

ADVANCED CERAMIC X CORPORATION

Financial Statements and

Independent Auditors' Review Report

For the Three Months Ended March 31, 2023 and 2022

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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, 2023 and 2022, and the related statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2023 and 2022, 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 Standards of Review Engagements NO. 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. 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 Standards on Auditing of the Republic of China 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, 2023 and 2022, and of its financial performance and its cash flows for the three months ended March 31, 2023 and 2022 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 2, 2023

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 Standards on Auditing as of March 31, 2023 and 2022

Advanced Ceramic X Corporation

Balance Sheets

March 31, 2023, December 31, 2022 and March 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets	March 31, 2023		December 31, 2022		March 31, 2022		Liabilities and Equity	March 31, 2023		December 31, 2022		March 31, 2022	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current Assets :							Current Liabilities :						
1100 Cash and Cash Equivalents (Note 6(1))	\$ 674,196	16	596,367	14	624,458	14	2170 Accounts Payable	\$ 38,210	1	30,109	1	40,638	1
1170 Notes and Accounts Receivable, Net (Note 6(2) and (11))	182,912	4	216,164	5	220,268	5	2201 Salary and Bonus Payable	131,482	3	135,251	3	173,322	4
1180 Receivables from Related Parties (Note 6(2), (11) and 7)	69,172	2	66,209	2	99,495	2	2213 Payables to Contractors and Equipment	21,523	1	32,535	1	35,857	1
1310 Inventories (Note 6(3))	155,521	4	186,008	5	276,033	6	2230 Income Tax Payable (Note 6(8))	141,330	3	130,392	3	177,256	4
1476 Other Current Financial Assets (Note 6(1))	413,202	10	322,836	8	366,016	8	2399 Other Current Liabilities (Note 6(6) and (11))	<u>156,659</u>	<u>4</u>	<u>164,858</u>	<u>4</u>	<u>192,400</u>	<u>4</u>
1479 Other Current Assets	<u>15,648</u>	<u>-</u>	<u>15,679</u>	<u>-</u>	<u>24,515</u>	<u>1</u>		<u>489,204</u>	<u>12</u>	<u>493,145</u>	<u>12</u>	<u>619,473</u>	<u>14</u>
	<u>1,510,651</u>	<u>36</u>	<u>1,403,263</u>	<u>34</u>	<u>1,610,785</u>	<u>36</u>	Noncurrent Liabilities :						
Noncurrent Assets :							2560 Current Tax Liabilities- Noncurrent (Note 6(8))	67,083	2	80,499	2	-	-
1600 Property, Plant and Equipment (Note 6(4) and 8)	2,627,350	63	2,707,740	65	2,907,438	64	2600 Other Noncurrent Liabilities	<u>19,653</u>	<u>-</u>	<u>19,333</u>	<u>-</u>	<u>18,370</u>	<u>-</u>
1780 Intangible Assets (Note 6(5))	2,696	-	2,941	-	2,593	-		<u>86,736</u>	<u>2</u>	<u>99,832</u>	<u>2</u>	<u>18,370</u>	<u>-</u>
1840 Deferred Tax Assets	17,687	1	17,687	1	10,727	-	Total Liabilities	<u>575,940</u>	<u>14</u>	<u>592,977</u>	<u>14</u>	<u>637,843</u>	<u>14</u>
1900 Other Noncurrent Assets	7,641	-	7,847	-	9,932	-	Equity (Note 6(9)) :						
1980 Other Noncurrent Financial Assets	1,210	-	1,210	-	1,196	-	3100 Capital Stock	690,162	17	690,162	17	690,162	15
1975 Net Defined Benefit Asset- Noncurrent (Note 6(7))	<u>6,701</u>	<u>-</u>	<u>6,514</u>	<u>-</u>	<u>1,008</u>	<u>-</u>	3200 Capital Surplus	573,532	14	573,532	14	573,532	13
	<u>2,663,285</u>	<u>64</u>	<u>2,743,939</u>	<u>66</u>	<u>2,932,894</u>	<u>64</u>	3300 Retained Earnings	<u>2,334,302</u>	<u>55</u>	<u>2,290,531</u>	<u>55</u>	<u>2,642,142</u>	<u>58</u>
							Total Equity	<u>3,597,996</u>	<u>86</u>	<u>3,554,225</u>	<u>86</u>	<u>3,905,836</u>	<u>86</u>
Total Assets	<u>\$ 4,173,936</u>	<u>100</u>	<u>4,147,202</u>	<u>100</u>	<u>4,543,679</u>	<u>100</u>	Total Liabilities and Equity	<u>\$ 4,173,936</u>	<u>100</u>	<u>4,147,202</u>	<u>100</u>	<u>4,543,679</u>	<u>100</u>

See accompanying notes to the financial statements.

Reviewed only, not audited in accordance with Standards on Auditing

Advanced Ceramic X Corporation
Statements of Comprehensive Income
For the Three Months Ended March 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

		Three Months Ended March 31			
		2023		2022	
		Amount	%	Amount	%
4100	Net Revenue (Note 6(11) and 7)	\$ 318,003	100	404,621	100
5000	Cost of Sales (Note 6(3), (7) and (12))	<u>210,871</u>	<u>66</u>	<u>261,714</u>	<u>65</u>
	Gross Profit	<u>107,132</u>	<u>34</u>	<u>142,907</u>	<u>35</u>
	Operating Expenses (Note 6(7), (12) and 7) :				
6100	Selling and Distribution Expenses	6,646	2	7,416	2
6200	General and Administrative Expenses	25,451	8	28,108	7
6300	Research and Development Expenses	22,082	7	25,082	6
6450	Gains on Expected Credit Impairment (Note 6(2))	<u>(306)</u>	<u>-</u>	<u>(2,389)</u>	<u>(1)</u>
		<u>53,873</u>	<u>17</u>	<u>58,217</u>	<u>14</u>
	Gross Profit from Operations	<u>53,259</u>	<u>17</u>	<u>84,690</u>	<u>21</u>
	Non-Operating Income and Expenses :				
7101	Interest Income	5,034	1	692	-
7190	Other Income	540	-	72	-
7230	Foreign Exchange Gains (Losses), Net	(4,119)	(1)	13,660	4
7610	Gains on Disposal of Property, Plant and Equipment, Net	<u>-</u>	<u>-</u>	<u>720</u>	<u>-</u>
		<u>1,455</u>	<u>-</u>	<u>15,144</u>	<u>4</u>
7900	Profit Before Income Tax	54,714	17	99,834	25
7950	Less : Income Tax Expense (Note 6(8))	<u>10,943</u>	<u>3</u>	<u>19,967</u>	<u>5</u>
8200	Net Income	<u>43,771</u>	<u>14</u>	<u>79,867</u>	<u>20</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>\$ 43,771</u>	<u>14</u>	<u>79,867</u>	<u>20</u>
	Earnings Per Share (Expressed in Dollars) (Note 6(10))				
9750	Basic Earnings Per Share	<u>\$ 0.63</u>		<u>1.16</u>	
9850	Diluted Earnings Per Share	<u>\$ 0.63</u>		<u>1.15</u>	

See accompanying notes to the financial statements.

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Advanced Ceramic X Corporation
Statements of Changes in Equity
For the Three Months Ended March 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Common Stock	Capital Surplus	Retained Earnings		Capital Surplus	
			Legal Reserve	Undistributed Earnings		
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
Balance at January 1, 2023	\$ 690,162	573,532	966,365	1,324,166	2,290,531	3,554,225
Profit for the Three Months Ended March 31, 2023	-	-	-	43,771	43,771	43,771
Other Comprehensive Income for the Three Months Ended March 31, 2023	-	-	-	-	-	-
Total Comprehensive Income for the Three Months Ended March 31, 2023	-	-	-	43,771	43,771	43,771
Balance at March 31, 2023	\$ 690,162	573,532	966,365	1,367,937	2,334,302	3,597,996

See accompanying notes to the financial statements.

Reviewed only, not audited in accordance with Standards on Auditing

Advanced Ceramic X Corporation

Statements of Cash Flows

For the Three Months Ended March 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Three Months Ended March 31	
	2023	2022
Cash Flows from Operating Activities :		
Profit Before Income Tax	\$ 54,714	99,834
Adjustments for :		
Depreciation Expense	91,540	90,979
Amortization Expense	1,059	878
Expected Credit Gain	(306)	(2,389)
Interest Income	(5,034)	(692)
Gain on Disposal of Property, Plant and Equipment, Net	-	(720)
Provision (Reversal) for Inventory Obsolescence and Devaluation Loss	(2,000)	11,300
Total Adjustments to Reconcile Profit	85,259	99,356
Changes in Operating Assets and Liabilities :		
Notes and Accounts Receivable	33,588	31,761
Receivables from Related Parties	(2,993)	207,101
Inventories	32,487	31,614
Other Operating Current Assets	31	(2,774)
Net Defined Benefit Assets	(187)	(158)
Accounts Payable	8,101	7,864
Other Operating Current Liabilities (Including Salary Payable and Other Current Liabilities)	(11,968)	(18,428)
Other Noncurrent Liabilities	320	321
Total Net Changes in Operating Assets and Liabilities	59,379	257,301
Cash Inflow Generated from Operations	199,352	456,491
Interest Received	5,068	551
Income Taxes Paid	(13,421)	-
Net Cash Flows from Operating Activities	190,999	457,042
Cash Flows from Investing Activities :		
Acquisition of Property, Plant and Equipment	(22,162)	(134,227)
Proceeds from Disposal of Property, Plant and Equipment	-	720
Decrease in Guarantee Deposits	-	50
Increase in Other Noncurrent Financial Assets	(90,400)	(150,000)
Increase in Other Noncurrent Assets	(608)	(207)
Increase in Prepaid of Equipment	-	(930)
Net Cash Flows Used in Investing Activities	(113,170)	(284,594)
Net Increase in Cash and Cash Equivalents	77,829	172,448
Cash and Cash Equivalents at the Beginning of Period	596,367	452,010
Cash and Cash Equivalents at the End of Period	\$ 674,196	624,458

See accompanying notes to the financial statements.

Reviewed only, not audited in accordance with Standards on Auditing as of March 31, 2023 and 2022

Advanced Ceramic X Corporation

Notes to Financial Statements

March 31, 2023 and 2022

(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 District, Hsinchu Hsien, 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 2, 2023.

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, 2023 :

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

(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 “Non – Current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IFRS 16 “Requirements for Sale and Leaseback Transactions”

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, 2022. For the related information, please refer note 4 of the financial statements for the year ended December 31, 2022.

(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, 2022. For the related information, please refer to note 5 of the financial statements for the year ended December 31, 2022.

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, 2023, which compare with the financial statements for the year ended December 31, 2022, was not changed significantly. For the related information, please refer to note 6 of the financial statements for the year ended December 31, 2022.

Advanced Ceramic X Corporation
Notes to Financial Statements

(1) Cash and cash equivalents

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Cash	\$ 25	25	25
Cash in bank	133,080	152,242	209,582
Time deposits	<u>541,091</u>	<u>444,100</u>	<u>414,851</u>
	<u>\$ 674,196</u>	<u>596,367</u>	<u>624,458</u>

As of March 31, 2023, December 31, 2022 and March 31, 2022, the classified from cash and cash equivalents to other financial assets-current for time deposits, amounted to \$412,850 thousand, \$322,450 thousand and \$365,850 thousand, respectively.

Please refer to note 6(13) 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, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Notes receivable	\$ -	201	19
Accounts receivable	184,759	218,146	222,474
Accounts receivable from related parties	69,871	66,878	100,499
Less: Allowance for impairment	(1,847)	(2,183)	(2,225)
Allowance for impairment from related parties	<u>(699)</u>	<u>(669)</u>	<u>(1,004)</u>
	<u>\$ 252,084</u>	<u>282,373</u>	<u>319,763</u>
Notes and accounts receivable, net	<u>\$ 182,912</u>	<u>216,164</u>	<u>220,268</u>
Accounts receivable from related parties, net	<u>\$ 69,172</u>	<u>66,209</u>	<u>99,495</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, 2023</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average expected loss rate</u>	<u>Lifetime expected credit loss allowance</u>
Not past due	\$ 254,101	1%~2%	2,541
Past due less than 30 days	<u>529</u>	1%~2%	<u>5</u>
	<u>\$ 254,630</u>		<u>2,546</u>

Advanced Ceramic X Corporation
Notes to Financial Statements

	December 31, 2022		
	Gross carrying amount	Weighted-average expected loss rate	Lifetime expected credit loss allowance
Not past due	\$ 284,140	1%~2%	2,841
Past due less than 30 days	1,085	1%~2%	11
	\$ 285,225		2,852
	March 31, 2022		
	Gross carrying amount	Weighted-average expected loss rate	Lifetime expected credit loss allowance
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	23	1%~2%	-
	\$ 322,992		3,229

The movements of allowance for doubtful accounts were as follows:

	Three months ended March 31	
	2023	2022
Beginning balance	\$ 2,852	5,618
Reversal of impairment loss	(306)	(2,389)
Ending balance	\$ 2,546	3,229

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, 2023, December 31, 2022 and March 31, 2022, the notes and accounts receivable were not pledged as collateral.

For information on the Company's credit risk was disclosed in note 6(13).

(3) Inventories

	March 31, 2023	December 31, 2022	March 31, 2022
Raw materials and supplies	\$ 54,208	46,071	76,036
Work in process	40,841	60,040	89,700
Finished goods and merchandises	60,472	79,897	110,297
	\$ 155,521	186,008	276,033

For the three months ended March 31, 2023 and 2022, the amounts of inventories that were charged to cost of sales were \$212,871 thousand and \$250,414 thousand, respectively. For the three months ended March 31, 2023, the reversal of inventories written down was \$2,000 thousand. For the three months ended March 31, 2022, the net of provisions that charged to cost of sales for inventories written down to net realizable value amounted was \$11,300 thousand. As of March 31, 2023, December 31, 2022 and March 31, 2022, 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, 2023 and 2022 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, 2023	\$ 248,651	1,347,742	3,258,916	290,696	171,539	5,317,544
Additions	-	-	5,245	-	5,905	11,150
Reclassifications	-	-	59,665	-	(59,665)	-
Disposals	-	-	(21,138)	(1,197)	-	(22,335)
Balance at March 31, 2023	<u>\$ 248,651</u>	<u>1,347,742</u>	<u>3,302,688</u>	<u>289,499</u>	<u>117,779</u>	<u>5,306,359</u>
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>
Depreciation :						
Balance at January 1, 2023	\$ -	365,787	2,041,741	202,276	-	2,609,804
Depreciation	-	16,738	68,010	6,792	-	91,540
Disposals	-	-	(21,138)	(1,197)	-	(22,335)
Balance at March 31, 2023	<u>\$ -</u>	<u>382,525</u>	<u>2,088,613</u>	<u>207,871</u>	<u>-</u>	<u>2,679,009</u>
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>
Carrying value :						
Balance at January 1, 2023	<u>\$ 248,651</u>	<u>981,955</u>	<u>1,217,175</u>	<u>88,420</u>	<u>171,539</u>	<u>2,707,740</u>
Balance at March 31, 2023	<u>\$ 248,651</u>	<u>965,217</u>	<u>1,214,075</u>	<u>81,628</u>	<u>117,779</u>	<u>2,627,350</u>
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>

Pledged assets

As of March 31, 2023, December 31, 2022 and March 31, 2022, the property, plant and equipment of the Company had been pledged as collateral for short-term borrowings; please refer to note 8.

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(5) Intangible assets

	Royalty
Balance at January 1, 2023	\$ 2,941
Balance at March 31, 2023	\$ 2,696
Balance at January 1, 2022	\$ 2,788
Balance at March 31, 2022	\$ 2,593

For the three months ended March 31, 2023 and 2022, 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, 2022 for other related information.

As of March 31, 2023, December 31, 2022 and March 31, 2022, the intangible assets were not pledged as collateral.

(6) Other current liabilities

	March 31, 2023	December 31, 2022	March 31, 2022
Accrued expenses	\$ 127,556	143,246	159,966
Contract liabilities	20,613	13,187	7,799
Directors' remuneration payable	6,474	5,596	22,216
Other	2,016	2,829	2,419
	\$ 156,659	164,858	192,400

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, 2022 and 2021.

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	
	2023	2022
Income tax expense	\$ 10,943	19,967

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- B. As of March 31, 2023, the tax authorities have completed the examination of income tax returns of the Company through 2021.
- C. In accordance with Permit No.11004582620 issued by the Ministry of Finance, the Company's 2021 income tax expenses are paid in installments. As of March 31, 2023, the Company unpaid amount was \$120,749 thousand.

(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, 2023 and 2022. For the related information, please refer to note 6(9) of the financial statements for the year ended December 31, 2022.

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.

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D. Earnings distribution

On February 21, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. On June 17, 2022, the shareholders' meetings resolved to distribute the 2021 earnings. These earnings were distributed as dividends as follows:

	2022	2021
Dividends distributed to ordinary shareholders Amount per share (NTD) :		
Cash dividends	\$ 3.59	8.00

The aforementioned appropriations of earnings for 2021 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.

The cash dividend per share for 2022 was NT\$3.59 per share according with the resolutions of the meeting of the Board of Directors on February 21, 2023. 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, 2023 and 2022, the Company's earnings per share were calculated as follows:

	Three months ended March 31	
	2023	2022
Basic EPS :		
Profit attributable to ordinary shareholders	\$ 43,771	79,867
Weighted average number of outstanding share of common stock (in thousands)	69,016	69,016
Basic EPS (in dollars)	\$ 0.63	1.16
Diluted EPS :		
Profit belonging to common shareholders	\$ 43,771	79,867
Weighted average number of outstanding shares of common stock (in thousands) (basic)	69,016	69,016
Employee compensation	59	154
Weighted average number of common stock (in thousands) (diluted)	69,075	69,170
Diluted EPS (in dollars)	\$ 0.63	1.15

Advanced Ceramic X Corporation
Notes to Financial Statements

(11) Operating revenue from contracts with customers

	Three months ended March 31	
	2023	2022
Primary geographic markets		
China	\$ 118,752	185,548
United States	77,724	121,265
Taiwan	85,922	59,004
Other	35,605	38,804
	\$ 318,003	404,621
Main Product		
RF Front-End devices and modules	\$ 318,003	404,621

Contract balances :

	March 31, 2023	December 31, 2022	March 31, 2022
Notes receivable	\$ -	201	19
Accounts receivable	184,759	218,146	222,474
Accounts receivable from related parties	69,871	66,878	100,499
Less: Allowance for impairment	(1,847)	(2,183)	(2,225)
Allowance for impairment from related parties	(699)	(669)	(1,004)
	\$ 252,084	282,373	319,763
Notes and accounts receivable, net	\$ 182,912	216,164	220,268
Accounts receivable from related parties, net	\$ 69,172	66,209	99,495

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

As of March 31, 2023, December 31, 2022 and March 31, 2022, the Company contract liabilities amount was \$20,613 thousand, \$13,187 thousand and \$7,799 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, 2023 and 2022 that was included in the contract liabilities balance at the beginning for the period was \$10,613 thousand and \$7,869 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.

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(12) 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. For the three months ended March 31, 2023 and 2022, the Company estimated the remuneration to employees amounting to \$2,926 thousand and \$5,339 thousand, respectively, and remuneration to directors amounting to \$878 thousand and \$1,602 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, 2023 and 2022. 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 2022 and 2021 in the amounts of \$18,654 thousand and \$68,715 thousand, respectively, and remuneration to director for 2022 and 2021 in the amounts of \$5,596 thousand and \$20,614 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 2022 and 2021. The information about the Company's remuneration to employees and directors is available at the Market Observation Post System website.

(13) 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, 2022.

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, 2023, December 31, 2022 and March 31, 2022, the Company's notes and account receivable (including related parties) were both concentrated on 5 customers, whose accounts represented 69%, 72% and 69% 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, 2023, December 31, 2022 and March 31, 2022, the Company's cash in bank and time deposits were both concentrated on one financial institution, whose accounts represented 70%, 70% and 77% 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.

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(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, 2022.

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, 2023		
Non-derivative financial liabilities		
Accounts payable	\$ 38,210	38,210
Payables to contractors and equipment	<u>21,523</u>	<u>21,523</u>
	<u>\$ 59,733</u>	<u>59,733</u>
December 31, 2022		
Non-derivative financial liabilities		
Accounts payable	\$ 30,109	30,109
Payables to contractors and equipment	<u>32,535</u>	<u>32,535</u>
	<u>\$ 62,644</u>	<u>62,644</u>
March 31, 2022		
Non-derivative financial liabilities		
Accounts payable	\$ 40,638	40,638
Payables to contractors and equipment	<u>35,857</u>	<u>35,857</u>
	<u>\$ 76,495</u>	<u>76,495</u>

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

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C. Currency risk

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

	March 31, 2023			December 31, 2022			March 31, 2022		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 18,308	30.400	556,563	21,340	30.660	654,284	11,604	28.575	331,584
JPY	557,121	0.2268	126,355	614,481	0.2304	141,576	833,430	0.2333	194,439
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	387	30.500	11,804	401	30.760	12,335	612	28.675	17,549
JPY	50,925	0.2308	11,753	47,943	0.2344	11,238	44,786	0.2373	10,628

(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, 2023 and 2022, while all other variables were remained constant, would have increased (decreased) the net profit after tax by \$5,275 thousand and \$3,983 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, 2023 and 2022, foreign exchange gain (loss), including realized and unrealized portions, amounted to (\$4,119) thousand and \$13,660 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 \$2,174 thousand and \$1,981 thousand for the three months ended March 31, 2023 and 2022, all other variable factors that remain constant.

Advanced Ceramic X Corporation
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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.

(14) 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, 2022.

(15) 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, 2022. 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, 2022. Refer to note 6(16) of the financial statements for the year ended December 31, 2022 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>2023</u>	<u>2022</u>
Key management personnel – JOHANSON	\$ 57,055	56,795
Key management personnel – MINI-CKT	19,738	60,723
	<u>\$ 76,793</u>	<u>117,518</u>

Advanced Ceramic X Corporation
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B. Receivables from related parties

<u>Categories</u>	<u>Account</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Key management personnel – JOHANSON	Receivables from related parties	\$ 65,014	58,242	80,604
	Bad debt provision	(650)	(583)	(806)
Key management personnel – MINI-CKT	Receivables from related parties	4,857	8,636	19,895
	Bad debt provision	(49)	(86)	(198)
		<u>\$ 69,172</u>	<u>66,209</u>	<u>99,495</u>

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.

(3) Transactions with key management personnel

The key management personnel compensation was comprised as follows:

	<u>Three months ended March 31</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 3,060	11,743
Post-employment benefits	27	27
	<u>\$ 3,087</u>	<u>11,770</u>

8. Pledged assets:

The carrying amounts of pledged assets were as follows:

<u>Pledge assets</u>	<u>Pledged to secure</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
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, 2023, December 31, 2022 and March 31, 2022, the outstanding letters of credit for the Company's purchases of machinery and equipment and raw materials amounted to \$9,696 thousand, \$16,938 thousand and \$61,556 thousand, respectively.

(2) As of March 31, 2023, December 31, 2022 and March 31, 2022, the Company purchased machinery and equipment and the unpaid amount was \$33,359 thousand, \$49,327 thousand and \$104,737 thousand, respectively.

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(3) As of March 31, 2023, December 31, 2022 and March 31, 2022, the bank guarantees of the Company's purchases of raw materials, machinery and equipment amounted to \$2,000 thousand, \$2,000 thousand and \$3,000 thousand, respectively.

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, 2023			Three months ended March 31, 2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries	23,364	17,757	41,121	34,147	21,799	55,946
Labor and health insurance	3,128	2,131	5,259	4,234	2,117	6,351
Pension	1,105	871	1,976	1,583	937	2,520
Directors remuneration	799	121	920	1,458	180	1,638
Others	1,182	564	1,746	1,644	649	2,293
Depreciation	78,907	12,633	91,540	78,569	12,410	90,979
Amortization	771	288	1,059	666	195	861

(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, 2023 (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	655,455	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, 2023:

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.