

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Consolidated Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021

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

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

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Representation Letter

The entities that are required to be included in the combined financial statements of Acer Cyber Security Inc. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 “ Consolidated Financial Statements” endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Acer Cyber Security Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Acer Cyber Security Inc.
Hsuan-Hui (Maverick)
Shih Chairman
February 24, 2023

Independent Auditors' Report

To the Board of Directors
Acer Cyber Security Inc.:

Opinion

We have audited the consolidated financial statements of Acer Cyber Security Inc. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021 (restated), and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021 (restated), and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), and interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Emphasis Matter

As disclosed in Note 4(2) and 6(6) of the consolidated financial statements, on January 3, 2022, Acer Cyber Security Inc. acquired 100% equity interest in its parent company Acer Inc.'s subsidiary, Acer e-Enabling Data Center Inc., for cash consideration of \$475,748. The transaction is considered a reorganization of entities under common control in accordance with the regulations of the IFRS Q&A, Interpretation (100) No. 390 and Interpretation (101) No. 301, published by the Accounting Research and Development Foundation. Therefore, the transaction should be treated as a merger from the beginning, and the consolidated financial statements for the year 2021 should be restated accordingly. We did not modify our audit opinion due to this matter.

Key Audit Matter

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

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2022 are stated as follows:

1. Revenue recognition

Please refer to Note 4(13) for the accounting policies on recognizing revenue.

Description of key audit matter:

The Group engaged primarily in providing integrated cybersecurity service to enterprises. The identification of performance obligation(s) and the timing of revenue recognition (performance obligations satisfied over time or at a point in time) is subject to management's judgment, which increases the complexity of revenue recognition. Therefore, revenue recognition has been identified as our key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain audit procedures including, among others, testing the design and operating effectiveness of the Group's internal control over the service revenue recognition; assessing whether the accounting policies with respect to the identification of performance obligation(s) and timing of revenue recognition are appropriate; reviewing the contract term and other supporting documents of the selected samples to verify whether the timing and amount of revenue recognition is in accordance with related accounting policies. We also consider the adequacy of the disclosure on revenue from contracts with customers in the Note 6(17) of the accompanying consolidated financial statements.

Other Matter

Acer Cyber Security Inc. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified audit opinion with Emphasis Matter and unmodified audit opinion.

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

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the investee companies accounted for using equity method to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Ching-Wen Kao and Wei-Ming Shih.

KPMG

Taipei, Taiwan (Republic of China)

February 24, 2023

(Expressed in Thousands of New Taiwan Dollars)

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

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2022 and 2021

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

		2022		2021 (restated)	
		Amount	%	Amount	%
4000	Net revenue (notes 6(17), 7 and 14)	\$ 1,603,216	100	1,447,368	100
5000	Cost of revenue (note 6(5), (7), (8), (9), (10), (12), (18), 7 and 12)	(960,727)	(60)	(905,163)	(63)
	Gross profit	642,489	40	542,205	37
	Operating expenses (notes 6(7), (8), (9), (11), (12), (15), (18), 7 and 12):				
6100	Selling expenses	(85,198)	(5)	(63,513)	(4)
6200	General and administrative expenses	(135,767)	(8)	(130,593)	(9)
6300	Research and development expenses	(236,073)	(15)	(215,871)	(15)
	Total operating expenses	(457,038)	(28)	(409,977)	(28)
	Operating income	185,451	12	132,228	9
	Non-operating income and loss (notes 6(11), (19) and 7):				
7100	Interest income	752	—	1,868	—
7010	Other income	1,199	—	400	—
7020	Other gains and losses	5,069	—	1,587	—
7050	Finance costs	(5,015)	—	(718)	—
	Total non-operating income and loss	2,005	—	3,137	—
7900	Income before taxes	187,456	12	135,365	9
7950	Income tax expense (notes 6(13))	(32,090)	(2)	(21,766)	(1)
8200	Net Income	155,366	10	113,599	8
	Other comprehensive income (loss):				
8310	Items that will not be reclassified subsequently to profit or loss (notes 6(13) and (14))				
8311	Remeasurements of defined benefit plans	2,880	—	(10,403)	(1)
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(4,629)	—	333	—
8349	Income tax related to items that will not be reclassified to profit or loss	(4,825)	(1)	2,081	—
	Other comprehensive income (loss)	(6,574)	(1)	(7,989)	(1)
8500	Total comprehensive income (loss) for the year	\$ 148,792	9	105,610	7
	Profit attributable to:				
8610	Owners of the parent	\$ 155,366	10	86,853	6
8615	Previous entity under common control	—	—	26,746	2
		\$ 155,366	10	113,599	8
	Comprehensive income attributable to:				
8710	Owners of the parent	\$ 148,792	9	85,742	6
8715	Previous entity under common control	—	—	19,868	1
		\$ 148,792	9	105,610	7
	Earnings per share (in New Taiwan dollars) (note 6(16))				
9750	Basic earnings per share (in New Taiwan dollars)				
	Owners of the parent	\$	7.92		5.11
	Previous entity under common control		—		1.57
	Basic earnings per share (in New Taiwan dollars)	\$	7.92		6.68
9850	Diluted earnings per share (in New Taiwan dollars)				
	Owners of the parent	\$	7.82		5.08
	Previous entity under common control		—		1.56
	Diluted earnings per share (in New Taiwan dollars)	\$	7.82		6.64

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

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Parent												Previous entity under common control	Total Equity
	Retained earnings						Other equity							
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Employee unearned compensation	Total	Total equity attributable to shareholders of the parent			
Balance at January 1, 2021 (restated)	\$ 166,664	323,900	31,748	11,634	93,459	136,841	(1,765)	(12,237)	—	(14,002)	613,403	1,564,233	2,177,636	
Net income for the year	—	—	—	—	86,853	86,853	—	—	—	—	86,853	26,746	113,599	
Other comprehensive income (loss) for the year	—	—	—	—	—	—	333	(1,444)	—	(1,111)	(1,111)	(6,878)	(7,989)	
Total comprehensive income (loss) for the year	—	—	—	—	86,853	86,853	333	(1,444)	—	(1,111)	85,742	19,868	105,610	
Appropriation approved by the stockholders:														
Legal reserve	—	—	8,215	—	(8,215)	—	—	—	—	—	—	—	—	
Special reserve	—	—	—	2,368	(2,368)	—	—	—	—	—	—	—	—	
Cash dividends	—	—	—	—	(54,999)	(54,999)	—	—	—	—	(54,999)	(38,092)	(93,091)	
Stock dividends (unappropriated earnings transferred to common stock)	3,333	—	—	—	(3,333)	(3,333)	—	—	—	—	—	—	—	
Capital Reduction to the business division	—	—	—	—	—	—	—	—	—	—	—	(1,077,189)	(1,077,189)	
Balance at December 31, 2021 (restated)	169,997	323,900	39,963	14,002	111,397	165,362	(1,432)	(13,681)	—	(15,113)	644,146	468,820	1,112,966	
Net income for the year	—	—	—	—	155,366	155,366	—	—	—	—	155,366	—	155,366	
Other comprehensive income (loss) for the year	—	—	—	—	—	—	(4,629)	(1,945)	—	(6,574)	(6,574)	—	(6,574)	
Total comprehensive income (loss) for the year	—	—	—	—	155,366	155,366	(4,629)	(1,945)	—	(6,574)	148,792	—	148,792	
Appropriation approved by the stockholders:														
Legal reserve	—	—	8,685	—	(8,685)	—	—	—	—	—	—	—	—	
Special reserve	—	—	—	1,111	(1,111)	—	—	—	—	—	—	—	—	
Cash dividends	—	—	—	—	(63,787)	(63,787)	—	—	—	—	(63,787)	—	(63,787)	
Cash capital increase	50,000	428,800	—	—	—	—	—	—	—	—	478,800	—	478,800	
Reorganization	—	5,896	—	—	—	—	—	(12,824)	—	(12,824)	(6,928)	(468,820)	(475,748)	
Issuance of restricted employee stock	2,410	14,438	—	—	—	—	—	—	(16,848)	(16,848)	—	—	—	
Compensation cost of restricted employee stock	—	—	—	—	—	—	—	—	5,055	5,055	5,055	—	5,055	
Compensation cost of reservation of cash capital increase for the employee to purchase	—	2,886	—	—	—	—	—	—	—	—	2,886	—	2,886	
Balance at December 31, 2022	\$ 222,407	775,920	48,648	15,113	193,180	256,941	(6,061)	(28,450)	(11,793)	(46,304)	1,208,964	—	1,208,964	

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

ACER CYBER SECURITY INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021 (restated)
Cash flows from operating activities:		
Income before income tax	\$ 187,456	135,365
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation	116,197	94,265
Amortization	563,877	409,178
Interest expense	5,015	718
Interest income	(752)	(1,868)
Cash Dividend	(1,199)	(400)
Share-based compensation cost	7,941	—
(Gain) loss on disposal of property, plant and equipment	(359)	8
Gain on lease modification	—	(16)
Total profit and loss	690,720	501,885
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Contract assets	33,167	(81,943)
Notes and accounts receivable	(4,064)	(1,869)
Accounts receivables –related parties	(9,054)	(23,402)
Other receivables	1,469	1,116
Other receivables –related parties	61	1,057
Prepaid expenses and other current assets	1,113	(1,376)
Net defined benefit asset	(3,360)	(619)
Net changes in operating assets	19,332	(107,036)
Net changes in operating liabilities:		
Contract liabilities	45,653	983
Accounts payable	(89,954)	80,715
Accounts payable –related parties	3,734	1,597
Other payables	29,814	34,789
Other payables –related parties	350	(1,433)
Other current liabilities	7,778	(164)
Net defined benefit liability	(5,622)	(177)
Net changes in operating liabilities	(8,247)	116,310
Total changes in operating assets and liabilities	11,085	9,274
Total adjustments	701,805	511,159
Cash provided by operations	889,261	646,524
Interest received	752	1,969
Interest paid	(5,015)	(718)
Income taxes paid	(22,658)	(22,807)
Net cash provided by operating activities	862,340	624,968

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

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the Years Ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021 (restated)
Cash flows from investing activities:		
Payment of reorganization	(475,748)	–
Cash dividends paid by the previous entity	(38,092)	–
Additions to property, plant and equipment	(43,811)	(306,040)
Proceeds from disposal of property, plant and equipment	904	–
Decrease in other receivables – related parties	–	250,000
Additions to intangible assets	(205,457)	(254,952)
Increase in non-current assets recognized from costs to fulfil contracts with customers	(356,519)	(361,628)
Increase (decrease) in other financial assets	34,187	(27,244)
Increase in other non-current assets	(2,387)	(12,985)
Payment due to the business division	–	(3,000)
Cash dividends received	1,199	400
Net cash flows used in investing activities	(1,085,724)	(715,449)
Cash flows from financing activities:		
(Decrease) increase in guaranteed deposit received	(12)	623
Payment of lease liabilities	(43,082)	(24,075)
Cash dividends paid	(63,787)	(54,999)
Cash capital increase	478,800	–
Net cash flows provided by (used in) financing activities	371,919	(78,451)
Net decrease in cash and cash equivalents	148,535	(168,932)
Cash and cash equivalents at beginning of period	419,855	588,787
Cash and cash equivalents at end of period	\$ 568,390	419,855

Independent Auditors' Report

To the Board of Directors
Acer Cyber Security Inc.:

Opinion

We have audited the parent-company-only financial statements of Acer Cyber Security Inc. ("the Company"), which comprise the parent-company-only balance sheets as of December 31, 2022 and 2021 (restated), and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the parent-company-only financial position of the Company as of December 31, 2022 and 2021 (restated), and its parent-company-only financial performance and its parent-company-only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Emphasis Matter

As disclosed in Note 4(2) and 6(6) of the parent-company-only financial statements, on January 3, 2022, Acer Cyber Security Inc. acquired 100% equity interest in its parent company Acer Inc.'s subsidiary, Acer e-Enabling Data Center Inc., for cash consideration of \$475,748. The transaction is considered a reorganization of entities under common control in accordance with the regulations of the IFRS Q&A, Interpretation (100) No. 390 and Interpretation (101) No. 301, published by the Accounting Research and Development Foundation. Therefore, the transaction should be treated as a merger from the beginning, and the parent-company-only financial statements for the year 2021 should be restated accordingly. We did not modify our audit opinion due to this matter.

Key Audit Matter

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

Key audit matters for the Company's parent-company-only financial statements for the year ended December 31, 2022 are stated as follows:

1. Revenue recognition

Please refer to Note 4(13) for the accounting policies on recognizing revenue.

Description of key audit matter:

The Company engaged primarily in providing integrated cybersecurity service to enterprises. The identification of performance obligation(s) and the timing of revenue recognition (performance obligations satisfied over time or at a point in time) is subject to management's judgment, which increases the complexity of revenue recognition. Therefore, revenue recognition has been identified as our key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain audit procedures

including, among others, testing the design and operating effectiveness of the Company' s internal control over the service revenue recognition; assessing whether the accounting policies with respect to the identification of performance obligation(s) and timing of revenue recognition are appropriate; reviewing the contract term and other supporting documents of the selected samples to verify whether the timing and amount of revenue recognition is in accordance with related accounting policies. We also consider the adequacy of the disclosure on revenue from contracts with customers in the Note 6(16) of the accompanying parent-company-only financial statements.

Responsibilities of Management and Those Charged with Governance for the parent-company-only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent-company-only financial statements, management is responsible for assessing the Company' s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company' s financial reporting process.

Auditors' Responsibilities for the Audit of the parent-company-only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in

accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or aggregated, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent-company-only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company' s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management' s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company' s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent-company-only

financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the investee companies accounted for using equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Ching-Wen Kao and Wei-Ming Shih.

KPMG

Taipei, Taiwan (Republic of China)

February 24, 2023

ACER CYBER SECURITY INC.
Parent-Company-Only Balance Sheets
December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

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

ACER CYBER SECURITY INC.

Parent-Company-Only Statements of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

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

		2022		2021 (restated)	
		Amount	%	Amount	%
4000	Net revenue (notes 6(16) and 7)	\$ 905,003	100	852,427	100
5000	Cost of revenue (note 6(5), (7), (8), (9), (11), (17), 7 and 12)	(529,570)	(59)	(490,578)	(58)
	Gross profit	375,433	41	361,849	42
	Operating expenses (notes 6(7), (8), (9), (11), (14), (17), 7 and 12):				
6100	Selling expenses	(47,368)	(5)	(41,131)	(5)
6200	General and administrative expenses	(104,278)	(12)	(92,203)	(11)
6300	Research and development expenses	(155,415)	(17)	(122,009)	(14)
	Total operating expenses	(307,061)	(34)	(255,343)	(30)
	Operating income	68,372	7	106,506	12
	Non-operating income and loss (notes 6(2), (10), (18) and 7):				
7100	Interest income	428	—	854	—
7010	Other income	6,477	1	3,687	1
7020	Other gains and losses	10,295	1	115	—
7050	Finance costs	(2,167)	—	(183)	—
7070	Share of profits of subsidiaries	87,409	10	24,386	3
	Total non-operating income and loss	102,442	12	28,859	4
7900	Income before taxes	170,814	19	135,365	16
7950	Income tax expense (notes 6(12))	(15,448)	(2)	(21,766)	(3)
8200	Net Income	155,366	17	113,599	13
	Other comprehensive income (loss):				
8310	Items that will not be reclassified subsequently to profit or loss (notes 6(12) and (13))				
8311	Rem easurem ents of defined benefit plans	(3,907)	(1)	(1,805)	—
8316	Unrealized gains (losses) from investm ents in equity instrum ents measured at fair value through other comprehensive income	(4,629)	(1)	333	—
8330	Share of other comprehensive incomes (losses) of subsidiaries	5,430	1	(6,878)	(1)
8349	Income tax related to item s that will not be reclassified to profit or loss	(3,468)	—	361	—
	Other comprehensive income (loss)	(6,574)	(1)	(7,989)	(1)
8500	Total comprehensive income (loss) for the year	\$ 148,792	16	105,610	12
	Profit attributable to:				
8610	Owners of the parent	\$ 155,366	17	86,853	10
8615	Previous entity under comm on control	—	—	26,746	3
		\$ 155,366	17	113,599	13
	Comprehensive income attributable to:				
8710	Owners of the parent	\$ 148,792	16	85,742	10
8715	Previous entity under comm on control	—	—	19,868	2
		\$ 148,792	16	105,610	12
	Earnings per share (in New Taiwan dollars) (note 6(15))				
9750	Basic earnings per share (in New Taiwan dollars)				
	Owners of the parent	\$	7.92		5.11
	Previous entity under comm on control		—		1.57
	Basic earnings per share (in New Taiwan dollars)	\$	7.92		6.68
9850	Diluted earnings per share (in New Taiwan dollars)				
	Owners of the parent	\$	7.82		5.08
	Previous entity under comm on control		—		1.56
	Diluted earnings per share (in New Taiwan dollars)	\$	7.82		6.64

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

ACER CYBER SECURITY INC.

Parent-Company-Only Statements of Changes in Equity

For the Years Ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other equity						
	Common	Capital	Legal	Special	Unappropriated	Total	Unrealized gain (loss)	Remeasurements	Employee	Total	Previous	Total
Balance at January 1, 2021 (restated)	\$ 166,664	323,900	31,748	11,634	93,459	136,841	(1,765)	(12,237)	-	(14,002)	1,564,233	2,177,636
Net income for the year	-	-	-	-	86,853	86,853	-	-	-	-	26,746	113,599
Other comprehensive income (loss) for the year	-	-	-	-	-	-	333	(1,444)	-	(1,111)	(6,878)	(7,989)
Total comprehensive income (loss) for the year	-	-	-	-	86,853	86,853	333	(1,444)	-	(1,111)	19,868	105,610
Appropriation approved by the stockholders:												
Legal reserve	-	-	8,215	-	(8,215)	-	-	-	-	-	-	-
Special reserve	-	-	-	2,368	(2,368)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(54,999)	(54,999)	-	-	-	-	(38,092)	(93,091)
Stock dividends (unappropriated earnings transferred to common stock)	3,333	-	-	-	(3,333)	(3,333)	-	-	-	-	-	-
Capital Reduction to the business division	-	-	-	-	-	-	-	-	-	-	(1,077,189)	(1,077,189)
Balance at December 31, 2021 (restated)	169,997	323,900	39,963	14,002	111,397	165,362	(1,432)	(13,681)	-	(15,113)	468,820	1,112,966
Net income for the year	-	-	-	-	155,366	155,366	-	-	-	-	-	155,366
Other comprehensive income (loss) for the year	-	-	-	-	-	-	(4,629)	(1,945)	-	(6,574)	-	(6,574)
Total comprehensive income (loss) for the year	-	-	-	-	155,366	155,366	(4,629)	(1,945)	-	(6,574)	-	148,792
Appropriation approved by the stockholders:												
Legal reserve	-	-	8,685	-	(8,685)	-	-	-	-	-	-	-
Special reserve	-	-	-	1,111	(1,111)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(63,787)	(63,787)	-	-	-	-	-	(63,787)
Cash capital increase	50,000	428,800	-	-	-	-	-	-	-	-	-	478,800
Reorganization	-	5,896	-	-	-	-	-	(12,824)	-	(12,824)	(468,820)	(475,748)
Issuance of restricted employee stock	2,410	14,438	-	-	-	-	-	-	(16,848)	(16,848)	-	-
Compensation cost of restricted employee stock	-	-	-	-	-	-	-	-	5,055	5,055	-	5,055
Compensation cost of reservation of cash capital increase for the employee to purchase	-	2,886	-	-	-	-	-	-	-	-	-	2,886
Balance at December 31, 2022	\$ 222,407	775,920	48,648	15,113	193,180	256,941	(6,061)	(28,450)	(11,793)	(46,304)	-	1,208,964

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

ACER CYBER SECURITY INC.

**Parent-Company-Only Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021**

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021 (restated)
Cash flows from operating activities:		
Income before income tax	\$ 170,814	135,365
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation	28,361	22,898
Amortization	360,430	271,624
Interest expense	2,167	183
Interest income	(428)	(854)
Cash Dividend	(1,199)	(400)
Share-based compensation cost	7,135	–
Share of profits of subsidiaries	(87,409)	(24,386)
Gain on disposal of property, plant and equipment	(359)	–
Total profit and loss	308,698	269,065
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Contract assets	10,850	(49,954)
Notes and accounts receivable	(3,197)	(29,652)
Accounts receivables –related parties	(17,820)	(9,073)
Other receivables	1,469	1,116
Other receivables –related parties	(10,366)	148
Prepaid expenses and other current assets	(1,017)	(789)
Net defined benefit asset	(3,360)	(619)
Net changes in operating assets	(23,441)	(88,823)
Net changes in operating liabilities:		
Contract liabilities	8,171	(18,296)
Accounts payable	(71,583)	67,339
Accounts payable –related parties	1,820	(1,981)
Other payables	27,617	14,745
Other payables –related parties	(4,261)	(3,025)
Other current liabilities	3,404	(521)
Net changes in operating liabilities	(34,832)	58,261
Total changes in operating assets and liabilities	(58,273)	(30,562)
Total adjustments	250,425	238,503
Cash provided by operations	421,239	373,868
Interest received	428	955
Interest paid	(2,167)	(183)
Income taxes paid	(22,658)	(22,669)
Net cash provided by operating activities	396,842	351,971

(Continued)

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

ACER CYBER SECURITY INC.

Parent-Company-Only Statements of Cash Flows (Continued)

For the Years Ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021 (restated)
Cash flows from investing activities:		
Payment of reorganization	(475,748)	(10,000)
Additions to property, plant and equipment	(14,006)	(22,282)
Proceeds from disposal of property, plant and equipment	904	–
Additions to intangible assets	(200,795)	(232,725)
Increase in non-current assets recognized from costs to fulfil contracts with customers	(133,781)	(143,844)
Increase (decrease) in other financial assets	25,257	(32,955)
Cash dividends received	1,199	400
Net cash flows used in investing activities	(796,970)	(441,406)
Cash flows from financing activities:		
Decrease in guaranteed deposit received	–	(577)
Payment of lease liabilities	(13,793)	(12,230)
Cash dividends paid	(63,787)	(54,999)
Cash capital increase	478,800	–
Net cash flows provided by (used in) financing activities	401,220	(67,806)
Net decrease in cash and cash equivalents	1,092	(157,241)
Cash and cash equivalents at beginning of period	257,881	415,122
Cash and cash equivalents at end of period	\$ 258,973	257,881