

Acme Electronics Corporation
Parent Company Oly
Financial Statements and
Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022

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Notices to Readers

The accompanying financial statements are intended only to present the 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 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 financial statements shall prevail.

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Independent Auditors' Report

To: Acme Electronics Corporation

Audit Opinion

We have audited the Parent Company Only balance sheets of Acme Electronics Corporation (the “Company”) as of December 31, 2023 and 2022 and the Statements of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows for January 1 to December 31, 2023 and 2022, and the accompanying Notes to the Financial Statements (including the Summary of Significant Accounting Policies).

In our opinion, the 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 the Company as of December 31, 2023 and 2022, and the financial performance and cash flows from January 1 to December 31, 2023 and 2022.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards of Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (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 the most significance in our audit of the 2023 Parent Company Only Financial Statements of Acme Electronics Corporation. These matters were addressed in the context of our audit of the financial

statements as a whole and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Key audit matters for the Parent Company Only Financial Statements of the Company for 2023 are as follows:

Revenue from Sales of Specific Products

In 2023, the Company's revenue from sales of specific products increased significantly, which deviated from the overall trend in operating revenue, and the amount was significant. Therefore, the auditor has listed the authenticity of the aforementioned sales revenue as a key audit matter.

Please consult Note 4 of the Parent Company Only Financial Statements for accounting policies and relevant information concerning sales revenue.

Audit Procedures:

1. Obtain a comprehensive understanding of the operational procedures and internal controls associated with the Company's sales transactions and test the design and implementation of such controls.
2. Obtain specific sales revenue details and carefully review the relevant original orders, shipping documents, and other certificates associated with the recognition of sales revenue, as well as the actual receipt of payments to confirm the authenticity of sales revenue.
3. Review sales returns and discounts after the period to confirm whether there are any abnormalities.

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 the 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 Parent Company Only Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Company's financial reporting process.

Auditor's 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 Standards of Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If considered material, individually or in aggregate, misstatements 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 Standards of Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the Parent Company Only Financial Statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal 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 the Company.
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 the Company'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 the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the Parent Company Only Financial Statements (including the 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 the Company 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 the Company.

We communicate with those in charge of 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.

Based on the matters communicated with those charged with governance, we determined the key audit matters for the Parent Company Only Financial Statements of the Company for 2023. 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 Chang, Cheng-Hsiu

CPA Chiu, Cheng-Chun

Financial Supervisory Commission
Approved Document No.
Financial Management Certificate
Examination No. 1120349008

Financial Supervisory Commission Approved
Document No.
Financial Management Certificate
Examination 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 6, 2024

Acme Electronics Corporation
Parent Company Only Balance Sheets
December 31, 2023 and 2022

Unit: NT\$ thousands

| Code | Assets | December 31, 2023 | | December 31, 2022 | |
|------|--|---------------------|------------|---------------------|------------|
| | | Amount | % | Amount | % |
| | Current assets | | | | |
| 1100 | Cash and cash equivalents (Notes 4 and 6) | \$ 50,135 | 2 | \$ 82,497 | 2 |
| 1136 | Financial assets at amortized cost - current (Notes 4, 7 and 23) | 5,800 | - | 5,800 | - |
| 1150 | Notes receivable (Notes 4 and 8) | 392 | - | 389 | - |
| 1170 | Accounts receivable, net (Notes 4 and 8) | 240,584 | 7 | 213,531 | 6 |
| 1180 | Accounts receivable, net of related parties (Notes 4 and 22) | 71,963 | 2 | 83,402 | 3 |
| 1200 | Other receivables (Note 4) | 1,648 | - | 575 | - |
| 1210 | Other receivables, related parties (Notes 4 and 22) | 33,804 | 1 | 31,191 | 1 |
| 1220 | Current tax assets (Notes 4 and 18) | 317 | - | 171 | - |
| 130X | Inventories (Notes 4, 5 and 9) | 252,536 | 7 | 358,124 | 11 |
| 1470 | Other current assets | 40,695 | 1 | 54,530 | 2 |
| 11XX | Total current assets | <u>697,874</u> | <u>20</u> | <u>830,210</u> | <u>25</u> |
| | Non-current assets | | | | |
| 1550 | Investments accounted for under the equity method (Notes 4 and 10) | 1,819,678 | 51 | 1,781,355 | 53 |
| 1600 | Property, plant and equipment (Notes 4, 11, 22 and 23) | 691,487 | 20 | 483,203 | 15 |
| 1755 | Right-of-use assets (Notes 4 and 12) | 607 | - | 1,095 | - |
| 1780 | Intangible assets (Note 4) | 616 | - | 1,327 | - |
| 1840 | Deferred tax assets (Notes 4 and 18) | 58,604 | 2 | 55,178 | 2 |
| 1915 | Prepayments for equipment | 251,842 | 7 | 178,980 | 5 |
| 1920 | Refundable deposits (Note 23) | 6,130 | - | 6,130 | - |
| 15XX | Total non-current assets | <u>2,828,964</u> | <u>80</u> | <u>2,507,268</u> | <u>75</u> |
| 1XXX | Total Assets | <u>\$ 3,526,838</u> | <u>100</u> | <u>\$ 3,337,478</u> | <u>100</u> |
| | Liabilities and Equity | | | | |
| | Current liabilities | | | | |
| 2100 | Short-term borrowings (Note 13) | \$ 199,100 | 6 | \$ 216,000 | 7 |
| 2110 | Short-term notes payable, net (Note 13) | - | - | 79,951 | 2 |
| 2170 | Notes and accounts payable | 32,603 | 1 | 34,753 | 1 |
| 2180 | Accounts payable, related parties (Note 22) | 36,811 | 1 | 64,843 | 2 |
| 2200 | Other payables (Note 22) | 119,721 | 3 | 61,129 | 2 |
| 2280 | Lease liabilities - current (Notes 4 and 12) | 390 | - | 491 | - |
| 2399 | Other current liabilities | 1,120 | - | 2,076 | - |
| 21XX | Total current liabilities | <u>389,745</u> | <u>11</u> | <u>459,243</u> | <u>14</u> |
| | Non-current liabilities | | | | |
| 2540 | Long-term borrowings (Notes 13 and 23) | 1,277,500 | 36 | 1,369,000 | 41 |
| 2570 | Deferred tax liabilities (Notes 4 and 18) | 74,756 | 2 | 114,735 | 3 |
| 2580 | Lease liabilities - non-current (Notes 4 and 12) | 230 | - | 620 | - |
| 2640 | Net defined benefit liabilities - non-current (Notes 4 and 14) | 15,118 | 1 | 16,153 | 1 |
| 2645 | Guarantee deposits received | 24 | - | 24 | - |
| 25XX | Total non-current liabilities | <u>1,367,628</u> | <u>39</u> | <u>1,500,532</u> | <u>45</u> |
| 2XXX | Total Liabilities | <u>1,757,373</u> | <u>50</u> | <u>1,959,775</u> | <u>59</u> |
| | Equity (Notes 4, 14 and 16) | | | | |
| 3110 | Ordinary share capital | 2,129,937 | 60 | 1,829,937 | 55 |
| 3200 | Capital surplus | 299,942 | 9 | 2,139 | - |
| 3350 | Accumulated deficit | (478,030) | (14) | (305,019) | (9) |
| | Other equity | | | | |
| 3410 | Exchange differences on translating the financial statements of foreign operations | (182,384) | (5) | (149,354) | (5) |
| 3XXX | Total equity | <u>1,769,465</u> | <u>50</u> | <u>1,377,703</u> | <u>41</u> |
| | Total liabilities and equity | <u>\$ 3,526,838</u> | <u>100</u> | <u>\$ 3,337,478</u> | <u>100</u> |

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-Chung

Acme Electronics Corporation
Parent Company Only Statements of Comprehensive Income
For the Years Ended December 31, 2023 and 2022

Unit: NT\$ thousands (except Earnings (Losses) Per Share: NT\$)

| Code | | 2023 | | 2022 | |
|------|---|--------------------|--------------|-------------------|--------------|
| | | Amount | % | Amount | % |
| | Operating revenue | | | | |
| 4110 | Sales revenue (Notes 4 and 22) | \$ 1,191,622 | 100 | \$ 1,381,388 | 100 |
| 4170 | Less: Sales returns and allowances (Note 4) | <u>2,851</u> | <u>-</u> | <u>2,062</u> | <u>-</u> |
| 4000 | Total operating revenue | <u>1,188,771</u> | <u>100</u> | <u>1,379,326</u> | <u>100</u> |
| | Operating costs | | | | |
| 5110 | Cost of goods sold (Notes 4, 9, 14, 17 and 22) | <u>956,419</u> | <u>81</u> | <u>1,278,685</u> | <u>92</u> |
| 5900 | Gross profit | 232,352 | 19 | 100,641 | 8 |
| 5910 | (Un)realized losses from sales (Notes 4 and 22) | <u>88,058</u> | <u>7</u> | <u>(96,505)</u> | <u>(7)</u> |
| 5950 | Realized gross profit | <u>144,294</u> | <u>12</u> | <u>197,146</u> | <u>15</u> |
| | Operating expenses (Notes 4, 8, 14, 15, 17 and 22) | | | | |
| 6100 | Selling and marketing expenses | 39,733 | 3 | 40,997 | 3 |
| 6200 | Administrative expenses | 94,845 | 8 | 96,947 | 7 |
| 6300 | Research and development expenses | 122,185 | 10 | 93,245 | 7 |
| 6450 | Provision (reversal of provision) for bad debt expense | <u>-</u> | <u>-</u> | <u>(300)</u> | <u>-</u> |
| 6000 | Total operating expenses | <u>256,763</u> | <u>21</u> | <u>230,889</u> | <u>17</u> |
| 6900 | Net operating loss | <u>(112,469)</u> | <u>(9)</u> | <u>(33,743)</u> | <u>(2)</u> |
| | Non-operating income and expenses | | | | |
| 7100 | Interest income | 2,962 | - | 1,110 | - |
| 7010 | Other income (Notes 4, 17 and 22) | 36,526 | 3 | 40,398 | 3 |
| 7020 | Other gains and losses (Notes 4 and 17) | <u>(3,393)</u> | <u>-</u> | <u>(3,977)</u> | <u>(1)</u> |
| 7050 | Finance costs (Note 17) | <u>(23,233)</u> | <u>(2)</u> | <u>(16,906)</u> | <u>(1)</u> |
| 7630 | Foreign exchange gains (Notes 4 and 17) | 1,530 | - | 38,496 | 3 |
| 7070 | Share of profit or loss of subsidiaries and affiliates accounted for using the equity method (Notes 4 and 10) | <u>(106,052)</u> | <u>(9)</u> | <u>11,965</u> | <u>1</u> |
| 7000 | Total non-operating income and expenses | <u>(91,660)</u> | <u>(8)</u> | <u>71,086</u> | <u>5</u> |

(Continued)

(Continued)

| Code | | 2023 | | 2022 | |
|------|--|-----------------------------------|--------------------------|-----------------------------------|----------------------|
| | | Amount | % | Amount | % |
| 7900 | Net profit (loss) before tax | (\$ 204,129) | (17) | \$ 37,343 | 3 |
| 7950 | Income tax benefit (expense) (Notes 4 and 18) | <u>32,905</u> | <u>3</u> | (<u>20,995</u>) | (<u>2</u>) |
| 8200 | Net profit (loss) for the year | (<u>171,224</u>) | (<u>14</u>) | <u>16,348</u> | <u>1</u> |
| | Other comprehensive income (net) | | | | |
| 8310 | Items not reclassified subsequently to profit or loss: | | | | |
| 8311 | Remeasurement of defined benefit plans (Notes 4 and 14) | (337) | - | 2,864 | - |
| 8349 | Income tax relating to items not reclassified subsequently to profit or loss (Notes 4 and 18) | <u>68</u> (<u>269</u>) | <u>-</u> <u>-</u> | (<u>573</u>) <u>2,291</u> | <u>-</u> <u>-</u> |
| 8360 | Items that may be reclassified subsequently to profit or loss | | | | |
| 8361 | Exchange differences on translating the financial statements of foreign operations | (41,287) | (4) | 27,355 | 2 |
| 8399 | Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 18) | <u>8,257</u> (<u>33,030</u>) | <u>1</u> (<u>3</u>) | (<u>5,471</u>) <u>21,884</u> | <u>-</u> <u>2</u> |
| 8300 | Total other comprehensive income (net) for the fiscal year | (<u>33,299</u>) | (<u>3</u>) | <u>24,175</u> | <u>2</u> |
| 8500 | Total comprehensive income for the fiscal year | (<u>\$ 204,523</u>) | (<u>17</u>) | <u>\$ 40,523</u> | <u>3</u> |
| | Earnings (losses) per share (Note 19) | | | | |
| 9750 | Basic | (<u>\$ 0.81</u>) | | <u>\$ 0.09</u> | |
| 9850 | Diluted | (<u>\$ 0.81</u>) | | <u>\$ 0.09</u> | |

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-Chung

Acme Electronics Corporation
Parent Company Statements of Changes in Equity
For the Years Ended December 31, 2023 and 2022

Unit: NT\$ thousands, unless stated otherwise

| Code | | Share capital (Note 16) | | Capital surplus (Notes 4 and 16) | Accumulated deficit (Notes 4, 14 and 16) | Exchange differences on translating the financial statements of foreign operations (Note 4) | Total equity |
|------|--|----------------------------|---------------------|-------------------------------------|--|--|---------------------|
| | | Number of shares issued | Amount | | | | |
| A1 | Balance as of January 1, 2022 | 182,993,743 | \$ 1,829,937 | \$ - | (\$ 323,658) | (\$ 171,238) | \$ 1,335,041 |
| C17 | Exercise of disgorgement | - | - | 72 | - | - | 72 |
| N1 | Equity-based compensation transactions | - | - | 2,067 | - | - | 2,067 |
| D1 | Net profit for 2022 | - | - | - | 16,348 | - | 16,348 |
| D3 | Other comprehensive gains and losses after tax for 2022 | - | - | - | 2,291 | 21,884 | 24,175 |
| D5 | Total comprehensive income for 2022 | - | - | - | 18,639 | 21,884 | 40,523 |
| Z1 | Balance as of December 31, 2022 | 182,993,743 | 1,829,937 | 2,139 | (305,019) | (149,354) | 1,377,703 |
| C17 | Exercise of disgorgement | - | - | 4 | - | - | 4 |
| E1 | Capital increase in cash | 30,000,000 | 300,000 | 297,799 | - | - | 597,799 |
| M7 | Change in ownership interests in subsidiaries | - | - | - | (1,518) | - | (1,518) |
| D1 | Net loss for 2023 | - | - | - | (171,224) | - | (171,224) |
| D3 | Other comprehensive gains and losses after tax for 2023 | - | - | - | (269) | (33,030) | (33,299) |
| D5 | Total comprehensive income for 2023 | - | - | - | (171,493) | (33,030) | (204,523) |
| Z1 | Balance as of December 31, 2023 | <u>212,993,743</u> | <u>\$ 2,129,937</u> | <u>\$ 299,942</u> | <u>(\$ 478,030)</u> | <u>(\$ 182,384)</u> | <u>\$ 1,769,465</u> |

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-Chung

Acme Electronics Corporation
Parent Company Only Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

Unit: NT\$ thousands

| Code | | 2023 | 2022 |
|--------|--|----------------|--------------------|
| | Cash flows from operating activities | | |
| A10000 | Net profit (loss) before tax for the fiscal year | (\$ 204,129) | \$ 37,343 |
| A20010 | Income and expenses: | | |
| A20100 | Depreciation expenses | 72,298 | 48,131 |
| A20200 | Amortization expense | 711 | 788 |
| A20300 | Provision (reversal of provision) for bad debt expense | - | (300) |
| A20400 | Net loss of financial instruments at fair value through profit or loss | - | 569 |
| A20900 | Finance costs | 23,233 | 16,906 |
| A21200 | Interest income | (2,962) | (1,110) |
| A21900 | Employee stock option compensation cost | - | 1,963 |
| A22400 | Share of profit or loss of subsidiaries and affiliates accounted for under the equity method | 106,052 | (11,965) |
| A22500 | Loss of disposal and scrapping of property, plant and equipment | 3,339 | 644 |
| A23700 | Loss on (gain on reversal of) write-down of inventories | (19,500) | 28,359 |
| A23900 | (Un)realized losses from subsidiaries | 88,058 | (96,505) |
| A24100 | Foreign exchange losses | 6,807 | 3,091 |
| A30000 | Change in operating assets and liabilities | | |
| A31130 | Notes receivable | (5) | (106) |
| A31150 | Accounts receivable (including related parties) | (2,171) | 16,356 |
| A31180 | Other receivables (including related parties) | (3,095) | 6,105 |
| A31200 | Inventories | 125,088 | (65,043) |
| A31240 | Other current assets | 13,835 | (24,167) |
| A32150 | Notes and accounts payable (including related parties) | (51,007) | (121,426) |
| A32180 | Other payables (including related parties) | 8,213 | (11,891) |
| A32230 | Other current liabilities | (956) | (6) |
| A32240 | Net defined benefit liabilities | (1,372) | (2,473) |
| A33000 | Cash flows generated from operations | 162,437 | (174,737) |
| A33100 | Interest received | 2,948 | 1,116 |
| A33300 | Interest paid | (22,988) | (15,477) |
| A33500 | Income tax paid | (2,321) | (3,080) |
| AAAA | Net cash flows generated from operating activities | <u>140,076</u> | <u>(192,178)</u> |

(Continued)

(Continued)

| Code | | 2023 | 2022 |
|--------|---|----------------|---------------|
| | Cash flows from investing activities | | |
| B02200 | Cash outflow for capital increase of subsidiaries | (\$ 275,238) | \$ - |
| B02700 | Acquisition cost of property, plant and equipment | (315,490) | (275,650) |
| B02800 | Proceeds from disposal of property, plant and equipment | 9,378 | 716 |
| B04500 | Purchase of intangible assets | - | (1,000) |
| B03700 | Increase in refundable deposits | - | (50) |
| BBBB | Net cash used in investing activities | (581,350) | (275,984) |
| | Cash flows from financing activities | | |
| C00100 | Decrease in short-term borrowings | (16,900) | (84,000) |
| C00600 | Decrease in short-term notes payable | (80,000) | (200,000) |
| C01600 | Proceeds from long-term borrowings | 987,000 | 5,306,000 |
| C01700 | Repayments of long-term borrowings | (1,078,500) | (4,577,000) |
| C04020 | Repayments of the principal portion of lease liabilities | (491) | (485) |
| C04600 | Capital increase in cash | 600,000 | - |
| C09900 | Payment of stock issuance costs | (2,201) | - |
| C09900 | Exercise of disgorgement | 4 | 72 |
| CCCC | Net cash from financing activities | 408,912 | 444,587 |
| EEEE | Decrease in cash and cash equivalents for the fiscal year | (32,362) | (23,575) |
| E00100 | Cash and cash equivalents at the beginning of the year | 82,497 | 106,072 |
| E00200 | Cash and cash equivalents at the end of the year | \$ 50,135 | \$ 82,497 |

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-Chung

Acme Electronics Corporation
Notes to Parent Company Only Financial Statements
For the Years Ended December 31, 2023 and 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

I. Company History

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 parent company only financial statements were reported to and issued by the Company’s board of directors on March 5, 2024.

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

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

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

(II) IFRS Accounting Standards endorsed by the FSC that are applicable in 2024

| New/Revised/Amended Standards and Interpretations | Effective Date of Issuance by the IASB (Note 1) |
|---|---|
| Amendments to IFRS 16 “Lease Liability in Sale and Leaseback” | January 1, 2024 (Note 2) |
| 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 |
| IAS 7 and amendments to IFRS 7 “Supplier Finance Arrangement” | January 1, 2024 (Note 3) |

Note 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.

Note 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.

Note 3: When applying this amendment for the first time, certain disclosure requirements are exempted.

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.

(III) IFRS Accounting Standards 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 |
| 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 |
| Amendment to IAS 21 “Lack of Exchangeability” | January 1, 2025 (Note 2) |

Note 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.

Note 2: Applicable for annual reporting periods beginning on or after January 1, 2025. The initial application of this amendment will affect the amounts recognized in retained earnings as of the initial application date. When the Company uses a non-functional currency as the reporting currency, the adjustment will affect the revaluation of exchange differences of foreign operations under equity on the initial application date.

As of the date the accompanying parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of the above 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 parent company only 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 parent company only financial statements have been prepared on the historical cost basis except for financial instruments which 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.

Assets and liabilities that are not classified as current are classified as non-current.

(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 denominated in foreign currencies measured at fair value are converted using the exchange rate on the date when the fair value is determined. The exchange difference is recognized as the current profit and loss. However, if the change of fair value is recognized as other comprehensive income, the exchange difference generated is recognized as 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 Inventory is measured by the lower of cost and net realizable value. When comparing cost and net realizable value, except for similar stock in hand, it is based on individual 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 parent company only financial statements only to the extent of interests in the subsidiaries of parties that are not related to the Company.

(VII) Investment 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 treated 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 stated at cost, subsequently are measured at the amount of 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.

When property, plant, and equipment is derecognized, the difference between the net disposal proceeds and the carrying amount of the asset shall be 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 derecognition 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. The reversal of impairment losses 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 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 fair value through profit or loss and financial assets at amortized cost.

A. Financial assets at FVTPL

Financial assets measured at fair value through profit and loss 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 21 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 3 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 for amount receivables as losses allowance. Other financial assets are evaluated to see whether the credit risk has increased significantly since they were initially recognized. If not, they are recognized as the loss allowance for 12-month expected credit loss. If they have increased considerably, they are recognized as the loss allowance based on lifetime expected credit loss.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. The 12-month expected credit loss represents possible credit loss from breach of contract within 12 months of reporting date. Lifetime expected credit loss represents expected credit loss from breach of contract of financial instruments during period of existence.

The impairment loss of all financial assets is reduced based on the allowance account.

(3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the 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:

Financial liabilities at FVTPL

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 21 for the methods for determining fair values.

(2) Derecognition 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 the derivative is positive, it is classified as a financial asset; when the fair value is negative, it is classified 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 1 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.

Sales revenue of commodities

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.

Where the Company is a lessee:

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 target 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 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) Employee stock options

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 given day and the best quantity forecast as expected, while making adjustments on capital reserve - employee stock options. If it is vested at grant date, the expense is recognized in full at the same date. When the Company deals with capital increase in cash to retain employee subscription, the date on which the employee subscribes for shares is confirmed is the date of grant.

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 the date of grant, recognized as an increase in the carrying amount of investment in the subsidiary within the available period, and the capital reserve - employee stock options are adjusted accordingly. If

it is vested at grant date, the expense is recognized in full at the same date. When the Company deals with capital increase in cash to retain employee subscription of a subsidiary, the date on which the employee of the subsidiary subscribes for shares is confirmed is the date of grant.

(XVII) Income tax

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

1. Current income tax

The undistributed surplus calculated in accordance with the *Income Tax Act* is subject to an annual income tax recognized according to 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 taxable income will be available for the use of income tax credits 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 satisfied 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

When the Company adopts accounting policies, the management must make judgments, estimates and assumptions based on historical experience and other critical factors. 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

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-------------------------------------|--------------------------|--------------------------|
| Petty cash and cash on hand | \$ 125 | \$ 209 |
| Checks and demand deposits in banks | 25,753 | 15,527 |
| Cash equivalents | | |
| Time deposits | <u>24,257</u> | <u>66,761</u> |
| | <u>\$ 50,135</u> | <u>\$ 82,497</u> |

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

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-----------------|--------------------------|--------------------------|
| Demand deposits | 0.00007% ~ 4.40% | 0.001% ~ 3.30% |
| Time deposits | 5.15% ~ 5.33% | 1.25% ~ 4.43% |

VII. Financial assets measured at amortized cost

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--|--------------------------|--------------------------|
| <u>Pledge and mortgage</u> | | |
| Time deposits with original maturity over 3 months | <u>\$ 5,800</u> | <u>\$ 5,800</u> |

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

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--|--------------------------|--------------------------|
| Time deposits with original maturity over 3 months | 1.45% | 0.790% |

Please refer to Note 23 for the information related to financial assets at amortized cost pledged as security of the Company.

VIII. Notes and accounts receivable - non-related parties

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--------------------------------|--------------------------|--------------------------|
| <u>Notes receivable</u> | | |
| Measured at amortized cost | | |
| Gross carrying amount | <u>\$ 392</u> | <u>\$ 389</u> |
| <u>Accounts receivable</u> | | |
| Measured at amortized cost | | |
| Gross carrying amount | \$ 242,987 | \$ 215,934 |
| Less: allowance for loss | (<u>2,403</u>) | (<u>2,403</u>) |
| | <u>\$ 240,584</u> | <u>\$ 213,531</u> |

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 inspects 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, 2023

| | Not past due | Up to 60 Days | Total |
|--------------------------------|-------------------|------------------|-------------------|
| Expected credit loss rate | 0.91% | 2.28% | |
| Gross carrying amount | \$ 230,328 | \$ 13,051 | \$ 243,379 |
| Loss allowance (Lifetime ECLs) | (<u>2,105</u>) | (<u>298</u>) | (<u>2,403</u>) |
| Amortized cost | <u>\$ 228,223</u> | <u>\$ 12,753</u> | <u>\$ 240,976</u> |

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) | (<u>2,205</u>) | (<u>198</u>) | (<u>2,403</u>) |
| Amortized cost | <u>\$ 207,683</u> | <u>\$ 6,237</u> | <u>\$ 213,920</u> |

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

| | 2023 | 2022 |
|--|-----------------|-----------------|
| Beginning balance | \$ 2,403 | \$ 2,703 |
| Less: Reversal for impairment losses in the current year | <u>-</u> | (<u>300</u>) |
| Ending balance | <u>\$ 2,403</u> | <u>\$ 2,403</u> |

IX. Inventories

| | December 31, 2023 | December 31, 2022 |
|----------------------------|-------------------|-------------------|
| Finished goods | \$ 103,280 | \$ 139,632 |
| Work in progress | 80,765 | 93,072 |
| Raw materials and Supplies | <u>68,491</u> | <u>125,420</u> |
| | <u>\$ 252,536</u> | <u>\$ 358,124</u> |

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 were NT\$956,419 thousand and NT\$1,278,685 thousand, respectively.

The cost of goods sold for the years ended December 31, 2023 and 2022 included a recovery benefit of NT\$19,500 thousand and an impairment loss on net realizable value of inventories of NT\$28,359 thousand in net realized value of inventory.

X. Investments accounted for using equity method

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------------|--------------------------|--------------------------|
| Investment in subsidiaries | \$ 1,801,482 | \$ 1,758,616 |
| Investment in associates | <u>18,196</u> | <u>22,739</u> |
| | <u>\$ 1,819,678</u> | <u>\$ 1,781,355</u> |

(I) Investment in subsidiaries

| Company Name | <u>December 31, 2023</u> | | <u>December 31, 2022</u> | |
|--|--------------------------|---------------------|--------------------------|---------------------|
| | Amount | Shareholding (%) | Amount | Shareholding (%) |
| ACME Electronics (Cayman) Corp. (ACME (Cayman)) | \$ 843,264 | 60.10% | \$ 684,239 | 51.27% |
| Golden Amber Enterprises Limited (GAEL) | <u>958,218</u> | 100% | <u>1,074,377</u> | 100% |
| | <u>\$ 1,801,482</u> | | <u>\$ 1,758,616</u> | |

In addition, in April 2023, ACME (Cayman) made a capital increase of US\$9,000 thousand in cash, all of which was subscribed by the Company, resulting in an increase in the shareholding ratio to 60.10%. As the above transaction did not change the control of the Company over its subsidiaries, which the Company treated as an equity transaction and adjusted to increase the accumulated deficits to be offset by NT\$1,518 thousand.

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 2023, the Company has reinvested NT\$880,420 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 26 and Table 6 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

2023, 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 2023, 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 26 and Table 6 for relevant reinvestment information in mainland China.

(II) Investment in associates

| Company Name | December 31, 2023 | | December 31, 2022 | |
|------------------------------------|-------------------|------------------|-------------------|------------------|
| | Amount | Shareholding (%) | Amount | Shareholding (%) |
| USI Optronics Corporation ("USIO") | <u>\$ 18,196</u> | <u>34%</u> | <u>\$ 22,739</u> | <u>34%</u> |

Please refer to Table 5 for relevant information on associates of the Company on the balance sheet date.

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, 2023 | December 31, 2022 |
|------------------------------------|----------------------|----------------------|
| Current assets | \$ 34,113 | \$ 44,647 |
| Non-current assets | 24,062 | 27,905 |
| Current liabilities | (<u>4,652</u>) | (<u>5,667</u>) |
| Equity | 53,523 | 66,885 |
| The Company's shareholding ratio | <u>34%</u> | <u>34%</u> |
| Equity attributable to the Company | <u>\$ 18,196</u> | <u>\$ 22,739</u> |
| Carrying amount of investment | <u>\$ 18,196</u> | <u>\$ 22,739</u> |
| | 2023 | 2022 |
| Operating revenue | <u>\$ 5,641</u> | <u>\$ 10,946</u> |
| Net loss for the year | (<u>\$ 13,362</u>) | (<u>\$ 27,848</u>) |
| Total comprehensive income | (<u>\$ 13,362</u>) | (<u>\$ 27,848</u>) |

XI. Property, plant and equipment

| | 2023 | | | | |
|--|----------------------|--------------------------------|--------------------------------|----------------------|-------------------|
| | Beginning balance | Increase during the year | Decrease during the year | Internal transfer | Ending balance |
| <u>Cost</u> | | | | | |
| Land | \$ 82,657 | \$ - | \$ - | \$ - | \$ 82,657 |
| Land improvement | 9,330 | - | (1,333) | - | 7,997 |
| Building and equipment | 344,234 | - | (5,289) | 29,622 | 368,567 |
| Machinery and equipment | 543,703 | - | (50,387) | 260,584 | 753,900 |
| Transportation and Communication Equipment | 607 | - | - | - | 607 |
| Other equipment | <u>50,655</u> | <u>-</u> | <u>(2,537)</u> | <u>2,605</u> | <u>50,723</u> |
| Total cost | <u>1,031,186</u> | <u>\$ -</u> | <u>(\$ 59,546)</u> | <u>\$ 292,811</u> | <u>1,264,451</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | |
| Land improvement | 8,699 | \$ 168 | (\$ 1,333) | \$ - | 7,534 |
| Building and equipment | 218,015 | 14,773 | (3,025) | - | 229,763 |
| Machinery and equipment | 276,748 | 54,844 | (39,934) | - | 291,658 |
| Transportation and Communication Equipment | 531 | 51 | - | - | 582 |
| Other equipment | <u>43,990</u> | <u>1,974</u> | <u>(2,537)</u> | <u>-</u> | <u>43,427</u> |
| Total accumulated depreciation and impairment | <u>547,983</u> | <u>\$ 71,810</u> | <u>(\$ 46,829)</u> | <u>\$ -</u> | <u>572,964</u> |
| Net | <u>\$ 483,203</u> | | | | <u>\$ 691,487</u> |

| | 2022 | | | | |
|--|----------------------|--------------------------------|--------------------------------|----------------------|-------------------|
| | Beginning balance | Increase during the year | Decrease during the year | Internal transfer | Ending balance |
| <u>Cost</u> | | | | | |
| 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 | <u>48,768</u> | <u>-</u> | <u>(2,910)</u> | <u>4,797</u> | <u>50,655</u> |
| Total cost | <u>851,199</u> | <u>\$ -</u> | <u>(\$ 65,646)</u> | <u>\$ 245,633</u> | <u>1,031,186</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | |
| 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 | <u>45,256</u> | <u>1,622</u> | <u>(2,888)</u> | <u>-</u> | <u>43,990</u> |
| Total accumulated depreciation and impairment | <u>564,626</u> | <u>\$ 47,643</u> | <u>(\$ 64,286)</u> | <u>\$ -</u> | <u>547,983</u> |
| Net | <u>\$ 286,573</u> | | | | <u>\$ 483,203</u> |

There were no impairment losses on assessed property, plant and equipment for the years ended December 31, 2023 and 2022.

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

| | |
|--|----------------|
| Land improvement | 8 to 20 years |
| Building and equipment | |
| Office building, labs and improvements | 20 to 50 years |
| Others | 3 to 15 years |
| Machinery and equipment | 3 to 15 years |
| Transportation and Communication Equipment | 5 years |
| Other equipment | 3-25 years |

Please refer to Note 23 for the amount of property, plant and equipment pledged as collateral for loans.

XII. Lease Arrangements

(I) Right-of-use assets

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| Carrying amount of right-of-use assets | | |
| Buildings | \$ - | \$ 104 |
| Transportation equipment | <u>607</u> | <u>991</u> |
| | <u>\$ 607</u> | <u>\$ 1,095</u> |
| | <u>2023</u> | <u>2022</u> |
| Depreciation expense of right-of-use assets | | |
| Buildings | \$ 104 | \$ 104 |
| Transportation equipment | <u>384</u> | <u>384</u> |
| | <u>\$ 488</u> | <u>\$ 488</u> |

(II) Lease liabilities

As of December 31, 2023 and 2022, 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

| | <u>2023</u> | <u>2022</u> |
|--|-----------------|-----------------|
| Expenses relating to short-term leases | <u>\$ 4,011</u> | <u>\$ 3,502</u> |
| Total cash flows on lease | <u>\$ 4,513</u> | <u>\$ 4,004</u> |

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\$1,875 thousand and NT\$1,738 thousand respectively as at December 31, 2023 and 2022.

XIII. Borrowings

(I) Short-term borrowings

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------|--------------------------|--------------------------|
| Unsecured borrowings | <u>\$ 199,100</u> | <u>\$ 216,000</u> |

The interest rates of short-term loan were 1.68%-1.70378% and 1.61078%-1.89% respectively as at December 31, 2023 and 2022.

(II) Short-term bills payable (December 31, 2023: None)

| | <u>December 31, 2022</u> |
|---|--------------------------|
| Commercial note payable | \$ 80,000 |
| Less: Discount on commercial note payable | (<u>49</u>) |
| | <u>\$ 79,951</u> |

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

December 31, 2022

| <u>Guarantor / acceptor</u> | <u>Face Amount</u> | <u>Discount Amount</u> | <u>Carrying Amount</u> | <u>Annual discount rate</u> |
|--------------------------------|--------------------|------------------------|------------------------|-----------------------------|
| <u>Commercial note payable</u> | | | | |
| Mega Bills Finance Co., Ltd. | <u>\$ 80,000</u> | <u>\$ 49</u> | <u>\$ 79,951</u> | 1.848% |

(III) Long-term borrowings

| | December 31, 2023 | December 31, 2022 |
|-------------------------|---------------------|---------------------|
| Secured bank loans | \$ 1,179,000 | \$ 1,369,000 |
| Unsecured bank loans | <u>98,500</u> | <u>-</u> |
| | <u>\$ 1,277,500</u> | <u>\$ 1,369,000</u> |
| Maturity year | 114~117 | 114~116 |
| Range of interest rates | 0.995% ~ 1.7% | 1.45% ~ 1.85% |

Please refer to Note 23 for details of collateralized assets for secured loans.

XIV. 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 conducted by the Company of the Company under the "Labor Standards Act" of our country is a defined benefit retirement plan administered by the government. 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 contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to a retirement fund that is deposited with Bank of Taiwan under the name of The Supervisory Committee of Workers' Retirement Fund. Before the end of year, if the balance at the retirement fund is not sufficient to pay employees who will meet the retirement criteria next year, a lump-sum deposit for the shortfall should be made before the end of March of the following year. The exclusive account is administered by the Bureau of Labor Funds of the Ministry of Labor, and the Company retains no rights that may influence its investment and administration strategies.

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

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--|--------------------------|--------------------------|
| Present value of defined benefit obligations | \$ 45,556 | \$ 45,779 |
| Fair value of plan assets | (<u>30,438</u>) | (<u>29,626</u>) |
| Net defined benefit liabilities | <u>\$ 15,118</u> | <u>\$ 16,153</u> |

The changes in net defined benefit liabilities are as follows:

| | <u>Present value of defined benefit obligations</u> | <u>Fair value of plan assets</u> | <u>Net defined benefit liabilities</u> |
|--|---|--------------------------------------|--|
| Balance as of January 1, 2023 | <u>\$ 45,779</u> | (<u>\$ 29,626</u>) | <u>\$ 16,153</u> |
| Service cost | | | |
| Service cost - current period | 188 | - | 188 |
| Interest expenses (income) | <u>686</u> | (<u>450</u>) | <u>236</u> |
| Amounts recognized in profit or loss | <u>874</u> | (<u>450</u>) | <u>424</u> |
| Re-measurement on the net defined benefit liability | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (174) | (174) |
| Actuarial (gain) loss | | | |
| - Changes in financial assumptions | 1,011 | - | 1,011 |
| - Experience adjustments | (<u>500</u>) | <u>-</u> | (<u>500</u>) |
| Recognized in other comprehensive income | <u>511</u> | (<u>174</u>) | <u>337</u> |
| Contributions from employer | \$ - | (\$ 926) | (\$ 926) |
| Benefits paid | (<u>1,608</u>) | <u>738</u> | (<u>870</u>) |
| Balance as of December 31, 2023 | <u>\$ 45,556</u> | (<u>\$ 30,438</u>) | <u>\$ 15,118</u> |

(Continued)

(Continued)

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liabilities |
|--|---|------------------------------|---------------------------------------|
| Balance as of January 1, 2022 | <u>\$ 47,498</u> | <u>(\$ 26,008)</u> | <u>\$ 21,490</u> |
| Service cost | | | |
| Service cost - current period | 241 | - | 241 |
| Interest expenses (income) | <u>237</u> | <u>(132)</u> | <u>105</u> |
| Amounts recognized in profit or loss | <u>478</u> | <u>(132)</u> | <u>346</u> |
| 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 | <u>456</u> | <u>-</u> | <u>456</u> |
| Recognized in other comprehensive income | <u>(808)</u> | <u>(2,056)</u> | <u>(2,864)</u> |
| Contributions from employer | - | (2,819) | (2,819) |
| Benefits paid | <u>(1,389)</u> | <u>1,389</u> | <u>-</u> |
| Balance as of December 31, 2022 | <u>\$ 45,779</u> | <u>(\$ 29,626)</u> | <u>\$ 16,153</u> |

The Company is exposed to the following risks due to the pension system under the “Labor Standards Act”:

1. Investment risk: Through its own use and entrusting 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 Company’s plan assets shall not be lower than the gain calculated by the average interest rate on a two-year time deposit.

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; Hence, the increase in plan participants' salary will increase the present value of the defined benefit obligation.

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:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-----------------------------------|--------------------------|--------------------------|
| Discount rate | 1.250% | 1.500% |
| Expected rates of salary increase | 3.000% | 3.000% |

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:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-----------------------------------|--------------------------|--------------------------|
| Discount rate | | |
| 0.25% increase | <u>(\$ 1,011)</u> | <u>(\$ 1,114)</u> |
| 0.25% decrease | <u>\$ 1,043</u> | <u>\$ 1,153</u> |
| Expected rates of salary increase | | |
| 0.25% increase | <u>\$ 1,007</u> | <u>\$ 1,116</u> |
| 0.25% decrease | <u>(\$ 981)</u> | <u>(\$ 1,084)</u> |

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.

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| The expected amount of contribution within 1 year | <u>\$ 800</u> | <u>\$ 820</u> |
| Average duration of defined benefit obligations | 9.0years | 10.8years |

XV. Government subsidy

The Company applied for the Industrial Upgrade Platform Innovation Guidance Program subsidy from the Taiwanese government. For the years ended December 31, 2023 and 2022, expenses related to the subsidy were recognized as deductions from operating expenses, amounting to NT\$9,000 thousand and NT\$11,000 thousand, respectively.

XVI. Equity

(I) Ordinary share capital

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| Number of shares authorized (in thousands) | <u>300,000</u> | <u>300,000</u> |
| Share capital authorized | <u>\$ 3,000,000</u> | <u>\$ 3,000,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>212,994</u> | <u>182,994</u> |
| Share capital issued | <u>\$ 2,129,937</u> | <u>\$ 1,829,937</u> |

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 above cash capital increase plan was declared effective by the FSC on July 22, 2022, of which 15% was reserved for subscription by qualified employees of the Company and affiliates. The related issuance price was NT\$20 per share, and the record date of the capital increase was January 16, 2023, and the cost of issuing new shares was NT\$2,201 thousand as a reduction of capital surplus.

(II) Capital surplus

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--|--------------------------|--------------------------|
| <u>Used to offset deficits, pay cash</u> <u>dividends or capitalize</u> <u>capital (1)</u> | | |
| Stock issuance premium | \$ 299,866 | \$ 2,067 |
| <u>May only be used to offset</u> <u>deficits</u> | <u>76</u> | <u>72</u> |
| Disgorgement | <u>\$ 299,942</u> | <u>\$ 2,139</u> |

- (1) Such capital surplus may be used to offset deficits or, if the Company has no deficit, to pay cash dividends or to capitalize capital.

(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 17 (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 26, 2023 and May 30, 2022, respectively, and decided not to distribute surplus for the years ended December 31, 2022 and 2021 due to the need to make up for losses.

The Company still needs to make up for losses as of December 31, 2023. Therefore, the board meeting on March 5, 2024 proposed not to make any surplus distribution after making up the loss with the capital reserve of NT\$299,942 thousand, and it is pending a resolution at the annual shareholders' meeting for the year 2024.

XVII. Net profit (loss) for the year

(I) Depreciation and amortization

| | <u>2023</u> | <u>2022</u> |
|-------------------------------------|------------------|------------------|
| Property, plant and equipment | \$ 71,810 | \$ 47,643 |
| Right-of-use assets | 488 | 488 |
| Intangible assets | <u>711</u> | <u>788</u> |
| Total | <u>\$ 73,009</u> | <u>\$ 48,919</u> |
| Summary of depreciation by function | | |
| Operating costs | \$ 50,905 | \$ 35,541 |
| Operating expenses | <u>21,393</u> | <u>12,590</u> |
| | <u>\$ 72,298</u> | <u>\$ 48,131</u> |
| Summary of amortization by function | | |
| Administrative expenses | <u>\$ 711</u> | <u>\$ 788</u> |

(II) Employee benefit expenses

| | 2023 | 2022 |
|--|-------------------|-------------------|
| Post-retirement benefits (Note 14) | | |
| Defined contribution plans | \$ 8,308 | \$ 7,867 |
| Defined benefit plans | <u>424</u> | <u>346</u> |
| | 8,732 | 8,213 |
| Salary, Bonus, etc. | <u>221,483</u> | <u>209,326</u> |
| Total | <u>\$ 230,215</u> | <u>\$ 217,539</u> |
| Summary of employee benefit expenses by function | | |
| Operating costs | \$ 102,781 | \$ 92,453 |
| Operating expenses | <u>127,434</u> | <u>125,086</u> |
| | <u>\$ 230,215</u> | <u>\$ 217,539</u> |

(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 2023 and 2022, so the remunerations of employees and directors are not estimated and recognized.

If there is a change in the amounts after the annual accompanying parent company only 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, 2023 and 2022 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

| | 2023 | 2022 |
|---|------------------|------------------|
| Royalty revenue (Note 22) | \$ 21,769 | \$ 27,697 |
| Income from management services (Note 22) | 9,849 | 6,767 |
| Rental income | 208 | 184 |
| Others | <u>4,700</u> | <u>5,750</u> |
| | <u>\$ 36,526</u> | <u>\$ 40,398</u> |

(V) Foreign exchange gain (loss)

| | 2023 | 2022 |
|-------------------------|-----------------|------------------|
| Foreign exchange gains | \$ 42,464 | \$ 72,553 |
| Foreign exchange losses | (40,934) | (34,057) |
| Net profit | <u>\$ 1,530</u> | <u>\$ 38,496</u> |

(VI) Other gain and loss

| | 2023 | 2022 |
|--|-------------------|-------------------|
| Loss on disposal of property, plant and equipment | (\$ 3,339) | (\$ 644) |
| Loss on financial commodities at fair value through profit or loss | - | (3,111) |
| Others | (54) | (222) |
| | <u>(\$ 3,393)</u> | <u>(\$ 3,977)</u> |

(VII) Finance costs

| | 2023 | 2022 |
|-------------------------------|------------------|------------------|
| Interest on bank loans | \$ 23,222 | \$ 16,889 |
| Interest on lease liabilities | <u>11</u> | <u>17</u> |
| | <u>\$ 23,233</u> | <u>\$ 16,906</u> |

XVIII. Income tax

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

| | 2023 | 2022 |
|--|--------------------|------------------|
| Current income tax | | |
| In respect of the current year | \$ 2,177 | \$ 2,770 |
| Adjustments for previous years | (2) | <u>400</u> |
| | <u>2,175</u> | <u>3,170</u> |
| Deferred income tax | | |
| In respect of the current year | (35,080) | <u>17,825</u> |
| Income tax (benefit) expense recognized in profit or loss | <u>(\$ 32,905)</u> | <u>\$ 20,995</u> |

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

| | 2023 | 2022 |
|---|-------------------|-------------------|
| Net profit (loss) before tax | (\$ 204,129) | \$ 37,343 |
| Income tax expenses of net income before tax calculated at the legal tax rate | (\$ 40,826) | \$ 7,469 |
| Items subject to adjustment in determining taxable income | 468 | 1,893 |
| Unrecognized deductible temporary differences and loss deductions | 5,278 | 8,463 |
| Current income tax expense from previous years adjusted in the year | (2) | 400 |
| Withholding tax on income from royalties | <u>2,177</u> | <u>2,770</u> |
| Income tax (benefit) expense recognized in profit or loss | (\$ 32,905) | \$ 20,995 |
| (II) Income tax recognized in other comprehensive income | | |
| | 2023 | 2022 |
| <u>Deferred income tax</u> | | |
| Income tax (benefits) expenses recognized in other comprehensive income | | |
| – Translating the financial statements of foreign operations | (\$ 8,257) | \$ 5,471 |
| – Actuarial gain or loss of defined benefits | (<u>68</u>) | <u>573</u> |
| | (\$ 8,325) | \$ 6,044 |
| (III) Current income tax assets | | |
| | December 31, 2023 | December 31, 2022 |
| Current income tax assets | | |
| Tax refund receivable | <u>\$ 317</u> | <u>\$ 171</u> |

(IV) Deferred income tax assets and liabilities

2023

| | Beginning balance | Amounts recognized in profit or loss | Recognized in other comprehensive income | Ending balance |
|--|----------------------|--|---|-------------------|
| <u>Deferred income tax assets</u> | | | | |
| Temporary difference | | | | |
| Allowance for reduction of inventory to market | \$ 10,444 | (\$ 3,900) | \$ - | \$ 6,544 |
| Payable for annual leave | 1,624 | 84 | - | 1,708 |
| Defined benefit retirement plan | 6,980 | - | 68 | 7,048 |
| Exchange differences of foreign operations | <u>10,170</u> | <u>-</u> | <u>8,257</u> | <u>18,427</u> |
| | 29,218 | (3,816) | 8,325 | 33,727 |
| Deduction for losses | <u>25,960</u> | (<u>1,083</u>) | <u>-</u> | <u>24,877</u> |
| | <u>\$ 55,178</u> | (<u>\$ 4,899</u>) | <u>\$ 8,325</u> | <u>\$ 58,604</u> |
| <u>Deferred income tax liabilities</u> | | | | |
| Temporary difference | | | | |
| Investments accounted for using the equity method | \$ 88,140 | (\$ 21,385) | \$ - | \$ 66,755 |
| Unrealized loss on sales | 18,986 | (17,612) | - | 1,374 |
| Others | <u>7,609</u> | (<u>982</u>) | <u>-</u> | <u>6,627</u> |
| | <u>\$ 114,735</u> | (<u>\$ 39,979</u>) | <u>\$ -</u> | <u>\$ 74,756</u> |

2022

| | Beginning balance | Amounts recognized in profit or loss | Recognized in other comprehensive income | Ending balance |
|---|----------------------|--|---|-------------------|
| <u>Deferred income tax assets</u> | | | | |
| 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 gain on sales | 315 | (315) | - | - |
| Exchange differences of foreign operations | <u>15,641</u> | <u>-</u> | (<u>5,471</u>) | <u>10,170</u> |
| | 30,016 | 5,246 | (6,044) | 29,218 |
| Deduction for losses | <u>25,960</u> | <u>-</u> | <u>-</u> | <u>25,960</u> |
| | <u>\$ 55,976</u> | <u>\$ 5,246</u> | (<u>\$ 6,044</u>) | <u>\$ 55,178</u> |

(Continued)

(Continued)

| | Beginning balance | Amounts recognized in profit or loss | Recognized in other comprehensive income | Ending balance |
|--|----------------------|--|---|-------------------|
| <u>Deferred income tax liabilities</u> | | | | |
| Temporary difference | | | | |
| Investments accounted for using the equity method | \$ 83,854 | \$ 4,286 | \$ - | \$ 88,140 |
| Unrealized loss on sales | - | 18,986 | - | 18,986 |
| Others | <u>7,810</u> | <u>(201)</u> | <u>-</u> | <u>7,609</u> |
| | <u>\$ 91,664</u> | <u>\$ 23,071</u> | <u>\$ -</u> | <u>\$ 114,735</u> |

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

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------|--------------------------|--------------------------|
| Deduction for losses | | |
| Due in 2024 | \$ 26,888 | \$ 26,888 |
| 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 | 19,466 | 40,367 |
| Due in 2032 | 48,744 | 48,692 |
| Due in 2033 | <u>21,432</u> | <u>-</u> |
| | <u>\$ 1,080,882</u> | <u>\$ 1,080,299</u> |

(VI) Unused loss deduction

As at December 31, 2023, 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 |
| 893,520 | Certified figure | 2027 |
| 33,260 | Certified figure | 2029 |
| \$ 55,004 | Certified figure | 2030 |
| 19,466 | Certified figure | 2031 |
| 48,744 | Declared figure | 2032 |
| <u>21,432</u> | Estimated figure | 2033 |
| <u>\$ 1,205,267</u> | | |

(VII) Certification of income tax

The Company's income tax returns through 2021 have been assessed by the tax authorities.

XIX. Earnings (losses) per share

| | 2023 | 2022 |
|-------------------------------------|-------------------|----------------|
| Basic earnings (losses) per share | (\$ <u>0.81</u>) | <u>\$ 0.09</u> |
| Diluted earnings (losses) per share | (\$ <u>0.81</u>) | <u>\$ 0.09</u> |

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

Net profit (loss) for the year

| | 2023 | 2022 |
|---|----------------------|------------------|
| Net (loss) profit for calculating basic and diluted earnings (losses) per share | (\$ <u>171,224</u>) | <u>\$ 16,348</u> |

Number of Shares

Unit: Thousands of shares

| | 2023 | 2022 |
|---|----------------|----------------|
| Weighted average number of common shares used for calculation of basic and diluted (losses) earnings per share | <u>211,744</u> | <u>182,994</u> |

XX. 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 taking on new debt or servicing old debt.

XXI. Financial instruments

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

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) Categories of financial instruments

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|------------------------------|--------------------------|--------------------------|
| <u>Financial assets</u> | | |
| Measured at amortized cost | | |
| (Note 1) | \$ 410,456 | \$ 423,515 |
| <u>Financial liabilities</u> | | |
| Measured at amortized cost | | |
| (Note 2) | 1,665,759 | 1,825,700 |

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

Note 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.

(III) 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 operation of 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 25.

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 mostly affected by the fluctuation of the USD exchange rate. If the Company's functional currency appreciates/depreciates by 3% against the U.S. dollar, the Company's pre-tax loss for the year ended December 31, 2023 will increase/decrease by NT\$8,503 thousand, and the pre-tax benefit for the

year ended December 31, 2022 will decrease/increase by NT\$8,876 thousand.

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:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-------------------------------|--------------------------|--------------------------|
| Fair value interest rate risk | | |
| – Financial assets | \$ 36,057 | \$ 78,561 |
| – Financial liabilities | 199,720 | 184,062 |
| Cash flow interest rate risk | | |
| – Financial assets | 21,075 | 11,002 |
| – Financial liabilities | 1,277,500 | 1,482,000 |

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 management 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.

With all other variables held constant, a 0.5% increase/decrease in market interest rates would result in an increase/decrease in pre-tax loss of NT\$6,282 thousand for the year ended December 31, 2023 and a decrease/increase in pre-tax profit of NT\$7,355 thousand for the year ended December 31, 2022.

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. In addition, the Company will review the recoverable amount of the receivables one by one on the balance sheet date to ensure that the unrecoverable receivables have been recognized with appropriate 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 46% and 68% of total notes and accounts receivable as of December 31, 2023 and 2022, 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, 2023

| | Weighted Average Interest Rate (%) | On Demand or Less than 1 Year | 1-5 years |
|---|---|-------------------------------------|---------------------|
| <u>Non-derivative financial liabilities</u> | | | |
| Non-interest bearing liabilities | - | \$ 145,110 | \$ - |
| Lease liabilities | 1.25 | 396 | 231 |
| Floating interest rate liabilities | 1.58 | 20,156 | 1,318,343 |
| Fixed interest rate liabilities | 1.69 | <u>199,284</u> | <u>-</u> |
| | | <u>\$ 364,946</u> | <u>\$ 1,318,574</u> |

December 31, 2022

| | Weighted Average Interest Rate (%) | On Demand or Less than 1 Year | 1-5 years |
|---|---|-------------------------------------|---------------------|
| <u>Non-derivative financial liabilities</u> | | | |
| 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 | <u>183,116</u> | <u>-</u> |
| | | <u>\$ 438,703</u> | <u>\$ 1,423,760</u> |

(2) Financing facilities

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------------|--------------------------|--------------------------|
| Unsecured banking facilities | | |
| – Amount used | \$ 297,600 | \$ 665,000 |
| – Amount unused | <u>1,887,400</u> | <u>1,960,000</u> |
| | <u>\$ 2,185,000</u> | <u>\$ 2,625,000</u> |
| Secured banking facilities | | |
| – Amount used | \$ 1,179,000 | \$ 1,000,000 |
| – Amount unused | <u>381,000</u> | <u>-</u> |
| | <u>\$ 1,560,000</u> | <u>\$ 1,000,000</u> |

XXII. 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, 2023 and 2022, USI held 46.9% and 44.7% of the ordinary shares of the Company by itself and through its subsidiaries, respectively.

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

| <u>Name of Related Party</u> | <u>Relationship with the Company</u> |
|--|--------------------------------------|
| 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)”) | Subsidiary of GAEL |
| USI Optronics Corporation (“USIO”) | Associate |

(II) Sales revenue

| <u>Related Party Category/Name</u> | <u>2023</u> | <u>2022</u> |
|------------------------------------|-------------------|-------------------|
| Subsidiary | | |
| ACME Electronics (KS) | \$ 173,680 | \$ 247,321 |
| Acme Electronics (GZ) | 129,989 | 145,822 |
| ACME Ferrite | 13,872 | 27,371 |
| Associate | | |
| USIO | <u>293</u> | <u>261</u> |
| | <u>\$ 317,834</u> | <u>\$ 420,775</u> |

(III) Purchase and processing fee

| Related Party Category/Name | 2023 | 2022 |
|-----------------------------|-------------------|-------------------|
| Subsidiary | | |
| Acme Electronics (GZ) | \$ 242,598 | \$ 376,718 |
| ACME Electronics (KS) | 40,992 | 38,503 |
| ACME Ferrite | - | 9,587 |
| Associate | | |
| USIO | <u>3,231</u> | <u>9,597</u> |
| | <u>\$ 286,821</u> | <u>\$ 434,405</u> |

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 2023 and 2022 amounted to a loss of NT\$4,139 thousand and a loss of NT\$92,197 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, 2023 | December 31, 2022 |
|--|-----------------------------|-------------------|-------------------|
| Accounts receivable - related parties, net | Subsidiary | | |
| | ACME Electronics (KS) | \$ 47,271 | \$ 69,040 |
| | Acme Electronics (GZ) | 22,560 | 11,083 |
| | ACME Ferrite | 2,055 | 3,279 |

(Continued)

(Continued)

| Accounting Subject | Related Party Category/Name | December 31, 2023 | December 31, 2022 |
|--|-----------------------------|-------------------|-------------------|
| | Associate | | |
| | USIO | \$ 77 | \$ - |
| | | <u>\$ 71,963</u> | <u>\$ 83,402</u> |
| Other receivables from related parties | Subsidiary | | |
| | ACME Electronics (KS) | \$ 29,062 | \$ 25,265 |
| | Acme Electronics (GZ) | 337 | 52 |
| | ACME Ferrite | 110 | 133 |
| | ACME (CAYMAN) | 76 | 1,115 |
| | Fellow subsidiary | | |
| | SPC | 4,019 | 3,970 |
| | Associate | | |
| | USIO | 200 | 656 |
| | | <u>\$ 33,804</u> | <u>\$ 31,191</u> |

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, 2023 | December 31, 2022 |
|------------------------------------|-----------------------------|-------------------|-------------------|
| Accounts payable - related parties | Subsidiary | | |
| | Acme Electronics (GZ) | \$ 22,476 | \$ 54,129 |
| | ACME Electronics (KS) | 14,335 | 9,836 |
| | Associate | | |
| | USIO | - | 878 |
| | | <u>\$ 36,811</u> | <u>\$ 64,843</u> |

(Continued)

(Continued)

| Accounting Subject | Related Party Category/Name | December 31, 2023 | December 31, 2022 |
|--------------------|-----------------------------|-------------------|-------------------|
| Other payables | Parent company | | |
| | USI | \$ 717 | \$ 1,136 |
| | Subsidiary | | |
| | Acme Electronics (GZ) | 3,458 | 67 |
| | ACME Electronics (KS) | 912 | 40 |
| | Fellow subsidiary | | |
| | SPC | 514 | 1,055 |
| | APC | 48 | 48 |
| | UM | 45 | 33 |
| | CGPC | - | 2 |
| | | <u>\$ 5,694</u> | <u>\$ 2,381</u> |

Other amounts payable to related parties mainly include advance money for another, management service fees and rent not yet paid.

(VI) Acquisition of property, plant and equipment

| Related Party Category/Name | Acquisition cost | |
|-----------------------------|------------------|---------------|
| | 2023 | 2022 |
| Parent company | | |
| USI | \$ - | \$ 310 |
| Associate | | |
| USIO | <u>3,330</u> | <u>-</u> |
| | <u>\$ 3,330</u> | <u>\$ 310</u> |

(VII) Disposal of property, plant and equipment

| Related Party Category | Price of disposal | | Gains (losses) on disposal | |
|------------------------|-------------------|-------------|----------------------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| ACME Electronics (KS) | <u>\$ 9,836</u> | <u>\$ -</u> | <u>(\$ 913)</u> | <u>\$ -</u> |

(VIII) Guarantee and loan to related parties

| Accounting Subject | Related Party Category/Name | 2023 | 2022 |
|---|--------------------------------|-----------------|-----------------|
| Endorsement and guarantee incomes | Subsidiary | | |
| | ACME (CAYMAN) | <u>\$ 1,941</u> | <u>\$ 2,945</u> |

(IX) Other Related Party Transactions

| Accounting Subject | Related Party Category/Name | 2023 | 2022 |
|--|--------------------------------|------------------|------------------|
| 1. Management service fee expenditures (Classified as operating expenses) | Parent company | | |
| | USI | \$ 21 | \$ - |
| | Fellow subsidiary | | |
| | UM | 14,392 | 12,883 |
| | SPC | <u>2,639</u> | <u>1,347</u> |
| | | <u>\$ 17,052</u> | <u>\$ 14,230</u> |
| 2. Rent expenditures (Classified as operating expenses) | Parent company | | |
| | USI | \$ 3,194 | \$ 3,068 |
| | Fellow subsidiary | | |
| | APC | <u>275</u> | <u>275</u> |
| | | <u>\$ 3,469</u> | <u>\$ 3,343</u> |

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

| Accounting Subject | Related Party Category/Name | 2023 | 2022 |
|---|-----------------------------|------------------|------------------|
| 3. Other expenditures (Classified as operating expenses) | Fellow subsidiary | | |
| | SPC | \$ - | \$ 763 |
| | Associate | | |
| | USIO | <u>136</u> | <u>-</u> |
| | | <u>\$ 136</u> | <u>\$ 763</u> |
| 4. Other income | Subsidiary | | |
| | ACME Electronics (KS) | \$ 23,401 | \$ 28,819 |
| | ACME Ferrite | 134 | 142 |
| | Acme Electronics (GZ) | 56 | 12 |
| | Fellow subsidiary | | |
| | SPC | 9,436 | 6,133 |
| | Associate | | |
| | USIO | <u>465</u> | <u>827</u> |
| | | <u>\$ 33,492</u> | <u>\$ 35,933</u> |

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 operating income. It also assists the subsidiaries in developing new products and provide a 5% compensation based on the net sales income 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 main operating revenue.

(X) Compensation of key management personnel

| | 2023 | 2022 |
|------------------------------|------------------|------------------|
| Short-term employee benefits | \$ 15,392 | \$ 15,051 |
| Post-retirement benefits | 206 | 193 |
| | <u>\$ 15,598</u> | <u>\$ 15,244</u> |

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

XXIII. 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, 2023 | December 31, 2022 |
|---|-------------------|-------------------|
| 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) | <u>221,924</u> | <u>209,507</u> |
| | <u>\$ 233,724</u> | <u>\$ 221,307</u> |

XXIV. Significant Contingent Liability and Unrecognized Contractual Commitments

In addition, as of December 31, 2023, 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\$9,000 thousand.

XXV. Information on exchange rate of foreign currency-dominated financial assets and liabilities

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

| December 31, 2023 | | | |
|--|---|-------------------------|---|
| | Foreign currency (NT\$ thousands) | Exchange Rate (NT\$) | New Taiwan Dollars (NT\$ thousands) |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| RMB | \$ 13,748 | 4.3352 | \$ 59,599 |
| USD | 10,147 | 30.7050 | 311,562 |
| HKD | 2,113 | 3.9290 | 8,304 |
| EUR | 45 | 33.9800 | 1,541 |
| <u>Investments Accounted for Using the Equity Method</u> | | | |
| USD | 27,184 | 30.7050 | 843,264 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| RMB | 13,333 | 4.3352 | 57,800 |
| USD | 916 | 30.7050 | 28,125 |
| December 31, 2022 | | | |
| | Foreign currency (NT\$ thousands) | Exchange Rate (NT\$) | New Taiwan Dollars (NT\$ thousands) |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| RMB | \$ 8,701 | 4.4094 | \$ 38,367 |
| USD | 10,168 | 30.7100 | 312,253 |
| HKD | 2,667 | 3.9380 | 10,502 |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| EUR | \$ 720 | 32.7200 | \$ 23,556 |
| <u>Investments Accounted for Using the Equity Method</u> | | | |
| USD | 20,861 | 30.7100 | 684,239 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| RMB | 12,295 | 4.4094 | 54,214 |
| USD | 533 | 30.7100 | 16,375 |

The net foreign exchange gains (realized and unrealized) of the Company for the years ended December 31, 2023 and 2022 were NT\$1,530 thousand and a gain of NT\$38,496 thousand, respectively. Due to the variety of foreign currency transactions, the exchange gains or losses could not be disclosed according to the foreign currencies with significant impact.

XXVI. Disclosure Items

(I) Information on Significant Transactions:

1. Loans to others: Table 1.
2. Endorsements/guarantees provided for others: Table 2.
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 3.
8. Receivables from related parties amounting to NT\$100 million or 20% of paid-in capital or more: Table 4
9. Trading in derivative instruments: None.

(II) Information on Reinvestment: Table 5.

(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 6.
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: Note 22 and Table 3.
 - (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Note 22 and Table 3.
 - (3) The amount of property transactions and the amount of profit or loss generated: Note 22.
 - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Note 22 and Table 2.
 - (5) The highest balance during the period, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds: Table 1.
 - (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 22.
- (IV) Information on major shareholders: Name, number of shares held, and shareholding percentage of shareholders with shareholding percentage exceeding 5%: Table 7.

Acme Electronics Corporation and investees
FINANCING PROVIDED TO OTHERS
From January 1 to December 31, 2023

Table 1. Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

| No. | Lender | Borrower | Financial Statement Account | Related Party (Yes/No) | Maximum balance of the current period | Ending balance (Note 3) | Actual borrowing amount (Note 3) | Range of interest rates | Nature of lending (Note 2) | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing limit to individual borrower (Note 1) | Aggregate financing limit (Note 1) | Remarks |
|-----|-----------------------|-----------------------|-------------------------------------|------------------------|---------------------------------------|-------------------------------------|-------------------------------------|-------------------------|----------------------------|------------------------------|----------------------------------|-------------------------------|------------|-------|---|------------------------------------|---------|
| | | | | | | | | | | | | | Name | Value | | | |
| 1 | Acme Electronics (GZ) | ACME Electronics (KS) | Other receivables - related parties | Yes | \$ 176,040 (RMB40,000 thousand) | \$ 173,408 (RMB40,000 thousand) | \$ 104,045 (RMB24,000 thousand) | 3.45% | 2 | \$ - | Business turnover | \$ - | — | — | \$ 383,828 | \$ 383,828 | |

Note 1: Total financing amounts provided to others shall not exceed 40% of the net value of ACME Electronics (Guangzhou) Co., Ltd., and the highest aggregate financing limits were calculated by the net value as of December 31, 2023.

Note 2: The method of filling in the nature of financing is as follows:

- (1) Fill in 1 for those with business transaction.
- (2) Fill in 2 for those with necessary for short-term financing.

Note 3: The foreign currency amount was calculated based on the spot exchange rate of December 31, 2023.

Acme Electronics Corporation and investees
Endorsements/Guarantees Provided for Others
From January 1 to December 31, 2023

Table 2. 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/Gua rantee 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 | Remarks |
|-----|--------------------|-----------------------|-----------------------------|---|---|---|---------------------------------------|---|--|--|--|--|--|---------|
| | | Company Name | Relationship | | | | | | | | | | | |
| 0 | The Company | ACME Electronics (KS) | Subsidiary of ACME (Cayman) | \$ 2,654,198 | \$ 778,716 (USD 18,500 thousand and RMB 49,000 thousand) | \$ 365,950 (USD 5,000 thousand and RMB 49,000 thousand) | \$ 151,732 (RMB 35,000 thousand) | None | 20.68% | \$ 3,538,930 | Y | N | Y | |
| | | Acme Electronics (GZ) | Subsidiary of GAEL | 2,654,198 | 64,850 (USD 2,000 thousand) | - | - | None | - | 3,538,930 | Y | N | Y | |
| | | ACME (Cayman) | Subsidiary of the Company | 2,654,198 | 314,200 (USD 10,000 thousand) | - | - | None | - | 3,538,930 | Y | N | N | |
| 1 | ACME (MA) | ACME Ferrite | Subsidiaries of ACME(MA) | 480,703 | 115,597 (MYR 17,584 thousand) | 112,731 (MYR 17,584 thousand) | 64,271 (MYR 10,025 thousand) | None | 16.42% | 549,375 | Y | N | N | |

Note 1: The rate was calculated by the equity of ACME as of December 31, 2023.

Note 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, 2023.

The total amount of ACME (MA)’s endorsement/guarantee shall not exceed 80% of ACME (MA)’s net value. The amount of endorsement/guarantee for an individual entity shall not exceed 70% of ACME (MA)’s net value. The maximum amount of endorsement/guarantee was calculated based on the equity of the endorser/guarantor as of December 31, 2023.

Note 3: The foreign currency amount was calculated based on the spot exchange rate of December 31, 2023.

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, 2023

Table 3. Unit: In Thousands of New Taiwan Dollars

| Buyer/Seller | Counterparty | Relationship | Transaction Details | | | | Unusual Transaction Terms and Reasons (Note 1) | | Notes/Accounts Receivable (Payable) | | Remarks |
|-----------------------|-----------------------|--------------------------------|---|-------------|------------------------------------|---------------|---|---------------|-------------------------------------|---|---------|
| | | | Purchase (Sale) | Amount | Ratio to Total Purchase / Sales | Credit Period | Unit Price | Credit Period | Balance | Ratio to Total Notes or Trade Receivable (payable) | |
| The Company | Acme Electronics (GZ) | Subsidiary of GAEL | Purchase (including processing fee) | \$ 242,598 | 39% | 55 days | \$ - | — | (\$ 22,476) | 32% | |
| Acme Electronics (GZ) | The Company | Subsidiary of GAEL | Sales (including processing fee) | (242,598) | 29% | 55 days | - | — | 22,476 | 9% | |
| The Company | Acme Electronics (GZ) | Subsidiary of GAEL | Sales | (129,989) | 11% | 55 days | - | — | 22,560 | 7% | |
| Acme Electronics (GZ) | The Company | Subsidiary of GAEL | Purchase | 129,989 | 77% | 55 days | - | — | (22,560) | 67% | |
| The Company | ACME Electronics (KS) | Subsidiary of ACME (Cayman) | Sales | (173,680) | 15% | 55 days | - | — | 47,271 | 15% | |
| ACME Electronics (KS) | The Company | Subsidiary of ACME (Cayman) | Purchase | 173,680 | 75% | 55 days | - | — | (47,271) | 70% | |

Note 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 and investees
Receivables from Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital
December 31, 2023

Table 4.

Unit: In Thousands of New Taiwan Dollars

| Company Name | Counterparty | Relationship | Balance of receivables from related parties | Turnover Rate | Overdue receivables from related parties | | Amounts Received in Subsequent Period | Allowance for Impairment Loss |
|-----------------------|-----------------------|--------------------|---|---------------|--|-----------|---------------------------------------|-------------------------------|
| | | | | | Amount | Treatment | | |
| Acme Electronics (GZ) | ACME Electronics (KS) | Subsidiary of GAEL | Other receivables - related parties \$104,317 | - | \$ - | — | \$ 90 | Note |

Note: There is no allowance of impairment loss after an impairment assessment.

Acme Electronics Corporation
Name of the invested company, location... and other related information
From January 1 to December 31, 2023

Table 5. Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

| Investor | Investee | Location | Main Business Activities | Original Investment Amount (Note 1) | | Ending Holding | | | Net Profit (Loss) of the Investee for the Period (Note 2) | Investment Profit (Loss) Recognized for the Period (Note 2) | Remarks |
|---------------|---------------|--|--|-------------------------------------|----------------------------------|------------------|--------|----------------------------------|---|---|---------|
| | | | | December 31, 2023 | December 31, 2022 | 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 | \$ 880,420 | \$ 605,182 | 36,675,541 | 60.10% | \$ 843,264 | (\$ 94,932) | (\$ 33,582) | |
| | GAEL | CITCO Building, Wickhams Cay Road Town, Tortola, British Virgin Islands | Corporate investments | 669,072 | 669,072 | 20,800,000 | 100% | 958,218 | (USD(3,046) thousand) | (USD(1,063) thousand) | |
| | USIO | 12F, No. 37, Jihu Rd., Neihsu Dist., Taipei City | Manufacturing and marketing of sapphire single crystal | 646,200 | 646,200 | 22,064,224 | 34% | 18,196 | (72,483) | (67,927) | |
| ACME (Cayman) | ACME (MA) | Plot 15,Jalan Industri 6 Kawasan Perindustrian Jelapang II(ZPB) Jelapang 30020 Ipoh, Perak, Malaysia. | Corporate investments | 365,113 (USD11,891 thousand) | 365,113 (USD11,891 thousand) | 42,600,000 | 100% | 695,722 (USD22,660 thousand) | 17,755 (MYR2,704 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 | 243,387 (MYR37,964 thousand) | 243,387 (MYR37,964 thousand) | 9,120,000 | 100% | 687,154 (MYR107,184 thousand) | 18,315 (MYR2,790 thousand) | | |

Note 1: The foreign currency amount was calculated based on the spot exchange rate of December 31, 2023.

Note 2: The amount is calculated based on the average exchange rate from January 1 to December 31, 2023.

Note 3: Please refer to Table 6 for relevant information on mainland investee companies.

Acme Electronics Corporation
Information on Investments in Mainland China
From January 1 to December 31, 2023

Table 6. 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 Outward Remittance for Investment from Taiwan as of the Beginning of Period (Note 4) | Amount of Investments Remitted or Repatriated for the Period | | Accumulated Outward Remittance for Investment from Taiwan as of the End of the Current Period (Note 4) | Net Profit (Loss) of Investee for the Period (Note 5) | Ownership Percentage of Direct or Indirect Investment | Investment Gains (losses) on investment recognized in 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 | \$ 943,411 (USD30,725 thousand) | Indirect investment via ACME (Cayman). | \$ 374,188 (USD 11,144 thousand) | \$ - | \$ - | \$ 374,188 (USD 11,144 thousand) | (\$ 104,690) (RMB(23,651) thousand) | 60.10% | (\$ 60,229) (RMB(13,609) thousand) | \$ 407,515 (RMB94,001 thousand) | \$ - |
| Acme Electronics (GZ) | Manufacturing and marketing of soft ferrite core | 589,536 (USD19,200 thousand) | Indirect investment via GAEL. | 619,676 (USD19,200 thousand) | - | - | 619,676 (USD19,200 thousand) | (71,856) (RMB(16,296) thousand) | 100% | (71,856) (RMB(16,296) thousand) | 959,571 (RMB221,344 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 |
|---|--|---|
| \$ 931,713 (USD 30,344 thousand) (Notes 2 and 6) | \$ 1,124,816 (USD 36,633 thousand) (Notes 2 and 6) | \$- (Note 1) |

Note 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.

Note 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.

Note 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.

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

Note 5: The amount is calculated based on the average exchange rate from January 1 to December 31, 2023.

Note 6: The foreign currency amount was calculated based on the spot exchange rate of December 31, 2023.

Acme Electronics Corporation
Information on Major Shareholders
December 31, 2023

Table 7.

| Names of Major Shareholders | Shares | |
|-----------------------------|-----------------------------------|------------------|
| | Number of Shares Held (in Shares) | Shareholding (%) |
| USI CORPORATION | 61,682,967 | 28.95% |
| USIFE Investment Co., Ltd. | 20,280,230 | 9.52% |

Note 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.

STATEMENT INDEX OF IMPORTANT ACCOUNTING ITEMS

| ITEM | STATEMENT INDEX |
|--|--------------------------|
| MAJOR ACCOUNTING ITEMS IN ASSETS, LIABILITIES AND EQUITY | |
| Statement of Cash and Cash Equivalents | Statement 1 |
| Statement of Accounts Receivable - Net | Statement 2 |
| Statement of Accounts Receivable - Related Parties, Net | Note 22 and Statement 2 |
| Statement of Other Receivables - Related Parties | Note 22 |
| Statement of Inventories | Statement 3 |
| Statement of Other Current Assets | Statement 4 |
| Statement of Changes in Investments Accounted for Using the Equity Method | Statement 5 |
| Statement of Changes in Property, Plant and Equipment | Note 11 |
| Statement of Deferred Income Tax Assets | Note 18 |
| Statement of Prepayments for Equipment | Statement 6 |
| Statement of Short-term Borrowings | Statement 7 |
| Statement of Notes and Accounts Payable | Statement 8 |
| Statement of Accounts Payable - Related Parties | Note 22 and Statement 8 |
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| Statement of Profit or Loss Items | |
| Statement of Sales Revenue | Statement 11 |
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| Statement of Manufacturing Expenses | Statement 13 |
| Statement of Marketing, Administrative and Research Expenses | Statement 14 |
| Statement of Finance Costs | Note 17 |
| Summary of Employee Benefits, Depreciation, Depletion and Amortization Expenses Incurred in the Current Period by Function | Note 17 and Statement 15 |

Acme Electronics Corporation
Statement of Cash and Cash Equivalents
December 31, 2023

STATEMENT 1

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

| ITEM | Amount |
|--|------------------|
| Foreign currency-denominated time deposits (USD 790,000) | \$ 24,257 |
| Foreign currency-denominated current deposits (USD 408,412.45; HKD 378,491.22; JPY 614,067; EUR 42,631.30; CNY 477,094.60) | 17,678 |
| Checking deposits | 4,678 |
| Demand deposits | 3,397 |
| Petty cash and cash on hand | <u>125</u> |
| Total | <u>\$ 50,135</u> |

Note: U.S. dollar is converted at the exchange rate USD 1=NT\$30.705.

HKD is converted at the exchange rate HKD1 = NT\$3.929.

JPY is converted at the exchange rate JPY1 = NT\$0.2172.

EUR is converted at the exchange rate EUR1 = NT\$33.98.

RMB is converted at the exchange rate CNY1 = NT\$4.3352.

Acme Electronics Corporation
Statement of Accounts Receivable
December 31, 2023

STATEMENT 2

Unit: In Thousands of New Taiwan Dollars

| Customer's name | Abstract | Amount |
|--|----------|------------------|
| <hr/> | | |
| Accounts receivable | | |
| Client A | | \$ 81,817 |
| Client B | | 78,181 |
| Others (Note) | | <u>82,989</u> |
| Sub-total | | 242,987 |
| Less: allowance for loss | | (<u>2,403</u>) |
| Accounts receivable, net | | <u>\$240,584</u> |
| Accounts receivable - related parties, net | | |
| ACME Electronics (KS) | | \$ 47,271 |
| Acme Electronics (GZ) | | 22,560 |
| Others (Note) | | <u>2,132</u> |
| | | <u>\$ 71,963</u> |

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, 2023

STATEMENT 3

Unit: In Thousands of New Taiwan Dollars

| ITEM | Amount | |
|--|-------------------|-----------------------|
| | Cost | Market price (Note 1) |
| Finished goods | \$ 111,986 | \$132,884 |
| Work in progress | 96,498 | 80,765 |
| Raw materials | 71,250 | 63,512 |
| Supplies | <u>5,517</u> | <u>4,979</u> |
| Sub-total | 285,251 | <u>\$282,140</u> |
| Less: Allowance for reduction of inventory to market | (<u>32,715</u>) | |
| Net | <u>\$252,536</u> | |

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

Note 2: The profit of inventory price recovery in 2023 was NT\$19,500 thousand.

Acme Electronics Corporation
Statement of Other Current Assets
December 31, 2023

STATEMENT 4

Unit: In Thousands of New Taiwan Dollars

| ITEM | Amount | Remarks |
|-------------------|------------------|---------|
| Prepayments | \$ 25,926 | |
| Tax retained | 9,547 | |
| Vicarious payment | 5,168 | |
| Others (Note) | <u>54</u> | |
| | <u>\$ 40,695</u> | |

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, 2023

STATEMENT 5

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

| ITEM | Beginning balance | | Increase of the year | | Decrease of the year | | Change in ownership interests in subsidiaries | Gains (losses) on investment | Unrealized gross loss on sales | Cumulative translation adjustment | Ending balance | | | Provision of collateral or pledge provided | Remarks |
|---------------|-------------------|--------------------|----------------------|-------------------|----------------------|-------------|---|------------------------------|--------------------------------|-----------------------------------|------------------|--------------------|------------------|--|---------|
| | Number of Shares | Amount | Number of Shares | Amount | Number of Shares | Amount | | | | | Number of Shares | Amount | Shareholding (%) | | |
| ACME (Cayman) | 25,621,692 | \$ 684,239 | 11,053,849 | \$ 275,238 | - | \$ - | (\$ 1,518) | (\$ 33,582) | (\$ 56,249) | (\$ 24,864) | 36,675,541 | \$ 843,264 | 60.10% | None | Note |
| Gael | 20,800,000 | 1,074,377 | - | - | - | - | - | (67,927) | (31,809) | (16,423) | 20,800,000 | 958,218 | 100% | None | Note |
| USIO | 22,064,224 | <u>22,739</u> | - | - | - | - | - | (<u>4,543</u>) | - | - | 22,064,224 | <u>18,196</u> | 34% | None | Note |
| Total | | <u>\$1,781,355</u> | | <u>\$ 275,238</u> | | <u>\$ -</u> | (<u>\$ 1,518</u>) | (<u>\$ 106,052</u>) | (<u>\$ 88,058</u>) | (<u>\$ 41,287</u>) | | <u>\$1,819,678</u> | | | |

Note: Calculated according to the financial statements verified by CPAs of the investee in the current year.

Acme Electronics Corporation
Statement of Prepayments for Equipment
December 31, 2023

STATEMENT 6

Unit: In Thousands of New Taiwan Dollars

| <u>ITEM</u> | <u>Amount</u> | <u>Remarks</u> |
|-------------------------|------------------|----------------|
| Machinery and equipment | \$188,137 | |
| Building and equipment | 60,371 | |
| Others (Note) | <u>3,334</u> | |
| | <u>\$251,842</u> | |

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

Acme Electronics Corporation
Statement of Short-term Borrowings
December 31, 2023

STATEMENT 7

Unit: NT\$ thousands

| Type of borrowing and name of creditor | Amount | Period | Annual rate (%) | Financing facilities |
|--|-------------------|---------------------------|-----------------|-------------------------|
| Credit borrowings | | | | |
| Taipei Fubon Commercial Bank Co., Ltd. | \$ 119,100 | 2023.10.20~ 2024.01.19 | 1.68% | \$ 200,000 |
| Cathay United Bank | <u>80,000</u> | 2023.10.26~ 2024.01.24 | 1.70378% | <u>80,000</u> |
| Total | <u>\$ 199,100</u> | | | <u>\$ 280,000</u> |

Acme Electronics Corporation
Statement of Notes and Accounts Payable
December 31, 2023

STATEMENT 8

Unit: In Thousands of New Taiwan Dollars

| Supplier | Amount |
|------------------------------------|------------------|
| Notes and accounts payable | |
| Supplier (1) | \$ 9,493 |
| Supplier (2) | 3,060 |
| Supplier (3) | 2,757 |
| Others (Note) | <u>17,293</u> |
| | <u>\$ 32,603</u> |
| Accounts payable - related parties | |
| Acme Electronics (GZ) | \$ 22,476 |
| ACME Electronics (KS) | <u>14,335</u> |
| | <u>\$ 36,811</u> |

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, 2023

STATEMENT 9

Unit: In Thousands of New Taiwan Dollars

| ITEM | Amount |
|-------------------------------------|------------------|
| Salaries payable | \$ 43,618 |
| Payables for purchases of equipment | 54,801 |
| Others (Note) | <u>21,302</u> |
| Total | <u>\$119,721</u> |

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, 2023

STATEMENT 10

Unit: In Thousands of New Taiwan Dollars

| Creditor bank or underwriter | Duration and repayment method | Annual rate (%) | Amount | | | Mortgage or guarantee |
|---------------------------------------|---|-----------------|------------------------|---------------------|---------------------|--|
| | | | Due within one year | Due after one year | Total | |
| Yuanta Commercial Bank | 03/15/2027, the limit of borrowings that can be recycled, and the principal to be repaid at maturity. | 1.67% | \$ - | \$ 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. | 1.67% | - | 130,000 | 130,000 | Land and plant as collateral (Note) |
| Yuanta Commercial Bank | 12/15/2028, the limit of borrowings that can not be recycled, and the principal to be repaid at maturity. | 0.995% | - | 179,000 | 179,000 | Machinery equipment as collateral (Note) |
| Mega International Commercial Bank | 10/05/2025, the limit of borrowings that can be recycled, and the principal to be repaid at maturity. | 1.7% | <u>-</u> | <u>98,500</u> | <u>98,500</u> | |
| | | | <u>\$ -</u> | <u>\$ 1,277,500</u> | <u>\$ 1,277,500</u> | |

Note: Please refer to Notes 13 and 23 to the financial reports.

Acme Electronics Corporation
Statement of Sales Revenue
FOR THE YEAR ENDED DECEMBER 31, 2023

STATEMENT 11

Unit: In Thousands of New Taiwan Dollars

| ITEM | Quantity | Amount |
|------------------------------------|----------|---------------------|
| Ferrite core | 1,833t | \$ 576,919 |
| Silicon carbide powder | 70t | 347,930 |
| Ferrite powder | 5,668t | <u>292,773</u> |
| | | 1,217,622 |
| Less: Adjustment to sales (Note) | | (<u>26,000</u>) |
| | | 1,191,622 |
| Less: Sales returns and allowances | | |
| Ferrite powder | 33t | (2,045) |
| Ferrite core | — | (<u>806</u>) |
| Sales revenue, net | | <u>\$ 1,188,771</u> |

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, 2023

STATEMENT 12

Unit: In Thousands of New Taiwan Dollars

| ITEM | Amount |
|---|--------------------|
| Raw materials | |
| Year beginning raw materials | \$ 139,680 |
| Materials purchased for the year | 316,773 |
| Raw materials sold | (3,941) |
| Reclassification expenses | (29,267) |
| Year ending raw materials | (<u>71,250</u>) |
| | 351,995 |
| Direct labor | 49,668 |
| Manufacturing expenses (Statement 13) | <u>478,338</u> |
| Manufacturing cost | 880,001 |
| Year beginning work in process | 103,583 |
| Purchase for the year | 3,097 |
| Reclassification of work in process to other subjects | (345) |
| Year ending work in process | (<u>96,498</u>) |
| Cost of finished products | 889,838 |
| Finished products, beginning | 161,234 |
| Purchase for the year | 66,211 |
| Reclassification of finished goods to other subjects | (3,378) |
| Year ending finished goods | (<u>111,986</u>) |
| | 1,001,919 |
| Less: Gain on write-down of inventories | (19,500) |
| Less: Adjustment to sales cost (Note) | (<u>26,000</u>) |
| Total cost of goods sold | <u>\$ 956,419</u> |

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 cost is reduced.

Acme Electronics Corporation
Statement of Manufacturing Expenses
FOR THE YEAR ENDED DECEMBER 31, 2023

STATEMENT 13

Unit: In Thousands of New Taiwan Dollars

| ITEM | Amount |
|---------------------------------|------------------|
| Outsourcing processing expenses | \$237,853 |
| Indirect materials | 72,150 |
| Depreciation | 50,905 |
| Power fuel and utilities | 44,739 |
| Personnel expenses | 53,113 |
| Others (Note) | <u>19,578</u> |
| Total | <u>\$478,338</u> |

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

Acme Electronics Corporation
Statement of Marketing, Administrative and Research Expenses
FOR THE YEAR ENDED DECEMBER 31, 2023

STATEMENT 14

Unit: In Thousands of New Taiwan Dollars

| ITEM | Selling and marketing expenses | Administrativ e expenses | Research and development expenses | Total |
|--------------------|--------------------------------------|-----------------------------|---|------------------|
| Personnel expenses | \$ 22,361 | \$ 59,800 | \$ 45,273 | \$127,434 |
| Depreciation | - | 863 | 20,530 | 21,393 |
| Shipping expenses | 12,502 | 20 | 1,203 | 13,725 |
| Labor fees | - | 21,463 | 701 | 22,164 |
| Indirect material | - | - | 24,890 | 24,890 |
| Others (Note) | <u>4,870</u> | <u>12,699</u> | <u>29,588</u> | <u>47,157</u> |
| Total | <u>\$ 39,733</u> | <u>\$ 94,845</u> | <u>\$122,185</u> | <u>\$256,763</u> |

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, 2023

STATEMENT 15

Unit: In Thousands of New Taiwan Dollars

| ITEM | 2023 | | | 2022 | | |
|---------------------------------|------------------|--------------------|------------------|------------------|--------------------|------------------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefit expenses | | | | | | |
| Salaries expenses | \$ 88,241 | \$106,952 | \$195,193 | \$ 78,125 | \$104,982 | \$183,107 |
| Labor health insurance expenses | 7,815 | 8,386 | 16,201 | 7,101 | 8,173 | 15,274 |
| Pension expenses | 3,546 | 5,186 | 8,732 | 3,235 | 4,978 | 8,213 |
| Remuneration of directors | - | 5,862 | 5,862 | - | 5,806 | 5,806 |
| Other employee benefit expenses | 3,179 | 1,048 | 4,227 | 3,992 | 1,147 | 5,139 |
| Total | <u>\$102,781</u> | <u>\$127,434</u> | <u>\$230,215</u> | <u>\$ 92,453</u> | <u>\$125,086</u> | <u>\$217,539</u> |
| Depreciation expenses | <u>\$ 50,905</u> | <u>\$ 21,393</u> | <u>\$ 72,298</u> | <u>\$ 35,541</u> | <u>\$ 12,590</u> | <u>\$ 48,131</u> |
| Amortization expense | <u>\$ -</u> | <u>\$ 711</u> | <u>\$ 711</u> | <u>\$ -</u> | <u>\$ 788</u> | <u>\$ 788</u> |

Note 1: The number of employees in the current year and the previous year is 198 and 188, respectively, among which the number of directors not concurrently serving as employees is 7. The calculation basis is consistent with employee welfare expenses.

Note 2:

- (1) The average employee benefit cost for the year is NT\$1,175 thousand. The average employee benefit cost for the previous year was NT\$1,170 thousand.
- (2) The average employee salary cost for the year is NT\$1,022 thousand. The average employee salary cost for the previous year was NT\$1,012 thousand.
- (3) Adjustment of average employee salary expenses (0.99%).

Note 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.

Note 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.

Employees

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 boom 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 other regulations formulated by the Company as well as the Company's profit and the performance of the employees.