u>
Salaries and bonus payables	\$ 36,522
Royalty payable	10,240
Payables on professional service expense	5,995
Others (Note)	<u>29,190</u>
	<b>\$ <u><u>81,947</u></u></b>

Note: The amount of individual item included in others did not exceed 5% of the account balance.

(Continued)

**ACER GADGET INC.**  
**Statement of Cost of Revenue**  
**For the year ended December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Total</b>
Raw materials, beginning of year	\$ 16,158
Add: Purchase of raw materials	306
Less: Reclassified to expenses	28
Sale of raw materials	5,237
Scrap of raw materials	290
Raw materials, end of year	<u>5,376</u>
Raw materials used	5,533
Manufacturing overhead and outsourced cost	<u>1,622</u>
Manufacturing cost	<u>7,155</u>
Add: Finished goods and merchandise, beginning of year	117,756
Purchase of finished goods and merchandise	1,339,309
Less: Reclassified to expenses	2,259
Scrap of finished goods and merchandise	158
Finished goods and merchandise, end of year	<u>129,185</u>
Cost of sales	1,332,618
Cost of sales on raw materials	5,237
Write-downs of inventories	5,072
Other operating cost	<u>11,563</u>
Cost of revenue	<u><u>\$ 1,354,490</u></u>

(Continued)

**ACER GADGET INC.**

**Statement of Operating Expenses**

**For the year ended December 31, 2023**

**(Expressed in Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Selling expenses</b>	<b>Administrative expenses</b>	<b>Research and development expenses</b>
Salaries	\$ 33,602	38,617	18,627
Freight	16,581	684	-
Advertisement expense	12,623	1	-
Professional service expense	3,439	15,664	42,368
Others (Note)	14,158	16,002	1,114
	<u>\$ 80,403</u>	<u>70,968</u>	<u>62,109</u>

Note: The amount of individual item included in others did not exceed 5% of the account balance.

For details of Movements of Property, Plant and Equipment, please refer to note 6(f).

For details of Movements of Right-of-Use Assets, please refer to note 6(g).

For details of Movements of Investment Property, please refer to note 6(h).

For details of Accounts Receivable from Related Parties and Accounts Payable to Related Parties, please refer to note 7.

For details of Other Receivables from Related Parties and Other Payables to Related Parties, please refer to note 7.

For details of Movements of Net Defined Benefit Assets, please refer to note 6(l).

For details of Deferred Income Tax Assets and Liabilities, please refer to note 6(m).

For details of Movements of Provisions—Current, please refer to note 6(j).

For details of Revenue, please refer to note 6(q).

For details of Interest Income, Other Gains and Losses and Finance Costs, please refer to note 6(s).

**Acer Gadget Inc.**

**Responsible person: Jerry Kao**

