Stock Code: 3152

ACX
Advanced Ceramic X

Advanced Ceramic X Corporation

2018 Annual Report

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Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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I. Letter to Shareholders

To all shareholders:

The communication industry went through a volatile year in 2018. The macroeconomic uncertainties and slow economic growth in smart phone market led to weaker user demand. Looking back at the performance for 2018, ACX's revenue was NT$1,804,308 thousand, and net profit after tax was NT$757,739 thousand, with a basic earnings per share of NT$10.98. Net revenue and net profit decreased by 8.1% and 9.6% respectively compared with the previous year. Although the overall operating results decreased slightly due to the slowdown in demand, ACX still maintained a stable profit trend.

ACX is the first design and manufacturing company in Taiwan dedicated to RF front-end devices and modules, providing advanced value-added solutions for wireless communications products using advanced ceramic and circuit design techniques and module packaging technologies. Looking back over the past year, despite the global economic slowdown and reduced demand for wireless communications products, ACX has continued insisting on product innovation and technology upgrades. As transmission volume and transmission rates continue to increase, ACX continues to tap into Internet of Things, wearable and automotive-related applications in broadband applications, and has successfully developed multi-frequency multi-mode integration components that meet customer needs. In addition, ACX can provide the solutions needed for LTE smart phones due to the continuous upgrade of handsets in China and emerging markets. Furthermore, ACX continues to actively develop a variety of WiFi, NBIoT, mobile-related RF front-end (FEM) modules and system-in-package (SiP) modules to complement the product portfolio and significantly improve product technology. In this way, ACX hopes to further enhance ACX's long-term competitive advantage.

The world's fifth-generation mobile communication technology (5G) is constantly evolving and is expected to bring huge economic benefits. The future demand for automotive networks, Internet of Things, self driving cars and smart cities will also drive the development of 5G. In the future, ACX will continue to invest in research and development resources and widely deploy wireless communication applications. With advanced core technologies in RF circuit design, material development, process design and product testing, ACX can provide customers with diverse, miniaturized and modular products and services as well as new products from new technology applications in response to the communications market for future development.

Looking forward, the application of wireless products will be more diversified and popularized, and the rapid growth of transmission rate specifications, coupled with the miniaturization of terminal products and the trend of component integration, etc., the market demand of communication applications for RF integrated components and modules required will increase. ACX will continue to focus on the wireless communications arena, providing customers with high value-added integrated services by accelerating technological innovation and product upgrades. With the joint efforts of the team, we will actively develop domestic and foreign customers based on advance R&D technology and production strength, strengthen strategic partnerships, and comprehensively expand the company's operating scale and market share in order to create new business achievements.

With our sound and pragmatic business philosophy, every colleague will go all out to enhance the company's overall value. Lastly, we would like to express our appreciation for shareholders' long term support.

Advanced Ceramic X Corporation
Chairman: Shuang De Investment Corporation
Representative: Chien-Wen Kuo

II. Company Profile

2.1 Date of Incorporation: April 15, 1998

2.2 Company History

1998 Apr.	Founded on April 15, 1998 with NT$188 million capital.
1998 Jun.	Start building factory A in Hsinchu Industrial Park.
1998 Jul.	Start Research and development of high frequency chip inductors.
1998 Sep.	Receive the Important Technology Enterprise certified by the Ministry of Economic Affairs (MOEA), Taiwan.
1998 Sep.	Underwent the suspended public issuance procedure.
1998 Nov.	Increased capital to NT$500 million.
1998 Dec.	Receive several Taiwan and US patents on LTCC materials and devices.
1999 Jun.	Factory was completed.
1999 Aug.	Moved to Hsinchu Industrial Park, with an area of 3,638 square meters.
1999 Nov.	Receive several Taiwan patents on LTCC materials and devices.
1999 Dec.	Implement ERP system.
2000 Jan.	Receive research grant on the development of wireless LTCC components from the Ministry of Economic Affairs (MOEA), Taiwan.
2000 Jan.	ISO 9001 certified.
2000 Mar.	Underwent the supplemental public issuance procedure.
2000 May	Signed technology transfer agreement with Thomson-CS and its subsidiary SOREP.
2000 Jun.	Increased capital to NT$620 million.
2000 Jul.	Thomson-CS became a corporate director of the company.
2000 Dec.	Receive several Taiwan and US patents on LTCC materials and devices.
2001 May	Receive the Enterprises in the Newly Emerging, Important and Strategic Industries certified by the Ministry of Economic Affairs (MOEA), Taiwan.
2001 Aug.	QS-9000 certified.
2001 Oct.	Receive the 8th Research Innovation Award given by the Ministry of Economic Affairs (MOEA), Taiwan.
2001 Dec.	Receive 2nd research grant on the development of wireless LTCC modules from the MOEA, Taiwan.
2002 Mar.	Start manufacturing high-frequency LTCC devices for WLAN and Bluetooth applications.
2003 Jan.	Start manufacturing LTCC substrates for Bluetooth and 0201 high-frequency chip inductors for handset applications.
2003 Oct.	Receive the 10th Research Innovation Award given by the Ministry of Economic Affairs (MOEA), Taiwan.
2004 Apr.	ISO-14001 certified.
2004 Jul.	Increased capital to NT$664 million.

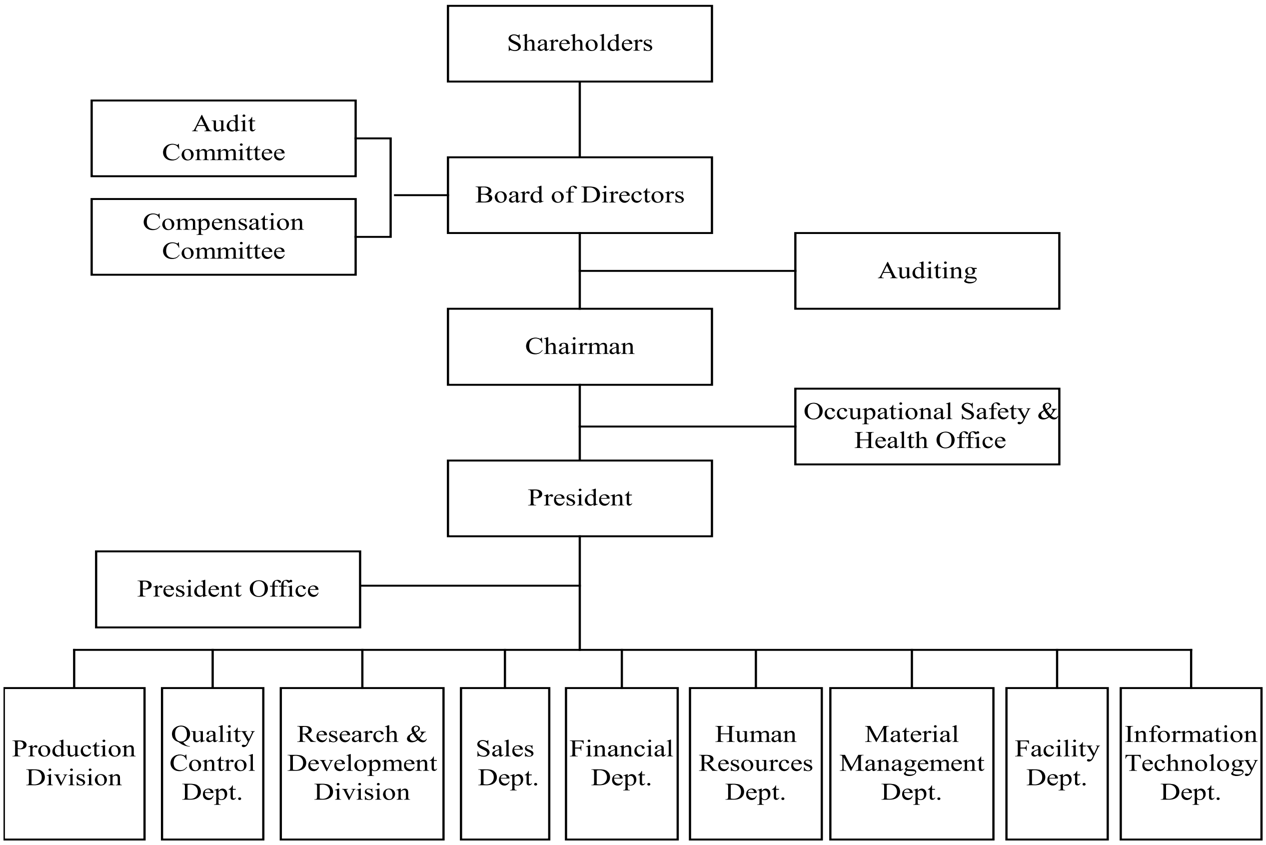
2004 Aug.	Receive the 7th Rising Star Award from the Ministry of Economic Affairs (MOEA), Taiwan.
2004 Oct.	Receive the 13th National Award of Small and Medium Enterprises from the Ministry of Economic Affairs (MOEA), Taiwan.
2004 Dec.	Traded on the Emerging Stock Market.
2005 Jul.	Increased capital to NT$731 million.
2006 Sep.	Increased capital to NT$837 million.
2006 Oct.	Capital reduction to NT$502 million.
2006 Dec.	Receive research grant on development of constrained sintering for production of wireless LTCC modules from the Ministry of Economic Affairs (MOEA), Taiwan.
2007 Jun.	Increased capital to NT$542 million.
2007 Dec.	Increased capital to NT$545 million.
2008 Mar.	Increased capital to NT$613 million.
2008 Mar.	Stock listed on the Taipei Exchange.
2008 Jul.	Increased capital to NT$627 million.
2008 Oct.	Receive the 16th Industrial Technology Advancement Award - Excellent Enterprise Innovation Award from the Ministry of Economic Affairs (MOEA), Taiwan. The president of ACX was also honored to receive the 16th Advanced Technology Award - Individual Achievement Award.
2009 Mar.	Start manufacturing SiP modules for 2G mobile phone.
2010 Sep.	Increased capital to NT$690 million.
2010 Dec.	CG6006 Corporate Governance Certified by Taiwan Corporate Governance Association.
2011 Jul.	Awarded annual A+ of the 8th Information Disclosure Evaluation of Taiwan listed companies by Securities & Futures Institute.
2011 Aug.	Awarded “Asia’s 200 Best under a Billion” by Forbes Asia.
2011 Nov.	Start manufacturing SiP modules for 3G mobile phone.
2012 Mar.	Start manufacturing WLAN SiP modules.
2012 Jul.	Awarded annual A+ of the 9th Information Disclosure Evaluation of Taiwan listed companies by Securities & Futures Institute.
2013 Jul.	Awarded annual A+ of the 10th Information Disclosure Evaluation of Taiwan listed companies by Securities & Futures Institute.
2014 Jan.	Awarded the 2nd annual Potential Taiwan Mittelstand Winner by the Ministry of Economic Affairs (MOEA), Taiwan.
2014 Jul.	Awarded annual A+ of the 11th Information Disclosure Evaluation of Taiwan listed companies by Securities & Futures Institute.
2015 Apr.	Awarded annual A+ of the 12th Information Disclosure Evaluation of Taiwan listed companies by Securities & Futures Institute. Awarded TOP 20% of the 1st Corporation Governance Evaluation by Taiwan Stock Exchange Corporation and Taipei Exchange.
2016 Apr.	Awarded the TOP 5% of the 2nd Corporation Governance Evaluation by Taiwan Stock Exchange Corporation and Taipei Exchange.

2017 Jan.	OHSAS 18001 certified.
2017 Apr.	Awarded the TOP 20% of the 3rd Corporation Governance Evaluation by Taiwan Stock Exchange Corporation and Taipei Exchange.
2017 Nov.	Start building factory B in Hsinchu Industrial Park.
2017 Dec.	Receive several Taiwan and US patents on LTCC materials and devices.
2018 Apr.	Awarded the TOP 20% of the 4th Corporation Governance Evaluation by Taiwan Stock Exchange Corporation and Taipei Exchange.
2018 Jul.	IATF16949 certified.
2019 Apr.	Awarded the TOP 5% of the 5th Corporation Governance Evaluation by Taiwan Stock Exchange Corporation and Taipei Exchange.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Functions of Departments

Department	Functions
President Office	Responsible for the planning and implementing of Company structure, managing the implementing of special projects and assisting the President with internal manage and external issues.
Auditing	Reviews and assesses the internal control system and provides analysis and evaluations.
Occupational Safety & Health Office	Responsible for the planning, managing and operating of labor safety and health of the company.
Production Division	Responsible for production capacity allocation, product manufacturing and equipment repair.
Quality Control Dept.	Inspects and accepts raw materials and products and performs quality controls.
Research & Development Division	Responsible for technology development and design for products, materials analysis and process improvement.
Sales Dept.	Responsible for analyzing industry data, corporate marketing activities and after sales service.
Financial Dept.	Responsible for the planning, implementing and control of treasury, accounting, tax and shareholder affairs.
Human Resources Dept.	Responsible for the planning and execution of human resources, employee training, general affairs and asset management.
Material Management Dept.	Responsible for the raw materials, machinery and equipment procurement; import, export and storage management.
Facility Dept.	Responsible for the planning, set-up and maintenance of facilities.
Information Technology Dept.	Responsible for the planning and management of the Company information systems, software and network.

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

A. Directors

As of 04/20/2019

Title	Nationality / Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C	Shuang De Investment Corp.	-	06/29/2016	3	06/25/2013	17,000	0.02%	31,000	0.04%	0	0%	0	0%	-	-	-	-	-
		Rep.: Chien-Wen Kuo	Male				1,709,481	2.48%	1,709,481	2.48%	365,017	0.53%	0	0%	•Bachelor Degree in Department of Civil Engineering, Chung Yuan Christian University •Chairman of Ting Fu Investment Corp.	Note 1	Director Director Director	Yung-Fu Kuo Chih-Chun Kuo Te-Ti Han	Father and Son Brother Spouse
Director	R.O.C	Kuo Chia Fu Investment Corp.	-	06/29/2016	3	06/28/2001	5,436,189	7.88%	5,485,189	7.95%	0	0%	0	0%	-	-	-	-	-
		Rep.:Yung-Fu Kuo	Male				0	0%	0	0%	0	0%	0	0%	•TaiBei High School •Director of Kuo Chia Fu Investment Corp.	Director of Kuo Chia Fu Investment Corp.	Chairman Director Director	Chien-Wen Kuo Chih-Chun Kuo Te-Ti Han	Father and Son Brother Daughter-in-law
Director	R.O.C	Hsin Chang Construction Corp.	-	06/29/2016	3	06/17/2010	1,551,344	2.25%	1,551,344	2.25%	0	0%	0	0%	-	-	-	-	-
		Rep.: Chih-Chun Kuo	Male				1,709,481	2.48%	1,709,481	2.48%	365,017	0.53%	0	0%	•Master Degree in EMBA, National Taiwan University •Chairman of Kuo Chia Fu Investment Corp.	Note 2	Chairman Director Director	Chien-Wen Kuo Yung-Fu Kuo Te-Ti Han	Father and Son Brother Sister-in-law
Director	R.O.C	Lin Li Construction Corp.	-	06/29/2016	3	06/17/2010	1,808,271	2.62%	1,808,271	2.62%	0	0%	0	0%	-	-	-	-	-
		Rep.: Te-Ti Han	Female				365,017	0.53%	365,017	0.53%	1,709,481	2.48%	0	0%	•Bachelor Degree in Spanish Language and Culture, Fu Jen Catholic University •Director of Lin Li Construction Corp.	Note 3	Chairman Director Director	Chien-Wen Kuo Yung-Fu Kuo Chih-Chun Kuo	Spouse Father -in-law Sister-in-law
Director	US	Johanson Technology Inc.	-	06/29/2016	3	06/28/2001	2,881,810	4.18%	2,881,810	4.18%	0	0%	0	0%	-	-	-	-	-
		Rep.: Petrinec John Darko	Male				156,200	0.23%	156,200	0.23%	0	0%	0	0%	•Bachelor Degree in Ceramic engineering, Alfred University •President of Johanson Technology Inc.	President of Johanson Technology Inc.	-	-	-

Note 1: Chairman of Ting Fu Investment Corp., Chairman of Lin Li Construction Corp., Chairman of Universal Asia Technology Company, Chairman of Chun Chien International Co., Ltd, Director of Hsin Chang Construction Corp., Director of Lien Fu Investment Corp., Director of Mei Erh Ku Construction Corp., Director of Kuo Chia Fu Investment Corp., President of Advanced Ceramic X Corporation

Note 2: Chairman of Kuo Chia Fu Investment Corp., Chairman of Lien Fu Investment Corp., Chairman of Hsin Chang Construction Corp., Chairman of Chien Fu Investment Co., Ltd, Chairman of Mei Erh Ku Construction Corp., Director of Lin Li Construction Corp., Director of Ting Fu Investment Corp., Chairman of Universal Asia Technology Company, Director of Formosan Union Chemical Corp., Director of Fortune General Merchandise Corp.

Note 3: Director of Lin Li Construction Corp., Chairman of Universal Asia Technology Company, Director of Ting Fu Investment Corp., Director of Lien Fu Investment Corp.

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	US	Scientific Components Corp.	-	06/29/2016	3	04/19/2006	3,068,477	4.45%	3,068,477	4.45%	0	0%	0	0%	-	-	-	-	-
		Rep.: Kelvin Kiew	Male				0	0%	0	0%	0	0%	0	0%	•Master Degree in Engineering, University of California •Vice President of Scientific Components Corp.	•President of Scientific Components Corp •Chairman of Mini-Circuits Taiwan Ltd.	-	-	-
Director	R.O.C	Ming-Huang LI	Male	06/29/2016	3	02/21/2000	346,450	0.50%	346,450	0.50%	151,480	0.22%	0	0%	•Yanping High School •Chairman of Chun Jing Petroleum Corp.	Chairman of Fortune General Merchandise Corp.	-	-	-
Director	R.O.C	Chiu-Feng Lien	Male	06/29/2016	3	06/25/2013	20,000	0.03%	20,000	0.03%	0	0%	0	0%	•Master Degree in Electronics Engineering, National Chiao Tung University •Director of Explore Semiconductor Inc.	•Director of Explore Semiconductor Inc. •Supervisor of Explore Microelectronics Inc.	-	-	-
Independent Director	R.O.C	Shiuh-Kao Chiang	Male	06/29/2016	3	05/09/2007	0	0%	0	0%	0	0%	0	0%	•Ph. D. in Ceramic Engineering, Ohio State University •EMBA in Cleveland State University •Director of Gould Electronics	Managing partner of Prismark Partners LLC	-	-	-
Independent Director	R.O.C	Ta-Wen Sun	Male	06/29/2016	3	05/09/2007	0	0%	0	0%	0	0%	0	0%	•Bachelor Degree in Business Administration, Fu Jen Catholic University •Chairman of Taiflex Scientific Co., Ltd.	Note 4	-	-	-
Independent Director	R.O.C	Shang-Ming Chin	Male	06/29/2016	3	06/25/2013	0	0%	0	0%	0	0%	0	0%	•Master Degree in International Management, American Graduate School •Vice President of IBM	-	-	-	-

Note 4: Chairman of Taiflex Scientific Co., Ltd., Chairman of Qiao Mei Development Corporation, Chairman of Innatech Co., Ltd., Chairman of Yu Pen Investment Corp., Supervisor of BIONET Corp., Director of Enli Technology Co., Ltd, Director of SciVision Biotech Inc.

B. Major shareholders of the institutional shareholders

As of 12/31/2018

Name of Institutional Shareholders	Major Shareholders
Shuang De Investment Corp.	Fang-Ling Kuo (50%), Hsiu-Chen Kuo (50%)
Kuo Chia Fu Investment Corp.	Chih-Chun Kuo (8.87%), Chien-Wen Kuo (8.80%), Lin Li Construction Corp. (8.12%), Te-Ti Han (6.91%), Hui-Chu Tsai (6.13%), Lien Fu Investment Corp. (5.28%), Hsin Chang Construction Corp. (5.17%), Ting Fu Investment Corp. (4.69%), Hsiu-Chen Kuo (1.40%), Yu-Hsiung Hsieh (1.35%)
Johanson Technology Inc.	Eric Johanson (100%)
Scientific Components Corp.	Harvey Kaylie (100%)
Hsin Chang Construction Corp.	Ting Fu Investment Corp. (19.48%), Cheng-Hsin Kuo (12.65%), Cheng-Lin Kuo (12.65%), Chun Kuo(12.65%), Li Kuo (12.65%), Chih-Chun Kuo (9.45%), Chien-Wen Kuo (9.20%), Te-Ti Han (5.76%), Hui-Chu Tsai (5.51%)
Lin Li Construction Corp.	Lien Fu Investment Corp. (14.95%), Cheng-Hsin Kuo (14.12%), Cheng-Lin Kuo(14.12%), Chun Kuo (14.12%), Li Kuo(14.12%), Chih-Chun Kuo (7.90%), Chien-Wen Kuo (7.90%), Te-Ti Han (6.39%), Hui-Chu Tsai (6.38%)

C. Major shareholders of the Company’s major institutional shareholders

As of 12/31/2018

Name of Institutional Shareholders	Major Shareholders
Ting Fu Investment Corp.	Lin Li Construction Corp. (30.80%), Chih-Chun Kuo (14.25%), Chien-Wen Kuo (14.20%), Te-Ti Han (11.22%), Hui-Chu Tsai (11.17%), Cheng-Hsin Kuo (4.59%), Cheng-Lin Kuo (4.59%), Chun Kuo (4.59%), Li Kuo (4.59%)
Lien Fu Investment Corp.	Hsin Chang Construction Corp. (33.58%), Chien-Wen Kuo (16.46%), Chih-Chun Kuo (16.33%), Te-Ti Han (15.98%), Hui-Chu Tsai (15.33%), Cheng-Hsin Kuo (0.77%), Cheng-Lin Kuo (0.77%), Chun Kuo (0.39%), Li Kuo (0.39%)

D. Professional qualifications and independence analysis of directors and supervisors

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Shuang De Investment Corp. Rep.:Chien-Wen Kuo	—	—	∨	—	∨	—	—	—	∨	∨	—	∨	—	0
Kuo Chia Fu Investment Corp. Rep.:Yung-Fu Kuo	—	—	∨	∨	∨	—	—	—	∨	∨	—	∨	—	0
Hsin Chang Construction Corp. Rep.:Chih-Chun Kuo	—	—	∨	∨	∨	—	—	—	∨	∨	—	∨	—	0
Lin Li Construction Corp. Rep.:Te-Ti Han	—	—	∨	∨	∨	—	—	—	∨	∨	—	∨	—	0
Johanson Technology Inc. Rep.:Petrinec John Darko	—	—	∨	∨	∨	—	∨	—	∨	∨	∨	∨	—	0
Scientific Components Corp. Rep.:Kelvin Kiew	—	—	∨	∨	∨	—	∨	—	∨	∨	∨	∨	—	0
Ming-Huang LI	—	—	∨	∨	∨	—	∨	∨	∨	∨	∨	∨	∨	0
Chiu-Feng Lien	—	—	∨	∨	∨	—	∨	∨	∨	∨	∨	∨	∨	0
Shiuh-Kao Chiang	—	—	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	0
Ta-Wen Sun	—	—	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	0
Shang-Ming Chin	—	—	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	∨	0

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Act.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

3.2.2 Management Team

As of 04/20/2019

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	R.O.C	Chien-Wen Kuo	Male	12/13/2013	1,709,481	2.48%	365,017	0.53%	0	0%	•Bachelor Degree in Department of Civil Engineering, Chung Yuan Christian University •Chairman of Ting Fu Investment Corp.	Note 1	None	None	None
Vice President	R.O.C	Chia-Jui Chang (Note 2)	Female	07/01/1998	9,900	0.01%	1,000	0%	0	0%	•Ph. D. in Materials Science and Engineering, National Tsing Hua University	None	None	None	None
Vice President	R.O.C	Chih-Wen Shen	Male	10/23/2013	0	0%	0	0%	0	0%	•Ph. D. in Electrical Communication Engineering, National Chiao Tung University •Vice President of Scientific Technics Co., Ltd.	None	None	None	None
Director	R.O.C	Cheng-Chi Lin	Female	08/01/1998	16,596	0.02%	0	0%	0	0%	•Master Degree in Applied Chemistry, National Chiao Tung University •Material Research Fellow of Industrial Technology Research Institute	None	None	None	None
Director	R.O.C	Yu-Hui Ning (Note 2)	Female	08/16/2006	0	0%	0	0%	0	0%	•Master Degree in Accounting, University of California •Director of Advantech Semiconductor Inc.	None	None	None	None
Director	R.O.C	Chun-Hung Liu	Male	08/03/2010	7,500	0.01%	300	0%	0	0%	•Master Degree in Materials Science and Engineering, National Tsing Hua University	None	None	None	None
Director	R.O.C	Wei-Neng Wang (Note 3)	Male	08/07/2018	1,000	0%	0	0%	0	0%	•Master Degree in Accounting, National Taipei University •Financial Director of AUO Crystal Corp.	None	None	None	None

Note 1: Chairman of Ting Fu Investment Corp., Chairman of Lin Li Construction Corp., Chairman of Universal Asia Technology Company, Director of Hsin Chang Construction Corp., Director of Lien Fu Investment Corp., Director of Mei Erh Ku Construction Corp., Director of Kuo Chia Fu Investment Corp.

Note 2: Vice President, Chia-Jui Chang, officially withdrew from her position on June 28, 2018, and Assistant Vice President, Yu-Hui Ning, officially withdrew from her position on August 7, 2018.

Note 3: Mr. Wei-Neng Wang was appointed as Financial Director on August 7, 2018.

3.2.3 Remuneration of Directors, Supervisors, President, and Vice Presidents

A. Remuneration of Directors

As of 12/31/2018; Unit: NT$ thousands; Shares in thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The company	Companies in the Financial Reports	The company	Companies in the Financial Reports	The company	Companies in the Financial Reports	The company	Companies in the Financial Reports	The company	Companies in the Financial Reports	The company	Companies in the Financial Reports	The company	Companies in the Financial Reports	The company		Companies in the Financial Reports		The company	Companies in the Financial Reports	
																Cash	Stock	Cash	Stock			
Chairman	Shuang De Investment Corp.	0	0	0	0	15,168	15,168	240	240	2.03%	2.03%	0	0	0	0	0	0	0	0	2.03%	2.03%	None
Director	Kuo Chia Fu Investment Corp.																					
Director	Hsin Chang Construction Corp.																					
Director	Lin Li Construction Corp.																					
Director	Johanson Technology Inc.																					
Director	Scientific Components Corp																					
Director	Ming-Huang LI																					
Director	Chiu-Feng Lien																					
Independent Director	Shiuh-Kao Chiang																					
Independent Director	Ta-Wen Sun																					
Independent Director	Shang-Ming Chin																					

Note 1: The employees' compensation and Directors' compensation for year 2018 were NT$50,560 thousand and NT$15,168 thousand, respectively, which were passed by the Board of Directors' meeting on Feb. 26, 2019.
Note 2: The net income for year 2018 was NT$757,739 thousand.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the Financial Reports	The company	Companies in the Financial Reports
Under NT$ 2,000,000	Shuang De Investment Corp., Kuo Chia Fu Investment Corp., Hsin Chang Construction Corp., Lin Li Construction Corp. Johanson Technology Inc., Scientific Components Corp., Ming-Huang LI, Chiu-Feng Lien, Shiuh-Kao Chiang, Ta-Wen Sun, Shang-Ming Chin	Shuang De Investment Corp., Kuo Chia Fu Investment Corp., Hsin Chang Construction Corp., Lin Li Construction Corp. Johanson Technology Inc., Scientific Components Corp., Ming-Huang LI, Chiu-Feng Lien, Shiuh-Kao Chiang, Ta-Wen Sun, Shang-Ming Chin	Shuang De Investment Corp., Kuo Chia Fu Investment Corp., Hsin Chang Construction Corp., Lin Li Construction Corp. Johanson Technology Inc., Scientific Components Corp., Ming-Huang LI, Chiu-Feng Lien, Shiuh-Kao Chiang, Ta-Wen Sun, Shang-Ming Chin	Shuang De Investment Corp., Kuo Chia Fu Investment Corp., Hsin Chang Construction Corp., Lin Li Construction Corp. Johanson Technology Inc., Scientific Components Corp., Ming-Huang LI, Chiu-Feng Lien, Shiuh-Kao Chiang, Ta-Wen Sun, Shang-Ming Chin
NT$2,000,001 ~ NT$5,000,000				
NT$5,000,001 ~ NT$10,000,000				
NT$10,000,001 ~ NT$15,000,000				
NT$15,000,001 ~ NT$30,000,000				
NT$30,000,001 ~ NT$50,000,000				
NT$50,000,001 ~ NT$100,000,000				
Over NT$100,000,000				
Total	11	11	11	11

B. Compensation of Supervisors: N/A

C. Compensation Paid to President and Vice Presidents

As of 12/31/2018; Unit: NT$ thousands; Shares in thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D) Note 1				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		The company	Companies in the Financial Reports	The company	Companies in the Financial Reports	The company	Companies in the Financial Reports	The company		Companies in the Financial Reports		The company	Companies in the Financial Reports	
								Cash	Stock	Cash	Stock			
President	Chien-Wen Kuo	3,004	3,004	182	182	2,124	2,124	4,590	0	4,590	0	1.31%	1.31%	None
Vice President	Chia-Jui Chang (Note 3)													
Vice President	Chih-Wen Shen													

Note 1: The employees' compensation for year 2018 was NT$50,560 thousand which was passed by the Board of Directors' meeting on Feb. 26, 2019. Employee Compensation percentage used last year is adopted.

Note 2: The net income for year 2018 was NT$757,739 thousand.

Note 3: Vice President, Chia-Jui Chang, officially withdrew from her position on June 28, 2018.

Range of Compensation	Name of President and Vice Presidents	
	The company	Companies in the Financial Reports
Under NT$ 2,000,000	Chien-Wen Kuo, Chia-Jui Chang	Chien-Wen Kuo, Chia-Jui Chang
NT$2,000,001 ~ NT$5,000,000		
NT$5,000,001 ~ NT$10,000,000	Chih-Wen Shen	Chih-Wen Shen
NT$10,000,001 ~ NT$15,000,000		
NT$15,000,001 ~ NT$30,000,000		
NT$30,000,001 ~ NT$50,000,000		
NT$50,000,001 ~ NT$100,000,000		
Over NT$100,000,000		
Total	3	3

D. Employee Compensation Paid to Management Team

As of 12/31/2018; Unit: NT$ thousands

Title		Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Chien-Wen Kuo	0	6,163	6,163	0.81%
	Vice President	Chia-Jui Chang (Note3)				
	Vice President	Chih-Wen Shen				
	Directors	Cheng-Chi Lin				
	Directors	Yu-Hui Ning (Note 3)				
	Directors	Chun-Hung Liu				
	Directors	Wei-Neng Wang (Note 4)				

Note 1: The employees' compensation for year 2018 was NT$50,560 thousand which was passed by the Board of Directors' meeting on Feb. 26, 2019. Employee Compensation percentage used last year has been adopted.

Note 2: The net income for year 2018 was NT$757,739 thousand.

Note 3: Vice President, Chia-Jui Chang, officially withdrew from her position on June 28, 2018, and Assistant Vice President, Yu-Hui Ning, officially withdrew from her position on August 7, 2018.

Note 4: Mr. Wei-Neng Wang was appointed as Finance Director on August 7, 2018.

3.2.4 Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents

Items \ Year	2017		2018	
	The company	Companies in the Financial Reports	The company	Companies in the Financial Reports
Directors	1.97%	1.97%	2.03%	2.03%
Supervisors	N/A	N/A	N/A	N/A
President and Vice Presidents	2.35%	2.35%	1.31%	1.31%
Total	4.32%	4.32%	3.34%	3.34%

Remuneration for directors is made according to the Company's Articles of Incorporation. According to the Article, if there is any net profit after closing of a fiscal year, no more than 1.5% of the same shall be allocated as directors' compensation. The rational of directors' remuneration policy takes into account the Procedures for Board Performance Evaluation, overall business performance of the Company, operation requirement and development of the industry in the future, individual director contribution to the Company's operations and remuneration standard of the industry. The reasonable directors' compensation is proposed by the Compensation Committee and approved by the Board of Directors. Compensation to president and vice president is according to the Company's employer salary and performance assessment rules. The compensation is measured based on the employee's personal achievements, contribution made to the business operation, and remuneration standard of the industry. Thus, we do not expect any significant risk of uncertainty arising from the compensation policy in the future.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 4 (A) meetings of Board of Directors were held in 2018. Director attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Shuang De Investment Corp. Rep.:Chien-Wen Kuo	4	0	100	
Director	Kuo Chia Fu Investment Corp. Rep.:Yung-Fu Kuo	1	0	25	
Director	Hsin Chang Construction Corp. Rep.:Chih-Chun Kuo	4	0	100	
Director	Lin Li Construction Corp. Rep.:Te-Ti Han	4	0	100	
Director	Johanson Technology Inc. Rep.:Petrinec John Darko	3	0	75	
Director	Scientific Components Corp. Rep.:Kelvin Kiew	2	0	50	
Director	Ming-Huang LI	4	0	100	
Director	Chiu-Feng Lien	4	0	100	
Independent director	Shiuh-Kao Chiang	4	0	100	
Independent director	Ta-Wen Sun	4	0	100	
Independent director	Shang-Ming Chin	3	1	75	

Other mentionable items:

1. If any of the following circumstances occur,, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:
   (1) Matters referred to in Article 14-3 of the Securities and Exchange Act.

Board of Directors Meeting Date	Resolutions	Independent director' opinions and the company's response
02/26/2018 The 8th meeting of the 7th session	· Evaluation of independence and qualification of the CPA to be engaged by the Company. · Approval of the 2017 statement of the internal control system. · Approval of the business report and financial statements for the year of 2017. · Amendment to the Company's "Articles of Incorporation", "Rules and Procedures of Board of Directors Meetings", "Rules for Election of Directors", "Audit Committee Charter" and "Rules Governing the Scope of Powers of Independent Directors".	No independent director had a dissenting opinion or qualified opinion to the proposal and all attending directors agree to pass the proposal.
08/07/2018 The 10th meeting of the 7th session	· Appointment of financial and accounting officer.	
11/06/2018 The 11th meeting of the 7th session	· Amendment to the Company's "Finance cycle-Procedures for Shareholder Services"	

   (2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the Board of Directors: None.
2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.
3. Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties.
   (1) Since 2011, the Company has established the Compensation Committee to review and form corporate policy, structure and payment terms applicable to compensation of directors and managers, as well as rewards and incentive programs of managers of the Company.
   (2) After the election held in the AGM on June 25, 2013, three Independent Directors has organized the Audit Committee to supervise the following matters: (a) fair presentation of the financial reports of the Company,(b) the hiring (and dismissal) and independence of certificated public accountants of the Company, (c) the effective implementation of the internal control system of the Company, (d) compliance with relevant laws and regulations by the Company, and (e) Control of the existing or potential risks of the Company.
   (3) The Board had approved "Ethical Corporate Management Best Practice Principles", "Codes of Ethical Conduct", "Corporate Governance Practice Principles" and "Corporate Social Responsibility Practice Principles" in order to strengthen the functionality of the Board and enhance information transparency.
   (4) The Company had drawn up the "Rules and Procedure of the Board of Directors Meetings" in accordance with "Regulations Governing Procedure for Board of Directors Meetings of Public Companies". Directors' attendance of the Board meetings is available at the Market Observation Post System (MOPS) website and major resolutions from the Board meetings are disclosed on the Company's official website.
   (5) The Company has established its Procedures Governing the Performance Evaluation of Board of Directors, setting forth performance objectives to improve the operation efficiency of the Board of Director.
   (6) The Board of Directors continue to enhance corporate governance and corporate social responsibility, and the company was garnered the top 5% listed companies in Corporate Governance Assessment on Taipei Exchange.

3.3.2 Audit Committee

A. The Company's Audit Committee was established on June 25, 2013.

B. The Audit Committee assists the Board in fulfilling its oversight of the finance reporting and internal control system of the Company. The responsibilities of the Audit Committee are as follows:

1. The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
4. A matter bearing on the personal interest of a director.
5. A material asset or derivatives transaction.
6. A material monetary loan, endorsement, or provision of guarantee.
7. The offering, issuance, or private placement of any equity-type securities.
8. The hiring or dismissal of an attesting CPA, or the compensation given thereto.
9. The appointment or discharge of a financial, accounting, or internal auditing officer.
10. Annual and semi-annual financial reports.
11. Any other material matter so required by the company or the Competent Authority.

C. A total of 4 (A) meetings of the Audit Committee meetings were held in 2018.
Independent director attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent director	Shiuh-Kao Chiang	4	0	100	
Independent director	Ta-Wen Sun	4	0	100	
Independent director	Shang-Ming Chin	3	1	75	

Other mentionable items:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act.

Audit Committee Meeting Date	Resolutions	Items prescribed by Article 14-5 of the Securities and Exchange Act	Resolutions of the Audit Committee and the Company's Response
02/26/2018 The 7th meeting of the 2nd session	· Reviewed the 2017 fourth quarter internal auditor report. · Evaluation of independence and qualification of the CPA to be engaged by the Company. · Approval of the 2017statement of the internal control system. · Approval of the business report and financial statements for the year of 2017. · Recommendation of the distribution of earnings for the year of 2018. · Approval of the budget plan of the Company for the year of 2018. · Amendment to the Company's "Articles of Incorporation", "Rules and Procedures of Board of Directors Meetings", "Rules for Election of Directors", "Audit Committee Charter" and "Rules Governing the Scope of Powers of Independent Directors".	 V V V V	No Audit Committee member had any dissenting opinion or qualified opinion to the proposal and all attending members agree to pass the proposal.

Audit Committee Meeting Date	Resolutions	Items prescribed by Article 14-5 of the Securities and Exchange Act	Resolutions of the Audit Committee and the Company's Response
05/08/2018 The 8th meeting of the 2nd session	· Reviewed the 2018 first quarter internal auditor report. · Report of the financial statement for the first quarter of 2018.		No Audit Committee member had any dissenting opinion or qualified opinion to the proposal and all attending members agree to pass the proposal.
08/07/2018 The 9th meeting of the 2nd session	· Reviewed the 2018 second quarter internal auditor report. · Report of the financial statement for the second quarter of 2018. · Appointment of financial and accounting officer.	V V	
11/06/2018 The 10th meeting of the 2nd session	· Reviewed the 2018 third quarter internal auditor report. · Report of the financial statement for the third quarter of 2018. · Approval of auditing plan for 2019. · Amendment to the Company's "Finance cycle-Procedures for Shareholder Services".	V	

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors：None.

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

3. Communications between the independent directors, the internal auditors and independent auditors (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)

(1) Communications between the independent directors and the internal auditors:

Date	Communication	Independent Directors' Opinion
02/26/2018 Audit Committee	· Reviewed the 2017 fourth quarter internal auditor report. · Approved of the effective implementation of the internal control system.	None
05/08/2018 Audit Committee	· Reviewed the 2018 first quarter internal auditor report.	None
08/07/2018 Audit Committee	· Reviewed the 2018 second quarter internal auditor report.	None
11/06/2018 Audit Committee	· Reviewed the 2018 third quarter internal auditor report. · Approving audit plan for 2019.	None

The internal auditor communicates with independent directors through monthly audit report, reporting audit execution status in Audit Committee meeting at least one time each quarter, and report to independent directors any time when there are special circumstances. The communications between the independent directors and the internal auditors work well.

(2) Communications between the independent directors and the independent auditors:

Date	Communications between the independent directors and the independent auditors	Independent Directors' Opinion
02/26/2018 Audit Committee	· Reviewed auditing scope, the independent auditors' responsibility and independence, major accounting estimates and audit result for 2017. · Review regulatory developments.	None

The independent auditors communicated with Audit Committee, including results of the audited or reviewed quarterly financial report, the significant audit findings, the determination that key audit matters should be communicated in the auditors' report, impact on the Company of regulatory changes. The independent auditors report to independent directors from time to time when there are special circumstances. The communications between the independent directors and the independent auditors work well.

3.3.3 Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status			Reason for Non-implementation
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	✓		The Company has established the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies". and approved of Board of Directors on 08/19/2009. The information has been disclosed on the MOPS website and Company's website.	None
2. Shareholding structure & shareholders' rights (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the company establish internal rules against insiders trading with undisclosed information?	 ✓ ✓ ✓ ✓		The Company established internal procedures and assigned designated departments to handle shareholder suggestions, doubts, disputes and litigations. The Company tracks the shareholdings of directors, officers and shareholders' holding more than 10% of the Company's outstanding shares. The Company has established internal control system and Procedures to Supervision and Management of Subsidiaries to establish and execute the risk management and firewall system within its conglomerate structure. The Company established "Codes of Ethical Conduct", "Employees for Code of Ethical Conduct" and "Standards of Behavior Regarding Insider Trading", strictly prohibiting staffs and managers from insider trading with material nonpublic information. Violators are subject to punishment, investigation, and legal liability. The Company carries out regular training and propaganda of ethical for its directors and employee every year. For new employees, training on personnel rules, management systems, business ethics, prevention of insider trading, and all other CSR-related subjects are carried out on their first day of work. The Company's implementations of prevention of insider trading in 2018 1. New employees who are required to sign the "Code of Ethic Commitment" on their first day of work. 2. Participants of prevention of insider trading training total 98 personnel. 3. The Company has not any matters about discipline of insider trading conduct in 2018.	None
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	 ✓		Members of the Board are diversified, with different nationalities, genders, skills and professional backgrounds, to form a well-balanced structure. The diversity of composition of the Board of Directors, please refer to page 21-22 of this annual report.	None

Evaluation Item	Implementation Status			Reason for Non-implementation
	Yes	No	Abstract Illustration	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		In addition to the existing Compensation Committee and Audit Committee, the Company plans to establish other functional committees to assist the Board in managing the Company.	
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?	✓		The company has established "Procedures Governing the Performance Evaluation of Board of Directors" on 08/11/2015 and conducts it annually. The evaluation scope shall cover the Board of Directors and individual members of the Board; corporate governance officer is the unit to conduct the evaluation. Methods of evaluations include the internal evaluation of the Board of Director and self-evaluation by members of the Board. 1. The Board's performance evaluation by self-assessment covers the following five major areas: (1) Participation in the operation of the company. (2) Improvement of the quality of the Board of Directors' decision making. (3) Composition and structure of the Board of Directors. (4) Election and continuing education of the directors. (5) Internal controls. 2. Self-assessment of Board members covers the following six major areas: (1) Their grasp of the Company's goals and missions. (2) Their recognition of director's duties. (3) Their degree of participation in the Company's operations. (4) Their management of internal relationships and communications. (5) Their professionalism and continuing professional education. (6). Internal controls. 3.The functional committee's (Audit Committee and Compensation Committee) performance evaluation by self-assessment covers the following five major areas: (1) Participation in the operation of the company. (2) Awareness of the duties of the functional committee. (3) Improvement of quality of decisions made by the functional committee. (4) Makeup of the functional committee and election of its members. (5) Internal controls. According to the most recent (2018) Board performance evaluation, the Board's performance was graded as excellent. Detailed information regarding the above evaluation was reported to the Board at the Board Meeting of February 26, 2019.	
(4) Does the company regularly evaluate the independence of CPAs?	✓		The Company's Audit Committee regularly evaluates the independence of CPAs every year, and submits the evaluation results to the Board of Directors. Standards for CPA Independence: 1. Whether the CPA has a direct or materially indirect financial interest in the Company. 2. Whether the CPA or the audit team members serve as a director, manager or in a position of the Company that could significantly influence the audit work either currently or in the past two years. 3. Whether the CPA acts as a defender of the Company or	

Evaluation Item	Implementation Status			Reason for Non-implementation
	Yes	No	Abstract Illustration	
			resolves conflicts with a third party on behalf of the Company. 4. Whether the CPA has close relationship with the Company's directors, managers or persons in a position that could significantly influence the audit work. 5. Whether the CPA has created intimidation threats with actual or perceived pressures of the Company. 6. Whether the CPA Independence is influenced of result from the non-assurance services.	
4. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the Board of Directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?	✓		The Chairman appointed Financial director as Company Secretary, the corporate governance team under the president office as the department responsible for corporate governance and business integrity, to safeguard shareholder rights and strengthen the Board's functioning. Primary duties are to provide the Board directors with information needed for executing their roles, conducting and producing meeting minutes Board Meetings, Audit Committee Meetings, and Shareholder Meetings, assisting in on boarding and continuous development of directors and to assist the Board Directors with legal compliance. The Company Secretary is an officer of the Company and a qualified accountant. The Company's implementations of corporate governance in 2018: 1. Conducted matters relating to Board Meetings and Shareholder Meeting. 2. Recorded minutes of Board Meetings and Shareholder Meeting. 3. Regularly conduct performance evaluation pursuant to the rules for "Board of Directors Self-Assessment of Performance". 4. Assisting continuous development of directors.	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		The Company set up telephone numbers and email addresses in the "Stakeholder Area" of the corporate website for communication with stakeholders. Designated personnel and contact information are available to handle all enquiries and respond to any key issues raised by stakeholders. Please refer to the Company's CSR report and corporate website for Issues of Concern and Communication Channel of stakeholders.	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed the professional agency "Transfer Agency Department, Taishin International Bank" to deal with shareholder affairs.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	 ✓ ✓		 The Company has set up website (www.acxc.com.tw) to disclose information regarding the Company's financial standings, business, corporate governance and corporate social responsibility status. The Company has set up its website, and has assigned an appropriate person to handle information collection and disclosure. The Company has designated the spokesperson and deputy spokesperson in charge of making external statements. Investor conference information is disclosed on the corporate website.	None

Evaluation Item	Implementation Status			Reason for Non-implementation
	Yes	No	Abstract Illustration	
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		Employee rights and employee wellness: Please refer to the "5.5 Labor Relations" section on pages 50-52 of this annual report. Investor relations: To achieve openness and information transparency, the Company has delegated specific personnel to announce information including finance and business, on the MOPS website and corporate website on a timely basis in compliance with the related regulations. Supplier relations and rights of stakeholders: The company has maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholders of the company, respect and safeguard their legal rights and interests, and designate a stakeholders area on its website. When any of a stakeholder's legal rights or interests is harmed, the company has handled the matter in a proper manner and in good faith. Directors' training records: Please refer to the "3.3.15 Continuing education of Directors in 2018" section on page 32 of this annual report. The implementation of risk management policies and risk evaluation measures: Please refer to the "VII. Review of Financial Conditions, Financial Performance, and Risk Management" on pages 38-62 of this annual report. The implementation of customer relations policies: The Company normally maintains close contact with its customers, and ensures products can achieve the expected reliability and quality. Moreover, the Company also actively participates in the customers' CSR and Ethical policies. Purchasing insurance for directors: To reduce and spread the risk of material harm to the company and shareholders arising from the wrongdoings or negligence of a director, the Company purchaser liability insurance for Directors each year.	None

9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures: None.

10. The diversity of composition of the Board of Directors

(1) The company's diversity policy of the Board of Directors:

The Board of Directors shall have least three independent directors, least one director from another country, and least one female director. All members of the board shall have the knowledge, skills, and experience necessary to perform their duties.

(2) State of implementation:

Diversity item / Name	Independence	Nationality	Gender	Business Judgment	Business Management	Leadership and Decision-making	Industry Knowledge	Crisis Management	International Outlook	Accounting and Financial
Chien-Wen Kuo	Non-independent	R.O.C.	Male	✓	✓	✓	✓	✓	✓	✓
Yung-Fu Kuo	Non-independent	R.O.C.	Male	✓	✓	✓	✓	✓	✓	✓
Chih-Chun Kuo	Non-independent	R.O.C.	Male	✓	✓	✓	✓	✓	✓	✓
Te-Ti Han	Non-independent	R.O.C.	Female	✓	✓	✓	✓	✓	✓	✓

Petrinec John Darko	Non-independent	US	Male	✓	✓	✓	✓	✓	✓	✓
Kelvin Kiew	Non-independent	US	Male	✓	✓	✓	✓	✓	✓	✓
Ming-Huang Li	Non-independent	R.O.C.	Male	✓	✓	✓	✓	✓		✓
Chiu-Feng Lien	Non-independent	R.O.C.	Male	✓	✓	✓	✓	✓	✓	
Shiuh-Kao Chiang	Independent	R.O.C.	Male	✓	✓	✓	✓	✓	✓	✓
Ta-Wen Sun	Independent	R.O.C.	Male	✓	✓	✓	✓	✓	✓	✓
Shang-Ming Chin	Independent	R.O.C.	Male	✓	✓	✓	✓	✓	✓	✓

3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

A. Duties of the Compensation Committee

a. The Company's Compensation Committee was established on November 15, 2011.

b. The members of the Compensation Committee are appointed by the Board of Directors and the Compensation Committee shall consist of three members. The responsibilities of committee are as follows:

1. The performance evaluation of directors and executives, and the revenue of the remuneration policy, system, standards, and structure for directors and executives.
2. Periodically evaluate the remuneration of directors and executives.

B. Professional Qualifications and Independence Analysis of Compensation Committee Members

Title	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience: An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	Independence Criteria (Note) 1	2	3	4	5	6	7	8	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
Independent Director	Shiuh-Kao Chiang	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Ta-Wen Sun	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Shang-Ming Chin	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not a person of any conditions defined in Article 30 of the Company Act.

C. Attendance of Members at Compensation Committee Meetings

a. The Compensation Committee has 3 members.

b. The tenure of the 2nd session is from June 29, 2016 to June 28, 2019. A total of 2 (A) meetings of the Compensation Committee were held in 2018. Member attendance was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Chairman	Shiuh-Kao Chiang	2	0	100	
Committee Member	Ta-Wen Sun	2	0	100	
Committee Member	Shang-Ming Chin	1	1	50	
Other mentionable items: 1. If the Board of Directors declines to adopt or modifies a recommendation of the compensation committee, it should specify the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the Company's response to the compensation committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the compensation committee, the circumstances and cause for the difference shall be specified): None. 2. Resolutions of the compensation committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.					

c. Major resolutions of Compensation Committee are summarized as follows:

Compensation Committee Meeting Date	Resolutions	Resolutions of the Compensation Committee and the Company's Response
02/26/2018 The 4th meeting of the 3nd session	· Evaluation directors' compensations for the year of 2017. · Evaluation employees' compensations for the year of 2017. · Reviewing director's system and structure of the remuneration for the year of 2018. · Reviewing manager's system and structure of the remuneration for the year of 2018. · Approval of employees' and directors' compensations for the year of 2018.	No Compensation Committee member had any dissenting opinion or qualified opinion to the proposal and all attending members agree to pass the proposal.
11/06/2018 The 5th meeting of the 3nd session	· Approval of directors' and employees' compensations for the year of 2018.	

3.3.5 Corporate Social Responsibility

Evaluation Item	Implementation Status			Reason for Non-implementation
	Yes	No	Abstract Explanation	
1. Corporate Governance Implementation				None
(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?	✓		The Company has established the Corporate Social Responsibility Best Practice Principles, to exercise corporate governance implementation, sustainable environment development, preserving public welfare and enhancing disclosure of CSR information. In addition, the Company set up internal performance targets and regularly reviews the implement results.	
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	✓		The Company carries out regular training and propaganda of corporate social responsibility for its directors and employee every year. For new employees, training on personnel rules, management systems, business ethics, and all other CSR-related subjects are carried out on their first day of work.	
(3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		The Corporate Social Responsibility group was established to develop and implement policies or practices pertaining to the implementation of corporate governance, a sustainable environment, and safeguarding public interest. The group chairperson is headed by the president and comprises the following promotion teams: Corporate Governance, Employee Development, Green Products, Service of Customer, Supplier Management, Environment Protection and Social Participation. They are responsible for formulating corporate social responsibility policies, and objectives and activities for implementing corporate social responsibility-related events. The leader of each promotion team is usually the head of division, and team's members are composed of relevant business departments. The Group performs its duties based on the P-D-C-A cycle. At the end of each year, the group is reviewed for its effectiveness and a written inspection report is compiled of the Board of Directors.	
(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	✓		The Company reviews the remuneration standard in accordance to market rates to ensure a competitive level of remuneration. According to the Articles of Incorporation of the Company, if there is any profit for a specific fiscal year, the Company shall allocate no lower than 5% of profit of the current year is distributable as employees' compensation to integrate employees' compensation with its Company's operational performance and CSR. Also, by offering a platform of two-way communication though regular performance evaluations and future plan developments, we achieve individual and organization development by rewarding based on performance and encourage employees to grow with the Company.	

Evaluation Item	Implementation Status			Reason for Non-implementation
	Yes	No	Abstract Explanation	
2. Sustainable Environment Development				None
(1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		The Company continues utilizing all resources more efficiently such as utilize electricity, water and paper more efficiently, reducing packaging resources, water recycling, and waste management and recycling.	
(2) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		The Company has acquired ISO-14001 and OHSAS18001 certifications and designated a person for system management as well as regular review every year.	
(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	✓		The Company implements the Greenhouse Gas Inventory, and strategies to reduce greenhouse gas were established based on the Company's emission level to diminish the negative impact on the environment. Climate change caused increase of extreme temperature and level. The company taken the following policies to energy conservation and carbon reduction: 1. To devote to save water and energy and control pollution companywide and set reduction goals. 2. To take corresponding improvement action plans to the goals of water saving, energy saving and pollution control. 3. Review execution status and efficacy of action plans annual.	
3. Preserving Public Welfare				None
(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		To protect the rights and interests of all workers, ACX strictly abides by the provisions of the Labor Standards Act and those of the requirements of international standards in all of our actions relevant to human rights. At the same time, we have consulted the code of conduct established by the Responsible Business Alliance (RBA), as the basis for our management policies into order to protect our employees.	
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	✓		The Company encourages its employees to report to Company's Audit Committee, managerial officers, chief internal auditor, or email upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethics. The Company also sets forth communication channel and appeal system on the corporate website.	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		The Company aims to offer a safe and healthy working environment and promote a health life. The Company also regularly holds safety and health training sessions to employees. The Company has acquired OHSAS18001 qualification and designated a person for system management as well as regular review every year.	

Evaluation Item	Implementation Status			Reason for Non-implementation
	Yes	No	Abstract Explanation	
(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓		To ensure labor harmony, promote labor cooperation and increase work efficiency, the company convened periodically Labor Management conferences. Employee suggestion mailbox was set up and dedicated personnel were assigned to solve employee issues. If significant impacts to operating activities are expected, it will be announced early to employees.	
(5) Does the company provide its employees with career development and training sessions?	✓		The Company has established the Rules of employee training, to employees offers a comprehensive career development training program.	
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓		The Company pays attention to customers' service satisfaction and its corporate image, brand value, and recognition for service quality. Therefore, the Company strives to provide comprehensive product total solutions. To achieve the most efficient services, designated departments will be in charge during each phase of the product, from product development, design, production, transportation, to maintenance. The Company regularly meets and communicates with customers. Customer satisfaction survey is also undertaken on an annual basis. If satisfaction data analysis shows that objective has not been met, the designated department will be responsible for carrying out improvement measures, and review will be undertaken by senior executives during management review meetings. The company has secured products liability insurance to ensure customers rights.	
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	✓		The company ensures the quality of their products and services by following the laws and regulations of the government and relevant standards of their industries. The company follows relevant laws, regulations and international guidelines when marketing or labeling their products and services and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.	
(8) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	✓		Before being qualified as a vendor of the Company, depending on the nature of material, a chemical operation review will be undertaken in accordance with the Company's New Material Verification Procedures to determine if the material supplier complies with EU directives of RoHS / REACH, Halogen free and conflict minerals. In addition, to enhance the Corporate Social Responsibility the company has established "RBA Code of Conduct" and disclosed the information includes labor, health and safety, environment, ethic and integrity on our website.	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Reason for Non-implementation</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td>(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?</td><td>✓</td><td></td><td>When suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society, the companies is entitled to termination of business contract.</td><td></td></tr>
<tr><td>4. Enhancing Information Disclosure
(1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?</td><td>✓</td><td></td><td>The Company adopts Global Reporting Initiative GRI standards producing CSR report and publishes on both the official website and MOPS. Stakeholders can download the report and understand the Company’s efforts on concerned CSR topics.</td><td>None</td></tr>
<tr><td colspan="5">5. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the Principles and their implementation: There have been no differences.</td></tr>
<tr><td colspan="5">6. Other important information to facilitate better understanding of the company’s corporate social responsibility practices：The company policy, promotion plans and performance in implementation for corporate social responsibility, please refer CSR report.</td></tr>
<tr><td colspan="5">7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: None.</td></tr>
</table>

3.3.6 Ethical Corporate Management

Evaluation Item	Implementation Status			Reason for Non-implementation
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs				None
(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		The Board of Directors approved Ethical Corporate Management Best-Practice Principles on March 10, 2015. Ethical Corporate Management Policy is clearly stated in the internal policy and external documents. The Board of Directors and management team are fully committed to implement such policies rigorously and thoroughly on internal management and external business dealings.	
(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	✓		The Company established "Ethical Corporate Management Best-Practice Principles", "Codes of Ethical Conduct" and "Employees for Code of Ethical Conduct", establish policies to prevent unethical conduct, integrity mailbox and hotline, punishment for violation and rules of appeal.	
(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		The Company's Ethical Corporate Management Best-Practice Principles have established preventive measures against the following: 1. Offering and accepting bribes. 2. Illegal political donations. 3. Improper charitable donations or sponsorship. 4. Offering or accepting unreasonable gifts or hospitality, or other inappropriate benefits. 5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights. 6. Engaging in unfair competitive practices. 7. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services. The aforementioned related regulations were announced and disseminated to employees, managers and the Board of Directors.	
2. Fulfill operations integrity policy				None
(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		Prior any business engagement, the Company checks the counterparty's legitimacy and record of unethical conduct. All suppliers and customer are required to sign "ethical clauses", When breach the ethical rule the companies is entitled to termination of business contract.	
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	✓		To strengthen ethical corporate management, the Company had its president office enact, supervise and implement the execution of Ethical Corporate Management Policy and prevention solutions. The president reports to the Board of Directors as least once a year. The Company's implementations of ethical corporate management in 2018 1. New employees who are required to sign the "Code of Ethic Commitment" on their first day of work. 2. Participants of Code of Ethic training total 98 personnel. 3. The Company has not any matters about discipline of unethical conduct in 2018.	

Evaluation Item	Implementation Status			Reason for Non-implementation
	Yes	No	Abstract Illustration	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? (4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis? (5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓ ✓ ✓		The Company established “Ethical Corporate Management Best-Practice Principles”, “Codes of Ethical Conduct” and “Employees for Code of Ethical Conduct”, to policies to prevent conflicts of interest and provide appropriate communication channels, and implement it. The Company has built up an effective accounting system and internal control systems that is constantly under review and evaluation to ensure the system's design and execution remains effective. Internal audit personnel will regularly evaluate risks and propose audit plans and undertake audits accordingly. Special project-based audit will also be undertaken when necessary. Results of such audit are regularly reported to the Audit Committee and the Board of Directors, facilitating the management level to understand the operations of the Company's internal. The Company carries out regular training and propaganda of ethical for its directors and employee every year. For new employees, training on personnel rules, management systems, business ethics, and all other CSR-related subjects are carried out on their first day of work.	
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases? (3) Does the company provide proper whistleblower protection?	✓ ✓ ✓		The Company’s Ethical Corporate Management Best-Practice Principles have established whistle-blowing system the following: 1. Either internally established and publicly announced independent mailbox and hotline, to allow company insiders and outsiders to submit reports. 2. Dedicated personnel appointed to handle whistle-blowing system and establish standard operating procedures. 3. Documentation of case acceptance, investigation processes, investigation results, and relevant documents. 4. Confidentiality of the identity of whistle-blowers and the content of reported cases. 5. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing. 6. Whistle-blowing incentive measures. The Company encourages its employees to report to a company Audit Committee, Independent directors and chief internal auditor, upon discovery of any activity in violation of a law or regulation. The Company provides protection to whistleblower and personnel involved in the investigation against any unfair treatment or retaliation.	None
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	✓		The Company’s Ethical Corporate Management Best-Practice Principles and the results of our implementation have been posted on the Company’s website and MOPS.	None
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation: There have been no differences.				
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies): None.				

3.3.7 Corporate Governance Guidelines and Regulations

The Company has disclosed its "Corporate Governance Best Practice Principles" and related regulations on its website (www.acxc.com.tw) and the MOPS (mops.twse.com.tw).

3.3.8 Other Important Information Regarding Corporate Governance:

Please refer to Company's website.

3.3.9 Internal Control Systems

A. Statement of Internal Control: Please refer to page 64 of this annual report.

B. A CPA Has Been Hired to Carry Out a Special Audit of the Internal Control System, Furnish the CPA Audit Report: None.

3.3.10 For the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements: None.

3.3.11 Major Resolutions of Shareholders Meeting and Board Meetings:

Please refer to page 65 of this annual report.

3.3.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None.

3.3.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Accounting & Finance officer	Yu-Hui Ning	08/16/2006	08/07/2018	Resignation

3.3.14 Certification obtained by the Company and its personnel related to financial information transparency from competent authorities:

As of 04/30/2019

Certification Name	Number of Employees	
	Financial Accounting	Audits
R.O.C. CPA	1	
Certified Internal Auditor (CIA)		1
Enterprise Internal Control Basic Ability Exam by the Securities and Futures Institute		1
Stock Affair Specialist Professional Competency Exam by the Securities and Futures Institute		1

3.3.15 Continuing education of Directors in 2018:

Title	Name	Date	Host	Class	Duration
Chairman	Shuang De Investment Corp. Rep.:Chien-Wen Kuo	2018.02.26	Taiwan Corporate Governance Association	US Tax economic reform and China's Belt and Road policy and the response of Taiwan enterprises	3
		2018.11.06	Taiwan Corporate Governance Association	Development trend and important norms of Anti-money laundering and countering the financing of terrorism	3
Director	Kuo Chia Fu Investment Corp. Rep.:Yung-Fu Kuo	2018.02.26	Taiwan Corporate Governance Association	US Tax economic reform and China's Belt and Road policy and the response of Taiwan enterprises	3
Director	Hsin Chang Construction Corp. Rep.:Chih-Chun Kuo	2018.02.26	Taiwan Corporate Governance Association	US Tax economic reform and China's Belt and Road policy and the response of Taiwan enterprises	3
		2018.11.06	Taiwan Corporate Governance Association	Development trend and important norms of Anti-money laundering and countering the financing of terrorism	3
Director	Lin Li Construction Corp. Rep.:Te-Ti Han	2018.02.26	Taiwan Corporate Governance Association	US Tax economic reform and China's Belt and Road policy and the Response of Taiwan enterprises	3
		2018.11.06	Taiwan Corporate Governance Association	Development trend and important norms of Anti-money laundering and countering the financing of terrorism	3
Director	Johanson Technology Inc. Rep.:Petrinec John Darko	2018.02.26	Taiwan Corporate Governance Association	US Tax economic reform and China's Belt and Road policy and the response of Taiwan enterprises	3
Director	Scientific Components Corp. Rep.:Kelvin Kiew	2018.11.06	Taiwan Corporate Governance Association	Development trend and important norms of Anti-money laundering and countering the financing of terrorism	3
Director	Ming-Huang Li	2018.02.26	Taiwan Corporate Governance Association	US Tax economic reform and China's Belt and Road policy and the response of Taiwan enterprises	3
		2018.11.06	Taiwan Corporate Governance Association	Development trend and important norms of Anti-money laundering and countering the financing of terrorism	3
Director	Chiu-Feng Lien	2018.02.26	Taiwan Corporate Governance Association	US Tax economic reform and China's Belt and Road policy and the response of Taiwan enterprises	3
		2018.11.06	Taiwan Corporate Governance Association	Development trend and important norms of Anti-money laundering and countering the financing of terrorism	3
Independent Director	Shiuh-Kao Chiang	2018.02.26	Taiwan Corporate Governance Association	US Tax economic reform and China's Belt and Road policy and the response of Taiwan enterprises	3
		2018.11.06	Taiwan Corporate Governance Association	Development trend and important norms of Anti-money laundering and countering the financing of terrorism	3
Independent Director	Ta-Wen Sun	2018.04.25	Taiwan Academy of Banking and Financ	The family business succession	3
		2018.04.27	Securities and Futures Institute	Insider trading prevention	3
Independent Director	Shang-Ming Chin	2018.02.26	Taiwan Corporate Governance Association	US Tax economic reform and China's Belt and Road policy and the response of Taiwan enterprises	3
		2018.11.06	Taiwan Corporate Governance Association	Development trend and important norms of Anti-money laundering and countering the financing of terrorism	3

3.3.16 Continuing education of management team in 2018:

Title	Name	Date	Host	Class	Duration
President	Chien-Wen Kuo	2018.02.26	Taiwan Corporate Governance Association	US Tax economic reform and China's Belt and Road policy and the response of Taiwan enterprises	3
		2018.11.06	Taiwan Corporate Governance Association	Development trend and important norms of Anti-money laundering and countering the financing of terrorism	3
Financial & Accounting officer Company officer	Wei-Neng Wang	2018.09.07	Securities and Futures Institute	Discussion on the legal responsibility of accounting officer in financial report	3
		2018.10.24	Accounting Research and Development Foundation	Latest amendments to the Company Act	3
		2018.11.22	Accounting Research and Development Foundation	The annual professional development training for principal accounting officer	12
Audit officer	Hsien-Liang Chou	2018.09.11	Accounting Research and Development Foundation	The legal responsibility of the internal auditor and whistleblower system introduction	6
		2018.09.17	Accounting Research and Development Foundation	Influence and response of Company Act amendment for internal control system	6

3.4 Audit Fees

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
KPMG	Wan-Yuan Yu, Chien-Hui Lu	2018	

	Fee Items / Fee Range	Audit Fee	Non-audit Fee	Total
1	Under NT$ 2,000,000		✓	
2	NT$2,000,001 ~ NT$4,000,000	✓		✓
3	NT$4,000,001 ~ NT$6,000,000			
4	NT$6,000,001 ~ NT$8,000,000			
5	NT$8,000,001 ~ NT$10,000,000			
6	Over NT$100,000,000			

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
KPMG	Wan-Yuan Yu Chien-Hui Lu	2,010	0	0	0	120	0	2018	Disbursement fee

3.4.1 Non-audit fees paid to CPAs, CPA's accounting firms and their affiliates exceeding 25% of the audit fees: None.

3.4.2 Change of accounting firms with audit fee paid in the year of change being less than the previous year: None.

3.4.3 Over 15% decrease in audit fee on a year-to-year basis: None.

3.5 Replacement of CPA:

3.5.1 Regarding the former CPA

<table>
<tr><td>Replacement Date</td><td colspan="5">February 21, 2017 and February 26, 2019</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="5">Due to internal organizational changes in KPMG.</td></tr>
<tr><td rowspan="3">Describe whether the Company terminated or the CPA did not accept the appointment</td><td colspan="3">Parties
Status</td><td>CPA</td><td>The Company</td></tr>
<tr><td colspan="3">Termination of appointment</td><td colspan="2" rowspan="2">N/A</td></tr>
<tr><td colspan="3">No longer accepted (continued) appointment</td></tr>
<tr><td>Other issues (except for unqualified issues) in the audit reports within the last two years</td><td colspan="5">None</td></tr>
<tr><td rowspan="6">Differences with the company</td><td rowspan="4">Yes</td><td>-</td><td colspan="3">Accounting principles or practices</td></tr>
<tr><td>-</td><td colspan="3">Disclosure of Financial Statements</td></tr>
<tr><td>-</td><td colspan="3">Audit scope or steps</td></tr>
<tr><td>-</td><td colspan="3">Others</td></tr>
<tr><td>None</td><td colspan="4">✓</td></tr>
<tr><td colspan="5">Remarks: None</td></tr>
<tr><td>Other Revealed Matters</td><td colspan="5">None</td></tr>
</table>

3.5.2 Regarding the successor CPA

Name of accounting firm	KPMG	KPMG
Name of CPA	Wan-Yuan Yu and Chien-Hui Lu	Mei-Yu Tseng and Wan-Yuan Yu
Date of appointment	February 21, 2017	February 26, 2019
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None	None
Succeeding CPA’s written opinion of disagreement toward the former CPA	None	None

3.5.3 Response by mail from the former CPA regarding items in Article 10-6-1 and 10-6-2-3: None.

3.6 Any of the Company’s Chairman, President, or Managers in Charge of Finance or Accounting Held a Position in the CPA’s Firm or Its Affiliates in 2018: None.

3.7 Changes in Shareholding and Shares Pledged by Directors, Supervisors, Managers and Shareholders with 10% Shareholdings or More in 2018 and as of the Date of this Annual Report

3.7.1 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2018		As of April 20, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Shuang De Investment Corp.	11,000	0	0	0
Representative	Chien-Wen Kuo	0	0	0	0
Director	Kuo Chia Fu Investment Corp.	49,000	0	0	0
Representative	Yung-Fu Kuo	0	0	0	0
Director	Hsin Chang Construction Corp.	0	0	0	0
Representative	Chih-Chun Kuo	0	0	0	0
Director	Lin Li Construction Corp.	0	0	0	0
Representative	Te-Ti Han	0	0	0	0
Director	Johanson Technology Inc.	0	0	0	0
Representative	Petrinec John Darko	0	0	0	0
Director	Scientific Components Corp.	0	0	0	0
Representative	Kelvin Kiew	0	0	0	0
Director	Ming-Huang LI	0	0	0	0
Director	Chiu-Feng Lien	0	0	0	0
Independent Director	Shiuh-Kao Chiang	0	0	0	0
Independent Director	Ta-Wen Sun	0	0	0	0
Independent Director	Shang-Ming Chin	0	0	0	0
President	Chien-Wen Kuo	0	0	0	0
Vice President	Chia-Jui Chang (Note 1)	(1,000)	0	N/A	N/A
Vice President	Chih-Wen Shen	0	0	0	0
Director	Cheng-Chi Lin	0	0	0	0
Director	Yu-Hui Ning	0	0	0	0
Director	Chun-Hung Liu	0	0	0	0
Financial & Accounting Officer	Yu-Hui Ning (Note 1)	0	0	N/A	N/A
Financial & Accounting Officer	Wei-Neng Wang (Note 2)	0	0	0	0

Note1: Vice President, Chia-Jui Chang, officially withdrew from her position on June 28, 2018, and Assistant Vice President, Yu-Hui Ning, officially withdrew from her position on August 7, 2018.
Note 2: Mr. Wei-Neng Wang was appointed as Financial Director on August 7, 2018.

3.7.2 Shares Trading with Related Parties: None.

3.7.3 Shares Pledge with Related Parties: None.

3.8 Relationship among the Top Ten Shareholders

As of 04/20/2019

Name	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Kuo Chia Fu Investment Corp. Rep.: Yung-Fu Kuo	5,485,189	7.95%	0	0%	0	0%	Te-Ti Han	Daughter-in-law	
JPMorgan Chase Bank, Taipei Branch in Custody for Nordea 1 Emerging Stars Equity Fund	4,213,000	6.10%	0	0%	0	0%	-	-	
Scientific Components Corp. Rep.:Kelvin Kiew	3,068,477	4.45%	0	0%	0	0%	-	-	
Johanson Technology Inc. Rep.:Petrinec John Darko	2,881,810	4.18%	0	0%	0	0%	-	-	
JPMorgan Chase Bank, Taipei Branch in Custody for Stichting Depositary APG Emerging Markets Equity Mutual Fund	2,353,000	3.41%	0	0%	0	0%	-	-	
Ting Fu Investment Corp.	2,186,017	3.17%	0	0%	0	0%	-	-	Note 1
Chin Te Hsing Yeh Limited	2,076,000	3.01%	0	0%	0	0%	-	-	Note 1
Kuang Tai Shih Yeh Corp.	2,000,000	2.90%	0	0%	0	0%	-	-	Note 1
Mei Erh Ku Construction Corp.	1,937,870	2.81%	0	0%	0	0%	-	-	Note 1
Lin Li Construction Corp. Rep.:Te-Ti Han	1,808,271	2.62%	0	0%	0	0%	Yung-Fu Kuo	Father-in-law	

Note1: Corporate shareholder has not appointed a representative.

3.9 Number of Shares Held and Shareholding Percentage of the Company, the Company's Directors, Supervisors, Managers and Directly or Indirectly Controlled Entities on the Same Investee: None.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT$ thousands)	Shares	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
Sep.2010	10	150,000,000	1,500,000	69,016,200	690,162	Capital surplus transferred	None	July 13, 2010 FSC No. 0990036222

B. Type of Stock

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	69,016,200	80,983,800	150,000,000	Listed on Taipei Exchange

C. Information for Shelf Registration: None.

4.1.2 Status of Shareholders

As of 04/20/2019

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	29	29	2,730	101	2,890
Shares	103,000	1,539,612	18,756,357	25,048,316	23,568,915	69,016,200
Percentage	0.15%	2.23%	27.18%	36.29%	34.15%	100.00%

4.1.3 Shareholding Distribution Status

A. Common Shares

As of 04/20/2019

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	632	88,450	0.13%
1,000 ~ 5,000	1,771	3,166,830	4.59%
5,001 ~ 10,000	194	1,473,053	2.13%
10,001 ~ 15,000	67	849,008	1.23%
15,001 ~ 20,000	45	804,760	1.17%
20,001 ~ 30,000	34	846,017	1.23%
30,001 ~ 40,000	21	725,063	1.05%
40,001 ~ 50,000	20	933,228	1.35%
50,001 ~ 100,000	33	2,372,923	3.44%
100,001 ~ 200,000	19	2,508,915	3.64%
200,001 ~ 400,000	20	6,329,829	9.17%
400,001 ~ 600,000	7	3,148,744	4.56%
600,001 ~ 800,000	6	4,166,434	6.04%
800,001 ~ 1,000,000	3	2,679,920	3.88%
1,000,001 or over	18	38,923,026	56.39%
Total	2,890	69,016,200	100.00%

B. Preferred Shares: None.

4.1.4 List of Major Shareholders

As of 04/20/2019

Shareholder's Name	Shareholding	
	Shares	Percentage
Kuo Chia Fu Investment Corp.	5,485,189	7.95%
JPMorgan Chase Bank, Taipei Branch in Custody for Nordea 1 Emerging Stars Equity Fund	4,213,000	6.10%
Scientific Components Corp.	3,068,477	4.45%
Johanson Technology Inc.	2,881,810	4.18%
JPMorgan Chase Bank, Taipei Branch in Custody for Stichting Depositary APG Emerging Markets Equity Mutual Fund	2,353,000	3.41%
Ting Fu Investment Corp.	2,186,017	3.17%
Chin Te Hsing Yeh Limited	2,076,000	3.01%
Kuang Tai Shih YehCorp.	2,000,000	2.90%
Mei Erh Ku Construction Corp.	1,937,870	2.81%
Lin Li Construction Corp.	1,808,271	2.62%

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT$

Items			2017	2018	March 31, 2019
Market Price Per Share	Highest Market Price		454.50	416.00	272.00
	Lowest Market Price		243.50	161.50	235.50
	Average Market Price		333.27	257.62	252.32
Net Worth Per Share	Before Distribution		48.22	48.30	50.74
	After Distribution		37.32	(Note 1)	(Note 1)
Earnings Per Share	Weighted Average Shares(thousand shares)		69,016	69,016	69,016
	Diluted Earnings Per Share		12.15	10.98	2.44
	Adjusted Diluted Earnings Per Share		12.15	(Note 1)	(Note 1)
Dividends Per Share	Cash Dividends		10.9	(Note 1)	(Note 1)
	Stock Dividends	Dividends from Retained Earnings	0	(Note 1)	(Note 1)
		Dividends from Capital Surplus	0	(Note 1)	(Note 1)
	Accumulated Undistributed Dividends		0	0	0
Return on Investment	Price / Earnings Ratio (Note 2)		27.43	(Note 1)	N/A
	Price / Dividend Ratio (Note 3)		30.58	(Note 1)	N/A
	Cash Dividend Yield Rate (Note 4)		3.27%	(Note 1)	N/A

Note 1: Pending shareholders' approval in Annual Shareholders' Meeting
Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share
Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share
Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

When allocating the net profits for each fiscal year, the following order shall be followed:

1. Reserve for tax payments.
2. Offset accumulated losses in previous years, if any.
3. Set aside 10% of said profits as legal reserve, except for when accumulated legal reserve has reached the total paid-in capital.
4. Allocation or reverse of special reserves as required by law or government authorities.
5. As to the earnings available for appropriation to shareholders including accumulated un-appropriated earnings and earnings available for appropriation of this year, the Board of Directors is authorized to draft an appropriation plan in accordance with the dividend policy in this Article Section 2.

Since the Company is in an industry in a growth phase, the dividend policy shall take into consideration factors such as the Company's current and future investment environment, needs for capital, domestic and overseas competition, capital budgeting plans, etc., to come out with a proposal that strike a balance among shareholders' benefits and the Company's long-term financial plans. Each year the Board of Directors shall prepare a profit distribution proposal and report it at the shareholders' meeting. After considering financial, business and operational factors, the Company may distribute the entire distributable profits for the year; dividends to shareholders may be distributed in cash or in stock, and the cash dividends shall not be lower than 10% of total dividends to shareholders.

B. Proposed Distribution of Dividend

The proposal for distribution of 2018 profits was passed at the Board of Directors meeting on February 26, 2019. The proposed dividend to shareholders is a cash dividend of NT$9.88 per common share, totaling NT$681,880,056, projected payout ratio is around 100%.

C. Material Change in Dividend Policy Is Expected: None.

4.1.7 Effect upon Business Performance and Earnings per Share of Any Stock Dividend Distribution Proposed or Adopted at the Most Recent Shareholders' Meeting: None.

4.1.8 Compensation of Employees and Directors

A. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation

Article 25 of the Articles of Incorporation stipulates that: 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.

B. The Estimated Basis for Calculating the Employee and Director Compensation

The Company accrued employees' and directors' compensation to base on a percentage of profit. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the Company will recognize the change as an adjustment to income of next year.

C. Distribution of Compensation of Employees and Directors for 2019 Approved in Board of Directors Meeting

(A) Distribution for employees' and directors' compensation for 2018 was passed by the Board of Directors' meeting on February 26, 2019 as follows:

Employees' compensation distributed in cash is NT$50,559,707.

Directors' compensation is NT$15,167,911.

There was no difference between the actual distributed amounts as determined by the Board of Directors and those estimated in the financial statements.

(B) Ratio of employees' profit sharing bonus distributed in stocks to capitalization of earnings: N/A.

D. Information of 2017 Distribution of Compensation of Employees and Directors

Items	Board of Directors Resolution	Estimate	Difference	Reason of difference
Compensation of employee	NT$54,209,679	NT$54,209,679	0	Note
Compensation of director	NT$16,262,903	NT$16,262,903	0	Note

4.1.9 Buyback of Treasury Stock: None.

4.2 Corporate Bonds: None.

4.3 Preferred Stock: None.

4.4 Global Depository Receipts: None.

4.5 Employee Stock Options: None.

4.6 New Restricted Employee Stocks: None.

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

4.8 Financing Plans and Implementation: None.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

A. Main areas of business operations

1. F219010 Electronic materials retail sales
2. F113070 Wholesale of Telecom Instruments
3. F119010 Electronic materials wholesale trading
4. CC01050 Data storage and processing equipment manufacturing
5. CC01070 Wireless communication machinery and equipment manufacturing
6. CC01080 Electronic parts and components manufacturing
7. F213060 Retail Sale of Telecom Instruments
8. ZZ99999 In addition to licensed businesses, the Company may operate any other businesses that are not prohibited or restricted by law.

B. Revenue distribution

Unit；NT$ thousands

Products	2018	Percentage
RF Front-End devices and modules	1,738,584	96.36%
Others	65,724	3.64%
Total	1,804,308	100%

C. Main products

RF Front-End devices and modules, including

1. Filter
2. Balun
3. Balanced Filter
4. Diplexer
5. Triplexer
6. Coupler
7. Antenna
8. Antenna Module
9. Bluetooth Module
10. Front-end Module
11. Antenna Switch Module
12. RF Chip Ceramic Device, including passive inductors and capacitor etc.

5.1.2 Industry Overview

A. Current Status and Development of the Industry

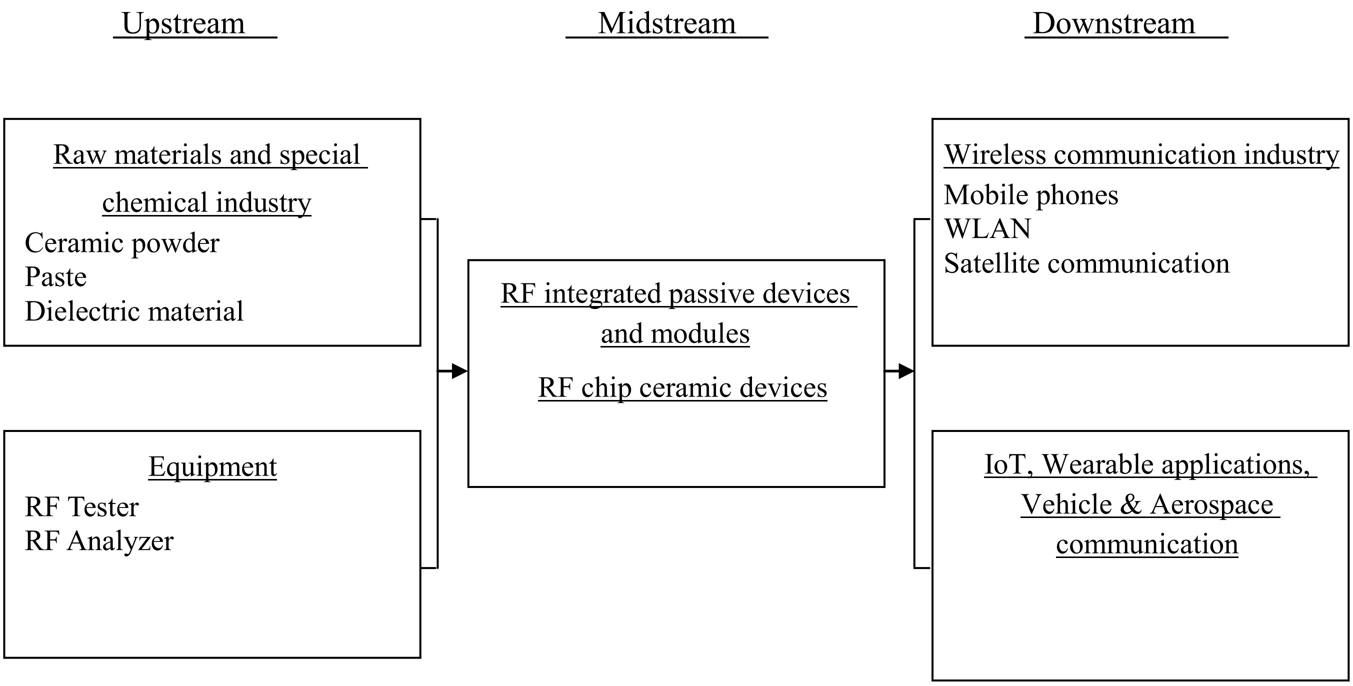
With the trend of telecommunication liberalization and the rapid development of mobile communication technology, the growth of related terminal products and communication equipment has further driven the demand for wireless communication. Wireless communication terminal applications such as mobile phones, wireless local area networks (WLAN), Bluetooth, global positioning systems (GPS), wireless PCs, wireless phones, walkie-talkies, pagers, home wireless (Home RF), digital broadcasting, wireless data machines, wireless fax machines, and emerging Internet of Things (IoT) and wearable applications, and more. Due to the rapid increase in the demand for wireless communication applications in the global market, the frequency band of wireless communication has risen sharply, and due to the trend of miniaturization, multi-function and high transmission speed of wireless portable products, this has triggered the market for high-frequency integrated components and the high demand for the modules.

Although the system is becoming more and more complex, the number of internal components actually used in various communication systems is increasingly integrated, which is mainly due to the integration of the lines. As for the integration of passive components, the goal is toward system-level packaging (System in a Package: SiP) or System on a Chip (SoC) development. Since the wireless communication applications built into the terminal products are the mainstream of future development, modularization will also become the future development trend of communication components, and the high-performance component modularization needs to utilize high-density packaging processes to the communication market. From the perspective of the supply chain, manufacturers with SiP high-density system architecture technology can provide upstream and downstream integrated services, and will become an active partner of chip design and terminal product companies in the future.

In recent years, mobile phones, GPS, WLAN, and Bluetooth, which have grown dramatically in wireless communication applications, have different functions, features, or markets, but the same is high-density circuits, miniaturization, high-frequency for required components, that are highly integrated and modular. The high-frequency integrated components and modules and high-frequency chip ceramic components operated by the company are used in the wireless communication market. The Company is the first design and manufacturing company in Taiwan that focuses on RF integrated components and modules. The developed products are in line with market expectations and the integrated terminal applications have high growth momentum. The company has the highest growth and development in the domestic key component industry of RF communication.

B. The Interconnectivity of Upstream, Midstream, and Downstream Entities in the Industry

High-frequency integrated components and modules and high-frequency wafer ceramic components in the upstream raw material industry, and they mainly include ceramic powder, conductive ink and dielectric materials. The main process equipment includes laser drilling machine, end silver machine, continuous furnace, wire Machines, external inspection machines, RF testers and network analyzers. The downstream industries include the wireless communication industry, vehicle electronic systems and the aerospace communication industry. They are closely related to the supply and demand of the upstream, midstream and downstream industries. The relevant maps of the upstream, middle and downstream industries are listed as follows:



C. Product Trends and Competition

The multi-functionalization and miniaturization of wireless communication products have become a market trend, and the development of wireless communication components will be in the direction of high frequency, miniaturization and modularization.

In recent years, wireless communications in Taiwan have flourished, and mainstream applications such as mobile phones, wireless local area networks (WLANs), global positioning systems (GPS) or Bluetooth have shown rapid growth. However, compared with international manufacturers, the development of wireless communication components and modular technology in Taiwan is still weak. At present, global integrated component manufacturers are headed by Japan, the United States and Europe, such as Murata, Kyocera, TDK, etc. in Japan; CTS in the US and Bosch, CMAC and other large manufacturers in Europe. In contrast, due to late start, the relative output of domestic manufacturers in the global market share is still very low.

As wireless communication applications will be at the heart of future market growth, the company is actively developing forward-looking and innovative high-frequency components and modular cutting-edge technologies to capture the opportunities for future wireless communications growth.

5.1.3 Technology and R&D Status

A. R&D Expenses

In 2018, the Company invested NT$104,174 thousand in R&D.

B. Successful R&D and Technologies Development

(a) Research and development

As the company's R&D team has deep academic foundations and product development experience in RF communications and materials engineering, it can grasp the market pulse in both technical development and commercial applications. In terms of research and development, the integration of RF components and modular technology are two key directions. The main R&D projects can be roughly divided into technical analysis, new product development, process improvement, material formulation and quality analysis.

(b) Technology or product that has been successfully developed in recent years

Year	Successful development of technologies or products
2018	1. DC power transfer module with package size of 3.2mmx2.5mm for IoT system 2. Dual band antenna with package size of 15mmx4.0mm for wireless communication system 3. Bandpass filter with low profile package size of 0.9mmx0.7mm for 2.4GHz communication system 4. DC power transfer module with package size of 5.0mmx5.0mm for IoT system 5. Balanced antenna switch transceiver module with package size of 3.0mmx3.0mm for NB-IoT dual band system 6. Bandpass filter with package size of 1.6mmx0.8mm for 2.0GHz communication system 7. High rejection bandpass filter with package size of 3.2mmx2.5mm for 5.2GHz communication system 8. NFC Antenna with package size of 3.2mmx1.6mm 9. Dual-band balun with package size of 2.0mmx1.25mm for 900MHz/2400MHz communication system 10. Bandpass filter with package size of 1.6mmx0.8mm for 3.8GHz communication system 11. Lowpass filter with package size of 3.2mmx2.5mm for 700MHz communication system 12. Bandpass filter with package size of 1.6mmx0.8mm for 4.7GHz communication system 13. Balun filter with package size of 3.2mmx2.5mm for 4.9GHz communication system 14. Bandpass filter with package size of 1.6mmx0.8mm for 5.4GHz communication system 15. Diplexer with package size of 1.6mmx0.8mm for LTE communication system 16. Bandpass filter with package size of 1.6mmx0.8mm for 0.8GHz communication system 17. High isolation diplexer with package size of 1.6mmx0.8mm for WLAN dual-band communication system 18. Bandpass filter with package size of 1.6mmx0.8mm for 5.5GHz communication system 19. Balun filter with package size of 3.2mmx2.5mm for LNB 2.0GHz communication system 20. Low profile lowpass filter with package size of 0.9mmx0.7mm for 2.4GHz communication system 21. Bandpass filter with package size of 1.6mmx0.8mm for 5G communication system 22. Duplexer with package size of 2.5mmx2.0mm for 1.7GHz/4.6GHz communication system 23. Balun filter with package size of 1.0mmx0.5mm for LTE communication system 24. Bandpass filter with package size of 2.0mmx1.25mm for 7.4GHz communication system 25. Diplexer with package size of 1.6mmx0.8mm for WLAN dual-band communication system 26. Lowpass filter with package size of 1.0mmx0.5mm for 800MHz communication system 27. Bandpass filter with package size of 2.0mmx1.25mm for 5.5GHz communication system 28. Bandpass filter with package size of 3.2mmx1.6mm for 2.0GHz communication system 29. Bandpass filter with package size of 3.2mmx2.5mm for 4.9GHz communication system 30. High rejection bandpass filter with package size of 3.2mmx2.5mm for 5.6GHz communication system 31. High rejection bandpass filter with package size of 4.5mmx3.2mm for 5.9GHz communication system 32. 1:1 balun diplexer with package size of 2.0mmx1.25mm for 400MHz communication system 33. Lowpass filter with package size of 1.0mmx0.5mm for 2.4GHz communication system 34. Diplexer with package size of 2.0mmx1.25mm for 0.8GHz/2.1GHz communication system 35. 1:4 balun diplexer with package size of 2.0mmx1.25mm for 400MHz communication system 36. Lowpass filter with package size of 1.0mmx0.5mm for LTE communication system 37. Low profile coupler with package size of 1.0mmx0.5mm for 4.7GHz communication system 38. Balanced lowpass filter with package size of 2.0mmx1.25mm for 1.3GHz communication system 39. Diplexer with package size of 1.6mmx0.8mm for 1.2GHz/2.0GHz communication system 40. Balun filter with package size of 1.0mmx0.5mm for 5.6GHz communication system 41. Low loss diplexer with package size of 1.6mmx0.8mm for WLAN dual-band communication system 42. Lowpass filter with package size of 1.6mmx0.8mm for 1.9GHz communication system 43. High rejection diplexer with package size of 1.6mmx0.8mm for WLAN dual-band communication system 44. Balun filter with package size of 1.6mmx0.8mm for LTE communication system 45. Diplexer with package size of 2.0mmx1.25mm for 1.3GHz/2.5GHz communication system 46. Lowpass filter with package size of 1.6mmx0.8mm for WLAN 2.4GHz communication system 47. Diplexer with package size of 2.0mmx1.25mm for WLAN dual-band communication system 48. Complex impedance balun filter with package size of 1.6mmx0.8mm for 2.4GHz communication system 49. Low loss diplexer with package size of 2.0mmx1.25mm for WLAN dual-band communication system 50. Lowpass filter with package size of 1.6mmx0.8mm for WLAN 5.4GHz communication system 51. High isolation diplexer with package size of 2.0mmx1.25mm for WLAN dual-band communication system 52. Balun filter with package size of 3.2mmx2.5mm for LNB 1.5GHz communication system 53. Lowpass filter with package size of 1.6mmx0.8mm for 2.2GHz communication system

(c) The current progress of the unfinished R&D plan, the need to re-invest in R&D expenses and the expected time of completion of mass production

2018 unfinished R&D plan	Current status	Expected finished time	Additional imputed R&D expenses(NT$ thousands)
Develop miniaturized integration components	90%	2019/Q3-Q4	8,000
Develop miniaturized multi-frequency, multi-mode integrated modules	75%	2019/Q3-Q4	15,000
High precision materials, process development	85%	2019/Q2-Q3	6,000

(d) Main factors for future R&D success

① Proper R&D strategy and effective mastery of product development timelines to achieve product time to market

② Good product design capability, early effective Design-in with client product design

③ Excellent and stable R&D team, enabling R&D experience to effectively accumulate and boost product development capabilities

(e) Future R&D plan and expected R&D expenses

Future R&D plan	For future three years R&D expenses(NT$ thousand)
Develop miniaturized integration components	125,000
Develop miniaturized multi-frequency, multi-mode integrated modules	170,000
High precision materials, process development	90,000
Total	385,000

5.1.4 Long-term and Short-term Development

A. Short-term Development

(a) Develop the main products in module type

(b) Product miniaturization and multi-functionality

(c) Strengthen the demand development of China and emerging markets

B. Long-term Development

(a) Develop new products in module type

(b) System on Chip module technology development

(c) Strategic alliance cooperation model

5.2 Market and Sales Overview

5.2.1 Market Analysis

A. Sales Region

Unit: NT$ thousands

Area \ Year		2017 Amount	2017 %	2018 Amount	2018 %
Domestic (Taiwan)		364,937	18.59	295,487	16.38
Oversea	Americas	621,512	31.65	558,905	30.98
	Asia	964,642	49.13	936,704	51.91
	Europe	12,399	0.63	13,212	0.73
	Total	1,598,553	81.41	1,508,821	83.62
Total		1,963,490	100.00	1,804,308	100.00

B. Market Share

In recent years, due to the booming wireless communication market, the low-temperature ceramic (LTCC) component industry has shown a substantial growth. According to Market Insights Reports, the global annual output value of LTCC in 2018 is about 3.22 billion US dollars, and Japan is the largest supplier in the supply chain. The market share is as high as 50%, which dominates the global LTCC product market and technology, followed by Europe and the United States. Domestic manufacturers are still relatively low in global market share due to their late start.

The company's high-frequency integrated components, modules and high-frequency chip ceramic components, including filters, balun, balanced filter, diplexers, triplexers, couplers, chip antenna, antenna modules, Bluetooth modules, RF front-end modules and antenna switch modules are commonly used in mobile phones, wireless LANs, Bluetooth and GPS. Since the company invested in the early domestic market and focuses on RF integration of components and modules, when the company's products enter the market, they will obtain domestic and foreign customers with excellent quality and competitive price in a short time, and efficient service. At present, the company is in a leading position in terms of domestic technology and market share. The company's global market share is about 2%.

C. Future Market Supply, Demand, and Growth Status

With the globalization of telecommunications and the advancement of communication technologies, wireless communication has become the most dynamic industry in the 3C industry. Looking forward to the future, mobile phone penetration and portability are excellent when the terminal products are moving toward integration. The competitive advantage is to integrate other product features, of which smartphones are typical representatives. Smartphones have more and more powerful computing and multimedia features, with Internet access, download and sharing capabilities. This requires more transport channels, higher transmission bandwidth and better transmission efficiency. Therefore, it also triggers various communication functions that mobile phones will combine now and in the future. From regional WLAN, short-range Bluetooth and ZigBee, to long-distance WiMAX, plus GPS and mobile TV capabilities, smartphones can be said to have combined voice, data, video and other versatility to create a comprehensive communications platform. IDC estimates that by 2022, global shipments are expected to exceed 1.57 billion. The expansion of global GPS navigation and location services will also be products with high growth potential in the next few years; as for emerging IoT applications, the rapid development of smart applications, such as personal wearable devices, smart home, smart manufacturing, smart health and intelligence transportation. Gantner estimates that the number of related devices in the Internet of Things will reach 20.8 billion units in 2020. It is expected that the economic benefits brought by the Internet of Things in the future will be enormous.

The RF components and modules operated by the company are essential components for wireless communication products. Communication products such as mobile phones, computers, wireless networks, global satellite positioning systems, Internet of Things and wearable devices directly affect the future development of LTCC. As the current mainstream wireless communication applications are still growing at a high speed in the next few years, emerging communication products are also moving toward multi-functional integration, and the demand for integrated components and module products produced by the company will be higher.

D. Competitive Advantage

(a) Combine four core technologies

The company has four core technologies: advanced RF circuit design, material development, process design and product testing, which are rare in the industry. With independent control of key technologies in both RF and materials, the company has the ability to deliver highly efficient custom products and services.

(b) Positioning products in line with market development

Wireless communication is the most dynamic industry in recent years, and especially mobile communication has the fastest growth rate. As the end product grows dramatically, it will directly drive the demand for our products. In addition, due to the diversified functions and miniaturization of mobile communications, the company's SiP and LTCC process development of high-frequency integrated components and modules is in line with market expectations, which will further enhance market demand, so that the company's growth prospects are full of potential.

(c) Quality product service

Combining the advantages of R&D and process, the company can provide a full range of services that are more time-sensitive, highly customized, flexible and cost-competitive compared to international peers to win customers' high trust and recognition.

E. Favorable and Unfavorable Factors in the Long Term

(a) Favorable factors

① High growth in industry
② Leading LTCC technology in domestic market
③ Domestic market first and march straight into international
④ Highly competitive full service
⑤ Growing brand and OEM model

(b)Unfavorable factors

① Wireless communication products continue to introduce new products, with short product cycles and rapid price declines, so profit margins are squeezed

Related Countermeasures：

- Shorten the development schedule of new products, commit to high-end products, and avoid mature products that are in price wars.
- Participate in product development during the customer product design phase.
- Diversify products to spread the risk of price competition for a single product.
- Enhance process improvement, increase product yield and equipment utilization, and reduce costs.

②Lack of R&D talent

Related Countermeasures：

- Actively participate in the leading new product plans of the Domestic Industrial Development Bureau, strive for foreign technology transfer or joint development opportunities, and promote R&D and technology upgrades.
- Establish a research and development knowledge management database to enable the effective development of research and development experience and results, and maximize the human resources efficiency of research and development.

5.2.2 Important Purpose and Production Process of the Main Products

A. Important Purpose of the Main Products

Products	Important Purpose
RF Front-End devices and modules	MSS, Cellular Phone, Cordless Phone, Wireless LAN, HyperLAN, GPS, Bluetooth, Ultra-wideband, WiMAX, ZigBee, MIMO, Wi-Fi, Power Amplifier, Low Noise Block (LNB), Home RF, IoT and Wearable applications

B. Manufacturing Process

Raw material → Slurry → Tape Casting → Via Punching → Via filling → Screen Printing → Laminating → Cutting → Co-firing → Upper electrode → Burning → Electroplating → Electrical Test → Packing → Shipping

5.2.3 Supply Status of Main Materials

Major Raw Materials	Source of Supply	Supply Situation
Powder	DUPONT, HERAEUS	Normal
Paste	DUPONT, HERAEUS, SOJITZ, DAEJOO	Normal

5.2.4 Major Suppliers and Clients

A. Major Suppliers in the Last Two Calendar Years

Unit: NT$ thousands

Item	2017				2018				2019 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	a	32,931	13.61	None	a	30,376	12.65	None	a	6,755	12.60	None
2	b	29,463	12.18	None	c	27,422	11.42	None				
3	c	29,041	12.01	None	b	25,902	10.79	None				
4					d	25,139	10.47	None				
5	Others	150,450	62.20		Others	131,313	54.67		Others	46,863	87.40	
	Net Total Supplies	241,885	100.00		Net Total Supplies	240,152	100.00		Net Total Supplies	53,618	100.00	

B. Major Clients in the Last Two Calendar Years

Unit: NT$ thousands

Item	2017				2018				2019 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	A	483,241	24.61	Note 1	A	399,080	22.12	Note 1	A	99,932	23.47	Note 1
2	Others	1,480,249	75.39		Others	1,405,228	77.88		Others	325,920	76.53	
	Net Sales	1,963,490	100.00		Net Sales	1,804,308	100.00		Net Sales	425,852	100.00	

Note 1：Legal director of the company

5.2.5 Production in the Last Two Years

Unit: thousand PCS; NT$ thousands

Year / Output / Major Products	2017			2018		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
RF Front-End devices and modules	2,850,000	2,631,428	722,240	2,900,000	2,761,006	688,513

5.2.6 Shipments and Sales in the Last Two Years

Unit: thousand PCS; NT$ thousands

Year / Sales / Major Products	2017				2018			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
RF Front-End devices and modules	727,132	364,937	1,863,593	1,598,553	700,103	295,487	1,975,218	1,508,821

5.3 Human Resources

Year		2017	2018	As of 03/31/2019
Number of Employees	Direct	158	162	159
	Indirect	44	41	38
	Management & Sales	35	34	33
	R & D	45	44	43
	Total	282	281	273
Average Age		35.6	35.8	36
Average Years of Service		6.06	6.52	6.73
Education	Ph.D.	2.8%	2.5%	2.5%
	Masters	17.4%	16.0%	15.8%
	Bachelor's Degree	42.2%	46.3%	45.1%
	Senior High School	30.1%	28.1%	28.9%
	Below Senior High School	7.5%	7.1%	7.7%

5.4 Environmental Protection Expenditure

5.4.1 Total Losses and Penalties

The loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report: None.

5.4.2 Countermeasures and possible disbursements to be made in the future: N/A.

5.5 Labor Relations

5.5.1 Employees' welfare, education, training and pension, employee relations and protection of employees' rights:

A. Employee Welfare

(a) Profit sharing: Article 25 of the Articles of Incorporation: The Company should distribute remuneration to employees not less than 5% of annual profits.

(b) Bonus system: Year-end bonus, performance bonus, operation bonus, etc.

(c) Annual salary review system.

(d) Periodic health checkup.
(e) Group insurances.
(f) Facilities: Parking lots, staff lounge, nursing room, cafeterias, etc.
(g) Activities: Welfare committee would organize activities such as trips, year-end party, prize drawing and various fun contests, and cash gifts for important festivals, birthday, wedding and new babies, subsidies for hospitalization and education of employees' children.

B. Staff training and training situation
In accordance with the "Employee Education Training Management Procedures", the company plans relevant training courses according to the professional functions and learning needs of employees.
(a) Training system
① Work-oriented training：The head of the unit is responsible for the work guidance of the subordinates or the training of the work.
② Centralized training：Consider developing human resources, organizing goals and employee education and propose annual education and training programs.
●New recruit training：New recruits should receive pre-employment training
●Functional training：Strengthen professional skills
●General education course：Courses on corporate social responsibility, information security, occupational safety and health, and self-Inspiration
③ Management training: Training courses for grassroots supervisors, middle managers and senior management.
(b) Summary of the implementation of education and training this year

Courses name	Inside training		Outside training	
	Number of people trained	Expenses	Number of people trained	Expenses (NT$ Thousands)
General education course	1,758	-	8	23.5
Function-management training	-	-	-	-
Function-professional skill training (Centralized)	112	-	12	25
Function-professional skill(OJT)	278	-	-	-
Total	2,148	-	21	48.5

C. Employee retirement system

(a) 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”.

(b) 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 from July 1, 2005. Under this defined contribution plan, the Company’s contribution to the Bureau of Labor Insurance requires no additional legal or constructive obligations thereafter.

D. Agreement between labor and management

The company has an open management environment. Various forms of discussion and communication can be conducted at any time between management and employees. Any problem can be reached in a timely and interactive manner. The Company cares about the interaction and communication between colleagues, so that employees and employers can achieve common growth and development goals through communication and understanding. The company has built a challenging and learning environment where the relationship between workers and employers is harmonious, so there are no labor disputes.

E. Various employee rights maintenance measures：Follow the Labor Standards Act to handle everything.

5.5.2 Total losses (including compensation) and fines for labor disputes in the most recent fiscal year and the current fiscal year up to the date of printing of the annual report: None.

5.6 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Construction contracts	Xu Yuan Construction Corp.	2017.11~2020.03	New plant construction	None

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet– Based on IFRS

Unit: NT$ thousands

Item \ Year		Financial Summary for The Last Five Years (Note 1)					As of 03/31/2019 (Note 2)
		2014	2015	2016	2017	2018	
Current assets		2,232,392	2,594,622	2,835,760	2,757,846	2,685,387	2,835,366
Property, Plant and Equipment		849,835	895,715	792,553	990,408	1,100,949	1,162,886
Intangible assets		1,850	1,500	1,800	1,167	683	608
Other assets		5,648	5,698	6,889	10,361	10,532	10,634
Total assets		3,089,725	3,497,535	3,637,002	3,759,782	3,797,551	4,009,494
Current liabilities	Before distribution	297,194	399,190	417,647	424,612	453,717	496,255
	After distribution	722,334	1,085,901	1,142,317	1,176,889	Note 3	Note 3
Non-current liabilities		1,181	4,416	5,618	7,552	10,477	11,138
Total liabilities	Before distribution	298,375	403,606	423,265	432,164	464,194	507,393
	After distribution	723,515	1,090,317	1,147,935	1,184,441	Note 3	Note 3
Equity attributable to shareholders of the parent		2,791,350	3,093,929	3,213,737	3,327,618	3,333,357	3,502,101
Capital stock		690,162	690,162	690,162	690,162	690,162	690,162
Capital surplus		608,040	573,532	573,532	573,532	573,532	573,532
Retained earnings	Before distribution	1,493,148	1,830,235	1,950,043	2,063,924	2,069,663	2,238,407
	After distribution	1,068,008	1,143,524	1,225,373	1,311,647	Note 3	Note 3
Other equity interest		0	0	0	0	0	0
Treasury stock		0	0	0	0	0	0
Non-controlling interest		0	0	0	0	0	0
Total equity	Before distribution	2,791,350	3,093,929	3,213,737	3,327,618	3,333,357	3,502,101
	After distribution	2,366,210	2,407,218	2,489,067	2,575,341	Note 3	Note 3

Note 1: The financial information has been audited by independent auditors.
Note 2: The financial information has been review by independent auditors.
Note 3: Pending shareholders' approval.

6.1.2 Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Item \ Year	Financial Summary for The Last Five Years (Note 1)					As of 03/31/2019 (Note 2)
	2014	2015	2016	2017	2018	
Operating revenue	1,287,550	1,761,223	1,909,472	1,963,490	1,804,308	425,852
Gross profit	690,840	1,080,832	1,183,843	1,236,101	1,122,219	257,058
Net operating income	524,606	865,956	976,509	1,029,131	909,203	205,362
Non-operating income and expenses	35,091	53,369	(4,610)	(15,410)	36,263	5,568
Income before tax	559,697	919,325	971,899	1,013,721	945,466	210,930
Income from continuing operations	472,630	763,040	806,676	838,588	757,739	168,744
Income from discontinued operations	0	0	0	0	0	0
Net income	472,630	763,040	806,676	838,588	757,739	168,744
Other comprehensive income (income after tax)	1,207	(813)	(157)	(37)	277	0
Total comprehensive income	473,837	762,227	806,519	838,551	758,016	168,744
Net income attributable to shareholders of the parent	472,630	763,040	806,676	838,588	757,739	168,744
Net income attributable to non-controlling interest	0	0	0	0	0	0
Comprehensive income attributable to Shareholders of the parent	473,837	762,227	806,519	838,551	758,016	168,744
Comprehensive income attributable to non-controlling interest	0	0	0	0	0	0
Earnings per share	6.85	11.06	11.69	12.15	10.98	2.44

Note 1: The financial information has been audited by independent auditors.
Note 2: The financial information has been review by independent auditors.

6.1.3 Auditors' Opinions from 2014 to 2018

Year	CPA Name	Reasons for change CPA	Audit Opinion
2014	KPMG Mei-Yu Tseng and Wan-Yuan Yu	-	Unqualified opinion
2015	KPMG Mei-Yu Tseng and Chien-Hui Lu	Administrative adjustment within the accounting firm	Unqualified opinion
2016	KPMG Mei-Yu Tseng and Chien-Hui Lu	-	Unqualified opinion
2017	KPMG Wan-Yuan Yu and Chien-Hui Lu	Administrative adjustment within the accounting firm	Unqualified opinion
2018	KPMG Wan-Yuan Yu and Chien-Hui Lu	-	Unqualified opinion

6.2 Five-Year Financial Analysis– Based on IFRS

Item	Year	Financial Analysis for the Last Five Years(Note 1)					As of 03/31/2019 (Note 2)
		2014	2015	2016	2017	2018	
Financial structure (%)	Debt ratio	10	12	12	11	12	13
	Long-term funds to property, plant and equipment ratio	329	346	406	337	304	302
Solvency (%)	Current ratio	751	650	679	650	592	571
	Quick ratio	720	621	649	620	559	543
	Times interest earned ratio	-	-	-	-	-	-
Operating performance	Accounts receivable turnover (times)	4.87	5.76	5.50	5.64	5.39	5.71
	Days to collect accounts receivable (day)	75	63	66	65	68	64
	Average inventory turnover (times)	7.53	7.35	6.78	6.62	5.69	5.26
	Accounts payable turnover (times)	15.52	16.50	15.33	14.85	15.34	15.80
	Average days to sell inventory	48	50	54	55	64	69
	Property, plant and equipment turnover (times)	1.48	2.02	2.26	2.20	1.73	1.50
	Total assets turnover (times)	0.43	0.53	0.54	0.53	0.48	0.44
Profitability	Return on total assets (%)	16	23	23	23	20	17
	Return on equity (%)	17	26	26	26	23	20
	Income before tax to paid-in capital (%)	81	133	141	147	137	122
	Profit to sales (%)	37	43	42	43	42	40
	Earnings per share (NT$)	6.85	11.06	11.69	12.15	10.98	2.44
Cash flow	Cash flow ratio (%)	238	234	228	231	197	250
	Cash flow adequacy ratio (%)	121	130	142	126	111	118
	Cash flow reinvestment ratio (%)	6	11	5	5	3	10
Leverage	Operating leverage	1.44	1.25	1.21	1.19	1.23	1.25
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.00

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)
Long-term funds to property, plant and equipment ratio and cash flow reinvestment ratio: The decrease was mainly due to increased new plant construction.

Note 1: The financial information has been audited by independent auditors.
Note 2: The financial information has been review by independent auditors.

Below are calculations
1. Financial structure
(1) Debt ratio = Total Liabilities / Total Assets
(2) Long-term fund to property, plant and equipment ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment
2. Solvency
(1) Current ratio = Current Assets / Current Liabilities
(2) Quick ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
(3) Times interest earned ratio = Earnings before Interest and Taxes / Interest Expenses
3. Operating performance
(1) Accounts receivable turnover = Net Sales / Average Trade Receivables
(2) Days to collect accounts receivable = 365 / Average Collection Turnover
(3) Average inventory turnover = Cost of Sales / Average Inventory
(4) Accounts payable turnover = 365 / Average Inventory Turnover
(5) Average days to sell inventory = Cost of Sales / Average Trade Payables
(6) Property, plant and equipment turnover = Net Sales / Average Net Property, Plant and Equipment
(7) Total assets turnover = Net Sales / Average Total Assets
4. Profitability
(1) Return on total assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
(2) Return on equity = Net Income Attributable to Shareholders of the Parent / Average Equity Attributable to Shareholders of the Parent
(3) Income before tax to paid-in capital = Operating Income / Paid-in Capital
(4) Profit to sales = Income before Tax / Paid-in Capital
(5) Earnings per share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding
5. Cash Flow
(1) Cash flow ratio = Net Cash Provided by Operating Activities / Current Liabilities
(2) Cash flow adequacy ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
(3) Cash flow reinvestment ratio = (Cash Provided by Operating Activities - Cash Dividends)/ (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)
6. Leverage
(1) Operating leverage = (Net Sales - Variable Cost) / Income from Operations
(2) Financial leverage = Income from Operations / (Income from Operations - Interest Expenses)

6.3 Audit Committee’s Report for the Most Recent Year

Audit Committee’s Review Report

The Board of Directors has prepared the Company’s 2018 business report, financial statements and earnings distribution proposal. The financial statements were audited by independent auditors, Wan-Yuan Yu and Chien-Hui Lu, of KPMG with independent auditors’ reports issued.

The above-mentioned business report, financial statements and earnings distribution proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Advanced Ceramic X Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Advanced Ceramic X Corporation
Chairman of the Audit Committee: Shiuh-Kao Chiang
February 26, 2019

6.4. Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017, and Independent Auditors’ Report: Please refer to page 66-106 of this annual report.

6.5. Parent-company-only Financial Statements for the Years Ended December 31, 2018 and 2017, and Independent Auditors’ Report: Please refer to page 66-106 of this annual report.

6.6. If the Company or Its Affiliates Have Experienced Financial Difficulties in the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Printing of the Annual Report, the Annual Report Shall Explain How Said Difficulties Will Affect the Company’s Financial Situation: None.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Financial Status

Analysis of Financial Status

Unit: NT$ thousands

Item \ Year	2017	2018	Difference	
			Amount	%
Current Assets	2,757,846	2,685,387	(72,459)	(2.63)
Investments	0	0	0	0
Property, plant and equipment	990,408	1,100,949	110,541	11.16
Other Assets	11,528	11,215	(313)	(2.72)
Total Assets	3,759,782	3,797,551	37,769	1.00
Current Liabilities	424,612	453,717	29,105	6.85
Long-term Liabilities	0	0	0	0
Other Liabilities	7,552	10,477	2,925	38.73
Total Liabilities	432,164	464,194	32,030	7.41
Capital stock	690,162	690,162	0	0
Capital surplus	573,532	573,532	0	0
Retained Earnings	2,063,924	2,069,663	5,739	0.28
Other Adjustments	0	0	0	0
Total Stockholders' Equity	3,327,618	3,333,357	5,739	0.17
Analysis of changes in financial ratios: Other Liabilities: The increase was mainly due to other non-current liability increases.				

- **Effect of changes on the company's financial condition:** The Company's business scope has not changed significantly.
- **Future response actions:** N/A.

7.2 Financial Performance

Analysis of Financial Performance

Unit: NT$ thousands

Item \ Year	2017	2018	Difference	
			Amount	%
Net Sales	1,963,490	1,804,308	(159,182)	(8.11)
Cost of Sales	727,389	682,089	(45,300)	(6.23)
Gross Profit	1,236,101	1,122,219	(113,882)	(9.21)
Operating Expenses	206,970	213,016	6,046	2.92
Operating Income	1,029,131	909,203	(119,928)	(11.65)
Non-operating Income and Expenses	(15,410)	36,263	51,673	(335.32)
Net Income Before Income Tax	1,013,721	945,466	(68,255)	(6.73)
Income Tax Expense	175,133	187,727	12,594	7.19
Net Income	838,588	757,739	(80,849)	(9.64)
Analysis of changes in financial ratios: Non-operating Income and Expenses: The increase was mainly due to foreign exchange gains.				

- **Effect of change on the Company's financial condition:** The Company's business scope has not changed significantly.
- **Effect of change on the Company's future business and future response plans:** The Company is not required to disclose its financial forecast but has set up its internal target based on industrial environment and market demand. The Company will also keep investing in new technologies and quality improvement and will cost-down to achieve the target of profitability.

7.3 Cash Flow

Cash Balance at the Beginning of Year	Net Cash Flow from Operating Activities	Net Cash Flow from Investment Activities	Net Cash Flow from Financing Activities	Cash Balance at the End of Year	Leverage of Cash Surplus	
					Investment Plans	Financing Plans
2,284,322	893,236	(716,065)	(752,277)	1,709,216	None	None

7.3.1 Cash Flow Analysis for the Current Year

A. Operating Activities: Mainly from operating profit.
B. Investment Activities: Primarily for capital expenditures and net purchase of other financial assets.
C. Financing Activities: Primarily for cash dividends payment.

7.3.2 Remedy for Cash Deficit and Liquidity Analysis: As a result of positive operating cash flows and cash on-hand, remedial actions are not required.

7.3.3 Cash Flow Analysis for the Coming Year: N/A.

7.4 Major Capital Expenditure Items

7.4.1 Major Capital Expenditure Items and Source of Capital

Unit: NT$ thousands

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual or Expected Capital Expenditure			
				2018	2019	2020	2021
New construction plant	Self-capital	March 2020	696,880	162,978	463,365	60,084	10,453

7.4.2. Expected impact of possible benefits on financial operations
In response to the operating demand, investing in building new facilities and purchasing production equipment will help upgrade the operational scale and profits for the Company and bring about positive benefits for financial business.

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year: None.

7.6 Risk Analysis and Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

A. 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 NT$17,689 thousand for the year ended December 31, 2018, all other variable factors that remain constant.

B. Foreign exchange rates

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. A strengthening (weakening) 1% of appreciation of NTD against USD and JPY for the years ended December 31, 2018 would have increased the net profit after tax by NT$3,135 thousand.

Mitigation measures being or to be taken:

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

(b) The Company manages the currency risk and then determines the timing of exchanging the foreign currency through collecting the foreign currency information.

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

(3) Inflation

The impact of inflation does not currently have a significant impact on the Company’s profits and business operations.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Company did not engage in any high-risk, high-leveraged investments, lending or endorsement guarantees, and derivatives transactions.

7.6.3 Future Research & Development Projects and Corresponding Budget

Please refer to the “5.1.3 Technology and R&D Status” on pages 43-45 of this annual report.

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company consistently pays close attention to any changes in local and foreign policies and makes appropriate amendments to our systems when necessary. During 2018 and as of the date of publication of this annual report, changes in related laws have not had a significant impact on our operations.

7.6.5 Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance and Sales

The Company pays attention to the changes in technologies and in industry at all time so as to be fully aware of the market trend and evaluate any potential impact on the operations of the Company. During 2018 and as of the date of publication of this annual report, the material changes of technologies have not had brought any adverse impact to the operations of the Company.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

Since its inception, the Company has consistently maintained an ethical business philosophy and fulfilled its social responsibilities. During 2018 and as of the date of publication of this Annual Report, there were no such risks for the Company.

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

The Company has no ongoing merger and acquisition activities.

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

Plant expansion increases our production capacity and the room to take on more orders, which benefits our revenue and profitability and strengthens our position in the industry. Moreover, once we reach economies of scale, product costs can be reduced significantly. However, electronic consumables have short lifespans and market demands often change considerably. When market faces a downturn, capacity would turn idle and depreciation expenses of that plant equipment would weigh heavily on the Company's profitability. During 2018 and as of the date of publication of this Annual Report, the benefits of expansion plan meet the Company's expectations.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

Sales of the Company are not concentrated on certain customers. The Company maintains more than two qualified raw material suppliers to ensure supply flexibility.

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

There was no sale or transfer of significant number of shares by the Directors, Supervisors and shareholders with over 10% of shareholding.

7.6.11 Effects of, Risks Relating to and Response to the Changes in Control over the Company

During 2018 and as of the date of publication of this Annual Report, such risks were not identified by the Company.

7.6.12 Litigation or Non-litigation Matters

A. Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.
B. Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

7.6.13 Other Major Risks:

A. Effects of, risks relating to and response to information systems security: During 2018 and as of the date of publication of this Annual Report, the Company had not been aware of any information systems security incidents that had or would expected to have a material adverse effect on its business and operations.
B. Risk management framework
The Company established risk management policies and effective identify, measure, monitor, and control risk management mechanisms. The Board of Directors has the responsibility for the establishment and oversight of risk management framework. Through routine risk management, regular management meetings, and internal audit control monitor risk management effectiveness.

7.7 Other important matters: None.

VIII. Special Disclosure

8.1 Information of associated enterprises: None.

8.2 Organization of the Latest Private Placement Securities as of the Date of Printing of the Annual Report: None.

8.3 Holding or disposal of the Company's shares by its subsidiaries of the latest year and up to the date of printing of the Annual Report: None.

8.4 Latest Matters with Important Impact on Shareholder Rights or Security Prices Indicated in Article 36 Paragraph 3 Subparagraph 2 of the Securities and Exchange Act as of the Date of Printing of Annual Report: None.

8.5 Other matters requiring supplementary information:

8.5.1 Action arising of 2018 annual general Shareholders' Meeting:

Major Resolutions	Action Arising
To accept 2017 business report and financial statements.	The relevant documents were filed with authority and disclosed on the MOPS.
To approve the proposal for distribution of 2017 earnings.	The Company decided to set up the ex-dividend date of cash dividend for August 15, 2018 and paid on September 5, 2018 (NT$10.9 per common share) according to the resolution of 2018 AGM.
To approve revisions of the Articles of Incorporation.	The amendment was passed by 2018 AGM and disclosed on the Company's website. The Company has executed the rules accordingly.
To approve revisions of the Rules for Election of Directors.	The amendment was passed by 2018 AGM and disclosed on the Company's website. The Company has executed the rules accordingly.

IX. Appendices

9.1 Statement of Internal Control System

Advanced Ceramic X Corporation

Statement of Internal Control System

February 26, 2019

The internal control self-assessment of Advanced Ceramic X Corporation was conducted for the year ended December 31, 2018 based on the Company's internal control system. The results are described as following:

1. Advanced Ceramic X Corporation acknowledges that the Board of Directors and the management are responsible for establishing, executing and maintaining an effective internal control system, which has been already set up. The purposes of the internal control system are to provide a reasonable assurance of achieving the goals of efficiency and effectiveness of the operations, such as profitability, performance and the safeguard of the assets, the reliability of the financial reports and the compliance with the applicable laws and regulations.
2. No matter how perfectly designed, the internal control system has its inherent limitations, and it can only provide reasonable assurance of achieving the three goals mentioned above. The effectiveness of the internal control system may subject to changes of environment and circumstances. Advanced Ceramic X Corporation has established an internal control system with self-monitoring capabilities, which can undertake corrective actions whenever a deficiency is identified.
3. Advanced Ceramic X Corporation evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the governing the establishment of internal control system by public companies promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission. The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment (3) control activities, (4) information and communication, and (5) monitoring. Each component consists of certain items, which could be referred to the Standards.
4. Advanced Ceramic X Corporation has evaluated the design and effectiveness of its internal control system according to the aforementioned criteria.
5. Advanced Ceramic X Corporation believes that the effectiveness of the design and execution of the internal control system (including its subsidiaries) during the above mentioned assessment period provides reasonable assurance of achieving the goals of the efficiency and effectiveness of operations, the reliability of financial reports and the compliance with applicable laws and regulations.
6. The Statement of Internal Control will be an integral part of Advanced Ceramic X Corporation annual report and prospectus and will be made public. Any false statement, concealment, or other illegality in the content made public will entail legal liabilities under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. The statement has been passed by the Board of Directors in the meeting held on February 26, 2019, with none of the nine attending directors expressing dissenting opinions on the content of the Statement.

Advanced Ceramic X Corporation

Chairman: Shuang De Investment Corporation *CEO: Chien-Wen Kuo*
Rep.: Chien-Wen Kuo

9.2 Major Resolutions of Shareholders' Meetings and Board Meetings are Summarized as Follows:

Shareholders / Board Meetings	Date	Major Resolutions
Board of Directors Meeting	02/26/2018	1. Evaluated the independence and qualification of the independent auditors. 2. Approved the 2017 statement of the internal control system. 3. Approved the distribution of employees' and directors' compensations for the year of 2017. 4. Approved the 2017 business report and financial statements. 5. Approved the distribution of earnings for the year of 2017. 6. Approved the budget plan of the Company for the year of 2018. 7. Amended the Company's "Articles of Incorporation", "Rules and Procedures of Board of Directors Meetings", "Rules for Election of Directors", "Audit Committee Charter" and "Rules Governing the Scope of Powers of Independent Directors". 8. Convened of the 2018 annual general shareholders' meeting.
Board of Directors Meeting	05/08/2018	1. Approved the short-term loan with financial institutions.
Shareholders Meeting	06/19/2018	1. To accept 2017 business report and financial statements. 2. To approve the proposal for distribution of 2017 earnings. 3. To approve revisions of the Articles of Incorporation. 4. To approve revisions of the Rules for Election of Directors.
Board of Directors Meeting	08/07/2018	1. Approved the change of financial officer, accounting officer and spokesperson.
Board of Directors Meeting	11/06/2018	1. Approval of auditing plan for the year of 2019. 2. The distribution of employees' and directors' compensations for the year of 2018. 3. Amendment to the Company's "Finance cycle-procedures for shareholder services".
Board of Directors Meeting	02/26/2019	1. Evaluated the independence and qualification of the independent auditors. 2. Approved the 2018 statement of the internal control system. 3. Approved the distribution of employees' and directors' compensations for the year of 2018. 4. Approved the 2018 business report and financial statements. 5. Approved the distribution of earnings for the year of 2018. 6. Approved the budget plan of the Company for the year of 2019. 7. Approved elect eleven directors (including three independent directors). 8. Approved nominating directors. 9. Approved non-competition restriction on new directors and their representative. 10. Amendment to Company's "Internal Control System" and "Internal Audit System". 11. Amended the Company's "Procedures for Acquisition or Disposal of Assets". 12. Convened of the 2019 annual general shareholders' meeting.
Board of Directors Meeting	05/07/2019	1. Approved the list of nominated directors. 2. Approved the short-term loan with financial institutions. 3. Appointed of company secretary. 4. Establishment the Company's "Procedures for Handling Directors Requirements".

9.3 Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017, and Independent Auditors' Report

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 estimated 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 Amount	2018 %	2017 Amount	2017 %
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)

	Common Stock	Capital Surplus	Retained Earnings			
			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
Expected Credit Impairment Reversal Gains (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, 2018	December 31, 2017 Individually assessed impairment	December 31, 2017 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.

(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

(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

12. Other:

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

	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