Stock Code: 8121

Acme Electronics Corporation

Financial Statements and Independent Auditors' Report

For the Years Ended December 31, 2022 and 2021

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Independent Auditors' Report

To: Acme Electronics Corporation,

Opinions

We have audited the Parent Company Only Balance Sheets of Acme Electronics Corporation (hereinafter the “Company”) for the years ended December 31, 2022 and 2021, and the Parent Company Only Statements of Comprehensive Income, the Parent Company Only Statements of Changes in Equity, the Parent Company Only Statements of Cash Flows and Notes to the Parent Company Only Financial Statements (including the Summary of Significant Accounting Policies) for the years from January 1 to December 31, 2022 and 2021.

In our opinion, the above financial statements have been prepared in all material respects in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and are sufficient to give a fair representation of the financial position of Acme Electronics Corporation as at December 31, 2022 and 2021, and the financial performance and cash flow from January 1 to December 31, 2022 and 2021.

Basis for opinions

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of Acme Electronics Corporation in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China ("The Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Parent Company Only Financial Statements of Acme Electronics Corporation for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Parent Company Only Financial Statements of Acme Electronics Corporation for the year ended December 31, 2022 are stated as follows:

Correctness of Recognition Time for Export Sales Revenue

The recognition time for the export sales revenue of Acme Electronics Corporation varies depending on international trade conditions, and the process requires manual operations to adjust according to the transaction conditions of each customer. Therefore, there is a risk of incorrect revenue presentation during the financial reporting period. Therefore, we presented the correctness of recognition time for the aforementioned sales revenue as a key audit matter.

For accounting policies relating to sales revenue and relevant disclosure information, please refer to Notes 4 to the Parent Company Only Financial Statements.

Response audit procedures:

1. Learn about the operating procedures and internal controls related to the Company's sales transactions, and test the design and implementation of such controls.
2. Obtain transaction details of export sales revenue for a certain period before and after the end of the financial reporting period, and conduct cut-off tests, including verifying the customer’s original orders, shipment data, and export customs declaration documents to confirm that the revenue has been recorded within the appropriate period.

Responsibilities of management and governance for the Parent Company Only Financial Statements

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

In preparing the Parent Company Only Financial Statements, the management is responsible for assessing Acme Electronics Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the management either intends to liquidate Acme Electronics Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing Acme Electronics Corporation's financial reporting process.

Auditors' responsibilities for the audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the Parent Company Only Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Parent Company Only Financial Statements.

As part of an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Acme Electronics Corporation to express an opinion on the Parent Company Only Financial Statements. We are responsible for the direction, supervision, and performance of the audit and for expressing an opinion on the Parent Company Only Financial Statements of Acme Electronics Corporation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Parent Company Only Financial Statements of the Company for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

CPA Wu, Shih-Tsung	CPA Chiu, Cheng-Chun
Financial Supervisory Commission Approved Document No. Jin Guan Zheng Shen Zi No. 1010028123	Financial Supervisory Commission Approved Document No. Jin Guan Zheng Liu Zi No. 0930160267

Notice to Readers

The accompanying financial statements are intended only to present the accompanying financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such accompanying financial statements are those generally applied in the Republic of China. For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and accompanying financial statements shall prevail.

March 10, 2023

Acme Electronics Corporation

Parent Company Only Balance Sheets

For the Years Ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

Code	Assets	For the Year Ended December 31, 2022 Amount	%	For the Year Ended December 31, 2021 Amount	%
	CURRENT ASSETS				
1100	Cash and cash equivalents (Notes 4 and 6)	$ 82,497	2	$ 106,072	3
1110	Financial assets at fair value through profit or loss (FVTPL) - current (Notes 4 and 7)	-	-	569	-
1136	Financial assets at amortized cost - current (Notes 4, 8 and 24)	5,800	-	5,800	-
1150	Notes receivable (Notes 4 and 9)	389	-	281	-
1170	Accounts receivable, net (Notes 4 and 9)	213,531	6	229,146	8
1180	Accounts receivable, net of related parties (Notes 4 and 23)	83,402	3	85,995	3
1200	Other receivables (Note 4)	575	-	4,861	-
1210	Other receivables from related parties (Notes 4 and 23)	31,191	1	33,132	1
1220	Current income tax assets (Notes 4 and 19)	171	-	261	-
130X	Inventories (Notes 4, 5 and 10)	358,124	11	321,440	11
1470	Other current assets	54,530	2	30,363	1
11XX	Total current assets	830,210	25	817,920	27
	NON-CURRENT ASSETS				
1550	Investments accounted for using the equity method (Notes 4 and 11)	1,781,355	53	1,645,426	55
1600	Property, plant, and equipment (Notes 4, 12, 23, and 24)	483,203	15	286,573	10
1755	Right-of-use assets (Notes 4 and 13)	1,095	-	1,583	-
1780	Intangible assets (Note 4)	1,327	-	1,115	-
1840	Deferred tax assets (Notes 4 and 19)	55,178	2	55,976	2
1915	Prepayments for equipment	178,980	5	162,713	6
1920	Refundable deposits (Note 24)	6,130	-	6,080	-
15XX	Total non-current assets	2,507,268	75	2,159,466	73
1XXX	Total Assets	$ 3,337,478	100	$ 2,977,386	100
Code	**Liabilities and Equity**				
	CURRENT LIABILITIES				
2100	Short-term borrowings (Note 14)	$ 216,000	7	$ 300,000	10
2110	Short-term notes payable, net (Note 14)	79,951	2	279,635	10
2170	Notes and accounts payable	34,753	1	97,759	3
2180	Accounts payable - related parties (Note 23)	64,843	2	122,444	4
2200	Other payables (Note 23)	61,129	2	85,904	3
2280	Lease liabilities - current (Notes 4 and 13)	491	-	485	-
2320	Long-term borrowings due within one year (Note 14)	-	-	59,917	2
2399	Other current liabilities	2,076	-	2,082	-
21XX	Total current liabilities	459,243	14	948,226	32
	NON-CURRENT LIABILITIES				
2540	Short-term borrowings (Note 14 and 24)	1,369,000	41	579,830	19
2570	Deferred tax liabilities (Notes 4 and 19)	114,735	3	91,664	3
2580	Lease liabilities - non-current (Notes 4 and 13)	620	-	1,111	-
2640	Net defined benefit liabilities - non-current (Notes 4 and 15)	16,153	1	21,490	1
2645	Guarantee deposit received	24	-	24	-
25XX	Total non-current liabilities	1,500,532	45	694,119	23
2XXX	Total liabilities	1,959,775	59	1,642,345	55
	Equity (Notes 4, 15 and 17)				
3110	share capital	1,829,937	55	1,829,937	62
3200	Capital surplus	2,139	-	-	-
3350	Accumulated deficit	(305,019)	(9)	(323,658)	(11)
	Other equity				
3410	Exchange differences on translating the financial statements of foreign operations	(149,354)	(5)	(171,238)	(6)
3XXX	Total equity	1,377,703	41	1,335,041	45
	Total liabilities and equity	$ 3,337,478	100	$ 2,977,386	100

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman of the Board:Wu, Yi-Gui President: Wu, Wen-Hao Accounting Manager: Chang, Sheng-Chuang

Acme Electronics Corporation

Parent Company Only Statements of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars, Except for Earnings Per Share in New Taiwan Dollars

		2022		2021	
Code		Amount	%	Amount	%
	Operating Revenue				
4110	Sales revenue (Note 4 and 23)	$ 1,381,388	100	$ 1,307,007	100
4170	Less: Sales returns and allowances (Note 4)	2,062	-	2,205	-
4000	Total operating revenue	1,379,326	100	1,304,802	100
	Operating costs				
5110	Cost of goods sold (Notes 4, 10, 15, 18, and 23)	1,278,685	92	1,132,720	87
5900	Gross profit	100,641	8	172,082	13
5910	Unrealized gains (losses) from sales (Notes 4 and 23)	(96,505)	(7)	193	-
5950	Realized gross profit	197,146	15	171,889	13
	Operating expenses (Notes 4, 9, 15, 16, 18, and 23)				
6100	Selling and marketing expenses	40,997	3	44,185	3
6200	Administrative expenses	96,947	7	90,950	7
6300	Research and development expenses	93,245	7	77,547	6
6450	Reversal of provision for bad debt expense	(300)	-	(1,000)	-
6000	Total operating expenses	230,889	17	211,682	16
6900	Operating loss, net	(33,743)	(2)	(39,793)	(3)
	Non-operating income and expenses				
7100	Interest income (Note 23)	1,110	-	3,783	-
7010	Other incomes (Notes 4, 18 and 23)	40,398	3	46,455	4
7020	Other gains and losses (Notes 4, 7 and 18)	(3,977)	(1)	(5,366)	-
7050	Finance costs (Note 18)	(16,906)	(1)	(12,967)	(1)
7630	Gains (losses) from foreign exchange (Notes 4 and 18)	38,496	3	(11,807)	(1)
7070	Share of profit or loss of subsidiaries and affiliates accounted for using equity method (Notes 4 and 11)	11,965	1	109,116	8
7000	Total non-operating income and expenses	71,086	5	129,214	10

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Code		2022 Amount	2022 %	2021 Amount	2021 %
7900	Net profit before income tax	$ 37,343	3	$ 89,421	7
7950	Income tax expense (Notes 4 and 19)	(20,995)	(2)	(30,092)	(2)
8200	Net profit for the year	16,348	1	59,329	5
	Other comprehensive income (net)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurements of defined benefit plan (Notes 4 and 15)	2,864	-	(2,637)	-
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 19)	(573)	-	527	-
		2,291	-	(2,110)	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating the financial statements of foreign operations (Note 4)	27,355	2	(24,427)	(2)
8399	Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 19)	(5,471)	-	4,885	-
		21,884	2	(19,542)	(2)
8300	Other comprehensive income for the period, net	24,175	2	(21,652)	(2)
8500	Total comprehensive income for the period	$ 40,523	3	$ 37,677	3
	Earnings per share (Note 20)				
9750	Basic	$ 0.09		$ 0.32	
9850	Diluted	$ 0.09		$ 0.32	

The accompanying notes are an integral part of the Parent Company Only Financial Statements

Chairman of the Board: Wu, Yi-Gui　　President: Wu, Wen-Hao　　Accounting Manager: Chang, Sheng-Chuang

Acme Electronics Corporation

Parent Company Only Statements of Changes in Equity

For the Years Ended December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Code		Share capital (Note 17) Number of shares issued	Share capital (Note 17) Amount	Capital surplus (Notes 4 and 17)	Accumulated deficit (Notes 4, 15 and 17)	Exchange differences on translating the financial statements of foreign operations (Note 4)	Total equity
A1	Balance as of January 1, 2021	182,993,743	$ 1,829,937	$ -	($ 380,877)	($ 151,696)	$ 1,297,364
D1	Net profit for the year 2021	-	-	-	59,329	-	59,329
D3	Other comprehensive income for the year 2021, net of income tax	-	-	-	(2,110)	(19,542)	(21,652)
D5	Total comprehensive income for the year 2021	-	-	-	57,219	(19,542)	37,677
Z1	Balance as of December 31, 2021	182,993,743	1,829,937	-	(323,658)	(171,238)	1,335,041
D1	Net profit for the year 2022	-	-	-	16,348	-	16,348
D3	Other comprehensive income for the year 2022, net of income tax	-	-	-	2,291	21,884	24,175
D5	Total comprehensive income for the year 2022	-	-	-	18,639	21,884	40,523
C17	Exercise of disgorgement	-	-	72	-	-	72
N1	Share-based payment transactions	-	-	2,067	-	-	2,067
Z1	Balance as of December 31, 2022	182,993,743	$ 1,829,937	$ 2,139	($ 305,019)	($ 149,354)	$ 1,377,703

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman of the Board: Wu, Yi-Gui | President: Wu, Wen-Hao | Accounting Manager: Chang, Sheng-Chuang

Acme Electronics Corporation

Parent Company Only Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

Code		2022	2021
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Net profit before tax for the year	$ 37,343	$ 89,421
A20010	Incomes and expenses:		
A20100	Depreciation expenses	48,131	38,008
A20200	Amortization expense	788	766
A20300	Reversal of provision for bad debt expense	(300)	(1,000)
A20400	Net loss (gain) on financial assets at fair value through profit or loss	569	(131)
A20900	Finance costs	16,906	12,967
A21200	Interest income	(1,110)	(3,783)
A21900	Employee stock option compensation cost	1,963	-
A22400	Share of profit or loss of subsidiaries and affiliates accounted for using the equity method	(11,965)	(109,116)
A22500	Loss of disposal and scrapping of property, plant and equipment	644	5,299
A23700	Loss on (gain on reversal of) write-down of inventories	28,359	(500)
A23900	Unrealized gains (losses) with subsidiaries	(96,505)	193
A24100	Foreign exchange gains (losses)	3,091	(9,582)
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	(106)	(167)
A31150	Trade receivables (including related parties)	16,356	(95,899)
A31180	Other receivables (including related parties)	6,105	(20,385)
A31200	Inventories	(65,043)	(108,452)
A31240	Other current assets	(24,167)	(14,879)
A32150	Notes and accounts payable (including related parties)	(121,426)	32,530
A32180	Other payables (including related parties)	(11,891)	20,231
A32230	Other current liabilities	(6)	1,251
A32240	Net defined benefit liabilities	(2,473)	(1,680)
A33000	Cash outflow generated from operations	(174,737)	(164,908)
A33100	Interest received	1,116	4,196
A33300	Interest paid	(15,477)	(13,204)
A33500	Income tax paid	(3,080)	(1,991)
AAAA	Net cash outflow from operating activities	(192,178)	(175,907)

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Code		2022	2021
	Cash flows from investing activities		
B02700	Acquisition cost of property, plant, and equipment	($ 275,650)	($ 183,269)
B02800	Proceeds from disposal of property, plant and equipment	716	352
B04500	Purchase price of intangible assets	(1,000)	(180)
B05900	Repayment of loans by related parties	-	207,302
B03700	Increase in refundable deposits	(50)	(2,980)
BBBB	Net cash flows of investing activities	(275,984)	21,225
	Cash flows from financing activities		
C00100	Decrease in short-term borrowings	(84,000)	(213,500)
C00600	(Decrease) increase in short-term notes payable	(200,000)	50,000
C01600	Proceeds from long-term borrowings	5,306,000	1,397,000
C01700	Repayments of long-term borrowings	(4,577,000)	(1,097,000)
C04020	Repayment of the principal portion of lease liabilities	(485)	(479)
C09900	Exercise of disgorgement	72	-
CCCC	Net cash provided by financing activities	444,587	136,021
EEEE	Increase (decrease) in cash and cash equivalents for the current year	(23,575)	(18,661)
E00100	Beginning balance of cash and cash equivalents	106,072	124,733
E00200	Ending balance of cash and cash equivalents	$ 82,497	$ 106,072

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman of the Board: Wu, Yi-Gui   President: Wu, Wen-Hao   Accounting Manager: Chang, Sheng-Chuang

Acme Electronics Corporation

Notes to Parent Company Only Financial Statements

For the Years Ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

I. Company History and Business Scope

Acme Electronics Corporation (hereinafter referred to as the “Company”) was mainly invested and established by USI Corporation (“USI”) on September 5, 1991, and started production and sales and other major business activities on December 1, 1994.

The Company's products are inductive passive components. The main business activities are ferrite cores and ferrite powder applied in communication, information, consumer and automotive electronic products.

The Company's stock has been listed for trading on the Taipei Exchange (TPEx) since February 17, 2005.

The Parent Company Only Financial Statements are presented in the New Taiwan dollar, the Company's functional currency.

II. Date and Procedure for the Approval of Financial Statements

The accompanying financial statements were approved for issue by the Company's board of directors on March 2, 2023.

III. Application of New, Amended and Revised Standards and Interpretations

Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

In the evaluation, the Company’s application of the latest IFRSs endorsed and issued into effect by the FSC should not result in major changes in the accounting policies of the Company.

(I) IFRSs endorsed by the FSC that are applicable in 2023

New/Revised/Amended Standards and Interpretations	Effective Date of Issuance by the IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendment to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	January 1, 2023 (Note 3)

Notes 1: The amendments are applicable to the annual reporting periods beginning on or after January 1, 2023.

Notes 2: The amendments are applicable to the changes of the accounting estimates and changes of accounting policies which happen on the annual reporting periods beginning on or after January 1, 2023.

Notes 3: Except for the recognition of deferred income tax on temporary differences between lease and decommissioning obligations on January 1, 2022, the amendments are applicable to transactions that occur after January 1, 2022.

As of the date the accompanying financial statements were approved of issue, the Group assessed that the amendments to the above standards and interpretations applied by the Company would not have a significant impact on the Company's accompanying financial position and financial performance.

(II) IFRSs that have been issued by IASB but not yet endorsed by the FSC

New/Revised/Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture"	Yet to be decided
Amendments to IFRS 16 "Lease Liability in Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	January 1, 2024
Amendments to IAS 1 "Non-current liabilities with contractual provisions"	January 1, 2024

Notes 1: Unless stated otherwise, the above New/Revised/Amended Standards and Interpretations are effective for annual reporting periods beginning on or after their respective effective dates.

Notes 2: The seller and the lessee shall retroactively apply the amendments to IFRS 16 to sale and leaseback transactions concluded after the initial application of IFRS 16.

As of the date the accompanying financial statements were approved for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

IV. Summary of Significant Accounting Policies

(I) Statement of compliance

These accompanying financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

The accompanying financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities on measurement day.
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).
3. Level 3 inputs are unobservable inputs for an asset or liability.

When preparing parent company only financial statements, the Company adopts the equity method for investments in subsidiaries and associates. In order to align profit or loss, other comprehensive income, and equity from the current year in the Parent Company Only Financial Statements with those attributable to the Company's owners, the differences in accounting treatment with individual and consolidated basis have led to adjustments in "investments accounted for using the equity method", "share of profit or loss of subsidiaries, associates, accounted for using the equity method" and related equity items.

(III) Criteria classifying current/non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to realize in 12 months after the balance sheet date; and
3. Cash and cash equivalents (but excluded those restricted from being exchanged or used for debt repayment after more than 12 months of the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities that are due for repayment within 12 months after the balance sheet date (current liabilities even if long-term refinancing or rescheduling agreements have been completed between the balance sheet date and the issuance of financial statements), and
3. Liabilities for which the Company is not able to defer the repayment deadline to more than 12 months after the balance sheet date unconditionally.

Other items excluded from above are classified as non-current assets or non-current liabilities.

(IV) Foreign currency

In the preparation of financial statements, transactions denominated in a currency other than the Company’s functional currency (i.e., foreign currency) are translated into the Company's functional currency by using the exchange rate at the date of the transaction.

Monetary items denominated in foreign currencies are translated at the closing rates on the balance sheet date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the current period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the re-translation of non - monetary items are included in profit or loss for the period except for exchange differences arising from the re-translation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not re-translated.

In the preparation of the parent company only financial statements, the assets and liabilities of foreign operations are translated into the New Taiwan dollar at the closing rate of exchange prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates of each quarter. The resulting currency translation differences are recognized in other comprehensive income.

(V) Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to Company similar or related items. Net realizable value is the balance that the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventory costs are calculated by weighted average method.

(VI) Investment in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries. Subsidiaries refer to entities controlled by the Company.

Under the equity method, the investment is initially recognized at cost. The carrying amount of investment is adjusted thereafter for the post-acquisition changes in the Company's share of profit or loss and other comprehensive income and profit distribution of the subsidiaries. In addition, changes in the Company's interests of subsidiaries are recognized according to the ownership proportion.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. As for any differences between the carrying amount of the investment and the fair value of the consideration paid or received, the Company recognizes them directly as equity.

When the acquisition cost exceeds the net fair value of the Company's identifiable assets and liabilities of the subsidiary on the acquisition date, the exceeding amount is classified as goodwill, which is included in the carrying value of the investment and is not amortized; when the net fair value of the Company's net fair value of the subsidiary exceeds the acquisition cost, the exceeding amount is classified as current income.

The unrealized profit or loss in downstream transactions between the Company and the subsidiary shall be eliminated in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the accompanying financial statements only to the extent of interests in the subsidiaries of parties that are not related to the Company.

(VII) Investments in associates

An associate is an entity over which the Company has significant influence other than a subsidiary.

The Company accounts for investments in associates using the equity method.

Under the equity method, investments in associates are initially recognized at cost and adjusted thereafter for the post-acquisition change in the Company's interest in profit or loss, share in other comprehensive income, and profits of associates. In addition, equity changes in associates are recognized based on the shareholding ratio.

When the Company's shares of losses of an associate equal or exceed its equity in that associate (which includes any carrying amount of the investment accounted for by using the equity method and long-term equity that, in substance, form part of the Company's net investment in the associate), the Group discontinues recognizing its further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

In assessing impairment, the entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. The recognized impairment loss is not apportioned to any asset forming part of the investment’s carrying amount. Reversal of the impairment loss is recognized to the extent of subsequent increases in the recoverable amount of investment.

Profits and losses in upstream, downstream and side-stream transactions between the Company and associates are recognized in the parent company only financial statements only when the profits and losses are irrelevant to the Company's interests in the associates.

(VIII) Property, plant and equipment

Property, plant and equipment are recognized at cost, and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for self-owned land which is not subject to allowance for depreciation, depreciation of property, plant and equipment are recognized using the straight-line basis during useful life. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On de-recognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

(IX) Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at the amount of cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis during the useful life. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On de-recognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in the current profit or loss.

(X) Impairment of property, plant and equipment, right-of-use asset, and intangible assets

On each balance sheet date, the Company reviews the carrying amounts of its property, plant, and equipment as well as right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually.

The recoverable amount is the higher of fair value less costs of sale and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (less amortization or depreciation) that would have been determined to have no impairment loss recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

(XI) Financial instruments

Financial assets and financial liabilities are recognized in the accompanying parent company only balance sheet when the Company becomes a party to the contractual provisions of the instruments.

When financial assets and financial liabilities are initially measured, in case financial assets and financial liabilities are not measured at fair value through profit or loss(FVTPL), they are measured with the fair value added to transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

(1) Measurement categories

Financial assets held by the Company are classified as financial assets at FVTPL and financial assets at amortized cost.

A. Financial assets at FVTPL

Financial assets at FVTPL are financial assets that are forced to be measured at fair value through profit and loss. Financial assets mandatorily measured at fair value through profit or loss include equity instrument investments not designated to be measured at fair value through other comprehensive income, and debt instrument investments not subject to classification as measured at amortized cost or to be measured at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are measured at fair value; any re-measurement profit or loss (including any dividends or interests derived from such financial assets) is recognized in other profit or loss. Please refer to Note 22 for the methods for determining fair values.

B. Financial assets measured at amortized cost

The Company's financial assets that meet the following conditions are subsequently measured at amortized cost:

a. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b. The contractual terms of the financial asset give rise on cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost (including cash and cash equivalents, notes receivable and accounts receivable, financial assets at amortized cost, other receivables, and refundable deposits) are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Cash equivalents include time deposits and reverse repurchase agreements collateralized by bonds within three months from the acquisition date, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

(2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including account receivables) on each balance sheet date.

The Group always recognizes lifetime expected credit losses (ECLs) for accounts receivable as allowance for loss. For other financial assets, the Group evaluates if there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial asset has not increased significantly, the Company recognizes the loss allowance for that financial asset at an amount equal to 12-month expected credit losses. If there is a significant increase, the Company recognizes the lifetime expected credit losses accordingly.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized by a reduction in their carrying amounts through a loss allowance account.

(3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On de-recognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2. Financial liabilities

(1) Follow-up measurement

All financial liabilities are measured at amortized cost using the effective interest method, except:

<u>Financial liabilities at FVTPL</u>

Financial liabilities at FVTPL include financial liabilities held for trading.

Financial liabilities held for trading are measured pursuant to fair price wherein their profits or losses generated from re-measurements is recognized as other benefits and losses.

Please refer to Note 22 for the methods for determining fair values.

(2) De-recognition of financial liabilities

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

3. Derivatives

The derivatives signed by the Company are mainly forward foreign exchange contracts used to manage the Company's exchange rate risk.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative is positive, the derivative is recognized as a financial asset; when the fair value of a derivative is negative, the derivative is recognized as a financial liability.

(XII) Revenue recognition

The Company identifies contracts with the customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the time interval between the transfer of goods or services and the receipt of consideration is less than one year, the significant financial components are not subject to adjustment of the transaction price.

The expected duration of customer contracts of the Company does not exceed one year, and no consideration for customer contracts is not included in the transaction price. Therefore, practical expediency is applied without the need to disclose (1) the aggregate amount of transaction prices allocated to performance obligations that have not been met or partially met until the end of the reporting period, and (2) when it is expected to be recognized as revenue.

<u>Sales revenue of commodities</u>

The sales of goods are recognized as revenue and accounts receivable when the customer obtains control over the promised assets, that is, the time when the goods are delivered to the designated location and the performance obligation is met.

Outsourced processing is not recognized as income as the control of the ownership of the processed products has not been transferred.

(XIII) Leasing

The Company assesses whether the contract is (or includes) a lease on the date of its establishment.

<u>Where the Company is a lessee:</u>

Except that the lease payments of the low-value underlying assets and short-term leases applicable to the recognition exemption are recognized as expenses on a straight-line basis during the lease term, other leases are recognized as right-of-use assets and lease liabilities on the inception of the lease.

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability, the lease payment paid before the lease commencement date minus the lease incentive received, the original direct cost and the estimated cost of the recovery of underlying asset), and subsequently measured at cost minus the accumulated depreciation and the accumulated impairment loss and adjusted for the remeasurement of the lease liability. A right-of-use asset is separately presented on the parent company only balance sheet.

The right-of-use assets shall be depreciated on a straight-line basis from lease commencement date to the earlier of the end of the useful life or the end of the lease term.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and variable lease payments which depend on an index or a rate. If the implicit interest rate of lease is easy to determine, the interest rate is used to discount the lease payment. If the interest rate is not easy to determine, the lessee's incremental borrowing rate shall be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in an index or a rate used to determine those payments leading to a change in future lease payments, the Company re-measures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the re-measurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the accompanying parent company only balance sheets.

Variable rent that does not depend on index or a rate changes in lease agreement is recognized as expense in the periods in which they are incurred.

(XIV) Government subsidy

Government subsidies are recognized only when it is reasonably certain that the Company will comply with the conditions attached to the government subsidies and will receive such subsidies.

Government subsidies related to income are recognized in profit and loss on a systematic basis during the period when the relevant costs that they intend to compensate are recognized as expenses by the Company.

(XV) Employee benefits

1. Short-term employee benefits

   Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2. Post-retirement benefits

   Payments to defined contribution retirement benefit plans are recognized as expense when employees have rendered services entitling them to the contributions.

   Defined benefit costs (including service cost, net interest and re-measurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefit expenses in the period they occur. Re-measurement (comprising actuarial gains and losses, and the return on plan assets excluding interest) is recognized in other comprehensive income in the period in which it occurs. Re-measurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

   Net defined benefit liabilities (assets) are the deficit (surplus) of the contribution made according to the defined benefit pension plan. Net defined benefit assets may not exceed the present value of refundable contributions from the plan or reductions in future contributions.

(XVI) Employees stock option

1. Employee stock option for employees

   Employee subscription right is recognized as expenses on straight basis over the given period pursuant to the fair value of equity tool on the grant date and the best quantity forecast as expected, while making adjustments on capital surplus- employee stock options. If it is acquired on the grant date, all of them are recognized as expense on the grant date. When the Company offers subscription right of capital increase in cash to employee, the date on which the quantities of the employee subscription for shares is confirmed is the date of grant date.

2. Equity-settled share-based payment agreement for employees of subsidiaries

   The employee stock options settled with the Company’s equity instruments granted by the Company to employees of a subsidiary are deemed as capital contributions to the subsidiary and are measured by the fair value of the equity instruments on grant datet, recognized as an increase in the carrying amount of investment in the subsidiary within the available period, and the capital surplus - employee stock options are adjusted accordingly. If it is acquired on the grant date, all of them are recognized as expense on the grant date. When the Company offers subscription right of capital increase in cash to employee of a subsidiary, the date on which the quantities of the employee of the subsidiary subscription for shares is confirmed is the date of grant date

(XVII) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

1. Current income tax

   The additional tax on the undistributed earnings calculated in accordance with the *Income Tax Act* recognized in the year of the resolution of the shareholders' meeting.

   Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2. Deferred income tax

   Deferred income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities and the taxable basis of the taxable income on the parent company only financial statements.

   Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized when it is probable that there will be sufficient taxable profits available for the use of income tax deduction arising from deductible temporary differences, loss deductions or research and development expenditures.

   Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the

Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each balance sheet date and recognized to the extent that it has become probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rate in the current period in which the liabilities are expected to be settled or the assets are expected to be realized. The rate is based on the tax rate and tax laws that have been enacted prior to the balance sheet date or have been substantially legislated. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the balance sheet, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred income tax for the year

Current and deferred income taxes are recognized in profit or loss, but current and deferred income taxes related to items recognized in other comprehensive income or directly included in equity are recognized in other comprehensive income or directly included in equity.

V. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered relevant. Actual results may differ from these estimates.

The management will continuously review the estimates and basic assumptions. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Inventory Evaluation

As a result that inventory requires pricing at lower one between cost and net realized value; hence, the Company has to judge and estimate the net realization of inventory at the end of financial statements. Due to rapid technological changes, the Company evaluates the amount of inventory at the end of the financial reporting period due to normal wear and tear, obsolescence, or lack of market sales value, and offsets the cost of inventory to its net realizable value. Such inventory evaluation is mainly based on the demand for products during each period and past experience, so there may be significant changes.

VI. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Petty cash and cash on hand	$ 209	$ 131
Checks and demand deposits in banks	15,527	52,097
Cash equivalents		
Time deposits	66,761	53,844
	$ 82,497	$ 106,072

At the end of the balance sheet date, the ranges of the market interest rates for bank deposits were as follows:

	December 31, 2022	December 31, 2021
Demand deposits	0.001%～3.30%	0.001%～0.35%
Time deposits	1.25%～4.43%	0.18%～2.32%

VII. Financial Instruments at FVTPL (December 31, 2022: None)

	December 31, 2021
Financial assets - current	
Financial assets mandatorily classified as at FVTPL	
Derivative (not under hedge accounting)	
- Foreign exchange forward contracts	$ 569

At the end of the balance sheet date, outstanding foreign exchange forward contracts not under hedge accounting were as follows: (December 31, 2022: None)

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2021			
Sell	USD/NTD	2022.01.21-2022.03.22	USD 2,400/ NTD 66,943

The Company entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness, and therefore, the Company did not apply hedge accounting treatments for derivative contracts.

VIII. Financial assets measured at amortized cost

	December 31, 2022	December 31, 2021
Pledge and mortgage		
Time deposits with original maturity over 3 months	$ 5,800	$ 5,800

At the end of the balance sheet date, the ranges of the market interest rates for the aforesaid assets were as follows:

	December 31, 2022	December 31, 2021
Time deposits with original maturity over 3 months	0.790%	0.790%

Please refer to Note 24 for the information related to financial assets at amortized cost pledged as security of the Company.

IX. Notes and accounts receivable - non-related parties

	December 31, 2022	December 31, 2021
Notes receivable	$ 389	$ 281
Accounts receivable - measured at amortized cost	$ 215,934	$ 231,849
Less: allowance for loss	(2,403)	(2,703)
Accounts receivable, net	$ 213,531	$ 229,146

The credit period for the sale of goods by the Company was approximately 30 to 150 days, and interest was not charged due to the short credit period.

In order to control credit risk, the Company assesses the credit quality of individual customers and determines the credit limit through the internal credit rating system, and regularly reviewed based on individual customers' historical transaction records and financial status every year. In addition, the Company reviews the recoverable amount of accounts receivable one by one on each balance sheet date to ensure that the accounts receivable that may incur credit risk have been provided with appropriate impairment losses.

The Company recognizes the loss allowance of accounts receivable based on expected credit losses during the reporting period. The expected credit losses on trade receivables are estimated using an allowance matrix by reference to past default experience with the respective debtors and an analysis of the debtors' current financial positions, adjusted for general economic conditions of the industry and an assessment of economic conditions at the reporting date. Due to the fact that the historical experience of the Company in evaluating credit losses shows no significant differences in the loss patterns of different customer groups, the provision matrix does not further differentiate between customer groups, and only calculates the expected credit loss rate based on the number of overdue days of accounts receivable.

The Company writes off accounts receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivables. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivables and accounts receivable based on the Company's allowance matrix.

December 31, 2022

	Not past due	Up to 60 Days	Total
Expected credit loss rate	1.05%	3.08%	
Gross carrying amount	$ 209,888	$ 6,435	$ 216,323
Loss allowance (Lifetime ECLs)	(2,205)	(198)	(2,403)
Amortized cost	$ 207,683	$ 6,237	$ 213,920

December 31, 2021

	Not past due	Up to 60 Days	Total
Expected credit loss rate	1.12%	3.07%	
Gross carrying amount	$ 226,413	$ 5,717	$ 232,130
Loss allowance (Lifetime ECLs)	(2,527)	(176)	(2,703)
Amortized cost	$ 223,886	$ 5,541	$ 229,427

Changes in the allowance for impairment loss recognized on notes and accounts receivable were as follows:

	2022	2021
Beginning balance	$ 2,703	$ 3,703
Less: Reversal for impairment losses in the current year	(300)	(1,000)
Ending balance	$ 2,403	$ 2,703

X. Inventories

	December 31, 2022	December 31, 2021
Finished goods	$ 139,632	$ 112,038
Work in progress	93,072	69,963
Raw materials and Supplies	125,420	139,439
	$ 358,124	$ 321,440

The costs of inventories recognized as cost of goods sold for the years ended December 31 in 2022 and 2021 were NT$1,278,685 thousand and NT$1,132,720 thousand, respectively.

The cost of goods sold for the years ended December 31 in 2022 and 2021 included an impairment loss of NT$28,359 thousand and a recovery benefit of NT$500 thousand in net realized value of inventory.

XI. Investments accounted for using equity method

	December 31, 2022	December 31, 2021
Investment in subsidiaries	$ 1,758,616	$ 1,613,220
Investments in associates	22,739	32,206
	$ 1,781,355	$ 1,645,426

(I) Investment in subsidiaries

	December 31, 2022		December 31, 2021	
Subsidiary	Amount	Shareholding (%)	Amount	Shareholding (%)
ACME Electronics (Cayman) Corp.（ACME (Cayman)）	$ 684,239	51.27%	$ 629,708	51.27%
Golden Amber Enterprises Limited（GAEL）	1,074,377	100%	983,512	100%
	$ 1,758,616		$ 1,613,220	

In August 2001, the Company was approved by the Investment Commission, MOEA ("MOEAIC") to invest in mainland China, and ACME (Cayman) was established for the reinvestment in ACME Electronics (Kunshan) Co., Ltd. ("ACME Electronics (KS)"). As of the end of 2022, the Company has reinvested NT$605,182 thousand in ACME (Cayman), of which NT$374,188 thousand (USD11,144 thousand) has been used to reinvest in ACME Electronics (KS). Please refer to Note 27 and Table 4 for relevant information on reinvestment in mainland China.

The Company acquired 100% equity in ACME Components (Malaysia) Sdn. Bhd. ("ACME (MA)") through ACME (Cayman) in December 2009. The merger was conducted in cash and through the issuance of new shares. The required funds were met by the Company's cash capital increase in ACME (Cayman). As of the end of 2022, the Company's cumulative investment in ACME (MA) through ACME (Cayman) was NT$195,579 thousand (USD 6,089 thousand).

In September 2004, the Company was approved by MOEAIC to gradually reinvest in ACME Electronics (Guangzhou) Co., Ltd. ("ACME Electronics (GZ)") through GAEL. As of the end of 2022, the cumulative investment amount in GAEL was NT$669,072 thousand, of which NT$619,676 thousand (USD 19,200 thousand) had been used to reinvest in ACME Electronics (GZ). Please refer to Note 27 and Table 4 for relevant reinvestment information in mainland China.

(II) Investments in associates

	December 31, 2022		December 31, 2021	
Significant associates	Amount	Shareholding (%)	Amount	Shareholding (%)
USI Optronics Corporation ("USIO")	$ 22,739	34%	$ 32,206	34%

Please refer to Table 3 for relevant information on significant associates of the Company on the balance sheet date.

Under the equity method, the Company's shares of the profit or loss and other comprehensive income of the associates for the years ended December 31, 2022 and 2021 were recognized based on the financial reports of each associates audited by independent auditors during the same period.

The following summary financial information has been prepared based on the financial statements of USIO and has reflected the adjustments made when adopting the equity method.

USIO

	December 31, 2022	December 31, 2021
Current assets	$ 44,647	$ 54,886
Non-current assets	27,905	44,172
Current liabilities	(5,667)	(4,325)
Equity	66,885	94,733
The Company's shareholding ratio	34%	34%
Interests of the Company	$ 22,739	$ 32,206
Carrying amount of investment	$ 22,739	$ 32,206

	2022	2021
Operating revenue	$ 10,946	$ 8,955
Loss for the period	($ 27,848)	($ 41,955)
Total comprehensive income	($ 27,848)	($ 41,955)

XII. Property, plant and equipment

	2022				
	Beginning balance	Increase during the year	Decrease during the year	Internal transfer	Ending balance
Cost					
Land	$ 82,657	$ -	$ -	$ -	$ 82,657
Land improvement	9,330	-	-	-	9,330
Building and equipment	281,623	-	(16,159)	78,770	344,234
Machinery and equipment	428,214	-	(46,577)	162,066	543,703
Transportation and Communication Equipment	607	-	-	-	607
Other equipment	48,768	-	(2,910)	4,797	50,655
Total cost	851,199	$ -	($ 65,646)	$ 245,633	1,031,186
Accumulated depreciation and impairment					
Land improvement	$ 8,531	$ 168	$ -	$ -	$ 8,699
Building and equipment	222,354	10,766	(15,105)	-	218,015
Machinery and equipment	288,030	35,011	(46,293)	-	276,748
Transportation and Communication Equipment	455	76	-	-	531
Other equipment	45,256	1,622	(2,888)	-	43,990
Total accumulated depreciation and impairment	564,626	$ 47,643	($ 64,286)	$ -	547,983
Net	$ 286,573				$ 483,203

	2021				
	Beginning balance	Increase during the year	Decrease during the year	Internal transfer	Ending balance
Cost					
Land	$ 82,657	$ -	$ -	$ -	$ 82,657
Land improvement	9,330	-	-	-	9,330
Building and equipment	273,919	-	(1,208)	8,912	281,623
Machinery and equipment	437,890	-	(59,421)	49,745	428,214
Transportation and Communication Equipment	607	-	-	-	607
Other equipment	68,372	-	(21,983)	2,379	48,768
Total cost	872,775	$ -	($ 82,612)	$ 61,036	851,199
Accumulated depreciation and impairment					
Land improvement	8,363	$ 168	$ -	$ -	8,531
Building and equipment	212,163	11,368	(1,177)	-	222,354
Machinery and equipment	317,856	24,009	(53,835)	-	288,030
Transportation and Communication Equipment	354	101	-	-	455
Other equipment	65,332	1,874	(21,950)	-	45,256
Total accumulated depreciation and impairment	604,068	$ 37,520	($ 76,962)	$ -	564,626
Net	$ 268,707				$ 286,573

There were no impairment losses on assessed property, plant and equipment for the years ended December 31, 2022 and 2021.

The above items of property, plant and equipment of the Company are depreciated on a straight-line basis over their estimated useful lives as follows:

Land improvement	8 to 20 Years
Building and equipment	
Decoration	3 to 10 Years
Power distribution and hydraulic engineering	10 to 15 Years
Air conditioning	5 to 15 Years
Main office building	25 to 50 Years

(Continued)

(Continued)

Machinery and equipment	3 to 10 Years
Transportation and Communication Equipment	5 years
Other equipment	
Electric and hydraulic systems	10 to 20 Years
Environmental protection equipment	25 years
Others	3 to 10 Years

For the amount of self-use property, plant, and equipment pledged as collateral, please refer to Note 24.

XIII. Lease Arrangements

(I) Right-of-use assets

	December 31, 2022	December 31, 2021
Carrying amount of right-of-use assets		
Buildings	$ 104	$ 208
Transportation equipment	991	1,375
	$ 1,095	$ 1,583

	2022	2021
Addition for right-of-use assets	$ -	$ 312
Depreciation expense of right-of-use assets		
Buildings	$ 104	$ 104
Transportation equipment	384	384
	$ 488	$ 488

(II) Lease liabilities

	December 31, 2022	December 31, 2021
Carrying amount of lease liabilities		
Current	$ 491	$ 485
Non-current	$ 620	$ 1,111

As of December 31, 2022 and 2021, the discount rates of lease liabilities were 1.25%.

(III) Material lease-in activities and terms

The Company has leased several buildings and transportation equipment for manufacturing and operational purposes, with a lease term of 3-5 years.

(IV) Other lease information

	2022	2021
Expenses relating to short-term leases	$ 3,502	$ 3,616
Total cash flows on lease	$ 4,004	$ 4,146

The Company elects to apply the exemption of recognition to the office and other leases eligible for short-term leases and does not recognize the relevant right to use assets and lease liabilities under such leases. The estimated payouts within one year for short-term lease commitments subject to recognition exemption were NT$1,738 thousand and NT$1,515 thousand respectively as at December 31, 2022 and 2021.

XIV. Borrowings

(I) Short-term borrowings

	December 31, 2022	December 31, 2021
Unsecured borrowings	$ 216,000	$ 300,000

The interest rates of short-term loan were 1.61078%-1.89% and 0.90%-0.96% respectively as at December 31, 2022 and 2021.

(II) Short-term bills payable

	December 31, 2022	December 31, 2021
Commercial note payable	$ 80,000	$ 280,000
Less: Discount on commercial note payable	(49)	(365)
	$ 79,951	$ 279,635

The outstanding short-term bills payable as of the balance sheet dates were as follows:

December 31, 2022

Guarantor/Accepting Institution	Nominal Amount	Discounted Amount	Carrying Amount	Annual discount rate
Commercial note payable				
Mega Bills Finance Co., Ltd.	$ 80,000	$ 49	$ 79,951	1.848%

December 31, 2021

Guarantor/Accepting Institution	Nominal Amount	Discounted Amount	Carrying Amount	Annual discount rate
Commercial note payable				
Ta Ching Bills Finance Corp.	$ 80,000	$ 112	$ 79,888	0.978%
International Bills Finance Corp.	100,000	114	99,886	1.018%
China Bills Finance Corp.	100,000	139	99,861	0.978%
	$ 280,000	$ 365	$ 279,635	

(III) Long-term borrowings

	December 31, 2022	December 31, 2021
Bank loans	$ 1,369,000	$ 400,000
Commercial note payable	-	240,000
Unamortized discount on bills payable	-	(253)
	1,369,000	639,747
Long-term borrowings due within one year	-	(59,917)
	$ 1,369,000	$ 579,830
Maturity year	114～116	111～115
Range of interest rates	1.45%～1.85%	0.97%～1.11%

Please refer to Note 24 for details of collateralized assets for secured loans.

XV. Post-retirement benefits plans

(I) Defined contribution plans

The Company adopts a pension plan under the *Labor Pension Act*, which is a state-managed defined contribution plan. According to the *Labor Pension Act*, the Company makes monthly contributions to employees' individual pension accounts at 6% of their monthly salaries.

(II) Defined benefit plans

The pension system adopted by the Company under the "Labor Standards Act" is a state-managed defined benefit plan. The payment of the employee's pension is based on the length of service and the average salary of six months before the approved retirement date. The Company allocates 2% of employees' total monthly salary to a special account of the Bank of Taiwan, which is managed by the Bureau of Labor Funds, Ministry of Labor in the name of the Labor Retirement Reserve Supervision Committee. The Company has no right to influence the investment management strategy.

The amounts included in the accompanying parent company only balance sheets arising from the Company's obligation in respect of its defined benefit plans were as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$ 45,779	$ 47,498
Fair value of plan assets	(29,626)	(26,008)
Net Defined Benefit Liabilities	$ 16,153	$ 21,490

The changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net Defined Benefit Liabilities
Balance as of January 1, 2022	$ 47,498	($ 26,008)	$ 21,490
Service costs			
Service costs - current period	241	-	241
Interest expenses (income)	237	(132)	105
Amounts recognized in profit or loss	478	(132)	346
Re-measurement on the net defined benefit liability			
Return on plan assets (excluding amounts included in net interest)	-	(2,056)	(2,056)
Actuarial (gain) loss			
- Changes in financial assumptions	(1,264)	-	(1,264)
- Experience adjustments	456	-	456
Recognized in other comprehensive income	(808)	(2,056)	(2,864)
Contributions from employer	-	(2,819)	(2,819)
Benefits paid	(1,389)	1,389	-
Balance as of December 31, 2022	$ 45,779	($ 29,626)	$ 16,153
Balance as of January 1, 2021	$ 44,841	($ 24,308)	$ 20,533
Service costs			
Service costs - current period	138	-	138
Interest expenses (income)	224	(123)	101
Amounts recognized in profit or loss	362	(123)	239
Re-measurement on the net defined benefit liability			
Return on plan assets (excluding amounts included in net interest)	-	(306)	(306)
Actuarial loss			
- Changes in demographic assumptions	1,169	-	1,169
- Experience adjustments	1,774	-	1,774
Recognized in other comprehensive income	2,943	(306)	2,637
Contributions from employer	-	(1,919)	(1,919)
Benefits paid	(648)	648	-
Balance as of December 31, 2021	$ 47,498	($ 26,008)	$ 21,490

The Company is exposed to following risks for the defined benefits plans under the "Labor Standards Act":

1. Investment risk: Through its own and consigns operation, Bureau of Labor Funds, MOL invested labor pension funds in domestic (foreign) equity and debt securities and bank deposits. But the allocated amounts of the plan assets shall not be lower than the gain calculated by the average interest rate on a two-year time deposit published by the local bank.
2. Interest rate risk: The decline in government bond interest rate will increase the present value of the obligation on the defined benefit plan, while the return on plan assets will increase. The net effect on the present value of the obligation on defined benefit plan is partially offset by the return on plan assets.
3. Salary risk: Present value of defined benefit obligations is calculated from future salary of member participants; therefore, it will increase with their salary.

The present value of the defined benefit obligation of the Company was calculated by the independent actuary. The principal assumptions on the measurement date were as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.500%	0.500%
Expected rates of salary increase	3.000%	2.250%

If reasonably possible changes of the respective significant actuarial assumptions occur, while holding all other assumptions constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31, 2022	December 31, 2021
Discount rate		
0.25% increase	($ 1,114)	($ 1,236)
0.25% decrease	$ 1,153	$ 1,282
Expected rates of salary increase		
0.25% increase	$ 1,116	$ 1,238
0.25% decrease	($ 1,084)	($ 1,201)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31, 2022	December 31, 2021
Expected amount of contribution within 1 year	$ 820	$ 840
Average duration of defined benefit obligations	10.8 years	11.4 years

XVI. Government subsidy

The Company applied for a subsidy of the Taiwan Industry Innovation Platform Program from the Taiwan government. As of December 31, 2022, it has received NT$11,000 thousand, booked under operating expense as a reduction.

XVII. Equity

(I) Share capital

	December 31, 2022	December 31, 2021
Number of shares authorized (in thousands)	300,000	250,000
Share capital authorized	$ 3,000,000	$ 2,500,000
Number of shares issued and fully paid (in thousands)	182,994	182,994
Share capital issued	$ 1,829,937	$ 1,829,937

Fully paid ordinary shares, which have a par value of NT$10, carry one vote per share and carry a right to dividends.

The share capital reserved for the issuance of the exercise of employee share options was 11,000 thousand shares.

On June 14, 2022, the Board of Directors resolved a capital increase in cash to issue 30,000 thousand of new shares with a par value of NT$10 per share. The cash capital increase plan was declared effective by the Securities and Futures Bureau of the Financial Regulatory Commission on July 22, 2022. However, due to the impact of global economic and stock market fluctuations, the cash capital increase plan was approved to extend the raising period. As of the date of this financial report, the raising of cash increase has been completed, 15% of which is reserved for subscription by qualified employees of the Company and affiliates.

The relevant issuance price is NT$20 per share, and the record date of capital increase is January 16, 2023.

(II) Capital surplus(December 31, 2021: none)

	December 31, 2022
May only be used to offset deficits	
Disgorgement	$ 72
May not be used for any purpose	
Employees stock option	2,067
	$ 2,139

(III) Retained earnings and dividends policy

According to the earnings distribution provisions of the Company's articles of Incorporation, if the Company retains earnings in the current year, it shall allocate the compensation to directors and employees. The compensation to directors shall be no more than 1% of the earnings gained in the current year, while the compensation to employees shall be no less than 1% of the earnings. Notwithstanding, if the Company retains accumulated losses, it shall reserve the amount to be covered in advance. Said compensation to employees may be allocated in the form of shares or in cash, including the employees of the Company’s subsidiaries meeting certain specific requirements entitled to receive shares or cash. The specific requirements shall be defined by the Board of Directors. If the Company has net profits after tax according to its annual financial account, the Company may, after making up all past losses, set aside a 10% legal reserve from the remainder, if any. The remaining allocable earnings, if any, plus the accumulated unappropriated earnings for prior years and the balance after provision or reversal of special earnings required by the competent authority, shall be accumulated allocable earnings, which shall be allocated according to the proposal drafted by the Board of Directors and resolution made by a general shareholders’ meeting duly. The shareholders’ meeting may retain the earnings, in whole or in part, subject to the overview of business. As the industry which the Company is engaged in refers to a growing phase, when resolving to allocate earnings, in consideration of the future funding needs and financial plan, the shareholders’ dividend allocable shall be no less than 10% of the allocable earnings, including the cash dividend no less than 10% of the whole dividends. Notwithstanding, no dividend shall be allocated, if the allocable earnings per share is less than NT$0.1. Please refer to Note 18 (3) Remunerations of Employees and Directors for the estimated basis and actual distribution of employee and director remuneration.

The appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company’s paid-in capital, the excess may be transferred to capital or distributed in cash.

The Company held regular shareholders' meetings on May 30, 2022 and July 27, 2021, respectively, and decided not to distribute earnings for the years ended December 31, 2021 and 2020 due to the need to make up for losses.

The Company still needs to make up for losses as of December 31, 2022. Therefore, the board meeting on March 2, 2023 proposed not to make any earnings distribution for the year ended December 31, 2022, and it is pending a resolution at the annual shareholders' meeting for the year 2023.

XVIII. Net profit for the year

(I) Depreciation and amortization

	2022	2021
Property, plant and equipment	$ 47,643	$ 37,520
Right-of-use assets	488	488
Intangible assets	788	766
Total	$ 48,919	$ 38,774
Summary of depreciation by function		
Operating costs	$ 35,541	$ 25,842
Operating expenses	12,590	12,166
	$ 48,131	$ 38,008
Summary of amortization by function		
Administrative expenses	$ 788	$ 766

(II) Employee benefit expenses

	2022	2021
Post-retirement benefits (Note 15)		
Defined contribution plans	$ 7,867	$ 7,300
Defined benefit plans	346	239
	8,213	7,539
Salary, Bonus, etc.	209,326	205,570
Total	$ 217,539	$ 213,109
Summary of employee benefit expenses by function		
Operating costs	$ 92,453	$ 86,962
Operating expenses	125,086	126,147
	$ 217,539	$ 213,109

(III) Employees' compensation and remuneration of directors

The Company accrued remuneration of employees and directors at rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees’ compensation, and remuneration of directors. The Company has yet to make up the loss as of the end of 2022 and 2021, so the remunerations of employees and directors are not estimated and recognized.

If there is a change in the amounts after the annual accompanying financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate and recognized in the next year.

Information on the remunerations of employees and directors for the years ended December 31, 2022 and 2021 proposed by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

(IV) Other income

	2022	2021
Royalty revenue (Note 23)	$ 27,697	$ 20,746
Income from management services (Note 23)	6,767	20,893
Rental income	184	234
Others	5,750	4,582
	$ 40,398	$ 46,455

(V) Foreign exchange gain (loss)

	2022	2021
Foreign exchange gains	$ 72,553	$ 30,763
Foreign exchange losses	(34,057)	(42,570)
Net profit (loss)	$ 38,496	($ 11,807)

(VI) Other gain and loss

	2022	2021
Loss on disposal of property, plant and equipment	($ 644)	($ 5,299)
Net gain (loss) on financial instruments at fair value through profit or loss	(3,111)	455
Others	(222)	(522)
	($ 3,977)	($ 5,366)

(VII) Finance costs

	2022	2021
Interest expenses	$ 16,889	$ 12,944
Interest on lease liabilities	17	23
	$ 16,906	$ 12,967

XIX. Income tax

(I) The main components of income tax expense recognized as profit or loss are as follows

	2022	2021
Current income tax		
Accrued this year	$ 2,770	$ 2,087
Adjustments for previous years	400	-
	3,170	2,087
Deferred income tax		
Accrued this year	17,825	28,005
Income tax expense recognized in profit or loss	$ 20,995	$ 30,092

Reconciliation of accounting income and income tax expense to applicable tax rates is as follows:

	2022	2021
Net income before tax from continuing operating units	$ 37,343	$ 89,421
Income tax expenses from net profit before tax calculated by legal tax rate	$ 7,469	$ 17,884
Items subject to adjustment in determining taxable income	1,893	2,853
Unrecognized deductible temporary difference	8,463	7,268
Adjustments of current income tax expenses for prior year	400	-
Withholding tax on income from royalties	2,770	2,087
Income tax expense recognized in profit or loss	$ 20,995	$ 30,092

(II) Income tax recognized in other comprehensive income

	2022	2021
Deferred income tax		
Income tax (expenses) gains recognized in other comprehensive income		
- Translation of foreign operations	$ 5,471	($ 4,885)
- Actuarial gain or loss of defined benefits plan	573	(527)
	$ 6,044	($ 5,412)

(III) Current income tax assets

	December 31, 2022	December 31, 2021
Current income tax assets		
Tax refund receivable	$ 171	$ 261

(IV) Deferred income tax assets and liabilities

2022

	Beginning balance	Amounts recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Deferred income tax assets				
Temporary difference				
Allowance for reduction of inventory to market	$ 4,974	$ 5,470	$ -	$ 10,444
Payable for annual leave	1,533	91	-	1,624
Defined benefit retirement plan	7,553	-	(573)	6,980
Unrealized sale profits	315	(315)	-	-
Exchange differences of foreign operations	15,641	-	(5,471)	10,170
	30,016	5,246	(6,044)	29,218
Loss deduction	25,960	-	-	25,960
	$ 55,976	$ 5,246	($ 6,044)	$ 55,178
Deferred income tax liabilities				
Temporary difference				
Investments accounted for using the equity method	$ 83,854	$ 4,286	$ -	$ 88,140
Unrealized loss on sales	-	18,986	-	18,986
Others	7,810	(201)	-	7,609
	$ 91,664	$ 23,071	$ -	$ 114,735

2021

	Beginning balance	Amounts recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Deferred income tax assets				
Temporary difference				
Allowance for bad debt losses	$ 297	($ 297)	$ -	$ -
Allowance for reduction of inventory to market	6,244	(1,270)	-	4,974
Payable for annual leave	1,482	51	-	1,533
Defined benefit retirement plan	7,026	-	527	7,553
Unrealized sale profits	276	39	-	315
Exchange differences of foreign operations	10,756	-	4,885	15,641
	26,081	(1,477)	5,412	30,016
Loss deduction	25,960	-	-	25,960
	$ 52,041	($ 1,477)	$ 5,412	$ 55,976
Deferred income tax liabilities				
Temporary difference				
Investments accounted for using the equity method	$ 59,178	$ 24,676	$ -	$ 83,854
Others	5,958	1,852	-	7,810
	$ 65,136	$ 26,528	$ -	$ 91,664

(V) Amount of unused loss deduction which is not recognized as deferred tax assets in the balance sheet

	December 31, 2022	December 31, 2021
Loss deduction		
Due in 2023	$ -	$ 53,266
Due in 2024	26,888	31,693
Due in 2025	63,480	63,480
Due in 2026	43,473	43,473
Due in 2027	769,135	769,135
Due in 2029	33,260	33,260
Due in 2030	55,004	55,004
Due in 2031	40,367	40,367
Due in 2032	48,692	-
	$ 1,080,299	$ 1,089,678

(VI) Unused loss deduction

As at December 31, 2022, the loss deduction information is as follows:

Balance before deduction	Certification status	Last deduction year
$ 26,888	Certified figure	2024
63,480	Certified figure	2025
43,473	Certified figure	2026
898,935	Certified figure	2027
33,260	Certified figure	2029
$ 55,004	Certified figure	2030
40,367	Declared figure	2031
48,692	Estimated figure	2032
$ 1,210,099		

(VII) Certification of income tax

The Company's income tax returns through 2020 have been assessed by the tax authorities.

XX. Earnings Per Share

	2022	2021
Basic earnings per share	$ 0.09	$ 0.32
Diluted earnings per share	$ 0.09	$ 0.32

The net profit and weighted average number of ordinary shares outstanding in the calculate of earnings per share were as follows:

Net profit for the year

	2022	2021
Net profit used in the computation of basic and diluted earnings per share	$ 16,348	$ 59,329

Number of Shares

Unit: Thousands of shares

	2022	2021
Weighted average number of ordinary shares outstanding used for calculation of basic and diluted earnings per share	182,994	182,994

XXI. Capital Risk Management

The Company conducts capital management to ensure that it is able to maximize shareholder returns by optimizing debt and equity balances while continuing as a going concern.

Key management personnel of the Company review the capital structure of the Company irregularly. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the key management personnel, the Company may balance its overall capital structure by paying dividends, issuing new shares, buying back shares and raising new debt or redeeming old debt.

XXII. Financial instruments

(I) Fair value information - financial instruments not measured at fair value

Except the derivative instruments are measured at the fair value after the original recognition, the financial assets and financial liabilities of the Company are measured at the amortized cost, and the management of the Company believes that the carrying amounts are close to their fair value.

(II) Fair value information - Fair value of financial instruments measured at fair value on a recurring basis

1. Level of fair value (December 31, 2022: None)

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivatives	$ -	$ 569	$ -	$ 569

There were no transfers between Levels 1 and 2 fair value measurement for the years ended December 31, 2022 and 2021.

2. Valuation techniques and inputs applied for Level 2 fair value measurement

Categories of financial instruments	Valuation Techniques and Inputs
Derivatives - foreign exchange forward contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

(III) Categories of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Financial assets at FVTPL	$ -	$ 569
Measured at amortized cost (Note 1)	423,515	471,367
Financial liabilities		
Measured at amortized cost (Note 2)	1,825,700	1,525,513

Notes 1: The balance refers to financial assets measured at amortized cost, including cash and cash equivalents, accounts receivable, other receivables, refundable deposits, and other financial assets at amortized cost.

Notes 2: The balance refers to financial liabilities measured at amortized cost, including long-term and short-term loans, short-term notes payable, accounts payable, other accounts payable, and deposits.

(IV) Financial Risk Management Objectives and Policies

The Company's principal financial instruments include cash and equivalent cash, receivables, other receivables and long-term, short-term loans, short-term notes payable, payables, other payables and lease liabilities, etc. The financial management department of the Company coordinates the financial operation in the domestic financial market, and supervises and manages financial risks related to the operation of the Company by analyzing the internal risk reports of the risks according to the level and scope of risks. Such risk includes market risk (including foreign exchange risk and interest rate risk), credit risk, and liquidity risk.

The Company avoids exposure through derivative financial instruments to mitigate the impact of such risks. The use of derivative financial instruments is regulated by policies passed by the board of directors of the Company. Internal auditors focus on reviewing the observance of the policies and the quota of risk exposures. The Company has not engaged in transactions in financial instruments (including derivative financial instruments) for speculative purposes.

1. Market Risks

   The Company's activities expose it primarily to the market risks of changes in foreign exchange rates (see (1) below) and the changes in interest rates (see (2) below).

   (1) Foreign exchange risk

   The Company's sales and purchase transactions are denominated in foreign currency; as a consequence, the Company is exposed to the risk of fluctuation in the exchange rate. The management of the Company's exchange rate exposure is to use foreign exchange forward contracts to manage risks within the scope permitted by the policy.

   For the monetary assets and liabilities of the Company denominated in non-functional currencies on the balance sheet date, please refer to Note 26.

   Sensitivity analysis

   The sensitivity analysis of foreign exchange rate risks is mainly computed with respect to foreign currency items on the end date of the financial reporting period. The Company is mainly impacted by the exchange rate fluctuations in USD. If the Company's functional currency appreciated/depreciated by 3% against the US dollar, the Company's pre-tax net profit for years 2022 and 2021 would have decreased/increased by NT$8,876 thousand and NT$7,899 thousand, respectively.

   The Company's exchange rate fluctuations are primarily attributable to the Company's USD denominated receivables and payables outstanding at the balance sheet date and not yet hedged.

   In the management's opinion, the sensitivity analysis was unrepresentative for the foreign currency risk of interim period because the exposure at the end of the reporting period did not reflect the exposure during the period.

(2) Interest rate risk

The Company was exposed to fair value interest rate risk because the Company held financial assets and financial liabilities at fixed rates; the Company was exposed to cash flow interest rate risk because the Company held financial assets and financial liabilities at floating rates. The Company's management monitors the changes in the market rates on a regular basis and adjusts the floating rate financial liabilities to make the Company's rates approach market rates in response to the risk caused by changing market rates.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates on the balance sheet date were as follows:

	December 31, 2022	December 31, 2021
Fair value interest rate risk		
- Financial assets	$ 78,561	$ 100,441
- Financial liabilities	184,062	581,231
Cash flow interest rate risk		
- Financial assets	11,002	10,997
- Financial liabilities	1,482,000	639,747

Sensitivity analysis

The fixed-rate financial assets / liabilities held by the Company are not included in the analysis as they are all measured at amortized cost. For floating rate assets / liabilities, the analysis was prepared to assume that the amount of the assets / liabilities outstanding at the end of the reporting period was outstanding for the whole year. The rate of change used internally in reporting interest rates to the key management personnel from the Company is a 0.5% increase or decrease in interest rates, which also represents the management's evaluation of the reasonable range of possible changes in interest rates. If interest rates had been 0.5% higher/lower and all other variables were held constant, the Company's profit before tax for the years ended December 31, 2022 and 2021 would have decreased/increased by NT$7,355 thousand and NT$3,144 thousand, respectively.

2. Credit risk

Credit risk refers to risk that causes the financial loss of the Company due to a counterparty's delay in performing contractual obligations. As of the balance sheet date, the Company's largest credit risk exposure from a counterparty's failure to fulfill obligations came from the carrying amount of financial assets recognized in the parent company only balance sheets.

The policies adopted by the Company are to trade only with well-reputed counterparties, and, as it is necessary, sufficient collateral must be obtained to reduce the risk of financial losses. The Company uses publicly available financial information and mutual transaction records to rate major customers. The Company continuously monitors credit exposure risks and the credit ratings of counterparties, distributes the total transaction amount to customers with qualified credit ratings, and controls credit exposure risks through non-periodic review and approval of counterparty credit limits.

To mitigate the credit risk, the management of the Company appoints a team solely responsible for determination of credit lines, credit approvals and other monitoring procedures to ensure that appropriate action has been taken for the collection of overdue receivables. The Company will also review recoverable amount of receivable on balance sheet date to ensure unrecoverable receivables are listed in impairment loss. In this regard, the management believes the Company’s credit risk is significantly reduced.

In addition, the credit risk of working capital and derivative financial instruments is limited because the counterparty is a bank with a high credit rating given by an international credit rating agency.

The Company's credit risk by geographic region was mainly concentrated in mainland China and accounted for approximately 68% and 83% of total notes and accounts receivable as of December 31, 2022 and 2021, respectively.

3. Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

(1) Liquidity and interest rate risk tables

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods based on the probable earliest dates on which the Company can be required to pay. The table has been drawn up based on the undiscounted cash flows of financial liabilities, including interests and cash flows of principals.

December 31, 2022

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Year	1-5 Years
Non-derivative financial liabilities			
Non-interest bearing liabilities	-	$ 120,671	$ -
Lease liabilities	1.25	502	627
Floating interest rate liabilities	1.56	134,414	1,423,133
Fixed interest rate liabilities	1.87	183,116	-
		$ 438,703	$ 1,423,760

December 31, 2021

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Year	1-5 Years
Non-derivative financial liabilities			
Non-interest bearing liabilities	-	$ 261,028	$ 9,352
Lease liabilities	1.25	502	1,129
Floating interest rate liabilities	1.08	59,917	579,830
Fixed interest rate liabilities	0.97	579,635	-
		$ 901,082	$ 590,311

(2) Financing facilities

	December 31, 2022	December 31, 2021
Unsecured banking facilities		
- Amount used	$ 665,000	$ 820,000
- Amount unused	1,960,000	970,000
	$ 2,625,000	$ 1,790,000
Secured banking facilities		
- Amount used	$ 1,000,000	$ 400,000

XXIII. Related Party Transactions

USI Corporation ("USI") has control over the operations of the Company, so USI is the parent company of the Company. As at December 31, 2022 and 2021, USI held 44.7% of the ordinary shares of the Company by itself and through its subsidiaries.

In addition to those disclosed in other notes, the transactions between the Company and related parties are as follows:

(I) Names and relationships of related parties

Name of Related Party	Relationship with the Company
USI Corporation ("USI")	Parent company
USI Management Consulting Corporation ("UM")	Fellow subsidiary
China General Plastics Corporation ("CGPC")	Fellow subsidiary
Asia Polymer Corporation ("APC")	Fellow subsidiary
Swanson Plastics Corporation ("SPC")	Fellow subsidiary
ACME (Cayman)	Subsidiary
GAEL	Subsidiary
ACME Ferrite Product Sdn. Bhd. （ACME Ferrite）	Subsidiary of ACME (Cayman)
Acme Electronics (Kunshan) Co., Ltd. ("ACME Electronics (KS)")	Subsidiary of ACME (Cayman)
Acme Electronics (Guangzhou) Co., Ltd. ("ACME Electronics (GZ)")	GAEL's Subsidiaries
USI Optronics Corporation ("USIO")	Associate

(II) Sales revenue

Related Party Category/Name	2022	2021
Subsidiary		
ACME Electronics (KS)	$ 247,321	$ 263,484
Acme Electronics (GZ)	145,822	130,997
ACME Ferrite	27,371	17,932
Associate		
USIO	261	124
	$ 420,775	$ 412,537

(III) Purchase and processing fee

Related Party Category/Name	2022	2021
Subsidiary		
Acme Electronics (GZ)	$ 376,718	$ 429,667
ACME Electronics (KS)	38,503	77,483
ACME Ferrite	9,587	8,905
Associate		
USIO	9,597	8,147
	$ 434,405	$ 524,202

The terms of purchase and sales transactions between the Company and its subsidiaries are 55 days per month, and those between the Company and its affiliates are 25 days per month. The terms of payment and receipt are not materially different from those of general transactions. The price of the products sold by the Company to its subsidiaries and affiliates may vary depending on the Group's business strategy and the pricing may be different from that of ordinary transactions.

The Company's deferred and unrealized sales of goods to the subsidiary at the end of 2022 and 2021 amounted to a loss of NT$92,197 thousand and a profit of NT$4,308 thousand, respectively. Deferred unrealized profit or loss on sales is recognized as adjustment using the equity method.

(IV) Receivables from related parties (excluding loans to related parties)

Accounting Subject	Related Party Category/Name	December 31, 2022	December 31, 2021
Accounts receivable - related parties, net	Subsidiary		
	ACME Electronics (KS)	$ 69,040	$ 59,933
	Acme Electronics (GZ)	11,083	23,131
	ACME Ferrite	3,279	2,866
	Associate		
	USIO	-	65
		$ 83,402	$ 85,995
Other receivables from related parties	Subsidiary		
	ACME Electronics (KS)	$ 25,265	$ 21,710
	ACME (CAYMAN)	1,115	10,047
	ACME Ferrite	133	73
	Acme Electronics (GZ)	52	291
	Fellow subsidiary		
	SPC	3,970	722
	Associate		
	USIO	656	289
		$ 31,191	$ 33,132

The other receivables mentioned above mainly include advance, collection of royalties and endorsement guarantee fee.

(V) Payable to related party (excluding loans to related parties)

Accounting Subject	Related Party Category/Name	December 31, 2022	December 31, 2021
Accounts payable - related parties	Subsidiary		
	Acme Electronics (GZ)	$ 54,129	$ 88,153
	ACME Electronics (KS)	9,836	30,353
	ACME Ferrite	-	2,834
	Associate		
	USIO	878	1,104
		$ 64,843	$ 122,444
Other payables	Parent company		
	USI	$ 1,136	$ 1,016
	Subsidiary		
	Acme Electronics (GZ)	67	110
	ACME Electronics (KS)	40	2,597
	Fellow subsidiary		
	SPC	1,055	6
	APC	48	35
	UM	33	78
	CGPC	2	3
		$ 2,381	$ 3,845

Other amounts payable to related parties mainly include management service fees and rent not yet paid.

(VI) Acquisitions of property, plant and equipment (2021: none)

Related Party Category/Name	Acquisition price 2022
Parent company	
USI	$ 310

(VII) Guarantee and loan to related parties

Accounting Subject	Related Party Category/Name	2022	2021
Interest income	Subsidiary		
	ACME (CAYMAN)	$ -	$ 2,567
Endorsement and guarantee incomes	Subsidiary		
	ACME (CAYMAN)	$ 2,945	$ 1,011

(VIII) Other Related Party Transactions

Accounting Subject	Related Party Category/Name	2022	2021
1. Management service fee expenditures (Classified as operating expenses)	Parent company		
	USI	$ -	$ 125
	Fellow subsidiary		
	UM	12,883	9,904
	SPC	1,347	-
		$ 14,230	$ 10,029

Accounting Subject	Related Party Category/Name	2022	2021
2. Rent expenditures (Classified as operating expenses)	Parent company		
	USI	$ 3,068	$ 2,980
	Fellow subsidiary		
	APC	275	201
		$ 3,343	$ 3,181

The Company leases the Neihu office from the parent company on a monthly basis and pays the agreed price on a monthly basis.

3. Other expenditures (Classified as operating expenses)	Fellow subsidiary SPC	$ 763	$ -

Accounting Subject	Related Party Category/Name	2022	2021
4. Other incomes	Subsidiary		
	ACME (CAYMAN)	$ -	$ 19,320
	ACME Electronics (KS)	28,819	21,774
	ACME Ferrite	142	450
	Acme Electronics (GZ)	12	5
	Fellow subsidiary		
	SPC	6,133	971
	Associate		
	USIO	827	617
		$ 35,933	$ 43,137

The Company provides management services to its subsidiaries, affiliates and sibling companies and receives revenue from these services on a quarterly basis The Company has entered into a new technology licensing contract with its subsidiaries, which grants the subsidiaries the right to use the trademark and provides a 1% royalty based on the subsidiary's net sales revenue. It also assists the subsidiaries in developing new products and provide a 5% compensation based on the net sales revenue of the new products. The total of the first two items in 2021 is limited to 2% of the net operating income. From the year 2022 onwards, the fees incurred in providing new product development services of the Company is charged plus 5%, but the first three items in total are limited to 3% of the net sales revenue.

(IX) Compensation of key management personnel

	2022	2021
Short-term employee benefits	$ 15,051	$ 18,534
Post-retirement benefits	193	207
	$ 15,244	$ 18,741

The compensation of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

XXIV. Collateralized Assets

The following assets of the Company are provided as collateral for bank loans, customs security for imported raw materials or as security for natural gas consumption:

	December 31, 2022	December 31, 2021
Time deposit (classified as refundable deposits)	$ 6,000	$ 6,000
Time deposits (classified as financial assets measured at amortized cost)	5,800	5,800
Property, Plant, and Equipment (Carrying Amount)	209,507	142,725
	$ 221,307	$ 154,525

XXV. Significant Contingent Liability and Unrecognized Contractual Commitments

As of December 31, 2022 and 2021, the Company's unused letter of credit amounted to NT$31,195 thousand and NT$36,523 thousand, respectively.

In addition, as of December 31, 2022, in order to apply to the Taiwan government for the subsidy of industrial upgrading platform innovation guidance program, the Company's performance guarantee provided by the bank was NT$11,000 thousand.

XXVI. <u>Information on exchange rate of foreign currency-dominated financial assets and liabilities</u>

The information on Foreign Currency Assets and Liabilities with Significant Effect of the Company is as follows:

	December 31, 2022		
	Foreign currency (NT$ thousands)	Exchange rate (NT$)	New Taiwan Dollar (NT$ thousands)
Financial assets			
Monetary items			
RMB	$ 8,701	4.4094	$ 38,367
USD	10,168	30.7100	312,253
HKD	2,667	3.9380	10,502
EUR	720	32.7200	23,556
Investments Accounted for Using the Equity Method			
USD	20,861	30.7100	684,239
Financial liabilities			
Monetary items			
RMB	$ 12,295	4.4094	$ 54,214
USD	533	30.7100	16,375

	December 31, 2021		
	Foreign currency (NT$ thousands)	Exchange rate (NT$)	New Taiwan Dollar (NT$ thousands)
Financial assets			
Monetary items			
RMB	$ 14,836	4.3415	$ 64,411
USD	11,990	27.6800	331,888
HKD	7,230	3.5490	25,658
EUR	54	31.3200	1,704
Investments Accounted for Using the Equity Method			
USD	22,802	27.6800	629,708
Financial liabilities			
Monetary items			
RMB	20,782	4.3415	90,223
USD	2,478	27.6800	68,600
EUR	35	31.3200	1,099

The net foreign exchange gains or losses (realized and unrealized) of the Company for the years ended December 31, 2022 and 2021 were a gain of NT$38,496 thousand and a loss of NT$11,807 thousand, respectively. Due to the variety of foreign currency transactions, the exchange gains or losses could not be disclosed by each significant currencies..

XXVII. Disclosure Items

(I) Information on Significant Transactions:

1. Loans provided for others: None.
2. Endorsements/guarantees provided for others: Table 1.
3. Securities held at the end of the period: None.
4. Cumulative purchase or sale of the same securities amounted to NT $300 million or 20% and above of the paid-in capital: None.
5. Acquisition of real estate amounting to NT$300 million or 20% of the paid-in capital or more: None.
6. Disposal of real estate amounting to NT$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales with related parties amounting to NT$100 million or 20% of paid-in capital or more: Table 2.
8. Receivables from related parties amounting to NT$100 million or 20% of paid-in capital or more: None.
9. Trading in derivative instruments: Note 7.

(II) Information on invested companies: Table 3.

(III) Information on Investments in Mainland China:

1. Information on investee company in mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, current profit and loss and recognized investment income or loss, ending carrying amount of the investment, repatriations of investment income, and limit on the amount of investment in mainland China: Table 4.
2. Major transactions with any investee company in mainland China directly or indirectly through a third region, and their prices, payment terms, unrealized gains (losses), and other information:
   (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Tables 23 and 2.
   (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Tables 23 and 2.
   (3) The amount of property transactions and the amount of the resultant gains or losses: None

(4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Tables 23 and 1.

(5) The maximum balance, ending balance, Interest rate interval and total amount of current interest of financing: None.

(6) Other transactions that have a significant effect on the current profit or loss or financial situation, such as the provision or acceptance of services: Note 23.

(IV) Information on major shareholders: Name, number of shares held, and shareholding percentage of shareholders with shareholding percentage exceeding 5%: Table 5.

Acme Electronics Corporation

Endorsements/Guarantees Provided for Others

From January 1 to December 31, 2022

Table 1

Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Made for Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period (Note 3)	Actual Borrowing Amount (Note 3)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (Note 1)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Made by Parent for Subsidiaries	Endorsement/ Guarantee Made by Subsidiaries for Parent	Endorsement/ Guarantee Made for Companies in Mainland China	Remark
		Company Name	Relationship											
0	The Company	ACME Electronics (KS)	Subsidiary of ACME (Cayman)	$ 2,066,555	$ 720,586 (USD16,500 thousand and RMB 49,000 thousand)	$ 630,646 (USD13,500 thousand and RMB 49,000 thousand)	$ 261,035 (USD 8,500 thousand)	None	45.78%	$ 2,755,406	Y	N	Y	
		Acme Electronics (GZ)	GAEL's Subsidiaries	2,066,555	96,645 (USD 3,000 thousand)	-	-	None	-	2,755,406	Y	N	Y	
		ACME (Cayman)	Subsidiary of the Company	2,066,555	556,020 (USD 18,000 thousand)	307,100 (USD 10,000 thousand)	254,893 (USD 8,300 thousand)	None	22.29%	2,755,406	Y	N	N	

Notes 1: The rate was calculated by the equity of ACME as of December 31, 2022.

Notes 2: The total amount of endorsements/guarantees provided shall not exceed 200% of the Company's net value. The amount of endorsements/guarantees for an individual entity shall not exceed 150% of the Company's net value. The maximum amount of endorsement/guarantee was calculated based on the equity of the endorser/guarantor as of December 31, 2022.

Notes 3: The foreign currency amount was calculated based on the spot exchange rate of December 31, 2022.

Acme Electronics Corporation

Total purchases from or sales to related parties amounting to at least $100 million or 20% of the paid-in capital;

From January 1 to December 31, 2022

Table 2

Unit: In Thousands of New Taiwan Dollars

Buyer/Seller	Counterparty	Relationship	Transaction Details				Unusual Transaction Terms and Reasons (Note 1)		Notes/Accounts Receivable (Payable)		Remark
			Purchase (Sale)	Amount	Ratio to Total Purchase / Sales	Credit Period	Unit Price	Credit Period	Ending Balance	Ratio to Total Notes or Trade Receivable (payable)	
The Company	Acme Electronics (GZ)	GAEL's Subsidiaries	Purchase (including processing fee)	$ 376,718	34%	55 days	$ -	—	($ 54,129)	54%	
Acme Electronics (GZ)	The Company	GAEL's Subsidiaries	Sales (including processing fee)	(376,718)	34%	55 days	-	—	54,129	20%	
The Company	Acme Electronics (GZ)	GAEL's Subsidiaries	Sales	(145,822)	11%	55 days	-	—	11,083	4%	
Acme Electronics (GZ)	The Company	GAEL's Subsidiaries	Purchase	145,822	71%	55 days	-	—	(11,083)	75%	
The Company	ACME Electronics (KS)	Subsidiary of ACME (Cayman)	Sales	(247,321)	18%	55 days	-	—	69,040	23%	
ACME Electronics (KS)	The Company	Subsidiary of ACME (Cayman)	Purchase	247,321	79%	55 days	-	—	(69,040)	80%	
ACME Electronics (KS)	ACME Ferrite	Subsidiary of ACME (Cayman)	Sales	(176,795)	17%	55 days	-	—	32,284	11%	
ACME Ferrite	ACME Electronics (KS)	Subsidiary of ACME (Cayman)	Purchase	176,795	44%	55 days	-	—	(32,284)	52%	

Notes 1: The terms of purchase and sales transactions between the Company and its subsidiaries are not materially different from those of general transactions. The price of the products sold by the Company to its subsidiaries may vary depending on the Group’s business strategy and the pricing may be different from that of ordinary transactions.

Acme Electronics Corporation

Name of the invested company, location... and other related information

From January 1 to December 31, 2022

Table 3

Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Investor	Investee	Location	Main Business Activities	Original Investment Amount (Note 1)		As of December 31, 2022			Net Profit (Loss) of the Investee for the Period (Note 2)	Investment Profit (Loss) Recognized for the Period (Note 2)	Remark
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount (Note 1)			
The Company	ACME (Cayman)	Ugland House P.O. Box 309 George Town, Grand Cayman, Cayman Islands	Corporate investments	$ 605,182	$ 605,182	25,621,692	51.27%	$ 684,239	($ 5,960) (USD (195) thousand)	($ 25,643) (USD (860) thousand)	
	GAEL	CITCO Building, Wickhams Cay Road Town, Tortola, British Virgin Islands	Corporate investments	669,072	669,072	20,800,000	100.00%	1,074,377	52,427	47,075	
	USIO	12F, No. 37, Jihu Rd., Neihu Dist., Taipei City	Manufacturing and marketing of sapphire single crystal	646,200	646,200	22,064,224	34.00%	22,739	(27,848)	(9,467)	
ACME (Cayman)	ACME (MA)	Plot 15,Jalan Industri 6 Kawasan Perindustrian Jelapang II(ZPB) Jelapang 30020 Ipoh, Perak, Malaysia.	Corporate investments	365,173 (USD 11,891 thousand)	365,173 (USD 11,891 thousand)	42,600,000	100.00%	708,904 (USD 23,084 thousand)	51,199 (MYR 7,836 thousand)		
ACME (MA)	ACME Ferrite	Plot 15,Jalan Industri 6 Kawasan Perindustrian Jelapang II(ZPB) Jelapang 30020 Ipoh, Perak, Malaysia.	Manufacturing and marketing of soft ferrite core	254,321 (MYR 37,964 thousand)	254,321 (MYR 37,964 thousand)	9,120,000	100.00%	699,335 (MYR 104,394 thousand)	51,774 (MYR 7,925 thousand)		

Notes 1: The foreign currency amount was calculated based on the spot exchange rate of December 31, 2022.

Notes 2: The amount is calculated based on the average exchange rate from January 1 to December 31, 2022.

Notes 3: Please refer to Table 4 for relevant information on mainland investee companies.

Acme Electronics Corporation

Information on Investments in Mainland China

From January 1 to December 31, 2022

Table 4

Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Investee Company in Mainland China	Main Business Activities	Paid-in Capital (Note 6)	Method of Investment	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period (Note 4)	Amount of Investments Remitted or Repatriated for the Period		Accumulated Amount of Investments Remitted from Taiwan at End of the Current Period (Note 4)	Profit (Loss) of Investee for the Period (Note 5)	Ownership Percentage of Direct or Indirect Investment	Investment Profit for the Period (Notes 3 and 5)	Carrying Amount as of the End of Period (Note 6)	Accumulated Repatriation of Investment Profit as of the End of the Current Period
					Outflow	Inflow						
ACME Electronics (KS)	Manufacturing and marketing of soft ferrite core	$ 943,565 (USD 30,725 thousand)	Indirect investment via ACME (Cayman).	$ 374,188 (USD 11,144 thousand)	$ -	$ -	$ 374,188 (USD 11,144 thousand)	($ 45,406) (RMB(10,188) thousand)	51.27%	($ 23,281) (RMB (5,224) thousand)	$ 407,089 (RMB 92,323 thousand)	$ -
Acme Electronics (GZ)	Manufacturing and marketing of soft ferrite core	589,632 (USD 19,200 thousand)	Indirect investment via GAEL.	619,676 (USD 19,200 thousand)	-	-	619,676 (USD 19,200 thousand)	52,558 (RMB 11,814 thousand)	100.00%	52,558 (RMB 11,814 thousand)	1,047,850 (RMB 237,640 thousand)	-

Accumulated Outward Remittance of Investment to Mainland China from Taiwan at the End of the Current Period	Investment Amounts Authorized by Investment Commission, MOEA	Maximum Amount of Investments in Mainland China Authorized by Investment Commission, MOEA
NT$931,864 (USD30,344 thousand) (Notes 2 and 6)	NT$1,124,9999 (USD 36,633 thousand) (Notes 2 and 6)	$ - (Note 1)

Notes 1: According to the file J.S.Z. No. 09704604680 issued by the Investment Commission, MOEA on August 29, 2008, the Company is an enterprise that has obtained the certificate issued by the Industrial Development Bureau, MOEA for meeting the business scope of the headquarters, so there is no investment limit.

Notes 2: It includes the capital increase transferred from earnings of Acme Electronics (Kunshan) Co., Ltd., and the Company increased the amount of US$6,289 thousand at its ownership percentage.

Notes 3: The investment gain (loss) recognized for this period are calculated on the basis of financial statements reviewed and approved by CPAs of the parent company in Taiwan.

Notes 4: The calculation was based on the exchange rate of the original investment.

Notes 5: The amount is calculated based on the average exchange rate from January 1 to December 31, 2022.

Notes 6: The foreign currency amount was calculated based on the spot exchange rate of December 31, 2022.

Acme Electronics Corporation

Information on Major Shareholders

December 31, 2022

Table 5

Names of Major Shareholders	Shares	
	Number of Shares Held (in Shares)	Shareholding (%)
USI CORPORATION	49,250,733	26.91%
USIFE Investment Co., Ltd.	16,924,242	9.24%

Notes 1: The table discloses shareholding information of shareholders whose shareholding percentage is more than 5%. The Taiwan Depository & Clearing Corporation (TDC) calculates the total number of ordinary shares and preferred shares (including treasury shares) that have completed the dematerialized registration and delivery on the last business day of the quarter. The share capital reported in the Company's consolidated financial statements and the actual number shares that have completed the dematerialized registration and delivery may be different due to the difference in the basis of calculation.

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Acme Electronics Corporation

Statements of Cash and Cash Equivalent

December 31, 2022

STATEMENT 1

Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Item	Amount
Foreign currency-denominated time deposits (USD 1,340,000; EUR 718,000; CNY 480,000)	$ 66,761
Foreign currency-denominated demand deposits (USD 183,151.3; HKD 564,138.47; JPY 353,879; EUR 961.29; CNY 12,002.17)	8,013
Checking deposits	4,525
Demand deposits	2,989
Petty cash and cash on hand	209
Total	$ 82,497

Note: USD is converted at the exchange rate USD1=NT$30.71.

HKD is converted at the exchange rate HKD1 = NT$3.938.

JPY is converted at the exchange rate JPY1 = NT$0.2324.

EUR is converted at the exchange rate EUR1 = NT$32.72.

RMB is converted at the exchange rate CNY1 = NT$4.4094.

Acme Electronics Corporation

Statements of Accounts Receivable

December 31, 2022

STATEMENT 2 Unit: In Thousands of New Taiwan Dollars

Customer's name	Abstract	Amount
Accounts receivable		
Client A		$ 81,315
Client B		20,730
Others (Note)		113,889
Sub-total		215,934
Less: allowance for loss		2,403
Accounts receivable, net		$213,531
Accounts receivable - related parties, net		
ACME Electronics (KS)		$ 69,040
Acme Electronics (GZ)		11,083
Others (Note)		3,279
		$ 83,402

Note: The balance of each client does not exceed 5% of the balance of this accounting subject.

Acme Electronics Corporation

Statement of Inventories

December 31, 2022

STATEMENT 3 Unit: In Thousands of New Taiwan Dollars

Item	Amount	
	Cost	Market price (Note 1)
Finished goods	$161,234	$166,460
Work in progress	103,583	93,072
Raw materials	139,680	119,672
Supplies	5,842	5,748
Sub-total	410,339	$384,952
Less: Allowance for reduction of inventory to market	(52,215)	
Net	$358,124	

Notes 1: Market price is calculated as net realized value.

Notes 2: The loss on write-down of inventory in 2022 was NT$28,359 thousand.

Acme Electronics Corporation

Statement of Other Current Assets

December 31, 2022

STATEMENT 4 Unit: In Thousands of New Taiwan Dollars

ITEM	Amount	Remark
Prepayments	$ 33,171	
Tax overpaid retained for offsetting the future tax payable	20,811	
Others (Note)	548	
	$ 54,530	

Note: The amount of each item is less than 5% of the amount of this accounting subject.

Acme Electronics Corporation

Statement of Changes in Investments Accounted for Using the Equity Method

FOR THE YEAR ENDED DECEMBER 31, 2022

STATEMENT 5

Unit: NT$ thousands

Item	Beginning balance		Increase of the year		Decrease of the year		Changes in equity interests of subsidiaries	Gain and loss on investment	Unrealized gross loss on sales	Cumulative translation adjustment	Ending balance			Details of pledged as collateral	Remark
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount					Number of Shares	Amount	Shareholding (%)		
ACME (Cayman)	25,621,692	$ 629,708	-	$ -	-	$ -	$ 43	($ 25,643)	$ 67,645	$ 12,486	25,621,692	$ 684,239	51.27%	None	Note 1
GAEL	20,800,000	983,512	-	-	-	-	61	47,075	28,860	14,869	20,800,000	1,074,377	100.00%	None	Note 1
USIO	22,064,224	32,206	-	-	-	-	-	(9,467)	-	-	22,064,224	22,739	34.00%	None	Note 1
Total		$1,645,426		$ -		$ -	$ 104	$ 11,965	$ 96,505	$ 27,355		$1,781,355			

Notes 1: Calculated according to the financial statements audited by CPAs of the investee in the current year.

Acme Electronics Corporation

Statement of Prepayments for Equipment

December 31, 2022

STATEMENT 6 Unit: In Thousands of New Taiwan Dollars

ITEM	Amount	Remark
Machinery and equipment	$ 91,383	
Building and equipment	9,420	
Others (Note)	78,177	
	$178,980	

Note: The amount of each item is less than 5% of the amount of this accounting subject.

Acme Electronics Corporation

Statement of Short-term Loans

December 31, 2022

STATEMENT 7

Unit: In Thousands of New Taiwan Dollars

Type of borrowing and name of creditor	Amount	Period	Annual rate (%)	Financing facilities
Credit borrowings				
Cathay United Bank	$ 80,000	2022.10.28～2023.01.16	1.61078%	$ 80,000
First Commercial Bank	33,000	2022.11.24～2023.02.21	1.825%	100,000
Taishin International Bank	88,000	2022.12.21～2023.01.31	1.890%	100,000
Far Easter International Bank	15,000	2022.12.09～2023.02.07	1.850%	100,000
Total	$ 216,000			$ 380,000

Acme Electronics Corporation

Statement of Notes and Accounts Payable

December 31, 2022

STATEMENT 8 Unit: In Thousands of New Taiwan Dollars

Supplier	Amount
Notes and accounts payable	
Supplier (1)	$ 5,875
Supplier (2)	5,681
Supplier (3)	4,825
Supplier (4)	3,547
Others (Note)	14,825
	$ 34,753
Accounts payable - related parties	
Acme Electronics (GZ)	$ 54,129
ACME Electronics (KS)	9,836
Others (Note)	878
	$ 64,843

Note: The balance of each client does not exceed 5% of the balance of this accounting subject.

Acme Electronics Corporation

Statement of Other Payables

December 31, 2022

STATEMENT 9 Unit: In Thousands of New Taiwan Dollars

ITEM	Amount
Salaries payable	$ 39,559
Payables for purchases of equipment	4,618
Others (Note)	16,952
Total	$ 61,129

Note: The balance of each item does not exceed 5% of the balance of this accounting subject.

Acme Electronics Corporation

Statement of Long-term Loans

December 31, 2022

STATEMENT 10

Unit: In Thousands of New Taiwan Dollars

Creditor bank or underwriter	Duration and repayment method	Annual rate (%)	Amount: Due within one year	Amount: Due after one year	Amount: Total	Mortgage or guarantee
Yuanta Commercial Bank	03/15/2027, the limit of borrowings that can be recycled, and the principal to be repaid at maturity.	1.45%	$ -	$ 870,000	$ 870,000	Land and plant as collateral (Note)
Yuanta Commercial Bank	03/15/2025, the limit of borrowings that can be recycled, and the principal to be repaid at maturity.	1.45%	-	130,000	130,000	Land and plant as collateral (Note)
Shanghai Commercial & Savings Bank	11/09/2025, the limit of borrowings that can be recycled, and the principal to be repaid at maturity.	1.825%	-	200,000	200,000	
Bank SinoPac	06/30/2025, the limit of borrowings that can be recycled, and the principal to be repaid at maturity.	1.85%	-	169,000	169,000	
			$ -	$ 1,369,000	$ 1,369,000	

Note: Please refer to notes 14 and 24 to the financial statements.

Acme Electronics Corporation

Statement of Sales Revenue

FOR THE YEAR ENDED DECEMBER 31, 2022

STATEMENT 11 Unit: In Thousands of New Taiwan Dollars

ITEM	Quantity	Amount
Ferrite cores	2,483 metric tons	$ 837,911
Ferrite powder	8,259 metric tons	401,474
Silicon carbide powder	29 metric tons	169,303
		1,408,688
Less: Adjustment to sales (Note)		(27,300)
		1,381,388
Less: Sales returns and allowances		
Ferrite cores	2 metric tons	(1,217)
Ferrite powder	15metric tons	(845)
Net sales revenue		$ 1,379,326

Note: The Company sells work in progress of ferrite powder to ACME Electronics (KS), and then purchases finished products and work in progress back to sell to customers or reprocess, so the sales revenue is reduced.

Acme Electronics Corporation

Statement of Cost of goods sold

FOR THE YEAR ENDED DECEMBER 31, 2022

STATEMENT 12 Unit: In Thousands of New Taiwan Dollars

ITEM	Amount
Raw materials	
The raw material on January 1, 2022	$ 131,237
Materials purchased for the year	647,090
Raw materials sold	(9,721)
Reclassified to expenses	(45,942)
The raw material on December 31, 2022	(139,680)
	582,984
Direct labor	45,249
Manufacturing expenses (Statement 13)	625,953
Manufacturing cost	1,254,186
Work in process on January 1, 2022	80,309
Purchase for the year	19,776
Reclassification of work in process to other subjects	(1,313)
Work in process on December 31, 2022	(103,583)
Finished goods cost	1,249,375
Finished goods on January 1, 2022	126,062
Purchase for the year	65,583
Reclassification of finished goods to other subjects	(2,160)
Finished goods on December 31, 2022	(161,234)
	1,277,626
Add: Loss on inventory write-down	28,359
Less: Adjustment to cost of goods sold(Note)	(27,300)
Total cost of goods sold	$ 1,278,685

Note: The Company sells work in progress of ferrite powder to ACME Electronics (KS), and then purchases finished products and work in progress back to sell to customers or reprocess, so the cost of goods sold is reduced.

Acme Electronics Corporation

Statement of Manufacturing Expenses

FOR THE YEAR ENDED DECEMBER 31, 2022

STATEMENT 13 Unit: In Thousands of New Taiwan Dollars

ITEM	Amount
Outsourcing processing expenses	$372,188
Indirect materials	95,304
Personnel expenses	47,204
Power fuel and utilities	43,913
Depreciation	35,541
Others (Note)	31,803
Total	$625,953

Note: The balance of each item does not exceed 5% of the balance of this accounting subject.

Acme Electronics Corporation

Statement of Operating Expenses

FOR THE YEAR ENDED DECEMBER 31, 2022

STATEMENT 14 Unit: In Thousands of New Taiwan Dollars

ITEM	Sales expenses	Administrative expenses	R&D Expenses	Total
Personnel expenses	$ 20,740	$ 64,457	$ 39,889	$125,086
Depreciation	-	908	11,682	12,590
Shipping expenses	16,919	12	1,162	18,093
Service fees	-	17,857	40	17,897
Indirect material	-	-	16,618	16,618
Others (Note)	3,338	13,713	23,854	40,905
Total	$ 40,997	$ 96,947	$ 93,245	$231,189

Note: The balance of each item does not exceed 5% of the balance of this accounting subject.

Acme Electronics Corporation

Statement of Employee Benefits and Depreciation and Amortization Expenses by Function

FOR THE YEAR ENDED DECEMBER 31, 2022

STATEMENT 15 Unit: In Thousands of New Taiwan Dollars

	2022			2021		
ITEM	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salaries expenses	$ 78,125	$104,982	$183,107	$ 75,216	$107,435	$182,651
Labor health insurance expenses	7,101	8,173	15,274	6,249	7,518	13,767
Pension expenses	3,235	4,978	8,213	2,940	4,599	7,539
Remunerations to directors	-	5,806	5,806	-	5,744	5,744
Other employee benefit expenses	3,992	1,147	5,139	2,557	851	3,408
Total	$ 92,453	$125,086	$217,539	$ 86,962	$126,147	$213,109
Depreciation expenses	$ 35,541	$ 12,590	$ 48,131	$ 25,842	$ 12,166	$ 38,008
Amortization expenses	$ -	$ 788	$ 788	$ -	$ 766	$ 766

Notes 1: The number of employees in the current year and the previous year is 188 and 169, respectively, among which the number of directors not concurrently serving as employees is 7. The calculation basis is consistent with employee welfare expenses.

Notes 2:

(1) The average employee benefit expenses for the year is NT$1,170 thousand. The average employee benefit expenses for the previous year was NT$1,280 thousand.

(2) The average employee salary expenses for the year is NT$1,012 thousand. The average employee salary expenses for the previous year was NT$1,127 thousand.

(3) Decrease of average employee salary expenses is (10.20%).

Notes 3: The Audit Committee of the Company has exercised the functions and powers of the supervisor and there is no need to disclose the remuneration of the supervisor.

Notes 4: Remuneration policy of the Company are as follows:

Directors and Managerial Officers

(1) For the remunerations, take the median level of the payment of the same business as the reference. Besides, refer to the reasonable connection with the personal performance, company operating performances and the future risks;

(2) It is not permitted to guide the directors and the managers to run the risks works which the Company can't afford for getting more remunerations:

(3) Consider the businesses qualities and the natures of the businesses of the companies to decide how to pay the proportion of the remunerations of employees and what time to pay the partial change of remunerations for the short-term performances.

Employee

The employee remuneration policy is formulated with reference to the laws and government regulations, the market conditions and dynamics of the peer salary, the overall economic and industrial condition changes and the organizational structure of the Company. The year-end bonus (including employee remuneration) is paid based on the Remuneration Management Measures and the Employee Performance Appraisal Measures and Annual bonus management regulations formulated by the Company as well as the Company's profit and the performance of the employees.