

ADVANCED CERAMIC X CORPORATION
Financial Statements and
Independent Auditors' Review Report
For the Nine Months Ended September 30, 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 as of September 30, 2023 and 2022, and the related statements of comprehensive income for the three months and nine months ended September 30, 2023 and 2022, and the related changes in equity and cash flows for the nine months ended September 30, 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 September 30, 2023 and 2022, and of its financial performance for the three months and nine months ended September 30, 2023 and 2022, and of its cash flows for the nine months ended September 30, 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.

The engagement partners on the reviews resulting in this independent auditors' review report are Lu, Chien-Hui and Tseng, Mei-Yu.

KPMG

Taipei, Taiwan (Republic of China)

November 7, 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.

Advanced Ceramic X Corporation
Balance Sheets
September 30, 2023, December 31, 2022 and September 30, 2022
(Expressed in Thousands of New Taiwan Dollars)

Assets		September 30, 2023		December 31, 2022		September 30, 2022		Liabilities and Equity		September 30, 2023		December 31, 2022		September 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current Assets :								Current Liabilities :							
1100	Cash and Cash Equivalents (Note 6(1))	\$ 254,972	6	596,367	14	563,989	14	2170	Accounts Payable	\$ 53,672	1	30,109	1	32,717	1
1170	Notes and Accounts Receivable, Net (Note 6(2))	204,700	5	216,164	5	219,033	5	2201	Salary and Bonus Payable	139,287	3	135,251	3	170,194	4
1180	Receivables from Related Parties (Note 6(2) and 7)	80,060	2	66,209	2	63,797	2	2213	Payables to Contractors and Equipment	13,753	1	32,535	1	30,923	-
1310	Inventories (Note 6(3))	133,755	3	186,008	5	241,847	6	2230	Current Tax Liabilities (Note 6(8))	130,778	3	130,392	3	110,798	3
1476	Other Current Financial Assets (Note 6(1))	927,304	23	322,836	8	215,946	5	2399	Other Current Liabilities (Note 6(6) and (11))	<u>171,427</u>	<u>4</u>	<u>164,858</u>	<u>4</u>	<u>166,827</u>	<u>4</u>
1479	Other Current Assets	<u>20,260</u>	-	<u>15,679</u>	-	<u>18,580</u>	-			<u>508,917</u>	<u>12</u>	<u>493,145</u>	<u>12</u>	<u>511,459</u>	<u>12</u>
		<u>1,621,051</u>	<u>39</u>	<u>1,403,263</u>	<u>34</u>	<u>1,323,192</u>	<u>32</u>	Noncurrent Liabilities :							
Noncurrent Assets :								2560	Current Tax Liabilities – Noncurrent (Note 6(8))	83,681	2	80,499	2	93,916	3
1600	Property, Plant and Equipment (Note 6(4) and 8)	2,462,811	60	2,707,740	65	2,784,548	68	2600	Other Noncurrent Liabilities	<u>20,295</u>	<u>1</u>	<u>19,333</u>	-	<u>19,012</u>	-
1780	Intangible Assets (Note 6(5))	2,698	-	2,941	-	2,678	-			<u>103,976</u>	<u>3</u>	<u>99,832</u>	<u>2</u>	<u>112,928</u>	<u>3</u>
1840	Deferred Tax Assets	17,687	1	17,687	1	10,727	-	Total Liabilities							
1975	Net Defined Benefit Asset - Noncurrent	6,771	-	6,514	-	1,326	-			<u>612,893</u>	<u>15</u>	<u>592,977</u>	<u>14</u>	<u>624,387</u>	<u>15</u>
1980	Other Noncurrent Financial Assets	810	-	1,210	-	1,210	-	Equity (Note 6(9)) :							
1990	Other Noncurrent Assets	<u>6,035</u>	-	<u>7,847</u>	-	<u>8,641</u>	-	3100	Capital Stock	690,162	17	690,162	17	690,162	17
		<u>2,496,812</u>	<u>61</u>	<u>2,743,939</u>	<u>66</u>	<u>2,809,130</u>	<u>68</u>	3200	Capital Surplus	573,532	14	573,532	14	573,532	14
		<u>\$ 4,117,863</u>	<u>100</u>	<u>4,147,202</u>	<u>100</u>	<u>4,132,322</u>	<u>100</u>	3300	Retained Earnings	<u>2,241,276</u>	<u>54</u>	<u>2,290,531</u>	<u>55</u>	<u>2,244,241</u>	<u>54</u>
								Total Equity							
										<u>3,504,970</u>	<u>85</u>	<u>3,554,225</u>	<u>86</u>	<u>3,507,935</u>	<u>85</u>
								Total Liabilities and Equity							
										<u>\$ 4,117,863</u>	<u>100</u>	<u>4,147,202</u>	<u>100</u>	<u>4,132,322</u>	<u>100</u>

See accompanying notes to the financial statements.

Advanced Ceramic X Corporation
Statements of Comprehensive Income
For the Three and Nine Months Ended September 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Three Months Ended September 30				Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Net Revenue (Note 6(11) and 7)	\$ 396,036	100	324,143	100	1,073,728	100	1,108,073	100
5000 Cost of Sales (Note 6(3) and (12))	239,747	61	224,573	69	682,853	64	702,216	63
Gross Profit	<u>156,289</u>	<u>39</u>	<u>99,570</u>	<u>31</u>	<u>390,875</u>	<u>36</u>	<u>405,857</u>	<u>37</u>
Operating Expenses (Note 6(12) and (7)) :								
6100 Selling and Distribution Expenses	6,660	2	5,456	2	20,126	2	20,081	2
6200 General and Administrative Expenses	28,980	7	25,514	8	82,202	8	82,460	7
6300 Research and Development Expenses	25,147	6	17,892	5	68,992	6	66,848	6
6450 Losses (Gains) on Expected Credit Impairment (Note 6(2))	167	-	(48)	-	25	-	(2,762)	-
	<u>60,954</u>	<u>15</u>	<u>48,814</u>	<u>15</u>	<u>171,345</u>	<u>16</u>	<u>166,627</u>	<u>15</u>
Gross Profit from Operations	<u>95,335</u>	<u>24</u>	<u>50,756</u>	<u>16</u>	<u>219,530</u>	<u>20</u>	<u>239,230</u>	<u>22</u>
Non-Operating Income and Expenses :								
7101 Interest Income	4,326	1	1,853	-	13,458	1	4,042	-
7190 Other Income	37	-	1	-	614	-	115	-
7210 Gains on Disposal of Property, Plant and Equipment, Net	-	-	-	-	-	-	720	-
7230 Foreign Exchange Gains, Net	15,638	4	32,283	10	16,286	2	50,831	5
	<u>20,001</u>	<u>5</u>	<u>34,137</u>	<u>10</u>	<u>30,358</u>	<u>3</u>	<u>55,708</u>	<u>5</u>
7900 Profit Before Income Tax	115,336	29	84,893	26	249,888	23	294,938	27
7950 Less : Income Tax Expense (Note 6(8))	24,465	6	18,834	6	51,375	5	60,843	6
8200 Net Income	<u>90,871</u>	<u>23</u>	<u>66,059</u>	<u>20</u>	<u>198,513</u>	<u>18</u>	<u>234,095</u>	<u>21</u>
8300 Other Comprehensive Income :								
8300 Other Comprehensive Income, Net of Tax	-	-	-	-	-	-	-	-
8500 Total Comprehensive Income	<u>\$ 90,871</u>	<u>23</u>	<u>66,059</u>	<u>20</u>	<u>198,513</u>	<u>18</u>	<u>234,095</u>	<u>21</u>
Earnings Per Share (Expressed in Dollars) (Note 6(10))								
9750 Basic Earnings Per Share	<u>\$ 1.32</u>		<u>0.96</u>		<u>2.88</u>		<u>3.39</u>	
9850 Diluted Earnings Per Share	<u>\$ 1.32</u>		<u>0.96</u>		<u>2.87</u>		<u>3.38</u>	

See accompanying notes to the financial statements.

Advanced Ceramic X Corporation
Statements of Changes in Equity
For the Nine Months Ended September 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Common Stock	Capital Surplus	Retained Earnings		Capital Surplus	
			Legal Reserve	Undistributed Earnings		Subtotal
Balance at January 1, 2022	\$ 690,162	573,532	863,694	1,698,581	2,562,275	3,825,969
Profit for the Nine Months Ended September 30, 2022	-	-	-	234,095	234,095	234,095
Other Comprehensive Income for the Nine Months Ended September 30, 2022	-	-	-	-	-	-
Total Comprehensive Income for the Nine Months Ended September 30, 2022	-	-	-	234,095	234,095	234,095
Appropriation and Distribution of 2021 Earnings :						
Legal Reserve	-	-	102,671	(102,671)	-	-
Cash Dividends	-	-	-	(552,129)	(552,129)	(552,129)
Balance at September 30, 2022	\$ 690,162	573,532	966,365	1,277,876	2,244,241	3,507,935
Balance at January 1, 2023	\$ 690,162	573,532	966,365	1,324,166	2,290,531	3,554,225
Profit for the Nine Months Ended September 30, 2023	-	-	-	198,513	198,513	198,513
Other Comprehensive Income for the Nine Months Ended September 30, 2023	-	-	-	-	-	-
Total Comprehensive Income for the Nine Months Ended September 30, 2023	-	-	-	198,513	198,513	198,513
Appropriation and Distribution of 2022 Earnings :						
Legal Reserve	-	-	28,039	(28,039)	-	-
Cash Dividends	-	-	-	(247,768)	(247,768)	(247,768)
Balance at September 30, 2023	\$ 690,162	573,532	994,404	1,246,872	2,241,276	3,504,970

See accompanying notes to the financial statements.

Advanced Ceramic X Corporation
Statements of Cash Flows
For the Nine Months Ended September 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Nine Months Ended September 30	
	2023	2022
Cash Flows from Operating Activities :		
Income Before Income Tax	\$ 249,888	294,938
Adjustments for :		
Depreciation Expense	274,916	271,495
Amortization Expense	3,163	2,743
Expected Credit Loss (Gain)	25	(2,762)
Interest Income	(13,458)	(4,042)
Gain on Disposal of Property, Plant and Equipment, Net	-	(720)
Provision (Reversal) for Inventory Obsolescence and Devaluation Loss	(4,900)	30,450
Total Adjustments to Reconcile Profit	259,746	297,164
Changes in Operating Assets and Liabilities :		
Notes and Accounts Receivable	11,579	33,009
Receivables from Related Parties	(13,991)	243,159
Inventories	57,153	46,650
Other Operating Current Assets	(4,581)	3,161
Net Defined Benefit Assets	(257)	(476)
Accounts Payable	23,563	(57)
Other Operating Current Liabilities	10,605	(47,129)
Other Noncurrent Liabilities	962	963
Total Net Changes in Operating Assets and Liabilities	85,033	279,280
Cash Inflow Generated from Operations	594,667	871,382
Interest Received	13,190	3,971
Income Taxes Paid	(47,807)	(13,418)
Net Cash Flows from Operating Activities	560,050	861,935
Cash Flows from Investing Activities :		
Acquisition of Property, Plant and Equipment	(48,769)	(196,787)
Proceeds from Disposal of Property, Plant and Equipment	-	720
Decrease in Guarantee Deposits	400	36
Acquisition of Intangible Assets	(500)	(500)
Increase in Other Financial Assets	(604,200)	-
Increase in Other Noncurrent Assets	(608)	(1,296)
Net Cash Flows Used in Investing Activities	(653,677)	(197,827)
Cash Flows from Financing Activities :		
Cash Dividends	(247,768)	(552,129)
Net Cash Flows Used in Financing Activities	(247,768)	(552,129)
Net Increase (Decrease) in Cash and Cash Equivalents	(341,395)	111,979
Cash and Cash Equivalents at the Beginning of Period	596,367	452,010
Cash and Cash Equivalents at the End of Period	\$ 254,972	563,989

See accompanying notes to the financial statements.

Advanced Ceramic X Corporation
Notes to Financial Statements
September 30, 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 November 7, 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”

The Company has initially adopted the new amendment, which do not have a significant impact on its financial statements, from May 23, 2023 :

- Amendments to IAS 12 “International Tax Reform – Pillar Two Model Rules”

(2) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non – Current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Requirements for Sale and Leaseback Transactions”

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

The Company does not expect the following 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 its amendments
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

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.

Advanced Ceramic X Corporation
Notes to Financial Statements

6. Explanation of significant accounts

Except for the following disclosure, the significant account disclosure in the financial statements for the nine months ended September 30, 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.

(1) Cash and cash equivalents

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Cash	\$ 25	25	25
Cash in bank	97,915	152,242	167,364
Time deposits	<u>157,032</u>	<u>444,100</u>	<u>396,600</u>
	<u>\$ 254,972</u>	<u>596,367</u>	<u>563,989</u>

As of September 30, 2023, December 31, 2022 and September 30, 2022, the classified from cash and cash equivalents to other financial assets-current for time deposits, amounted to \$926,650 thousand, \$322,450 thousand and \$215,850, 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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Notes receivable	\$ 38	201	1
Accounts receivable	206,730	218,146	221,244
Accounts receivable from related parties	80,869	66,878	64,441
Less: Allowance for impairment	(2,068)	(2,183)	(2,212)
Allowance for impairment from related parties	<u>(809)</u>	<u>(669)</u>	<u>(644)</u>
	<u>\$ 284,760</u>	<u>282,373</u>	<u>282,830</u>
Notes and accounts receivable, net	<u>\$ 204,700</u>	<u>216,164</u>	<u>219,033</u>
Accounts receivable from related parties, net	<u>\$ 80,060</u>	<u>66,209</u>	<u>63,797</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>September 30, 2023</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average expected loss rate</u>	<u>Lifetime expected credit loss allowance</u>
Not past due	\$ 287,120	1%~2%	2,872
Past due less than 30 days	<u>517</u>	1%~2%	<u>5</u>
	<u>\$ 287,637</u>		<u>2,877</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

	September 30, 2022		
	Gross carrying amount	Weighted-average expected loss rate	Lifetime expected credit loss allowance
Not past due	\$ 284,850	1%~2%	2,848
Past due less than 30 days	836	1%~2%	8
	\$ 285,686		2,856

The movements of allowance for doubtful accounts were as follows:

	Nine months ended September 30	
	2023	2022
Beginning balance	\$ 2,852	5,618
Provision (Reversal) of impairment loss	25	(2,762)
Ending balance	\$ 2,877	2,856

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 September 30, 2023, December 31, 2022 and September 30, 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

	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials and supplies	\$ 38,750	46,071	67,384
Work in process	62,916	60,040	101,480
Finished goods and merchandises	32,089	79,897	72,983
	\$ 133,755	186,008	241,847

Advanced Ceramic X Corporation
Notes to Financial Statements

For the three months and nine months ended September 30, 2023 and 2022, the amounts of inventories that were charged to cost of sales were \$242,247 thousand, \$209,723 thousand, \$687,753 thousand and \$671,766 thousand, respectively. For the three months and nine months ended September 30, 2023, the net of provisions that charged to cost of sales for inventories written down to net realizable value amounted were \$2,500 thousand and \$4,900 thousand, respectively. For the three months and nine months ended September 30, 2022, the net of provisions that charged to cost of sales for inventories written down to net realizable value amounted were \$14,850 thousand and \$30,450 thousand, respectively.

As of September 30, 2023, December 31, 2022 and September 30, 2022, the inventories were not pledged as collateral.

(4) Property, plant and equipment

The movements in property, plant and equipment 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 & equipment 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	-	720	7,046	4,422	17,799	29,987
Reclassifications	-	-	94,774	2,969	(97,743)	-
Disposals	-	-	(21,138)	(1,197)	-	(22,335)
Balance at September 30, 2023	<u>\$ 248,651</u>	<u>1,348,462</u>	<u>3,339,598</u>	<u>296,890</u>	<u>91,595</u>	<u>5,325,196</u>
Balance at January 1, 2022	\$ 248,651	1,318,635	3,110,245	285,810	257,610	5,220,951
Additions	-	10,135	19,409	1,436	93,180	124,160
Reclassifications	-	12,257	82,766	5,879	(100,902)	-
Disposals	-	-	(37,453)	(3,828)	-	(41,281)
Balance at September 30, 2022	<u>\$ 248,651</u>	<u>1,341,027</u>	<u>3,174,967</u>	<u>289,297</u>	<u>249,888</u>	<u>5,303,830</u>
Depreciation :						
Balance at January 1, 2023	\$ -	365,787	2,041,741	202,276	-	2,609,804
Depreciation	-	50,227	204,897	19,792	-	274,916
Disposals	-	-	(21,138)	(1,197)	-	(22,335)
Balance at September 30, 2023	<u>\$ -</u>	<u>416,014</u>	<u>2,225,500</u>	<u>220,871</u>	<u>-</u>	<u>2,862,385</u>
Balance at January 1, 2022	\$ -	298,989	1,811,518	178,561	-	2,289,068
Depreciation	-	50,115	200,829	20,551	-	271,495
Disposals	-	-	(37,453)	(3,828)	-	(41,281)
Balance at September 30, 2022	<u>\$ -</u>	<u>349,104</u>	<u>1,974,894</u>	<u>195,284</u>	<u>-</u>	<u>2,519,282</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 September 30, 2023	<u>\$ 248,651</u>	<u>932,448</u>	<u>1,114,098</u>	<u>76,019</u>	<u>91,595</u>	<u>2,462,811</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 September 30, 2022	<u>\$ 248,651</u>	<u>991,923</u>	<u>1,200,073</u>	<u>94,013</u>	<u>249,888</u>	<u>2,784,548</u>

Pledged assets

As of September 30, 2023, December 31, 2022 and September 30, 2022, 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
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(5) Intangible assets

	Royalty
Balance at January 1, 2023	\$ 2,941
Balance at September 30, 2023	\$ 2,698
Balance at January 1, 2022	\$ 2,788
Balance at September 30, 2022	\$ 2,678

For the nine months ended September 30, 2023 and 2022, there were no significant additions, disposals, or recognition and reversal of impairment losses of intangible assets. Please refer to note 12 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 September 30, 2023, December 31, 2022 and September 30, 2022, the intangible assets were not pledged as collateral.

(6) Other current liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Accrued expenses	\$ 152,262	143,246	138,322
Contract liabilities	11,349	13,187	21,566
Directors' remuneration payable	4,009	5,596	4,732
Other	3,807	2,829	2,207
	\$ 171,427	164,858	166,827

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 for employee pension costs or expenses under defined benefit plans and defined contribution plans.

(8) Income tax

A. Income tax expense

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Income tax expense	\$ 24,465	18,834	51,375	60,843

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- B. As of September 30, 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 and 2022 income tax expenses are paid in installments. As of September 30, 2023, the Company unpaid amount was \$162,165 thousand.

(9) Capital and other equity

Except for the following disclosure, there were no significant change for capital and other equity for the nine months ended September 30, 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 un-appropriated 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

	2022	2021
Board meeting date	February 21, 2023	February 22, 2022
Shareholders meeting date	June 7, 2023	June 17, 2022
Legal reserve	<u>\$ 28,039</u>	<u>102,671</u>
Cash dividends	<u>\$ 247,768</u>	<u>552,129</u>
Amount per share (dollars)	<u>\$ 3.59</u>	<u>8.00</u>

The related information mentioned above can be found on websites such as the Market Observation Post System.

(10) Earnings per share (EPS)

A. Basic EPS

	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Profit belonging to common shareholders	<u>\$ 90,871</u>	<u>66,059</u>	<u>198,513</u>	<u>234,095</u>
Weighted average number of outstanding share of common stock (in thousands)	<u>69,016</u>	<u>69,016</u>	<u>69,016</u>	<u>69,016</u>
Basic EPS (in dollars)	<u>\$ 1.32</u>	<u>0.96</u>	<u>2.88</u>	<u>3.39</u>

B. Diluted EPS

	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Profit belonging to common shareholders	<u>\$ 90,871</u>	<u>66,059</u>	<u>198,513</u>	<u>234,095</u>
Weighted average number of outstanding shares of common stock (in thousands)	69,016	69,016	69,016	69,016
Employee compensation	64	102	79	147
	<u>69,080</u>	<u>69,118</u>	<u>69,095</u>	<u>69,163</u>
Diluted EPS (in dollars)	<u>\$ 1.32</u>	<u>0.96</u>	<u>2.87</u>	<u>3.38</u>

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Notes to Financial Statements

(11) Operating revenue from contracts with customers

	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Primary geographic markets				
China	\$ 186,620	113,582	476,522	440,691
Taiwan	95,728	80,271	245,395	214,140
United States	74,026	78,526	231,870	321,837
Other	39,662	51,764	119,941	131,405
	<u>\$ 396,036</u>	<u>324,143</u>	<u>1,073,728</u>	<u>1,108,073</u>
Main Product				
RF Front-End devices and modules	<u>\$ 396,036</u>	<u>324,143</u>	<u>1,073,728</u>	<u>1,108,073</u>
Contract balances				
	September 30,	December 31,	September 30,	
	2023	2022	2022	
Contract liabilities (Other current liabilities)	<u>\$ 11,349</u>	<u>13,187</u>	<u>21,566</u>	

For details on trade receivables and allowance for impairment, please refer to note 6(2) and 7(2). 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 nine months ended September 30, 2023 and 2022 that was included in the contract liabilities balance at the beginning for the period was \$10,613 thousand and \$7,882 thousand, respectively.

(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.

The Company estimated its remuneration of employees and directors as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Employees remuneration	<u>\$ 6,168</u>	<u>4,540</u>	<u>13,363</u>	<u>15,772</u>
Directors remuneration	<u>\$ 1,850</u>	<u>1,362</u>	<u>4,009</u>	<u>4,732</u>

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Notes to Financial Statements

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 nine months ended September 30, 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 and directors for 2022 in the amounts of \$18,654 thousand and \$5,596 thousand, 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. 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 September 30, 2023, December 31, 2022 and September 30, 2022, the Company's notes and account receivable (including related parties) were both concentrated on 5 customers, whose accounts represented 69%, 72% and 68% 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 September 30, 2023, December 31, 2022 and September 30, 2022, the Company's cash in bank and time deposits were both concentrated on one financial institution, whose accounts represented 61%, 70% and 65% 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 accounts 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.

Advanced Ceramic X Corporation
Notes to Financial Statements

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
September 30, 2023		
Non-derivative financial liabilities		
Accounts payable	\$ 53,672	53,672
Payables to contractors and equipment	13,753	13,753
	<u>\$ 67,425</u>	<u>67,425</u>
December 31, 2022		
Non-derivative financial liabilities		
Accounts payable	\$ 30,109	30,109
Payables to contractors and equipment	32,535	32,535
	<u>\$ 62,644</u>	<u>62,644</u>
September 30, 2022		
Non-derivative financial liabilities		
Accounts payable	\$ 32,717	32,717
Payables to contractors and equipment	30,923	30,923
	<u>\$ 63,640</u>	<u>63,640</u>

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:

	<u>September 30, 2023</u>			<u>December 31, 2022</u>			<u>September 30, 2022</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 13,445	32.220	433,198	21,340	30.660	654,284	14,045	31.700	445,227
JPY	429,002	0.2142	91,892	614,481	0.2304	141,576	671,931	0.2181	146,548
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	769	32.320	24,854	401	30.760	12,335	349	31.800	11,098
JPY	25,818	0.2182	5,633	47,943	0.2344	11,238	66,221	0.2221	14,708

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(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 (including related parties), accounts payable, and payables to contractors and equipment. Depreciation or appreciation of the NTD by 1% against USD and JPY at September 30, 2023 and 2022, while all other variables were remained constant, would have increased (decreased) the net profit after tax by \$3,957 thousand and \$4,528 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 nine months ended September 30, 2023 and 2022, foreign exchange gain (loss), including realized and unrealized portions, amounted to \$16,286 thousand and 50,831 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 \$7,090 thousand and \$4,679 thousand for the nine months ended September 30, 2023 and 2022, 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 accounts 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, 2021.

(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, 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, 2022. Refer to note 6(16) of the financial statements for the year ended December 31, 2022 for the relevant information.

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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</u>		<u>Nine months ended</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Key management personnel— JOHANSON	\$ 53,250	40,575	175,405	166,763
Key management personnel— MINI-CKT	23,465	35,810	55,791	146,280
	<u>\$ 76,715</u>	<u>76,385</u>	<u>231,196</u>	<u>313,043</u>

B. Receivables from related parties

<u>Categories</u>	<u>Account</u>	<u>September 30,</u>	<u>December 31,</u>	<u>September 30,</u>
		<u>2023</u>	<u>2022</u>	<u>2022</u>
Key management personnel — JOHANSON	Receivables from related parties	\$ 72,087	58,242	53,868
	Bad debt provision	(721)	(583)	(539)
Key management personnel — MINI-CKT	Receivables from related parties	8,782	8,636	10,573
	Bad debt provision	(88)	(86)	(105)
		<u>\$ 80,060</u>	<u>66,209</u>	<u>63,797</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.

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(3) Transactions with key management personnel

The key management personnel compensation was comprised as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Short-term employee benefits	\$ 13,206	3,838	26,425	24,819
Post-employment benefits	27	27	81	81
	\$ 13,233	3,865	26,506	24,900

8. Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledge assets	Pledged to secure	September 30,	December 31,	September 30,
		2023	2022	2022
Land				
(Property, plant and equipment) Short-term borrowings		\$ 168,944	168,944	168,944

9. Commitments and contingencies:

(1) The unused letters of credit for the Company's purchases of machinery and equipment and raw materials amount were as follows:

September 30,	December 31,	September 30,
2023	2022	2022
\$ 4,381	16,938	25,382

(2) The Company purchased machinery and equipment and the unpaid amount were as follows:

September 30,	December 31,	September 30,
2023	2022	2022
\$ 23,282	49,327	40,667

(3) The bank guarantees of the Company's purchases of raw materials, machinery and equipment amount were as follows:

September 30,	December 31,	September 30,
2023	2022	2022
\$ 1,000	2,000	2,000

10. Losses due to major disasters: None.

11. Subsequent events: None.

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12. Other:

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

	Three months ended September 30, 2023			Three months ended September 30, 2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries	27,789	22,310	50,099	25,553	14,146	39,699
Labor and health insurance	3,129	2,108	5,237	3,592	2,041	5,633
Pension	1,100	866	1,966	1,333	892	2,225
Directors remuneration	1,683	203	1,886	1,239	165	1,404
Others	1,157	605	1,762	1,382	577	1,959
Depreciation	79,561	12,243	91,804	77,924	12,494	90,418
Amortization	782	253	1,035	730	249	979

	Nine months ended September 30, 2023			Nine months ended September 30, 2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries	76,776	59,571	136,347	91,545	58,069	149,614
Labor and health insurance	9,265	6,367	15,632	11,696	6,248	17,944
Pension	3,274	2,602	5,876	4,337	2,743	7,080
Directors remuneration	3,648	505	4,153	4,306	564	4,870
Others	3,476	1,752	5,228	4,533	1,848	6,381
Depreciation	237,588	37,328	274,916	234,254	37,241	271,495
Amortization	2,333	830	3,163	2,104	639	2,743

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 September 30, 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:

(In thousands of New Taiwan Dollars)

Name of company	Types of property	Transaction date	Transaction amount	Payment term	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	661,223	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:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	JOHANSON	Corporate director	(Sales)	175,405	16%	150 days	Note	Note	72,087	25%	

Note: Please refer Note 7(2).

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 September 30, 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.