Stock Code：3152

ADVANCED CERAMIC X CORPORATION

Financial Statements and Independent Auditors’ Report
December 31, 2018 and 2017

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Notes to Readers

The independent auditors’ 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’ report and financial statements shall prevail.

Independent Auditors’ Report

To the Board of Directors of Advanced Ceramic X Corporation:

Opinion

We have audited the financial statements of Advanced Ceramic X Corporation (“the Company”), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for each of the years then ended, 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.

Basis for Opinion

We conducted our audit in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in the Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters, the key audit matters we communicated in the auditors’ report are as follows:

1. Revenue recognition

Please refer to note 4(11) “Revenue” for accounting principles, and note 6(11) “Operating revenue from contracts with customers” for significant accounts to the financial statements.

Description of key audit matter:

Revenue is recognized when the risks and rewards specified in each individual contract with customers are transferred. The Company recognizes revenue depending on the various sales terms in each individual contract with customers to ensure the significant risks and rewards of ownership have been transferred. Therefore, the accuracy and appropriateness of revenue recognition is a key matter when conducting our audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included testing the Company's controls surrounding revenue recognition; assessing whether appropriate revenue recognition policies are applied through comparison with accounting standards and understandings the Company's main revenue types, shipping terms, its related sales agreements, and sales terms; on a sample basis, inspecting customers' orders and sales terms and assessing whether the accounting treatment of the sales terms is applied appropriately; performing a test of details of sales revenue for any identified significant sales fluctuations and any significant reversals of revenue through sales discounts and sales returns which incurred within a certain period before and after the balance sheet date; assessing the adequacy of the Company's disclosures of its revenue recognition policy and other related disclosures.

2. Evaluation of inventory

Please refer to note 4(7) "Inventories" for accounting principles, note 5 for accounting assumptions, judgments and estimation uncertainty of inventories, and note 6(3) "Inventories" for significant accounts to the financial statements.

Description of key audit matter:

The inventories are measured at the lower of cost or net realizable value at the reporting date; therefore, the Company needs to use judgments and estimates to determine the net realizable value of the inventory on the financial reporting date. With the rapid development of technology and introduction of new products, these may significantly impact market demand, as well as the products themselves, which can lead to product obsolescence that may result in the cost of inventory to be higher than the net realizable value. Therefore, the impairment of inventory is one of the key areas in our audit.

How the matter was addressed in our audit:

Our audit procedures included: evaluating the reasonableness of the assessment policy including data basis, assumptions, functions, and verifying whether it is properly applied; inspecting the assessment on supporting documentation whether the estimation of provision for inventory obsolescence and devaluation loss is accurate; using sampling skills to verify inventory aging or testing age report; assessing whether the inventory allowance rate is reasonable and accurate, And assessing the reasonableness of the provision based on erosion and disposal of the obsolescence inventory.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to 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 (inclusive of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

1. Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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. Obtained an understanding of internal control 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 Company’s internal control.
3. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Concluded on the appropriateness of 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 continue 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 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. Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

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

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s 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.

KPMG
Taipei, Taiwan (Republic of China)
February 26, 2019

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’ 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’ report and financial statements shall prevail.

Advanced Ceramic X Corporation
Balance Sheets
December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current Assets：				
1100	Cash and Cash Equivalents (Note 6(1))	$ 1,709,216	45	2,284,322	61
1170	Notes and Accounts Receivable, Net (Note 6(2))	190,477	5	210,688	6
1180	Receivables from Related Parties (Note 6(2) and 7)	133,791	4	134,756	4
1310	Inventories (Note 6(3))	130,408	3	109,337	3
1476	Other Financial Assets - Current (Note 6(1) and 8)	502,607	13	2,556	-
1479	Other Current Assets	18,888	1	16,187	-
		2,685,387	71	2,757,846	74
	Noncurrent Assets：				
1600	Property, Plant and Equipment (Note 6(4), 7 and 8)	1,100,949	29	990,408	26
1780	Intangible Assets (Note 6(5))	683	-	1,167	-
1840	Deferred Tax Assets (Note 6(8))	9,409	-	9,860	-
1980	Other Financial Assets - Noncurrent	501	-	501	-
1975	Net Defined Benefit Asset- Noncurrent (Note6(7))	622	-	-	-
		1,112,164	29	1,001,936	26
	Total Assets	**$ 3,797,551**	**100**	**3,759,782**	**100**

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current Liabilities：				
2170	Accounts Payable	$ 45,704	1	43,237	1
2201	Salary and Bonus Payable	127,347	3	139,474	4
2213	Payables to Contractors and Equipment (Note 7)	52,527	2	13,387	-
2230	Income Tax Payable	101,698	3	90,858	2
2399	Other Current Liabilities (Note 6(6) and 7)	126,441	3	137,656	4
		453,717	12	424,612	11
	Noncurrent Liabilities：				
2640	Net Defined Benefit Liabilities - Noncurrent (Note 6(7))	-	-	251	-
2600	Other Liabilities- Noncurrent	10,477	-	7,301	-
		10,477	-	7,552	-
	Total Liabilities	464,194	12	432,164	11
	Equity (Note 6(9))：				
3100	Capital Stock	690,162	18	690,162	19
3200	Capital Surplus	573,532	15	573,532	15
3300	Retained Earnings	2,069,663	55	2,063,924	55
	Total Equity	3,333,357	88	3,327,618	89
	Total Liabilities and Equity	**$ 3,797,551**	**100**	**3,759,782**	**100**

See accompanying notes to the financial statements.

Advanced Ceramic X Corporation
Statements of Comprehensive Income
Years Ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

		2018		2017	
		Amount	**%**	**Amount**	**%**
4100	**Net Revenue** (Note 6(11),(12) and 7)	$ 1,804,308	100	1,963,490	100
5000	**Cost of Revenue** (Note 6(3), (7), (13) and 7)	682,089	38	727,389	37
	Gross Profit	1,122,219	62	1,236,101	63
	Operating Expenses (Note 6(7), (13) and 7)				
6100	Selling and Distribution Expenses	31,869	2	30,853	2
6200	General and Administrative Expenses	76,973	4	76,535	4
6300	Research and Development Expenses	104,174	6	99,582	5
		213,016	12	206,970	11
	Profit from Operations	909,203	50	1,029,131	52
	Non-Operating Income and Expenses：				
7101	Interest Income	15,905	1	15,261	1
7190	Other Income	175	-	380	-
7230	Foreign Exchange Gain (Loss), Net	20,088	1	(31,236)	(1)
7610	Gain on Disposal of Property, Plant and Equipment, Net	95	-	185	-
		36,263	2	(15,410)	-
7900	**Profit Before Income Tax**	945,466	52	1,013,721	52
7950	**Income Tax Expense** (Note 6(8))	187,727	10	175,133	9
	Net Income	757,739	42	838,588	43
8300	**Other Comprehensive Income：**				
8310	**Items That will Never Be Reclassified to Profit or Loss**				
8311	Remeasurement of Defined Benefit Obligations (Note 6(7))	277	-	(37)	-
8300	**Other Comprehensive Income, net of tax**	277	-	(37)	-
8500	**Total Comprehensive Income**	**$ 758,016**	**42**	**838,551**	**43**
	Earnings Per Share (Expressed in Dollars) (Note 6(10))				
9750	Basic Earnings Per Share	**$ 10.98**		**12.15**	
9850	Diluted Earnings Per Share	**$ 10.95**		**12.12**	

See accompanying notes to the financial statements.

Advanced Ceramic X Corporation
Statements of Changes in Equity
Years Ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

			Retained Earnings			
	Common Stock	Capital Surplus	Legal Reserve	Undistributed Earnings	Common Stock	Capital Surplus
Balance at January 1, 2017	$ 690,162	573,532	475,888	1,474,155	1,950,043	3,213,737
Net income in 2017	-	-	-	838,588	838,588	838,588
Other Comprehensive Income, Net of Tax	-	-	-	(37)	(37)	(37)
Total Comprehensive Income for the Year	-	-	-	838,551	838,551	838,551
Appropriation and Distribution of Earnings：						
Legal Reserve	-	-	80,667	(80,667)	-	-
Cash Dividends	-	-	-	(724,670)	(724,670)	(724,670)
Balance at December 31, 2017	**690,162**	**573,532**	**556,555**	**1,507,369**	**2,063,924**	**3,327,618**
Net income in 2018	-	-	-	757,739	757,739	757,739
Other Comprehensive Income, Net of Tax	-	-	-	277	277	277
Total Comprehensive Income for the Year	-	-	-	758,016	758,016	758,016
Appropriation and Distribution of Earnings：						
Legal Reserve	-	-	83,859	(83,859)	-	-
Cash Dividends	-	-	-	(752,277)	(752,277)	(752,277)
Balance at December 31, 2018	**$ 690,162**	**573,532**	**640,414**	**1,429,249**	**2,069,663**	**3,333,357**

See accompanying notes to the financial statements.

Advanced Ceramic X Corporation
Statements of Cash Flows
Years Ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

		2018	2017
Cash Flows from Operating Activities：			
Profit Before Income Tax	$	945,466	1,013,721
Adjustments for：			
Depreciation		144,809	140,227
Amortization		484	633
Reversal of Expected Credit Loss (Reversal Bad Debt)		(214)	(54)
Interest Income		(15,905)	(15,261)
Gain on Disposal of Property, Plant and Equipment, Net		(95)	(185)
Provision for Inventory Obsolescence and Devaluation Loss		11,999	15,795
Total Adjustments to Reconcile Profit		141,078	141,155
Changes in Operating Assets and Liabilities：			
Notes and Accounts Receivable		20,415	41,943
Receivables from Related Parties		975	(36,558)
Inventories		(33,070)	(14,687)
Other Operating Current Assets		(2,701)	139
Accounts Payable		2,467	(11,486)
Net Defined Benefit Liabilities-Noncurrent		(596)	(594)
Other Liabilities-Noncurrent		3,176	2,491
Other Operating Current Liabilities		(23,342)	2,900
Total Net Changes in Operating Assets and Liabilities		(32,676)	(15,852)
Cash Generated from Operations		1,053,868	1,139,024
Interest Received		15,804	15,153
Income Taxes Paid		(176,436)	(174,812)
Net Cash Generated by Operating Activities		893,236	979,365
Cash Flows from Investing Activities：			
Acquisition of Property, Plant and Equipment		(216,210)	(327,192)
Proceeds from Disposal of Property, Plant and Equipment		95	185
Decrease (Increase) in Other Financial Assets		(499,950)	875
Net Cash Used in Investing Activities		(716,065)	(326,132)
Cash Flows from Financing Activities：			
Cash Dividends		(752,277)	(724,670)
Net Cash Used in Financing Activities		(752,277)	(724,670)
Net Decrease in Cash and Cash Equivalents		(575,106)	(71,437)
Cash and Cash Equivalents at the Beginning of Period		2,284,322	2,355,759
Cash and Cash Equivalents at the End of Period	**$**	**1,709,216**	**2,284,322**

See accompanying notes to the financial statements.

Advanced Ceramic X Corporation
Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017
(Expressed in thousands of New Taiwan dollars unless otherwise indicated)

1. Company history

Advanced Ceramic X Corporation ("the Company") was incorporated in April 15, 1998 as a company limited by shares and registered under the Company Act of the Republic of China (R.O.C.). The address of the Company's registered office is No.16, Tzu Chiang Road, Hsinchu Industrial 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 the Company on February 26, 2019.

3. Application of new standards, amendments and interpretations

(1) 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:

A. 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(11) 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.

B. 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:

(a) 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(6) 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.

(b) 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(6).

(c) 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.

(d) 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 sssets				
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

C. 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 December 31, 2018, the Company was not any liabilities from financing activities.

D. 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.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No.1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	**Effective Date Per IASB**
IFRS 16 "Leases"	January 1, 2019
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 19 "Plan Amendment, Curtailment or Settlement"	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

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

A. IFRS 16"Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

(a) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

(b) Transition

As a lessee, the Company can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(c) So far, the adoption of IFRS 16 would have increased the right-of-use assets and the lease liabilities by $421 thousand, and retained earnings did not change on January 1, 2019. No significant impact is expected for the Company’s finance leases, therefore, not required to make any adjustments.

B. IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

The adoption of IFRIC 23 did not have any a significant impact on its financial statements.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(3) 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 3 "Definition of Business"	January 1, 2020
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 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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

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

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(1) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, R.O.C..

(2) Basis of preparation

A. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the balance sheets:

(a) Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative financial instruments)

(b) The defined benefit asset is recognized as plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less the present value of the defined benefit obligation.

B. Functional and presentation currency

The financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(3) Foreign currencies

Transactions in foreign currencies are translated to the functional currencies of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and the payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate of the date the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising from retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income that arises from the retranslation:

・Equity instrument measured at fair value through other comprehensive income;
・Financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
・Qualifying cash flow hedges to the extent the hedge is effective.

(4) Classification of current and non-current assets and liabilities

An entity shall classify an asset as current when:

A. It expected to realize the asset, or intended to sell or consumed it in its normal operating cycle;
B. It holds the asset primarily for the purpose of trading;
C. It expected to realize the asset within twelve months after the reporting period; or
D. If the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

An entity shall classify a liability as current when:

A. It expected to settle the liability in its normal operating cycle;
B. It holds the liability primarily for the purpose of trading;
C. The liability is due to be settled within twelve months after the reporting period; or
D. It does not have an unconditional right to defer settlement of the liability for at least twelvemonths after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments that do not affect its classification.

An entity shall classify all other liabilities as non-current.

(5) Cash and cash equivalents

Cash comprised of cash on hand and cash in bank. Cash equivalents consist of highly liquid investment that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in the value. Time deposits, which meet the above criteria and for the purpose of fulfilling short-term commitments instead of the purpose of investing activities or others, are categorized as cash equivalents.

(6) Financial instruments

A. Financial assets (policy applicable from January 1, 2018)

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

(a) 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.

(b) 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.

As the Company's time deposits are dealed with financial institutions with good credit rating and graded above investment level, hence, there is no significant credit risk arising.

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.

(c) 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.

B. Financial instruments (policy applicable before January 1, 2018)

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

(a) Financial assets

The Company's financial assets are accounts receivable.

Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprised of notes and accounts receivable, and other receivables. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses, other than insignificant interest on short-term receivables.
Interest income is recognized in profit or loss, and it is included in other income.

Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is any objective evidence of impairment as a result of one or more events (a loss event) that occurred subsequent to the initial recognition of the asset and that a loss (or events) has an impact on the future cash flows of the financial assets that can be estimated reliably.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses and recoveries are recognized in non-operating income and expenses.

Derecognition of financial assets

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

(b) Financial liabilities and equity instruments

Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Other financial liabilities

Financial liabilities not classified as held for trading or designated at fair value through profit or loss, which comprise accounts payable and other payables, are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition.

Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income and expenses.

Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged, cancelled or expired.

The difference between the carrying amount of a financial liability removed and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss, and is included in non-operating income and expenses.

Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company legally has enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

(7) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(8) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of software is capitalized as part of the equipment if the purchase of the software is necessary for the equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of that significant part of item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in other gains and losses, under net other income and expenses.

B. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

C. Depreciation

The depreciable amount of an asset is determined after deducting its residual amount and it shall be allocated on a straight-line basis over its useful life. The items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

(a) Buildings and structures (additional equipment): 5~35 years
(b) Machinery and equipment: 2~10 years
(c) Office and other equipment: 2~10 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from previous estimates, the changes are accounted for as changes in an accounting estimate.

(9) Intangible assets

A. Research and development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
(b) The intention to complete the intangible asset and use or sell it.
(c) The ability to use or sell the intangible asset.
(d) How the intangible asset will generate probable future economic benefits.
(e) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.
(f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized expenditures arising from the development phase is measured at cost less accumulated amortization or impairment losses.

B. Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.

C. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

D. Amortization

Amortizable amount is the cost of an asset less its residual values.
The Company's intangible assets are mainly technology royalty, which are amortized from the date that they are available for use by using straight-line method. The estimated useful lives of technology royalty are as 5 years.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(10) Impairment of non-financial assets

The carrying amounts of the Company’s non financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset’s cash-generating unit (CGU).

The recoverable amount for individual asset or the CGU is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss which shall be recognized immediately in profit or loss.

The Company should assess at each reporting date whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods shall be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount net of depreciation or amortization that would have been determined if no impairment loss had been recognized.

(11) Revenue

A. 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.

B. Revenue —Goods sold (policy applicable before January 1, 2018)

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

(12) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

B. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value. The fair value of the plan assets is deducted. The discount rate is the yield at the reporting date on market yields of government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss immediately.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding amounts included in the net interest on the net defined benefit liability (asset)), and (3) any change in the effect of the asset ceiling (if any, excluding amounts included in the net interest on the defined benefit liability (asset)), are recognized in other comprehensive income. The Company reclassifies the amounts recognized in other comprehensive income to retained earnings.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets and, any change in the present value of defined benefit obligation.

C. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed when related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(13) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

A. The entity has the legal right to settle tax assets and liabilities on a net basis; and

B. The taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

(a) Levied by the same taxing authority; or

(b) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-valuated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(14) Earnings per share

The Company discloses the Company basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjusted for the effects of all dilutive potential ordinary shares. The effect of dilutive potential ordinary shares for the company is employee remuneration.

(15) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company). Operating results of the operating segment are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

The preparation of the financial statements in conformity with the IFRSs endorsed by the 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 management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment with the next financial year is as follows:

Valuation of inventories: As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(3) for further description of the valuation of inventories.

6. Explanation of significant accounts

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash	$ 50	50
Cash in bank	93,048	95,858
Time deposits	1,616,118	2,188,414
	$ 1,709,216	**2,284,322**

As of December 31, 2018 and 2017, the classified from cash and cash equivalents to other financial assets-current for time deposits, amounted to $499,950 thousand and $0, respectively.

Please refer to note 6(14) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

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

	December 31, 2018	December 31, 2017
Notes receivable	$ 302	862
Accounts receivable	192,099	211,954
Accounts receivable from related parties	135,142	136,117
Less: Allowance for impairment	(1,924)	(2,128)
Allowance for impairment from related parties	(1,351)	(1,361)
	$ 324,268	345,444
Notes and accounts receivable, net	$ 190,477	210,688
Accounts receivable from related parties, net	$ 133,791	134,756

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 December 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 December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted-average expected loss rate	Lifetime expected credit loss allowance
Not past due	$ 325,107	1%~2%	3,251
Past due less than 30 days	2,436	1%~2%	24
	$ 327,543		3,275

As of December 31, 2018, the Company applies incurred loss model to consider the loss allowance provision of accounts receivable. As at December 31, 2018, the aging analyses of accounts receivable, which were past due but not impaired, were as follows:

	December 31, 2017
Past due less than 30 days	$ 3,529
Past due 31~120 days	566
	$ 4,095

The movements of allowance for doubtful accounts were as follows:

		December 31, 2017	
	December 31, 2018	**Individually assessed impairment**	**Collectively assessed impairment**
Beginning balance_ IAS39	3,489	-	3,543
Adjustments for applying new standards	-	-	-
Reversal of impairment loss	(214)	-	(54)
Ending balance	$ 3,275	-	3,489

The payment terms granted to customers are generally 30 to 60 days from the end of the month during which the invoice is issued. As of December 31, 2017, the Company measured the allowance for doubtful debts for notes and accounts receivable using the incurred loss model.
As of December 31, 2018 and 2017, the notes and accounts receivable were not pledged as collateral.
Other credit risk information, please refer to note 6(14).

(3) Inventories

	December 31, 2018	**December 31, 2017**
Raw materials and supplies	$ 29,087	24,049
Work in process	53,678	56,151
Finished goods	47,643	29,137
	$ 130,408	109,337

For the years ended December 31, 2018 and 2017, the amounts of inventories that were charged to cost of revenue were $670,090 thousand and $711,594 thousand, respectively, and the net of provisions that charged to cost of revenue for inventories written down to net realizable value amounted to $11,999 thousand and $15,795 thousand for the years ended December 31, 2018 and 2017, respectively.

As of December 31, 2018 and 2017, the inventories were not pledged as collateral.

(4) Property, plant and equipment

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

	Land	Building and construction	Machinery and equipment	Office & Other equipment	Construction in progress & equipment under installation	Total
Cost:						
Balance at January 1, 2018	$ 248,651	359,639	1,914,472	153,763	68,965	2,745,490
Additions	-	-	36,985	10,989	207,376	255,350
Reclassifications	-	-	60,032	10,896	(70,928)	-
Disposals	-	-	(11,854)	(2,834)	-	(14,688)
Balance at December 31, 2018	$ 248,651	359,639	1,999,635	172,814	205,413	2,986,152
Balance at January 1, 2017	$ 248,651	359,639	1,688,534	133,858	22,147	2,452,829
Additions	-	-	47,600	20,478	270,004	338,082
Reclassifications	-	-	218,786	4,400	(223,186)	-
Disposals	-	-	(40,448)	(4,973)	-	(45,421)
Balance at December 31, 2017	$ 248,651	359,639	1,914,472	153,763	68,965	2,745,490
Depreciation:						
Balance at January 1, 2018	$ -	226,053	1,408,857	120,172	-	1,755,082
Depreciation	-	12,397	121,079	11,333	-	144,809
Disposals	-	-	(11,854)	(2,834)	-	(14,688)
Balance at December 31, 2018	$ -	238,450	1,518,082	128,671	-	1,885,203
Balance at January 1, 2017	$ -	213,656	1,330,048	116,572	-	1,660,276
Depreciation	-	12,397	119,257	8,573	-	140,227
Disposals	-	-	(40,448)	(4,973)	-	(45,421)
Balance at December 31, 2017	$ -	226,053	1,408,857	120,172	-	1,755,082
Carrying amounts:						
Balance at December 31, 2018	$ 248,651	121,189	481,553	44,143	205,413	1,100,949
Balance at January 1, 2017	$ 248,651	145,983	358,486	17,286	22,147	792,553
Balance at December 31, 2017	$ 248,651	133,586	505,615	33,591	68,965	990,408

Pledged assets

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

(5) Intangible assets

The components of the costs of intangible assets, amortization, and impairment loss thereon for the years ended December 31, 2018 and 2017, were as follows:

		2018	2017
Cost:			
Balance at January 1	$	3,500	4,500
Additions		-	-
Disposals		(1,000)	(1,000)
Balance at December 31	$	2,500	3,500
Amortization and impairment loss:			
Balance at January 1	$	2,333	2,700
Additions		484	633
Disposals		(1,000)	(1,000)
Balance at December 31	$	1,817	2,333
Carrying amount at the Beginning of Period	$	1,167	1,800
Carrying amount at the End of Period	$	683	1,167

For the years ended December 31, 2018 and 2017, the amortization expense of intangible assets recognized in statements of comprehensive income; please refer to note 12(1).

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

(6) Other current liabilities

		December 31, 2018	December 31, 2017
Accrued expenses	$	98,708	110,398
Directors’ remuneration payable		15,168	16,263
Other		12,565	10,995
	$	126,441	137,656

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

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(7) Employee benefits

A. Defined benefit plans

Reconciliation for defined benefit obligation and fair value of plan asset at the reporting date as follows:

	December 31, 2018	December 31, 2017
Present value of the defined benefit obligations	$ 16,254	15,836
Fair value of plan assets	(16,876)	(15,585)
Net defined benefit liabilities (assets)	**$ (622)**	**251**

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(a) Composition of plan assets

The Company allocates pension funds in accordance with the legislation from the Ministry of Labor and managed by the Bureau of Labor Funds. The annual budget for the allocation of the minimum income cannot be lower than the income calculated based on the interest rate of the banks' two-year time deposits in accordance with the legislation "Management and Utilization of the Labor Pension Funds".

The Company's labor pension reserve account balance in the Bank of Taiwan amounted to $16,876 thousand as of December 31, 2018. The utilization of the labor pension fund assets including the asset allocation and the yield of the fund. Please refer to the website of Bureau of Labor Funds, Ministry of Labor.

(b) The movement in fair value of the defined benefit obligations

For the years ended December 31, 2018 and 2017, movements in the present value of the defined benefit obligations for the Company, were as follows:

	2018	2017
Defined benefit obligation at January 1	$ 15,836	15,605
Current service cost and interest	329	288
Remeasurement of the net defined benefit liability (assets)		
—Demographic assumptions	861	-
—Financial assumptions	555	(584)
—Experience adjustement	(1,327)	527
Defined benefit obligation at December 31	**$ 16,254**	**15,836**

(c) The movement in fair value of the defined benefit plan assets

For the years ended December 31, 2018 and 2017, movements in the fair value of the plan assets were as follows:

	2018	2017
Fair value of plan assets at January 1	$ 15,585	14,797
Interest revenue	257	207
Contributions from plan participants	669	676
Remeasurements of the net defined benefit liability (assets)		
—Return on plan assets (excluding interest revenue)	365	(95)
Fair value of plan assets at December 31	**$ 16,876**	**15,585**

(d) For the years ended December 31, 2018 and 2017, there were no changes in the effect of plan asset ceiling.

(e) Expenses recognized in profit or loss

For the years ended December 31, 2018 and 2017, the expenses recognized in profit or losses for the Company were as follows:

	2018	2017
Current service cost	$ 74	74
Net interest expense of net defined benefit (liabilities (assets))	(2)	7
	$ 72	**81**

	2018	2017
Cost of revenue	$ 42	47
Selling and distribution expenses	7	8
General and administrative expenses	11	13
Research and development expense	12	13
	$ 72	**81**
Actual return on plan assets	**$ 622**	**112**

(f) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

For the years ended December 31, 2018 and 2017, the remeasurements of the net defined benefit liability (asset) recognized in other comprehensive income were as follows:

	2018	2017
Balance at January 1	$ 1,171	1,208
Recognized during the period	277	(37)
Balance at December 31	**$ 1,448**	**1,171**

(g) Actuarial assumptions

At the end of the reporting date, the principal actuarial assumptions were as follows:

	December 31, 2018	**December 31, 2017**
Discount rate	1.375%	1.625%
Future salary rate increases	2.00%	2.00%

The Company expects to make contributions of $638 thousand to the defined benefit plans in the next year starting from December 31, 2018.

The weighted average duration of the defined benefit plans is 17.31 years.

(h) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Company uses judgments and estimations to determine the actuarial assumptions, including discount rate and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations. As of December 31, 2018 and 2017, the changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligation as follows:

	Influence of defined defined benefit obligation	
	Increase by 0.25%	**Decrease by 0.25%**
December 31, 2018		
Discount rate	$ (556)	583
Future salary increases	571	(547)
December 31, 2017		
Discount rate	(556)	583
Future salary increases	572	(549)

There is no change in other assumptions when performing the above-mentioned sensitivity analysis. In practice, assumptions may be interactive with each other. The method used on sensitivity analysis is consistent with the calculation on the net pension liabilities.

The method and assumptions used on current sensitivity analysis is the same as those of the prior year.

B. Defined contribution plans

The Company contributes at the rate of 6% of each employee’s monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company’s contribution to the Bureau of Labor Insurance requires no additional legal or constructive obligations thereafter.

The Company set aside $6,966 thousand and $7,099 thousand of the pension under the pension costs to the Bureau of Labor Insurance for the years ended December 31, 2018 and 2017, respectively.

(8) Income tax

A. Income tax expense

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, starting from 2018, the corporate income tax rate was adjusted from 17% to 20%.

The components of income tax expense for the years ended December 31, 2018and 2017 were as follows:

	2018	2017
Current tax expense		
Current period incurred	$ 188,883	175,319
Adjustment for prior periods	(1,611)	3,466
Other	4	695
	187,276	179,480
Deferred tax expense		
Origination and reversal of temporary differences	451	(4,347)
Income tax expense	**$ 187,727**	**175,133**

As of December 31, 2018 and 2017, there was no any income tax expense recognized in other comprehensive income.

Reconciliation of income tax expense and profit before income tax was as follows:

	2018	2017
Profit before income tax	$ 945,466	1,013,721
Income tax at Company's domestic tax rate	189,093	172,333
Change in provision in prior periods	(1,611)	3,466
Undistributed earnings additional tax at 10%	242	118
Other	3	(784)
	$ 187,727	**175,133**

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax assets

	December 31, 2018	December 31, 2017
Defined benefit obligation liabilities	**$ -**	**43**

As of December 31, 2018 and 2017, the defined benefit obligation liabilities were not recognized as deferred tax assets because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

(b) Recognized deferred tax assets and liabilities

		January 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2017	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2018
Deferred tax assets：								
Unrealized foreign exchange loss, net	$	1,281	1,121	-	2,402	(2,363)	-	39
Provision for inventory obsolescence and devaluation loss		4,232	3,226	-	7,458	1,912	-	9,370
Deferred tax assets	$	5,513	4,347	-	9,860	(451)	-	9,409

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

(9) Capital and other equity

A. Ordinary share

As of December 31, 2018 and 2017, the authorized share of common stock of the Company amounted to $1,500,000 thousand with a par value of $10 per share, of which $90,000 thousand was reserved for employee stock options. The issued and outstanding shares of common stock amounted to $690,162 as of December 31, 2018 and 2017.

B. Capital surplus

Balances of capital surplus at the reporting date were as follows:

	December 31, 2018	December 31, 2017
Additional paid-in capital	$ 573,532	573,532

According to the R.O.C. Company Act, realized capital reserves can only be reclassified as share capital or be distributed as cash dividends after offsetting against losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the actual amount of capital reserves to be reclassified under share capital shall not exceed 10 % of the actual share capital amount.

C. Retained earnings

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

(a) Payment of taxes.
(b) Making up loss for preceding years.
(c) Setting aside 10% for legal reserve, except for when accumulated legal reserve has reached the total paid-in capital.
(d) Appropriating or reversing special reserve by government officials or other regulations.
(e) The remaining, plus the previous year’s unappropriated earnings, shall be distributed according to the distribution plan proposed by the Board of Directors according to the dividend policy and submitted to the stockholders’ meeting for approval.

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

D. Legal reserve

According to the R.O.C. Company Act, the Company shall first set aside 10% of its after-tax net income as legal reserve until such retaintion equals the amount of the paid-in capital. When a company incurs no loss, it may, in pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by cash. Only 10% of legal reserve which exceeds 25% of the paid-in capital may be distributed.

E. Special reserve

In accordance with Permit No. 1010012865 issued by the FSC on April 6, 2012, a portion of current period earnings and undistributed prior period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the net debit balance of other components of the shareholders' equity adoption. Similarly, a portion of undistributed prior period earnings shall be reclassified as special earnings reserve to account for cumulative changes to the debit balance of other shareholders' equity pertaining to prior periods. For the subsequent decrease in the deduction amount to shareholders' equity, any special reserve appropriated may be reserved to the extent that the net debit balance reverses.

F. Earnings distribution

On June 19, 2018, the Company's shareholders' meetings resolved to distribute 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 (NTD)		
Cash dividends	$ 10.90	10.50

The aforementioned appropriations of earnings for 2017 and 2016 were consistent with the resolutions of the meeting of the Board of Directors.

The cash dividend per share for 2018 was NT$9.88 per share according with the resolutions of the meeting of the Board of Directors on February 26, 2019. The appropriation of earnings has not yet been approved by the shareholders' meeting as of the reporting date. The related information mentioned above can be found on websites such as the Market Observation Post System.

(10) Earnings per share (EPS)

For the years ended December 31, 2018 and 2017, the Company's earnings per share were calculated as follows:

	2018	2017
Basic EPS：		
Net profit belonging to common shareholders	$ 757,739	838,588
Weighted average common stock outstanding (in thousands)	69,016	69,016
Basic EPS (NTD)	$ 10.98	12.15
Diluted EPS：		
Net profit belonging to common shareholders	$ 757,739	838,588
Weighted average common stock outstanding (in thousands) (basic)	69,016	69,016
Employee compensation	206	163
Weighted average common stock outstanding plus the effect of potentially dilutive common stock (in thousands) (diluted)	69,222	69,179
Diluted EPS (NTD)	$ 10.95	12.12

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(11) Operating revenue from contracts with customers

		2018
Primary geographic markets:		
China	$	729,833
United States		558,842
Taiwan		295,487
Hong Kong		124,063
Other		96,083
	$	**1,804,308**
Main product		
RF front-end devices and modules	**$**	**1,804,308**

Refer to note 6(12) for net revenue for the year ended December 31, 2017.

(12) Revenue

		2017
Sale of goods	**$**	**1,963,490**

Refer to note 6(11) for the operating revenue from contracts with customers for the year ended December 31, 2018.

(13) 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 year ended December 31, 2018 and 2017, the Company estimated the remuneration to employees amounting to $50,560 thousand and $54,210 thousand, respectively, and remuneration to directors amounting to $15,168 thousand and $16,263 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's Articles of Incorporation. These remunerations were included in the operating costs or operating expenses of the year ended December 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 next year. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares on the day preceding the Board of Directors.

There was no difference between the actual distribute amounts as determined by the Board of Directors and those recognized in the Company's financial statements of the years ended December 31, 2018 and 2017.

Remuneration to employees and directors for 2017 in the amounts of $54,210 thousand and $16,263 thousand, respectively, in cash for payment had been approved in the shareholders' meetings held on June 19, 2018. The aforementioned approved amounts are the same as the amounts charged against earnings of 2017.

(14) Financial instruments

A. Credit risk

(a) Exposure of credit risk

The carrying amount of financial and contract assets represents the maximum credit exposure.

(b) Concentration of credit risk

The major customers of the Company are centralized in the electronics industry. As of December 31, 2018 and 2017, the Company's notes and accounts receivable (including related parties) were both concentrated on 5 customers, whose accounts represented 64% and 56% of the account receivables, respectively. For the information about credit risk exposure of notes and accounts receivable, please refer to note 6 (2).

As of December 31, 2018 and 2017, the Company's cash in bank and time deposits were both concentrated on one financial institution, whose accounts represented 85% and 78% of the cash and cash equivalents and other financial assets, respectively. Thus, credit risk is significantly centralized. To reduce cash risk, the Company evaluates financial institutions' financial positions and credit rating periodically. After the assessment, management does not expect significant losses.

(c) Credit risk of financial assets measured at amortized cost

The Company financial assets at amortized cost include cash and cash equivalents, notes and receivables, and time deposits on other financial assets. About their information of credit risk exposure, please refer note 6(1) and (2).

The above-mentioned of financial assets are considered to be of low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. For the Company's assessment on whether credit risk is to be of low risk, please refer note 4(6).

B. Liquidity risk

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

		Carrying amount (Contractual cash flows)	Within 6 month
December 31, 2018			
Non-derivative financial liabilities			
Accounts payable	$	45,704	45,704
Payables to contractors and equipment		52,527	52,527
	$	**98,231**	**98,231**
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**

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

C. Currency risk

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

	December 31, 2018			**December 31, 2017**		
	Foreign Currency	**Exchange Rate**	**NTD**	**Foreign Currency**	**Exchange Rate**	**NTD**
Financial assets						
Monetary items						
USD	$ 10,971	30.665	336,426	23,471	29.71	697,323
JPY	258,641	0.2762	71,437	327,824	0.2622	85,955
Financial liabilities						
Monetary items						
USD	346	30.765	10,645	324	29.81	9,658
JPY	18,892	0.2802	5,294	24,306	0.2662	6,470

(b) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, accounts payable, and other payable that are denominated in foreign currency. Depreciation or appreciation of the NTD by 1% against USD and JPY at December 31, 2018 and 2017,while all other variables were remained constant, would have increased (decreased) the net profit after tax by $3,135 thousand and $6,367 thousand, respectively. The analysis is performed on the same basis for both periods.

(c) Gains or losses on monetary item

Since the Company has many kinds of functional currency, the information on foreign exchange loss on monetary items is disclosed by total amount. For the year ended December 31, 2018 and 2017, foreign exchange gain (loss), including realized and unrealized portions, amounted to $20,088 thousand and ($31,236) thousand, respectively.

D. Interest rate risk

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

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

The Company's exposure to Interest rate risk arises from the bank deposit interest rates change. If the interest rate had increased (decreased) by 1%, the Company's net profit after tax would have increased (decreased) by $17,689 thousand and $18,976 thousand for the year ended December 31, 2018 and 2017, all other variable factors that remain constant.

E. Fair value

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

(15) Financial risk management

A. Overview

The company is exposed to the extent of the risks arising from financial instruments as below:

(a) Credit risk

(b) Liquidity risk

(c) Market risk

Detailed information about exposure risk arising from the aforementioned risks was listed below. The Company's objective, policies and processes for managing risks and methods used to measure the risk arising from financial instruments.

B. Risk management framework

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The board is responsible for developing and monitoring company's risk management policies. Internal auditors assist the Board of Directors to monitor and review the risk management control and internal procedures regularly and report them to the Board of Directors. If it is subject to approval by the Board of Directors in accordance with the relevant laws and regulations, it shall be decided by the Board of Directors.

C. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instrument fails to meet its contractual obligations that arise principally from the Company's accounts receivables and cash and cash equivalents.

(a) Accounts receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer and these limits are reviewed annually. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

If the Company retains the rights to the products that have already been sold, the Company shall also have the right to require collateral if payment has not been received. The Company does not require any collateral for accounts receivable.

(b) Investments

The credit risk exposures in the bank deposits and other financial assets are measured and monitored by the Company's finance department. Since the Company's transactions resulted from good credit standing financial institutions, there are no incompliance issues and therefore no significant credit risk.

(c) Guarantees

According to the Company's policy, the Company can not provide guarantee to anyone. As of December 31, 2018 and 2017, the Company did not provide any guarantee.

D. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. As the Company's working capital will be sufficient to fulfill all of its contractual obligations, management believes that there is no liquidity risk resulting from incapable of financing to fulfill the contractual obligations.

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(a) Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Company's entities, the New Taiwan dollars. The currencies used in these transactions are denominated in NTD, USD and JPY.

The policy of response to currency risk:

(i) The Company reserves the foreign currency position arising from sales appropriately to remit the foreign currency expenditures to safeguard from foreign exchange risk.

(ii) The company uses foreign currency forward exchange contracts to hedge the remaining nature of currency risk arising from netting.

(b) Interest risk

Any change in interest rates will cause the effective interest rates of bank deposits to change and thus cause the future cash flows to fluctuate over time.

(16) Capital management

The Board of Directors' policy is to maintain a strong capital base to maintain the confidence of investors, creditors and market, and to sustain future development of the business. The capital includes the Company's common stock, capital surplus, and retained earnings. The Board of Directors will manage the return on capital and the dividend payment to the shareholders.

As of December 31, 2018, the Company's capital management strategy is consistent with the prior year.

The Company's debt to equity ratios at the reporting date were as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 464,194	432,164
Total capital	$ 3,333,357	3,327,618
Debt to equity ratio	13.93%	12.99%

7. Related-party transactions:

(1) Names and relationship with related parties

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

Names of the related parties	Relationships
Johanson Technology Inc. (JOHANSON)	The Company's director
Scientific Components Corporation (doing business as Mini-Circuits(MINI-CKT))	The Company's director
Hsin Chang Construction Corp.	The Company's director

(2) Significant transactions with related parties

A. Operating revenue

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

	2018	2017
Key management personnel－JOHANSON	$ 399,080	483,241
Key management personnel－MINI-CKT	155,235	130,393
	$ 554,315	613,634

B. Receivables from related parties

Categories	Account	December 31, 2018	December 31, 2017
Key management personnel－JOHANSON	Receivables from related parties	$ 112,365	96,350
	Bad Debt Provision	(1,123)	(963)
Key management personnel－MINI-CKT	Receivables from related parties	22,777	39,767
	Bad Debt Provision	(228)	(398)
		$ 133,791	134,756

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.

C. Consulting Service for Construction Engineering

	Amount		Construction and equipment payable	
	2018	2017	December 31, 2018	December 31, 2017
Hsin Chang Construction Corp.	$ 781	0	781	0

D. Other

	Amount		Other current liabilities	
	2018	2017	December 31, 2018	December 31, 2017
Other payables - related parties	$ 4,755	4,598	697	363

(3) Transactions with key management personnel

The key management personnel compensation was comprised as below:

	2018	2017
Short-term employee benefits	$ 89,748	96,266
Post-employment benefits	182	257
	$ 89,930	96,523

8. Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledge assets	Pledged to secure	December 31, 2018	December 31, 2017
Time deposits (Other financial assets-current)	Customs duty guarantee	$ 2,000	2,000
Land (Property, plant and equipment)	Short-term borrowings	168,944	168,944
		$ 170,944	170,944

9. Commitments and contingencies:

(1) As of December 31, 2018 and 2017, the outstanding letters of credit for the Company’s purchases of machinery and equipment and raw materials amounted to $35,353 thousand and $3,210 thousand, respectively.

(2) As of December 31, 2018 and 2017, the Company purchased machinery and equipment and the unpaid amount was $592,938 thousand and $707,927 thousand, respectively.

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

10. Losses due to major disasters: None

11. Subsequent events: None

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12. Other:

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

	2018			2017		
	Operating costs	**Operating expenses**	**Total**	**Operating costs**	**Operating expenses**	**Total**
Employee benefits						
Salaries	110,365	107,852	218,217	120,210	109,814	230,024
Labor and health insurance	9,832	6,506	16,338	10,407	6,147	16,554
Pension	3,817	3,221	7,038	4,186	2,994	7,180
Directors remuneration	13,753	1,654	15,407	14,798	1,711	16,509
Others	4,771	2,609	7,380	4,968	2,566	7,534
Depreciation	130,642	14,167	144,809	128,626	11,601	140,227
Amortization	-	484	484	-	633	633

As of December 31, 2018 and 2017, the Company had 292 and 293 employees, including 11 and 11non-employee directors, respectively.

(2) Seasonality of operations:

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

13. Other disclosures:

(1) Information on significant transactions:

A. Loans to other parties: None

B. Guarantees and endorsements for other parties: None

C. Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures): None

D. Individual securities acquired or disposed off with accumulated amount exceeding the lower of NTD$300 million or 20% of the capital stock: None

E. Acquisition of individual real estate with amount exceeding the lower of NTD$300 million or 20% of the capital stock: None

F. Disposal of individual real estate with amount exceeding the lower of NTD$300 million or 20% of the capital stock: None

G. Related-party transactions for purchases and sales with amounts exceeding the lower of NTD$100 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	JOHANSON	Corporate director	(Sales)	399,080	22%	60 days	Note1	Note1	112,365	34%	
The Company	MINI-CKT	Corporate director	(Sales)	155,235	9%	30 days	Note1	Note1	22,777	7%	

Note1: Please refer note 7(2).

H. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of capital stock: None

(In thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in Subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	JOHANSON	Corporate director	112,365	3.82	-	–	46,120	160

I. Trading in derivative instruments: None

(2) Information on investments: None

(3) Information on investment in Mainland China: None

14. Segment information:

(1) General information:

The Company has only one reportable segment. 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) Operating segment:

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

(3) Product information

	2018	2017
RF Front-End devices and modules	$ 1,804,308	1,963,490

(4) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

A. Net revenue from external customers

Area	2018	2017
China	$ 729,833	860,913
United States	558,842	621,037
Taiwan	295,487	364,937
Hong Kong	124,063	-
Other	96,083	116,603
	$ 1,804,308	1,963,490

B. Noncurrent Assets

Area	Decmber31, 2018	Decmber31, 2017
Taiwan	$ 1,112,164	1,001,936

(5) Major customers

The Company sales to customer more that 10% of operation revenue were as follows:

	2018	2017
Corporation l	$ 399,080	483,241

Advanced Ceramic X Corporation

Statement of cash and cash equivalents

December 31, 2018

(Expressed in Thousands of New Taiwan Dollars, Except Amount Shown in the Notes)

Item	Description	Amount
Cash	Petty cash	$ 50
Bank deposit	Demand deposit	11,965
	Foreign currency demand deposit	
	Note1：JPY：258,640,616	71,437
	EUR：157,690.50	5,519
	USD：134,166.97	4,114
	RMB：2,849.22	13
		93,048
	Time deposits	1,602,900
	Foreign currency time deposit	
	Note2：USD：281,055.70	8,619
	RMB：1,034,290.05	4,599
		1,616,118
	Total	**$ 1,709,216**

Note3：The exchange rate on December 31, 2018 is as follows:

JPY1=$0.2762

USD1=$30.665

EUR1=$35

RMB1=$4.447

Advanced Ceramic X Corporation

Statement of notes and accounts receivable

December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Notes receivable:	
Corporation b	$ 283
Corporation d	19
	302
Less: Allowance for impairment－Notes receivable	(3)
	299
Accounts receivable:	
Corporation m	30,729
Corporation d	22,656
Corporation k	20,783
Corporation j	17,104
Corporation e	15,133
Corporation h	14,070
Corporation i	14,035
Corporation f	13,908
Corporation n	11,012
Others (individual amount not exceeding 5%)	32,669
	192,099
Less: Allowance for impairment－Accounts receivable	(1,921)
	190,178
Total	**$ 190,477**

Advanced Ceramic X Corporation

Statement of inventories

December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount		Note
	Cost	Net realizable value	
Raw materials and supplies	$ 36,286		Please refer to note 4(7) for further description of the net realizable value of inventories.
Less: Provision for raw materials and supplies	(7,199)		
Subtotal	29,087	29,135	
Work in progress	81,426		
Less: Provision for work in progress	(27,748)		
Subtotal	53,678	332,596	
Finished goods and merchandises	59,544		
Less: Provision for finished goods and merchandises	(11,901)		
Subtotal	47,643	170,491	
	$ 130,408	**532,222**	

Statement of other financial assets - current

December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Time deposits (more than three months)	$ 499,950
Restricted deposits	2,000
Interest receivable	657
	$ 502,607

Advanced Ceramic X Corporation

Statement of other current assets

December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount
Supplies inventory		$ 11,472
Tax refund receivable	Business tax	4,718
Prepaid expenses		1,406
Prepayments to suppliers		1,287
Others (individual amount not exceeding 5%)		5
		$ 18,888

Statement of changes in property, plant and equipment

December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

Please refer to note 6(4) for Property, plant and equipment.

Statement of changes in intangible assets

December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

Please refer to note 6(5) for intangible assets.

Advanced Ceramic X Corporation

Statement of deferred income tax assets

December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

Please refer to note 6(8) for Deferred income tax assets.

Statement of accounts payable

December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Corporation B	$ 4,034
Corporation R	3,148
Corporation D	3,043
Corporation C	2,988
Corporation K	2,886
Corporation O	2,414
Corporation P	2,346
Others (individual amount not exceeding 5%)	24,845
	$ 45,704

Advanced Ceramic X Corporation

Statement of other current liability

December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

Please refer to note 6(6) for Other current liability.

Statement of net revenue

December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

Item	Quantity (in thousands)	Amount
RF Front-End devices and modules	2,675,321	$ 1,804,308

Advanced Ceramic X Corporation

Statement of cost of revenue

For the year ended December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Raw materials used	
Raw materials on January 1, 2018	$ 31,282
Add: Purchases	237,363
Less: Raw material on December 31, 2018	(36,286)
Transferred to expense	(67,023)
	165,336
Direct labor	75,836
Manufacturing overhead	454,001
Manufacturing cost	695,173
Add: Work in process on January 1, 2018	75,600
Less: Work in process on December 31, 2018	(81,426)
Others	(815)
Cost of finished goods	688,532
Add: Finished goods on January 1, 2018	39,747
Less: Finished goods on December 31, 2018	(59,510)
Others	(1,339)
Cost of self-made sales	667,430
Add: Purchases	2,789
Less: Merchandises on December 31, 2018	(34)
Others	(95)
Cost of sales	670,090
Add: Provision for inventory obsolescence and devaluation loss	11,999
Cost of revenue	**$ 682,089**

Advanced Ceramic X Corporation

Statement of selling and distribution expenses

For the year ended December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Salaries	$ 12,325
Import and export expense	5,934
Commission expense	3,160
Service expense	2,042
Others (individual amount not exceeding 5%)	8,408
Total	**$ 31,869**

Statement of general and administrative expenses

For the year ended December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Salaries	$ 32,641
Repairs expense	7,973
Depreciation	7,378
Others (individual amount not exceeding 5%)	28,981
Total	**$ 76,973**

Advanced Ceramic X Corporation

Statement of research and development expenses

For the year ended December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Salaries	$ 62,886
Consumables	12,014
Depreciation	6,644
Research and development expenses	5,489
Others (individual amount not exceeding 5%)	17,141
Total	**$ 104,174**