

Acer Gadget Inc.

**Parent Company Only Financial
Statements and Independent Auditor's
Report**

For the Years Ended December 31, 2025 and 2024

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

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.

Content

Item	Page
I.Cover	1
II.Content	2
III.Independent Auditor's Report	3
IV.Balance Sheet	4
V.Statement of Comprehensive Income	5
VI.Statement of Changes in Equity	6
VII.Statement of Cash Flows	7
VIII.Notes to the Parent Company Only Financial Statements	
(I) Company history	8
(II) Date and procedure for the approval of financial statements	8
(III) Application of new and amended standards and interpretations	8-9
(IV) Summary of significant accounting policies	10-20
(V) Major sources of uncertainty of significant accounting judgments, assumptions, and estimates	20
(VI) Description of material accounting items	20-37
(VII) Related party transactions	37-41
(VIII) Assets pledged	41
(IX) Major contingent liabilities and unrecognized contractual commitments	41
(X) Losses on major disasters	42
(XI) Material events after the period	42
(XII) Others	42-44
(XIII) Other disclosures	
1. Information on significant transactions	45
2. Information on Investees	46
3. Information on investment in Mainland China	46
(XIV) Segment information	46
IX.Breakdown of Material Accounting Items	47-53

Independent Auditors' Report

Board of Directors of Acer Gadget Inc.,

Opinion

We have audited the accompanying Parent Company Only Balance Sheet of Acer Gadget Inc. as of December 31, 2025 and 2024, and the Parent Company Only Statement of Comprehensive Income, Parent Company Only Statement of Changes in Equity, Parent Company Only Statement of Cash Flows, and the Notes to Parent Company Only Financial Statements, including a summary of significant accounting policies for the years then ended.

In our opinion, based on the audit results of the independent auditors and the audit report of other accountants, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Acer Gadget Inc. as of December 31, 2025 and 2024, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards 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 Acer Gadget Inc. in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As described in Notes 1, 4(2), and 12(2) to the parent company only financial statements, Acer Gadget Inc. acquired 100% of the equity of Xplova Inc., a subsidiary of Acer Incorporated, from Acer Beingware Holding Inc. through a cash transaction on June 5, 2025. In accordance with the IFRS Q&A published by the Accounting Research and Development Foundation and Interpretation No. (2012) Ji-Mi-Zi No. 301, this transaction is considered a reorganization under common control and should be treated as if it had occurred from the beginning. Accordingly, the 2025 parent company only financial statements have been prepared on this basis and the 2024 parent company only financial statements have been restated. Our audit opinion has not been modified as a result.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 2025 parent company only financial statements of Acer Gadget Inc.. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters. We determined that the key audit matters that shall be communicated in the report are as follows:

I. Revenue recognition

For the accounting policies related to income recognition, please refer to Note 4(15) income from customer contracts of the parent company only financial statements; for disclosures of income, please refer to Note 6(16) of the parent company only financial statements.

Description of the key audit matter:

Customers of Acer Gadget Inc. are spread across different regions worldwide, and the sales to customers involve different types of transaction conditions. Sales income is required to be recognized through the identification of the timing when the control over products is transferred to customers based on individual sales conditions. There are risks that income nearing the balance sheet date may not be accurately recorded in the accurate period. Therefore, income recognition is one of the material matters for evaluation during our audit of the parent company only financial statements of Acer Gadget Inc..

Responding audit procedures:

The principal audit procedures for the key audit matter above include testing the internal control related to the sales and collection cycle and the financial reporting of Acer Gadget Inc., sampling of sales transactions in the period before and after the end of the annual reporting period to understand the transaction conditions between the Company and its customers, and sampling relevant transaction certificates to evaluate whether the timing of income recognition is appropriate.

II. Valuation of inventories

For the accounting policies related to inventory valuation, please refer to Note 4(7) inventory of the parent company only financial statements; for the description of uncertainties of the accounting estimates and assumptions of inventory valuation, please refer to Note 5(1) of the parent company only financial statements; for the provision for inventory valuation loss, please refer to Note 6(4) of the parent company only financial statements.

Description of the key audit matter:

The inventory of Acer Gadget Inc. is measured at cost or net realizable value, whichever is lower. The main sales products of the Company are innovative computer peripherals and smart life products. Its market competition is intense, and products may be obsolete when not complying with the market demand, resulting in the possible involvement of the management's subjective judgments for the estimate of the net realizable value of inventories and high uncertainties. Therefore, inventory valuation is one of the material matters for evaluation during our audit of the parent company only financial statements.

Responding audit procedures:

The principal audit procedures for the key audit matters above include understanding the inventory obsolescence valuation policy adopted by the management and evaluating its appropriateness, reviewing the

inventory aging statement, analyzing the changes in the inventory age in each period, and testing whether the inventory is classified in the appropriate inventory age interval, evaluating whether the inventory valuation has been processed in accordance with the valuation policy of the Acer Gadget Inc..

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

The responsibility of the management is to prepare the fair parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and to maintain the necessary internal control related to the preparation of the parent company only financial statements to ensure that the parent company only financial statements are free from material misstatement due to fraud or error.

In preparing the parent company only financial statements, the management is responsible for assessing Acer Gadget Inc.'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 Acer Gadget Inc., or cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the Audit Committee, are responsible for overseeing the financial reporting process of Acer Gadget Inc..

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 auditor's report. Reasonable assurance is a high level of assurance. However, the auditing conducted in accordance with the auditing standards of the Republic of China cannot guarantee that it will be able to detect material misstatements in the parent company only financial statements. Misstatement can arise from fraud or error. If the individual or aggregate amount of the misstatement can reasonably expect to affect the economic decisions made by users of the parent company only financial statements, they are considered material.

We exercise professional skepticism during the audit in accordance with the auditing standards. We also performed the following tasks:

- I. 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.
- II. 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 internal control Acer Gadget Inc..
- III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- IV. 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 Acer Gadget Inc.'s ability to continue as a going concern. If we conclude that 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 Acer Gadget Inc. to cease to continue as a going concern.
- V. 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.

- VI. Obtain sufficient appropriate audit evidence regarding the financial information of investees 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 all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable (including relevant protection measures).

From matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 2025 parent company only financial statements of Acer Gadget Inc. and are, therefore, 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 5, 2026

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.

Balance Sheet

December 31, 2025 and 2024

Unit: NTD thousand

Assets		2025.12.31		2024.12.31 (after restatement)		Liabilities and equity		2025.12.31		2024.12.31 (after restatement)	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(1))	\$ 931,731	58	985,776	53	2130	Contract liabilities - Current (Note 6(16))	\$ 62,516	4	66,050	3
1170	Net accounts receivable (Notes 6(3)(16))	48,852	3	103,586	6	2170	Accounts payable	156,849	10	311,979	17
1180	Accounts receivables - Related parties (Notes 6(3)(16) and 7)	93,431	6	220,954	12	2180	Accounts payable - Related parties (Note 7)	36,522	2	47,493	3
1200	Other receivables	130	-	1,263	-	2200	Other payables (Note 6(17))	92,590	6	83,550	5
130X	Inventory (Note 6(4))	99,700	6	131,600	7	2220	Other payables - Related parties (Note 7)	15,593	1	9,951	-
1479	Prepayments and other current assets	26,750	2	13,962	1	2230	Income tax liabilities for the period	4,517	-	26,704	2
Total current assets		1,200,594	75	1,457,141	79	2250	Provisions for liabilities - Current (Note 6(10))	10,805	1	7,893	-
Non-current assets:						2280	Lease liabilities - Current (Notes 6(9) and 7)	1,342	-	1,070	-
1517	Financial assets at fair value through other comprehensive income - Non-current (Note 6(2))	164,131	10	233,501	13	2365	Refund liabilities - Current (Note 7)	3,579	-	16,821	1
1550	Investments accounted for using the equity method (Note 6(5))	184,879	12	113,592	6	2399	Other current liabilities	1,414	-	2,212	-
1600	Property, plant and equipment (Note 6(6))	23,982	2	18,066	1	Total current liabilities		385,727	24	573,723	31
1755	Right-of-use assets (Note 6(7) and 7)	1,324	-	1,060	-	Non-current liabilities:					
1760	Investment property (Note 6(8))	6,054	-	6,185	-	2527	Contract liabilities - Non-current (Note 6(16))	611	-	754	-
1780	Intangible assets	896	-	1,369	-	2570	Deferred income tax liabilities (Note 6(13))	18,104	1	13,694	1
1840	Deferred income tax assets (Note 6(13))	12,837	1	13,441	1	2645	Guarantee deposits received	7,755	1	1,500	-
1980	Refundable deposits (Note 8)	2,000	-	1,916	-	Total non-current liabilities		26,470	2	15,948	1
1990	Other non-current assets	987	-	987	-	Total liabilities		412,197	26	589,671	32
Total non-current assets		397,090	25	390,117	21	Equity (Note 6(14)):					
Total assets		\$ 1,597,684	100	1,847,258	100	3110	Ordinary share capital	618,600	39	618,600	33
						3200	Capital surplus	422,373	26	422,373	23
						Retained earnings:					
						3310	Legal reserve	91,049	6	79,444	4
						3320	Special reserve	40,219	2	39,259	2
						3350	Retained earnings	122,796	8	123,097	7
						Subtotal of retained earnings		254,064	16	241,800	13
						3400	Other equity	(109,550)	(7)	(40,219)	(2)
						35XX	Equity attributable to former owner of business combination under common control (Note 12(2))	-	-	15,033	1
						Total equity		1,185,487	74	1,257,587	68
						Total liabilities and equity		\$ 1,597,684	100	1,847,258	100

(Please refer to the enclosed notes to the parent company only financial statements)

Chairman: Jerry Kao

Manager: Allen Jong

Chief Accounting Officer: Chia-Hao Cheng

Acer Gadget Inc.

Statement of Comprehensive Income

For the years ended December 31, 2025 and 2024

Unit: NTD thousand

		2025		2024 (after restatement)	
		Amount	%	Amount	%
4000	Net operating income (Notes 6(16), 7)	\$ 2,713,672	100	2,264,319	100
5000	Operating costs (Notes 6(4)(6)(10), 7 and 12)	(2,367,080)	(87)	(1,945,258)	(86)
	Gross operating profit	346,592	13	319,061	14
5910	Realized (Unrealized) gain on sales	2,321	-	(2,321)	-
	Realized gross profit	348,913	13	316,740	14
	Operating expenses (Notes 6(3)(6)(7)(8)(9)(12)(17), 7 and 12):				
6100	Selling expenses	(108,055)	(4)	(103,781)	(5)
6200	Management fees	(78,959)	(3)	(72,511)	(3)
6300	R&D expenses	(80,666)	(3)	(46,471)	(2)
6450	Expected credit impairment losses	(432)	-	-	-
	Total operating expenses	(268,112)	(10)	(222,763)	(10)
	Net operating profit	80,801	3	93,977	4
	Non-operating income and expenses (Notes 6(9)(11)(18) and 7):				
7100	Interest income	13,921	1	14,687	1
7190	Other income	9,452	-	8,209	-
7020	Other gains and losses	(1,710)	-	12,307	-
7375	Share of gains of subsidiaries accounted for using the equity method	39,867	1	17,977	1
7050	Financial costs	(60)	-	(54)	-
	Total non-operating income and expenses	61,470	2	53,126	2
	Profit before tax	142,271	5	147,103	6
7950	Income tax expenses (Note 6(13))	(26,056)	(1)	(30,337)	(1)
	Current net profit	116,215	4	116,766	5
	Other comprehensive income (Note 6(14)):				
8310	Items not reclassified as gains and losses				
8316	Unrealized valuation gain or loss of equity instruments measured at fair value through other comprehensive income	(69,370)	(2)	(48,090)	(2)
8349	Income tax related to items not subject to reclassification	-	-	-	-
	Total of items not reclassified as gains and losses	(69,370)	(2)	(48,090)	(2)
8360	Items that may be reclassified as profit or loss subsequently				
8361	Exchange differences arising from the translation of the financial statements of foreign operations	1,210	-	3,088	-
8399	Income tax related to items that may be reclassified	-	-	-	-
	Total items that may be reclassified as profit or loss subsequently	1,210	-	3,088	-
	Other comprehensive income for the period (net profit after tax)	(68,160)	(2)	(45,002)	(2)
8500	Total comprehensive income for the period	<u>\$ 48,055</u>	<u>2</u>	<u>71,764</u>	<u>3</u>
	Current net profit attributable to:				
8610	Owners of the Company	\$ 117,426	4	116,029	5
8615	Equity attributable to former owner of business combination under common control	(1,211)	-	737	-
	Total comprehensive income attributable to:	<u>\$ 116,215</u>	<u>4</u>	<u>116,766</u>	<u>5</u>
	Earnings per share (unit: NT\$, Note 6(15))				
9750	Basic earnings per share (NT\$)				
	Owners of the Company	\$ 1.90		1.88	
	Equity attributable to former owner of business combination under common control	(0.02)		0.01	
	Basic earnings per share (NT\$)	<u>\$ 1.88</u>		<u>1.89</u>	
9850	Diluted earnings per share (NT\$)				
	Owners of the Company	\$ 1.88		1.86	
	Equity attributable to former owner of business combination under common control	(0.02)		0.01	
	Diluted earnings per share (NT\$)	<u>\$ 1.86</u>		<u>1.87</u>	

(Please refer to the enclosed notes to the parent company only financial statements)

Chairman: Jerry Kao

Manager: Allen Jong

Chief Accounting Officer: Chia-Hao
Cheng

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

Acer Gadget Inc.

Statement of Changes in Equity

For the years ended December 31, 2025 and 2024

Unit: NTD thousand

	Retained earnings						Other equity items							
	Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Retained earnings	Total	Exchange differences arising from the translation of the financial statements of foreign operations	Unrealized gain (loss) on financial assets measured at fair value	Remeasurement of the defined benefit plan	Total	Total equity attributable to owners of the parent company	Equity attributable to former owner of business combination under common control	Total equity	
Balance on January 1, 2024	\$ 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	
Retrospective adjustment of former owner equity under common control	-	-	-	-	-	-	-	-	-	-	-	14,296	14,296	
Opening balance after restatement	618,600	422,373	67,318	39,259	121,263	227,840	(899)	6,983	(1,301)	4,783	1,273,596	14,296	1,287,892	
Current net profit	-	-	-	-	116,029	116,029	-	-	-	-	116,029	737	116,766	
Other comprehensive income for the period	-	-	-	-	-	-	3,088	(48,090)	-	(45,002)	(45,002)	-	(45,002)	
Total comprehensive income for the period	-	-	-	-	116,029	116,029	3,088	(48,090)	-	(45,002)	71,027	737	71,764	
Appropriation and distribution of earnings:														
Appropriation of the legal reserve	-	-	12,126	-	(12,126)	-	-	-	-	-	-	-	-	
Cash dividends of ordinary shares	-	-	-	-	(102,069)	(102,069)	-	-	-	-	(102,069)	-	(102,069)	
Balance on December 31, 2024	618,600	422,373	79,444	39,259	123,097	241,800	2,189	(41,107)	(1,301)	(40,219)	1,242,554	15,033	1,257,587	
Current net profit	-	-	-	-	117,426	117,426	-	-	-	-	117,426	(1,211)	116,215	
Other comprehensive income for the period	-	-	-	-	-	-	39	(69,370)	-	(69,331)	(69,331)	1,171	(68,160)	
Total comprehensive income for the period	-	-	-	-	117,426	117,426	39	(69,370)	-	(69,331)	48,095	(40)	48,055	
Appropriation and distribution of earnings:														
Appropriation of the legal reserve	-	-	11,605	-	(11,605)	-	-	-	-	-	-	-	-	
Appropriation of the special reserve	-	-	-	960	(960)	-	-	-	-	-	-	-	-	
Cash dividends of ordinary shares	-	-	-	-	(105,162)	(105,162)	-	-	-	-	(105,162)	-	(105,162)	
Organizational restructuring treated as if merged from the beginning	-	-	-	-	-	-	-	-	-	-	-	(14,993)	(14,993)	
Balance on December 31, 2025	\$ 618,600	422,373	91,049	40,219	122,796	254,064	2,228	(110,477)	(1,301)	(109,550)	1,185,487	-	1,185,487	

(Please refer to the enclosed notes to the parent company only financial statements)

Chairman: Jerry Kao

Manager: Allen Jong

Chief Accounting Officer: Chia-Hao Cheng

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

Acer Gadget Inc.

Statement of Cash Flows

For the years ended December 31, 2025 and 2024

Unit: NTD thousand

	2025	2024
Cash flow from operating activities:		
Profit before tax for the period	\$ 142,271	147,103
Adjusting item:		
Depreciation expense	17,293	8,453
Amortization expenses	473	537
Expected credit impairment losses	432	-
Interest income	(13,921)	(14,687)
Dividend income	(9,452)	(8,209)
Interest expense	60	54
Share of gains of subsidiaries accounted for using the equity method	(39,867)	(17,977)
Gains on the disposal of property, plant and equipment	-	(1)
(Realized) Unrealized gain on sales	(2,321)	2,321
Total of income and expense items	(47,303)	(29,509)
Changes in assets/liabilities related to operating activities:		
Accounts receivable	50,656	(22,993)
Accounts receivable - Related parties	69,579	28,922
Other receivables	1,133	(22)
Inventory	(11,836)	(28,636)
Prepayments and other assets	(13,251)	51,660
Net defined benefit assets	-	46,887
Total net changes in assets related to operating activities	96,281	75,818
Accounts payable	(89,135)	(4,603)
Accounts payables - Related parties	(10,971)	26,651
Other payables	17,552	1,904
Other payables - Related parties	5,781	4,489
Refund liabilities	(9,991)	5,273
Contract liabilities	(3,677)	29,363
Provisions for liabilities	2,912	1,489
Other current liabilities	(798)	1,120
Total net changes in liabilities related to operating activities	(88,327)	65,686
Total net changes in assets and liabilities related to operating activities	7,954	141,504
Cash inflow generated from operations	102,922	259,098
Interest received	13,921	14,687
Interest paid	(60)	(54)
Income tax paid	(43,229)	(1,198)
Net cash inflow from operating activities	73,554	272,533

(Cont'd)

(Please refer to the enclosed notes to the parent company only financial statements)

Chairman: Jerry Kao

Manager: Allen Jong

Chief Accounting Officer:

Chia-Hao Cheng

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

Acer Gadget Inc.

Statement of Cash Flows (Cont'd)

For the years ended December 31, 2025 and 2024

Unit: NTD thousand

	2025	2024
Cash flow from investing activities		
Acquisition of investments under the equity method	(14,993)	(15,786)
Acquisition of property, plant and equipment	(17,210)	(20,825)
Disposal of property, plant and equipment	-	9
Increase in refundable deposits	(84)	(115)
Dividends received	9,452	8,209
Net cash outflow from investing activities	(22,835)	(28,508)
Cash flow from financing activities		
Increase in guarantee deposits	6,255	-
Repayment of the principal of leases	(5,877)	(5,082)
Distribution of cash dividends	(105,142)	(102,370)
Net cash outflow from financing activities	(104,764)	(107,452)
(Decrease) Increase in cash and cash equivalents during the period	(54,045)	136,573
Opening balance of cash and cash equivalents	985,776	849,203
Closing balance of cash and cash equivalents	\$ 931,731	985,776

(Please refer to the enclosed notes to the parent company only financial statements)

Chairman: Jerry Kao

Manager: Allen Jong

**Chief Accounting Officer:
Chia-Hao Cheng**

(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, 2025 and 2024

(Unless otherwise specified, all amounts are in NT\$ thousand)

I. Company history:

The establishment registration of Acer Gadget Inc. (the “Company,” formerly known as E-TEN Information Systems Co., Ltd.) was approved on March 27, 1986 according to the Company Act. June 1, 2021 is the consolidation base day; the Company absorbed and merged with GadgeTek Inc. (the “GadgeTek”), a subsidiary of Acer, by way of the issuance of new shares. The Company is the surviving company, while GadgeTek is the eliminated company. The registered address is 7F-5, No. 369, Fuxing N. Rd., Songshan Dist., Taipei City.

On June 5, 2025, the Company acquired 100% of the equity of Xplova Inc. (renamed Acer Fashion Inc.), a subsidiary of Acer Incorporated, from Acer Beingware Holding Inc. through a cash transaction. This transaction is a reorganization under common control. Please refer to Notes 7(3) and 12(2) for related details. In addition, to respond to future development and expand the fashion business in developing fashion products in line with market trends, the Company set July 4, 2025 as the demerger base date and demerged the fashion business-related operations to Acer Fashion Inc., which issued 2,789 thousand common shares to the Company as consideration for the transfer of the business. This transaction is a reorganization under common control. Please refer to Note 7(3) for related details.

The Company mainly engages in telecom value-added network business, the design, sales, and lease of computer software and hardware application systems, and the sales of innovative computer peripherals and smart life products.

II. Date and procedure for the approval of financial statements

The parent company only financial statements were approved by the Board and released on March 5, 2026.

III. Application of new and amended standards and interpretations

- (I) Effect of the adoption of new or amended IFRSs and IAS as endorsed and published by the Financial Supervisory Commission (“FSC”)

The following new and amended IFRS Accounting Standards commence to apply to the Company on January 1, 2025 and have no material effects on the parent company only financial statements.

- Amendment to IAS21 “Lack of Exchangeability”

- (II) Effects of not adopting IFRS Accounting Standards endorsed by the FSC

According to the evaluation, the application of the following IFRS Accounting Standards that becomes effective on January 1, 2026 will not have material effects on the parent company only financial statements.

- Amendments to IFRS17 “Insurance Contract” and IFRS17
- Amendments to IFRS9 and IFRS7 “Classification and Measurement of Financial Instruments”
- Annual improvements to IFRS Accounting Standards
- Amendment to IFRS9 and IFRS7 “Contracts that Reference Nature-dependent Electricity”

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

(III) New and amended standards and interpretations not yet approved by the FSC

Standards and interpretations issued by the IASB but not yet endorsed by the FSC that may be related to the Company are as follows:

New or amended standards	Main amendment content	Effective date announced by the IASB
IFRS18 "Presentation and Disclosures of Financial Statements"	The new standard introduced three types of income and expenses, two sub-totals of income statement, and one single note related to the measurement of the management's performance. Such amendments and the guidance to improve the subdivision of information in financial statements provide a better and more consistent information establishment basis and affect all companies. • More structured income statement: According to the prevailing standards, companies use different formats to express their operating results; therefore, it is hard for investors to compare the financial performance of different companies. The new standard adopted a more structured income statement, introduced the newly defined subtotal of "operating gains," and stated that all income and expenses shall be classified into three different types based on the main operating activities of companies. • Management performance measurement (MPM): The new standard introduced the definition of MPM and required companies to explain why each measurement indicator can provide useful information, how to calculate, and how to reconcile the measurement indicators and the amounts recognized according to IFRSs in a single note of financial statements. • More subdivided information: The new standard includes guidance for companies to improve the information grouping of financial statements. This includes whether the information should be included in the main financial statements or be further subdivided in notes.	January 1, 2027 Note: The FSC issued a press release on September 25, 2025, announcing that Taiwan will adopt IFRS 18 starting from the 2028 fiscal year. If the Company has a need for early adoption, it may choose to adopt early upon approval by the FSC.

The Company is currently evaluating the effects of the above-mentioned standards and interpretations on its financial position and business results. The relevant effects will be disclosed when the evaluation is completed.

The Company expects that the following other new and amended standards not yet endorsed by the FSC will not have material effects on the parent company only financial statements.

- Amendment to IFRS10 and IAS28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- IFRS19 "Subsidiaries without Public Accountability: Disclosures" and amendments to IFRS 19
- Amendments to IAS 21 "Translation into a Hyperinflationary Presentation Currency"

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

IV. Summary of significant accounting policies

The significant accounting policies adopted by the parent company only financial statements are summarized as follows. The following accounting policies have been consistently applied to all periods in which the parent company only financial statements are presented.

(I) Statement of compliance

The parent company only financial statements are prepared in accordance with the “Regulations Governing the Preparation of Financial Reports” by Securities Issuers.

(II) Basis of preparation

1. Measurement basis

Except for financial assets measured at fair value through other comprehensive income, this parent company only financial statements has been prepared on the basis of historical cost.

2. Functional currency and presentation currency

The Company has adopted the currency in the main economic environment of its operation as its functional currency. The parent company only financial statements are presented in the Company's functional currency, NTD. Unless otherwise specified, all financial information expressed in NTD is in NT\$ thousand.

3. Reorganization under common control

On June 5, 2025, the Company acquired 100% of the equity of Xplova Inc. (renamed Acer Fashion Inc.), a subsidiary of its parent company, Acer Incorporated, from Acer Beingware Holding Inc. through a cash transaction. In accordance with Interpretation No. (2012) Ji-Mi-Zi No. 301 issued by the Accounting Research and Development Foundation, and the IFRS Q&A “Accounting Issues Related to Business Combinations under Common Control” issued on October 26, 2018, this transaction is considered a reorganization under common control and shall be treated as if it had occurred from the beginning, with prior period comparative parent company only financial statements retrospectively restated. The equity interests under common control prior to the acquisition are presented in this parent company only financial report under shareholders’ equity as “former owner equity under common control,” and the portion of profit or loss of that company attributable to predecessor equity under common control is presented in the statement of comprehensive income of this parent company only financial report as “predecessor equity under common control.”

In addition, on July 4, 2025, the Company demerged the fashion business-related operations to its subsidiary, Acer Fashion Inc. In accordance with the IFRS Q&A “Issues Related to Retrospective Restatement of Comparative Financial Statements under Organizational Restructuring” issued by the Accounting Research and Development Foundation on January 30, 2019, this transaction is considered a reorganization under common control. Based on this Q&A, the Company elected not to treat the fashion business-related operations as if they had been demerged to Acer Fashion Inc. from the beginning and therefore did not restate the comparative financial statements. Please refer to Note 7(3) for details of the transaction and its impact.

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

(III) Foreign currency

1. Foreign currency transactions

Foreign currency transactions are converted into functional currency in accordance with the exchange rate on the transaction date. At the end of each subsequent reporting period (the “reporting date”), monetary items in foreign currencies are converted into functional currency in accordance with the exchange rate of the day. Non-monetary items in foreign currency measured at fair value are converted into functional currency based on the exchange rate on the day measuring the fair value. Non-monetary items in foreign currency measured at historical cost are converted based on the exchange rate on the transaction day.

The exchange difference arising from the translation is generally recognized in profit or loss, except for the equity instruments measured at fair value through other comprehensive income that are recognized in other comprehensive income.

2. Foreign operations

The assets and liabilities of foreign operations, including the goodwill and fair value adjustments generated upon the acquisition, are converted into the presentation currency of the financial statements at the exchange rate on the reporting date. Except for the highly inflationary economy, income and expenses are converted into the presentation currency of the financial statements at the average exchange rate for the period, and the exchange differences generated thereof are recognized in other comprehensive income.

When disposing of a foreign operation that causes a loss of control, loss of joint control, or significant impacts, the cumulative exchange difference related to the foreign operation is entirely reclassified as profit or loss. When the disposal includes a subsidiary of a foreign operation, the relevant cumulative exchange differences are re-attributed to non-controlling interests proportionally. When partially disposing of investments in affiliates or joint ventures of a foreign operation, the relevant cumulative exchange differences are reclassified as profit or loss proportionally.

For monetary items receivable or payable of a foreign operation, if there is no settlement plan and it is not possible to be settled in the foreseeable future, the currency exchange gain or loss generated thereof is deemed a part of the net investment in the foreign operation and are recognized in other comprehensive income.

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

Assets of the Company that meet one of the following criteria are classified as current assets, and all other assets that are not current assets are presented as non-current assets:

1. Assets that are expected to be realized or intended to be sold or consumed in the normal business cycle;
2. Assets held primarily for trading purposes;
3. Assets expected to be realized within 12 months after the reporting period; or
4. The assets are cash or cash equivalents (as defined in IAS7) unless the assets are restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Liabilities of the Company that meets one of the following criteria are classified as current liabilities, and all other liabilities that are not current assets are presented as non-current liabilities:

1. Liabilities that are expected to be settled within the normal business cycle;
2. Liabilities held primarily for trading purposes;
3. Liabilities expected to be settled when falling due within 12 months after the reporting period; or
4. Liabilities for which the settlement cannot be unconditionally deferred to at least 12 months at the end of the reporting period.

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

(V) Cash and cash equivalents

Cash includes cash on hand, check deposits, and demand deposits. Cash equivalents refer to investments that are short-term, highly liquid, subject to a low risk of changes in value, and readily convertible to a known amount in cash. Time deposits that meet the above definition and are held for the operational purpose of meeting short-term cash commitments are reported as cash equivalents.

(VI) Financial instruments

Accounts receivable are recognized at the time they are incurred. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the financial instrument contract terms. Financial assets not measured at fair value through profit or loss (except for accounts receivable that constitute a significant financial component) or financial liabilities that are initially measured at fair value plus transaction costs directly attributable to the acquisition or issuance. The accounts receivable that do not include significant financial components are initially measured at the transaction price.

1. Financial assets

Upon the initial recognition, financial assets are classified into: financial assets measured at amortized cost and financial assets at fair value through other comprehensive income. When the Company purchases or sells financial assets in accordance with trading practices, trade date accounting is adopted for treatment. The Company only reclassifies all affected financial assets starting from the following reporting period when changing the business model of financial asset management.

(1) Financial assets measured at amortized cost

Financial assets that comply with the following conditions and are not designated as measured at fair value through profit or loss are measured at amortized cost:

- The financial assets are held under the business model with the purpose of collecting contractual cash flows.
- The contractual terms of the financial assets generate the cash flow on a specific date, which are solely for the payment of the principle and the interests on the outstanding principal.

After the initial recognition, the effective interest rate method is adopted to measure such assets at amortized cost less impairment losses. Interest income, currency exchange gains and losses, and impairment losses are recognized in profit or loss. Upon the derecognition, gains or losses are included in profit or loss.

(2) Financial assets at fair value through other comprehensive income

Investments in debt instruments that comply with the following conditions and are not designated as measured at fair value through profit or loss are measured at fair value through other comprehensive income:

- The financial assets are held under the business model with the purpose of collecting contractual cash flows and sales.
- The contractual terms of the financial assets generate the cash flow on a specific date, which are solely for the payment of the principle and the interests on the outstanding principal.

Upon the initial recognition, the Company may make an irrevocable selection to report the subsequent changes in the fair value of investments in equity instruments not held for transactions in other comprehensive income. The abovementioned selection is made for instruments on a case-by-case basis.

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

Financial assets at fair value through other comprehensive income are subsequently measured at fair value. Except for currency exchange gain or loss of investments in debt instruments, interest income and impairment loss calculated by using the effective interest method, and dividend income from investments in equity instruments (unless significantly represent the recovery of partial investment costs) that are recognized in profit or loss, the changes in the remaining carrying amounts are recognized in other comprehensive income and accumulated in unrealized gain or loss of financial assets at fair value through other comprehensive income under equity. Upon the derecognition, cumulative gains or losses under equity are reclassified to profit or loss for investments in debt instruments, and cumulative gains or losses under equity are reclassified to retained earnings instead of profit or loss for investments in equity instruments.

Dividend income from equity investment is recognized on the day on which the Company is entitled to receive the dividend (generally the ex-dividend date).

(3) Impairment of financial assets impairment

The Company recognizes the loss allowance expected credit loss (ECL) of financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable (including those from related parties), other receivables (including those from related parties), and refundable deposits).

The loss allowance for accounts receivable is measured at lifetime ECL. For other financial assets, except for the following financial assets with their loss allowance measured at 12-month ECL, the remaining are measured at lifetime ECL.

- The credit risk of other debt securities and bank deposits (i.e., default risks of financial instruments during the expected lifetime) has not increased significantly from the initial recognition.

Lifetime ECL refers to the ECL that may incur due to all possible defaults during the expected lifetime of financial instruments. 12-month ECL refers to ECL that may incur due to possible default within 12 months after the reporting date (or a shorter time if the expected lifetime of the financial instruments is shorter than 12 months).

The longest period for the measurement of ECL is the longest contract period of the Company that is exposed to credit risks.

When determining whether the credit risk has increased significantly from the initial recognition, the Company considers reasonable and supportive information (can be obtained without excessive cost or investment), including qualitative and quantitative information, and analyzes based on the Company's historical experience, credit assessments and forward-looking information.

ECL is the weighted estimate of the probability of lifetime ECL of financial instruments. Credit losses are measured at the present value of all cash shortfalls (i.e., the difference between the collectible cash flow of the Company based on contracts and the cash flow expected to be collected by the Company.) ECL is discounted based on the effective interest rate of financial assets.

The Company assesses whether the financial assets measured at amortized cost have credit impairment on each reporting date. When one or more events that will negatively affect the estimated future cash flow of financial assets occur, the financial assets have credit impairments.

The evidence of the credit-impaired financial assets includes the following information:

- Major financial difficulties of borrowers;
- Default, such as postpone or overdue for more than 180 days;

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

- Concessions that are not initially considered given by the Company to borrowers due to economic or contractual reasons related to the financial difficulties of borrowers; or
- Borrowers are likely to apply for bankruptcy or proceed with other financial restructuring.

The loss allowance for financial assets measured at amortized cost is deducted from the carrying amount of the assets.

When the Company cannot reasonably expect the recovery of financial assets entirely or partially, the total carrying amount of financial assets is directly reduced. The Company analyzes the write-off timing and amount separately based on whether it is reasonably expected to be recoverable. The Company expects that the write-off amount will not have a significant reversal. However, the financial assets that have been written off can still be enforced to comply with the procedure for procedures for recovery of overdue amounts of the Company.

(4) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to the cash flow of the assets are terminated, or the financial assets are transferred, and almost all risks and rewards of the asset ownership are transferred to other enterprises, or almost all risks and rewards of the ownership is not transferred or retained, and the control of the financial assets is not retained.

If the Company retains almost all risks and rewards of the ownership of the transferred assets when it enters into a transaction to transfer financial assets, the consolidated company continues to recognize the assets in the balance sheet.

2. Financial liabilities

(1) Equity transaction

Equity instruments are any contracts that evidence the residual equity of the Company's assets after deducting all its liabilities. The equity instruments issued by the Company are recognized at the amount of the consideration for the acquisition less the direct issuance cost.

(2) Financial liabilities

The financial liabilities of the Company are initially classified as measured at amortized cost and subsequently measured at amortized cost using the effective interest method. Interest expenses and exchange gains or losses are recognized in profit or loss. Any gain or loss at the time of derecognition is recognized in profit or loss.

(3) Derecognition of financial liabilities

The Company derecognizes financial liabilities when contractual obligations are fulfilled, canceled, or expired. When the terms of financial liabilities are modified, and the cash flow has significant differences in liabilities after the modification, the initial financial liabilities are derecognized, and the new financial liabilities are recognized at fair value based on the modified terms. Upon the derecognition of financial liabilities, the differences between their carrying amount and the total consideration paid or to be paid (including any non-cash assets transferred or liabilities assumed) are recognized as profit or loss.

(4) Offset financial assets against financial liabilities

The Company may only offset financial liabilities against financial assets when the consolidated company has the legal right to do so and has the intention to settle at a net basis or realize assets and settle liabilities simultaneously, and such offsets shall be expressed at a net basis in the balance sheet.

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

(VII) Inventory

Inventory is measured at cost or net realizable value, whichever is lower. Costs include necessary expenses to allow it to reach the location and status available for use and are calculated by adopting the weighted average method. The net realizable value is calculated by subtracting the estimated selling price under normal operation from the estimated cost and selling expenses that are to be invested before completion.

(VIII) Investments in subsidiaries

When preparing the parent company only financial statements, the Company adopts the equity method to for the valuation of investees that it has control. Under the equity method, the allocation of current profit or loss and other comprehensive income in the parent company only financial statements and the current profit or loss and other comprehensive income attributable to owners of the parent company in the financial statements prepared on the consolidation basis are equivalent, and the owners' equity in the parent company only financial statements and equity attributable to owners of the parent company in the financial statements prepared on the consolidation basis are equivalent.

If the change in the Company's ownership equity in a subsidiary does not result in the loss of control, it is treated as an equity transaction with the owner.

(IX) Property, plant and equipment

1. Recognition and measurement

Property, plant and equipment are measured at cost (including capitalized borrowing costs) less cumulative depreciation and any cumulative impairment.

If the useful lives of the major components of property, plant and equipment are different, they are deemed separate items (major components) of property, plant and equipment.

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

2. Subsequent cost

Subsequent expenditures are capitalized only when future economic benefits are likely to flow into the Company.

3. Depreciation

Depreciation is calculated based on the cost of assets less the residual value and is recognized in profit or loss on a straight-line basis throughout the estimated useful life of each component. Leasehold improvements are amortized in accordance with the average method over the lease term or the estimated useful life, whichever is shorter. Except for land, which is not depreciated, the estimated useful lives for the remaining equipment are: 3 years for machinery and mold equipment, 3 years for office equipment, and 3 years for leasehold improvements.

The Company examines the depreciation method, useful life and residual value on each reporting date and makes appropriate adjustments if necessary.

(X) Investment property

An investment property refers to a property held for the purpose of earning rental or asset appreciation, or both, rather than a property held for normal business for sales or administrative purposes. Investment properties are initially measured at cost and subsequently measured at cost less cumulative depreciation and cumulative impairment. The depreciation method, useful life and residual value shall comply with the requirements for property, plant and equipment.

The rental income from investment property is recognized in other income and expenses over the lease period on a straight-line basis. The lease incentives given are recognized as adjustments to the lease income during the lease period.

When the intended use of the investment property is changed, and it is reclassified as property, plant and equipment, the carrying amount at the time of changing the intended use is reclassified.

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

(XI) Intangible assets

The intangible assets acquired by the Company are measured at cost less cumulative amortization and cumulative impairment. The amortization amount is calculated on a straight-line basis in accordance with the following estimated useful lives: 1 to 3 years for purchased software, 5 years for patent rights, and 10 years for trademark rights.

The Company examines the residual value, depreciation period, and depreciation method on each reporting date and makes appropriate adjustments if necessary.

(XII) Lease

The Company assesses whether the contract is or includes a lease on the date of establishment of the contract. If the contract transfers the control over the use of identified assets for a period of time in exchange for consideration, the contract is or includes a lease.

1. Lessee

The Company recognizes the right-of-use assets and lease liabilities on the commencement date of the lease. The right-of-use assets are initially measured at cost, which includes the initial measurement amount of the lease liabilities, and any lease payments paid on the commencement date of the lease or before shall be adjusted, plus the initial direct costs incurred and the estimated costs to disassemble and remove the underlying assets and recover the location while deducting any lease incentives collected. The right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the expiry of the useful life or the expiry of the lease period of the right-of-use assets, whichever is earlier, subsequently. In addition, the Company regularly assesses whether the right-of-use assets are impaired, treats any impairment losses that have occurred, and adjusts the right-of-use assets accordingly when the remeasurement of lease liabilities occurs.

The initial measurements of lease liabilities are based on the present value of the unpaid lease payments on the commencement day. If the implicit interest rates of leases can be easily confirmed, the discount rate shall be the interest rate. If it cannot be easily confirmed, the incremental borrowing interest rate of the Company shall be adopted. Generally, the Company adopts its incremental borrowing interest rate as the discount rate.

Lease payments included in the measurement of lease liabilities include:

- (1) Fixed payment, including substantive fixed payment;
- (2) For variable lease payments depending on a certain index or rate, the initial measurement adopts the index or rate on the lease commencement date.
- (3) The residual guarantee amount expected to be paid; and
- (4) The exercise price or the penalty to be paid when it is reasonably confirmed that the purchase option or lease termination option will be exercised.

Interests are provided for lease liabilities subsequently by using the effective interest method, and their amounts are measured when the following circumstances occur:

- (1) Changes in the index or rate that is used to determine the lease payment result in changes in the future lease payment;
- (2) Changes in the residual guarantee amount expected to be paid;
- (3) Changes in the assessment of the purchase option of the underlying asset ;
- (4) Changes in the evaluation of the lease period due to the changes in the estimate on whether to exercise the extension or termination option;
- (5) Modification of the lease target, scope, or other terms.

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

When lease liabilities are remeasured due to the changes in the index or rate used to determine the lease payment above, changes in the residual guarantee amount, and changes in the evaluation of the extension or termination option, the carrying amount of right-of-use assets is adjusted accordingly, and the remaining remeasurement amount is recognized in profit or loss when the carrying amount of right-of-use assets is reduced to zero.

For the lease modification that reduces the scope of the lease, the carrying amount of right-of-use assets is reduced to reflect the partial or full termination of the lease, and the differences between the carrying amount and the remeasurement of lease liabilities are recognized in profit or loss.

The Company presents right-of-use assets and lease liabilities that do not comply with the definition of investment property in the balance sheet as single line items.

For short-term leases and low-value underlying asset leases, the Company opted not to recognize right-of-use assets and lease liabilities but to recognize related lease payments as expenses on a straight-line basis over the lease period.

2. Lessor

Regarding a transaction in which the Company is the lessor, the lease contract is classified as a finance lease or operating lease based on whether almost all risks and rewards of the ownership of the underlying asset are transferred on the date of lease establishment. During the assessment, the Company considers relevant specific indexes, such as whether the lease period covers the main part of the economic life of the underlying assets.

For operating leases, the Company recognizes the lease payments received on a straight-line basis throughout the lease period.

(XIII) Impairment of non-financial assets

The Company assesses whether the carrying amount of non-financial assets (excluding inventories and deferred income tax assets) has any indication of impairment on each reporting date. If there is any indication of impairment, the recoverable amount of the asset is estimated. Goodwill is tested for impairment annually or whenever there is an indication of impairment.

For the purpose of impairment testing, a group of assets with cash inflows majorly independent of the cash inflow of other individual assets or asset groups is used as the minimum identifiable asset group. Goodwill from the business combination is allocated to cash-generating units or cash-generating unit groups that are expected to benefit from the synergy of the business combination.

The recoverable amount is the fair value of the individual asset or cash-generating unit less the disposal cost and the value-in-use, whichever is higher. When assessing the value-in-use, the estimated future cash flows are converted to the present value at the discount rate. The discount rate should reflect the current market's assessment of the time value of money and the specific risks of the asset or cash-generating unit. If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, an impairment loss is recognized. The impairment loss is recognized immediately in profit or loss, and the carrying amount of the goodwill allocated to the cash-generating unit shall be reduced first, and then the carrying amount of the respective assets shall be reduced based on the proportion of the carrying amount of other assets in the unit.

The impairment loss on goodwill is not reversible. Non-financial assets other than goodwill are reversed only to the extent that the carrying amount (less depreciation or amortization) of the assets has not been recognized as impairment loss in prior years.

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

(XIV) Provisions for liabilities

The recognition of provisions for liabilities are current obligations due to past events that make the Company likely to be required to settle such obligations through the outflow of resources with economic benefits in the future, and the amount of such obligations can be reliably estimated.

Provisions for warranty liabilities are recognized upon the sales of products or services, and the provisions for liabilities are measured based on the historical warranty data and all possible results and weighted based on the possibility.

(XV) Income from customer contracts

Income is measured at the consideration that is expected to be entitled to obtain for the transfer of products or services. The Company recognizes income when the control over the product or service is transferred to the customer to fulfill the performance obligation. The Company's income items are described as follows:

1. Sales of products

The Company recognizes income when the control of the product is transferred. The transfer of control over the product means that the product has been delivered to the customer, the customer can fully determine the sales channel and price of the product, and there is no unperformed obligation that may affect the customer in accepting the product. The delivery occurs when the product is shipped to a specific location, the risk of obsolescence and loss has been transferred to the customer, and the customer has accepted the product according to the sales contract, the acceptance terms have expired, or the Company has objective evidence to consider that all acceptance conditions have been satisfied.

The Company recognizes income based on the contract price less the net amount of the estimated quantity discount and allowance. The amount of the discount or allowance is estimated based on the expected value based on past experience and is recognized only to the extent that it is highly probable that a significant reversal will not occur. As of the reporting date, the amount of relevant sales discounts or allowances that are expected to be paid to the customer is recognized as refund liabilities.

The Company has the obligation to provide a standard warranty and thus has the obligation to refund the defective goods. The consolidated company has also recognized the provision for warranty liabilities.

The Company recognizes the accounts receivable when the products are delivered, as the consolidated company has the right to unconditionally receive the consideration at that point in time.

2. Financial component

The Company expects that the interval between the time when all customer contracts transfer the products or services to the customer and the time when the products or services are paid by the customer shall not exceed one year. Therefore, the consolidated company does not adjust the time value of money of the transaction price.

(XVI) Employee benefits

1. defined contribution plan

The contribution obligations under the defined contribution plan are recognized as employee benefit expenses under the profit or loss account during the service period of employees.

2. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and recognized as expenses when the related services are provided. If the Company has a present legal or constructive obligation to pay for the services rendered by employees in the past and the obligation can be estimated reliably, the short-term cash bonus or the amount expected to be paid under the bonus plan is recognized as liabilities.

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

(XVII) Income tax

Income tax includes current and deferred income tax. Except for those related to business combinations and items recognized directly in equity or other comprehensive income, current income tax and deferred income tax shall be recognized in profit or loss.

The Company determines that the interest or penalty related to the income tax (including uncertain tax treatment) does not comply with the definition of the income tax; therefore, the accounting treatment of IAS37 is applicable.

The current income tax includes the estimated income tax payable or tax refund receivable calculated based on the taxable income (loss) of the current year, and any adjustments to the income tax payable or tax refund receivable of prior years. The amount reflects the best estimate of the expected payment or collection under the statutory tax rate or tax rate substantially enacted on the reporting date after the uncertainty related to the income tax (if any) is reflected.

Deferred income tax is measured and recognized in accordance with the temporary differences between the carrying amount of assets and liabilities and their tax basis on the reporting date. The temporary difference arising from the following circumstances is not recognized as deferred income tax:

1. Assets or liabilities initially recognized in a transaction that is not a business merger, and the transaction (1) does not affect accounting profits and taxable income (loss) at the time, and (2) does not result in equivalent taxable and deductible temporary differences
2. The temporary difference generated from the investment in subsidiaries, affiliates and joint ventures, of which the time of temporary difference is controllable by the Company and which is not likely to be reversed in the foreseeable future; and
3. Taxable temporary differences generated from the initial recognition of goodwill.

Deferred income tax assets are recognized for unused tax losses and unused income tax credits carried forward and deductible temporary differences to the extent that it is probable that future taxable income will be available for use. The amount is re-evaluated on each reporting date and is reduced to the extent that it is not probable that the relevant income tax benefit can be realized, or the amount decreased is reversed to the extent that it is probable that there will be sufficient taxable income.

Deferred income tax is measured at the tax rate when the temporary difference is reversed based on the statutory tax rate or tax rate substantially enacted on the reporting date, with the uncertainty of income tax (if any) reflected.

The Company offsets deferred income tax assets and deferred income tax liabilities only when the following conditions are fulfilled:

1. The Company has the legal enforcement right to offset the current income tax assets and current income tax liabilities; and
2. Deferred income tax assets and deferred income tax liabilities are related to one of the following taxable entities levied by the same tax authorities;
 - (1) Same taxpayer; or
 - (2) Different taxable entities, but each entity intends to settle the current income tax liabilities and assets on a net basis or realize the assets and settle the liabilities at the same time in each future period in which the deferred income tax assets are expected to be recovered and deferred income tax liabilities are expected to be settled.

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

(XVIII) Earnings per share

The Company has the basic and diluted earnings per share attributable to the ordinary equity holders of the Company. The basic earnings per share of the Company are calculated based on the profit and loss of the ordinary equity holders of the Company divided by the weighted average number of outstanding ordinary shares of the current period. The diluted earnings per share is calculated by having the profit and loss of the ordinary equity holders of the Company and the number of weighted average outstanding adjusted for the effect of all potentially diluted ordinary shares. The potential diluted ordinary shares of the Company include the employee remuneration that may be paid in the form of stock.

(XIX) Segment information

The Company has disclosed its segment information in the consolidated financial statements; therefore, segment information will not be disclosed in the parent company only financial statements.

V. Major sources of uncertainty of significant accounting judgments, assumptions, and estimates

When preparing the financial statements, the management is required to make judgments and estimates for the future (including climate-related risks and opportunities), which will have effects on the adoption of accounting policies and the reported amount of assets, liabilities, income, and expenses. The results may be different from the estimates.

The management continues to examine the estimates and basic assumptions, which are consistent with the risk management and climate-related commitments of the Company. Changes in the estimates are recognized in the period of change and the future periods that are affected.

The uncertainty of the following assumptions and estimates may lead to a significant risk of material adjustment in the carrying amount of assets and liabilities in the following fiscal year. The relevant information is as follows:

(I) Inventory valuation:

As inventory is denominated at cost or net realizable value, whichever is lower, the Company assesses the amount of inventory on the reporting date due to obsolete or no market sales value and writes down the inventory cost to the net realizable value. The inventory valuation is mainly based on the product demand in a specific period in the future; therefore, significant changes may occur. For details, please refer to Note 6(4) for the recognition of inventory valuation losses.

VI. Description of material accounting items

(I) Cash and cash equivalents

	2025.12.31	2024.12.31
Demand deposits and check deposits	\$ 169,351	177,291
Time deposits with an initial maturity day of less than three months	762,380	808,485
	<u>\$ 931,731</u>	<u>985,776</u>

(II) Financial assets at fair value through other comprehensive income - Non-current

	2025.12.31	2024.12.31
Equity instruments measured at fair value through other comprehensive income		
Domestic TWSE/TPEx-listed stocks	\$ 164,131	233,501

The investments in equity instrument investment held by the Company are long-term strategic investments and are not held for trading purposes; therefore, they are designated as measured at fair value through other comprehensive income. The Company did not dispose of strategic investments in 2025 and 2024.

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

(III) Net accounts receivable (measured at amortized cost)

	2025.12.31	2024.12.31
Accounts receivable	\$ 49,284	103,586
Accounts receivable - Related parties	93,431	220,954
	142,715	324,540
Less: Impairment loss allowance	(432)	-
	<u>\$ 142,283</u>	<u>324,540</u>

The Company adopts a simplified approach to estimate the ECL of accounts receivable (i.e., using lifetime ECL to measure) and has included it in the forward-looking information. Analysis of ECL of accounts receivable is as follows:

	2025.12.31		
	Carrying amount of accounts receivable	Weighted average ECL rate	Allowance for lifetime ECL
Not past due	\$ 29,588	0.00%	-
Overdue for 1 to 30 days	2,380	0.00%	-
Overdue for 31 to 60 days	9,077	0.00%	-
Overdue for 61 to 90 days	56	0.00%	-
Overdue for 91 to 120 days	7,751	0.00%	-
Overdue for over 180 days	432	100.00%	(432)
	<u>\$ 49,284</u>		<u>(432)</u>

	2024.12.31		
	Carrying amount of accounts receivable	Weighted average ECL rate	Allowance for lifetime ECL
Not past due	\$ 102,190	0.00%	-
Overdue for 1 to 30 days	852	0.00%	-
Overdue for 31 to 60 days	106	0.00%	-
Overdue for 61 to 90 days	6	0.00%	-
Overdue for 91 to 120 days	216	0.00%	-
Overdue for over 151 days	216	0.00%	-
	<u>\$ 103,586</u>		<u>-</u>

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

The Company's accounts receivable - related parties as of December 31, 2025 and 2024 were assessed to have no ECL, and the analysis is as follows:

	2025.12.31	2024.12.31
Not past due	\$ 93,431	217,906
Overdue for 1 to 30 days	-	2,872
Overdue for 31 to 60 days	-	4
Overdue for 61 to 90 days	-	172
Overdue for over 181 days	-	-
	<u>\$ 93,431</u>	<u>220,954</u>

The table of changes in loss allowance of accounts receivable of the Company is as follows:

	2025	2024
Opening balance	\$ -	1,206
Recognition of impairment losses	432	-
Amount written off during the year due to failure to recover	-	(1,206)
Closing balance	<u>\$ 432</u>	<u>-</u>

(IV) Inventory

	2025.12.31	2024.12.31
Raw materials	\$ 46	1,600
Products and finished goods	99,654	130,000
	<u>\$ 99,700</u>	<u>131,600</u>

The breakdown of the inventory-related expenses recognized in the cost of sales during the period is as follows:

	2025	2024
Cost of inventory sold	\$ 2,343,556	1,935,147
Inventory valuation losses (price recovery gains)	3,643	(7,537)
	<u>\$ 2,347,199</u>	<u>1,927,610</u>

The inventory valuation loss is recognized as the inventory valuation loss due to the write-down of the inventories to the net realizable value at the end of the period. The inventory price recovery gain was due to a decrease in the amount of allowance for inventory valuation loss as assessed resulting from the sale or use of inventory with allowance for valuation loss provided.

(V) Investments under the equity method

The Company's investments under the equity method on the reporting date is as follows:

	2025.12.31	2024.12.31
Subsidiary	<u>\$ 184,879</u>	<u>113,592</u>

Please refer to the 2025 consolidated financial statements.

In 2024, the Company performed a capital contribution in cash in the amount of NT\$15,786 thousand to subsidiary Acer Gadget America Inc. and obtained 100% equity.

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

1. Reorganization under common control

On June 5, 2025, the Company acquired 100% of the equity of Xplova Inc. (renamed Acer Fashion Inc.), a subsidiary of its parent company, Acer Incorporated, from Acer Beingware Holding Inc. for NT\$14,993 thousand in cash. In addition, with July 4, 2025 as the demerger base date, the Company demerged the fashion business and transferred it to its subsidiary, Acer Fashion Inc., and obtained newly issued common shares of Acer Fashion Inc. The aforementioned transactions are all reorganizations under common control. Please refer to Notes 4(2) and 7(3) for related details.

(VI) Property, plant and equipment

The breakdown of changes in the cost and cumulative depreciation of the Company's property, plant and equipment is as follows:

	<u>Machinery and mold equipment</u>	<u>Office equipment</u>	<u>Lease improvement</u>	<u>Total</u>
Cost:				
Balance on January 1, 2025	\$ 21,023	928	279	22,230
Addition	17,210	-	-	17,210
Demerger to a subsidiary	-	(203)	-	(203)
Balance on December 31, 2025	<u>\$ 38,233</u>	<u>725</u>	<u>279</u>	<u>39,237</u>
Balance on January 1, 2024	\$ 198	938	279	1,415
Addition	20,825	-	-	20,825
Disposal	-	(10)	-	(10)
Balance on December 31, 2024	<u>\$ 21,023</u>	<u>928</u>	<u>279</u>	<u>22,230</u>
Cumulative depreciation:				
Balance on January 1, 2025	\$ 3,146	794	224	4,164
Depreciation	11,138	84	55	11,277
Demerger to a subsidiary	-	(186)	-	(186)
Balance on December 31, 2025	<u>\$ 14,284</u>	<u>692</u>	<u>279</u>	<u>15,255</u>
Balance on January 1, 2024	\$ 198	580	132	910
Depreciation	2,948	216	92	3,256
Disposal	-	(2)	-	(2)
Balance on December 31, 2024	<u>\$ 3,146</u>	<u>794</u>	<u>224</u>	<u>4,164</u>
Carrying amount:				
December 31, 2025	<u>\$ 23,949</u>	<u>33</u>	<u>-</u>	<u>23,982</u>
December 31, 2024	<u>\$ 17,877</u>	<u>134</u>	<u>55</u>	<u>18,066</u>
January 1, 2024	<u>\$ -</u>	<u>358</u>	<u>147</u>	<u>505</u>

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

(VII) Right-of-use assets

	Houses and buildings	Others	Total
Cost:			
Balance on January 1, 2025	\$ 2,560	5,011	7,571
Addition	6,149	-	6,149
Resale	(2,560)	(5,011)	(7,571)
Balance on December 31, 2025	\$ 6,149	-	6,149
Balance on January 1, 2024	\$ 2,503	5,011	7,514
Addition	2,560	-	2,560
Resale	(2,503)	-	(2,503)
Balance on December 31, 2024	\$ 2,560	5,011	7,571
Cumulative depreciation:			
Balance on January 1, 2025	\$ 1,921	4,590	6,511
Depreciation	5,464	421	5,885
Resale	(2,560)	(5,011)	(7,571)
Balance on December 31, 2025	\$ 4,825	-	4,825
Balance on January 1, 2024	\$ 1,878	2,069	3,947
Depreciation	2,546	2,521	5,067
Resale	(2,503)	-	(2,503)
Balance on December 31, 2024	\$ 1,921	4,590	6,511
Carrying amount:			
December 31, 2025	\$ 1,324	-	1,324
December 31, 2024	\$ 639	421	1,060
January 1, 2024	\$ 625	2,942	3,567

(VIII) Investment property

	Land	Houses and buildings	Others	Total
Cost:				
January 1, 2025 (i.e., balance on December 31, 2025)	\$ 20,145	9,033	300	29,478
Balance on January 1, 2024 (i.e., balance on December 31, 2024)	\$ 20,145	9,033	300	29,478

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

	Land	Houses and buildings	Others	Total
Cumulative depreciation and impairment losses:				
Balance on January 1, 2025	\$ 16,291	6,702	300	23,293
Depreciation	-	131	-	131
Balance on December 31, 2025	<u>\$ 16,291</u>	<u>6,833</u>	<u>300</u>	<u>23,424</u>
Balance on January 1, 2024	\$ 16,291	6,572	300	23,163
Depreciation	-	130	-	130
Balance on December 31, 2024	<u>\$ 16,291</u>	<u>6,702</u>	<u>300</u>	<u>23,293</u>
Carrying amount:				
December 31, 2025	<u>\$ 3,854</u>	<u>2,200</u>	<u>-</u>	<u>6,054</u>
December 31, 2024	<u>\$ 3,854</u>	<u>2,331</u>	<u>-</u>	<u>6,185</u>
January 1, 2024	<u>\$ 3,854</u>	<u>2,461</u>	<u>-</u>	<u>6,315</u>
Fair value:				
December 31, 2025			<u>\$ 23,766</u>	
December 31, 2024			<u>\$ 19,488</u>	

The fair value of investment property is determined by the Company's management with reference to market evidence of transaction prices for similar properties in the same area, and the inputs used in the valuation techniques are classified as Level 3.

(IX) Lease liabilities

1. The carrying amount of the Company's lease liabilities is as follows:

	2025.12.31	2024.12.31
Current	<u>\$ 1,342</u>	<u>1,070</u>

Please refer to Note 6(20) for maturity analysis.

2. The amounts recognized in profit or loss are as follows:

	2025	2024
Interest expenses of lease liabilities	<u>\$ 60</u>	<u>51</u>
Expenses of short-term leases	<u>\$ 130</u>	<u>130</u>

3. The amounts recognized in the statement of cash flows are as follows:

	2025	2024
Total cash outflow from leases	<u>\$ 6,067</u>	<u>5,263</u>

4. Important lease terms

The lease period of houses and buildings, offices, and miscellaneous equipment leased by the Company is generally one to two years. In addition, the Company leases certain office and miscellaneous equipment that qualify as short-term leases and has therefore elected to apply the recognition exemption, and accordingly does not recognize the related right-of-use assets and lease liabilities.

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

(X) Provisions for liabilities - current

	Warranty
Balance on January 1, 2025	\$ 7,893
Addition	4,503
Use	(1,980)
Effects of exchange rate	389
Balance on December 31, 2025	<u>\$ 10,805</u>
Balance on January 1, 2024	\$ 6,404
Addition	4,180
Use	(2,151)
Effects of exchange rate	(540)
Balance on December 31, 2024	<u>\$ 7,893</u>

1. Provisions for warranty

Provisions for warranty liabilities are estimated based on the quantity within the repair warranty period, the historical repair rate of such products, and the unit repair costs. The Company continues to examine the estimation basis and make amendments in due course.

(XI) Operating lease - Lessor

The Company leases its investment properties. As it does not transfer almost all the risks and rewards attached to the ownership of the underlying assets, these lease contracts are classified as operating leases. For details, please refer to Note 6(8) investment property.

The rental income arising from the investment property leased in 2025 and 2024 was NT\$390 thousand and NT\$369 thousand, respectively.

(XII) Employee benefits

1. Defined benefit plan

The Company settled the balance appropriated to the labor pension fund account with the Bank of Taiwan in 2024 and recognized relevant gains as a reduction item to operating expenses in the amount of NT\$4,275 thousand.

2. Defined contribution plan

The Company's defined contribution plan complies with the Labor Pension Act. An amount equivalent to 6% of the laborers' monthly wage is deposited into the laborers' individual pension account at the Bureau of Labor Insurance. Under the plan, the Company has no legal or constructive obligation to pay an additional amount after appropriating the fixed amount. The Company's pension expenses under the defined contribution plan amounted to NT\$3,552 thousand and NT\$3,513 thousand in 2025 and 2024, respectively, which had been appropriated to the Bureau of Labor Insurance.

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

(XIII) Income tax

1. The breakdown of the Company's income tax expenses is as follows:

	<u>2025</u>	<u>2024</u>
Current Income tax expenses		
Generated during the period	\$ 19,955	26,848
Adjustments to the current income tax for the prior period	1,087	(177)
Additional tax levied on the undistributed earnings	<u>-</u>	<u>1,275</u>
	<u>21,042</u>	<u>27,946</u>
Deferred income tax expenses		
Occurrence and reversal of temporary differences	<u>5,014</u>	<u>2,391</u>
	<u>\$ 26,056</u>	<u>30,337</u>

The Company did not have income tax directly recognized in equity or other comprehensive income in 2025 and 2024.

The reconciliation of the relationship between income tax expenses and net profit before tax is as follows:

	<u>2025</u>	<u>2024</u>
Profit before tax	<u>\$ 142,271</u>	<u>147,103</u>
Income tax calculated based on the domestic tax rate where the Company is located	\$ 28,454	29,421
Tax-exempted income	(1,890)	(1,642)
Adjustments to income tax in the prior period	1,087	(177)
Additional tax levied on the undistributed earnings	-	1,275
Others	<u>(1,595)</u>	<u>1,460</u>
Income tax expenses	<u>\$ 26,056</u>	<u>30,337</u>

2. Deferred income tax assets and liabilities

The changes in the Company's deferred income tax assets and liabilities in 2025 and 2024 are as follows:

Deferred income tax assets:

	<u>Allowance for sales discounts</u>	<u>Allowance for inventory valuation losses</u>	<u>Taxable losses</u>	<u>Expenses payable and others</u>	<u>Total</u>
January 1, 2025	\$ 3,364	4,812	-	5,265	13,441
Recognized in (losses) profits	<u>(2,648)</u>	<u>(67)</u>	<u>-</u>	<u>2,111</u>	<u>(604)</u>
December 31, 2025	<u>\$ 716</u>	<u>4,745</u>	<u>-</u>	<u>7,376</u>	<u>12,837</u>
January 1, 2024	\$ 2,310	6,319	6,387	4,601	19,617
Recognized in (losses) profits	<u>1,054</u>	<u>(1,507)</u>	<u>(6,387)</u>	<u>664</u>	<u>(6,176)</u>
December 31, 2024	<u>\$ 3,364</u>	<u>4,812</u>	<u>-</u>	<u>5,265</u>	<u>13,441</u>

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

Deferred income tax liabilities:

	Defined benefit plan	Share of profit or loss of subsidiaries accounted for using the equity method	Others	Total
January 1, 2025	\$ -	13,449	245	13,694
Recognized in profits (losses)	-	4,432	(22)	4,410
December 31, 2025	\$ -	17,881	223	18,104
January 1, 2024	\$ 7,064	10,001	414	17,479
Recognized in profits (losses)	(7,064)	3,448	(169)	(3,785)
December 31, 2024	\$ -	13,449	245	13,694

3. Approval of income tax

The Company's profit-seeking enterprise income tax returns have been approved by the tax authorities up to 2023.

(XIV) Capital and other equity

1. Share capital

As of December 31, 2025 and 2024, the Company's total authorized capital was NT\$1,200,000 thousand, divided into 120,000 thousand shares with a par value of NT\$10 per share. The number of issued shares was 61,860 thousand.

The table of reconciliation of outstanding ordinary shares of the Company in 2025 and 2024 is as follows (presented in thousand shares):

	2025	2024
Opening balance (i.e., closing balance)	61,860	61,860

2. Capital reserve

The balance of the Company's capital reserve is as follows:

	2025.12.31	2024.12.31
Premium from issuance of share capital	\$ 327,749	327,749
Trading of treasury shares	46,802	46,802
Consolidation premium	47,682	47,682
Employee stock options	140	140
	\$ 422,373	422,373

According to the Company Act, the capital reserve shall be first used to offset losses, and then new shares or cash may be allocated based on realized capital reserve according to the initial shareholding ratio of shareholders. The realized capital reserve, as referred to in the preceding paragraph, includes the premium from the issuance of shares at a price higher than par value and the income from the receipt and gifts.

3. Retained earnings and dividend policy

(1) Legal reserve

According to the Company Act, the Company may distribute new shares or cash from the legal reserve upon the resolution of the shareholders' meeting when the Company has no deficit, provided that the legal reserve exceeds 25% of the paid-in capital.

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

(2) Special reserve

According to the regulations of FSC, when the Company distributes the distributable earnings, regarding the net amount of reduction items accounted for in other shareholders' equity during the year, appropriate the special reserve from net profit after tax of the period and items other than net profit after tax of the period included in the undistributed earnings of the period and the undistributed earnings from the prior period. For the cumulative amount of reduction items to other shareholders' equity, appropriate the special reserve with an equivalent amount from undistributed earnings of the prior period, which is not distributable. Subsequently, if there is a reversal of the amount of reduction items to other shareholder's equity, the earnings reversed may be distributed.

(3) Earnings distribution

According to the Articles of Incorporation of the Company, 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." According to the Articles amended on May 29, 2024, the distribution of the Company's dividends, bonuses, capital reserve, or legal reserve shall be entirely or partially made in cash, and the Board is authorized to do so through the resolution approved by over half of the attending Directors at a Board meeting attended by over two-thirds of the Directors, which shall be reported to the shareholders' meeting.

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.

On May 29, 2024, the shareholders' meeting resolved to distribute a cash dividend of NT\$1.65 per share, totaling NT\$102,069 thousand.

On March 11, 2025, the Board resolved to distribute a cash dividend of NT\$1.7 per share, totaling NT\$105,162 thousand.

On March 5, 2026, the Board resolved to distribute a cash dividend of NT\$1.7 per share, totaling NT\$105,162 thousand.

For relevant information, please visit the MOPS and other channels.

4. Other equity (net amount after tax)

(1) Exchange differences arising from the translation of the financial statements of foreign operations

	<u>2025</u>	<u>2024</u>
Opening balance	\$ 2,189	(899)
Exchange difference arising from the translation of the net assets of foreign operations	<u>39</u>	<u>3,088</u>
Closing balance	<u>\$ 2,228</u>	<u>2,189</u>

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

(2) Realized gain or loss of financial assets at fair value through other comprehensive income

	<u>2025</u>	<u>2024</u>
Opening balance	\$ (41,107)	6,983
Changes in fair value of financial assets at fair value through other comprehensive income	<u>(69,370)</u>	<u>(48,090)</u>
Closing balance	<u><u>\$ (110,477)</u></u>	<u><u>(41,107)</u></u>

(3) Remeasurement of the defined benefit plan

	<u>2025</u>	<u>2024</u>
Opening balance (i.e., closing balance)	<u><u>\$ (1,301)</u></u>	<u><u>(1,301)</u></u>

(XV) Earnings per share

1. Basic earnings per share

	<u>2025</u>	<u>2024</u>
Net profit attributable to ordinary equity holders of the Company	\$ 117,426	116,029
Net profit attributable to former owner equity under common control	<u>(1,211)</u>	<u>737</u>
Current net profit	<u><u>\$ 116,215</u></u>	<u><u>116,766</u></u>
Weighted average number of ordinary shares (thousand shares)	<u><u>61,860</u></u>	<u><u>61,860</u></u>
Basic earnings per share (NT\$)		
Basic earnings per share attributable to owners of ordinary shares of the Company (NT\$)	\$ 1.90	1.88
Basic earnings per share attributable to former owner equity under common control (NT\$)	<u>(0.02)</u>	<u>0.01</u>
Basic earnings per share (NT\$)	<u><u>\$ 1.88</u></u>	<u><u>1.89</u></u>

2. Diluted earnings per share

	<u>2025</u>	<u>2024</u>
Net profit attributable to ordinary equity holders of the Company	\$ 117,426	116,029
Net profit attributable to former owner equity under common control	<u>(1,211)</u>	<u>737</u>
Current net profit	<u><u>\$ 116,215</u></u>	<u><u>116,766</u></u>
Weighted average number of ordinary shares (thousand shares)	61,860	61,860
Effects of remuneration of employees (G)	<u>530</u>	<u>468</u>
Weighted average number of ordinary shares (thousand shares)	<u><u>62,390</u></u>	<u><u>62,328</u></u>
Diluted earnings per share attributable to owners of ordinary shares of the Company (NT\$)	1.88	1.86
Diluted earnings per share attributable to former owner equity under common control (NT\$)	<u>(0.02)</u>	<u>0.01</u>
Diluted earnings per share (NT\$)	<u><u>\$ 1.86</u></u>	<u><u>1.87</u></u>

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

(XVI) Income from customer contracts

1. Subdivision of income

	<u>2025</u>	<u>2024</u>
Major regional markets:		
Taiwan	\$ 874,576	1,190,101
China	1,304,666	436,687
British Virgin Islands	128,980	83,685
America	113,627	139,514
United Arab Emirates	68,591	161,613
Switzerland	36,246	28,891
Philippines	31,964	92,724
Russia	-	32,461
Others	155,022	98,643
	<u>\$ 2,713,672</u>	<u>2,264,319</u>
Main product/service lines:		
Computer peripherals	\$ 2,236,440	1,457,128
Apparel and wearables	199,853	507,076
Smart mobility	217,698	239,214
Others	59,681	60,901
	<u>\$ 2,713,672</u>	<u>2,264,319</u>

2. Contract balance

	<u>2025.12.31</u>	<u>2024.12.31</u>	<u>2024.1.1</u>
Accounts receivable (including those from related parties)	\$ 142,715	324,540	331,675
Less: Loss allowance	(432)	-	(1,206)
Total	<u>\$ 142,283</u>	<u>324,540</u>	<u>330,469</u>
Contract liabilities - Current	<u>\$ 62,516</u>	<u>66,050</u>	<u>36,711</u>
Contract liabilities - Non-current	<u>\$ 611</u>	<u>754</u>	<u>730</u>

For the details of the disclosures of accounts receivable and their impairments, please refer to Note 6(3).

The change in contract liabilities is mainly due to the difference between the time when the Company transfers the products or services to customers to fulfill the performance obligation and the time when customers pay.

The balance of contract liabilities at the beginning of the period on January 1, 2025 and 2024 that were recognized as income for 2025 and 2024 amounted to NT\$65,937 thousand and NT\$36,673 thousand, respectively.

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

(XVII) Remuneration of employees, directors and supervisors

On May 28, 2025, the Company amended its Articles of Incorporation by resolution of the shareholders' meeting. Under the amended Articles, if there are profits for the year, after first reserving an amount to cover accumulated losses, no less than 2% of the remaining balance shall be allocated as employee remuneration (of which no less than 1% of the remaining balance shall be allocated as remuneration for entry-level employees), and no more than 8% shall be allocated as directors' remuneration. According to the Articles of Incorporation before amendment, 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. 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. The remuneration of Directors is distributed in cash.

In 2025 and 2024, the estimated remuneration of employees was NT\$11,830 thousand and NT\$11,949 thousand, respectively, and the estimated remuneration of Directors was NT\$960 thousand and NT\$970 thousand, respectively. The estimation basis is the amount of net profit before tax before the deduction of remuneration of employees and Directors during the respective period multiplied by the distribution ratio of remuneration of employees and Directors in the Articles of Incorporation, and the amounts are reported as the operating expenses in 2025 and 2024. If the distribution amount differs from the estimated amount in the following year, it will be treated as a change in accounting estimates, and the differences will be recognized as profit or loss for the following year. The remuneration of employees and Directors was resolved by the Board, and the estimated amount in the parent company only financial statements in 2025 and 2024 had no difference, and the remuneration was fully distributed in cash. For relevant information, please visit the MOPS for inquiries.

(XVIII) Non-operating income and expenses

1. Interest income

	2025	2024
Interest income of bank deposit	\$ 13,921	14,687

2. Other income

	2025	2024
Dividend income	\$ 9,452	8,209

3. Other gains and losses

	2025	2024
Net currency exchange gain (loss)	\$ (2,541)	11,818
Rental income (Note 6(11))	390	369
Others	441	120
	\$ (1,710)	12,307

4. Financial costs

	2025	2024
Interest on bank borrowings	\$ -	3
Interest expenses of lease liabilities	\$ 60	51
	\$ 60	54

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

(XIX) Financial instruments

1. Type of financial instrument

(1) Financial assets

	<u>2025.12.31</u>	<u>2024.12.31</u>
Financial assets at fair value through other comprehensive income	\$ 164,131	233,501
Financial assets measured at amortized cost (including loans and amounts receivable):		
Cash and cash equivalents	931,731	985,776
Accounts receivable (including those from related parties)	142,283	324,540
Other receivables	130	1,263
Refundable deposits	2,000	1,916
	<u><u>\$ 1,240,275</u></u>	<u><u>1,546,996</u></u>

(2) Financial liabilities

	<u>2025.12.31</u>	<u>2024.12.31</u>
Financial liabilities measured at amortized cost:		
Accounts payable (including those to related parties)	\$ 193,371	359,472
Other payables (including those to related parties)	108,183	93,501
Lease liabilities	1,342	1,070
Guarantee deposits received	7,755	1,500
	<u><u>\$ 310,651</u></u>	<u><u>455,543</u></u>

2. Information on fair value

(1) Financial instruments not measured at fair value

The management of the Company believes that the carrying amount of the financial assets and financial liabilities measured at amortized cost in the financial statements approximate their fair values.

(2) Financial instruments measured at fair value

The following assets are measured at fair value on a repetitive basis. The following table analyzes the financial instruments measured at fair value after the initial recognition and classifies them into Level 1 to Level 3 based on the observability of fair value. The definition of each level of fair value is as follows:

- A. Level 1: Open quotation of equivalent assets or liabilities in the active market (unadjusted).
- B. Level 2: Except for the open quotation included in Level 1, the input parameters of assets or liabilities are directly (i.e., price) or indirectly (i.e., derived from price) observable.
- C. Level 3: The input parameters of assets or liabilities are not based on the market data (non-observable parameters).

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

		2025.12.31			
		Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income:					
Domestic TWSE/TPEX-listed stocks	\$	164,131	-	-	164,131
Unlisted stocks		-	-	-	-
	\$	164,131	-	-	164,131
		2024.12.31			
		Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income:					
Domestic TWSE/TPEX-listed stocks	\$	233,501	-	-	233,501
Unlisted stocks		-	-	-	-
	\$	233,501	-	-	233,501

There was no transfer of financial assets and liabilities between the levels of fair value in 2025 and 2024.

(3) Valuation techniques and inputs adopted for financial instruments measured at fair value

- A. For financial assets with standard terms and conditions and traded in an active market, the fair value is determined by the market quotation (i.e., stocks of TWSE/TPEX-listed companies).
- B. For the stocks of unlisted companies in Level 3 of fair value, the fair value is estimated by using the market approach, and the judgment is based on the recent fundraising activities, the valuation of similar companies, market conditions and other economic indicators. In addition, the significant unobservable inputs are mainly liquidity discounts; however, the possible changes in liquidity discounts will not lead to significant potential financial impacts; therefore, the quantitative information is not intended to be disclosed.

(XX) Financial risk management

The Company is exposed to credit risks, liquidity risks and market risks due to its business activities. The note expresses the information on the exposure of the Company to the abovementioned risks, the policies and procedures of the Company to measure and manage such risks, and quantitative disclosures.

1. Credit risks

(1) The amount of maximum credit risk exposure

Credit risks are the risks of financial loss incurred by the Company when the counterparty of financial assets transactions fails to perform its contractual obligations, which mainly come from cash and cash equivalents, accounts receivable from customers and other receivables. The carrying amount of the Company's financial assets represents the maximum credit exposure amount.

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

(2) Concentration of credit risks

The Company has established a credit policy that analyzes each customer's financial position separately to determine its credit limit. As of December 31, 2025 and 2024, 78% and 79% of the balance of accounts receivable (including those from related parties) comprises three customers. The Company has regularly evaluated the financial position of customers to minimize credit risks.

(3) Credit risks of amounts receivables

For information on credit risk exposure of accounts receivable, please refer to Note 6(3). Other financial assets measured at amortized cost include other receivables and refundable deposits. The abovementioned are all financial assets with low credit risks. Therefore, the loss allowance for the period is measured based on the 12-month ECL (for details of how the Company determines the low credit risks, please refer to Note 4(6)).

2. Liquidity risks

Liquidity risks arise when the Company is unable to deliver cash or other financial assets to settle financial liabilities or fails to perform its obligations. The Company regularly monitors the current and estimated mid-to-long-term capital demand, and manages the liquidity risks by maintaining sufficient cash and ensuring compliance with the terms of the borrowing contracts.

The following table describes the maturity analysis of the remaining contracts of financial liabilities with agreed repayment periods, which was based on the earliest date that the Company may be requested for repayment and prepared based on the undiscounted cash flow.

	Contractual cash flow	Within 6 months	6 to 12 months	1 to 2 years	Over 2 years
December 31, 2025					
Non-derivative financial liabilities:					
Accounts payable (including those to related parties)	\$ 193,371	193,371	-	-	-
Other payables (including those to related parties)	108,183	108,183	-	-	-
Guarantee deposits received	7,755	-	6,315	-	1,440
Lease liabilities	1,346	1,346	-	-	-
	\$ 310,655	302,900	6,315	-	1,440
December 31, 2024					
Non-derivative financial liabilities:					
Accounts payable (including those to related parties)	\$ 359,472	359,472	-	-	-
Other payables (including those to related parties)	93,501	93,501	-	-	-
Guarantee deposits received	1,500	-	60	-	1,440
Lease liabilities	1,073	1,073	-	-	-
	\$ 455,546	454,046	60	-	1,440

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

3. Market risks

Market risks refer to risks of changes in the Company's income or the value of financial instruments held due to changes in the market price (i.e., changes in exchange rates, interest rates and equity instrument price). The objective of market risk management is to control the market risk exposure within the affordable range and to optimize return on investment.

(1) Exchange rate risks

The Company is exposed to exchange rate risks that arise from the sale and procurement transactions denominated in a non-functional currency.

A. Exposure to exchange rate risks

The carrying amount of the Company's monetary assets and liabilities not denominated in the functional currency on the reporting date is as follows:

		2025.12.31			2024.12.31		
	Foreign currency	Exchange rate	NTD		Foreign currency	Exchange rate	NTD
<u>Financial assets</u>							
<u>Monetary item</u>							
USD	\$	7,209	31.416	226,478	11,986	32.781	392,913
<u>Financial liabilities</u>							
<u>Monetary item</u>							
USD		7,316	31.416	229,839	11,098	32.781	363,804

B. Sensitivity analysis

The Company's exchange rate risks arise primarily from the cash and cash equivalents and accounts receivable (including those from related parties) denominated in foreign currencies, which gives rise to currency exchange gains or losses. On December 31, 2025 and 2024, if NTD depreciates/values by 1% against the USD, and all other factors remain unchanged, the net profit (loss) before tax on December 31, 2025 and 2024 would change by NT\$(34) thousand and NT\$291 thousand, respectively. The comparison of the two periods adopts the same basis.

(2) Other market price risks

The Company holds investments in equity securities of TWSE/TPEX-listed companies, which give rise to risks of change in equity price. The Company manages the investment based on fair value and actively monitors the investment performance. The equity securities held by the consolidated company that are not listed on TWSE or TPEX are strategic investments, and the Company does not actively trade such investments.

The sensitivity analysis of the price risk of equity instruments is calculated based on the changes in fair value on the reporting date. If the equity instrument price increases/decreases by 5%, other comprehensive income in 2025 and 2024 would change by NT\$8,207 thousand and NT\$11,675 thousand, respectively.

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

(XXI) Capital management

Based on the characteristics of the current operating industry and future development of the Company, taking into account the changes in the external environment and other factors, the Company plans for the operating funds, R&D expenses and dividend expenses required in the future period to ensure the continuous operation of the Company, give back to shareholders, take care of the benefits of other stakeholders, and maintain the optimal capital structure to long-term improve the value of shareholders.

(XXII) Investing and financing activities of non-cash transactions

1. For the right-of-use assets acquired through leases in 2025 and 2024, please refer to Note 6(7).
2. The reconciliations of the liabilities from financing activities are set out in the following table:

	2025.1.1	Cash flow	Changes in non-cash leases	2025.12.31
Guarantee deposits received	\$ 1,500	6,255	-	7,755
Lease liabilities	1,070	(5,877)	6,149	1,342
Total liabilities from financing activities	<u>\$ 2,570</u>	<u>378</u>	<u>6,149</u>	<u>9,097</u>

	2024.1.1	Cash flow	Changes in non-cash leases	2024.12.31
Guarantee deposits received	\$ 1,500	-	-	1,500
Lease liabilities	3,592	(5,082)	2,560	1,070
Total liabilities from financing activities	<u>\$ 5,092</u>	<u>(5,082)</u>	<u>2,560</u>	<u>2,570</u>

VII. Related party transactions

(I) Parent company and ultimate controller

Acer Incorporated is the ultimate controller of the consolidated company's parent company and the group belonging, and it holds 63.54% of outstanding shares of the Company as of December 31, 2025 and 2024. Acer Incorporated has prepared its consolidated financial statements for the public's reference.

(II) Name of relationship of related parties

Related parties and subsidiaries of the Company that had transactions with the Company during the period covered by the parent company only financial statements are as follows:

Name of affiliate	Relationship with the Company
Acer Incorporated (Acer)	The ultimate controller of the Company's parent company and the group of belonging
GadgeTek (Shanghai) Limited (GCN)	A subsidiary of the Company
Acer Gadget America Inc.(AGA)	A subsidiary of the Company
Acer Fashion Inc. (AFS)	A subsidiary of the Company

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

Name of affiliate	Relationship with the Company
Other related parties:	
Acer America corporation (AAC)	A subsidiary of Acer
Acer Computer Australia Pty. Limited (ACA)	A subsidiary of Acer
Acer Computer Co., Ltd. (ATH)	A subsidiary of Acer
Acer Computer (Far East) Limited (AFE)	A subsidiary of Acer
Acer Computer(Singapore) Pte. Ltd. (ACS)	A subsidiary of Acer
Acer Europe SA (AEG)	A subsidiary of Acer
Acer INDIA PRIVATE LIMITED (AIL)	A subsidiary of Acer
Acer Japan Corporation (AJC)	A subsidiary of Acer
Acer Philippines, Inc. (APHI)	A subsidiary of Acer
Acer Service Corporation (ASC)	A subsidiary of Acer
Acer Sales and Services SDN BHD (ASSB)	A subsidiary of Acer
Acer Vietnam Co., Ltd. (AVN)	A subsidiary of Acer
Asplex Sp. z o.o. (APX)	A subsidiary of Acer
PT. Acer Indonesia (AIN)	A subsidiary of Acer
PT. Acer Manufacturing Indonesia (AMI)	A subsidiary of Acer
Enfinitec B.V.(ENNL)	A subsidiary of Acer
Acer e-Enabling Service Business Inc. (Acer e-Enabling)	A subsidiary of Acer
Acer ITS Inc. (Acer ITS)	A subsidiary of Acer
Acer Gaming Inc. (Acer Gaming)	A subsidiary of Acer
Acer AI Cloud Inc. (Acer AI Cloud)	A subsidiary of Acer
Acer Healthcare Inc. (Acer Healthcare)	A subsidiary of Acer
Acer Cyber Security Incorporated (Acer Cyber Security)	A subsidiary of Acer
Weblink International Inc. (Weblink)	A subsidiary of Acer
Altos Computing Inc. (Altos)	A subsidiary of Acer
Highpoint Service Network Corporation (Highpoint)	A subsidiary of Acer
Aspire Service & Development Inc. (Aspire Service)	A subsidiary of Acer
Acer Mobile Power System Inc. (Acer Mobile Power System)	A subsidiary of Acer
Acer Synergy Tech Corp. (Acer Synergy Tech)	A subsidiary of Acer
GrandPad Inc.(GrandPAD)	An affiliate of Acer (Note)
Mushi Investment Co., Ltd.	Its representative is the same person as a director of the Company

(Note) Acer Incorporated's subsidiary disposed of all equity in GrandPad Inc. on December 31, 2025, and therefore GrandPad Inc. has ceased to be an affiliate of Acer Incorporated from that date onward.

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

(III) Major transactions with related parties

1. Operating income

The Company's significant sales to related parties are as follows:

	2025	2024
Acer	\$ 767,791	1,056,092
Subsidiary	-	17,327
Other related parties	129,638	214,600
	<u>\$ 897,429</u>	<u>1,288,019</u>

The transaction conditions of the Company's sales to related parties are not significantly different from those of general transactions. The selling price is determined based on the economic environment and market competition in each sales area or the product specifications, and there is no comparable general transaction price.

2. Purchasing and other operating costs

The purchasing and other operating costs of the Company from the related party are as follows:

	2025	2024
Acer	\$ 150,010	75,857
Subsidiary	1,847	-
Other related parties	2,102	2,215
	<u>\$ 153,959</u>	<u>78,072</u>

Regarding the Company's purchasing prices from the abovementioned related parties, as partial products have different specifications, there is no comparable general transaction price. The transaction conditions with related parties are not significantly different from those of other suppliers.

3. Operating expenses

The breakdown of operating expenses generated from the provision of management consultation, system repair, technology development, and other services by related parties is as follows:

Item	Category of related party	2025	2024
Operating expenses	Acer	\$ 5,656	7,812
Operating expenses	Other related parties	11,577	1,933
		<u>\$ 17,233</u>	<u>9,745</u>

4. Lease

The Company leases the office from Acer, and the rental was determined with reference to the rental level in the neighborhood. The total right-of-use assets and lease liabilities added in 2025 and 2024 were NT\$3,595 thousand and NT\$2,560 thousand, respectively. The interest expenses recognized in 2025 and 2024 were NT\$35 thousand and NT\$21 thousand, respectively. As of December 31, 2025 and 2024, the balance of lease liabilities was NT\$905 thousand and NT\$644 thousand, respectively.

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

5. Amounts receivable

The breakdown of amounts to be collected from related parties for the abovementioned sales income is as follows:

Item	Category of related party	2025.12.31	2024.12.31
Accounts receivable - Related parties	Acer	\$ 82,234	184,143
Accounts receivable - Related parties	Subsidiary	-	13,112
Accounts receivable - Related parties	Other related parties	11,197	23,699
		<u><u>\$ 93,431</u></u>	<u><u>220,954</u></u>

6. Amounts payable

The breakdown of amounts to be paid to related parties due to the abovementioned purchases, various services expenditures, sales discounts, and payments on behalf of related parties is as follows:

Item	Category of related party	2025.12.31	2024.12.31
Accounts payables - Related parties	Acer	\$ 36,513	47,452
Accounts payables - Related parties	Other related parties	9	41
Other payables - Related parties	Acer	7,219	9,132
Other payables - Related parties	Other related parties	8,374	819
Refund liabilities - Related parties	Acer	3,579	12,789
		<u><u>\$ 55,694</u></u>	<u><u>70,233</u></u>

7. Others

The Company holds the equity of Acer, which is accounted for under financial assets at fair value through other comprehensive income. Dividend income recognized in 2025 and 2024 was NT\$7,319 thousand and NT\$6,889 thousand, respectively.

8. Reorganization

As described in Note 1 to the consolidated financial statements, on June 5, 2025, the Company acquired 100% of the equity of Xplova Inc., a subsidiary of Acer Incorporated, from Acer Beingware Holding Inc. for NT\$14,993 thousand in cash. This transaction is a reorganization under common control. Please refer to Note 12(2) for related details. The carrying amount of the net assets acquired by the Company is as follows:

Assets:		
Cash		\$ 14,136
Prepayments and other current assets		955
Subtotal		<u>15,091</u>
Liabilities:		
Other payables		(75)
Other current liabilities		(23)
Subtotal		<u>(98)</u>
Net assets		<u><u>\$ 14,993</u></u>

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

In addition, in accordance with the Business Mergers and Acquisitions Act, the Company Act, and other relevant laws and regulations, the Company set July 4, 2025 as the demerger base date and demerged the fashion business-related operations to its subsidiary, Acer Fashion Inc. The net assets demerged amounted to NT\$27,889 thousand, in exchange for 2,789 thousand common shares of Acer Fashion Inc. The carrying amounts of the assets and liabilities transferred in the demerger are as follows:

Assets:

Accounts receivable	\$	3,646
Accounts receivable - Related parties		57,944
Inventory		43,736
Property, plant and equipment		17
Prepayments and other current assets		463
Subtotal		<u>105,806</u>

Liabilities:

Accounts payable		(65,995)
Other payables		(8,532)
Other payables - Related parties		(139)
Refund liabilities - current		<u>(3,251)</u>
Subtotal		<u>(77,917)</u>
Net assets	\$	<u><u>27,889</u></u>

(IV) Remuneration of key management personnel

	<u>2025</u>	<u>2024</u>
Short-term employee benefits	\$ 21,581	20,563
Post-retirement benefits	346	395
	<u>\$ 21,927</u>	<u>20,958</u>

VIII. Assets pledged

The carrying amount of the assets pledged by the Company as the collateral is as follows:

<u>Asset</u>	<u>Underlying subject pledged as collateral</u>	<u>2025.12.31</u>	<u>2024.12.31</u>
Refundable deposits	Performance bond	<u>\$ 2,000</u>	<u>1,916</u>

IX. Major contingent liabilities and unrecognized contractual commitments

(I) Major unrecognized contractual commitments:

	<u>2025.12.31</u>	<u>2024.12.31</u>
Letter of credit issued but unused	<u>\$ -</u>	<u>25,639</u>

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

X. Losses on major disasters: None.

XI. Material events after the period: None.

XII. Others

(I) The Company's employee benefits, depreciation and amortization expenses by function are summarized as follows:

Function Nature	2025			2024		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	-	102,696	102,696	-	98,485	98,485
Labor and health insurance expenses	-	6,886	6,886	-	6,386	6,386
Pension expenses (Note 1)	-	3,552	3,552	-	(762)	(762)
Remuneration to directors	-	3,515	3,515	-	3,400	3,400
Other employee benefit expenses	-	3,298	3,298	-	2,747	2,747
Depreciation expenses	11,139	6,154	17,293	2,948	5,505	8,453
Amortization expenses	-	473	473	-	537	537

(Note 1) The Company settled the balance appropriated to the labor pension fund account with the Bank of Taiwan in 2024 and recognized settlement gains in the amount of NT\$4,275 thousand (presented as a reduction item to operating expenses).

The number of employees and additional information on employee benefits expenses of the Company in 2025 and 2024 are as follows:

	2025	2024
Number of employees	<u>70</u>	<u>69</u>
Number of Directors who are not concurrently employees	<u>7</u>	<u>7</u>
Average employee benefit expenses	<u>\$ 1,848</u>	<u>1,723</u>
Average employee salary expenses	<u>\$ 1,630</u>	<u>1,588</u>
Average employee salary expenses adjustments	<u>2.64%</u>	<u>(8.79)%</u>
Remuneration of supervisors	<u>\$ -</u>	<u>-</u>

The Company's remuneration policy (including Directors, managers and employees) is as follows:

The Remuneration Committee regularly evaluates and examines the remuneration of Directors and managers. For the salary policy of employees, it participates in the remuneration survey annually to regularly examine the salary level and provides employees with market-competitive remuneration.

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

(II) Reorganization

On June 5, 2025, the Company acquired 100% of the equity of Xplova Inc. (renamed Acer Fashion Inc.), a subsidiary of Acer Incorporated, for NT\$14,993 thousand in cash. In accordance with the IFRS Q&A published by the Accounting Research and Development Foundation and Interpretation No. (2012) Ji-Mi-Zi No. 301, this transaction is considered a reorganization under common control and shall be treated as if it had occurred from the beginning, with prior period comparative parent company only financial statements retrospectively restated.

The effects of the restatement on the parent company only balance sheet as of December 31, 2024, and the parent company only statement of comprehensive income for the period from January 1 to December 31, 2024 are as follows:

2024.12.31 Balance Sheet	Amounts reported before restatement	Amount of restatement effect	Amounts reported after restatement
Current assets	\$ 1,457,141	-	1,457,141
Non-current assets	375,084	15,033	390,117
Total assets	\$ 1,832,225	15,033	1,847,258
Current liabilities	\$ 573,723	-	573,723
Non-current liabilities	15,948	-	15,948
Total liabilities	589,671	-	589,671
Source of	618,600	-	618,600
Capital surplus	422,373	-	422,373
Legal reserve	79,444	-	79,444
Special reserve	39,259	-	39,259
Retained earnings	123,097	-	123,097
Other equity	(40,219)	-	(40,219)
Total equity attributable to owners of the parent company	1,242,554	-	1,242,554
Equity attributable to former owner of business combination under common control	-	15,033	15,033
Total equity	1,242,554	15,033	1,257,587
Total liabilities and equity	\$ 1,832,225	15,033	1,847,258

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

Statement of Comprehensive Income	2024		
	Amounts reported before restatement	Amount of restatement effect	Amounts reported after restatement
Net operating revenue	\$ 2,264,319	-	2,264,319
Operating cost	(1,945,258)	-	(1,945,258)
Gross operating profit	319,061	-	319,061
Unrealized gain on sales	(2,321)	-	(2,321)
Realized gross profit	316,740	-	316,740
Operating expenses	(222,763)	-	(222,763)
Net operating profit	93,977	-	93,977
Non-operating revenue and expenses	52,389	737	53,126
Profit before tax	146,366	737	147,103
Less: Income tax expenses	30,337	-	30,337
Current net profit	116,029	737	116,766
Other comprehensive income for the period (after tax)	(45,002)	-	(45,002)
Total comprehensive income for the period	<u>\$ 71,027</u>	<u>737</u>	<u>71,764</u>
Current net profit (loss) attributable to:			
Owners of the Company	\$ 116,029	-	116,029
Equity attributable to former owner of business combination under common control	-	737	737
Current net profit	<u>\$ 116,029</u>	<u>737</u>	<u>116,766</u>
Total comprehensive income attributable to:			
Owners of the Company	\$ 71,027	-	71,027
Equity attributable to former owner of business combination under common control	-	737	737
Total comprehensive income for the period	<u>\$ 71,027</u>	<u>737</u>	<u>71,764</u>
Basic earnings per share (NT\$) (Note)	<u>\$ 1.88</u>	<u>0.01</u>	<u>1.89</u>
Diluted earnings per share (NT\$) (Note)	<u>\$ 1.86</u>	<u>0.01</u>	<u>1.87</u>

Note: Earnings per share after restatement include net profit attributable to former owner equity under common control.

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

XIII. Other disclosures

(I) Information on significant transactions

In 2025, the information on material transactions that shall be disclosed according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers is as follows:

1. Loaning of funds to others:

Unit: NTD thousand

No.	Company providing loans of funds	Borrower	Transaction items	Whether a related party	Highest amount for the current period	Closing balance	Amount actually drawn down	Interest rate range	Funds Nature of loans	Business transaction amount	Reason for the need for short-term financing	Amount of loss allowance provided	Collateral		Limit for loans of funds to individual counterparties	Total limit for loans of funds
													Name	Value		
1	The Company	Acer Fashion Inc.	Other receivables - related parties	Yes	60,000	60,000	-	1.98%	2	-	Working capital turnover	-		-	118,549	474,195
2	The Company	ACER GADGET AMERICA INC.	Other receivables - related parties	Yes	62,832	62,832	-	5%	2	-	Working capital turnover	-		-	118,549	474,195

(Note 1) Nature of loans:

2. Those in need of short-term financing.

(Note 2) The total amount of loans of funds provided by the Company shall not exceed 40% of the net worth as stated in the most recent financial statements audited or reviewed by a CPA. The limit for loans of funds to individual counterparties shall not exceed 10% of the aforementioned net worth.

2. Endorsements and guarantees for others: None.

3. Holding of significant marketable securities at the end of the period (excluding investments in the equity of subsidiaries, affiliates and joint ventures):

Unit: thousand shares

Company held	Type and name of securities	Relationship with the issuer of securities	Accounting item	At the end of the period				Remarks
				Number of shares	Carrying amount	Shareholding ratio	Fair value	
The Company	Ordinary shares of Royaltel	-	Financial assets at fair value through other comprehensive income - Non-current	1,015	50,468	2.01 %	50,468	-
"	Ordinary shares of Acer	Parent company and subsidiary	"	4,305	113,663	0.14 %	113,663	-

4. The purchases or sales with related parties reaching NT\$100 million or more than 20% of the paid-in capital:

Unit: NTD thousand

Company of purchases (sales)	Name of trading counterparty	Relationship	Transaction Status				The circumstances and reasons for transaction conditions that are different from general transactions		Notes and accounts receivable (payable)		Remarks
			Purchases (sales)	Amount	As a percentage of total purchases (sales)	Credit period	Unit price	Credit period	Balance	As a percentage of total notes and accounts receivable (payable)	
The Company	Acer	Parent company and subsidiary	(Sales)	(767,791)	(28.29) %	OA60	(Note 1)	(Note 2)	82,234	57.80%	-
The Company	Acer	Parent company and subsidiary	Purchase	146,136	6.27 %	OA60	(Note 3)	(Note 4)	(36,513)	(18.88)%	-
Acer Fashion	Acer	Parent company and subsidiary	(Sales)	(139,647)	(67.66) %	OA60	(Note 1)	(Note 2)	45,675	68.93%	-

Note 1: The selling price for sales to related parties is determined based on the economic environment and market competition status in each sales area, and there is no comparable general transaction price.

Note 2: The payment conditions of sales to related parties are not significantly different from those of general transactions.

Note 3: Due to differences in product specifications, there is no general market price available for comparison for purchases from related parties.

Note 4: Payment terms for purchases from related parties are not significantly different from those of general transactions.

5. Amounts receivable from related parties reaching NT\$100 million or more than 20% of the paid-in capital: None.

Acer Gadget Inc. Notes to the Parent Company Only Financial Statements (Cont'd)

(II) Information on Investees:

The information on the Company's investees in 2025 (excluding investees in China) is as follows:

Unit: NT\$ thousand/thousand shares

Name of investee	Name of investee	Location	Main business activities	Initial investment amount		Held at the end of the period			Profit and loss of investees for the period	Investment gain or loss recognized during the period	Remarks
				At the end of the period	At the end of last year	Number of shares	Proportion (%)	Carrying amount			
The Company	AGA	America	Sale of computer peripherals	15,786	15,786	500	100.00%	19,512	3,024	3,024	
"	Acer Fashion Inc.	Taiwan	Sales of luggage, bags, smart wearable devices, and related accessories	42,882	-	4,292	100.00%	61,797	17,704	18,915	

(III) Information on investment in Mainland China

1. Information on businesses invested in Mainland China:

Unit: US\$ thousand; NT\$ thousand

Name of investee in Mainland China	Main business activities	Paid-up capital	Investment method	Accumulated investment amount remitted from Taiwan at the beginning of the period	Amount of investment remitted or recovered during the period		Accumulated investment amount remitted from Taiwan at the end of the period	Profit and loss of investees for the period	Shareholding ratio of the Company's direct or indirect investments	Investment gain or loss recognized during the period	Carrying amount of investments at the end of the period	Recovered investment income as of the period
					Remitted	Recovered						
GadgeTek (Shanghai) Limited (GCN)	Sale of computer peripherals	15,708 (USD 500)	(Note 1)	15,708 (USD 500)	-	-	15,708 (USD 500)	19,139	100.00%	19,139	103,570	-

Note 1: The investment method is direct investment in companies in Mainland China.

Note 2: Converted based on the exchange rate USD:NTD = 1:31.416 as of December 31, 2025.

2. Limit for investments in Mainland China

Unit: US\$ thousand; NT\$ thousand

Name of company	Accumulated amount of investment in Mainland China remitted from Taiwan at the end of the period	Amount of investment approved by the Investment Commission, MOEA	The limit for investments in Mainland China set by the Investment Commission, MOEA
GadgeTek (Shanghai) Limited	15,708 (USD 500)	15,708 (USD 500)	711,292

Note: Converted based on the exchange rate USD:NTD = 1:31.416 as of December 31, 2025.

3. Major transactions:

For direct or indirect major transactions between the Company and investees in 2025, please refer to the description in "Information on significant transactions" for details.

XIV. Segment information

Please refer to the 2025 consolidated financial statements.

Acer Gadget Inc.
Breakdown of Cash and Cash Equivalents

December 31, 2025

Unit: NTD thousand

<u>Item</u>	<u>Amount</u>
Demand deposits and check deposits (Note 1)	\$ 169,351
Time deposits with an initial maturity day of less than three months (Note 1 and Note 2) Interest rate: 1.62% - 2.04%	<u>762,380</u>
	<u>\$ 931,731</u>

Note 1: The breakdown of demand deposits and time deposits in foreign currencies and their exchange rates are as follows:

USD 2,926 thousand

USD:NTD = 1:31.4160

EUR 253 thousand

EUR:NTD = 1:36.9012

Note 2: Time deposits include EUR 200 thousand

Breakdown of Accounts Receivable

<u>Item</u>	<u>Amount</u>
Customer A	\$ 16,604
Customer B	12,441
Customer C	6,655
Customer D	3,636
Others (all less than 5%)	9,948
Less: Loss allowance	<u>(432)</u>
	<u>\$ 48,852</u>

Acer Gadget Inc.
Breakdown of Inventory

December 31, 2025

Unit: NTD thousand

Item	Amount		Remarks
	Cost	Market price	
Raw materials	\$ 46	1,184	Market price is based on net realizable value
Products and finished goods	99,654	109,332	Market price is based on net realizable value
Total	<u><u>\$ 99,700</u></u>	<u><u>110,516</u></u>	

**Breakdown of Changes in Financial Assets at Fair Value
through Other Comprehensive Income - Non-current**

For the years ended December 31, 2025

**Unit: NT\$
thousand/thousand shares**

Name	At the beginning of the period		Increase during the period		Decrease during the period		Unrealized valuation (losses) gains	At the end of the period		Guarantees or pledges
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount		Number of shares	Amount	
Ordinary shares of Royaltek	1,015	\$ 62,146	-	-	-	-	(11,678)	1,015	50,468	-
Ordinary shares of Acer	4,305	171,355	-	-	-	-	(57,692)	4,305	113,663	-
Ordinary shares of Ability Shi-Pro Co., Ltd.	208	0	-	-	-	-	0	208	-	-
		<u><u>\$ 233,501</u></u>		<u><u>-</u></u>		<u><u>-</u></u>	<u><u>(69,370)</u></u>		<u><u>164,131</u></u>	

Acer Gadget Inc.
Breakdown of Prepayments and Other Current
Assets

December 31, 2025

Unit: NTD thousand

Item	Summary	Amount
Advances for goods		\$ 16,288
Business tax credit		5,450
Others (all less than 5%)		<u>5,012</u>
		<u>\$ 26,750</u>

Acer Gadget Inc.

Breakdown of Changes in Investments Under the Equity Method

For the years ended December 31, 2025

Unit: NT\$ thousand/thousand shares

Name	Amount at the beginning of the period		Increase during the period		Decrease during the period		Realized gross profit on sales	Investment gain or loss	Conversion adjustments	Closing balance			Market price or net worth of equity		Guarantees or pledges
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount				Number of shares	Shareholding ratio	Amount	Unit price (NTD)	Total	
Acer Gadget America Inc.	500	\$ 14,845	-	-	-	-	2,321	3,024	(678)	500	100.00%	19,512	39.02	19,512	-
GadgeTek (Shanghai) Limited	-	83,714	-	-	-	-	-	19,139	717	-	100.00%	103,570	-	103,570	-
Acer Fashion Inc.	1,503	15,033	2,789	27,889	-	-	-	17,704	1,171	4,292	100.00%	61,797	14.40	61,797	-
Total		113,592		27,889		-	2,321	39,867	1,210			184,879		184,879	

Acer Gadget Inc.
Breakdown of Accounts Payable

December 31, 2025

Unit: NTD thousand

Name of company	Amount
Company A	\$ 39,183
Company B	12,731
Company C	9,949
Company D	9,502
Company E	9,439
Company F	8,839
Others (all less than 5%)	67,206
	<u>\$ 156,849</u>

Breakdown of Other Payables

Item	Amount
Salaries and bonuses payable	\$ 43,558
Royalties payable	18,816
Mold fees payable	9,470
Others (all less than 5%)	20,746
	<u>\$ 92,590</u>

Acer Gadget Inc.
Breakdown of Operating Cost
For the years ended December 31, 2025 **Unit: NTD thousand**

Item	Total
Raw materials at the beginning of the period	\$ 6,408
Add: Purchase of materials during the period	33
Less: Reclassification expenses	15
Sales of raw materials	673
Raw materials at the end of the period	<u>5,659</u>
Consumption of raw materials during the period	94
Outsourced processing expenses	<u>12</u>
Manufacturing cost	<u>106</u>
Add: Finished goods and goods at the beginning of the period	149,251
Purchases during the period	2,354,366
Less: Reclassification expenses	5,856
Finished goods and goods at the end of the period	<u>117,765</u>
Cost of sales	2,380,102
Inventory demerged to a subsidiary	(47,715)
Cost of selling raw materials	673
Inventory valuation losses	3,643
Other operating costs	<u>30,377</u>
Operating cost	<u><u>\$ 2,367,080</u></u>

Acer Gadget Inc.
Breakdown of Operating Expenses
For the years ended December 31, 2025 **Unit: NTD thousand**

Item	Selling expenses	Management fees	R&D expenses
Salary expenditures (including remuneration of Directors)	\$ 39,989	50,709	15,513
Freight	18,662	-	-
Advertising expenses	23,916	-	-
Service expenses	3,559	10,900	63,424
Other expenses (all less than 5%)	21,929	17,350	1,729
	<u>\$ 108,055</u>	<u>78,959</u>	<u>80,666</u>

Please refer to Note 6(6) to the financial statements for the breakdown of changes in property, plant and equipment.

Please refer to Note 6(7) to the financial statements for the breakdown of changes in right-of-use assets.

Please refer to Note 6(8) to the financial statements for the statement of changes in investment property.

Please refer to Note 7 to the financial statements for the details of accounts receivable - related parties and accounts payable - related parties.

Please refer to Note 7 to the financial statements for the breakdown of other receivables - related parties.

Please refer to Note 6(13) to the financial statements for the breakdown of deferred income tax assets and liabilities.

Please refer to Note 6(10) to the financial statements for the breakdown of changes in provisions for liabilities - current.

Please refer to Note 6(16) to the financial statements for the breakdown of operating income.

Please refer to Note 6(18) to the financial statements for the breakdown of interest income, other gains and losses, and financial costs.