

ACER CYBER SECURITY INC. AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2024 and 2023**

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

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Representation Letter

The entities that are required to be included in the consolidated financial statements of Acer Cyber Security Inc. as of and for the year ended December 31, 2024 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 consolidated financial statements is included in the consolidated financial statements. Consequently, Acer Cyber Security Inc. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Hereby declare

Acer Cyber Security Inc.
Hsuan-Hui (Maverick) Shih
Chairman
February 24, 2025



安侯建業聯合會計師事務所
KPMG

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Independent Auditors' Report

To the Board of Directors
Acer 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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 are stated as follows:

Revenue recognition

Please refer to Note 4(l) for the accounting policies on recognizing revenue, and Note 6(q) for the related disclosures of revenue recognition, respectively, 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 contract 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(q) 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, 2024 and 2023, 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 Chao, Min-Ju and Chang, Hwei-Chen.

KPMG

Taipei, Taiwan (Republic of China)
February 24, 2025

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, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollar)

Assets		December 31, 2024		December 31, 2023		Liabilities and Equity		December 31, 2024		December 31, 2023	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 1,520,464	32	453,148	18	2130	Contract liabilities—current (notes 6(q) and 7)	\$ 167,787	4	90,126	4
1140	Contract assets—current (notes 6(q) and 7)	358,551	8	317,259	13	2170	Accounts payable	276,369	6	357,788	14
1170	Notes and accounts receivable, net (notes 6(c) and (q))	302,526	6	231,148	9	2180	Accounts payable to related parties (note 7)	20,908	-	15,738	1
1180	Accounts receivable from related parties, net (notes 6(c), (q) and 7)	51,864	1	56,356	2	2219	Other payables (note 6(r))	321,356	7	277,122	11
1200	Other receivables (note 6(d))	-	-	38	-	2220	Other payables to related parties (note 7)	6,304	-	154,060	6
1470	Prepaid expenses and other current assets	28,769	1	28,912	1	2230	Current income tax liabilities	36,679	1	26,482	1
	Total current assets	<u>2,262,174</u>	<u>48</u>	<u>1,086,861</u>	<u>43</u>	2280	Lease liabilities—current (notes 6(k) and 7)	30,251	1	36,427	1
Non-current assets:						2300	Other current liabilities	18,370	-	15,296	1
1517	Financial assets measured at fair value through other comprehensive income—non-current (note 6(b))	23,543	1	19,081	1	2320	Current portion of long-term debt (notes 6(j) and 8)	11,493	-	-	-
1600	Property, plant and equipment (notes 6(e), 7 and 8)	1,353,427	29	441,693	18		Total current liabilities	<u>889,517</u>	<u>19</u>	<u>973,039</u>	<u>39</u>
1755	Right-of-use assets (note 6(f))	204,071	4	242,332	10	Non-current liabilities:					
1780	Intangible assets (note 6(g))	86,703	2	94,965	4	2527	Contract liabilities—non-current (note 6(q))	300,828	6	-	-
1840	Deferred income tax assets (note 6(m))	11,749	-	9,618	-	2540	Long-term debt (notes 6(j) and 8)	258,884	6	-	-
1967	Costs to fulfill contracts with customers (note 6(h))	649,123	14	521,103	21	2580	Lease liabilities—non-current (notes 6(k) and 7)	177,131	4	208,599	9
1980	Other financial assets (note 8)	75,736	2	89,162	3	2640	Net defined benefit liabilities (note 6(l))	33,977	1	34,499	1
1990	Other non-current assets (note 6(i))	14,191	-	15,158	-	2645	Guarantee deposits received	8,452	-	9,596	-
	Total non-current assets	<u>2,418,543</u>	<u>52</u>	<u>1,433,112</u>	<u>57</u>		Total non-current liabilities	<u>779,272</u>	<u>17</u>	<u>252,694</u>	<u>10</u>
							Total liabilities	<u>1,668,789</u>	<u>36</u>	<u>1,225,733</u>	<u>49</u>
						Equity attributable to shareholders of the Company (note 6(n)):					
						Share capital:					
						3110	Common stock	301,152	6	222,045	9
						3200	Capital surplus	2,288,650	49	769,344	30
						Retained earnings:					
						3310	Legal reserve	83,243	2	64,184	3
						3320	Special reserve	40,569	1	34,509	1
						3350	Unappropriated earnings	334,533	7	248,914	10
						3400	Other equity	(36,219)	(1)	(44,756)	(2)
							Total equity	<u>3,011,928</u>	<u>64</u>	<u>1,294,240</u>	<u>51</u>
Total assets		<u>\$ 4,680,717</u>	<u>100</u>	<u>2,519,973</u>	<u>100</u>	Total liabilities and equity		<u>\$ 4,680,717</u>	<u>100</u>	<u>2,519,973</u>	<u>100</u>

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, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar, Except for Earnings Per Share)**

		<u>2024</u>		<u>2023</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Net revenue (notes 6(q), 7 and 14)	\$ 2,146,434	100	1,844,558	100
5000	Cost of revenue (notes (e), (f), (g), (h), (i), (l), (r), 7 and 12)	<u>(1,256,105)</u>	<u>(59)</u>	<u>(1,111,226)</u>	<u>(60)</u>
	Gross profit	<u>890,329</u>	<u>41</u>	<u>733,332</u>	<u>40</u>
	Operating expenses (notes 6(e), (f), (g), (k), (l), (o), (r), 7 and 12):				
6100	Selling expenses	(110,975)	(5)	(95,081)	(5)
6200	General and administrative expenses	(176,326)	(8)	(147,536)	(8)
6300	Research and development expenses	<u>(309,537)</u>	<u>(14)</u>	<u>(257,718)</u>	<u>(14)</u>
	Total operating expenses	<u>(596,838)</u>	<u>(27)</u>	<u>(500,335)</u>	<u>(27)</u>
	Operating income	<u>293,491</u>	<u>14</u>	<u>232,997</u>	<u>13</u>
	Non-operating income and loss (notes 6(k), (s) and 7):				
7100	Interest income	2,974	-	2,989	-
7020	Other gains and losses	1,503	-	326	-
7050	Finance costs	<u>(15,113)</u>	<u>(1)</u>	<u>(4,118)</u>	<u>-</u>
	Total non-operating income and loss	<u>(10,636)</u>	<u>(1)</u>	<u>(803)</u>	<u>-</u>
7900	Income before taxes	282,855	13	232,194	13
7950	Income tax expense (note 6(m))	<u>(57,092)</u>	<u>(2)</u>	<u>(41,607)</u>	<u>(3)</u>
	Net income	<u>225,763</u>	<u>11</u>	<u>190,587</u>	<u>10</u>
	Other comprehensive income (loss):				
8310	Items that will not be reclassified subsequently to profit or loss (notes 6(m) and (n))				
8311	Remeasurements of defined benefit plans	(141)	-	(1,539)	-
8316	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	4,462	-	(4,828)	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	<u>29</u>	<u>-</u>	<u>309</u>	<u>-</u>
	Other comprehensive income (loss), net of taxes	<u>4,350</u>	<u>-</u>	<u>(6,058)</u>	<u>-</u>
	Total comprehensive income for the year	<u>\$ 230,113</u>	<u>11</u>	<u>184,529</u>	<u>10</u>
	Earnings per share (in New Taiwan Dollar) (note 6(p)):				
9750	Basic earnings per share	<u>\$ 10.13</u>		<u>8.66</u>	
9850	Diluted earnings per share	<u>\$ 10.06</u>		<u>8.55</u>	

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, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollar)

	Attributable to shareholders of the Company										
	Share capital	Retained earnings					Other equity				Total 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 (loss)	Remeasurements of defined benefit plans	Unearned stock-based employee compensation	Total	
Balance at January 1, 2023	\$ 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	-	-	-	-	-	-	-	-	-
Share-based payment – restricted stock issued to employees	-	(6,938)	-	-	-	-	-	-	7,606	7,606	668
Balance at December 31, 2023	<u>222,045</u>	<u>769,344</u>	<u>64,184</u>	<u>34,509</u>	<u>248,914</u>	<u>347,607</u>	<u>(10,889)</u>	<u>(29,680)</u>	<u>(4,187)</u>	<u>(44,756)</u>	<u>1,294,240</u>
Net income in 2024	-	-	-	-	225,763	225,763	-	-	-	-	225,763
Other comprehensive income (loss) in 2024	-	-	-	-	-	-	4,462	(112)	-	4,350	4,350
Total comprehensive income (loss) in 2024	-	-	-	-	225,763	225,763	4,462	(112)	-	4,350	230,113
Appropriation of earnings:											
Legal reserve	-	-	19,059	-	(19,059)	-	-	-	-	-	-
Special reserve	-	-	-	6,060	(6,060)	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(115,025)	(115,025)	-	-	-	-	(115,025)
Capital increase in cash	80,000	1,516,000	-	-	-	-	-	-	-	-	1,596,000
Share-based payment – issuance of new shares reserved for employee subscription	-	12,325	-	-	-	-	-	-	-	-	12,325
Retirement of restricted stock issued to employees	(893)	893	-	-	-	-	-	-	-	-	-
Share-based payment – restricted stock issued to employees	-	(9,912)	-	-	-	-	-	-	4,187	4,187	(5,725)
Balance at December 31, 2024	<u>\$ 301,152</u>	<u>2,288,650</u>	<u>83,243</u>	<u>40,569</u>	<u>334,533</u>	<u>458,345</u>	<u>(6,427)</u>	<u>(29,792)</u>	<u>-</u>	<u>(36,219)</u>	<u>3,011,928</u>

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, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar)**

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Income before income tax	\$ <u>282,855</u>	<u>232,194</u>
Adjustments for:		
Adjustments to reconcile profit or loss:		
Depreciation	113,615	112,575
Amortization	803,431	586,519
Interest expense	15,113	4,118
Interest income	(2,974)	(2,989)
Share-based compensation cost	6,600	668
Gain on termination of lease	(18)	-
Total adjustments for profit or loss	<u>935,767</u>	<u>700,891</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Contract assets	(41,292)	(108,945)
Notes and accounts receivable	(71,378)	(5,932)
Accounts receivable from related parties	4,492	(4,542)
Other receivables from related parties	-	4,217
Prepaid expenses and other assets	16	(16,547)
Changes in operating assets	<u>(108,162)</u>	<u>(131,749)</u>
Changes in operating liabilities:		
Contract liabilities	378,489	(8,837)
Accounts payable	5,045	81,030
Accounts payable to related parties	5,170	7,141
Other payables	43,862	23,629
Other payables to related parties	2,994	(534)
Other current liabilities	3,074	(3,484)
Net defined benefit liabilities	(663)	(1,370)
Changes in operating liabilities	<u>437,971</u>	<u>97,575</u>
Total changes in operating assets and liabilities	<u>329,809</u>	<u>(34,174)</u>
Total adjustments	<u>1,265,576</u>	<u>666,717</u>
Cash provided by operations	1,548,431	898,911
Interest received	3,012	2,951
Interest paid	(15,491)	(3,368)
Income taxes paid	(48,870)	(39,114)
Net cash flows provided by operating activities	<u>1,487,082</u>	<u>859,380</u>

(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, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar)**

	<u>2024</u>	<u>2023</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(995,431)	(159,176)
Additions to intangible assets	(238,778)	(244,928)
Increase in costs to fulfill contracts with customers	(762,684)	(577,494)
Decrease in other financial assets	13,426	4,273
Increase in other non-current assets	(80)	(2,142)
Net cash flows used in investing activities	<u>(1,983,547)</u>	<u>(979,467)</u>
Cash flows from financing activities:		
Increase in long-term debt	686,970	-
Repayment of long-term debt	(416,593)	-
Decrease in guarantee deposits received	(1,144)	(1,271)
Increase (decrease) in loans from related parties	(150,000)	150,000
Payment of lease liabilities	(36,427)	(43,963)
Cash dividends distributed to shareholders	(115,025)	(99,921)
Capital increase in cash	1,596,000	-
Net cash flows provided by financing activities	<u>1,563,781</u>	<u>4,845</u>
Net increase (decrease) in cash and cash equivalents	1,067,316	(115,242)
Cash and cash equivalents at beginning of year	<u>453,148</u>	<u>568,390</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,520,464</u></u>	<u><u>453,148</u></u>

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, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollar, 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 13F, No. 9, Section 3, Nangang Rd., Nangang Dist., Taipei City, Taiwan (R.O.C.).

The Company and its subsidiaries (the “Group”) take the 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 24, 2025.

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

- (a) The impact of the International Financial Reporting Standards (“IFRS Accounting Standards”) 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, 2024:

- 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”

- (b) The impact of IFRS Accounting Standards 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, 2025, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 21 “Lack of Exchangeability”

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
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- (c) The impact of IFRS Accounting Standards issued by the International Accounting Standards Board (“IASB”) but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by IASB, but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> ● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined “operating profit” subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. ● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. ● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. 	January 1, 2027

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

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other 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”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards— Volume 11
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

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(m), and financial assets measured at fair value through other comprehensive income.

(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 Dollar (NTD), which is the Company’s functional currency. Except when otherwise indicated, all financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to 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.

When the Group loses control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary, and any related non-controlling interests. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Group recognizes as gain or loss in profit or loss the difference between 1) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost, and (2) the assets (including any goodwill), liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the date when control is lost, as gain or loss in profit or loss. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or 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

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership		Note
			December 31, 2024	December 31, 2023	
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 %	-

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

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

(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

The Group classifies the asset as current under one of the following criteria, and all other assets are classified as non-current.

- (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 (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies the liability as current under one of the following criteria, and all other liabilities are classified as non-current.

- (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 the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(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.

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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.

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

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.

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.

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
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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.

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

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) 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: buildings: 50 years; operating and office equipment: 2 to 20 years; machinery and equipment: 3 to 15 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.

(i) 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.

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the 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.

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
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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.

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.

(j) 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.

(k) Impairment of non-financial assets

Non-financial assets other than 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.

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
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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.

- (l) 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 at a point in time. For performance obligations satisfied over time, 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. For performance obligations satisfied at a point in time, revenue is recognized when performance obligations are transferred to the customer and any risks that give rise to a separate performance obligation in addition to the performance obligation to transfer the asset are excluded. 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.

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
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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.

(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.

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
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(m) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

(n) 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.

(Continued)

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

(o) 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

(p) 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.

(q) 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 and estimates about the future, including climate-related risks and opportunities, which affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Group’s risk management and climate-related commitments where appropriate. Revisions to estimates are recognized prospectively in the period of the change and future periods.

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(1) 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, 2024	December 31, 2023
Cash on hand	\$ 96	96
Demand deposits and checking accounts	1,520,368	343,252
Time deposits with original maturities less than three months	-	109,800
	<u>\$ 1,520,464</u>	<u>453,148</u>

(Continued)

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

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

	December 31, 2024	December 31, 2023
Domestic listed stock	\$ 23,543	19,081

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, 2024	December 31, 2023
Notes receivable	\$ -	163
Accounts receivable	302,526	230,985
Less: loss allowance	-	-
	302,526	231,148
Accounts receivable from related parties	51,864	56,356
	\$ 354,390	287,504

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, 2024			
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 349,782	0	-
Past due 1-30 days	4,398	0	-
Past due 31-60 days	105	0	-
Past due 61-90 days	105	0	-
Past due 181 days or over	-	100 %	-
	\$ 354,390		-

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 91-120 days	215	0	-
Past due 121-180 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

(d) Other receivables

	December 31, 2023
Other receivables	\$ 38
Less: loss allowance	-
	\$ 38

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

(e) Property, plant and equipment

	Land	Buildings	Operating and office equipment	Machinery and equipment	Other equipment and construction in progress	Total
Cost :						
Balance at January 1, 2024	\$ -	-	104,243	642,908	136,867	884,018
Additions	503,116	352,189	41,353	12,902	78,727	988,287
Disposals	-	-	(6,602)	-	(6,023)	(12,625)
Reclassification	-	-	328	146,856	(147,184)	-
Balance at December 31, 2024	\$ 503,116	352,189	139,322	802,666	62,387	1,859,680
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)
Reclassification	-	-	-	13,709	(13,709)	-
Balance at December 31, 2023	\$ -	-	104,243	642,908	136,867	884,018
Accumulated depreciation:						
Balance at January 1, 2024	\$ -	-	67,013	359,722	15,590	442,325
Depreciation	-	4,028	23,285	44,482	4,758	76,553
Disposals	-	-	(6,602)	-	(6,023)	(12,625)
Balance at December 31, 2024	\$ -	4,028	83,696	404,204	14,325	506,253
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
Carrying amounts:						
Balance at December 31, 2024	\$ 503,116	348,161	55,626	398,462	48,062	1,353,427
Balance at December 31, 2023	\$ -	-	37,230	283,186	121,277	441,693

Please refer to note 8 for a description of the Group's property, plant and equipment pledged as collateral for bank loans.

In May 2024, the Group acquired real estate located in Nangang District, Taipei for its office, wherein the acquisition cost amounted to \$855,305.

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

(f) Right-of-use assets

	Buildings
Cost:	
Balance at January 1, 2024	\$ 330,900
Termination of lease	(31,472)
Balance at December 31, 2024	<u><u>\$ 299,428</u></u>
Balance at January 1, 2023	\$ 326,024
Additions	5,809
Termination of lease	(933)
Balance at December 31, 2023	<u><u>\$ 330,900</u></u>
Accumulated depreciation:	
Balance at January 1, 2024	\$ 88,568
Depreciation	37,062
Termination of lease	(30,273)
Balance at December 31, 2024	<u><u>\$ 95,357</u></u>
Balance at January 1, 2023	\$ 44,571
Depreciation	44,930
Termination of lease	(933)
Balance at December 31, 2023	<u><u>\$ 88,568</u></u>
Carrying amounts:	
Balance at December 31, 2024	<u><u>\$ 204,071</u></u>
Balance at December 31, 2023	<u><u>\$ 242,332</u></u>

(g) Intangible assets

	<u>License fee</u>	<u>Computer software</u>	<u>Patents</u>	<u>Total</u>
Cost:				
Net balance at January 1, 2024	\$ 147,170	61,357	-	208,527
Additions	227,116	11,662	-	238,778
Write-off and disposals	(204,397)	(34,193)	-	(238,590)
Balance at December 31, 2024	<u><u>\$ 169,889</u></u>	<u><u>38,826</u></u>	<u><u>-</u></u>	<u><u>208,715</u></u>
Balance at January 1, 2023	\$ 150,942	45,493	419	196,854
Additions	229,064	15,864	-	244,928
Write-off and disposals	(232,836)	-	(419)	(233,255)
Balance at December 31, 2023	<u><u>\$ 147,170</u></u>	<u><u>61,357</u></u>	<u><u>-</u></u>	<u><u>208,527</u></u>

(Continued)

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

	<u>License fee</u>	<u>Computer software</u>	<u>Patents</u>	<u>Total</u>
Accumulated amortization:				
Balance at January 1, 2024	\$ 62,219	51,343	-	113,562
Amortization	227,448	19,592	-	247,040
Write-off and disposals	<u>(204,397)</u>	<u>(34,193)</u>	<u>-</u>	<u>(238,590)</u>
Balance at December 31, 2024	<u>\$ 85,270</u>	<u>36,742</u>	<u>-</u>	<u>122,012</u>
Balance at January 1, 2023	\$ 63,630	24,140	419	88,189
Amortization	231,425	27,203	-	258,628
Write-off and disposals	<u>(232,836)</u>	<u>-</u>	<u>(419)</u>	<u>(233,255)</u>
Balance at December 31, 2023	<u>\$ 62,219</u>	<u>51,343</u>	<u>-</u>	<u>113,562</u>
Carrying amounts:				
Balance at December 31, 2024	<u>\$ 84,619</u>	<u>2,084</u>	<u>-</u>	<u>86,703</u>
Balance at December 31, 2023	<u>\$ 84,951</u>	<u>10,014</u>	<u>-</u>	<u>94,965</u>

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

	<u>2024</u>	<u>2023</u>
Cost of revenue	\$ 245,697	255,408
Operating expenses	<u>1,343</u>	<u>3,220</u>
	<u>\$ 247,040</u>	<u>258,628</u>

(h) Costs to fulfill contracts with customers

Cost:	
Balance at January 1, 2024	\$ 621,488
Additions	683,364
Derecognition	<u>(524,710)</u>
Balance at December 31, 2024	<u>\$ 780,142</u>
Balance at January 1, 2023	\$ 251,996
Additions	656,814
Derecognition	<u>(287,322)</u>
Balance at December 31, 2023	<u>\$ 621,488</u>
Accumulated amortization:	
Balance at January 1, 2024	\$ 100,385
Amortization	555,344
Derecognition	<u>(524,710)</u>
Balance at December 31, 2024	<u>\$ 131,019</u>
Balance at January 1, 2023	\$ 60,863
Amortization	326,844
Derecognition	<u>(287,322)</u>
Balance at December 31, 2023	<u>\$ 100,385</u>

(Continued)

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

Carrying amounts:

Balance at December 31, 2024	\$ <u><u>649,123</u></u>
Balance at December 31, 2023	\$ <u><u>521,103</u></u>

(i) Other non-current assets

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Payments for Taipower network	\$ 7,068	8,115
Others	<u>7,123</u>	<u>7,043</u>
	<u>\$ 14,191</u>	<u>15,158</u>

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, 2024 and 2023, the amortization amounted to \$1,047.

(j) Long-term debt

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Secured loan	\$ 270,377	-
Less: current portion of long-term debt	<u>(11,493)</u>	<u>-</u>
	<u>\$ 258,884</u>	<u>-</u>
Unused credit facilities	<u>\$ -</u>	<u>-</u>
Interest rate	<u>1.75%~1.87%</u>	<u>-</u>
Maturity year	<u>2024~2044</u>	<u>-</u>

(i) Increase in long-term debt and repayment

The Group increased its long-term debt of \$686,970, due in April 2044. For the year ended December 31, 2024, long-term debt amounting to \$416,593 was repaid.

Please refer to note 6(s) for details on the above interest expenses of bank loans.

(ii) Collateral for bank borrowings

Please refer to note 8 for a description of the Group's assets pledged as collateral to secure the bank loans.

(k) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Current	\$ <u><u>30,251</u></u>	<u><u>36,427</u></u>
Non-current	\$ <u><u>177,131</u></u>	<u><u>208,599</u></u>

(Continued)

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

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

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

	<u>2024</u>	<u>2023</u>
Interest expense on lease liabilities	\$ <u>2,334</u>	<u>2,702</u>
Expenses relating to short-term leases	\$ <u>7,665</u>	<u>533</u>

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

	<u>2024</u>	<u>2023</u>
Total cash outflow for leases	\$ <u>46,426</u>	<u>47,198</u>

- (iii) Major terms of leases

The Group leases buildings for its office and server room with lease terms ranged from 3 to 10 years, which include options to extend the lease term after the end of the contract term.

In addition, as the lease for office, 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.

- (l) 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:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Present value of defined benefit obligations	\$ 35,951	35,932
Fair value of plan assets	<u>(1,974)</u>	<u>(1,433)</u>
Net defined benefit liabilities	\$ <u>33,977</u>	<u>34,499</u>

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.

- 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.

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

As of December 31, 2024 and 2023, the balances of aforementioned pension funds were \$1,974 and \$1,433, 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

	<u>2024</u>	<u>2023</u>
Defined benefit obligations at January 1	\$ 35,932	35,445
Current service costs and interest expense	757	787
Remeasurement on the net defined benefit liabilities:		
– Actuarial loss arising from experience adjustments	1,807	1,008
– Actuarial loss (gain) arising from changes in financial assumption	(1,556)	534
Pension payment	(989)	(1,842)
Defined benefit obligations at December 31	<u>\$ 35,951</u>	<u>35,932</u>

3) Movements in fair value of plan assets

	<u>2024</u>	<u>2023</u>
Fair value of plan assets at January 1	\$ 1,433	1,115
Interest income	25	21
Remeasurement on the net defined benefit liabilities:		
– Return on plan assets (excluding amounts included in net interest expense)	110	3
Contributions by the employer	406	294
Fair value of plan assets at December 31	<u>\$ 1,974</u>	<u>1,433</u>

4) Changes in the effect of the asset ceiling

In 2024 and 2023, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

	<u>2024</u>	<u>2023</u>
Current service costs	\$ 174	167
Net interest expense on net defined benefit assets	558	599
	<u>\$ 732</u>	<u>766</u>
Recognized in:		
Operating costs	\$ 442	421
Operating expenses	290	345
	<u>\$ 732</u>	<u>766</u>

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

6) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Discount rate	2.000 %	1.625 %
Future salary change	3.500 %	3.500 %

The Group expects to make contribution of \$369 to the defined benefit plans in the year following December 31, 2024. The weighted average duration of the defined benefit plans is ranged from 11.98 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, 2024 and 2023.

	<u>Increase (decrease) in present value</u> <u>of defined benefit obligations</u>	
	<u>0.25% Increase</u>	<u>0.25% Decrease</u>
December 31, 2024		
Discount rate	(993)	1,031
Future salary change	992	(965)
December 31, 2023		
Discount rate	(1,062)	1,113
Future salary change	1,072	(1,026)

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, 2024 and 2023, the Group recognized pension expenses of \$27,251 and \$24,365, respectively.

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

(m) Income taxes

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

	<u>2024</u>	<u>2023</u>
Current income tax expense		
Current period	\$ 58,879	43,313
Adjustments for prior years	<u>315</u>	<u>(1,743)</u>
	59,194	41,570
Deferred income tax expense		
Origination and reversal of temporary differences	<u>(2,102)</u>	<u>37</u>
Income tax expense	<u>\$ 57,092</u>	<u>41,607</u>

In 2024 and 2023, there was no income tax expense recognized in other comprehensive income or recognized directly in equity.

	<u>2024</u>	<u>2023</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	<u>\$ 29</u>	<u>309</u>

Reconciliation of income tax and profit before tax for 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Income before taxes	<u>\$ 282,855</u>	<u>232,194</u>
Income tax using the Company's statutory tax rate	\$ 56,571	46,439
Adjustments for prior-year income tax expense	315	(1,743)
Utilization of previously unrecognized tax losses	-	(3,463)
Surtax on undistributed earnings	-	326
Others	<u>206</u>	<u>48</u>
	<u>\$ 57,092</u>	<u>41,607</u>

(ii) Deferred income tax assets and liabilities

Recognized deferred income tax assets and liabilities

	<u>Remeasurement of defined benefit plans</u>	<u>Accrued expenses</u>	<u>Total</u>
Balance at January 1, 2024	\$ 2,158	7,460	9,618
Recognized in profit or loss	-	2,102	2,102
Recognized in other comprehensive income	<u>29</u>	<u>-</u>	<u>29</u>
Balance at December 31, 2024	<u>\$ 2,187</u>	<u>9,562</u>	<u>11,749</u>
Balance at January 1, 2023	\$ 1,849	7,497	9,346
Recognized in profit or loss	-	(37)	(37)
Recognized in other comprehensive income	<u>309</u>	<u>-</u>	<u>309</u>
Balance at December 31, 2023	<u>\$ 2,158</u>	<u>7,460</u>	<u>9,618</u>

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
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(iii) The Company's income tax returns for the years through 2022 were examined and approved by the R.O.C. income tax authorities.

(n) Capital and other equity

(i) Common stock

As of December 31, 2024 and 2023, the Company's authorized shares of common stock consisted of 300,050 thousand shares, of which 30,115 thousand shares and 22,204 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):

	<u>2024</u>	<u>2023</u>
Balance at January 1	21,999	21,999
Issuance for cash	8,000	-
Balance at December 31	<u><u>29,999</u></u>	<u><u>21,999</u></u>

The issuance of additional 8,000 thousand of common shares at price of \$200 per share was resolved by the Company's Board of Directors on July 30, 2024, wherein 800 thousand of common shares, comprising 10% 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 December 19, 2024 with a total consideration amounting to \$1,596,000 (net of the direct issuing cost of 4,000) 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 89 thousand and 36 thousand of common shares whose vesting conditions failed to be met were retired for the years ended December 31, 2024 and 2023, respectively, and the related registration procedures have been completed.

(ii) Capital surplus

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Paid-in capital in excess of par value	\$ 2,264,194	748,194
Difference between consideration and carrying amount of subsidiaries acquired or disposed	5,896	5,896
Restricted stock to employees	(1,157)	7,862
Employee stock options	<u>19,717</u>	<u>7,392</u>
	<u><u>\$ 2,288,650</u></u>	<u><u>769,344</u></u>

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
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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)

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

Earnings are distributed in consideration of the Company's current and long-term development, the overall 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 2023 and 2022 earnings was resolved by the Board of Directors on February 27, 2024 and February 24, 2023, respectively. The resolved appropriation of the cash dividends per share was as follows:

	2023		2022	
	Dividends per share (in NTD)	Amount	Dividends per share (in NTD)	Amount
Dividends per share:				
Cash dividends	\$ 5.2	115,025	4.5	99,921

The appropriation of 2024 earnings was resolved by the Board of Directors on February 24, 2025. The resolved appropriation of the cash dividends per share was as follows:

	2024	
	Dividends per share (in NTD)	Amount
Dividends per share:		
Cash dividends	\$ 6.0	179,998

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

	2024	2023
Balance at January 1	\$ (10,889)	(6,061)
Changes in fair value of financial assets measured at fair value through other comprehensive income (loss)	4,462	(4,828)
Balance at December 31	\$ (6,427)	(10,889)

(Continued)

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

2) Remeasurement of defined benefit plans

	2024	2023
Balance at January 1	\$ (29,680)	(28,450)
Share of remeasurement of defined benefit plans of subsidiaries	(112)	(1,230)
Balance at December 31	\$ (29,792)	(29,680)

3) Unearned compensation cost

	2024	2023
Balance at January 1	\$ (4,187)	(11,793)
Reversal of compensation cost forfeited	9,912	6,938
Compensation cost arising from restricted stock issued to employees	(5,725)	668
Balance at December 31	\$ -	(4,187)

(o) Share-based payment

As of December 31, 2024 and 2023, 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	2024/11/06
Number of shares granted (in thousands)	241	725
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

(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.

(Continued)

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

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

	<u>2024</u>	<u>2023</u>
Outstanding and unvested, beginning of year	121	205
Granted during the year	-	-
Forfeited during the year	<u>(121)</u>	<u>(84)</u>
Unvested, end of year	<u>-</u>	<u>121</u>

The fair value of the restricted stock to employees was \$117.5 (in New Taiwan Dollar) 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 July 30, 2024, the Board of Directors approved the issuance of common stock for cash, of which 800 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 stock at grant date (NT\$/ share)	217
Exercise price (NT\$/ share)	200
Expected volatility (%)	31.57%
Expected life	3 days
Risk-free interest rate (%)	1.33%

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 and gains on reversal resulting from share-based payment transactions were as follows:

	<u>2024</u>	<u>2023</u>
Expenses resulting from restriction of employee stock options	\$ (5,725)	668
Expenses resulting from cash-settled share-based payment to employees	<u>12,325</u>	<u>-</u>
	<u>\$ 6,600</u>	<u>668</u>

(Continued)

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

(p) Earnings per share (“EPS”)

(i) Basic earnings per share

	<u>2024</u>	<u>2023</u>
Net income attributable to shareholders of the Company	\$ <u>225,763</u>	<u>190,587</u>
Weighted-average number of common shares outstanding (in thousands)	<u>22,284</u>	<u>21,999</u>
Basic earnings per share (in New Taiwan Dollar)	\$ <u>10.13</u>	<u>8.66</u>

(ii) Diluted earnings per share

	<u>2024</u>	<u>2023</u>
Net income attributable to shareholders of the Company	\$ <u>225,763</u>	<u>190,587</u>
Weighted-average number of common shares outstanding (in thousands)	22,284	21,999
Effect of dilutive potential common shares (in thousands):		
Effect of employee remuneration in stock	152	138
Effect of restricted stock to employees	-	155
Weighted-average number of common shares outstanding (including effect of dilutive potential common shares) (in thousands)	<u>22,436</u>	<u>22,292</u>
Diluted earnings per share (in New Taiwan Dollar)	\$ <u>10.06</u>	<u>8.55</u>

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2024</u>	<u>2023</u>
Major products/services lines		
Cybersecurity services	\$ 1,911,686	1,558,961
IT operation outsourcing services	234,748	285,597
	\$ <u>2,146,434</u>	<u>1,844,558</u>

(ii) Contract balances

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>January 1, 2023</u>
Notes and accounts receivable (including related parties)	\$ 354,390	287,504	277,030
Less: loss allowance	-	-	-
	\$ <u>354,390</u>	<u>287,504</u>	<u>277,030</u>
Contract assets – current	\$ <u>358,551</u>	<u>317,259</u>	<u>208,314</u>
Contract liabilities – current	\$ <u>167,787</u>	<u>90,126</u>	<u>98,963</u>
Contract liabilities – non-current	\$ <u>300,828</u>	-	-

(Continued)

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

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

The amounts of revenue recognized in 2024 and 2023 that were included in the contract liability balances at January 1, 2024 and 2023 were \$49,002 and \$77,263, 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.

(r) 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, 2024 and 2023, the Company accrued its remuneration to employees amounting to \$27,429 and \$23,200, respectively, and the remuneration to directors amounting to \$2,170 and \$1,800, 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.

(s) Non-operating income and loss

(i) Interest income

	<u>2024</u>	<u>2023</u>
Interest income from bank deposits	\$ <u>2,974</u>	<u>2,989</u>

(ii) Other gains and losses

	<u>2024</u>	<u>2023</u>
Foreign currency exchange gain (loss), net	\$ 650	(257)
Others	<u>853</u>	<u>583</u>
	\$ <u>1,503</u>	<u>326</u>

(iii) Finance costs

	<u>2024</u>	<u>2023</u>
Interest expense on lease liabilities	\$ 2,334	2,702
Interest expense from bank loans	9,146	666
Loans from related parties	<u>3,633</u>	<u>750</u>
	\$ <u>15,113</u>	<u>4,118</u>

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

(t) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	December 31, 2024	December 31, 2023
Financial assets measured at fair value through other comprehensive income – non-current	\$ 23,543	19,081
Financial assets measured at amortized cost :		
Cash and cash equivalents	1,520,464	453,148
Notes and accounts receivable and other receivables (including related parties)	354,390	287,542
Other financial assets	75,736	89,162
	<u>\$ 1,974,133</u>	<u>848,933</u>

2) Financial liabilities

	December 31, 2024	December 31, 2023
Financial liabilities measured at amortized cost:		
Accounts payable (including related parties)	\$ 297,277	373,526
Other payables (including related parties)	327,660	431,182
Lease liabilities (including current and non-current)	207,382	245,026
Long-term debt (including current portion)	270,377	-
Guarantee deposits	8,452	9,596
	<u>\$ 1,111,148</u>	<u>1,059,330</u>

(ii) Fair value information

1) Financial instruments not measured at fair value

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

2) Financial instruments measured at fair value

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

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

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

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

	December 31, 2024				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income — non-current:					
Domestic listed stock	\$ <u>23,543</u>	<u>23,543</u>	<u>-</u>	<u>-</u>	<u>23,543</u>

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

(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, 2024 and 2023.

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

(u) 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.

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, 2024 and 2023, the Group had unused credit facilities of \$1,170,000.

(Continued)

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

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

	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2024					
Non-derivative financial liabilities:					
Long-term debt	\$ 322,904	16,616	16,616	49,849	239,823
Accounts payable (including related parties)	297,277	297,277	-	-	-
Other payables (including related parties)	327,660	327,660	-	-	-
Lease liabilities	214,748	32,232	31,716	93,600	57,200
Guarantee deposits	8,452	-	-	8,452	-
	<u>\$ 1,171,041</u>	<u>673,785</u>	<u>48,332</u>	<u>151,901</u>	<u>297,023</u>
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	-
	<u>\$ 1,069,042</u>	<u>843,468</u>	<u>33,216</u>	<u>103,958</u>	<u>88,400</u>

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, 2024 and 2023, would have increased or decreased by \$1,177 and \$954, respectively.

(v) 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.

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

(w) Investing and financing activities not affecting cash flows

(i) Please refer to note 6(f) 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:

	<u>2024</u>	<u>2023</u>
Increase in costs to fulfill contracts with customers	\$ 683,364	656,814
Add: accounts payable at January 1	79,320	-
Less: accounts payable at December 31	<u>-</u>	<u>(79,320)</u>
Cash paid for costs to fulfill contracts with customers	<u>\$ 762,684</u>	<u>577,494</u>

Increase in acquisition of property, plant and equipment:

	<u>2024</u>	<u>2023</u>
Increase in acquisition of property, plant and equipment	\$ 988,287	166,320
Add: accounts payable at January 1	7,144	-
Less: accounts payable at December 31	<u>-</u>	<u>(7,144)</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 995,431</u>	<u>159,176</u>

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

	<u>January 1,</u> <u>2024</u>	<u>Cash flows</u>	<u>Non-cash</u> <u>changes</u> <u>Termination</u> <u>of lease</u>	<u>December 31,</u> <u>2024</u>
Long-term debt	\$ -	270,377	-	270,377
Lease liabilities	245,026	(36,427)	(1,217)	207,382
Loans from related parties	150,000	(150,000)	-	-
Guarantee deposits	<u>9,596</u>	<u>(1,144)</u>	<u>-</u>	<u>8,452</u>
Total liabilities from financing activities	<u>\$ 404,622</u>	<u>82,806</u>	<u>(1,217)</u>	<u>486,211</u>

	<u>January 1,</u> <u>2023</u>	<u>Cash flows</u>	<u>Non-cash</u> <u>changes</u> <u>Additions to</u> <u>lease</u> <u>liabilities</u>	<u>December 31,</u> <u>2023</u>
Lease liabilities	\$ 283,180	(43,963)	5,809	245,026
Loans from related parties	-	150,000	-	150,000
Guarantee deposits	<u>10,867</u>	<u>(1,271)</u>	<u>-</u>	<u>9,596</u>
Total liabilities from financing activities	<u>\$ 294,047</u>	<u>104,766</u>	<u>5,809</u>	<u>404,622</u>

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

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 59.96% and 60.76%, respectively, of the outstanding shares of the Company as of December 31, 2024 and 2023. 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:

<u>Name of related party</u>	<u>Relationship with the Group</u>
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
Ambi Space Inc.	The director of its parent company is the first-degree relative of the Company’s director.

(c) Significant related-party transactions

(i) Revenue

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

	<u>2024</u>	<u>2023</u>
Parent company	\$ 131,986	132,524
Other related parties	16,315	13,454
	<u>\$ 148,301</u>	<u>145,978</u>

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

(ii) Cost of revenue

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

	<u>2024</u>	<u>2023</u>
Parent company	\$ 1,928	1,757
Other related parties	<u>16,290</u>	<u>16,693</u>
	<u>\$ 18,218</u>	<u>18,450</u>

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:

	<u>2024</u>	<u>2023</u>
Parent company	<u>\$ 1,802</u>	<u>2,142</u>

(iv) Property transactions

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

	<u>2024</u>	<u>2023</u>
Parent company	\$ 2,419	1,418
Other related parties	<u>280</u>	<u>271</u>
	<u>\$ 2,699</u>	<u>1,689</u>

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

	<u>2024</u>	<u>2023</u>
Parent company	\$ 3,989	3,029
Other related parties	<u>4,591</u>	<u>3,176</u>
	<u>\$ 8,580</u>	<u>6,205</u>

(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:

	<u>2024</u>	<u>2023</u>
Interest expense	<u>\$ 2,260</u>	<u>2,553</u>

(Continued)

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

	December 31, 2024	December 31, 2023
Lease liabilities—current	\$ 29,237	28,940
Lease liabilities—non-current	176,618	205,855
	\$ 205,855	234,795

(vii) Loans from related parties

The loans from Acer were as follows:

	December 31, 2024	December 31, 2023
Parent company	\$ -	150,000
Interest rate	-	1.67%

Interest expenses related to loans from Acer in 2024 and 2023 were \$3,633 and \$750, respectively.

(viii) 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, 2024	December 31, 2023
Contract assets	Parent company	\$ 2,291	2,566
Contract assets	Other related parties	5,944	1,951
Accounts receivable from related parties	Parent company	49,643	53,161
Accounts receivable from related parties	Other related parties	2,221	3,195
		\$ 60,099	60,873
Contract liabilities	Other related parties	\$ 141	913

(ix) 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, 2024	December 31, 2023
Accounts payable to related parties	Parent company	\$ 18,090	9,872
Accounts payable to related parties	Other related parties	2,818	5,866
Other payables to related parties	Parent company	3,167	1,149
Other payables to related parties	Other related parties	3,137	2,911
Other payables—loans from related parties	Parent company	-	150,000
		\$ 27,212	169,798

(Continued)

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

(d) Compensation for key management personnel

	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 18,434	20,242
Post-employment benefits	360	432
Share-based payments	-	822
	<u>\$ 18,794</u>	<u>21,496</u>

Please refer to note 6(o) for the information related to share-based payments.

8. Pledged assets

<u>Assets</u>	<u>Pledged to secure</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Refundable deposits (recognized in other financial assets)	Contract bidding and project fulfillment guarantee	\$ 74,825	85,941
Property, plant and equipment	Credit lines of bank loans	851,277	-
		<u>\$ 926,102</u>	<u>85,941</u>

9. Significant commitments and contingencies: None

10. Significant loss from disaster: None

11. Significant subsequent events: None

12. Others

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

	2024			2023		
	Cost of revenue	Operating expenses	Total	Cost of revenue	Operating expenses	Total
Employee benefits:						
Salaries	273,628	418,497	692,125	256,541	348,988	605,529
Insurance	23,554	30,571	54,125	22,731	26,494	49,225
Pension	12,261	15,722	27,983	11,623	13,508	25,131
Remuneration to directors	-	4,470	4,470	-	4,100	4,100
Others	14,836	23,244	38,080	6,200	10,830	17,030
Depreciation	85,768	27,847	113,615	76,476	36,099	112,575
Amortization	802,088	1,343	803,431	583,299	3,220	586,519

(Continued)

ACER CYBER SECURITY INC. AND SUBSIDIARIES
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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, 2024.

- (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 Dollar/Shares)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2024				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	23,543	0.30 %	23,543	-

- (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 Dollar)

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			
The Company	Liberty-Acer Building (13F and 14F)	2024/05/07	864,070	864,070	Liberty Stationery Corporation	-	-	-	-	-	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 Dollar)

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	104,023	4.85%	EM 60	-	-	38,315	10.81 %	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
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- (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	41,194	EM 60	1.92 %
1	Acer e-Enabling Data Center Incorporated	The Company	2	Sales	63,629	EM 60	2.97 %

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 Dollar/Shares)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2024			Maximum Percentage of Ownership during 2024		Net Income (Loss) of the Investee	Share of Profits/ (Losses) of the Investee	Note
				December 31, 2024	December 31, 2023	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 %	3,295	1,000	100.00 %	(1,697)	(1,697)	Parent/ Subsidiary
The Company	Acer e-Enabling Data Center Incorporated	Taiwan	Uninterrupted operation and IT operation outsourcing services	1,175,748	475,748	114,462	100.00 %	1,363,061	114,462	100.00 %	163,422	163,422	Parent/ Subsidiary

(c) Information on investment in Mainland China: None

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

(d) Major shareholders

Major Shareholder's Name	Shareholding	Shares	Percentage
Acer Incorporated		15,561,992	51.67 %

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.

	2024			
	Cybersecurity services	IT operation outsourcing services	Adjustments and eliminations	Total
Revenues from external customers	\$ 1,911,686	234,748	-	2,146,434
Intra-group revenue	89,805	30,222	(120,027)	-
Total revenues	<u>\$ 2,001,491</u>	<u>264,970</u>	<u>(120,027)</u>	<u>2,146,434</u>
Segment profit (loss)	<u>\$ 262,399</u>	<u>14,776</u>	<u>16,316</u>	<u>293,491</u>
	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	<u>\$ 1,618,029</u>	<u>303,820</u>	<u>(77,291)</u>	<u>1,844,558</u>
Segment profit (loss)	<u>\$ 189,526</u>	<u>27,960</u>	<u>15,511</u>	<u>232,997</u>

(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:

<u>Region</u>	<u>2024</u>	<u>2023</u>
Taiwan	\$ 2,140,177	1,842,868
Others	<u>6,257</u>	<u>1,690</u>
	<u>\$ 2,146,434</u>	<u>1,844,558</u>

Non-current assets:

<u>Region</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Taiwan	\$ 2,307,367	1,314,044
Others	<u>148</u>	<u>207</u>
	<u>\$ 2,307,515</u>	<u>1,314,251</u>

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.