Stock Code: 6690

Acer Cyber Security Inc. and Subsidiaries

Consolidated Financial Statements and Independent Auditor's Report

FY2021 and FY2020

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

Address: 8F., No. 563, Sec. 4, Zhongxiao East Road, Xinyi District, Taipei City, Taiwan

Tel: (02)89796286

Table of Contents

Declaration

It is hereby declared that for the year ended December 31, 2021 (from January 1, 2021 to December 31, 2021), the affiliated companies that should be included in the consolidated financial statements in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as the companies that should be included in the consolidated financial statements of parent and subsidiary companies in accordance with the International Financial Reporting Standards No. 10 (IFRS 10) approved by the Financial Supervisory Commission. The information required to be disclosed in the consolidated financial statements of affiliated companies has been disclosed in the aforementioned consolidated financial statements of the parent and subsidiary companies, and a separate consolidated financial statement of affiliated companies shall not be prepared.

Company Name: Acer Cyber Security Inc.

Chairman: Maverick Shih

Date: February 25, 2022

Independent Auditor's Report

The Board of Directors of Acer Cyber Security Inc.

Auditor's Opinion

We have audited the accompanying consolidated balance sheets of Acer Cyber Security Inc. and its subsidiaries as of December 31, 2021 and 2020, and the related consolidated statements of income, changes in equity, and cash flows from January 1 to December 31, 2021 and 2020, and the related consolidated notes to the financial statements (including a summary of significant accounting policies).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Acer Cyber Security Inc. and its subsidiaries as of December 31, 2021 and 2020, in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and International Financial Reporting Standards, International Accounting Standards, and Interpretations issued by the Financial Supervisory Commission. The accompanying consolidated financial statements are sufficient to present the consolidated financial position of Acer Cyber Security Inc. and its subsidiaries as of December 31, 2021 and 2020, and the consolidated financial results and consolidated cash flows from January 1 to December 31, 2021 and 2020.

Basis for Opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and Generally Accepted Auditing Standards in Taiwan. Our responsibility under those standards is further described in the accompanying paragraph detailing our responsibility to audit the consolidated financial statements. We are independent of Acer Cyber Security Inc. and subsidiaries in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that we have obtained sufficient and appropriate evidence to provide a basis for our audit opinion.

Key Audit Matters

A key audit matter is one that, in our professional judgment, is material to the consolidated financial statements of Acer Cyber Security Inc. and its subsidiaries as of and for the year ended December 31, 2021. Those matters have been considered in the audit of the consolidated financial statements taken as a whole and in the process of forming an opinion thereon, and we do not provide a separate opinion on these matters. The key audit issues that, in our opinion, should be communicated in an audit report are as follows:

Revenue recognition

The accounting policies related to revenue recognition are described in Note 4(13), Revenue Recognition, as part of the consolidated financial statements.

Description of key audit matters:

Acer Cyber Security Inc. and its subsidiaries derive revenue primarily from the provision of integrated enterprise information security services. The contracts contain one or more performance obligations and the determination of the timing of revenue recognition (whether the performance obligations are satisfied over time or at a certain point in time) relies on management's judgment on a contract-by-contract basis, which increases the complexity of revenue recognition. Therefore, the accuracy of revenue recognition is an important assessment of our audits of the consolidated financial statements of Acer Cyber Security Inc. and its subsidiaries.

Our auditing procedures are based on the following:

Our procedures for auditing these critical matters include testing the effectiveness of the design and implementation of internal control systems related to labor income recognition; assessing the appropriateness of accounting policies for identifying performance obligations and the timing of revenue recognition; and selecting samples to review contractual provisions or other relevant documents to verify that the timing and amounts of revenue recognition are in accordance with relevant regulations. We have also considered the appropriateness of the revenue disclosure in Note 6(14) to the consolidated financial statements with respect to customer contracts.

Other Matters

We have audited the accompanying consolidated financial statements of Acer Cyber Security Inc. as of and for the years ended December 31, 2021 and 2020, and have issued an unqualified audit report thereon.

Management's and Governance's Responsibility for the Consolidated Financial Statements

The responsibility of management is to prepare consolidated financial statements in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, and Interpretations issued by the Financial Supervisory Commission, and to maintain such internal control relevant to the preparation of consolidated financial statements as 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's responsibility also includes evaluating the ability of Acer Cyber Security Inc. and its subsidiaries to continue 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 subsidiaries or to cease operations, or has no realistic alternative but to do so.

The governance units (including the Audit Committee) of Acer Cyber Security Inc. and subsidiaries are responsible for overseeing the financial reporting process.

Attesting CPAs' Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion thereon. Reasonable assurance is a high degree of assurance, but an audit performed in accordance with Generally Accepted Auditing Standards in the Republic of China does not provide assurance that material misstatements in the consolidated financial statements will be detected. Misstatements may 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also performed the following undertakings:

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 material misstatement due to fraud is higher than that due to error because fraud may involve conspiracy, forgery, intentional omission, misrepresentation or a breach of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Acer Cyber Security Inc. and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Based on the evidence obtained, make a conclusion as to the appropriateness of management's adoption of the going concern basis of accounting and whether there is any material uncertainty about events or conditions that may cast significant doubt about the ability of Acer Cyber Security Inc. and its subsidiaries 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 and appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for directing, supervising, and performing the audit of the

Group’s financial statements and for forming an opinion on the audit of Acer Cyber Security Inc. and its subsidiaries.

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.

We have determined, based on our communications with those charged with governance, 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 of the consolidated financial statements of Acer Cyber Security Inc. and its subsidiaries as of and for the year ended December 31, 2021. 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.

KPMG Taiwan

Attesting CPAs:

Approved by competent securities authorities under	：	Jin-Guan-Zheng-Sheng-Zi No.1060005191 Jin-Guan-Zheng-Liu-Zi No. 0950103298

February 25, 2022

Acer Cyber Security Inc. and Subsidiaries
Consolidated Balance Sheet
For the years ended December 31, 2020 and 2021

(In NT$'000)

Code	Assets	2021.12.31 Amount	%	2020.12.31 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6(1))	$ 265,980	26	415,122	45
1140	Contract assets - current (Notes 6(14) and 7)	186,488	19	136,534	15
1170	Notes and accounts receivable, net (Note 6(3)(14))	165,058	16	135,406	15
1180	Accounts receivable - related parties, net (Notes 6(3)(14) and 7)	23,001	2	13,928	1
1200	Other receivables (Note 6(4))	1,469	-	2,686	-
1210	Other receivables - related parties (Notes 6(4) and 7)	61	-	209	-
1470	Prepaid expenses and other current assets	3,728	1	2,191	-
	Total current assets	645,785	64	706,076	76
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6(2))	28,538	3	28,205	3
1600	Property, plant and equipment (Notes 6(6) and 7)	31,551	3	19,922	2
1755	Right-of-use assets (Notes 6(7) and 7)	16,621	1	16,373	2
1780	Intangible assets (Notes 6(8) and 7)	129,133	13	65,262	7
1840	Deferred income tax assets (Note 6(11))	7,913	1	6,915	1
1967	Cost of contract performance - non-current	55,629	5	14,541	2
1975	Net defined benefit assets (Note 6(10))	547	-	1,733	-
1980	Other financial assets (Note 8)	97,031	10	64,076	7
	Total non-current assets	366,963	36	217,027	24
	Total Assets	$ 1,012,748	100	923,103	100

Code	Liabilities and Equity	2021.12.31 Amount	%	2020.12.31 Amount	%
	Current liabilities:				
2130	Contractual liabilities - current (Notes 6(14) and 7)	$ 33,848	3	52,144	6
2170	Accounts payable	158,646	16	91,095	10
2180	Accounts payable - related parties (Note 7)	5,463	1	7,444	1
2219	Other payables	126,208	12	110,521	12
2220	Other payables - related parties (Note 7)	5,336	1	8,361	1
2230	Current income tax liabilities	11,542	1	11,808	1
2280	Lease liabilities - current (Notes 6(9) and 7)	11,811	1	9,399	1
2300	Other current liabilities	9,899	1	10,353	1
	Total current liabilities	362,753	36	301,125	33
	Non-current liabilities:				
2580	Lease liabilities - non-current (Note 6(9))	5,384	-	7,533	1
2670	Guarantee deposit received	465	-	1,042	-
	Total non-current liabilities	5,849	-	8,575	1
	Total Liabilities	368,602	36	309,700	34
	Equity (Note 6(12))				
3110	Ordinary share capital	169,997	17	166,664	18
3200	Capital reserve	323,900	32	323,900	35
	Retained earnings:				
3310	Legal reserve	39,963	4	31,748	3
3320	Special reserve	14,002	1	11,634	1
3350	Undistributed earnings	111,397	11	93,459	10
3400	Other equity	(15,113)	(1)	(14,002)	(1)
	Total Equity	644,146	64	613,403	66
	Total Liabilities and Equity	$ 1,012,748	100	923,103	100

(Please refer to notes to the accompanying consolidated financial statements)

Chairman: Maverick Shih **President: I-Nan Wu** **Accounting Officer: Dick Tan**

Acer Cyber Security Inc. and Subsidiaries
Consolidated Statements of Income
From January 1 to December 31, 2021 and 2020

Unit: NT$'000

Code	Item	FY2021 Amount	FY2021 %	FY2020 Amount	FY2020 %
4000	**Net operating revenues (Notes 6(14), 7 and 14)**	$ 852,427	100	803,373	100
5000	**Operating costs (Notes 6(5)(6)(7)(8)(10)(15), 7 and 12)**	(490,578)	(58)	(482,164)	(60)
	Operating gross profit	361,849	42	321,209	40
	Operating expenses (Notes 6(6)(7)(8)(10)(15), 7 and 12)				
6100	Marketing expenses	(43,364)	(5)	(45,921)	(6)
6200	Management expenses	(92,244)	(11)	(72,919)	(9)
6300	Research and development expenses	(122,009)	(14)	(101,920)	(12)
	Total operating expenses	(257,617)	(30)	(220,760)	(27)
	Net income from operations	104,232	12	100,449	13
	Non-operating income and expenses (Notes 6(2)(9)(16) and 7)				
7100	Interest income	855	-	1,356	-
7010	Other income	3,600	1	-	-
7020	Other gains and losses	115	-	(142)	-
7050	Finance costs	(183)	-	(237)	-
	Total non-operating income and expenses	4,387	1	977	-
7900	**Net income before tax**	108,619	13	101,426	13
7950	**Income tax expense (Note 6(11))**	(21,766)	(3)	(19,272)	(3)
8200	**Net income for the period**	86,853	10	82,154	10
	Other comprehensive income:				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss (Note 6(11)(12))**				
8311	Remeasurements of defined benefit plans	(1,805)	-	(753)	-
8316	Revaluation losses on investments in equity instruments measured at fair value through other comprehensive income	333	-	(1,765)	-
8349	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	361	-	151	-
	Other comprehensive income or loss for the period	(1,111)	-	(2,367)	-
8500	**Total comprehensive income or loss for the period**	$ 85,742	10	79,787	10
	Earnings per share (in NT$) (Note 6(13))				
9750	**Basic earnings per share (NT$)**	$	5.11		4.83
9850	**Diluted earnings per share (NT$)**	$	5.08		4.81

(Please refer to notes to the accompanying consolidated financial statements)

Chairman: Maverick Shih President: I-Nan Wu Accounting Officer: Dick Tan

Acer Cyber Security Inc. and Subsidiaries
Consolidated Statement of Changes in Equity
From January 1 to December 31, 2021 and 2020

(In NT$'000)

			Retained earnings				Other equity items			
	Ordinary share capital	Capital reserve	Legal reserve	Special reserve	Undistributed earnings	Total	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Defined benefit Remeasurements of defined benefit plans	Total	Total Equity
Balance as of January 1, 2020	$ 163,396	323,900	24,978	510	81,486	106,974	-	(11,635)	(11,635)	582,635
Net income for the period	-	-	-	-	82,154	82,154	-	-	-	82,154
Other comprehensive income or loss for the period	-	-	-	-	-	-	(1,765)	(602)	(2,367)	(2,367)
Total comprehensive income or loss for the period	-	-	-	-	82,154	82,154	(1,765)	(602)	(2,367)	79,787
Appropriation and distribution of earnings:										
Provision for legal reserve	-	-	6,770	-	(6,770)	-	-	-	-	-
Provision for special reserve	-	-	-	11,124	(11,124)	-	-	-	-	-
Cash dividends from common stock	-	-	-	-	(49,019)	(49,019)	-	-	-	(49,019)
Stock dividends from capitalization of retained earnings	3,268	-	-	-	(3,268)	(3,268)	-	-	-	-
Balance as of December 31, 2020	166,664	323,900	31,748	11,634	93,459	136,841	(1,765)	(12,237)	(14,002)	613,403
Net income for the period	-	-	-	-	86,853	86,853	-	-	-	86,853
Other comprehensive income or loss for the period	-	-	-	-	-	-	333	(1,444)	(1,111)	(1,111)
Total comprehensive income or loss for the period	-	-	-	-	86,853	86,853	333	(1,444)	(1,111)	85,742
Appropriation and distribution of earnings:										
Provision for legal reserve	-	-	8,215	-	(8,215)	-	-	-	-	-
Provision for special reserve	-	-	-	2,368	(2,368)	-	-	-	-	-
Cash dividends from common stock	-	-	-	-	(54,999)	(54,999)	-	-	-	(54,999)
Stock dividends from capitalization of retained earnings	3,333	-	-	-	(3,333)	(3,333)	-	-	-	-
Balance as of December 31, 2021	**$ 169,997**	**323,900**	**39,963**	**14,002**	**111,397**	**165,362**	**(1,432)**	**(13,681)**	**(15,113)**	**644,146**

(Please refer to notes to the accompanying consolidated financial statements)

Chairman: Maverick Shih **President: I-Nan Wu** **Accounting Officer: Dick Tan**

Acer Cyber Security Inc. and Subsidiaries
Consolidated Statement of Cash Flows
From January 1 to December 31, 2021 and 2020

Unit: NT$'000

		FY2021	FY2020
Cash flows from operating activities:			
Net income before income tax	$	108,619	101,426
Adjusted items:			
Income and expense items			
Depreciation expense		22,898	18,706
Amortization expense		271,626	279,245
Interest expense		183	237
Interest income		(855)	(1,356)
Dividend income		(400)	-
Gain on disposal of property, plant and equipment		-	(20)
Total gain or loss on revenue items		293,452	296,812
Changes in assets/liabilities related to operating activities.			
Net changes in assets related to operating activities.			
Contract assets		(49,954)	(37,034)
Notes and accounts receivable		(29,652)	(55,450)
Accounts receivable - related parties		(9,073)	255
Other receivables		1,116	2,042
Other receivables - related parties		148	1,296
Prepaid expenses and other current assets		(1,537)	(470)
Net defined benefit assets		(619)	(1,657)
Total net changes in assets related to operating activities		(89,571)	(91,018)
Net change in liabilities related to operating activities:			
Contractual liabilities		(18,296)	32,466
Accounts payable		67,551	11,900
Accounts payable - related parties		(1,981)	4,210
Other payables		15,687	13,828
Other payables - related parties		(3,025)	(6,045)
Other current liabilities		(454)	3,147
Net change in liabilities related to operating activities		59,482	59,506
Net changes in assets and liabilities related to operating activities		(30,089)	(31,512)
Total adjustments		263,363	265,300
Cash inflows from operations		371,982	366,726
Interest received		956	1,352
Interest paid		(183)	(237)
Income taxes paid		(22,669)	(20,957)
Net cash inflows from operating activities		350,086	346,884

(Continued on next page)

(Please refer to notes to the accompanying consolidated financial statements)

Chairman: Maverick Shih President: I-Nan Wu Accounting Officer: Dick Tan

Acer Cyber Security Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Continued)

From January 1 to December 31, 2021 and 2020

Unit: NT$'000

	FY2021	FY2020
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(29,970)
Acquisition of property, plant and equipment	(22,282)	(12,810)
Disposal of property, plant and equipment	-	72
Acquisition of intangible assets	(232,741)	(141,304)
Increase in cost of performing contracts	(143,844)	(90,306)
(Increase) decrease in other financial assets	(32,955)	5,772
Dividends received	400	-
Net cash outflow from investing activities	(431,422)	(268,546)
Cash flows from financing activities:		
Decrease in guarantee deposits received	(577)	-
Lease principal repayments	(12,230)	(11,708)
Cash dividends distributed	(54,999)	(49,019)
Net cash outflow from financing activities	(67,806)	(60,727)
Increase (decrease) in cash and cash equivalents for the period	(149,142)	17,611
Cash and cash equivalents at beginning of period	415,122	397,511
Cash and cash equivalents at end of period	**$ 265,980**	**415,122**

(Please refer to notes to the accompanying consolidated financial statements)

Chairman: Maverick Shih **President: I-Nan Wu** **Accounting Officer: Dick Tan**

Acer Cyber Security Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
FY2021 and FY2020
(Amounts in NT$'000, unless otherwise stated)

1. Corporate History

Acer Cyber Security Inc. (hereinafter referred to as the "Company" or "ACIS") was established on May 29, 2000 upon approval by the Ministry of Economic Affairs, with its registered office at 8F., No. 563, Sec. 4, Zhongxiao East Road, Xinyi District, Taipei City, Taiwan.

The Company and its subsidiaries (hereinafter referred to as the "Consolidated Company") focuses on the development of information security-related services based on its indigenous R&D expertise. The business scope includes information security monitoring and protection center operation services, information security information sharing analysis development and monitoring services, anti-hacking and anti-virus monitoring services, distributed attack blocking exercises, vulnerability scanning, email alert testing, information security health check consultation and information security management system consulting services, etc. The subsidiaries mainly provide information security-related education and training services.

2. Approval date and procedures of the consolidated financial statements:

The accompanying consolidated financial statements were approved by the Board of Directors on February 25, 2022.

3. New standards, amendments and interpretations adopted:

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

Effective January 1, 2021, the Consolidated Company adopted the following newly revised IFRSs, which did not have a significant impact on the consolidated financial statements.

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, "Amendments to IBOR Reform - Phase 2
- Amendments to IFRS 16, "COVID-19-Related Rent Concessions Amendment after June 30, 2021".

(2) Effect of not yet adopting IFRSs recognized by the FSC

The Consolidated Company assesses that the application of the following newly revised IFRSs effective January 1, 2022 will not have a significant impact on the consolidated financial statements.

- Amendments to IAS 16, "Property, Plant and Equipment - Proceeds before Intended

Use”.

- Amendments to IAS 37, “Onerous Contracts - Cost of Fulfilling a Contract”.
- Annual Improvements to IFRSs for the 2018-2020 Cycle
- Amendments to IFRS 3, “References to the Conceptual Framework”.

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

The Consolidated Company anticipates that the following new and amended standards that have not yet been endorsed by the FSC will not have a material impact on the consolidated financial statements.

- Amendments to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”
- Amendments to IFRS 17, “Insurance Contracts” and IFRS 17
- Amendments to IAS 1, “Classification of Liabilities as Current or Noncurrent”.
- Amendments to IAS 1, “Disclosure of Accounting Policies”.
- Amendments to IAS 8, “Definition of Accounting Estimates”.
- Amendments to IAS 12, “Deferred Income Taxes Related to Assets and Liabilities Arising from a Single Transaction”.

4. Summary of Significant Accounting Policies

The significant accounting policies adopted in the consolidated financial statements herewith are summarized as follows. The following accounting policies have been applied consistently to all periods presented in the consolidated financial statements

(A) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission (hereinafter referred to IFRS endorsed by the FSC).

(B) Basis of preparation

1. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the net defined benefit assets (liabilities), which are measured at the present value of the defined benefit obligation less the fair value of pension fund assets and the effect of the cap mentioned in Note 4(14), and financial assets measured at fair value through other comprehensive income or loss, which are measured at fair value.

2. Functional and presentation currencies

The functional currency of each entity is the currency of the primary economic environment in which the Consolidated Company operates. The consolidated financial statements are expressed in New Taiwan dollars, the functional currency of the Company. Unless otherwise stated, all financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(C) Basis of consolidation

1. Principles governing the preparation of consolidated financial statements

The preparation of consolidated financial statements consists of the Company and entities controlled by the Company (i.e., subsidiaries). The Company controls an investee when it is exposed to, or has rights to, variable compensation from its participation in the investee and has the ability to affect such compensation through its power over the investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-company transactions between the Consolidated Companies, including balances and any unrealized gains and losses are eliminated in full at the time of preparing the consolidated financial statements. The total consolidated gains and losses of subsidiaries are attributed to the Company's owners and noncontrolling interests, respectively, even if the noncontrolling interests become deficit balances as a result.

The financial statements of subsidiaries have been appropriately adjusted to conform to the accounting policies used by the Company.

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

When the Consolidated Company loses control of a subsidiary, the resulting gain or loss is the difference between (1) the aggregate of the fair value of the consideration received and the fair value of the retained investment in the former subsidiary at the date control is lost, and (2) the aggregate of the carrying amounts of the assets (including goodwill) and liabilities of the former subsidiary and the noncontrolling interest at the date control is lost. The Consolidated Company accounts for all amounts previously recognized in other comprehensive income or loss related to the subsidiary on the same basis as the Consolidated Company would have to follow if the related assets or liabilities had been disposed of directly.

The residual investment in the former subsidiary is recognized at fair value on the date of loss of control as the original recognition of financial assets at fair value through other comprehensive income or as the original recognition of the cost of the investment in an affiliated entity.

2. Subsidiaries included in the consolidated financial statements

Name of investee company	Name of subsidiary	Nature of Business	Percentage of shareholding		Description
			2021.12.31	2020.12.31	
The Company	Acer Cyber Security Inc.	Information Security Education Training	100%	-	Note

Note: Established in August 2021.

3. Subsidiaries not included in the consolidated financial statements: None.

(D) Foreign Currency Transactions

Foreign currency transactions are translated into functional currencies at the exchange rates prevailing on the dates of transactions. At the end of each subsequent reporting period (hereinafter referred to as the reporting date), monetary items denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currency at the prevailing exchange rates ruling at the date of measurement of the fair value, while non-monetary items measured at historical cost are translated at the exchange rates prevailing at the date of the transaction. Translation differences arising from foreign currency translations are generally recognized in profit or loss.

(E) Criteria for classifying assets and liabilities as current or noncurrent

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

1. The asset is expected to be realized in the normal course of business or is intended to be sold or consumed.
2. The asset is held primarily for trading purposes.
3. The asset is expected to be realized within 12 months after the reporting period.
4. The asset is cash or cash equivalents, unless the asset is otherwise restricted from being exchanged or used to settle a liability at least twelve months after the reporting period.

Liabilities are classified as current liabilities and all other liabilities that are not current liabilities are classified as noncurrent liabilities if one of the following conditions is met:

1. The liability is expected to be settled in the normal course of business.
2. The liability is held primarily for trading purposes
3. The liability is expected to be settled within 12 months after the reporting period; or
4. The liability does not have an unconditional right to defer settlement for at least twelve months after the reporting period. The terms of the liability do not affect its classification if the issuance of equity instruments may, at the option of the counter-party, result in its settlement.

(F) Cash and cash equivalents

Cash includes cash on hand, checking deposits and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible into fixed amounts of cash and subject to an insignificant risk of changes in value. Time deposits that meet the above definition and are held to meet short-term cash commitments rather than for investment or other purposes are reported as cash equivalents.

(G) Financial instruments

Accounts receivable and debt securities issued are recognized as they are incurred. All other financial assets and financial liabilities are recognized when the Consolidated Company becomes a party to the contractual provisions of the financial instruments. Financial assets (other than accounts receivable that do not contain a significant financial component) or financial liabilities that are not measured at fair value through profit or loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance. Accounts receivable that do not contain significant financial components are measured at transaction price.

1. Financial Assets

On initial recognition, financial assets are classified as financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income. Transaction-date accounting is used for purchases or sales of financial assets in accordance with trading practices.

The Consolidated Company reclassifies all affected financial assets from the first day of the next reporting period only when the Consolidated Company changes its operating model for managing financial assets.

(1) Financial assets measured at amortized cost

Financial assets are measured at amortized cost if they meet the following criteria and are not designated as at fair value through profit or loss.

· The financial asset is held under an operating model whose objective is to collect the contractual cash flows.

· The contractual terms of the financial asset give rise to cash flows at a specific date solely for the purpose of paying interest on the principal and principal amount outstanding.

These financial assets are measured at amortized cost less impairment losses using the effective interest method after initial recognition. Interest income, foreign currency exchange gains or losses and impairment losses are recognized in profit or loss. When derecognized, the gain or loss is recognized in profit or loss.

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

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

· The financial assets are held under the operating model for the purpose of collecting contractual cash flows and selling them.

· The contractual terms of the financial asset give rise to cash flows at a specific date solely for the purpose of paying interest on the principal and principal amount outstanding.

Upon initial recognition, the Consolidated Company has an irrevocable election to report subsequent changes in the fair value of investments in equity instruments not held for trading in other comprehensive income. The aforementioned election is made on an instrument-by-instrument basis.

Investments in debt instruments are subsequently measured at fair value. Interest income, foreign currency exchange gains or losses and impairment losses are recognized in profit or loss under the effective interest method. On derecognition, the amount of other comprehensive income or loss accumulated under equity is reclassified to profit or loss.

Investors who are equity instruments are subsequently measured at fair value. Dividend income (unless it clearly represents a partial recovery of investment costs) is recognized in profit or loss. The remaining net gain or loss is recognized as other comprehensive income or loss. Upon derecognition, other comprehensive income or loss accumulated under equity is reclassified to retained earnings and not to profit or loss.

Dividend income from equity investments is recognized on the date the Consolidated Company has the right to receive the dividends (generally the ex-dividend date).

(3) Impairment of financial assets

The Consolidated Company recognizes an allowance for expected credit losses on financial assets (including cash and cash equivalents, notes and accounts receivable, other receivables and other financial assets) and contract assets measured at amortized cost.

The following financial assets are measured at 12-month expected credit losses, while the rest are measured at expected credit losses over the duration of the Company's survival.

- The credit risk on bank deposits (i.e., the risk of default over the expected life of the financial instruments) has not increased significantly since the original recognition.

Allowance for losses on accounts receivable and contract assets is measured based on the expected credit losses over the period.

The expected credit loss over the expected life of the instrument is the expected credit loss arising from all possible defaults during the expected lifespan of the instrument. The 12-month expected credit loss is the expected credit loss arising from possible defaults within 12 months after the reporting date of the instrument (or a shorter period if the expected life of the instrument is shorter than 12 months).

The maximum period for measuring expected credit losses is the maximum contractual period over which the Consolidated Company is exposed to credit risk.

In determining whether credit risk has increased significantly since initial recognition, the Consolidated Company considers reasonable and supportable information (available without excessive cost or input), including qualitative and quantitative information, and analysis based on the Consolidated Company's historical track record, credit evaluations and forward-looking information.

Expected credit losses are weighted estimates of the probability of credit losses over the expected life of the financial instruments. Credit losses are measured at the present value of all cash shortages, which is the difference between the cash flows that the Consolidated Company can receive under the contracts and the cash flows that the Consolidated Company expects to receive. Credit losses are expected to be discounted at the effective interest rate of the financial assets.

Allowance for losses on financial assets measured at amortized cost is deducted from the carrying amount of the assets.

When the Consolidated Company cannot reasonably expect to recover all or part of a financial asset, the total carrying amount of the financial asset is directly reduced. The Consolidated Company analyzes the timing and amount of write-offs individually on the basis of whether recovery is reasonably expected. The Consolidated Company does not expect any material reversal of the amount written off. However, financial assets that have been written off are still enforceable in order to comply with the Consolidated Company's procedures for recovering overdue amounts.

(4) Derecognition of Financial Assets

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

If the Consolidated Company enters into a transaction to transfer a financial asset, it continues to recognize the financial asset on the balance sheet if all or substantially all the risks and rewards of ownership of the transferred asset are retained.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

Debt and equity instruments issued by the Consolidated Company are classified as financial liabilities or equity based on the substance and nature of the contractual agreements and the definitions of financial liabilities and equity instruments. An equity instrument is any contract that recognizes the Consolidated Company's remaining interest in assets less all of its liabilities. Equity instruments issued by the Consolidated Company are recognized at the amount of the consideration received less direct issuance costs.

(2) Financial liabilities

Financial liabilities are classified as financial liabilities measured at amortized cost, which are subsequently measured at amortized cost using the effective interest method. Interest expense and exchange gain or loss are recognized in profit or loss. Any gain or loss is also recognized in profit or loss.

(3) Derecognition of financial liabilities

The Consolidated Company derecognizes financial liabilities when the contractual obligations are fulfilled, cancelled or expired. When the terms of a financial liability are modified and the cash flows of the amended liability are materially different, the original financial liability is derecognized and the new financial liability is recognized at fair value based on the amended terms.

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

(4) Offsetting of financial assets or liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Consolidated Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(8) Inventories

Inventories are measured at the lower of cost or net realizable value. Cost includes the necessary expenses incurred to bring the inventories to a usable location and condition and is calculated using the weighted-average method. Net realizable value is the estimated selling price under normal operations less the cost to bring the inventories to a saleable condition and the selling expenses to complete the sale.

(9) Property, plant and equipment

1. Recognition and measurement

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

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

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

2. Subsequent costs

Subsequent expenditures are capitalized only when it is probable that future economic benefits will flow to the Consolidated Company.

3. Depreciation

Depreciation is computed on the basis of the cost of an asset less its residual value and is recognized in profit or loss over the estimated useful lives of each component using the straight-line method. Leasehold improvements are amortized over the shorter of the lease term or estimated useful lives using the straight-line method. The remaining estimated useful lives are: three years for business and office equipment and five years for transportation equipment.

The depreciation method, useful lives and residual values are reviewed at each reporting date, and the effects of any changes in estimates are deferred and adjusted.

(10) Leases

The Consolidated Company assesses whether a contract is a lease or contains a lease at the inception date. If a contract transfers control over the use of an identified asset for a period of time in exchange for consideration, the contract is a lease or contains a lease.

1. Lessees

The Consolidated Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is measured initially at cost, which includes the original measurement of the lease liability, adjusting for any lease payments made on or before the commencement date of the lease, and adding the original direct costs incurred and the estimated costs of dismantling, removing and restoring the subject asset to its location or to the subject asset, less any lease incentives received.

Right-of-use assets are subsequently depreciated on a straight-line basis from the lease 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 Consolidated Company periodically assesses whether a right-of-use asset is impaired and addresses any impairment loss incurred, and adjusts the right-of-use asset when the lease liability is remeasured.

Lease liabilities are measured initially at the present value of the lease payments outstanding at the inception date of the lease. If the implied interest rate of the lease is readily determinable, the discount rate is that rate. If it is not readily determinable, the Consolidated Company's incremental borrowing rate is used. In general, the Consolidated Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities include.

(1) Fixed payments, including actual fixed payments.

(2) Variable lease payments that depend on an index or rate, using the index or rate at the inception date of the lease as the original measure.

(3) The amount of the residual value guarantee expected to be paid.

(4) The exercise price or penalty to be paid if it is reasonably certain that the option to purchase or the option to terminate the lease will be exercised.

Lease liabilities are subsequently accrued for using the effective interest method and are remeasured when the following occurs:

(1) There is a change in future lease payments as a result of a change in the index or rate used to determine lease payments.
(2) A change in the amount of the residual value guarantee expected to be paid.
(3) Changes in the evaluation of the purchase option on the subject asset.
(4) A change in the estimate of whether to exercise the option to extend or terminate the lease, resulting in a change in the evaluation of the lease term.
(5) Changes in the subject matter, scope or other terms of the lease.

When a lease liability is remeasured as a result of changes in the index or rate used to determine lease payments, changes in the residual value guarantee amount and changes in the evaluation of the purchase, extension or termination option as described above, the carrying amount of the right-of-use asset is adjusted accordingly and the remaining remeasurement amount is recognized in profit or loss when the carrying amount of the right-of-use asset is reduced to zero.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between the carrying amount and the remeasurement amount of the lease liability is recognized in profit or loss.

The Consolidated Company has presented right-of-use assets and lease liabilities that do not meet the definition of investment property as separate line items in the balance sheet.

If an agreement contains both lease and non-lease components, the Consolidated Company allocates the consideration in the agreement to the individual lease components on the basis of the relative individual prices. However, when leasing land and buildings, the Consolidated Company chose not to distinguish between non-lease components and treats lease components and non-lease components as a single lease component.

For short-term leases and leases of low-value subject assets, the Consolidated Company chose not to recognize right-of-use assets and lease liabilities, but rather recognized the related lease payments as expenses on a straight-line basis over the lease term.

2. Lessors

Transactions in which the Consolidated Company is the lessor are classified as finance leases on the inception date of the lease based on whether the lease contracts transfer substantially all the risks and rewards incidental to the ownership of the subject assets, and otherwise are classified as operating leases. In its evaluation, the Consolidated Company considers specific indicators, including whether the lease period covers a significant portion of the economic life of the subject asset.

If the Consolidated Company is the lessor of a sublease, the Consolidated Company treats the main lease and the sublease transactions separately and assesses the classification of the sublease transactions using the right-of-use assets arising from the main lease. If a master lease is a short-term lease and a recognition exemption applies, the sublease transaction should be classified as an operating lease.

For operating leases, the Consolidated Company recognizes the lease payments received as rental income over the lease term on a straight-line basis.

(11) Intangible assets

Prepaid licenses and purchased software with finite useful lives are stated at cost less accumulated amortization and accumulated impairment. Amortization is provided on a straight-line basis over one to four years based on the estimated useful lives and is recognized in profit or loss. The Consolidated Company reviews the residual value, useful life and amortization method of intangible assets at each reporting date, and makes appropriate adjustments when necessary.

(12) Impairment of non-financial assets

For non-financial assets other than inventories, contract assets, deferred income tax assets and assets for employee benefits, the Consolidated Company assesses at each reporting date whether an impairment loss has occurred and estimates the recoverable amount of the assets for which there is an indication of impairment. If the recoverable amount of an individual asset cannot be estimated, the Consolidated Company estimates the recoverable amount of the cash-generating unit to which the asset belongs for the purpose of assessing impairment.

The recoverable amount is the higher of the fair value of the individual asset or cash-generating unit, less costs to dispose of, and its value in use. If the recoverable amount of an individual asset or cash-generating unit is less than its carrying amount, the carrying amount of the individual asset or cash-generating unit is reduced to its recoverable amount and an impairment loss is recognized. An impairment loss is recognized immediately in profit or loss.

At each reporting date, the Consolidated Company re-evaluates whether there is any indication that the impairment loss recognized in prior years for non-financial assets other than goodwill ceases to exist or has decreased, and reverses the impairment loss to increase the carrying amount of the individual asset or cash-generating unit to its recoverable amount, but not to exceed the amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized for the individual asset or cash-generating unit in prior years.

(13) Revenue Recognition

1. Revenue from customer contracts

Revenue is measured by the consideration expected to be received for the transfer of goods or services. The Consolidated Company recognizes revenue when control of goods or services is transferred to customers to satisfy performance obligations. The Consolidated Company’s major revenue items are described as follows:

(1) Sales of goods

The Consolidated Company recognizes revenue when control over a product is transferred. The transfer of control of the product means that the product has been delivered to the customer, the customer has full control over the sales channel and price of the product, and there are no outstanding obligations that would affect the customer’s acceptance of the product. Delivery occurs when the product is delivered to a specific location, the risk of obsolescence and loss has been transferred to the customer, and the customer has accepted the product in accordance with the sales contract, the terms of acceptance have lapsed, or the Consolidated Company has objective evidence that all acceptance conditions have been met.

The Consolidated Company recognizes accounts receivable when the goods are delivered because the Consolidated Company has the unconditional right to receive the consideration amount at that point in time.

(2) Labor income

The Consolidated Company provides professional services for corporate information security and recognizes the related revenue in the period of financial reporting for the services rendered. Revenue is recognized on the basis of the percentage of services actually rendered to total services as of the reporting date, which is determined by the percentage of contracts performed and completed, time elapsed or milestones reached. If circumstances change, the estimates of revenues, costs and degree of completion are revised and the resulting changes are reflected in profit or loss in the period in which management is informed of the change.

Under fixed-price contracts, the Company’s customers pay a fixed amount of money according to the agreed-upon schedule. A contract asset is recognized when the amount paid exceeds the amount paid for the services rendered.

(3) Financial components

The Consolidated Company does not adjust the time value of money of the transaction price because it expects that the interval between the transfer of goods or services to the customer and the payment for the goods or services will not exceed one year for all customer contracts.

2. Cost of customer contracts

(1) Incremental cost of acquiring contracts

If the Consolidated Company expects to recover the incremental cost of acquiring a customer contract, the Consolidated Company recognizes such cost as an asset. The incremental cost of acquiring a contract is the cost incurred in acquiring a customer contract that would not have been incurred if the contract had not been acquired. Acquisition costs are recognized as expenses when incurred, regardless of whether the contract is acquired, unless the costs are clearly chargeable to the customer regardless of whether the contract is acquired.

The Consolidated Company adopts the practical expedient of the IFRS. If the incremental cost of acquiring a contract is recognized as an asset and the asset is amortized over a period of one year or less, the incremental cost is recognized as an expense when it is incurred.

(2) Costs of contract performance

Costs incurred to perform customer contracts that are not within the scope of other standards (IAS 2, "Inventories", IAS 16, "Property, Plant and Equipment" or IAS 38, "Intangible Assets") are recognized by the Consolidated Company only if they are directly related to the contract or to a clearly identifiable expected contract that will generate or reinforce future resources that will be used to satisfy (or continue to satisfy) pertinent performance obligations. These costs are recognized as assets only when they are directly related to contracts or clearly identifiable forecasted contracts that will generate or reinforce resources that will be used in the future to satisfy (or continue to satisfy) contractual obligations and are expected to be recoverable.

General and administrative costs, costs of wasted raw materials, labor or other resources used to fulfill contracts that are not reflected in the contract prices, costs associated with performance obligations that have been satisfied (or partially satisfied), and costs that are indistinguishable from those associated with performance obligations that have not been satisfied or those that have been satisfied (or partially satisfied) are recognized as expenses as incurred.

(14) Employee benefits

1. Defined contribution plans

Contribution obligations under defined contribution pension plans are recognized as employee benefit expense in profit or loss over the period in which the employees render their services.

2. Defined benefit plans

The net obligation under the defined benefit pension plan is the discounted value of future benefit amounts earned from current or prior service, less the fair value of plan assets, for each benefit plan, respectively. The discount rate is based on the market yield rate on government bonds with maturity dates approximating the maturity of the Consolidated Company's net obligation and denominated in the same currency as the expected benefit payments at the reporting date. The net obligation of the defined benefit pension plan is actuarially determined annually by a qualified actuary using the projected unit benefit method.

When the benefits under the plan are improved, the increase in benefits due to employees' past service is recognized immediately in profit or loss.

The remeasurement of the net defined benefit obligation (asset) consists of (1) actuarial gains and losses; and (2) compensation on plan assets, excluding amounts included in net interest on the net defined benefit obligation (asset); and (3) any change in the asset ceiling effect, excluding amounts included in net interest on the net defined benefit obligation (asset). The remeasurement of the net defined benefit liability (asset) is recognized in other comprehensive income and is included in other equity.

The Consolidated Company recognizes a gain or loss on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The curtailment or settlement gain or loss includes the change in the fair value of any plan assets and the change in the present value of the defined benefit obligation.

3. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as an expense when the related services are rendered. The amount expected to be paid under short-term cash bonus or dividend plans is recognized as a liability when the Consolidated Company has a present legal or constructive obligation to pay for the services rendered by employees and the obligation can be reliably estimated.

(15) Share-based payment transactions

An equity-settled share-based payment agreement recognizes an expense and increases relative equity over the vesting period of the remuneration, based on the fair value of the remuneration at the date of grant. The expense recognized is adjusted for the number of awards expected to qualify for the service condition and the non-market vesting condition; and the final amount recognized is measured based on the number of awards that qualify for the service condition and the non-market vesting condition on the vesting date.

When the Consolidated Company reserves shares for subscription by employees through cash capital increase, the date of granting is the date when the board of directors approves the subscription price and the number of shares to be subscribed by employees.

(16) Income Taxes

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

Current income taxes include estimated income taxes payable or refunds receivable based on current year's taxable income (loss) and any adjustments to prior years' income taxes payable or refunds receivable. The amount reflects the best estimate of the amount expected to be paid or received based on the statutory or substantively enacted tax rate at the reporting date, if any, to reflect uncertainties related to income taxes.

Deferred income taxes are recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred income tax is not recognized for temporary differences arising from:

1. Assets or liabilities that are not part of the original recognition of a business combination transaction and do not affect the accounting profit or taxable income (loss) at the time of the transaction.
2. Temporary differences arising from investments in subsidiaries, affiliates and joint ventures, where the Consolidated Company can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.
3. Taxable temporary differences arising from the original recognition of goodwill.

Deferred income taxes are measured at the tax rates that are expected to apply when the temporary differences reverse, using either the statutory or substantive legislative tax rates at the reporting date, and reflecting uncertainties, if any, related to income taxes.

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which unused tax losses and unused tax credits will be carried forward and deductible temporary differences can be deducted. Deferred tax assets are reassessed at each reporting date and reduced to the extent that it is not probable that the related income tax benefit will be realized, or the amount of the reduction is reversed to the extent that it becomes probable that sufficient taxable income will be available.

Deferred income tax assets and deferred income tax liabilities are offset only if the following conditions are met at the same time:

1. There is a legally enforceable right to offset current income tax assets and current income tax liabilities.
2. The deferred income tax assets and deferred income tax liabilities relate to one of the following taxable entities that are subject to income tax by the same competent taxing authority.
   (1) The same taxable entity; or
   (2) Different taxable entities, provided that each entity intends to settle current income tax liabilities and assets on a net basis, or to realize assets and settle liabilities simultaneously, in each future period in which significant amounts of deferred income tax assets are expected to be recovered and deferred income tax liabilities are expected to be settled.

(17) Earnings per share

The Consolidated Company presents basic and diluted earnings per share attributable to equity holders of the Company's common stock. Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company's common stock by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the profit or loss attributable to equity holders of the Company's common stock and the weighted-average number of common shares outstanding, respectively, for the effect of all potentially dilutive common shares. Potentially dilutive common shares of the Consolidated Company include employee remuneration paid in stock.

(18) Organizational Information

An operating division/department is a component unit of the Consolidated Company that engages in operating activities that may generate revenues and expenses, including revenues and expenses resulting from transactions with other components of the

Consolidated Company. The operating results of the operating divisions are regularly reviewed by the chief operating decision maker of the Consolidated Company to make decisions on the allocation of resources to the division and to evaluate the performance of the division. Separate financial information is available for each operating division.

5. Significant accounting judgments and sources of estimation uncertainty

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

Management reviews estimates and underlying assumptions on an ongoing basis, and changes in accounting estimates are recognized in the period of change and in the future periods affected.

The management of the Consolidated Company believes that there are no significant accounting judgments and uncertainties in estimates and assumptions that could have a significant effect on the amounts recognized in the Consolidated Financial Statements.

6. Description of Significant Accounting Items

(1) Cash and cash equivalents

	2021.12.31	2020.12.31
Cash on hand and working capital	$ 67	67
Demand deposits and checking deposits	265,913	195,055
Time deposits with original maturity of less than three months	-	220,000
	$ 265,980	415,122

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

	2021.12.31	2020.12.31
Financial assets at fair value through other comprehensive income or loss - non-current:		
Shares of domestic listed (OTC) companies	$ 28,538	28,205

The Consolidated Company held the above investments in equity instruments that were not held for trading purposes and were therefore designated as financial assets at fair value through other comprehensive income.

The Consolidated Company recognized dividend income of NT$400,000 and $0 for the years ended December 31, 2021 and 2020, respectively, from the above investments in equity instruments measured at fair value through other comprehensive income or loss.

(3) Notes and accounts receivable

	2021.12.31	2020.12.31
Notes receivable	$ 280	-
Accounts receivable	164,778	135,406
Less: Allowance for losses	-	-
	165,058	135,406
Accounts receivable - related parties	23,001	13,928
	$ 188,059	149,334

The Consolidated Company uses a simplified approach to estimate expected credit losses for all notes and accounts receivable, i.e., the expected credit losses are measured using ongoing expected credit losses, with forward-looking information has been incorporated. The expected credit losses of the Consolidated Company's notes and accounts receivable (including related parties) are analyzed as follows:

	2021.12.31		
	The carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for expected credit losses
Not past due	$ 184,636	-	-
1 to 30 days past due	1,178	-	-
31 to 60 days past due	2,185	-	-
61 to 90 days past due	60	-	-
Over 181 days past due	-	100%	-
	$ 188,059		-

	2020.12.31		
	The carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for expected credit losses
Not past due	$ 145,356	-	-
1 to 30 days past due	3,978	-	-
Over 181 days past due	-	100%	-
	$ 149,334		-

(4) Other receivables

	2021.12.31	2020.12.31
Other receivables	$ 1,469	2,686
Other receivables - related parties	61	209
Less: Allowance for losses	-	-
	$ 1,530	2,895

As of December 31, 2021 and 2020, the Consolidated Company had no expected credit losses on other receivables after evaluation.

(5) Inventory

1. Inventories were as follows:

	2021.12.31	2020.12.31
Merchandise	$ -	-

2. The cost of inventories recognized as operating costs for the period was as follows:

	FY2021	FY2020
Cost of inventories sold	NT$ 36,069	NT$ 76,780

(6) Property, plant and equipment

	Operating and office equipment	Transportation equipment	Leasehold improvements	Total
Cost:				
Balance as of January 1, 2021	$ 23,826	1,129	5,252	30,207
Additions	16,032	-	6,250	22,282
Balance as of December 31, 2021	$ 39,858	1,129	11,502	52,489
Balance as of January 1, 2020	$ 15,554	1,129	833	17,516
Additions	8,391	-	4,419	12,810
Disposal	(119)	-	-	(119)
Balance as of December 31, 2020	$ 23,826	1,129	5,252	30,207

		Operating and office equipment	Transportation equipment	Leasehold improvements	Total
Accumulated depreciation:					
Balance as of January 1, 2021	$	8,173	244	1,868	10,285
Depreciation		7,676	226	2,751	10,653
Balance as of December 31, 2021	**$**	**15,849**	**470**	**4,619**	**20,938**
Balance as of January 1, 2020	$	3,127	19	24	3,170
Depreciation		5,113	225	1,844	7,182
Disposal		(67)	-	-	(67)
Balance as of December 31, 2020	**$**	**8,173**	**244**	**1,868**	**10,285**
Carrying value:					
December 31, 2021	**$**	**24,009**	**659**	**6,883**	**31,551**
December 31, 2020	**$**	**15,653**	**885**	**3,384**	**19,922**

(7) Right-of-use assets

		Building and construction
Cost:		
Balance as of January 1, 2021	$	29,750
Additions		12,493
Termination of lease		(2,403)
Balance as of December 31, 2021	**$**	**39,840**
Balance as of January 1, 2020	$	35,893
Additions		2,947
Termination of lease		(9,090)
Balance as of December 31, 2020	**$**	**29,750**

Notes to the Consolidated Financial Statements of Acer Cyber Security Inc. and Subsidiaries (Continued)

	Building and construction
Accumulated depreciation:	
Balance as of January 1, 2021	$ 13,377
Depreciation	12,245
Termination of lease	(2,403)
Balance as of December 31, 2021	**$ 23,219**
Balance as of January 1, 2020	$ 10,943
Depreciation	11,524
Termination of lease	(9,090)
Balance as of December 31, 2020	**$ 13,377**
Carrying value:	
December 31, 2021	**$ 16,621**
December 31, 2020	**$ 16,373**

(8) Intangible assets

	Prepaid licensing fees	Computer software	Patent rights	Total
Cost:				
Balance as of January 1, 2021	$ 114,473	30,195	419	145,087
Additions	203,741	29,000	-	232,741
Write-offs and disposals	(151,991)	(36,485)	-	(188,476)
Balance as of December 31, 2021	**$ 166,223**	**22,710**	**419**	**189,352**
Balance as of January 1, 2020	$ 174,678	10,361	419	185,458
Additions	121,470	19,834	-	141,304
Write-offs and disposals	(181,675)	-	-	(181,675)
Balance as of December 31, 2020	**$ 114,473**	**30,195**	**419**	**145,087**
Accumulated amortization:				
Balance as of January 1, 2021	$ 58,306	21,309	210	79,825
Amortization	146,532	22,198	140	168,870
Write-offs and disposals	(151,991)	(36,485)	-	(188,476)
Balance as of December 31, 2021	**$ 52,847**	**7,022**	**350**	**60,219**
Balance as of January 1, 2020	$ 75,061	6,074	70	81,205
Amortization	164,920	15,235	140	180,295
Write-offs and disposals	(181,675)	-	-	(181,675)
Balance as of December 31, 2020	**$ 58,306**	**21,309**	**210**	**79,825**
Carrying value:				
December 31, 2021	**$ 113,376**	**15,688**	**69**	**129,133**
December 31, 2020	**$ 56,167**	**8,886**	**209**	**65,262**

Amortization expense of intangible assets is reported in the consolidated statement of income as follows:

		FY2021	FY2020
Operating costs	$	167,575	179,725
Operating expenses		1,295	570
	$	168,870	180,295

(9) Lease liabilities

The carrying amounts of the Consolidated Company's lease liabilities were as follows:

		2021.12.31	2020.12.31
Current	$	11,811	9,399
Non-current	$	5,384	7,533

For maturity analysis, please refer to Note 6(18), Financial Risk Management.

The amounts recognized in profit or loss were as follows

		FY2021	FY2020
Interest expense on lease liabilities	$	181	237

The amounts recognized in the statement of cash flows were as follows

		FY2021	FY2020
Total cash outflow from leases	$	12,411	11,945

The Consolidated Company leases premises and buildings for office use for a period of one to three years.

(10) Employee benefits

1. Defined benefit plans

A reconciliation of the present value of the Consolidated Company's defined benefit obligations to the fair value of plan assets was as follows:

		2021.12.31	2020.12.31
Present value of defined benefit obligation	$	47,979	45,061
Fair value of plan assets		(48,526)	(46,794)
Net defined benefit assets	$	(547)	(1,733)

Retirement payments for each employee under the Labor Standards Act are based on the base figure obtained from years of service and the average salary for the six months prior to retirement.

(1) Composition of plan assets

The Consolidated Company's pension fund under the Labor Standards Act is managed by the Bureau of Labor Insurance (hereinafter referred to as the "BLI") of the Ministry of Labor. According to the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund”, the minimum annual earnings to be distributed from the fund shall not be less than the earnings calculated based on the two-year time deposit interest rate of the local bank.

As of December 31, 2021 and 2020, the balances of the Consolidated Company’s Bank of Taiwan’s Labor Pension Fund were $48,526,000 and $46,794,000, respectively. For information on the use of the Labor Pension Fund assets, including the fund yield and fund asset allocation, please refer to the information posted on the website of the BLI.

(2) Changes in the present value of defined benefit obligations

	FY2021	FY2020
Defined benefit obligation as of January 1	$ 45,061	42,368
Current servicing cost	301	287
Interest cost	260	391
Remeasurement of net liabilities from defined benefit plans		
- Actuarial gains and losses resulting from changes in experience assumptions	1,317	433
- Actuarial gains and losses due to changes in financial assumptions	1,040	1,588
Impact of employee transfers	-	(6)
Defined benefit obligation as of December 31	$ 47,979	45,061

(3) Changes in fair value of plan assets

	FY2021	FY2020
Fair value of plan assets as of January 1	$ 46,794	43,191
Interest income	274	402
Remeasurement of net liabilities from defined benefit plans		
- Compensation on plan assets (excluding current interest)	552	1,268
Contributions from employer	906	709
Contributions from affiliated companies	-	1,224
Fair value of plan assets as of December 31	$ 48,526	46,794

(4) Effect from changes in asset upper limits

For the years ended December 31, 2021 and 2020, the Consolidated Company did not have any defined benefit plan assets.

(5) Expenses recognized in profit or loss

	FY2021	FY2020
Current servicing cost	$ 301	287
Net interest on net defined benefit assets	(14)	(11)
	$ 287	276
Recorded in:		
Operating costs	$ 125	338
Operating expenses	162	(62)
	$ 287	276

(6) Actuarial assumptions

The significant actuarial assumptions used by the Consolidated Company to determine the present value of the defined benefit obligation at the end of the financial reporting period were as follows:

	2021.12.31	2020.12.31
Discount rate	0.625%	0.625%
Future Salary Increase Rate	3%	3%

The Consolidated Company expects to pay a contribution of NT$1,016,000 to the defined benefit plan within one year after the reporting date in 2021. The weighted-average duration of the defined benefit plan is 12.36 years.

(7) Sensitivity analysis

The effects of changes in major actuarial assumptions used as of December 31, 2021 and 2020 on the present value of the defined benefit obligation are as follows:

	Effect on the defined benefit obligation	
	Increase of 0.25%	Decrease of 0.25%
December 31, 2021		
Discount rate	(1,064)	1,101
Future Salary Increase Rate	1,058	(1,023)
December 31, 2020		
Discount rate	(1,067)	1,107
Future Salary Increase Rate	1,058	(1,030)

The sensitivity analysis above analyzes the effect of changes in a single assumption with other assumptions held constant. In practice, changes in many assumptions may be linked. The sensitivity analysis is consistent with the methodology used to calculate the net defined benefit obligation on the balance sheet. The methodology and assumptions used in preparing the sensitivity analysis are the same as those used in the previous period.

2. Defined contribution plans

The Consolidated Company's defined contribution plan is based on the Labor Pension Act, which requires that contributions be made at a rate of 6% of the employees' monthly wages to the Labor Insurance Bureau's individual pension accounts. Under this plan, the Consolidated Company has no legal or constructive obligation to pay additional amounts after making a fixed contribution to the Bureau of Labor Insurance.

For FY2021 and FY2020, the Consolidated Company's pension costs under the defined contribution pension plan were NT$11,597,000 and NT$9,392,000, respectively.

(11) Income tax

1. The income tax expense of the Consolidated Company for FY2021 and FY2020 is as follows:

		FY2021	FY2020
Current income tax expense			
Current income tax expense	$	22,158	20,865
Adjustment of prior period's income tax		245	(926)
Deferred income tax benefit			
Occurrence and reversal of temporary differences		(637)	(667)
	$	**21,766**	**19,272**

The Consolidated Company has no income tax expense recognized directly in equity. The breakdown of income tax benefits recognized under other comprehensive income is as follows:

		FY2021	FY2020
Items not reclassified to profit or loss.			
Remeasurements of defined benefit plans	**$**	**361**	**151**

A reconciliation of income tax expense to net income before income taxes for FY2021 and FY2020 of the Consolidated Company is as follows:

	FY2021	FY2020
Net income before tax	$ 108,619	101,426
Income taxes based on the Company's domestic tax rate	$ 21,724	20,285
Adjustments to prior period income taxes	245	(926)
Others	(203)	(87)
Income tax expense	$ 21,766	19,272

2. Deferred income tax assets

(1) Deferred income tax assets recognized

	Remeasurements of defined benefit plans	Others	Total
January 1, 2021	$ 3,107	3,808	6,915
Recognized in income statement	-	637	637
Recognized in other comprehensive income	361	-	361
December 31, 2021	$ 3,468	4,445	7,913
January 1, 2020	$ 2,956	3,141	6,097
Recognized in income statement	-	667	667
Recognized in other comprehensive income	151	-	151
December 31, 2020	$ 3,107	3,808	6,915

3. Determination of income tax

The Company's income tax returns have been examined and approved by the tax authorities through FY2019.

(12) Capital and Other Equity

1. Common stock

As of December 31, 2021 and 2020, the Company's capital stock was NT$3,000,500,000, or $10 per share, divided into 300,050,000 shares, with 16,999,000 shares and 16,666,000 shares issued, respectively.

A reconciliation of the number of outstanding common shares for FY2021 and FY2020 is as follows (expressed in a thousand shares):

	Common stock	
	FY2021	**FY2020**
Beginning balance as of January 1	16,666	16,340
Stock allotment from capitalization of retained earnings	333	326
Balance at the end of December 31	**16,999**	**16,666**

2. Capital surplus

	2021.12.31	**2020.12.31**
Premium on issuance of shares	$ 323,900	323,900

Under the Company Act, capital surplus must be used to cover losses before new shares or cash can be issued in proportion to the shareholders' original shares. The realized capital surplus referred to in the preceding paragraph includes the premiums from the issuance of shares in excess of par value and the proceeds from gifts. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", capital reserve may be capitalized in an amount not exceeding 10% of the paid-in capital each year.

3. Policy on retained earnings and dividends

(1) Legal reserve

In accordance with the Company Act, the Company shall set aside 10% of its net income after tax as legal reserve until it equals to the total registered capital. If the Company has no deficit, it may issue new shares or cash from the legal reserve by resolution of the shareholders' annual general shareholders' meeting, provided that the reserve exceeds 25% of the paid-in capital.

(2) Special reserve

In accordance with the regulations of the FSC, when the Company distributes distributable earnings, the difference between the net decrease in other shareholders' equity and the special reserve in the current year is recognized as a special reserve from the current period's earnings and the prior period's undistributed earnings. The decrease in other shareholders' equity accumulated in prior years is not distributable from the special reserve set aside from undistributed earnings of prior years. If there is a reversal of the decrease in other shareholders' equity, the reversed portion of the earnings may be distributed.

(3) Appropriation of earnings

In accordance with the Company's Articles of Incorporation, if there is any surplus in the annual final accounts, the Company shall first pay taxes to cover past losses and then set aside 10% as legal reserve, except when the legal reserve has reached the total registered capital. Except for the special reserve set aside or reversed in accordance with the law or the regulations of the competent authority, the remainder of the reserve, together with the undistributed earnings of previous years, may be distributed as dividends to the shareholders, and the Board of Directors shall prepare a proposal for the distribution of dividends to the shareholders and submit it to the shareholders for resolution.

If the Company distributes dividends and bonuses in whole or in part in the form of cash, the Board of Directors is authorized to do so with the presence of at least two-thirds of the directors and a resolution of a majority of the directors present, and to report such resolutions to the shareholders' meeting.

The Company's dividend policy is to distribute dividends of not less than 2% of the available-for-distribution earnings to shareholders annually in the form of stock or cash, taking into account current and future development plans, the investment environment, capital requirements, domestic and international competition, and the interests of shareholders. In order to achieve a balanced and stable dividend policy, the Company's cash dividends shall not be less than 10% of the total dividends, unless the Board of Directors resolves not to distribute such dividends and such decision is approved at the annual general shareholders' meeting. Dividends and bonuses shall not be distributed if the Company has no earnings, except that the Company may distribute all or part of its legal reserve and capital surplus in accordance with laws and regulations or the regulations of the competent authorities, taking into account the Company's financial, business and operating conditions.

On March 15, 2021 and March 16, 2020, the Board of Directors resolved the amount of cash dividends to be distributed from the FY2020 and FY2019 earnings, respectively; and on July 14, 2021 and June 16, 2020, the annual general shareholders' meeting resolved the amount of stock dividends to be distributed from the FY2020 and FY2019 earnings, and the related amounts were as follows:

	FY2020		FY2019	
	Dividend per share (NT$)	Amount	Dividend per share (NT$)	Amount
Dividends distributed to common stock shareholders:				
Cash	$ 3.3	54,999	$ 3.0	49,019
Stocks	0.2	3,333	0.2	3,268
		$ 58,332		$ 52,287

On February 25, 2022, the Board of Directors resolved the amount of cash dividends for FY2021 to be distributed to the stockholders of the Company as follows:

	FY2021	
	Dividend per share (NT$)	Amount
Dividends to common stockholders		
Cash	$ 3.7	63,787

Information on earnings distribution can be found on the Market Observation Post System.

4. Other equity (net of tax)

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

	FY2021	FY2020
Balance at beginning of period	$ (1,765)	-
Changes in fair value of financial assets measured at fair value through other comprehensive income or loss	333	(1,765)
Balance at end of period	$ (1,432)	(1,765)

(2) Remeasurement of defined benefit plans

	FY2021	FY2020
Balance at beginning of period	$ (12,237)	(11,635)
Change during the period	(1,444)	(602)
Balance at end of period	$ (13,681)	(12,237)

(13) Earnings per share

1. Basic earnings per share

		FY2021	FY2020
Net income attributable to equity holders of the Company's common stock	$	**86,853**	**82,154**
Weighted-average number of common shares outstanding (in a thousand shares)		**16,999**	**16,999**
Basic earnings per share (NT$)	$	**5.11**	**4.83**

2. Diluted earnings per share

		FY2021	FY2020
Net income attributable to equity holders of the Company's common stock	$	**86,853**	**82,154**
Weighted-average number of common shares outstanding (in a thousand shares)		16,999	16,999
Effect of dilutive potential common shares (in a thousand shares)			
Effect of employee remuneration		97	84
Weighted-average number of common shares outstanding (after adjusting for the effect of dilutive potential common shares)		**17,096**	**17,083**
Diluted earnings per share (NT$)	$	**5.08**	**4.81**

(14) Revenue from customer contracts

1. Breakdown of revenue

		FY2021	FY2020
Major products/service lines:			
Integrated information security monitoring and protection services	$	476,816	491,898
Information security professional consulting services		290,151	178,148
Information security platform construction services and others		85,460	133,327
	$	**852,427**	**803,373**

2. Contract balance

	2021.12.31	2020.12.31	2020.1.1
Notes and accounts receivable (including related parties)	$ 188,059	149,334	94,139
Less: Allowance for losses	-	-	-
	$ 188,059	149,334	94,139
Contract assets	$ 186,488	136,534	99,500
Contractual liabilities	$ 33,848	52,144	19,678

Please refer to Note 6(3) for the disclosure of notes and accounts receivable and impairment losses.

The opening balances of contract liabilities as of January 1, 2021 and January 1, 2020 were $48,767,000 and $18,473,000 respectively, which were recognized as income in FY2021 and FY2020, respectively.

The changes in contract assets and contract liabilities were mainly due to the difference between the point at which the Consolidated Company transfers goods or services to customers to satisfy its contractual obligations and the point at which customers pay.

(15) Compensation to employees and directors

In accordance with the Company's Articles of Incorporation, if the Company makes a profit in a year, after retaining the amount to cover accumulated losses, it shall provide not less than 2% of the remaining amount as employee remuneration and not more than 0.8% as Directors' remuneration. The aforementioned employee remuneration may be paid in cash or in shares, and may be distributed to employees of the Company's subsidiaries who meet certain criteria.

For FY2021 and FY2020, employee compensation was NT$10,500,000 and NT$9,900,000, respectively, and Directors' remuneration was estimated to be NT$0, which was estimated by multiplying the Company's net income before deducting employee and directors' remuneration by the percentage of employee and director compensation to be distributed and reported as operating expenses for each period. If the actual distribution amount differs from the estimated amount in the following year, the difference is accounted for as a change in accounting estimate and recognized as profit or loss in the following year. The aforementioned estimated amounts do not differ from the distributions resolved by the board of directors and were all paid in cash.

(16) Non-operating income and expenses

1. Interest income

	FY2021	FY2020
Interest income from bank deposits	$ 855	1,356

2. Other income

	FY2021	FY2020
Rental income (Note 7)	$ 3,200	-
Dividend income	400	-
	$ 3,600	-

3. Other gains and losses

	FY2021	FY2020
Foreign currency exchange gains (losses), net	$ 61	(219)
Others	54	77
	$ 115	(142)

4. Finance cost

	FY2021	FY2020
Interest expense on lease liabilities	$ 181	237
Interest expense on bank loans	2	-
	$ 183	237

(17) Financial instruments

1. Types of financial instruments

(1) Financial assets

	2021.12.31	2020.12.31
Financial assets at fair value through other comprehensive income - non-current	$ 28,538	28,205
Financial assets carried at amortized cost		
Cash and cash equivalents	265,980	415,122
Notes receivable, accounts receivable and other receivables (including related parties)	189,589	152,229
Other financial assets	97,031	64,076
	$ 581,138	659,632

(2) Financial liabilities

		2021.12.31	2020.12.31
Financial liabilities measured at amortized cost.			
Accounts payable (including related parties)	$	164,109	98,539
Other payables (including related parties)		131,544	118,882
Lease liabilities (including current and non-current)		17,195	16,932
Guarantee deposit received		465	1,042
	$	313,313	235,395

2. Fair value information

(1) Financial instruments not carried at fair value

The management of the Consolidated Company considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values in the consolidated financial statements.

(2) Financial instruments measured at fair value

Financial assets held by the Consolidated Company at fair value through other comprehensive income or loss are measured at fair value on a recurring basis. The following table provides an analysis of financial instruments measured at fair value after initial recognition and is categorized into Levels 1 to 3 based on the degree of fair value significance. Each fair value hierarchy is defined as follows

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

B. Level 2: Inputs other than those included in Level 1 that are publicly quoted prices for the asset or liability are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

C. Level 3: Inputs to the asset or liability that are not based on observable market data (unobservable parameters).

	2021.12.31				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income - non-current					
Shares of domestic listed (OTC) companies	$ 28,538	28,538	-	-	28,538

	2020.12.31				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income - non-current					
Shares of domestic listed (OTC) companies	$ 28,205	28,205	-	-	28,205

3. Fair value valuation techniques used for financial instruments measured at fair value

If there is an active market for a financial instrument, the fair value is based on the quoted price in the active market.

Except for financial instruments with active markets, the fair values of financial instruments are obtained through generally accepted valuation techniques or by reference to quoted prices from counterparties. The fair values obtained through valuation techniques may be calculated by reference to the current fair values of other financial instruments with substantially similar conditions and characteristics, discounted cash flow method, or other valuation techniques, including the use of models with market information available at the reporting date.

The fair value of the Consolidated Company's shares in listed companies with standard terms and conditions and traded in an active market is determined by reference to quoted market prices.

4. Transfer between fair value hierarchy

For FY2021 and FY2020, there was no transfer of financial assets and liabilities to the fair value hierarchy.

(18) Financial Risk Management

The Consolidated Company is exposed to credit risk, liquidity risk and market price risk as a result of its general business activities. This note presents the risk information of the Consolidated Company for each of these risks, the Consolidated Company's policies and procedures for measuring and managing these risks, and quantitative disclosures.

The Consolidated Company's management team monitors and reviews financial activities in accordance with the relevant regulations and internal control system, and the internal auditors play a supervisory role and report the review results to the Board of Directors on a regular basis.

1. Credit risk

(1) The maximum amount of credit risk exposure

Credit risk is the risk of financial loss to financial assets arising from the

Consolidated Company's failure to meet contractual obligations with counter-parties, mainly from financial assets such as cash and cash equivalents, notes and accounts receivable, other receivables and other financial assets. The carrying amounts of the Consolidated Company's financial assets and contract assets represent the maximum credit risk exposure.

(2) Concentration of credit risk

The Consolidated Company's customers are mainly governmental agencies and financial and insurance companies at various levels, and there is no significant concentration of credit risk in accounts receivable.

(3) Credit risk of receivables

Please refer to Note 6(3) for the credit risk exposure information of notes receivable and accounts receivable.

Other financial assets measured at amortized cost include other receivables (see Note 6(4)) and refundable deposits (reported as other financial assets). All of the above are financial assets with low credit risk, therefore, the allowance for losses for the period is measured at the expected credit loss amount for 12 months (please refer to Note 4(7) for the explanation of how the Consolidated Company determines low credit risk).

2. Liquidity risk

Liquidity risk is the risk that the Consolidated Company will not be able to deliver cash or other financial assets to settle its financial liabilities and will not be able to meet its obligations. The Consolidated Company regularly monitors its current and expected medium- to long-term capital requirements and manages liquidity risk by maintaining sufficient cash and cash equivalents and bank financing lines. As of December 31, 2021 and 2020, the Consolidated Company had unused borrowing facilities of NT$430,000 and NT$409,100, respectively.

The following table presents the contractual maturities of the Consolidated Company's financial liabilities, including estimated interest, which are based on the earliest possible date the Consolidated Company could be required to repay and are prepared using undiscounted cash flows.

	Contractual Cash Flows	Within 1 year	1-2 years	2-5 years
December 31, 2021				
Non-derivative financial liabilities				
Accounts payable (including related parties)	$ 164,109	164,109	-	-
Other payables (including related parties)	131,544	131,544	-	-
Lease liabilities	17,298	11,892	4,325	1,081
Guarantee deposit received	465	-	-	465
	$ 313,416	307,545	4,325	1,546
December 31, 2020				
Non-derivative financial liabilities				
Accounts payable (including related parties)	$ 98,539	98,539	-	-
Other payables (including related parties)	118,882	118,882	-	-
Lease liabilities	17,095	9,528	7,567	-
Guarantee deposit received	1,042	-	-	1,042
	$ 235,558	226,949	7,567	1,042

The Consolidated Company does not anticipate that the cash flows analyzed at maturity will occur significantly earlier or that the actual amounts will be significantly different.

3. Market risk

Market risk refers to the risk of changes in market prices, such as changes in exchange rates, interest rates and prices of equity instruments, which may affect the Consolidated Company's earnings or the value of financial instruments held. The objective of market risk management is to manage market risk within a tolerable level and to optimize investment returns.

The Consolidated Company manages the risk of changes in the price of equity instruments arising from its investments in equity securities of listed companies on a fair value basis and actively monitors the performance of the investments. The sensitivity analysis of the price risk of equity instruments is based on the change in fair value at the end of the financial reporting period. If the price of equity instruments had increased/decreased by 5%, the amount of other comprehensive income would have increased/decreased by NT$1,427,000 and NT$1,410,000 for FY2021 and FY2020, respectively.

(19) Capital management

Based on the characteristics of the current industry the Company is involved in and the future development prospects of the Company, and taking into account the changes in the external environment, the Consolidated Company plans for the future operating capital, research and development expenses, and dividend payments required by the Consolidated Company to ensure that the Company can continue its operations, repay its shareholders and take into account the interests of other stakeholders, and maintain an optimal capital structure to maximize shareholders' value in the long run.

(20) Investment and fund-raising activities for non-cash transactions

1. For assets acquired under lease, please refer to Note 6(7)

2. The reconciliation of liabilities from financing activities is as follows

			Changes in non-cash items	
	2021.1.1	**Cash flows**	**Increase in lease liabilities**	**2021.12.31**
Lease liabilities	$ 16,932	(12,230)	12,493	17,195
Guarantee deposit received	1,042	(577)	-	465
Total liabilities from financing activities	$ 17,974	(12,807)	12,493	17,660

			Changes in non-cash items	
	2020.1.1	**Cash flows**	**Increase in lease liabilities**	**2020.12.31**
Lease liabilities (i.e. total liabilities from financing activities)	$ 25,693	(11,708)	2,947	16,932

7. Related party transactions

(1) Parent company and ultimate controlling party

Acer Incorporated, the parent company of the Consolidated Company and the ultimate controlling party of the Group to which it belongs, held 64.53% of the outstanding common shares of the Company as of December 31, 2021 and 2020. Acer Incorporated has prepared consolidated financial statements for public reference.

(2) Names and relationships of related parties

The related parties with whom the Consolidated Company had transactions during the period covered by the Consolidated Financial Statements are as follows:

Name of related parties	**Relationship with the Company**
Acer Incorporated (Acer)	Parent company of the Company
Other related parties.	
Weblink International Inc.	Subsidiary of Acer Inc.
Acer E-enabling Service Business Inc.	Subsidiary of Acer Inc.
Acer e-Enabling Data Center Incorporated	Subsidiary of Acer Inc.
Acer Cloud Technology (Taiwan) Inc.	Subsidiary of Acer Inc.
Altos Computing Inc.	Subsidiary of Acer Inc.
GadgeTek Inc.	Subsidiary of Acer Inc.
Acer Synergy Tech Corp.	Subsidiary of Acer Inc.
Acer Computer Co., Ltd.	Subsidiary of Acer Inc.

(3) Significant related party transactions

1. Operating revenues

The Consolidated Company's service revenues from related parties were as follows:

	FY2021	**FY2020**
Parent company	$ 30,264	22,169
Other related parties	28,630	30,527
	$ 58,894	**52,696**

The Consolidated Company's service prices and transaction terms with related parties are not comparable to those of ordinary customers due to the different nature of contract projects and product specifications.

2. Cost of goods and operations

The Consolidated Company's purchases from related parties are as follows:

	FY2021	**FY2020**
Parent company	$ 1,399	1,287
Other related parties	27,005	26,249
	$ 28,404	**27,536**

The prices of the Consolidated Company's purchases from related parties are not comparable to those of ordinary transactions due to the different nature of contract items and product specifications.

3. Leases

In FY2021, the Consolidated Company subleased a portion of its office building to another related party, Acer e-Enabling Data Center Incorporated, with reference to the office rental market rates in the neighboring areas. The related rental income was NT$3,200,000, which was recorded as other income.

4. Service expenses

The related labor costs for information and legal management services provided by related parties to the Consolidated Company are as follows

	FY2021	FY2020
Parent company	$ 1,833	1,833
Other related parties	-	116
	$ 1,833	**1,949**

5. Property transactions

The Consolidated Company acquired business and office equipment and intangible assets (patent rights) from related parties as follows:

	FY2021	FY2020
Parent company	$ 571	273
Other related parties	920	2,789
	$ 1,491	**3,062**

6. Other transactions between the Consolidated Company and its related parties were recorded as operating expenses as follows:

	FY2021	FY2020
Parent company	$ 1,782	1,590
Other related parties	575	201
	$ 2,357	**1,791**

7. Amounts due from related parties, contract assets and contract liabilities

The Consolidated Company’s receivables and contract liabilities from related parties for the aforementioned project service revenues and costs or expenses paid on behalf of related parties are as follows:

Item	Type of related party	2021.12.31	2020.12.31
Contract assets	Parent company	$ 507	685
Contract assets	Other related parties	5,568	3,443
Accounts receivable - related parties	Parent company	15,647	8,427
Accounts receivable - related parties	Other related parties	7,354	5,501
Other receivables-Related parties	Other related parties	61	209
		$ 29,137	18,265
Contractual liabilities	Other related parties	$ -	889

8. Amounts due to related parties

The amounts due to related parties from the Consolidated Company for the aforementioned purchases of goods and services, purchases of business and office equipment, and collection of accounts on behalf of related parties are as follows:

Item	Type of related party	2021.12.31	2020.12.31
Accounts payable - related parties	Parent company	$ 270	99
Accounts payable - related parties	Other related parties	5,193	7,345
Other payables - related parties	Parent company	761	852
Other payables - related parties	Other related parties	4,575	7,509
		$ 10,799	15,805

(4) Remuneration for key managerial officers

Remuneration for key managerial officers consist of

	FY2021	FY2020
Short-term employee benefits	$ 17,303	16,628
Post-employment benefits	543	523
	$ 17,846	17,151

8. Pledged Assets

Name of assets	Subject of pledge	2021.12.31	2020.12.31
Refundable deposits (included in other financial assets)	Bid bonds and performance guarantees	$ 93,982	61,749

9. Significant contingent liabilities and unrecognized contractual commitments: None.

10. Significant Disaster Losses: None.

11. Significant Future Events

(1) To optimize and improve information security service offerings, the Company acquired 100% of the shares of Acer e-Enabling Data Center Incorporated for NT$475,747,000 on January 3, 2022 to integrate its cloud maintenance and backup and recovery services to strengthen the Company's competitiveness.

(2) In order to attract and retain the necessary professional talents, motivate employees and enhance employee motivation, the Company approved at the annual general shareholders' meeting on December 23, 2021 to issue up to 300,000 new shares with restricted employee rights to employees at no consideration, which was reported to the FSC and became effective on January 7, 2022.

12. Others

(1) Employee benefits, depreciation and amortization expenses by function are summarized as follows:

Functions / Nature	FY2021			FY2020		
	Defined as operating costs	Defined as operating expenses	Total	Defined as operating costs	Defined as operating expenses	Total
Employee benefit expenses						
Salary expense	108,058	183,076	291,134	81,000	158,945	239,945
Labor and health insurance expenses	9,016	13,740	22,756	6,405	10,752	17,157
Pension expense	4,606	7,278	11,884	3,749	5,919	9,668
Directors' remuneration	-	1,400	1,400	-	1,400	1,400
Other employee benefit expenses	3,603	6,332	9,935	4,721	5,659	10,380
Depreciation expense	3,369	19,529	22,898	3,726	14,980	18,706
Amortization expense	270,331	1,295	271,626	278,675	570	279,245

13. Notes to Disclosures

(1) Significant Transactions

In accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the following information regarding significant transactions should be disclosed by the Consolidated Company for FY2021:

1. Loan of funds to others: None.
2. Endorsement and guarantee for others: None.
3. Marketable securities held at the end of the period (excluding investments in subsidiaries, affiliates and joint ventures).

Unit: NT$1,000 per thousand shares

Ownership company	Type and name of marketable securities	Relationship with the issuer of marketable securities	Accounting item	End of period				Note
				Number of shares	Carrying amount	Shareholding ratio	Market value	
The Company	Shin Kong Financial Holding Preferred Shares B (2888B)	-	Financial assets at fair value through other comprehensive income or loss - Non-current	666	28,538	0.30 %	28,538	

4. The cumulative amount of purchases or sales of marketable securities amounting to at least NT$300 million or 20% of the paid-in capital: None.
5. Acquisition of real estate amounting to at least NT$300 million or 20% of the paid-in capital: None.
6. Disposal of real estate amounting to at least NT$300 million or 20% of the paid-in capital: None.
7. Purchase from or sale to related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.
8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.
9. Derivative transactions: None.
10. Business relationships and significant transactions between parent and subsidiary entities: None.

(2) Information on the Company's reinvestment businesses: None.

Unit: NT$1,000 per thousand shares

Name of investee company	Name of investee company	Location	Main Business Scope	Original investment amount		Amount held at end of period			Highest shareholding in the period		(Loss) income of the investee company	(Gain loss on investment recognized during the period	Note
				End of the period	End of last year	Number of shares	Ratio	Carrying amount	Number of shares	Ratio			
The Company	Acer Cyber Security Inc.	Taiwan	Information Security Education Training	10,000	-	1,000	100%	7,640	1,000	100%	(2,360)	(2,360)	(Note)

Note: Established in August 2021.

(3) Investments in Mainland China: None.

(4) Information on major shareholders.

Shares / Major shareholders	Shares held	Shareholding ratio
Acer Incorporated	10,971,018	64.53%

Note: The information of major shareholders in this table is based on information provided by Taiwan Depository & Clearing Corporation (TDCC) as of the last business day at the end of each quarter, including the calculation of shareholders' holdings of at least 5% of the Company's common stock that have been delivered without physical registration. The number of shares recorded in the Company's financial statements and the actual number of shares delivered without physical registration may differ depending on the basis of preparation of the calculations.

14. Organizational information

(1) General information

The Consolidated Company is solely engaged in the business of information security services and has only a single reportable division.

(2) Product and service information

The Consolidated Company's revenue information from external customers is as follows.

Name of products and services	FY2021	FY2020
Integrated information security monitoring and protection services	$ 476,816	491,898
Information security professional consulting services	290,151	178,148
Information security platform construction services and others	85,460	133,327
	$ 852,427	803,373

(3) Geographical information

Revenue is classified based on the geographical location of the customer, while non-current assets are classified based on the geographical location of the asset.

Customer revenues are as follows:

Region	FY2021	FY2020
Taiwan	$ 848,908	796,435
Thailand	2,872	5,673
Other countries	647	1,265
	$ 852,427	803,373

Non-current assets:

Region	2021.12.31	2020.12.31
Taiwan	$ 232,934	116,098

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets and other assets, but exclude financial instruments, deferred income tax assets and net defined benefit assets.

(4) Information on major customers

	FY2021	FY2020
The amount of the Consolidated Company's total revenue from customer A	$ 24,462	88,966