Stock Code：3152

ADVANCED CERAMIC X CORPORATION

Financial Statements and
Independent Auditors' Review Report
Three Months Ended March 31, 2018 and 2017

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Notes to Readers

The independent auditors' review report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English version and Chinese version, the Chinese-language independent auditors' review report and financial statements shall prevail.

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Independent Accountants' Review Report

To the Board of Directors of Advanced Ceramic X Corporation:

Introduction

We have reviewed the accompanying balance sheets of the Advanced Ceramic X Corporation of March 31, 2018 and 2017, and the related statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the financial statements based on our review.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of the Company as of March 31, 2018 and 2017, and of its financial performance and its cash flows for the three months ended March 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Notice to Readers

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

The independent auditors' review report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English version and Chinese version, the Chinese-language independent auditors' review report and financial statements shall prevail.

Reviewed only, not audited in accordance with generally accepted auditing standards as of March 31, 2018 and 2017

Advanced Ceramic X Corporation

Balance Sheet

March 31, 2018, December 31, 2017 and March 31, 2017

(Expressed In Thousands of New Taiwan Dollars)

	March 31, 2018		December 31, 2017		March 31, 2017	
	Reviewed		Audited		Reviewed	
Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Current Assets：						
Cash and Cash Equivalents (Note 6(a))	$ 2,547,913	65	2,284,322	61	2,564,561	65
Notes and Accounts Receivable, Net (Note 6(b))	193,872	5	210,688	6	215,785	6
Receivables from Related Parties (Note 6(b) and 7)	94,594	2	134,756	4	106,411	3
Inventories (Note 6(c))	120,125	3	109,337	3	103,610	3
Other Financial Assets - Current (Note 8)	2,622	-	2,556	-	2,473	-
Other Current Assets	17,208	-	16,187	-	20,371	-
	2,976,334	75	2,757,846	74	3,013,211	77
Noncurrent Assets：						
Property, Plant and Equipment (Note 6(d) and 8)	961,948	25	990,408	26	895,831	23
Intangible Assets (Note 6(e))	1,042	-	1,167	-	1,625	-
Deferred Income Tax Assets	9,860	-	9,860	-	5,513	-
Other Financial Assets - Noncurrent	501	-	501	-	477	-
	973,351	25	1,001,936	26	903,446	23
Total Assets	**$ 3,949,685**	**100**	**3,759,782**	**100**	**3,916,657**	**100**

	March 31, 2018		December 31, 2017		March 31, 2017	
	Reviewed		Audited		Reviewed	
Liabilities and Equity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Current Liabilities：						
Accounts Payable	$ 43,919	1	43,237	1	48,346	1
Salary and Bonus Payable	148,106	4	139,474	4	156,555	4
Payables to Contractors and Equipment	5,554	-	13,387	-	29,807	1
Income Tax Payable	127,918	3	90,858	2	125,766	3
Other Current Liabilities (Note 6(f) and 7)	140,173	4	137,656	4	143,143	4
	465,670	12	424,612	11	503,617	13
Noncurrent Liabilities：						
Net Defined Benefit Liabilities - Noncurrent (Note 6(g))	97	-	251	-	661	-
Other Liabilities	7,941	-	7,301	-	5,433	-
	8,038	-	7,552	-	6,094	-
Total Liabilities	473,708	12	432,164	11	509,711	13
Equity (Note 6(i))：						
Capital Stock	690,162	17	690,162	19	690,162	17
Capital Surplus	573,532	15	573,532	15	573,532	15
Retained Earnings	2,212,283	56	2,063,924	55	2,143,252	55
Total Equity	3,475,977	88	3,327,618	89	3,406,946	87
Total Liabilities and Equity	**$ 3,949,685**	**100**	**3,759,782**	**100**	**3,916,657**	**100**

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

Advanced Ceramic X Corporation

Statement of Comprehensive Income

For the Three Months Ended March 31, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

	Three Months Ended March 31			
	2018		2017	
	Amount	%	Amount	%
Net Revenue Sales (Note 6(o) and 7)	$ 390,271	100	489,102	100
Operating Costs (Note 6(c)(k) and 7)	151,658	39	181,805	37
Gross Profit	238,613	61	307,297	63
Operating Expenses (Note 6(k) and 7)：				
Selling and Distribution Expenses	6,126	2	6,451	1
General and Administrative Expenses	17,554	4	18,452	4
Research and Development Expenses	22,432	6	23,955	5
	46,112	12	48,858	10
Profit from Operations	192,501	49	258,439	53
Non-Operating Income and Expenses：				
Interest Income	4,220	1	3,319	1
Other Income	176	-	370	-
Foreign Exchange Loss, Net	(11,448)	(2)	(29,346)	(6)
	(7,052)	(1)	(25,657)	(5)
Profit Before Income Tax	185,449	48	232,782	48
Income Tax Expense (Note 6(h))	37,090	10	39,573	8
Profit for the period	148,359	38	193,209	40
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**$ 148,359**	**38**	**193,209**	**40**
Earnings Per Share (Expressed in Dollars) (Note 6(j))				
Basic Earnings Per Share	**$**	**2.15**		**2.80**
Diluted Earnings Per Share	**$**	**2.15**		**2.79**

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

Advanced Ceramic X Corporation

Statement of Changes in Equity

For the Three Months Ended March 31, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

			Retained Earnings			
	Common Stock	Capital Surplus	Legal Reserve	Undistributed Earnings	Total	Total Equity
Balance as of January 1, 2017	$ 690,162	573,532	475,888	1,474,155	1,950,043	3,213,737
Profit for the Three Months Ended March 31, 2017	–	–	–	193,209	193,209	193,209
Other Comprehensive Income for the Three Months Ended March 31, 2017	–	–	–	–	–	–
Total Comprehensive Income for the Three Months Ended March 31, 2017	–	–	–	193,209	193,209	193,209
Balance as of March 31, 2017	**$ 690,162**	**573,532**	**475,888**	**1,667,364**	**2,143,252**	**3,406,946**
Balance as of January 1, 2018	$ 690,162	573,532	556,555	1,507,369	2,063,924	3,327,618
Profit for the Three Months Ended March 31, 2018	–	–	–	148,359	148,359	148,359
Other Comprehensive Income for the Three Months Ended March 31, 2018	–	–	–	-	-	-
Total Comprehensive Income for the Three Months Ended March 31, 2018	–	–	–	148,359	148,359	148,359
Balance as of March 31, 2018	**$ 690,162**	**573,532**	**556,555**	**1,655,728**	**2,212,283**	**3,475,977**

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

Advanced Ceramic X Corporation

Statement of Cash Flows

For the Three Months Ended March 31, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

	Three Months Ended March 31	
	2018	**2017**
Cash Flows from Operating Activities：		
Income Before Income Tax	$ 185,449	232,782
Adjustments for：		
Depreciation	34,877	32,795
Amortization	125	175
Reversal of Expected Credit Losses / Bad Debt	(524)	(289)
Interest Income	(4,220)	(3,319)
Gain on Disposal of Property, Plant and Equipment, Net	-	(185)
Provision for Inventory Obsolescence and Devaluation Loss	1,000	5,800
Total Adjustments to Reconcile Profit	31,258	34,977
Changes in Operating Assets and Liabilities：		
Notes and Accounts Receivable	16,986	36,795
Receivables from Related Parties	40,516	(7,927)
Inventories	(11,788)	1,035
Other Operating Current Assets	(1,021)	(4,045)
Accounts Payable	682	(6,377)
Net Defined Benefit Liabilities-Noncurrent	(154)	(147)
Other Liabilities-Noncurrent	640	623
Other Operating Current Liabilities	11,149	25,468
Total Net Changes in Operating Assets and Liabilities	57,010	45,425
Cash Generated from Operations	273,717	313,184
Interest Received	4,154	3,301
Income Taxes Paid	(30)	(4)
Net Cash Generated by Operating Activities	277,841	316,481
Cash Flows from Investing Activities：		
Acquisition of Property, Plant and Equipment	(14,250)	(108,763)
Proceeds from Disposal of Property, Plant and Equipment	-	185
Decrease in Other Financial Assets	-	899
Net Cash Used in Investing Activities	(14,250)	(107,679)
Net Increase in Cash and Cash Equivalents	263,591	208,802
Cash and Cash Equivalents at the Beginning of Period	2,284,322	2,355,759
Cash and Cash Equivalents at the End of Period	**$ 2,547,913**	**2,564,561**

Advanced Ceramic X Corporation
Notes to Financial Statements
For the Three Months Ended March 31, 2018 and 2017

(Expressed in thousands of New Taiwan dollars unless otherwise indicated)

(1) Company history

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

(2) The authorization of financial statements

These financial statements were authorized for issuance by the Board of Directors of Company on May 8, 2018.

(3) Application of new standards, amendments and interpretations

(a) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, ROC ("FSC")

In preparing the accompanying financial statements, the Company has adopted the following International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), and Interpretations that have been issued by the International Accounting Standards Board ("IASB") (collectively, "IFRSs") and endorsed by the FSC with effective date from January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IAS 7 "Statement of Cash Flows - Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRSs 2014 – 2016 Cycle:	
Amendment to IFRS 12	January 1, 2017
Amendment to IFRS 1 and Amendment to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

1. IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Company applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Company uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018. Please refer to Note 4(e) for an explanation of accounting policies. The following are the nature and impacts on changing of accounting policies:

Sales of goods
For the sale of products, revenue was recognized when the goods are shipped, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

The adoption of IFRS 15 did not have any a significant impact on its financial statements.

2. IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company's approach was to include the impairment of trade receivables in operating expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 "Financial Instruments: Disclosures" that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The significant changes in accounting policies due to the application of IFRS 9 are as follows:

(i) Classification of financial assets and financial liabilities
IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. Please refer to Note 4(d) for an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9.

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

(ii) Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please refer to Note 4(d).

(iii) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity interest as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS9, then the Company assumed that the credit risk on its asset will not increase significantly since its initial recognition.

(iv) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as of January 1, 2018. (There is no change in both categories and carrying value of financial liabilities.)

	IAS39		IFRS9	
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Financial Assets				
Cash and Equivalents	Loans and receivables	2,284,322	Amortized cost	2,284,322
Notes and Accounts Receivable, Net	Loans and receivables	345,444	Amortized cost	345,444
Other Financial Assets - Current	Loans and receivables	2,556	Amortized cost	2,556
Other Financial Assets - Noncurrent	Loans and receivables	501	Amortized cost	501

3. Amendments to IAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

As of March 31, 2018, the Company were not any liabilities from financing activities.

4. Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The adoption of IAS 12 did not have any a significant impact on its financial statements.

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

As of the date, following are the IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Subject to IASB's announcement
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRSs 2015 – 2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

Those which may be relevant to the Company are set out below:

Issuance / Release dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operation lease, and therefore, the accounting remains similar to IAS 17.

The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the above mentioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

(4) Summary of significant accounting policies

(a) Statement of compliance

The financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language financial statements, the Chinese version shall prevail.

Advanced Ceramic X Corporation
Notes to Financial Statements

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

Except for the following accounting policies mentioned below, the significant accounting policies adopted in the interim financial statements is the same as those in the financial statements for the year ended December 31, 2017. For the related information, please refer note 4 of the financial statements for the year ended December 31, 2017.

(b) Income taxes

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

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

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

(c) Employee benefits

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

(d) Financial instruments (policy applicable from January 1, 2018)

1. Financial assets

The Company financial assets into the following categories: financial assets measured at amortized cost. Only when the business model for managing financial assets is changed shall all affected financial assets be reclassified.

(i) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequently, these assets are measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and recognition (reversal) of impairment losses are recognized in profit or loss.

(ii) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and receivables, and other financial assets, etc.)

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

Loss allowance for accounts receivable is always measure at an amount equal to lifetime expected credit loss.

When determining whether the credit risk on a financial asset has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant. This includes both qualitative and quantitative information and analysis, based on the Company's historical experience and credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it more than 120 days past due. In the circumstance that a financial asset is more than 180 days past due or the borrower is unlikely to pay its credit obligations to the Company in full, the Company considers financial asset to be in default.

At each reporting date, the Company assesses whether financial assets measured at amortized cost are credit-impaired. Loss allowances for financial assets are deducted from the gross carrying amount of the assets. The recognition or reversal of the loss allowance is recognized in profit or loss.

(iii) De-recognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets to another entity.

(e) Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration that the Company expects to be entitled in the transfer of goods. The Company recognizes revenue when it satisfies a performance obligation by transferring control of good to a customer. The transfer of control refers to the product has been delivered to and accepted by the customer without remaining performance obligations from the Company. Delivery occurs when a product is shipped to the specified location and the risk of loss over the product has been transferred to the customer, as well as when the product is accepted by the customer according to the terms of sales contract, or when the Company has objective evidence that all the acceptance conditions are satisfied.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

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

The preparation of the financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the financial statements for the year ended December 31, 2017. For the related information, please refer to note 5 of the financial statements for the year ended December 31, 2017.

(6) Explanation of significant accounts

Except for the following disclosure, the significant account disclosure in the financial statements for the three months ended March 31, 2018, which compare with the financial statements for the year ended December 31, 2017, was not changed significantly. For the related information, please refer to note 6 of the financial statements for the year ended December 31, 2017.

Advanced Ceramic X Corporation
Notes to Financial Statements

(a) Cash and cash equivalents

	March 31, 2018	December 31, 2017	March 31, 2017
Cash	$ 50	50	50
Cash in bank	92,966	95,858	105,925
Time deposits	2,454,897	2,188,414	2,458,586
	$ 2,547,913	2,284,322	2,564,561

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

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

	March 31, 2018	December 31, 2017	March 31, 2017
Notes receivable	$ 616	862	861
Accounts receivable	290,815	348,071	324,589
Less: Allowance for impairment	(2,965)	(3,489)	(3,254)
	$ 288,466	345,444	322,196
Notes and accounts receivable, net	$ 193,872	210,688	215,785
Accounts receivable due from related parties, net	$ 94,594	134,756	106,411

The Company applies the simplified approach to provide for its loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables on March 31, 2018. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and days past due, as well as incorporate forward looking information. The loss allowance provision as of March 31, 2018 was determined as follows:

	Gross carrying amount	Weighted-average expected loss rate	Lifetime expected credit loss allowance
Not past due	$ 287,223	1%~2%	2,923
Past due less than 0~30 days	3,576	1%~2%	36
Past due 31~120 days	632	1%~2%	6
	$ 291,431		2,965

As of December 31 and March 31, 2017, the Company applies incurred loss model to consider the loss allowance provision of accounts receivable. As of December 31 and March 31, 2017, the aging analysis of accounts receivable, which were past due but not impaired, were as follows:

	December 31, 2017	March 31, 2017
Past due less than 0~30 days	$ 3,529	21
Past due 31~120 days	566	32
	$ 4,095	53

The movements of allowance for doubtful accounts were as follows:

	Three months ended March 31, 2018	Three months ended March 31, 2017 Individually assessed impairment	Three months ended March 31, 2017 Collectively assessed impairment
Beginning balance_ IAS39	3,489	-	3,543
Adjustments for applying new standards	-	-	-
Reversal of impairment loss	(524)	-	(289)
Ending balance	$ 2,965	-	3,254

As of March 31, 2018, December 31, 2017 and March 31, 2017, the notes and accounts receivable were not pledged as collateral.

(c) Inventories

	March 31, 2018	December 31, 2017	March 31, 2017
Raw materials and supplies	$ 23,929	24,049	27,165
Work in process	57,092	56,151	55,796
Finished goods	39,104	29,137	20,649
	$ 120,125	109,337	103,610

For the three months ended March 31, 2018 and 2017, the amounts of inventories that were charged to cost of sales were $150,658 and $176,005, respectively, and the net of provisions that charged to cost of sales for inventories written down to net realizable value amounted to $1,000 and $5,800 for the three months ended March 31, 2018 and 2017, respectively.
As of March 31, 2018, December 31, 2017 and March 31, 2017, the inventories were not pledged as collateral.

(d) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the three months ended March 31, 2018 and 2017, were as follows:

	Land	Building and construction	Machinery and equipment	Office & Other equipment	Construction in progress & Testing equipment	Total
Cost:						
Balance on January 1, 2018	$ 248,651	359,639	1,914,472	153,763	68,965	2,745,490
Additions	-	-	2,794	622	3,001	6,417
Reclassifications	-	-	41,936	-	(41,936)	-
Disposals	-	-	-	(74)	-	(74)
Balance on March 31, 2018	$ 248,651	359,639	1,959,202	154,311	30,030	2,751,833

	Land	Building and construction	Machinery and equipment	Office & Other equipment	Construction in progress & Testing equipment	Total
Balance on January 1, 2017	$ 248,651	359,639	1,688,534	133,858	22,147	2,452,829
Additions	-	-	11,414	2,218	122,441	136,073
Reclassifications	-	-	9,656	875	(10,531)	-
Disposals	-	-	(8,140)	(4,899)	-	(13,039)
Balance on March 31, 2017	$ 248,651	359,639	1,701,464	132,052	134,057	2,575,863
Depreciation:						
Balance on January 1, 2018	$ -	226,053	1,408,857	120,172	-	1,755,082
Depreciation	-	3,099	29,089	2,689	-	34,877
Disposals	-	-	-	(74)	-	(74)
Balance on March 31, 2018	$ -	229,152	1,437,946	122,787	-	1,789,885
Balance on January 1, 2017	$ -	213,656	1,330,048	116,572	-	1,660,276
Depreciation	-	3,099	28,095	1,601	-	32,795
Disposals	-	-	(8,140)	(4,899)	-	(13,039)
Balance on March 31, 2017	$ -	216,755	1,350,003	113,274	-	1,680,032
Carrying amounts						
Balance on January 1, 2018	$ 248,651	133,586	505,615	33,591	68,965	990,408
Balance on March 31, 2018	$ 248,651	130,487	521,256	31,524	30,030	961,948
Balance on January 1, 2017	$ 248,651	145,983	358,486	17,286	22,147	792,553
Balance on March 31, 2017	$ 248,651	142,884	351,461	18,778	134,057	895,831

As of March 31, 2018, December 31, 2017 and March 31, 2017, the property, plant and equipment of the Company had been pledged as collateral for short-term borrowings; please refer to note 8.

(e) Intangible assets

	Royalty
Carrying amount：	
Balance on January 1, 2018	$ 1,167
Balance on March 31, 2018	$ 1,042
Balance on January 1, 2017	$ 1,800
Balance on March 31, 2017	$ 1,625

For the three months ended March 31, 2018 and 2017, there were no significant additions, disposals, or recognition and reversal of impairment losses of intangible assets. Please refer to note 12(a) for details on impairment and to note 6(e) of the financial statements for the year ended December 31, 2017 for other related information.

As of March 31, 2018, December 31 and March 31, 2017, the intangible assets were not pledged as collateral.

(f) Other current liabilities

	March 31, 2018	December 31, 2017	March 31, 2017
Accrued expenses	$ 108,447	110,398	111,061
Directors' remuneration payable	19,106	16,263	19,281
Other	12,620	10,995	12,801
	$ 140,173	**137,656**	**143,143**

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

(g) Employee benefits

Defined benefit plans

The management believes that there was no material market volatility, material reimbursement and settlement, or other material one-time events. As a result, the pension cost in the accompanying interim financial statements was measured and disclosed according to the actuarial report as of December 31, 2017 and 2016.

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

(h) Income tax

1. According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. The Company spread the effect of the change amounting in the tax rate by an adjustment to the estimated annual effective income tax rate.

2. Income tax expense

	Three months ended March 31, 2018	Three months ended March 31, 2017
Income tax expense	**$ 37,090**	**39,573**

3. As of March 31, 2018, the tax authorities have completed the examination of income tax returns of the Company through 2016.

(i) Capital and other equity

There were no significant changes in capital and reserves for the three months ended March 31, 2018 and 2017. Please refer to note 6(i) of the financial statements for the year ended December 31, 2017, for other related information.

1. Retained earnings

In consideration of the revision of the Company Act in May 2015, the stockholders' meeting resolved the amendment of Articles of Incorporation on June 29, 2016.

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

(i) Payment of taxes.

(ii) Making up loss for preceding years.

(iii) Setting aside 10% for legal reserve, except for when accumulated legal reserve has reached paid-up capital.
(iv) Appropriating or reversing special reserve by government officials or other regulations.
(v) The remaining, plus the previous year's unappropriated earnings, shall be distributed according to the distribution plan proposed by the Board of Directors according to the dividend policy and submitted to the stockholders' meeting for approval.

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

2. Earnings distribution
On February 26, 2018, the Company's board of directors resolved to appropriate the 2017 earnings. On June 13, 2017, the shareholders' meetings resolved to distribute the 2016 earnings. These earnings were distributed as dividends as follows:

	2017	2016
Dividends distributed to ordinary shareholders		
Amount per share (dollars)		
Cash dividends	$ 10.90	10.50

The aforementioned appropriations of earnings for 2016 were consistent with the resolutions of the meeting of the Board of Directors. The appropriation of 2017 is waiting for the resolutions of the shareholder's meeting.

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

(j) Earnings per share (EPS)
For the three months ended March 31, 2018 and 2017, the Company's earnings per share were calculated as follows:

	Three months ended March 31, 2018	Three months ended March 31, 2017
Basic EPS：		
Net profit belonging to common shareholders	$ 148,359	193,209
Weighted average common stock outstanding (in thousands)	69,016	69,016
Basic EPS	$ 2.15	2.80
Diluted EPS：		
Net profit belonging to common shareholders	$ 148,359	193,209
Weighted average common stock outstanding (in thousands) (basic)	69,016	69,016
Employee compensation	132	149
Weighted average common stock outstanding plus the effect of potentially dilutive common stock (in thousands) (diluted)	69,148	69,165
Diluted EPS	$ 2.15	2.79

(k) Remuneration of employees and directors

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

For the three months ended March 31, 2018 and 2017, the Company estimated the remuneration to employees amounting to $9,466 and $12,319, respectively, and remuneration to directors amounting to $2,843 and $3,689, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's Articles of Incorporation. These remunerations were included in the operating costs or operating expenses of the three months ended March 31, 2018 and 2017. The differences between the actual distributed amounts as determined by the Board of Directors and those recognized in the financial statements, if any, shall be accounted for as changes in accounting estimated and recognized in profit or loss in the following year.

Remuneration to employees for 2017 and 2016 in the amounts of $54,210 and $51,973, respectively, and remuneration to director for 2017 and 2016 in the amounts of $16,263 and $15,592, respectively, in cash for payment have been approved in the meeting of board of directors. The aforementioned approved amounts are the same as the amounts charged against earnings of 2017 and 2016.The information about the Company’s remuneration to employees and directors is available at the Market Observation Post System website.

(l) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Company’s financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(m) of the financial statement for the year ended December 31, 2017.

1. Credit risk

The major customers of the Company are centralized in the electronics industry. As of March 31, 2018, December 31, 2017 and March 31, 2017, the Company's account receivables were both concentrated on 5 customers, whose accounts represented 56%, 56% and 41% of the account receivables, respectively.

As of March 31, 2018, December 31, 2017 and March 31, 2017, the Company's cash in bank and time deposits were both concentrated on one financial institution, whose accounts represented 73%, 78% and 63% of the cash and cash equivalents, respectively. Thus, credit risk is significantly centralized. To reduce cash risk, the Company evaluates financial institutions' financial positions and credit rating periodically, after the assessment, management does not expect significant losses.

2. Liquidity risk

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

		Carrying amount (Contractual cash flows)	Within 6 month
March 31, 2018			
Non-derivative financial liabilities			
Accounts Payable	$	43,919	43,919
Payables to Contractors and Equipment		5,554	5,554
	$	49,473	49,473
December 31, 2017			
Non-derivative financial liabilities			
Accounts Payable	$	43,237	43,237
Payables to Contractors and Equipment		13,387	13,387
	$	56,624	56,624
March 31, 2017			
Non-derivative financial liabilities			
Accounts Payable	$	48,346	48,346
Payables to Contractors and Equipment		29,807	29,807
	$	78,153	78,153

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

3. Currency risk

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

	March 31, 2018			December 31, 2017			March 31, 2017		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets									
Monetary items									
USD	$ 23,860	29.055	693,252	23,471	29.71	697,323	26,515	30.28	802,874
JPY	280,831	0.2719	76,358	327,824	0.2622	85,955	340,365	0.2693	91,660
Financial liabilities									
Monetary items									
USD	449	29.155	13,091	324	29.81	9,658	700	30.38	21,266
JPY	26,193	0.2759	7,227	24,306	0.2662	6,470	87,975	0.2733	24,044

(ii) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, accounts payable, and other payable that are denominated in foreign currency.

Depreciation or appreciation of the NTD by 1% against USD and JPY at March 31, 2018 and 2017,while all other variables were remained constant, would have increased (decreased) the net profit after tax by $5,994and $7,049, respectively. The analysis is performed on the same basis for both periods.

(iii) Gains or losses on monetary item

Since the Company has many kinds of functional currency, the information on foreign exchange loss on monetary items is disclosed by total amount. For the three months ended March 31, 2018 and 2017, foreign exchange loss, including realized and unrealized portions, amounted to $11,448 and $29,346, respectively.

4. Interest rate risk

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

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

The Company's exposure to Interest rate risk arises from the bank deposit interest rates change. If the interest rate had increased (decreased) by 1%, the Company's net profit after tax would have increased (decreased) by $5,100 and $5,326 for the three months ended March 31, 2018 and 2017, all other variable factors that remain constant.

5. Fair value and carrying amount

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

(m) Financial risk management

There were no significant change in the Company's financial risk management and policies as disclosed in Note 6(n) of the financial statements for the year ended December 31, 2017.

(n) Capital management

The objectives and policies of capital management of the Company have been applied consistently with those described in the financial statements for the year ended December 31, 2017. Also, there were no significant changes in the Company's capital management information as disclosed in the financial statements for the year ended December 31, 2017. Refer to note 6(o) of the financial statements for the year ended December 31, 2017, for the relevant information.

(o) Revenue from contracts with customers

	Three months ended March 31, 2018
Primary geographic markets:	
China	$ 173,005
United States	110,056
Taiwan	70,778
Other	36,432
	$ 390,271
Main Product	
RF Front-End devices and modules	$ 390,271

Refer to note 6(p) for net revenue for the three months ended March 31, 2017.

(p) Revenue

	Three months ended March 31, 2017
Sale of goods	489,102

Refer to note 6(o) for the disaggregation of revenue for the three months ended March 31, 2018.

(7) Related-party transactions:

(a) Names and relationship with related parties

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

Names of the related parties	Relationships
Johanson Technology Inc. (JOHANSON)	The Company’s director
Mini-Circuits Technologies (MINI-CKT)	The Company’s director

(b) Significant transactions with related parties

1. Operating revenue

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

	Three months ended March 31, 2018	Three months ended March 31, 2017
Key management personnel－JOHANSON	$ 81,364	114,498
Key management personnel－MINI-CKT	28,539	27,907
	$ 109,903	142,405

2. Receivables from related parties

At the reporting date, the balance of accounts receivable resulting from the sales were as follows:

Categories	Account	March 31, 2018	December 31, 2017	March 31, 2017
Key management personnel －JOHANSON	Receivables from related parties	$ 81,129	96,350	84,828
	Bad Debt Provision	(811)	(963)	(848)
Key management personnel －MINI-CKT	Receivables from related parties	14,472	39,767	22,658
	Bad Debt Provision	(196)	(398)	(227)
		$ 94,594	134,756	106,411

The selling price and collection terms of sales to related parties were determined in the economic environment and market competition, and were not significantly different from those with third-party customers.

3. Other

	Amount		Other current liabilities		
	Three months ended March 31, 2018	Three months ended March 31, 2017	March 31, 2018	December 31, 2017	March 31, 2017
Other payables - related parties	$ 1,055	1,091	350	363	365

(c) Transactions with key management personnel

For the three months ended March 31, 2018 and 2017, key management personnel compensation was comprised as below:

	Three months ended March 31, 2018	Three months ended March 31, 2017
Short-term employee benefits	$ 6,989	8,012
Post-employment benefits	64	64
	$ 7,053	8,076

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledge assets	Pledged to secure	March 31, 2018	December 31, 2017	March 31, 2017
Refundable deposits (Other Financial Assets-Current)	Customs duty guarantee	$ 2,000	2,000	2,000
Land (Property, Plant and Equipment)	Short-term borrowings	168,944	168,944	168,944
		$ 170,944	170,944	170,944

(9) Commitments and contingencies:

(a) As of March 31, 2018, December 31, 2017 and March 31, 2017, the outstanding letters of credit for the Company’s purchases of raw materials, machinery and equipment amounted to $2,183, $3,210 and $86,374, respectively.

(b) As of March 31, 2018, December 31, 2017 and March 31, 2017, the Company purchased machinery and equipment and the unpaid amount was $702,800, $707,927 and $88,051, respectively.

(c) Bank guarantees of the Company's purchases of raw materials, machinery and equipment amounted to $2,000, as of March 31, 2018.

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

(a) The followings were the summary statement of employee benefits, depreciation and amortization expenses by function for the three months ended March 31, 2018 and 2017:

	Three months ended March 31, 2018			Three months ended March 31, 2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries	26,166	24,029	50,195	30,187	26,325	56,512
Labor and health insurance	2,471	1,600	4,071	2,691	1,601	4,292
Pension	958	791	1,749	1,091	747	1,838
Others	3,790	936	4,726	4,617	1,032	5,649
Depreciation	31,481	3,396	34,877	30,432	2,363	32,795
Amortization	-	125	125	-	175	175

(b) Seasonality of operations:

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

(13) Other disclosures:

(a) Information on significant transactions: None

(b) Information on investments: None

(c) Information on investment in Mainland China: None

(14) Segment information:

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