

ADVANCED CERAMIC X CORPORATION

Financial Statements and
Independent Auditors' Review Report
For the Three Months Ended March 31, 2022 and 2021

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Notes to Readers

The independent auditors' review report and the accompanying 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 version and Chinese version, the Chinese-language independent auditors' review report and financial statements shall prevail.

Independent Accountants' Review Report

To the Board of Directors of Advanced Ceramic X Corporation:

Introduction

We have reviewed the accompanying balance sheets of the Advanced Ceramic X Corporation of March 31, 2022 and 2021, and the related statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2022 and 2021, and notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards (“IASs”) 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the financial statements based on our review.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards NO. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of the Company as of March 31, 2022 and 2021, and of its financial performance and its cash flows for the three months ended March 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

KPMG

Taipei, Taiwan (Republic of China)

May 3, 2022

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance, and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards, International Accounting Standards, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' review report and the accompanying 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 version and Chinese version, the Chinese-language independent auditors' review report and financial statements shall prevail.

Reviewed only, not audited in accordance with generally accepted auditing standards as of March 31, 2022 and 2021

Advanced Ceramic X Corporation

Balance Sheets

March 31, 2022, December 31, 2021 and March 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets	March 31, 2022		December 31, 2021		March 31, 2021		Liabilities and Equity	March 31, 2022		December 31, 2021		March 31, 2021	
	Reviewed		Audited		Reviewed			Reviewed		Audited		Reviewed	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current Assets :							Current Liabilities :						
1100 Cash and Cash Equivalents (Note 6(1))	\$ 624,458	14	452,010	10	1,103,648	24	2170 Accounts Payable	\$ 40,638	1	32,774	1	130,901	3
1170 Notes and Accounts Receivable, Net (Note 6(2))	220,268	5	251,712	6	270,617	6	2201 Salary and Bonus Payable	173,322	4	174,719	4	170,317	4
1180 Receivables from Related Parties (Note 6(2) and 7)	99,495	2	304,524	7	195,696	4	2213 Payables to Contractors and Equipment	35,857	1	103,550	2	110,931	2
1310 Inventories (Note 6(3))	276,033	6	318,947	7	245,142	5	2230 Income Tax Payable	177,256	4	157,289	3	195,515	5
1476 Other Current Financial Assets (Note 6(1))	366,016	8	215,875	5	215,977	5	2399 Other Current Liabilities (Note 6(6) and 7)	192,400	4	209,431	5	187,314	4
1479 Other Current Assets	24,515	1	21,741	-	40,105	1		<u>619,473</u>	<u>14</u>	<u>677,763</u>	<u>15</u>	<u>794,978</u>	<u>18</u>
	<u>1,610,785</u>	<u>36</u>	<u>1,564,809</u>	<u>35</u>	<u>2,071,185</u>	<u>45</u>	Noncurrent Liabilities :						
Noncurrent Assets :							2600 Other Noncurrent Liabilities	18,370	-	18,049	-	17,488	-
1600 Property, Plant and Equipment (Note 6(4) and 8)	2,907,438	64	2,931,883	65	2,538,684	55		<u>18,370</u>	<u>-</u>	<u>18,049</u>	<u>-</u>	<u>17,488</u>	<u>-</u>
1780 Intangible Assets (Note 6(5))	2,593	-	2,788	-	2,492	-	Total Liabilities	<u>637,843</u>	<u>14</u>	<u>695,812</u>	<u>15</u>	<u>812,466</u>	<u>18</u>
1840 Deferred Tax Assets	10,727	-	10,727	-	7,275	-	Equity (Note 6(9)) :						
1900 Other Noncurrent Assets	9,932	-	9,478	-	18,942	-	3100 Capital Stock	690,162	15	690,162	15	690,162	15
1980 Other Noncurrent Financial Assets	1,196	-	1,246	-	1,242	-	3200 Capital Surplus	573,532	13	573,532	13	573,532	12
1975 Net Defined Benefit Asset- Noncurrent (Note 6(7))	1,008	-	850	-	463	-	3300 Retained Earnings	2,642,142	58	2,562,275	57	2,564,123	55
	<u>2,932,894</u>	<u>64</u>	<u>2,956,972</u>	<u>65</u>	<u>2,569,098</u>	<u>55</u>	Total Equity	<u>3,905,836</u>	<u>86</u>	<u>3,825,969</u>	<u>85</u>	<u>3,827,817</u>	<u>82</u>
Total Assets	\$ 4,543,679	100	4,521,781	100	4,640,283	100	Total Liabilities and Equity	\$ 4,543,679	100	4,521,781	100	4,640,283	100

See accompanying notes to the financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

Advanced Ceramic X Corporation
Statements of Comprehensive Income
For the Three Months Ended March 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

		Three Months Ended March 31			
		2022		2021	
		Amount	%	Amount	%
4100	Net Revenue (Note 6(11) and 7)	\$ 404,621	100	745,459	100
5000	Cost of Sales (Note 6(3), (7), (13) and 7)	261,714	65	294,361	39
	Gross Profit	<u>142,907</u>	<u>35</u>	<u>451,098</u>	<u>61</u>
	Operating Expenses (Note 6(7), (13) and 7) :				
6100	Selling and Distribution Expenses	7,416	2	10,700	1
6200	General and Administrative Expenses	28,108	7	30,494	4
6300	Research and Development Expenses	25,082	6	35,844	5
6450	Losses (Gains) on Expected Credit Impairment (Note 6(2))	<u>(2,389)</u>	<u>(1)</u>	<u>882</u>	<u>-</u>
		<u>58,217</u>	<u>14</u>	<u>77,920</u>	<u>10</u>
	Gross Profit from Operations	<u>84,690</u>	<u>21</u>	<u>373,178</u>	<u>51</u>
	Non-Operating Income and Expenses :				
7101	Interest Income	692	-	979	-
7190	Other Income (Note 6(12))	72	-	2,110	-
7230	Foreign Exchange (Losses) Gains, Net	13,660	4	(22,286)	(3)
7610	Gains on Disposal of Property, Plant and Equipment, Net	<u>720</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>15,144</u>	<u>4</u>	<u>(19,197)</u>	<u>(3)</u>
7900	Profit Before Income Tax	99,834	25	353,981	48
7950	Less : Income Tax Expense (Note 6(8))	<u>19,967</u>	<u>5</u>	<u>70,796</u>	<u>10</u>
8200	Net Income	<u>79,867</u>	<u>20</u>	<u>283,185</u>	<u>38</u>
8300	Other Comprehensive Income :				
8300	Other Comprehensive Income, Net of Tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8500	Total Comprehensive Income	<u>\$ 79,867</u>	<u>20</u>	<u>283,185</u>	<u>38</u>
	Earnings Per Share (Expressed in Dollars) (Note 6(10))				
9750	Basic Earnings Per Share	<u>\$ 1.16</u>		<u>4.10</u>	
9850	Diluted Earnings Per Share	<u>\$ 1.15</u>		<u>4.10</u>	

See accompanying notes to the financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

Advanced Ceramic X Corporation
Statements of Changes in Equity
For the Three Months Ended March 31, 2022 and 2021

	Common Stock	Capital Surplus	Retained Earnings			Capital Surplus
			Legal Reserve	Undistributed Earnings	Subtotal	
Balance at January 1, 2021	\$ 690,162	573,532	780,854	1,500,084	2,280,938	3,544,632
Profit for the Three Months Ended March 31, 2021	-	-	-	283,185	283,185	283,185
Other Comprehensive Income for the Three Months Ended March 31, 2021	-	-	-	-	-	-
Total Comprehensive Income for the Three Months Ended March 31, 2021	-	-	-	283,185	283,185	283,185
Balance at March 31, 2021	\$ 690,162	573,532	780,854	1,783,269	2,564,123	3,827,817
Balance at January 1, 2022	\$ 690,162	573,532	863,694	1,698,581	2,562,275	3,825,969
Profit for the Three Months Ended March 31, 2022	-	-	-	79,867	79,867	79,867
Other Comprehensive Income for the Three Months Ended March 31, 2022	-	-	-	-	-	-
Total Comprehensive Income for the Three Months Ended March 31, 2022	-	-	-	79,867	79,867	79,867
Balance at March 31, 2022	\$ 690,162	573,532	863,694	1,778,448	2,642,142	3,905,836

See accompanying notes to the financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

Advanced Ceramic X Corporation
Statements of Cash Flows
For the Three Months Ended March 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Three Months Ended March 31	
	2022	2021
Cash Flows from Operating Activities :		
Profit Before Income Tax	\$ 99,834	353,981
Adjustments for :		
Depreciation Expense	90,979	52,747
Amortization Expense	878	639
Expected Credit Loss (Gain)	(2,389)	882
Interest Income	(692)	(979)
Gain on Disposal of Property, Plant and Equipment, Net	(720)	-
Provision for Inventory Obsolescence and Devaluation Loss	11,300	-
Total Adjustments to Reconcile Profit	<u>99,356</u>	<u>53,289</u>
Changes in Operating Assets and Liabilities :		
Notes and Accounts Receivable	31,761	(37,811)
Receivables from Related Parties	207,101	(50,400)
Inventories	31,614	(71,620)
Other Operating Current Assets	(2,774)	(6,066)
Net Defined Benefit Assets	(158)	(170)
Accounts Payable	7,864	19,619
Other Operating Current Liabilities (Including Salary Payable and Other Current Liabilities)	(18,428)	20,672
Other Noncurrent Liabilities	321	705
Total Net Changes in Operating Assets and Liabilities	<u>257,301</u>	<u>(125,071)</u>
Cash Inflow Generated from Operations	456,491	282,199
Interest Received	551	977
Net Cash Flows from Operating Activities	<u>457,042</u>	<u>283,176</u>
Cash Flows from Investing Activities :		
Acquisition of Property, Plant and Equipment	(134,227)	(244,499)
Proceeds from Disposal of Property, Plant and Equipment	720	-
Decrease (Increase) in Guarantee Deposits	50	(610)
Increase in Other Noncurrent Financial Assets	(150,000)	-
Increase in Other Noncurrent Assets	(207)	-
Decrease (Increase) in Prepaid of Equipment	(930)	15,092
Net Cash Flows Used in Investing Activities	<u>(284,594)</u>	<u>(230,017)</u>
Net Increase in Cash and Cash Equivalents	172,448	53,159
Cash and Cash Equivalents at the Beginning of Period	452,010	1,050,489
Cash and Cash Equivalents at the End of Period	<u><u>\$ 624,458</u></u>	<u><u>1,103,648</u></u>

See accompanying notes to the financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

Advanced Ceramic X Corporation

Notes to Financial Statements

March 31, 2022 and 2021

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

1. Company history

Advanced Ceramic X Corporation (“the Company”) was incorporated in April 15, 1998 as a company limited by shares and registered under the Company Act of the Republic of China (R.O.C.). The address of the Company’s registered office is No.16, Tzu Chiang Road, Hsinchu Industrial Park, Hsinchu County, Taiwan. The major business activities of the Company are the design, manufacture and sale of RF Front-End devices and modules for applications in wireless communication.

2. The authorization of financial statements

These financial statements were authorized for issuance by the Audit Committee and Board of Directors of the Company on May 3, 2022.

3. Application of new standards, amendments and interpretations

The impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”)

The Company has adopted the following International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) issued by the International Accounting Standards Board (“IASB”) (collectively, “IFRSs”) and endorsed by the FSC.

- (1) The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022 :
- 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 Standards 2018 – 2020 Cycle
 - Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

Advanced Ceramic X Corporation

Notes to Financial Statements

4. Summary of significant accounting policies

(1) Statement of compliance

The 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 financial statements, the Chinese version shall prevail.

The accompanying financial statements have been prepared in accordance with the revised Regulation Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China (hereinafter referred to the Regulations) and the guideline of IAS 34 "Interim Financial Reporting", as endorsed and issued into effect by the FSC. The financial statements do not present all the disclosures required for a complete set of annual financial statements prepared under the IFRSs endorsed by the FSC with effective dates.

Except for the following accounting policies mentioned below, the significant accounting policies adopted in the interim financial statements is the same as those in the financial statements for the year ended December 31, 2021. For the related information, please refer note 4 of the financial statements for the year ended December 31, 2021.

(2) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(3) Income taxes

Income tax expense in the financial statements is measured and disclosed according to paragraph B12 of IAS 34 "Interim Financial Reporting."

Income tax expense for the period is best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by management. It is charged to profit or loss as an income tax expense.

Temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases are measured based on the tax rates that have been enacted or substantively enacted at the time the asset or liability is recovered or settled, and recognized directly in equity or other comprehensive income as tax expense.

5. Significant accounting assumptions and judgments and major sources of estimation uncertainty

The preparation of the financial statements in conformity with Regulations and IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and approved by FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the financial statements for the year ended December 31, 2021. For the related information, please refer to note 5 of the financial statements for the year ended December 31, 2021.

6. Explanation of significant accounts

Except for the following disclosure, the significant account disclosure in the financial statements for the three months ended March 31, 2022, which compare with the financial statements for the year ended December 31, 2021, was not changed significantly. For the related information, please refer to note 6 of the financial statements for the year ended December 31, 2021.

Advanced Ceramic X Corporation
Notes to Financial Statements

(1) Cash and cash equivalents

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Cash	\$ 25	25	50
Cash in bank	209,582	220,607	325,167
Time deposits	414,851	211,378	778,431
Repo bonds	-	20,000	-
	<u>\$ 624,458</u>	<u>452,010</u>	<u>1,103,648</u>

As of March 31, 2022, December 31, 2021 and March 31, 2021, the classified from cash and cash equivalents to other financial assets-current for time deposits, amounted to 365,850 thousand, 215,850 thousand and \$215,850 thousand, respectively.

Please refer to note 6(14) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

(2) Notes and accounts receivable, net (including related parties)

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Notes receivable	\$ 19	334	73
Accounts receivable	222,474	253,920	273,277
Accounts receivable from related parties	100,499	307,600	197,673
Less: Allowance for impairment	(2,225)	(2,542)	(2,733)
Allowance for impairment from related parties	<u>(1,004)</u>	<u>(3,076)</u>	<u>(1,977)</u>
	<u>\$ 319,763</u>	<u>556,236</u>	<u>466,313</u>
Notes and accounts receivable, net	<u>\$ 220,268</u>	<u>251,712</u>	<u>270,617</u>
Accounts receivable from related parties, net	<u>\$ 99,495</u>	<u>304,524</u>	<u>195,696</u>

The Company applies the simplified approach to provide for its loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and days past due, as well as incorporate forward looking information. The loss allowance provision was determined as follows:

	<u>March 31, 2022</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average expected loss rate</u>	<u>Lifetime expected credit loss allowance</u>
Not past due	\$ 321,911	1%~2%	3,219
Past due less than 30 days	1,058	1%~2%	10
Past due 31 to 120 days	<u>23</u>	1%~2%	<u>-</u>
	<u>\$ 322,992</u>		<u>3,229</u>

Advanced Ceramic X Corporation
Notes to Financial Statements

	December 31, 2021		
	Gross carrying amount	Weighted-average expected loss rate	Lifetime expected credit loss allowance
Not past due	\$ 559,193	1%~2%	5,592
Past due less than 30 days	2,658	1%~2%	26
Past due 31 to 120 days	3	1%~2%	-
	\$ 561,854		5,618

	March 31, 2021		
	Gross carrying amount	Weighted-average expected loss rate	Lifetime expected credit loss allowance
Not past due	\$ 470,243	1%~2%	4,702
Past due less than 30 days	780	1%~2%	8
	\$ 471,023		4,710

The movements of allowance for doubtful accounts were as follows:

	Three months ended March 31	
	2022	2021
Beginning balance	\$ 5,618	3,828
Provision (Reversal) of impairment loss	(2,389)	882
Ending balance	\$ 3,229	4,710

The payment terms granted to customers are generally 30 to 150 days from the end of the month during which the invoice is issued.

As of March 31, 2022, December 31, 2021 and March 31, 2021, the notes and accounts receivable were not pledged as collateral.

For information on the Company's credit risk was disclosed in note 6(14).

(3) Inventories

	March 31, 2022	December 31, 2021	March 31, 2021
Raw materials and supplies	\$ 76,036	85,915	95,940
Work in process	89,700	164,846	110,892
Finished goods and merchandises	110,297	68,186	38,310
	\$ 276,033	318,947	245,142

For the three months ended March 31, 2022 and 2021, the amounts of inventories that were charged to cost of sales were \$250,414 thousand and \$294,361 thousand, respectively. For the three months ended March 31, 2022 and 2021, the net of provisions that charged to cost of sales for inventories written down to net realizable value amounted were \$11,300 thousand and \$0 thousand, respectively.

As of March 31, 2022, December 31, 2021 and March 31, 2021, the inventories were not pledged as collateral.

Advanced Ceramic X Corporation
Notes to Financial Statements

(4) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the three months ended March 31, 2022 and 2021 were as follows:

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Office & other equipment</u>	<u>Construction in progress & equipmen under installation</u>	<u>Total</u>
Cost :						
Balance at January 1, 2022	\$ 248,651	1,318,635	3,110,245	285,810	257,610	5,220,951
Additions	-	8,911	2,020	650	54,953	66,534
Disposals	-	-	(37,453)	(3,828)	-	(41,281)
Balance at March 31, 2022	<u>\$ 248,651</u>	<u>1,327,546</u>	<u>3,074,812</u>	<u>282,632</u>	<u>312,563</u>	<u>5,246,204</u>
Balance at January 1, 2021	\$ 248,651	360,125	2,127,517	218,419	1,504,465	4,459,177
Additions	-	465	31,364	6,549	152,280	190,658
Reclassifications	-	13,420	301,789	36,743	(351,952)	-
Disposals	-	-	(45,526)	(887)	-	(46,413)
Balance at March 31, 2021	<u>\$ 248,651</u>	<u>374,010</u>	<u>2,415,144</u>	<u>260,824</u>	<u>1,304,793</u>	<u>4,603,422</u>
Depreciation :						
Balance at January 1, 2022	\$ -	298,989	1,811,518	178,561	-	2,289,068
Depreciation	-	16,872	67,326	6,781	-	90,979
Disposals	-	-	(37,453)	(3,828)	-	(41,281)
Balance at March 31, 2022	<u>\$ -</u>	<u>315,861</u>	<u>1,841,391</u>	<u>181,514</u>	<u>-</u>	<u>2,338,766</u>
Balance at January 1, 2021	\$ -	263,267	1,639,887	155,250	-	2,058,404
Depreciation	-	3,563	43,551	5,633	-	52,747
Disposals	-	-	(45,526)	(887)	-	(46,413)
Balance at March 31, 2021	<u>\$ -</u>	<u>266,830</u>	<u>1,637,912</u>	<u>159,996</u>	<u>-</u>	<u>2,064,738</u>
Carrying value :						
Balance at January 1, 2022	<u>\$ 248,651</u>	<u>1,019,646</u>	<u>1,298,727</u>	<u>107,249</u>	<u>257,610</u>	<u>2,931,883</u>
Balance at March 31, 2022	<u>\$ 248,651</u>	<u>1,011,685</u>	<u>1,233,421</u>	<u>101,118</u>	<u>312,563</u>	<u>2,907,438</u>
Balance at January 1, 2021	<u>\$ 248,651</u>	<u>96,858</u>	<u>487,630</u>	<u>63,169</u>	<u>1,504,465</u>	<u>2,400,773</u>
Balance at March 31, 2021	<u>\$ 248,651</u>	<u>107,180</u>	<u>777,232</u>	<u>100,828</u>	<u>1,304,793</u>	<u>2,538,684</u>

Pledged assets

As of March 31, 2022, December 31, 2021 and March 31, 2021, the property, plant and equipment of the Company had been pledged as collateral for short-term borrowings; please refer to note 8.

Advanced Ceramic X Corporation
Notes to Financial Statements

(5) Intangible assets

	Royalty
Balance at January 1, 2022	<u><u>\$ 2,788</u></u>
Balance at March 31, 2022	<u><u>\$ 2,593</u></u>
Balance at January 1, 2021	<u><u>\$ 2,692</u></u>
Balance at March 31, 2021	<u><u>\$ 2,492</u></u>

For the three months ended March 31, 2022 and 2021, there were no significant additions, disposals, or recognition and reversal of impairment losses of intangible assets. Please refer to note 12(1) for details on impairment and to note 6(5) of the financial statements for the year ended December 31, 2021 for other related information.

As of March 31, 2022, December 31, 2021 and March 31, 2021, the intangible assets were not pledged as collateral.

(6) Other current liabilities

	March 31, 2022	December 31, 2021	March 31, 2021
Accrued expenses	\$ 159,966	174,710	133,342
Contract liabilities	7,799	10,452	29,204
Directors' remuneration payable	22,216	20,614	22,314
Other	<u>2,419</u>	<u>3,655</u>	<u>2,454</u>
	<u><u>\$ 192,400</u></u>	<u><u>209,431</u></u>	<u><u>187,314</u></u>

The above accrued expenses included material consumption, insurance, service expense, and water and electricity expense.

(7) Employee benefits

Defined benefit plans

The management believes that there was no material market volatility, material reimbursement and settlement, or other significant one-time events. As a result, the pension cost in the accompanying interim financial statements was measured and disclosed according to the actuarial report as of December 31, 2021 and 2020.

Please refer to note 12(1) for employee pension costs or expenses under defined benefit plans and defined contribution plans.

(8) Income tax

A. Income tax expense

	Three months ended March 31	
	2022	2021
Income tax expense	<u><u>\$ 19,967</u></u>	<u><u>70,796</u></u>

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B. As of March 31, 2022, the tax authorities have completed the examination of income tax returns of the Company through 2020.

(9) Capital and other equity

Except for the following disclosure, there were no significant change for capital and other equity for the three months ended March 31, 2022 and 2021. For the related information, please refer to note 6(9) of the financial statements for the year ended December 31, 2021.

A. Retained earnings

According to the amendment of Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- (a) Payment of taxes.
- (b) Making up loss for preceding years.
- (c) Setting aside 10% for legal reserve, except for when accumulated legal reserve has reached the total paid-up capital.
- (d) Appropriating or reversing special reserve by government officials or other regulations.
- (e) The remaining, plus the previous year's unappropriated earnings, shall be distributed according to the distribution plan proposed by the Board of Directors according to the dividend policy and submitted to the stockholders' meeting for approval.

The Company conducts business to operate in its growth phase, the dividend policy shall be determined pursuant to factors such as the investment environment, capital requirements, domestic and overseas competitive environment and capital budget, as well as stockholders' interest, dividend balance and long-term financial plan. The Board of Directors shall propose the distribution plan and submit it to the stockholders' meeting every year. The cash portion of the dividend, which may be in the form of cash and stock, shall not be less than 10% of the total dividend distributed during the year.

B. Legal reserve

When a company incurs no loss, it may, in pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by cash. Only 10% of legal reserve which exceeds 25% of the paid-in capital may be distributed.

C. Special reserve

According to the regulations of the FSC, a portion of current period earnings and undistributed prior period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the net debit balance of other components of the shareholders' equity adoption. Similarly, a portion of undistributed prior period earnings shall be reclassified as special earnings reserve to account for cumulative changes to the debit balance of other shareholders' equity pertaining to prior periods. For the subsequent decrease in the deduction amount to shareholders' equity, any special reserve appropriated may be reserved to the extent that the net debit balance reverses.

D. Earnings distribution

On February 22, 2022, the Company's Board of Directors resolved to appropriate the 2021 earnings. On August 23, 2021, the shareholders' meetings resolved to distribute the 2020 earnings. These earnings were distributed as dividends as follows:

	2021	2020
Dividends distributed to ordinary shareholders Amount per share (NTD) :		
Cash dividends	\$ <u>8.00</u>	<u>10.80</u>

The aforementioned appropriations of earnings for 2020 were consistent with the resolutions of the meeting of the Board of Directors. The related information mentioned above can be found on websites such as the Market Observation Post System.

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The cash dividend per share for 2021 was NT\$8.00 per share according with the resolutions of the meeting of the Board of Directors on February 22, 2022. The appropriation of earnings has not yet been approved by the shareholders' meeting as of the reporting date. The related information mentioned above can be found on websites such as the Market Observation Post System.

(10) Earnings per share (EPS)

For the three months ended March 31, 2022 and 2021, the Company's earnings per share were calculated as follows:

	Three months ended March 31	
	2022	2021
Basic EPS :		
Profit attributable to ordinary shareholders	<u>\$ 79,867</u>	<u>283,185</u>
Weighted average number of outstanding share of common stock (in thousands)	<u>69,016</u>	<u>69,016</u>
Basic EPS (in dollars)	<u>\$ 1.16</u>	<u>4.10</u>
Diluted EPS :		
Profit belonging to common shareholders	<u>\$ 79,867</u>	<u>283,185</u>
Weighted average number of outstanding shares of common stock (in thousands) (basic)	69,016	69,016
Employee compensation	154	100
Weighted average number of common stock (in thousands) (diluted)	<u>69,170</u>	<u>69,116</u>
Diluted EPS (in dollars)	<u>\$ 1.15</u>	<u>4.10</u>

(11) Operating revenue from contracts with customers

	Three months ended March 31	
	2022	2021
Primary geographic markets		
China	\$ 185,548	366,249
United States	121,265	167,291
Taiwan	59,004	118,834
Hong Kong	8,805	54,482
Other	29,999	38,603
	<u>\$ 404,621</u>	<u>745,459</u>
Main Product		
RF Front-End devices and modules	<u>\$ 404,621</u>	<u>745,459</u>

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Contract balances :

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Notes receivable	\$ 19	334	73
Accounts receivable	222,474	253,920	273,277
Accounts receivable from related parties	100,499	307,600	197,673
Less: Allowance for impairment	(2,225)	(2,542)	(2,733)
Allowance for impairment from related parties	<u>(1,004)</u>	<u>(3,076)</u>	<u>(1,977)</u>
	<u>\$ 319,763</u>	<u>556,236</u>	<u>466,313</u>
Notes and accounts receivable, net	<u>\$ 220,268</u>	<u>251,712</u>	<u>270,617</u>
Accounts receivable from related parties, net	<u>\$ 99,495</u>	<u>304,524</u>	<u>195,696</u>

For details on trade receivables and allowance for impairment, please refer to note 6(2).

As of March 31, 2022, December 31, 2021 and March 31, 2021, the Company contract liabilities amount was \$7,799 thousand, \$10,452 thousand and \$29,204 thousand, respectively. Contract liabilities are included in other current liabilities.

The major change in the balance of contract liabilities is unearned sales revenue to be contracts; the Company recognizes revenue when it satisfies a performance obligation by transferring control of goods to a customer. The amount of revenue recognized for the three months ended March 31, 2022 and 2021 that was included in the contract liabilities balance at the beginning for the period was \$7,869 thousand and \$42,468 thousand, respectively.

The contract liabilities primarily relate to the advance consideration received from customers for the RF Front-End devices and modules sales contracts, for which revenue is recognized when products are delivered to customers.

(12) Non-operating income and expenses

	<u>Three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Government grants income	\$ -	2,109
Other income	<u>72</u>	<u>1</u>
	<u>\$ 72</u>	<u>2,110</u>

(13) Remuneration of employees and directors

According to the Company Articles of Incorporation, the Company should distribute remuneration to employees and directors not less than 5% and not more than 1.5% of annual profits, respectively, after offsetting accumulated deficits, if any. The aforementioned profit is the net profit before income tax excluding the remuneration to employees and directors for each period. Only employees, including employees of affiliate companies that meet certain conditions are subject to the abovementioned remuneration which to be distributed in stock or cash.

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For the three months ended March 31, 2022 and 2021, the Company estimated the remuneration to employees amounting to \$5,339 thousand and \$18,930 thousand, respectively, and remuneration to directors amounting to \$1,602 thousand and \$5,679 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's Articles of Incorporation. These remunerations were included in the operating costs or operating expenses of the three months ended March 31, 2022 and 2021. The differences between the actual distributed amounts as determined by the Board of Directors and those recognized in the financial statements, if any, shall be accounted for as changes in accounting estimated and recognized in profit or loss in the following year. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares on the day preceding the Board of Directors.

Remuneration to employees for 2021 and 2020 in the amounts of \$68,715 thousand and \$55,450 thousand, respectively, and remuneration to director for 2021 and 2020 in the amounts of \$20,614 thousand and \$16,635 thousand, respectively, in cash for payment has been approved in the meeting of Board of Directors. The aforementioned approved amounts are the same as the amounts charged against earnings of 2021 and 2020. The information about the Company's remuneration to employees and directors is available at the Market Observation Post System website.

(14) Financial instruments

Except for the following disclosure, there was no significant change in the fair value of the Company's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(14) of the financial statement for the year ended December 31, 2021.

A. Credit risk

(a) Exposure of credit risk

The carrying amount of financial and contract assets represents the maximum credit exposure.

(b) Concentration of credit risk

The major customers of the Company are centralized in the electronics industry. As of March 31, 2022, December 31, 2021 and March 31, 2021, the Company's notes and account receivable (including related parties) were both concentrated on 5 customers, whose accounts represented 69%, 76% and 67% of the account receivables, respectively. For the information of credit risk exposure of notes and accounts receivable, please refer to note 6(2).

As of March 31, 2022, December 31, 2021 and March 31, 2021, the Company's cash in bank and time deposits were both concentrated on one financial institution, whose accounts represented 77%, 64% and 59% of the cash and cash equivalents and other financial assets, respectively. Thus, credit risk is significantly centralized. To reduce cash risk, the Company evaluates financial institutions' financial positions and credit rating periodically. After the assessment, management does not expect significant losses.

(c) Credit risk of financial assets measured at amortized cost

The Company financial assets at amortized cost include cash and cash equivalents, notes and receivables, and time deposits on other financial assets. About their information of credit risk exposure, please refer note 6(1) and (2).

The above-mentioned of financial assets are considered to be of low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. For the Company's assessment on whether credit risk is to be of low risk, please refer note 4(6) of the financial statements for the year ended December 31, 2021.

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B. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments impact.

	Carrying amount (Contractual cash flows)	Within 6 months
March 31, 2022		
Non-derivative financial liabilities		
Accounts payable	\$ 40,638	40,638
Payables to contractors and equipment	35,857	35,857
	\$ 76,495	76,495
December 31, 2021		
Non-derivative financial liabilities		
Accounts payable	\$ 32,774	32,774
Payables to contractors and equipment	103,550	103,550
	\$ 136,324	136,324
March 31, 2021		
Non-derivative financial liabilities		
Accounts payable	\$ 130,901	130,901
Payables to contractors and equipment	110,931	110,931
	\$ 241,832	241,832

The Company did not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

C. Currency risk

(a) The Company's significant exposure to foreign currency risk was as follows:

	March 31, 2022			December 31, 2021			March 31, 2021		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 11,604	28.575	331,584	21,134	27.630	583,932	16,580	28.485	472,281
JPY	833,430	0.2333	194,439	833,735	0.2385	198,846	1,179,777	0.2557	301,669

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	March 31, 2022			December 31, 2021			March 31, 2021		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	612	28.675	17,549	146	27.730	4,049	1,461	28.585	41,763
JPY	44,786	0.2373	10,628	73,963	0.2425	17,936	106,224	0.2597	27,586

(b) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, accounts payable, and other payable that are denominated in foreign currency. Depreciation or appreciation of the NTD by 1% against USD and JPY at March 31, 2022 and 2021, while all other variables were remained constant, would have increased (decreased) the net profit after tax by \$3,983 thousand and \$5,637 thousand, respectively. The analysis is performed on the same basis for both periods.

(c) Gains or losses on monetary item

Since the Company has many kinds of functional currency, the information on foreign exchange loss on monetary items is disclosed by total amount. For the three months ended March 31, 2022 and 2021, foreign exchange gain (loss), including realized and unrealized portions, amounted to \$13,660 thousand and (\$22,286) thousand, respectively.

D. Interest rate risk

Please refer to the attached note for the liquidity risk and the Company's interest rate exposure to its financial liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates on the derivatives and non-derivatives financial instruments on the reporting date. For variable rate instrument, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The Company's internal management reported the increases (decreases) in the interest rates and the exposure to changes in interest rates of 1% is considered by management to be a reasonable change of interest rate.

The Company's exposure to interest rate risk arises from the bank deposit interest rates change. If the interest rate had increased (decreased) by 1%, the Company's net profit after tax would have increased (decreased) by \$1,981 thousand and \$2,639 thousand for the three months ended March 31, 2022 and 2021, all other variable factors that remain constant.

E. Fair value

The carrying amounts of the Company's non-derivative financial instruments-current, including financial assets at amortized cost, such as cash and cash equivalents, notes and receivables (including related parties), and other financial assets, and financial liabilities at amortized cost, such as accounts payable and payables to contractors and equipment, were considered to approximate their fair value due to their short-term nature.

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Notes to Financial Statements

(15) Financial risk management

There were no significant change in the Company's financial risk management and policies as disclosed in note 6(15) of the financial statements for the year ended December 31, 2021.

(16) Capital management

The objectives and policies of capital management of the Company have been applied consistently with those described in the financial statements for the year ended December 31, 2021. Also, there were no significant changes in the Company's capital management information as disclosed in the financial statements for the year ended December 31, 2021. Refer to note 6(16) of the financial statements for the year ended December 31, 2021 for the relevant information.

7. Related-party transactions:

(1) Names and relationship with related parties

The followings are entities that have had transactions with the Company during the periods covered in the financial statements.

<u>Names of the related parties</u>	<u>Relationships</u>
Johanson Technology Inc. (JOHANSON)	The Company's director
Scientific Components Corporation (doing business as <u>Mini-Circuits(MINI-CKT)</u>)	The Company's director

(2) Significant transactions with related parties

A. Operating revenue

The amounts of significant sales transactions between the Company and related parties were as follow:

	<u>Three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Key management personnel – JOHANSON	\$ 56,795	118,126
Key management personnel – MINI-CKT	60,723	45,819
	<u>\$ 117,518</u>	<u>163,945</u>

B. Receivables from related parties

<u>Categories</u>	<u>Account</u>	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Key management personnel – JOHANSON	Receivables from related parties	\$ 80,604	280,461	180,450
	Bad debt provision	(806)	(2,805)	(1,805)
Key management personnel – MINI-CKT	Receivables from related parties	19,895	27,139	17,223
	Bad debt provision	(198)	(271)	(172)
		<u>\$ 99,495</u>	<u>304,524</u>	<u>195,696</u>

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The selling price and collection terms of sales to related parties were determined in the economic environment and market competition, payment terms are 30 to 150 days. The payment terms granted to routine sales customers are advance receipt or 30 to 120 days base on trading experience and credit assessment.

C. Other

The transaction amount paid by the Company to its related parties for purchase spare parts and design service expenses and the related unpaid balances were as follows:

	Amount		Other current liabilities		
	Three months ended March 31, 2022	Three months ended March 31, 2021	March 31, 2022	December 31, 2021	March 31, 2021
JOHANSON	<u>\$ 0</u>	<u>267</u>	<u>0</u>	<u>0</u>	<u>54</u>

(3) Transactions with key management personnel

The key management personnel compensation was comprised as follows:

	Three months ended March 31	
	2022	2021
Short-term employee benefits	\$ 11,743	34,631
Post-employment benefits	27	27
	<u>\$ 11,770</u>	<u>34,658</u>

8. Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledge assets	Pledged to secure	March 31, 2022	December 31, 2021	March 31, 2021
Land (Property, plant and equipment)	Short-term borrowings	<u>\$ 168,944</u>	<u>168,944</u>	<u>168,944</u>

9. Commitments and contingencies:

- (1) As of March 31, 2022, December 31, 2021 and March 31, 2021, the outstanding letters of credit for the Company's purchases of machinery and equipment and raw materials amounted to \$61,556 thousand, \$77,634 thousand and \$137,660 thousand, respectively.
- (2) As of March 31, 2022, December 31, 2021 and March 31, 2021, the Company purchased machinery and equipment and the unpaid amount was \$104,737 thousand, \$156,429 thousand and \$311,024 thousand, respectively.
- (3) As of March 31, 2022, December 31, 2021 and March 31, 2021, the bank guarantees of the Company's purchases of raw materials, machinery and equipment amounted to \$3,000 thousand.

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(4) On March 31, 2022, the Company requested the bank to open performance bonds for the technology projects, guarantee period from April 7, 2019 to April 30, 2022, which amounted to \$20,340 thousand.

10. Losses due to major disasters: None

11. Subsequent events: None

12. Other:

(1) The employee benefits, depreciation and amortization expenses, categorized by function, were as follows:

	Three months ended March 31, 2022			Three months ended March 31, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries	34,147	21,799	55,946	51,260	40,787	92,047
Labor and health insurance	4,234	2,117	6,351	4,557	2,183	6,740
Pension	1,583	937	2,520	1,836	986	2,822
Directors remuneration	1,458	180	1,638	5,168	553	5,721
Others	1,644	649	2,293	1,833	865	2,698
Depreciation	78,569	12,410	90,979	46,100	6,647	52,747
Amortization	666	195	861	439	200	639

(2) Seasonality of operations:

The operations are not affected by seasonal factors or cyclical factors.

13. Other disclosures:

(1) Information on significant transactions:

A. Loans to other parties: None.

B. Guarantees and endorsements for other parties: None.

C. Securities held as of March 31, 2022 (excluding investment in subsidiaries, associates and joint ventures): None.

D. Individual securities acquired or disposed off with accumulated amount exceeding the lower of NTD\$300 million or 20% of the capital stock: None.

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E. Acquisition of individual real estate with amount exceeding the lower of NTD\$300 million or 20% of the capital stock:

Company Name	Types of Property	Transaction Date	Transaction Amount	Status of payment	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
The Company	New construction plant	2017.11.7	663,695	647,215	Xu Yuan Construction Corp.	-	N/A	N/A	N/A	-	Bidding	Manufacturing purpose	None

F. Disposal of individual real estate with amount exceeding the lower of NTD\$300 million or 20% of the capital stock: None.

G. Related-party transactions for purchases and sales with amounts exceeding the lower of NTD\$100 million or 20% of the capital stock: None.

H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock: None.

I. Trading in derivative instruments: None.

(2) Information on investments: None.

(3) Information on investment in Mainland China: None.

(4) Information of major shareholders as of March 31, 2022:

Shareholder name	Number of shares	Percentage of ownership (%)
Kuo Chia Fu Investment Corporation	5,485,189	7.94%

The major shareholders list of 5% or more is provided by the Taiwan Depository & Clearing Corporation.

14. Segment information:

The profit or loss, assets and liabilities of the operation segment were consistent with the related accounts shown in the balance sheet and comprehensive income statement of the Company.