

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

**Advanced Ceramic X Corporation**

**Balance Sheets**

**June 30, 2018, December 31, 2017 and June 30, 2017**

(Expressed in Thousands of New Taiwan Dollars)

|  | <u>June 30, 2018</u> |            | <u>December 31, 2017</u> |            | <u>June 30, 2017</u> |            |  | <u>June 30, 2018</u> |            | <u>December 31, 2017</u> |            | <u>June 30, 2017</u> |            |
|--|----------------------|------------|--------------------------|------------|----------------------|------------|--|----------------------|------------|--------------------------|------------|----------------------|------------|
|  | <u>Reviewed</u>      |            | <u>Audited</u>           |            | <u>Reviewed</u>      |            |  | <u>Reviewed</u>      |            | <u>Audited</u>           |            | <u>Reviewed</u>      |            |
|  | <u>Amount</u>        | <u>%</u>   | <u>Amount</u>            | <u>%</u>   | <u>Amount</u>        | <u>%</u>   |  | <u>Amount</u>        | <u>%</u>   | <u>Amount</u>            | <u>%</u>   | <u>Amount</u>        | <u>%</u>   |
| <b>Assets</b>  |                      |            |                          |            |                      |            | <b>Liabilities and Equity</b>                                    |                      |            |                          |            |                      |            |
| <b>Current Assets :</b>                                    |                      |            |                          |            |                      |            | <b>Current Liabilities :</b>                                     |                      |            |                          |            |                      |            |
| 1100 Cash and Cash Equivalents (Note 6(a))                 | \$ 2,686,600         | 65         | 2,284,322                | 61         | 2,571,916            | 62         | 2170 Accounts Payable  | \$ 54,866            | 2          | 43,237                   | 1          | 50,022               | 1          |
| 1170 Notes and Accounts Receivable, Net<br>(Note 6(b))     | 232,546              | 6          | 210,688                  | 6          | 266,569              | 7          | 2201 Salary and Bonus Payable                                    | 166,088              | 4          | 139,474                  | 4          | 177,716              | 5          |
| 1180 Receivables from Related Parties (Note<br>6(b) and 7) | 129,866              | 3          | 134,756                  | 4          | 168,855              | 4          | 2213 Payables to Contractors and Equipment                       | 1,918                | -          | 13,387                   | -          | 19,057               | -          |
| 1310 Inventories (Note 6(c))                               | 136,071              | 3          | 109,337                  | 3          | 114,525              | 3          | 2216 Cash Dividends Payable                                      | 752,277              | 18         | -                        | -          | 724,670              | 17         |
| 1476 Other Financial Assets - Current (Note 8)             | 2,541                | -          | 2,556                    | -          | 2,499                | -          | 2230 Income Tax Payable  | 90,189               | 2          | 90,858                   | 2          | 84,809               | 2          |
| 1479 Other Current Assets                                  | 19,010               | -          | 16,187                   | -          | 16,264               | -          | 2399 Other Current Liabilities (Note 6(f) and 7)                 | 155,452              | 4          | 137,656                  | 4          | 169,465              | 5          |
|  | <u>3,206,634</u>     | <u>77</u>  | <u>2,757,846</u>         | <u>74</u>  | <u>3,140,628</u>     | <u>76</u>  |  | <u>1,220,790</u>     | <u>30</u>  | <u>424,612</u>           | <u>11</u>  | <u>1,225,739</u>     | <u>30</u>  |
| <b>Noncurrent Assets :</b>                                 |                      |            |                          |            |                      |            | <b>Noncurrent Liabilities :</b>                                  |                      |            |                          |            |                      |            |
| 1600 Property, Plant and Equipment (Note 6(d)<br>and 8)    | 941,224              | 23         | 990,408                  | 26         | 997,285              | 24         | 2640 Net Defined Benefit Liabilities -<br>Noncurrent (Note 6(g)) | -                    | -          | 251                      | -          | 513                  | -          |
| 1780 Intangible Assets (Note 6(e))                         | 917                  | -          | 1,167                    | -          | 1,450                | -          | 2600 Other Liabilities   | 8,582                | -          | 7,301                    | -          | 6,055                | -          |
| 1840 Deferred Income Tax Assets                            | 9,860                | -          | 9,860                    | -          | 5,513                | -          |  | <u>8,582</u>         | <u>-</u>   | <u>7,552</u>             | <u>-</u>   | <u>6,568</u>         | <u>-</u>   |
| 1980 Other Financial Assets - Noncurrent                   | 501                  | -          | 501                      | -          | 460                  | -          | <b>Total Liabilities</b>   | <u>1,229,372</u>     | <u>30</u>  | <u>432,164</u>           | <u>11</u>  | <u>1,232,307</u>     | <u>30</u>  |
| 1995 Other Noncurrent Assets-Other                         | 54                   | -          | -                        | -          | -                    | -          | <b>Equity (Note 6(i)) :</b>                                      |                      |            |                          |            |                      |            |
|  | <u>952,556</u>       | <u>23</u>  | <u>1,001,936</u>         | <u>26</u>  | <u>1,004,708</u>     | <u>24</u>  | 3100 Capital Stock   | 690,162              | 16         | 690,162                  | 19         | 690,162              | 16         |
| <b>Total Assets</b>  | <b>\$ 4,159,190</b>  | <b>100</b> | <b>3,759,782</b>         | <b>100</b> | <b>4,145,336</b>     | <b>100</b> | 3200 Capital Surplus   | 573,532              | 14         | 573,532                  | 15         | 573,532              | 14         |
|  |                      |            |                          |            |                      |            | 3300 Retained Earnings   | 1,666,124            | 40         | 2,063,924                | 55         | 1,649,335            | 40         |
|  |                      |            |                          |            |                      |            | <b>Total Equity</b>  | <u>2,929,818</u>     | <u>70</u>  | <u>3,327,618</u>         | <u>89</u>  | <u>2,913,029</u>     | <u>70</u>  |
|  |                      |            |                          |            |                      |            | <b>Total Liabilities and Equity</b>                              | <b>\$ 4,159,190</b>  | <b>100</b> | <b>3,759,782</b>         | <b>100</b> | <b>4,145,336</b>     | <b>100</b> |

See accompanying notes to the financial statements.

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**Advanced Ceramic X Corporation**

**Statements of Comprehensive Income**

**For the Three and Six Months Ended June 30, 2018 and 2017**

(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

|   | <b>Three months ended June 30</b> |           |                |           | <b>Six months ended June 30</b> |           |                |           |
|---|-----------------------------------|-----------|----------------|-----------|---------------------------------|-----------|----------------|-----------|
|   | <b>2018</b>                       |           | <b>2017</b>    |           | <b>2018</b>                     |           | <b>2017</b>    |           |
|   | <b>Amount</b>                     | <b>%</b>  | <b>Amount</b>  | <b>%</b>  | <b>Amount</b>                   | <b>%</b>  | <b>Amount</b>  | <b>%</b>  |
| 4100 <b>Net Sales Revenue</b> (Note 6(o)(p) and 7)              | \$ 457,038                        | 100       | 503,145        | 100       | 847,309                         | 100       | 992,247        | 100       |
| 5000 <b>Operating Costs</b> (Note 6(c)(k) and 7)                | 174,348                           | 38        | 181,693        | 36        | 326,006                         | 38        | 363,498        | 37        |
| <b>Gross Profit</b>   | 282,690                           | 62        | 321,452        | 64        | 521,303                         | 62        | 628,749        | 63        |
| <b>Operating Expenses</b> (Note 6(k) and 7) :                   |                                   |           |                |           |                                 |           |                |           |
| 6100 Selling and Distribution Expenses                          | 8,808                             | 2         | 8,934          | 2         | 14,934                          | 2         | 15,385         | 1         |
| 6200 General and Administrative Expenses                        | 19,268                            | 4         | 20,721         | 4         | 36,822                          | 4         | 39,173         | 4         |
| 6300 Research and Development Expenses                          | 25,985                            | 6         | 25,556         | 5         | 48,417                          | 6         | 49,511         | 5         |
|   | 54,061                            | 12        | 55,211         | 11        | 100,173                         | 12        | 104,069        | 10        |
| <b>Profit from Operations</b>                                   | 228,629                           | 50        | 266,241        | 53        | 421,130                         | 50        | 524,680        | 53        |
| <b>Non-Operating Income and Expenses :</b>                      |                                   |           |                |           |                                 |           |                |           |
| 7101 Interest Income  | 4,224                             | 1         | 4,068          | 1         | 8,444                           | 1         | 7,387          | 1         |
| 7190 Other Income (Expense)                                     | -                                 | -         | (143)          | -         | 176                             | -         | 227            | -         |
| 7230 Foreign Exchange Gain (Loss), Net                          | 24,699                            | 5         | 9,110          | 2         | 13,251                          | 2         | (20,236)       | (2)       |
| 7610 Gain on Disposal of Property, Plant and<br>Equipment, Net  | 95                                | -         | 185            | -         | 95                              | -         | 185            | -         |
|   | 29,018                            | 6         | 13,220         | 3         | 21,966                          | 3         | (12,437)       | (1)       |
| 7900 <b>Profit Before Income Tax</b>                            | 257,647                           | 56        | 279,461        | 56        | 443,096                         | 53        | 512,243        | 52        |
| 7950 <b>Income Tax Expense</b> (Note 6(h))                      | 51,529                            | 11        | 48,708         | 10        | 88,619                          | 11        | 88,281         | 9         |
| <b>Profit for the period</b>                                    | 206,118                           | 45        | 230,753        | 46        | 354,477                         | 42        | 423,962        | 43        |
| 8300 <b>Other Comprehensive Income, net of tax</b>              | -                                 | -         | -              | -         | -                               | -         | -              | -         |
| 8500 <b>Total Comprehensive Income</b>                          | <b>\$ 206,118</b>                 | <b>45</b> | <b>230,753</b> | <b>46</b> | <b>354,477</b>                  | <b>42</b> | <b>423,962</b> | <b>43</b> |
| <b>Earnings Per Share (Expressed in Dollars)</b><br>(Note 6(j)) |                                   |           |                |           |                                 |           |                |           |
| 9750 Basic Earnings Per Share                                   | <b>\$ 2.99</b>                    |           | <b>3.34</b>    |           | <b>5.14</b>                     |           | <b>6.14</b>    |           |
| 9850 Diluted Earnings Per Share                                 | <b>\$ 2.98</b>                    |           | <b>3.34</b>    |           | <b>5.13</b>                     |           | <b>6.13</b>    |           |

See accompanying notes to the financial statements.

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**Advanced Ceramic X Corporation**  
**Statements of Changes in Equity**  
**For the Six Months Ended June 30, 2018 and 2017**  
(Expressed in Thousands of New Taiwan Dollars)

|   | Common<br>Stock   | Capital<br>Surplus | Retained Earnings |                           | Total<br>Equity  |                  |
|---|-------------------|--------------------|-------------------|---------------------------|------------------|------------------|
|   |                   |                    | Legal<br>Reserve  | Undistributed<br>Earnings |                  | Total            |
| <b>Balance as of January 1, 2017</b>                              | \$ 690,162        | 573,532            | 475,888           | 1,474,155                 | 1,950,043        | 3,213,737        |
| Profit for the Six Months Ended June 30, 2017                     | -                 | -                  | -                 | 423,962                   | 423,962          | 423,962          |
| Other Comprehensive Income for the Six Months Ended June 30, 2017 | -                 | -                  | -                 | -                         | -                | -                |
| Total Comprehensive Income for the Six Months Ended June 30, 2017 | -                 | -                  | -                 | 423,962                   | 423,962          | 423,962          |
| Appropriation and Distribution of 2016 Earnings :                 |                   |                    |                   |                           |                  |                  |
| Legal Reserve   | -                 | -                  | 80,667            | (80,667)                  | -                | -                |
| Cash Dividends  | -                 | -                  | -                 | (724,670)                 | (724,670)        | (724,670)        |
| <b>Balance as of June 30, 2017</b>                                | <b>\$ 690,162</b> | <b>573,532</b>     | <b>556,555</b>    | <b>1,092,780</b>          | <b>1,649,335</b> | <b>2,913,029</b> |
| <b>Balance as of January 1, 2018</b>                              | \$ 690,162        | 573,532            | 556,555           | 1,507,369                 | 2,063,924        | 3,327,618        |
| Profit for the Six Months Ended June 30, 2018                     | -                 | -                  | -                 | 354,477                   | 354,477          | 354,477          |
| Other Comprehensive Income for the Six Months Ended June 30, 2018 | -                 | -                  | -                 | -                         | -                | -                |
| Total Comprehensive Income for the Six Months Ended June 30, 2018 | -                 | -                  | -                 | 354,477                   | 354,477          | 354,477          |
| Appropriation and Distribution of 2017 Earnings :                 |                   |                    |                   |                           |                  |                  |
| Legal Reserve   | -                 | -                  | 83,859            | (83,859)                  | -                | -                |
| Cash Dividends  | -                 | -                  | -                 | (752,277)                 | (752,277)        | (752,277)        |
| <b>Balance as of June 30, 2018</b>                                | <b>\$ 690,162</b> | <b>573,532</b>     | <b>640,414</b>    | <b>1,025,710</b>          | <b>1,666,124</b> | <b>2,929,818</b> |

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**Advanced Ceramic X Corporation**

**Statements of Cash Flows**

**For the Six Months Ended June 30, 2018 and 2017**

(Expressed in Thousands of New Taiwan Dollars)

|   | <b>Six months ended June 30</b> |                         |
|---|---------------------------------|-------------------------|
|   | <b>2018</b>                     | <b>2017</b>             |
| <b>Cash Flows from Operating Activities :</b>               |                                 |                         |
| Income Before Income Tax                                    | \$ 443,096                      | 512,243                 |
| Adjustments for :   |                                 |                         |
| Depreciation  | 70,970                          | 66,069                  |
| Amortization  | 250                             | 350                     |
| Provision of Expected Credit Losses (Bad Debt)              | 172                             | 855                     |
| Interest Income   | (8,444)                         | (7,387)                 |
| Gain on Disposal of Property, Plant and Equipment, Net      | (95)                            | (185)                   |
| Provision for Inventory Obsolescence and Devaluation Loss   | 4,000                           | 12,000                  |
| Total Adjustments to Reconcile Profit                       | <u>66,853</u>                   | <u>71,702</u>           |
| Changes in Operating Assets and Liabilities :               |                                 |                         |
| Notes and Accounts Receivable                               | (22,079)                        | (14,503)                |
| Receivables from Related Parties                            | 4,939                           | (71,001)                |
| Inventories   | (30,734)                        | (16,080)                |
| Other Operating Current Assets                              | (2,823)                         | 62                      |
| Accounts Payable  | 11,629                          | (4,701)                 |
| Net Defined Benefit Liabilities-Noncurrent                  | (305)                           | (295)                   |
| Other Liabilities-Noncurrent                                | 1,281                           | 1,245                   |
| Other Operating Current Liabilities                         | <u>44,410</u>                   | <u>72,951</u>           |
| Total Net Changes in Operating Assets and Liabilities       | <u>6,318</u>                    | <u>(32,322)</u>         |
| Cash Generated from Operations                              | 516,267                         | 551,623                 |
| Interest Received   | 8,459                           | 7,343                   |
| Income Taxes Paid   | <u>(89,288)</u>                 | <u>(89,669)</u>         |
| Net Cash Generated by Operating Activities                  | <u>435,438</u>                  | <u>469,297</u>          |
| <b>Cash Flows from Investing Activities :</b>               |                                 |                         |
| Acquisition of Property, Plant and Equipment                | (33,255)                        | (254,241)               |
| Proceeds from Disposal of Property, Plant and Equipment     | 95                              | 185                     |
| Decrease in Other Financial Assets                          | -                               | 916                     |
| Net Cash Used in Investing Activities                       | <u>(33,160)</u>                 | <u>(253,140)</u>        |
| <b>Net Increase in Cash and Cash Equivalents</b>            | 402,278                         | 216,157                 |
| <b>Cash and Cash Equivalents at the Beginning of Period</b> | <u>2,284,322</u>                | <u>2,355,759</u>        |
| <b>Cash and Cash Equivalents at the End of Period</b>       | <u><b>\$ 2,686,600</b></u>      | <u><b>2,571,916</b></u> |

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