Stock Code:6690

ACER CYBER SECURITY INC. AND SUBSIDIARIES

Consolidated Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022

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

Table of contents

Representation Letter

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

Hereby declare

Acer Cyber Security Inc.
Hsuan-Hui (Maverick) Shih
Chairman
February 27, 2024

安侯建業聯合會計師事務所
KPMG
台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)
電 話 Tel + 886 2 8101 6666
傳 真 Fax + 886 2 8101 6667
網 址 Web kpmg.com/tw

Independent Auditors' Report

To the Board of Directors
Acer Cyber Security Inc.:

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the consolidated financial statements for the year ended December 31, 2023 are stated as follows:

Revenue recognition

Please refer to Note 4(m) for the accounting policies on recognizing revenue to the consolidated financial statements.

Description of key audit matter:

Acer Cyber Security Inc. and its subsidiaries engaged primarily in providing integrated cybersecurity services to enterprises. The identification of performance obligations and the timing of revenue recognition, wherein performance obligations are satisfied over time or at a point in time, is subject to management's judgment, which increases the complexity of revenue recognition. Therefore, revenue recognition has been identified as our key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain audit procedures including, among others, testing the design and operating effectiveness of Acer Cyber Security Inc. and its subsidiaries' internal control over the service revenue recognition; assessing whether the accounting policies with respect to the identification of performance obligations and timing of revenue recognition are appropriate; reviewing the contact term and other supporting documents of the selected samples to verify whether the timing and amount of revenue recognition are in accordance with related accounting policies. We also consider the adequacy of the disclosure on revenue from contracts with customers in Note 6(r) of the accompanying consolidated financial statements.

Other Matter

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

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing Acer Cyber Security Inc. and its subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Acer Cyber Security Inc. and its subsidiaries' internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Acer Cyber Security Inc. and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Acer Cyber Security Inc. and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Acer Cyber Security Inc. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chang, Huei-Chen and Chao, Min-Ju.

KPMG

Taipei, Taiwan (Republic of China)
February 27, 2024

Notes to Readers

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

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

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

ACER CYBER SECURITY INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 453,148	18	568,390	27
1140	Contract assets－current (notes 6(r) and 7)	317,259	13	208,314	10
1170	Notes and accounts receivable, net (notes 6(c) and (r))	231,148	9	225,216	11
1180	Accounts receivable from related parties (notes 6(c), (r) and 7)	56,356	2	51,814	2
1200	Other receivables (note 6(d))	38	-	-	-
1210	Other receivables from related parties (notes 6(d) and 7)	-	-	4,217	-
1470	Prepaid expenses and other current assets (note 7)	28,912	1	12,365	1
	Total current assets	1,086,861	43	1,070,316	51
	Non-current assets:				
1517	Financial assets measured at fair value through other comprehensive income－non-current (note 6(b))	19,081	1	23,909	1
1600	Property, plant and equipment (notes 6(g) and 7)	441,693	18	343,018	16
1755	Right-of-use assets (note 6(h))	242,332	10	281,453	13
1780	Intangible assets (notes 6(i) and 7)	94,965	4	108,665	5
1840	Deferred income tax assets (note 6(n))	9,618	-	9,346	-
1967	Costs to fulfill contracts with customers (note 6(j))	521,103	21	191,133	9
1980	Other financial assets (note 8)	89,162	3	93,435	4
1990	Other non-current assets (note 6(k))	15,158	-	14,063	1
	Total non-current assets	1,433,112	57	1,065,022	49
	Total assets	**$ 2,519,973**	**100**	**2,135,338**	**100**

		December 31, 2023		December 31, 2022	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2130	Contract liabilities－current (notes 6(r) and 7)	$ 90,126	4	98,963	5
2170	Accounts payable	357,788	14	190,294	9
2180	Accounts payable to related parties (note 7)	15,738	1	8,597	-
2219	Other payables (note 6(s))	277,122	11	253,493	12
2220	Other payables to related parties (note 7)	154,060	6	3,844	-
2230	Current income tax liabilities	26,482	1	24,026	1
2280	Lease liabilities－current (notes 6(l) and 7)	36,427	1	42,851	2
2300	Other current liabilities	15,296	1	18,780	1
	Total current liabilities	973,039	39	640,848	30
	Non-current liabilities:				
2580	Lease liabilities－non-current (notes 6(l) and 7)	208,599	9	240,329	11
2640	Net defined benefit liabilities (note 6(m))	34,499	1	34,330	2
2645	Guarantee deposits received	9,596	-	10,867	1
	Total non-current liabilities	252,694	10	285,526	14
	Total liabilities	1,225,733	49	926,374	44
	Equity attributable to shareholders of the Company (notes 6(f), 6(o) and (p)):				
3110	Common stock	222,045	9	222,407	10
3200	Capital surplus	769,344	30	775,920	36
	Retained earnings:				
3310	Legal reserve	64,184	3	48,648	2
3320	Special reserve	34,509	1	15,113	1
3350	Unappropriated earnings	248,914	10	193,180	9
3400	Other equity	(44,756)	(2)	(46,304)	(2)
	Total equity	1,294,240	51	1,208,964	56
	Total liabilities and equity	**$ 2,519,973**	**100**	**2,135,338**	**100**

See accompanying notes to consolidated financial statements.

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

ACER CYBER SECURITY INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		2023		2022	
		Amount	%	Amount	%
4000	**Net revenue (notes 6(r), 7 and 14)**	$ 1,844,558	100	1,603,216	100
5000	**Cost of revenue (notes 6(e), (g), (h), (i), (j), (k), (m), (s), 7 and 12)**	(1,111,226)	(60)	(960,727)	(60)
	Gross profit	733,332	40	642,489	40
	Operating expenses (notes 6(g), (h), (i), (l), (m), (p), (s), 7 and 12):				
6100	Selling expenses	(95,081)	(5)	(85,198)	(5)
6200	General and administrative expenses	(147,536)	(8)	(135,767)	(8)
6300	Research and development expenses	(257,718)	(14)	(236,073)	(15)
	Total operating expenses	(500,335)	(27)	(457,038)	(28)
	Operating income	232,997	13	185,451	12
	Non-operating income and loss (notes 6(l), (t) and 7):				
7100	Interest income	2,989	-	752	-
7010	Other income	-	-	1,199	-
7020	Other gains and losses	326	-	5,069	-
7050	Finance costs	(4,118)	-	(5,015)	-
	Total non-operating income and loss	(803)	-	2,005	-
7900	**Income before taxes**	232,194	13	187,456	12
7950	**Income tax expense (note 6(n))**	(41,607)	(3)	(32,090)	(2)
	Net income	190,587	10	155,366	10
	Other comprehensive income (loss):				
8310	**Items that will not be reclassified subsequently to profit or loss (notes 6(n) and (o))**				
8311	Remeasurements of defined benefit plans	(1,539)	-	2,880	-
8316	Unrealized losses from investments in equity instruments at fair value through other comprehensive income	(4,828)	-	(4,629)	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	309	-	(4,825)	1
	Other comprehensive income (loss), net of taxes	(6,058)	-	(6,574)	(1)
	Total comprehensive income for the year	$ 184,529	10	148,792	9
	Earnings per share (in New Taiwan dollars) (note 6(q)):				
9750	**Basic earnings per share**	$	8.66		7.92
9850	**Diluted earnings per share**	$	8.55		7.82

See accompanying notes to consolidated financial statements.

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

ACER CYBER SECURITY INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company											
			Retained earnings				Other equity					
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Unearned stock-based employee compensation	Total	Equity attributable to former owner of business combination under common control	Total equity
Balance at January 1, 2022	$ 169,997	323,900	39,963	14,002	111,397	165,362	(1,432)	(13,681)	-	(15,113)	468,820	1,112,966
Net income in 2022	-	-	-	-	155,366	155,366	-	-	-	-	-	155,366
Other comprehensive income (loss) in 2022	-	-	-	-	-	-	(4,629)	(1,945)	-	(6,574)	-	(6,574)
Total comprehensive income (loss) in 2022	-	-	-	-	155,366	155,366	(4,629)	(1,945)	-	(6,574)	-	148,792
Appropriation of earnings:												
Legal reserve	-	-	8,685	-	(8,685)	-	-	-	-	-	-	-
Special reserve	-	-	-	1,111	(1,111)	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(63,787)	(63,787)	-	-	-	-	-	(63,787)
Capital increase in cash	50,000	428,800	-	-	-	-	-	-	-	-	-	478,800
Organizational restructuring	-	5,896	-	-	-	-	-	(12,824)	-	(12,824)	(468,820)	(475,748)
Issuance of restricted stock to employees	2,410	14,438	-	-	-	-	-	-	(16,848)	(16,848)	-	-
Compensation cost arising from restricted stock issued to employees	-	-	-	-	-	-	-	-	5,055	5,055	-	5,055
Compensation cost arising from issuance of new shares reserved for employee subscription	-	2,886	-	-	-	-	-	-	-	-	-	2,886
Balance at December 31, 2022	222,407	775,920	48,648	15,113	193,180	256,941	(6,061)	(28,450)	(11,793)	(46,304)	-	1,208,964
Net income in 2023	-	-	-	-	190,587	190,587	-	-	-	-	-	190,587
Other comprehensive income (loss) in 2023	-	-	-	-	-	-	(4,828)	(1,230)	-	(6,058)	-	(6,058)
Total comprehensive income (loss) in 2023	-	-	-	-	190,587	190,587	(4,828)	(1,230)	-	(6,058)	-	184,529
Appropriation of earnings:												
Legal reserve	-	-	15,536	-	(15,536)	-	-	-	-	-	-	-
Special reserve	-	-	-	19,396	(19,396)	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(99,921)	(99,921)	-	-	-	-	-	(99,921)
Retirement of restricted stock issued to employees	(362)	362	-	-	-	-	-	-	-	-	-	-
Compensation cost arising from restricted stock issued to employees	-	(6,938)	-	-	-	-	-	-	7,606	7,606	-	668
Balance at December 31, 2023	**$ 222,045**	**769,344**	**64,184**	**34,509**	**248,914**	**347,607**	**(10,889)**	**(29,680)**	**(4,187)**	**(44,756)**	**-**	**1,294,240**

See accompanying notes to consolidated financial statements.

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

ACER CYBER SECURITY INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from operating activities:		
Income before income tax	$ 232,194	187,456
Adjustments for:		
Adjustments to reconcile profit or loss:		
Depreciation	112,575	116,197
Amortization	586,519	563,877
Interest expense	4,118	5,015
Interest income	(2,989)	(752)
Dividend income	-	(1,199)
Gain on disposal of property, plant and equipment	-	(359)
Share-based compensation cost	668	7,941
Total adjustments for profit or loss	700,891	690,720
Changes in operating assets and liabilities:		
Changes in operating assets:		
Contract assets	(108,945)	33,167
Notes and accounts receivable	(5,932)	(4,064)
Accounts receivable from related parties	(4,542)	(9,054)
Other receivables	-	1,469
Other receivables from related parties	4,217	61
Prepaid expenses and other assets	(16,547)	1,113
Net defined benefit assets	-	(3,360)
Changes in operating assets	(131,749)	19,332
Changes in operating liabilities:		
Contract liabilities	(8,837)	45,653
Accounts payable	81,030	(89,954)
Accounts payable to related parties	7,141	3,734
Other payables	23,629	29,814
Other payables to related parties	(534)	350
Other current liabilities	(3,484)	7,778
Net defined benefit liabilities	(1,370)	(5,622)
Changes in operating liabilities	97,575	(8,247)
Total changes in operating assets and liabilities	(34,174)	11,085
Total adjustments	666,717	701,805
Cash provided by operations	898,911	889,261
Interest received	2,951	752
Interest paid	(3,368)	(5,015)
Income taxes paid	(39,114)	(22,658)
Net cash flows provided by operating activities	859,380	862,340

(Continued)

See accompanying notes to consolidated financial statements.

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

ACER CYBER SECURITY INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from investing activities:		
Cash paid for organizational restructuring	-	(475,748)
Cash dividends distributed to equity attributable to former owner of business combination under common control	-	(38,092)
Additions to property, plant and equipment	(159,176)	(43,811)
Proceeds from disposal of property, plant and equipment	-	904
Additions to intangible assets	(244,928)	(205,457)
Increase in costs to fulfill contracts with customers	(577,494)	(356,519)
Decrease in other financial assets	4,273	34,187
Increase in other non-current assets	(2,142)	(2,387)
Dividends received	-	1,199
Net cash flows used in investing activities	(979,467)	(1,085,724)
Cash flows from financing activities:		
Decrease in guarantee deposits received	(1,271)	(12)
Increase in loans from related parties	150,000	-
Payment of lease liabilities	(43,963)	(43,082)
Cash dividends distributed to shareholders	(99,921)	(63,787)
Capital increase in cash	-	478,800
Net cash flows provided by financing activities	4,845	371,919
Net increase (decrease) in cash and cash equivalents	(115,242)	148,535
Cash and cash equivalents at beginning of year	568,390	419,855
Cash and cash equivalents at end of year	$ **453,148**	**568,390**

See accompanying notes to consolidated financial statements.

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

ACER CYBER SECURITY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

1. Organization and business

Acer Cyber Security Inc. (the "Company") was incorporated on May 29, 2000, as a company limited by shares under the laws of the Republic of China ("R.O.C.") and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is 8F, No. 563, Section 4, Zhongxiao E. Road, Xinyi District, Taipei City, Taiwan.

The Company and its subsidiaries (the "Group") take our own R&D expertise as the core capability and specialize in the development of information security related services, including advance prevention, real-time detection, post-incident response and cybersecurity disaster recovery. For advance prevention, the Group provides consulting services for information security management system, system vulnerability scanning, penetration testing, information security health check services, and backup services for data and systems. For real-time detection, the Group provides 24-hour security monitoring services through the Security Operations Center ("SOC") and increases the frequency and types of backup operation drills. For post-incident response, the Group provides professional forensic technology for digital evidence preservation to restore the full picture of endpoint intrusions. The Group activates emergency backup and adopts cybersecurity disaster recovery procedures to reduce disaster damage. Additionally, the Group provides IT division with outsourcing services.

2. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on February 27, 2024.

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

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

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

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

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

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

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS 21 “Lack of Exchangeability”

4. Summary of material accounting policies

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

The accompanying consolidated financial statements have been prepared on a historical cost basis except for net defined benefit assets (liabilities) which are measured at the present value of defined benefit obligation less the fair value of plan assets, as explained in note 4(n), and financial assets measured at fair value through other comprehensive income.

(Continued)

(ii) Functional and presentation currency

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

(iii) Organizational restructuring under common control

The Company acquired 100% equity ownership of Acer e-Enabling Data Center Incorporated ("EDC"), one of the subsidiaries of its parent company, Acer Incorporated ("Acer"), on January 3, 2022. Pursuant to the Comments on IFRS, Interpretations (2011) No. 390 and Interpretations (2012) No. 301 issued by Accounting Research and Development Foundation, the acquisition of EDC was an organizational restructuring under common control and was recognized as follows:

1) The acquisition of EDC was recognized based on the carrying amount of Acer's investments on EDC using the equity method after the assessment of impairment loss.

2) The acquisition of EDC had been regarded as an acquisition from beginning, wherein equity before organizational restructuring under common control was recognized in equity attributable to former owner of business combination under common control in the consolidated financial statements. Profit or loss attributable to former owner of business combination under common control was recognized in equity attributable to former owner of business combination under common control in the consolidated statements of comprehensive income of the consolidated financial statements.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The accompanying consolidated financial statements incorporate the financial statements of the Company and its controlled entities (the subsidiaries) in which the Company is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the adjustment of the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the Company.

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss, which is calculated as the difference between 1) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost, and 2) the previous carrying amount of the former subsidiary's assets (including goodwill), liabilities and non-controlling interest at the date when the Group loses control. All amounts recognized in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the Group had directly disposed of the related assets and liabilities.

The fair value of any investment retained in a former subsidiary at the date when control is lost is regarded as the cost on initial recognition of a financial asset measured at fair value through other comprehensive income or an investment in an associate.

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

			Percentage of Ownership		
Name of Investor	**Name of Investee**	**Main Business and Products**	**December 31, 2023**	**December 31, 2022**	**Note**
The Company	ACSI Cyber Security Academy Inc. ("ACAD")	Cyber security training	100.00 %	100.00 %	-
The Company	Acer e-Enabling Data Center Incorporated ("EDC")	Uninterrupted operation and IT operation outsourcing services	100.00 %	100.00 %	Note

Note 1: The Company acquired 100% equity ownership of EDC from its parent company, Acer Incorporated, in January 2022.

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

(d) Foreign currency transactions

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

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

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

(i) It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand, checking deposits and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be classified as cash equivalents.

(g) Financial instruments

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

(i) Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost and fair value through other comprehensive income (FVOCI). All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income ("FVOCI")

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

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

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

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment loss are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity is reclassified to retained earnings and is never reclassified to profit or loss.

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

3) Impairment of financial assets

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

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

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

(Continued)

The Group measures loss allowances for accounts receivable and contract assets at an amount equal to lifetime ECL.

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

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

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

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

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

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

4) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recognized at the amount of consideration received, less the direct issuing cost.

2) Financial liabilities

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

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

4) Offsetting of financial assets and liabilities

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

(h) Inventories

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

(Continued)

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is calculated on the cost of assets less their residual values and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life. The estimated useful lives of property, plant and equipment are as follows: operating and office equipment: 3 to 20 years; machinery and equipment: 3 to 10 years; other equipment: 3 to 10 years.

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

(j) Leases

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

(i) As a lessee

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

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

(Continued)

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

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

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

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

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

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

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

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

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings, the Group has elected not to separate non-lease components and account for each lease component and any associated non-lease components as a single lease component.

(Continued)

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

(ii) As a lessor

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

(k) Intangible assets

Intangible assets including licensing agreement, and acquired software are carried at cost, less accumulated amortization, and accumulated impairment losses. Amortization is recognized in profit or loss using the straight-line method over the estimated useful lives of 1 to 4 years. The residual value, amortization period, and amortization method are reviewed at least at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

(l) Impairment of non-financial assets

Non-financial assets other than inventories, contract assets, deferred income tax assets, and assets arising from employee benefits are reviewed for impairment at each reporting date to determine whether there is any indication of impairment. When there exists an indication of impairment for an asset, the recoverable amount of the asset is estimated. If the recoverable amount of an individual asset cannot be determined, the Group estimates the recoverable amount of the cash-generating units ("CGU") to which the asset has been allocated.

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell or its value in use. When the recoverable amount of an asset or a CGU is less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount, and an impairment loss is recognized in profit or loss immediately.

The Group assesses at each reporting date whether there is any evidence that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If so, an impairment loss recognized in prior periods for an asset other than goodwill is reversed, and the carrying amount of the asset or CGU is increased to its revised estimate of recoverable amount. The increased carrying amount shall not exceed the carrying amount (net of amortization or depreciation) that would have been determined had no impairment loss been recognized in prior years.

(m) Revenue recognition

(i) Revenue from contracts with customers

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

1) Revenue from service rendered

Service revenues from SOC, colocation, IT operations outsourcing and other cloud services are provided over the contract period. For such service contracts, customers simultaneously receive and consume the benefits provided by the Group; thus, revenues from such contracts are recognized over time. In addition, the Group provides project security management services to customers. For such service revenue, performance obligations are satisfied over time, and revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the portion of the work performed or the milestone reached. Estimates of revenues, costs, or extent of progress toward completion, are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the accumulated revenue recognized by the Group exceeds the payments, a contract asset is recognized. If the payments exceed the accumulated revenue recognized, a contract liability is recognized.

2) Financing components

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

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Group recognizes the incremental costs of obtaining a contract with a customer as an asset if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred, regardless of whether the contract was obtained, shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Group otherwise would have recognized is one year or less.

2) Costs to fulfill contracts with customers

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (e.g., IAS 2 *Inventories*, IAS 16 *Property, Plant and Equipment* or IAS 38 *Intangible Assets*), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations) are recognized as expenses when incurred.

(n) Employee benefits

(i) Defined contribution plans

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

(Continued)

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

(o) Share-based payment

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

The grant date of options for employees to subscribe new shares for a cash injection is the date when the Board of Directors approves the exercise price and the shares to which employees can subscribe.

(p) Income taxes

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

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

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for:

(i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction 1) affects neither accounting nor taxable profits (losses) and 2) does not give rise to equal taxable and deductible temporary differences;

(ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) Taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    1) the same taxable entity; or

    2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(Continued)

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Earnings per share ("EPS")

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

(r) Operating segments

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

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

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

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

Information about judgements made in applying the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements is as follows:

The Group recognizes revenue from service rendered when it satisfies a performance obligation by transferring control of a service to a customer. Please refer to note 4(m) for related conditions for revenue recognition.

There is no information involving assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	$ 96	87
Demand deposits and checking accounts	343,252	568,303
Time deposits with original maturities less than three months	109,800	-
	$ 453,148	**568,390**

(Continued)

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

	December 31, 2023	December 31, 2022
Domestic listed stock	$ 19,081	23,909

The Group designated the investments shown above as financial assets measured at fair value through other comprehensive income (FVOCI) because these equity instruments are not held for trading.

(c) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	$ 163	26
Accounts receivable	230,985	225,190
Less: loss allowance	-	-
	231,148	225,216
Accounts receivable from related parties	56,356	51,814
	$ 287,504	277,030

The Group applies the simplified approach to provide for its expected credit losses, i.e., the use of lifetime expected loss provision for all receivables. Forward-looking information is taken into consideration as well. Analysis of expected credit losses on notes and accounts receivable (including receivables from related parties) was as follows:

	December 31, 2023		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	$ 279,162	0	-
Past due 1-30 days	6,688	0	-
Past due 31-60 days	1,298	0	-
Past due 61-90 days	90	0	-
Past due 91-180 days	215	0	-
Past due 121-150 days	51	0	-
Past due 181 days or over	-	100%	-
	$ 287,504		-

(Continued)

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	$ 263,106	0	-
Past due 1-30 days	11,729	0	-
Past due 31-60 days	1,535	0	-
Past due 61-90 days	406	0	-
Past due 91-120 days	254	0	-
Past due 181 days or over	-	100%	-
	$ 277,030		**-**

(d) Other receivables

	December 31, 2023	December 31, 2022
Other receivables	$ 38	-
Other receivables from related parties	-	4,217
Less: loss allowance	-	-
	$ 38	**4,217**

As of December 31, 2023 and 2022, no loss allowance was provided for other receivables after management's assessment.

(e) Inventories

The amounts of inventories recognized as cost of revenue were as follows:

	2023	2022
Cost of inventories sold	**$ -**	**9,026**

(f) Business combination

In order to advance cybersecurity services, the Company acquired 100% equity ownership of Acer e-Enabling Data Center Incorporated ("EDC"), one of the subsidiaries of its parent company, Acer Incorporated ("Acer"), for a consideration of $475,748 on January 3, 2022.

Pursuant to the Comments on IFRS, Interpretations (2011) No. 390 and Interpretations (2012) No. 301 issued by Accounting Research and Development Foundation, the aforementioned transaction was an organizational restructuring under common control whereby the acquistion of EDC was recognized based on the carrying amount of Acer's long-term investments in EDC and had been regarded as an acquisition from the beginning; therefore, the consolidated financial statements for the prior period were restated accordingly.

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The carrying amounts of assets and liabilities of EDC on January 3, 2022 (the merger date) and changes in equity from business combination were disclosed as follows:

	Amount
Total assets	$ 1,114,843
Total liabilities	(646,023)
	468,820
Remeasurement of defined benefit plans from business combination	12,824
Cash paid for business combination	(475,748)
Capital surplus－difference between consideration and carrying amount of subsidiaries acquired or disposed	**$ 5,896**

(g) Property, plant and equipment

	Operating and office equipment	Machinery and equipment	Other equipment and construction in progress	Total
Cost :				
Balance at January 1, 2023	$ 97,449	583,556	51,453	732,458
Additions	16,075	45,643	104,602	166,320
Disposals	(9,281)	-	(5,479)	(14,760)
Balance at December 31, 2023	**$ 104,243**	**642,908**	**136,867**	**884,018**
Balance at January 1, 2022	$ 81,209	531,461	77,563	690,233
Additions	16,698	14,062	13,051	43,811
Disposals	(458)	-	(1,128)	(1,586)
Reclassification	-	38,033	(38,033)	-
Balance at December 31, 2022	**$ 97,449**	**583,556**	**51,453**	**732,458**
Accumulated depreciation:				
Balance at January 1, 2023	$ 55,681	318,834	14,925	389,440
Depreciation	20,613	40,888	6,144	67,645
Disposals	(9,281)	-	(5,479)	(14,760)
Balance at December 31, 2023	**$ 67,013**	**359,722**	**15,590**	**442,325**
Balance at January 1, 2022	$ 36,741	273,497	8,036	318,274
Depreciation	19,398	45,337	7,472	72,207
Disposals	(458)	-	(583)	(1,041)
Balance at December 31, 2022	**$ 55,681**	**318,834**	**14,925**	**389,440**
Carrying amounts:				
Balance at December 31, 2023	**$ 37,230**	**283,186**	**121,277**	**441,693**
Balance at December 31, 2022	**$ 41,768**	**264,722**	**36,528**	**343,018**

(Continued)

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Right-of-use assets

		Buildings
Cost:		
Balance at January 1, 2023	$	326,024
Additions		5,809
Termination of lease		(933)
Balance at December 31, 2023	**$**	**330,900**
Balance at January 1, 2022	$	337,268
Additions		17,035
Termination of lease		(28,279)
Balance at December 31, 2022	**$**	**326,024**
Accumulated depreciation:		
Balance at January 1, 2023	$	44,571
Depreciation		44,930
Termination of lease		(933)
Balance at December 31, 2023	**$**	**88,568**
Balance at January 1, 2022	$	28,860
Depreciation		43,990
Termination of lease		(28,279)
Balance at December 31, 2022	**$**	**44,571**
Carrying amounts:		
Balance at December 31, 2023	**$**	**242,332**
Balance at December 31, 2022	**$**	**281,453**

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Intangible assets

	License fee	Computer software	Patents	Total
Cost:				
Net balance at January 1, 2023	$ 150,942	45,493	419	196,854
Additions	229,064	15,864	-	244,928
Disposals	(232,836)	-	(419)	(233,255)
Balance at December 31, 2023	**$ 147,170**	**61,357**	**-**	**208,527**
Balance at January 1, 2022	$ 211,966	33,724	419	246,109
Additions	176,609	28,848	-	205,457
Disposals	(237,633)	(17,079)	-	(254,712)
Balance at December 31, 2022	**$ 150,942**	**45,493**	**419**	**196,854**
Accumulated amortization:				
Balance at January 1, 2023	$ 63,630	24,140	419	88,189
Amortization	231,425	27,203	-	258,628
Disposals	(232,836)	-	(419)	(233,255)
Balance at December 31, 2023	**$ 62,219**	**51,343**	**-**	**113,562**
Balance at January 1, 2022	$ 96,129	12,862	350	109,341
Amortization	205,134	28,357	69	233,560
Disposals	(237,633)	(17,079)	-	(254,712)
Balance at December 31, 2022	**$ 63,630**	**24,140**	**419**	**88,189**
Carrying amounts:				
Balance at December 31, 2023	**$ 84,951**	**10,014**	**-**	**94,965**
Balance at December 31, 2022	**$ 87,312**	**21,353**	**-**	**108,665**

The amortization of intangible assets was included in the following line items of the statement of comprehensive income:

	2023	2022
Cost of revenue	$ 255,408	229,369
Operating expenses	3,220	4,191
	$ 258,628	**233,560**

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Costs to fulfill contracts with customers

Cost:		
Balance at January 1, 2023	$	251,996
Additions		656,814
Derecognition		(287,322)
Balance at December 31, 2023	**$**	**621,488**
Balance at January 1, 2022	$	193,524
Additions		356,519
Derecognition		(298,047)
Balance at December 31, 2022	**$**	**251,996**
Accumulated amortization:		
Balance at January 1, 2023	$	60,863
Amortization		326,844
Derecognition		(287,322)
Balance at December 31, 2023	**$**	**100,385**
Balance at January 1, 2022	$	29,640
Amortization		329,270
Derecognition		(298,047)
Balance at December 31, 2022	**$**	**60,863**
Carrying amounts:		
Balance at December 31, 2023	**$**	**521,103**
Balance at December 31, 2022	**$**	**191,133**

(k) Other non-current assets

		December 31, 2023	**December 31, 2022**
Payments for Taipower network	$	8,115	9,162
Others		7,043	4,901
	$	**15,158**	**14,063**

Payments for Taipower network are amortized on a straight-line basis over the estimated useful lives of 10 years. For both of the years ended December 31, 2023 and 2022, the amortization amounted to $1,047.

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	December 31, 2023	December 31, 2022
Current	$ 36,427	42,851
Non-current	$ 208,599	240,329

Please refer to note 6(v) for the maturity analysis.

(i) The amounts recognized in profit or loss were as follows:

	2023	2022
Interest expense on lease liabilities	$ 2,702	2,952
Expenses relating to short-term leases	$ 533	318

(ii) The amounts recognized in the statement of cash flows for the Group were as follows:

	2023	2022
Total cash outflow for leases	$ 47,198	46,352

(iii) Major terms of leases

The Group leases buildings for its office and server room with lease terms ranged from 1 to 10 years, which include options to extend the lease term after the end of the contract term.

In addition, as the lease for equipment and parking space with contract terms within one year conforms to short-term leases, the Group has elected to apply exemption and not to recognize right-of-use assets and lease liabilities.

(m) Employee benefits

(i) Defined benefit plans

The reconciliation between the present value of defined benefit obligations and the plan assets at fair value was as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	$ 35,932	35,445
Fair value of plan assets	(1,433)	(1,115)
Net defined benefit liabilities	$ 34,499	34,330

The plans (covered by the Labor Standards Law) entitle a retired employee to receive a payment based on years of service and average salary for the six months prior to the employee's retirement.

(Continued)

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Composition of plan assets

The pension fund (the “Fund”) contributed by the Group is managed and administered by the Bureau of Labor Funds of the Ministry of Labor (the Bureau of Labor Funds). According to the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund”, with regard to the utilization of the Fund, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

In 2022, the Company reached an agreement with its employees on the early settlement of the defined benefit plan, wherein the Company recognized a gain of $1,814 on the settlement of the plan.

As of December 31, 2023 and 2022, the balances of aforementioned pension funds were $1,433 and $1,115, respectively. For information on the domestic labor pension fund assets (including the asset portfolio and yield of the fund), please refer to the website of the Bureau of Labor Funds.

2) Movements in present value of the defined benefit obligations

		2023	2022
Defined benefit obligations at January 1	$	35,445	94,284
Current service costs and Interest expense		787	924
Remeasurement on the net defined benefit liabilities:			
Actuarial loss arising from experience adjustments		1,008	14,070
Actuarial loss (gain) arising from changes in financial assumption		534	(13,280)
Pension payment		(1,842)	(3,874)
Liabilities extinguished in settlement		-	(57,847)
Liabilities assumed (transferred) due to the Group’s employee shift		-	1,168
Defined benefit obligations at December 31	**$**	**35,932**	**35,445**

3) Movements in fair value of plan assets

		2023	2022
Fair value of plan assets at January 1	$	1,115	49,260
Interest income		21	215
Remeasurement on the net defined benefit liabilities:			
Return on plan assets (excluding amounts included in net interest expense)		3	3,670
Benefits returned by the plan		-	(52,363)
Contributions by the employer		294	333
Fair value of plan assets at December 31	**$**	**1,433**	**1,115**

(Continued)

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Changes in the effect of the asset ceiling

In 2023 and 2022, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

	2023	2022
Current service costs	$ 167	429
Settlement gain	-	(1,814)
Net interest expense on net defined benefit assets	599	280
	$ 766	**(1,105)**
Recognized in:		
Operating costs	$ 421	447
Operating expenses	345	(1,552)
	$ 766	**(1,105)**

6) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	December 31, 2023	December 31, 2022
Discount rate	1.625 %	1.750 %
Future salary change	3.500 %	3.500 %

The Group expects to make contribution of $348 to the defined benefit plans in the year following December 31, 2023. The weighted average duration of the defined benefit plans is ranged from 12.71 years.

7) Sensitivity analysis

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation on December 31, 2023 and 2022.

	Increase (decrease) in present value of defined benefit obligations	
	0.25% Increase	0.25% Decrease
December 31, 2023		
Discount rate	(1,062)	1,113
Future salary change	1,072	(1,026)
December 31, 2022		
Discount rate	(1,096)	1,152
Future salary change	1,110	(1,066)

(Continued)

The above sensitivity analysis considers the change in one assumption at a time, leaving the other assumptions unchanged. This approach shows the isolated effect of changing one individual assumption but does not take into account that some assumptions are interrelated. The method used to carry out the sensitivity analysis is consistent with the calculation of the net defined benefit liabilities recognized in the balance sheets. The method and assumptions used to carry out the sensitivity analysis is the same as in the prior year.

(ii) Defined contribution plans

The Group contributes monthly an amount equal to 6% of each employee's monthly wages to the employee' s individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group has no legal or constructive obligation to pay additional amounts after contributing a fixed amount to the Bureau of Labor Insurance.

For the years ended December 31, 2023 and 2022, the Group recognized pension expenses of $24,365 and $23,046, respectively.

(n) Income taxes

(i) The components of income tax expense were as follows:

		2023	2022
Current income tax expense			
Current period	$	43,313	35,106
Adjustments for prior years		(1,743)	36
		41,570	35,142
Deferred income tax expense			
Origination and reversal of temporary differences		37	(3,052)
Income tax expense	**$**	**41,607**	**32,090**

In 2023 and 2022, there was no income tax expense recognized in other comprehensive income or recognized directly in equity.

		2023	2022
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plans	**$**	**309**	**(4,825)**

(Continued)

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Reconciliation of income tax and profit before tax for 2023 and 2022 is as follows:

	2023	2022
Income before taxes	$ 232,194	187,456
Income tax using the Company's statutory tax rate	$ 46,439	37,491
Adjustments for prior-year income tax expense	(1,743)	36
Changes in unrecognized temporary differences	-	(739)
Utilization of previously unrecognized tax losses	(3,463)	(4,380)
Surtax on undistributed earnings	326	1,380
Others	48	(1,698)
	$ 41,607	32,090

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

	December 31, 2023	December 31, 2022
Deductible temporary differences	$ -	3,463

The above deferred income tax assets were not recognized as management believed that it is not probable that future taxable profits will be available against which the Group can utilize the benefits therefrom.

2) Recognized deferred income tax assets and liabilities

	Remeasurement of defined benefit plans	Accrued expenses	Total
Balance at January 1, 2023	$ 1,849	7,497	9,346
Recognized in profit or loss	-	(37)	(37)
Recognized in other comprehensive income	309	-	309
Balance at December 31, 2023	$ 2,158	7,460	9,618
Balance at January 1, 2022	$ 6,674	4,445	11,119
Recognized in profit or loss	-	3,052	3,052
Recognized in other comprehensive income (loss)	(4,825)	-	(4,825)
Balance at December 31, 2022	$ 1,849	7,497	9,346

(iii) The Company's income tax returns for the years through 2021 were examined and approved by the R.O.C. income tax authorities.

(o) Capital and other equity

(i) Common stock

As of December 31, 2023 and 2022, the Company's authorized shares of common stock consisted of 300,050 thousand shares, of which 22,204 thousand shares and 22,240 thousand shares were issued, respectively. The par value of the Company's common stock is $10 per share.

The movements in outstanding shares of common stock (excluding unvested restricted stock to employees) were as follows (in thousands of shares):

	2023	2022
Balance at January 1	21,999	16,999
Issuance for cash	-	5,000
Balance at December 31	**21,999**	**21,999**

The issuance of additional 5,000 thousand of common shares at price of $96 per share was resolved by the Company's Board of Directors on February 25, 2022, wherein 750 thousand of common shares, comprising 15% of the newly issued common shares, are reserved for employee subscription in accordance with the Company's Articles of Incorporation. If the Company's employees have not subscribed sufficiently and adequately, or waived the right to subscribe, the Chairman may arrange a specific person for subscription. The share issuance was approved by FSC and the effective date of capital increase was set on June 22, 2022 with a total consideration amounting to $478,800 (net of the direct issuing cost of 1,200) and the related registration procedures have been completed. Additionally, the Company issued 241 thousand of restricted stock to its employees with zero exercise price during the first quarter of 2022, of which 36 thousand of common shares whose vesting conditions failed to be met were retired during the first quarter of 2023, and the related registration procedures have been completed.

(ii) Capital surplus

	December 31, 2023	December 31, 2022
Paid-in capital in excess of par value	$ 748,194	748,194
Difference between consideration and carrying amount of subsidiaries acquired or disposed	5,896	5,896
Restricted stock to employees	7,862	14,438
Employee stock options	7,392	7,392
	$ 769,344	**775,920**

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Pursuant to the Company Act, any realized capital surplus is initially used to cover accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends or distributed by cash based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(iii) Unappropriated earnings and dividend policy

1) Legal reserve

Pursuant to the Company Act, the Company must retain 10% of its after-tax net profit in the period, plus items other than the after-tax net profit in the period that are included in the undistributed current-period earnings annual income as a legal reserve until such retention equals to the total paid-in capital. The legal reserve shall be used to offset the deficit of the company. If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or distributing cash for the portion in excess of 25% of the paid-in capital.

2) Special reserve

In accordance with the rulings issued by the Financial Supervisory Commission, a special reserve equal to the total amount of items that are accounted for as deductions from stockholders' equity shall be set aside from current and prior-year earnings. This special reserve shall revert to retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders' equity are reversed in subsequent periods.

3) Earnings distribution

The Company's Articles of Incorporation stipulate that at least 10% of annual net income, after deducting accumulated deficit, if any, must be retained as legal reserve until the legal reserve has reached the Company's total paid-in capital. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, together with the unappropriated earnings from the previous years, after retaining a certain portion of it for business considerations, can be distributed as dividends to stockholders, pursuant to the earnings distribution plan proposed by the Board of Directors and approved by the stockholders. Except for the distribution of reserve in accordance with applicable laws and regulations, the Company cannot distribute any earnings when there are no retained earnings.

The distributable dividends in whole or in part will be paid in cash by the Company after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

(Continued)

Earnings are distributed in consideration of the Company' s current and long-term development, the overall investment environment, capital needs, market competition in domestic and international business and interest of its shareholders. Earnings can be distributed by stock or cash, wherein no less than 2% of the distributable earnings shall be appropriated as shareholder dividends. The Company has adopted a stable dividend policy in which cash dividends comprise at least 10% of the total distribution of dividends except when the Company's Board of Directors resolved not to distribute any cash dividend, which was approved by the shareholders. Except for the distribution of capital surplus and legal reserve in accordance with applicable laws and regulations in consideration of the financial, business, and operational factors, the Company cannot distribute any earnings when there are no retained earnings.

The appropriation of 2022 and 2021 earnings was resolved by the Board of Directors on February 24, 2023 and February 25, 2022, respectively. The resolved appropriation of the cash dividends per share was as follows:

	2022		2021	
	Dividends per share (in dollars)	**Amount**	**Dividends per share (in dollars)**	**Amount**
Dividends per share:				
Cash dividends	$ 4.5	99,921	3.7	63,787

The appropriation of 2023 earnings was resolved by the Board of Directors on February 27, 2024. The resolved appropriation of the cash dividends per share was as follows:

	2023	
	Dividends per share (in dollars)	**Amount**
Dividends per share:		
Cash dividends	$ 5.2	115,025

Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(iv) Other equity items (net after tax)

1) Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income

	2023	2022
Balance at January 1	$ (6,061)	(1,432)
Changes in fair value of financial assets measured at fair value through other comprehensive income (loss)	(4,828)	(4,629)
Balance at December 31	**$ (10,889)**	**(6,061)**

(Continued)

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Remeasurement of defined benefit plans

	2023	2022
Balance at January 1	$ (28,450)	(13,681)
Share of other comprehensive income (loss) of subsidiaries assumed in organizational restructuring under common control	-	(12,824)
Remeasurement of defined benefit plans	-	(7,375)
Share of remeasurement of defined benefit plans of subsidiaries	(1,230)	5,430
Balance at December 31	**$ (29,680)**	**(28,450)**

3) Unearned compensation cost

	2023	2022
Balance at January 1	$ (11,793)	-
Reversal of compensation cost forfeited	6,938	11,470
Issuance of restricted stock to employees	-	(28,318)
Compensation cost arising from restricted stock issued to employees	668	5,055
Balance at December 31	**$ (4,187)**	**(11,793)**

(p) Share-based payment

As of December 31, 2023 and 2022, the Group had the following share-based payment arrangements:

	Restricted stocks to employees	Issuance of new shares reserved for employee subscription
Grant date	2022/03/25	2022/05/20
Number of shares granted (in thousands)	241	222
Vesting conditions	1~3 years of service subsequent to grant date and performance conditions	Immediately vested
Qualified employees	Shares granted to qualified full-time employees of the Company	Shares granted to full-time employees of the Company and its subsidiaries

(Continued)

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Restricted stocks to employees

The Company' s shareholders in an extraordinary meeting held on December 23, 2021 approved the issuance of 300 thousand shares of restricted stocks to qualified full-time employees. The Company had filed an effective registration with the Securities and Futures Bureau of the FSC for the issuance of the stocks. As of March 25, 2022, the Company issued 241 thousand shares of restricted stocks to entitled qualified employees who can purchase the shares at the exercise price of $0. The restricted stocks have the vesting periods of 1, 2 and 3 years subsequent to the grant date, and shall be vested based on each employee's performance. During the vesting period, the restricted stock could not be sold, pledged, transferred, gifted, or disposed, in any other forms, except for inheritance; nevertheless, the shareholders' rights (such as attendance, proposing, speaking, voting and electing at the shareholders' meeting) are the same as those of the Company's outstanding shares but are executed by a custodian who will act based on the law and regulations. Employees holding restricted stocks may participate in stock dividends even when the vesting conditions are still yet to be met. For those employees who failed to meet the vesting conditions, the Company shall recall those shares and retire them thereafter.

The movements in number of restricted shares of stock issued (in thousands) were as follows:

	2023	2022
Outstanding and unvested, beginning of year	205	-
Granted during the year	-	241
Forfeited during the year	(84)	(36)
Unvested, end of year	**121**	**205**

The fair value of the restricted stock to employees was $117.5 (in New Taiwan dollars) per share, which was determined by reference to the closing price of the Company's common stock traded on the Taiwan Stock Exchange at the grant date.

(ii) Issuance of new shares reserved for employee subscription

On February 25, 2022, the Board of Directors approved the issuance of common stock for cash, of which 222 thousand shares were reserved for employee subscription. The Group used the Black-Scholes Model in measuring the fair value of its employee stock options. The main inputs to the valuation model were as follows:

Fair value of options granted (NT$/ share)	-
Fair value of stock at grant date (NT$/ share)	109
Exercise price (NT$/ share)	96
Expected volatility (%)	28.33%
Expected life	34 days
Risk-free interest rate (%)	0.63%

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Expected volatility is based on the weighted average of historical volatility and expected life is in accordance with the related program governing employee subscription. Risk-free interest rate is based on interest rate on 1-month time deposits announced by Bank of Taiwan. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

(iii) Employee compensation cost

The compensation costs resulting from share-based payment transactions were as follows:

	2023	2022
Expenses resulting from restriction of employee stock options	$ 668	5,055
Expenses resulting from cash-settled share-based payment to employees	-	2,886
	$ 668	**7,941**

(q) Earnings per share ("EPS")

(i) Basic earnings per share

	2023	2022
Net income attributable to shareholders of the Company	**$ 190,587**	**155,366**
Weighted-average number of common shares outstanding (in thousands)	**21,999**	**19,625**
Basic earnings per share (in New Taiwan dollars)	**$ 8.66**	**7.92**

(ii) Diluted earnings per share

	2023	2022
Net income attributable to shareholders of the Company	**$ 190,587**	**155,366**
Weighted-average number of common shares outstanding (in thousands)	21,999	19,625
Effect of dilutive potential common shares (in thousands):		
Effect of employee remuneration in stock	138	178
Effect of restricted stock to employees	155	59
Weighted-average number of common shares outstanding (including effect of dilutive potential common shares) (in thousands)	**22,292**	**19,862**
Diluted earnings per share (in New Taiwan dollars)	**$ 8.55**	**7.82**

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	2023	2022
Major products/services lines		
Cybersecurity services	$ 1,558,961	1,365,855
IT operation outsourcing services	285,597	237,361
	$ 1,844,558	1,603,216

(ii) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes and accounts receivable (including related parties)	$ 287,504	277,030	263,912
Less: loss allowance	-	-	-
	$ 287,504	277,030	263,912
Contract assets	$ 317,259	208,314	241,481
Contract liabilities	$ 90,126	98,963	53,310

Please refer to note 6(c) for details on notes and accounts receivable and related loss allowance.

The amounts of revenue recognized in 2023 and 2022 that were included in the contract liability balances at January 1, 2023 and 2022 were $77,263 and $38,487, respectively.

The major changes in the balance of contract assets and contract liabilities were due to the timing difference between the satisfaction of performance obligation and the receipt of customer's payment.

(s) Remuneration to employees and directors

The Company's Articles of Incorporation require that annual earning shall first be offset against any accumulated deficit, then, a minimum of 2% shall be allocated as employee remuneration and a maximum of 0.8% be allocated as directors' remuneration. Employees who are entitled to receive the abovementioned employee remuneration, in share or cash, include the employees of subsidiaries of the Company who meet certain specific requirements.

For the years ended December 31, 2023 and 2022, the Company accrued its remuneration to employees amounting to $23,200 and $19,000, respectively, and the remuneration to directors amounting to $1,800 and $960, respectively. The said amounts, which were recognized as operating expenses, were calculated based on pre-tax net profit for each year before deducting the amount of the remuneration to employees and directors, multiplied by a certain percentage of the remuneration to employees and directors. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in next year. The aforementioned accrued amounts were the same as the amount approved by the Board of Directors and were paid in cash. Related information is available at the Market Observation Post System website.

(Continued)

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Non-operating income and loss

(i) Interest income

	2023	2022
Interest income from bank deposits	$ **2,989**	**752**

(ii) Other income

	2023	2022
Dividend income	$ **-**	**1,199**

(iii) Other gains and losses

	2023	2022
Gain on disposal of property, plant and equipment	$ -	359
Foreign currency exchange gain (loss), net	(257)	296
Others	583	4,414
	$ **326**	**5,069**

(iv) Finance costs

	2023	2022
Interest expense on lease liabilities	$ 2,702	2,952
Interest expense from bank loans	666	2,063
Loans from related parties	750	-
	$ **4,118**	**5,015**

(u) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	December 31, 2023	December 31, 2022
Financial assets measured at fair value through other comprehensive income－non-current	$ 19,081	23,909
Financial assets measured at amortized cost :		
Cash and cash equivalents	453,148	568,390
Notes and accounts receivable and other receivables (including related parties)	287,542	281,247
Other financial assets	89,162	93,435
	$ **848,933**	**966,981**

(Continued)

2) Financial liabilities

	December 31, 2023	December 31, 2022
Financial liabilities measured at amortized cost:		
Accounts payable (including related parties)	$ 373,526	198,891
Other payables (including related parties)	431,182	257,337
Lease liabilities (including current and non-current)	245,026	283,180
Guarantee deposits	9,596	10,867
	$ 1,059,330	750,275

(ii) Fair value information

1) Financial instruments not measured at fair value

The Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

2) Financial instruments measured at fair value

Financial assets measured at fair value through other comprehensive income are measured at fair value on a recurring basis.

The table below analyzes the financial instruments measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	December 31, 2023				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income－non-current:					
Domestic listed stock	$ 19,081	19,081	-	-	19,081

	December 31, 2022				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income－non-current:					
Domestic listed stock	$ 23,909	23,909	-	-	23,909

(iii) Valuation techniques used for financial instruments measured at fair value

The fair value of financial instruments traded in active liquid markets is determined with reference to quoted market prices.

Except for the abovementioned financial instruments traded in an active market, the fair value of other financial instruments are based on the valuation techniques or the quotation from counterparty. The fair value using valuation techniques refers to the current fair value of other financial instruments with similar conditions and characteristics, or using a discounted cash flow method, or other valuation techniques which include model calculating with observable market data at the reporting date.

The fair value for listed stock with standard terms and conditions and traded in active markets is based on quoted market prices.

(iv) Transfers between levels of the fair value hierarchy

There were no transfers among fair value hierarchies for the years ended December 31, 2023 and 2022.

(v) Financial risk management

The Group is exposed to credit risk, liquidity risk, and market risk. The Group has disclosed the information on exposure to the aforementioned risks and the Group's policies and procedures to measure and manage those risks as well as the quantitative information below.

The Group's management monitors and reviews the financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake reviews of risk management controls and procedures, and the results of which are reported to the Board of Directors on a regular basis.

(i) Credit risk

1) The maximum exposure to credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, notes and accounts receivable from customers and other receivables. The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets and contract assets.

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Concentration of credit risk

The Group' s customers primarily consist of government authorities, finance and insurance institutions as well as business enterprises. The Group believes that there is no significant concentration of credit risk to a specific number of customers.

3) Credit risk from receivables

Please refer to note 6(c) for credit risk exposure of notes and accounts receivable.

Other financial assets measured at amortized cost include other receivables (please refer to note 6(d)) and refundable deposits (recognized in other financial assets). Abovementioned financial assets are considered low-credit-risk financial assets; thus, the loss allowance is measured using 12-months ECL. Please refer to note 4(g) for descriptions about how the Group determines the credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or another financial assets. The Group manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand and maintaining adequate cash and banking facilities. As of December 31, 2023 and 2022, the Group had unused credit facilities of $1,172,000 and $1,090,000, respectively.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including principal and estimated interest.

	Contractual cash flows	Within 6 months	1-2 years	2-5 years	Over 5 years
December 31, 2023					
Non-derivative financial liabilities:					
Accounts payable (including related parties)	$ 373,526	373,526	-	-	-
Other payables (including related parties)	431,182	431,182	-	-	-
Lease liabilities	254,738	38,760	33,216	94,362	88,400
Guarantee deposits	9,596	-	-	9,596	-
	$ 1,069,042	**843,468**	**33,216**	**103,958**	**88,400**
December 31, 2022					
Non-derivative financial liabilities:					
Accounts payable (including related parties)	$ 198,891	198,891	-	-	-
Other payables (including related parties)	257,337	257,337	-	-	-
Lease liabilities	295,441	45,497	36,744	93,600	119,600
Guarantee deposits	10,867	-	-	10,867	-
	$ 762,536	**501,725**	**36,744**	**104,467**	**119,600**

The Group does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, and will affect the Group' s income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group is exposed to the risk of price fluctuation in securities resulting from its investment in publicly traded stocks. The Group supervises the equity price risk actively and manages the risk based on fair value. Assuming a hypothetical increase or decrease of 5% in equity prices of the equity investments at each reporting date, the other comprehensive income for the years ended December 31, 2023 and 2022, would have increased or decreased by $954 and $1,195, respectively.

(w) Capital management

In consideration of the industry dynamics and future developments, as well as external environment factors, the Group maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, research and development activities, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

(x) Investing and financing activities not affecting cash flows

(i) Please refer to note 6(h) for a description of acquisition of right-of-use assets through leases.

(ii) Investing activities partially received and paid in cash were as follows:

Increase in costs to fulfill contracts with customers:

	2023
Increase in costs to fulfill contracts with customers	$ 656,814
Add: accounts payable at January 1	-
Less: accounts payable at December 31	(79,320)
Cash paid for costs to fulfill contracts with customers	**$ 577,494**

Increase in acquisition of property, plant and equipment:

Increase in acquisition of property, plant and equipment	$ 166,320
Add: accounts payable at January 1	-
Less: accounts payable at December 31	(7,144)
Cash paid for acquisition of property, plant and equipment	**$ 159,176**

(iii) The reconciliation of liabilities arising from financing activities was as follows:

			Non-cash changes	
	January 1, 2023	**Cash flows**	**Additions to lease liabilities**	**December 31, 2023**
Lease liabilities	$ 283,180	(43,963)	5,809	245,026
Guarantee deposits	10,867	(1,271)	-	9,596
Total liabilities from financing activities	**$ 294,047**	**(45,234)**	**5,809**	**254,622**

				Non-cash changes	
		January 1, 2022	**Cash flows**	**Additions to lease liabilities**	**December 31, 2022**
Lease liabilities	$	309,227	(43,082)	17,035	283,180
Guarantee deposits		10,879	(12)	-	10,867
Total liabilities from financing activities	$	**320,106**	**(43,094)**	**17,035**	**294,047**

7. Related-party transactions

(a) Parent company and ultimate controlling party

Acer Incorporated ("Acer") is the parent company and the ultimate controlling party of the Group. Acer and its subsidiaries owned 60.76% and 60.66%, respectively, of the outstanding shares of the Company as of December 31, 2023 and 2022. Acer has issued the consolidated financial statements for public use.

(b) Related party name and categories

The followings are the related parties that have had transactions with the Group during the reporting periods:

Name of related party	Relationship with the Group
Acer Incorporated ("Acer")	The parent company of the Group
Other related parties:	
Weblink International Inc.	Acer's subsidiary
Acer e-Enabling Service Business Inc.	Acer's subsidiary
Aspire Service & Development Inc.	Acer's subsidiary
Acer Asset Management Incorporated ("AAM")	Acer's subsidiary
Acer ITS Inc.	Acer's subsidiary
Acer Synergy Tech Corp.	Acer's subsidiary
Acer Computer Co., Ltd.	Acer's subsidiary
Highpoint Service Network (Thailand) Co., Ltd.	Acer's subsidiary
Acer Gadget Inc.	Acer's subsidiary
AOPEN Inc.	Acer's subsidiary
Acer Synergy Manpower CORP.	AST's subsidiary
Highpoint Service Network Corporation	Acer's subsidiary
Altos Computing (Thailand) Co., Ltd.	Acer's subsidiary

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Significant related-party transactions

(i) Revenue

The amounts of service income with related parties were as follows:

	2023	2022
Parent company	$ 132,524	116,897
Other related parties	13,454	12,818
	$ 145,978	**129,715**

The sales prices and the payment terms with related parties are not comparable to those with third-party customers as the specifications of projects and products are different.

(ii) Cost of revenue

The amounts of services purchased from related parties and increase in costs to fulfill contracts with customers were as follows:

	2023	2022
Parent company	$ 1,757	813
Other related parties	16,693	19,808
	$ 18,450	**20,621**

The purchase prices with related parties are not comparable to those with third-party vendors as the specifications of projects and products are different.

(iii) Service fees

Service fees related to IT and legal services provided by related parties were as follows:

	2023	2022
Parent company	**$ 2,142**	**2,719**

(iv) Property transactions

Operating and office equipment and intangible assets purchased from related parties were as follows:

	2023	2022
Parent company	$ 1,418	744
Other related parties	271	2,368
	$ 1,689	**3,112**

(v) Other transactions between the Group and related parties recognized in operating expenses were as follows:

	2023	2022
Parent company	$ 3,029	2,696
Other related parties	3,176	1,444
	$ 6,205	**4,140**

(vi) Lease

In September 2021, the Group leased buildings from AAM with a lease term of 10 years, which include options to extend the lease term after the end of the contract term. The rent was determined by referring to the market price nearby.

Interest expenses and lease liabilities arising from the abovementioned leases were as follows:

	2023	2022
Interest expense	**$ 2,553**	**2,844**

	December 31, 2023	December 31, 2022
Lease liabilities－current	$ 28,940	28,647
Lease liabilities－non-current	205,855	234,795
	$ 234,795	**263,442**

(vii) Defined benefit liabilities arising from employee transfer

Due to employee transfer within the related parties, the Group assumed the transferred employees' years of service based on the defined benefit plans adopted by former related parties, wherein the defined benefit liabilities were transferred to the Group. As of December 31, 2023 and 2022, related receivables amounting to $0 and $4,217, respectively, were recognized in other receivables from related parties.

(viii) Loans from related parties

The loans from Acer were as follows:

	December 31, 2023	December 31, 2022
Parent company	**$ 150,000**	**-**
Interest rate	**1.67%**	**-**

Interest expenses related to loans from Acer in 2023 and 2022 were $750 and $0, respectively.

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ix) Accounts receivable from related parties, contract assets and contract liabilities

The receivables from related parties due to the abovementioned service income and the related contract liabilities were as follows:

Account	Related-party categories	December 31, 2023	December 31, 2022
Contract assets	Parent company	$ 2,566	2,074
Contract assets	Other related parties	1,951	1,027
Accounts receivable from related parties	Parent company	53,161	48,843
Accounts receivable from related parties	Other related parties	3,195	2,971
Other receivables from related parties	Parent company	-	4,217
		$ 60,873	**59,132**
Contract liabilities	Parent company	$ -	2,365
Contract liabilities	Other related parties	913	603
		$ 913	**2,968**

(x) Accounts payable to related parties

The payables to related parties due to the abovementioned services purchased, services fees, office equipment purchased by the Group and loans were as follows:

Account	Related party categories	December 31, 2023	December 31, 2022
Accounts payable to related parties	Parent company	$ 9,872	4,204
Accounts payable to related parties	Other related parties	5,866	4,393
Other payables to related parties	Parent company	1,149	951
Other payables to related parties	Other related parties	2,911	2,893
Other payables－loans from related parties	Parent company	150,000	-
		$ 169,798	**12,441**

(d) Compensation for key management personnel

	2023	2022
Short-term employee benefits	$ 20,242	19,307
Post-employment benefits	432	3,150
Share-based payments	822	1,850
	$ 21,496	24,307

8. Pledged assets

Assets	Pledged to secure	December 31, 2023	December 31, 2022
Refundable deposits (recognized in other financial assets)	Contract bidding and project fulfillment guarantee	$ 85,941	90,386

9. Significant commitments and contingencies

The Group's subsidiary entered into machinery and equipment construction contracts with suppliers. The relative fulfillment quantity and price are specified in the contracts.

10. Significant loss from disaster: None

11. Significant subsequent events:

The Board of Directors in an extraordinary meeting held on January 23, 2024 approved a resolution for the chairman, on behalf of the Group, to purchase part of the stories of the office building in Nangang as its office from Liberty Stationary Corporation for a consideration of $869,130.

12. Others

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

	2023			2022		
	Cost of revenue	Operating expenses	Total	Cost of revenue	Operating expenses	Total
Employee benefits:						
Salaries	256,541	348,988	605,529	240,587	308,616	549,203
Insurance	22,731	26,494	49,225	21,202	24,549	45,751
Pension	11,623	13,508	25,131	11,044	10,897	21,941
Remuneration to directors	-	4,100	4,100	-	2,660	2,660
Others	6,200	10,830	17,030	13,185	13,676	26,861
Depreciation	76,476	36,099	112,575	80,519	35,678	116,197
Amortization	583,299	3,220	586,519	559,686	4,191	563,877

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

13. Additional disclosures

(a) Information on significant transactions

In accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Group discloses the following information on significant transactions for the year ended December 31, 2023.

(i) Financing provided to other parties: None

(ii) Guarantee and endorsement provided to other parties: None

(iii) Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities):

(In Thousands of New Taiwan Dollars/Shares)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2023				Note
				Shares	Carrying Value	Percentage of Ownership	Fair Value	
The Company	Preferred Stock B: SKFHC	-	Financial assets at fair value through other comprehensive income－non-current	666	19,081	0.30 %	19,081	-

(iv) Marketable securities for which the accumulated purchase or sale amounts exceed $300 million or 20% of the paid-in capital: None

(v) Acquisition of real estate which exceeds $300 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Acer e-Enabling Data Center Incorporated	Construction in progress	2022/12/16	134,017	87,233	Delta Electronics, Inc.	-	-	-	-	-	Price negotiation	Operating requirements	-

(vi) Disposal of real estate which exceeds $300 million or 20% of the paid-in capital: None

(vii) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/ (Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Notes/Accounts Receivable or (Payable)	
Acer e-Enabling Data Center Incorporated	Acer	Parent/Subsidiary	(Sales) Service income	108,921	5.90%	EM 60	-	-	41,790	14.54 %	Note 1

Note 1: The sales prices and the payment terms with related parties are not comparable to those with third-party customers as the specifications of projects and products are different.

(Continued)

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(viii) Receivables from related parties which exceed $100 million or 20% of the paid-in capital: None

(ix) Information about derivative instrument transactions: None

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			
				Account (Note 3)	Amount	Transaction Terms	Percentage of Consolidated Net Revenue or Total Assets (Note 4)
0	The Company	Acer e-Enabling Data Center Incorporated	1	Sales	42,002	EM 60	2.28 %

Note 1: Parties with the intercompany transactions are identified and numbered as follows:
1. "0" represents the Company.
2. Subsidiaries are numbered from "1".

Note 2: The relationships with counterparties are as follows:
No. "1" represents the transactions from the Company to subsidiary.
No. "2" represents the transactions from subsidiary to the Company.
No. "3" represents the transactions from subsidiary to subsidiary.

Note 3: Intercompany relationships and significant intercompany transactions are disclosed only for the amounts that exceed 1% of the consolidated operating revenue or total assets. The corresponding purchases and accounts payable are not disclosed.

Note 4: The ratio is based on the transaction amount divided by the consolidated operating revenues or consolidated total assets.

Note 5: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(b) Information on investees

(In Thousands of New Taiwan Dollars/Shares)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Maximum Percentage of Ownership during 2023		Net Income (Loss) of the Investee	Share of Profits/ (Losses) of the Investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
The Company	ACSI Cyber Security Academy Inc.	Taiwan	Cyber security training	10,000	10,000	1,000	100.00 %	4,992	1,000	100.00 %	(930)	(930)	Parent/ Subsidiary
The Company	Acer e-Enabling Data Center Incorporated	Taiwan	Uninterrupted operation and IT operation outsourcing services	475,748	475,748	44,462	100.00 %	599,351	44,462	100.00 %	116,671	116,671	Note 1

Note 1: The Company acquired 100% equity ownership of Acer e-Enabling Data Center Incorporated from its parent company, Acer Incorporated, in January 2022.

(c) Information on investment in Mainland China: None

(d) Major shareholders

Shareholding Major Shareholder's Name	Shares	Percentage
Acer Incorporated	13,295,601	59.87 %

Note: The information of major shareholders in this table was calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter, based on the Company's common shares without physical registration for which the major shareholders own more than 5% of the total shares. The total common shares stated in the accompanying consolidated financial statements and the actual number of shares delivered without physical registration may vary due to the different use of calculation basis.

14. Segment information

(a) General information

The Group's reportable segments comprise the cybersecurity services segment and IT operation outsourcing services segment. The cybersecurity services segment engages mainly in related information security services, including early deployment, real-time response, post-incident response and cybersecurity disaster recovery. IT segment engages mainly in IT operation outsourcing services.

The Group measures operating income as the basis of performance assessment. The reporting amount is consistent with the report used by chief operating decision maker. There was no material inconsistency between the accounting policies adopted for the operating segments and the significant accounting policies of the Group.

	2023			
	Cybersecurity services	**IT operation outsourcing services**	**Adjustments and eliminations**	**Total**
Revenues from external customers	$ 1,558,961	285,597	-	1,844,558
Intra-group revenue	59,068	18,223	(77,291)	-
Total revenues	**$ 1,618,029**	**303,820**	**(77,291)**	**1,844,558**
Segment profit (loss)	**$ 189,526**	**27,960**	**15,511**	**232,997**

	2022			
	Cybersecurity services	**IT operation outsourcing services**	**Adjustments and eliminations**	**Total**
Revenues from external customers	$ 1,365,855	237,361	-	1,603,216
Intra-group revenue	54,707	12,644	(67,351)	-
Total revenues	**$ 1,420,562**	**250,005**	**(67,351)**	**1,603,216**
Segment profit (loss)	**$ 147,224**	**22,949**	**15,278**	**185,451**

(Continued)

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Revenues from external customers are detailed below:

Region	2023	2022
Taiwan	$ 1,842,868	1,598,705
Others	1,690	4,511
	$ 1,844,558	**1,603,216**

Non-current assets:

Region	December 31, 2023	December 31, 2022
Asia	$ 1,314,044	938,332
Others	207	-
Taiwan	**$ 1,314,251**	**938,332**

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets and other assets, and do not include financial instruments, deferred income tax assets, and net defined benefit assets.

(c) Major customers' information

The Group doesn't have a single customer representing at least 10% of revenue in the consolidated statements of comprehensive income.