

**ADVANCED CERAMIC X CORPORATION**  
Financial Statements and  
Independent Auditors' Review Report  
For the Nine Months Ended September 30, 2019 and 2018

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**Notes to Readers**

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

## **Independent Accountants' Review Report**

To the Board of Directors of Advanced Ceramic X Corporation:

### **Introduction**

We have reviewed the accompanying balance sheets of the Advanced Ceramic X Corporation of September 30, 2019 and 2018, and the related statements of comprehensive income for the three and nine months ended September 30, 2019 and 2018, and the related changes in equity and cash flows for the nine months ended September 30, 2019 and 2018, and notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards (“IASs”) 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the financial statements based on our review.

### **Scope of Review**

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

### **Conclusion**

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of the Company as of September 30, 2019 and 2018, and of its financial performance for the three and nine months ended September 30, 2019 and 2018, and of its cash flows for the nine months ended September 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Notice to Readers**

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

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

**Reviewed only, not audited in accordance with generally accepted auditing standards as of September 30, 2019 and 2018**

**Advanced Ceramic X Corporation**

**Balance Sheets**

**September 30, 2019, December 31, 2018 and September 30, 2018**

(Expressed in Thousands of New Taiwan Dollars)

	September 30, 2019		December 31, 2018		September 30, 2018		September 30, 2019		December 31, 2018		September 30, 2018	
	Reviewed		Audited		Reviewed		Reviewed		Audited		Reviewed	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>												
<b>Current Assets :</b>												
1100 Cash and Cash Equivalents (Note 6(1))	\$ 1,675,692	46	1,709,216	45	1,723,715	47						
1170 Notes and Accounts Receivable, Net (Note 6(2))	189,662	5	190,477	5	231,567	6						
1180 Receivables from Related Parties (Note 6(2) and 7)	74,970	2	133,791	4	109,606	3						
1310 Inventories (Note 6(3))	130,908	4	130,408	3	139,636	4						
1476 Other Financial Assets - Current (Note 6(1) and 8)	216,215	6	502,607	13	344,606	10						
1479 Other Current Assets	26,318	1	18,888	1	22,908	1						
	<u>2,313,765</u>	<u>64</u>	<u>2,685,387</u>	<u>71</u>	<u>2,572,038</u>	<u>71</u>						
<b>Noncurrent Assets :</b>												
1600 Property, Plant and Equipment (Note 6(4), 7 and 8)	1,310,052	36	1,100,949	29	1,049,523	29						
1780 Intangible Assets (Note 6(5))	1,183	-	683	-	792	-						
1840 Deferred Tax Assets	9,409	-	9,409	-	9,860	-						
1980 Other Financial Assets - Noncurrent	446	-	501	-	501	-						
1975 Net Defined Benefit Asset - Noncurrent (Note 6(7))	1,047	-	622	-	201	-						
	<u>1,322,137</u>	<u>36</u>	<u>1,112,164</u>	<u>29</u>	<u>1,060,877</u>	<u>29</u>						
<b>Total Assets</b>	<b>\$ 3,635,902</b>	<b>100</b>	<b>3,797,551</b>	<b>100</b>	<b>3,632,915</b>	<b>100</b>						
<b>Liabilities and Equity</b>												
<b>Current Liabilities :</b>												
2170 Accounts Payable	\$ 52,480	2	45,704	1	44,828	1						
2201 Salary and Bonus Payable	166,897	5	127,347	3	181,678	5						
2213 Payables to Contractors and Equipment (Note 7)	83,813	2	52,527	2	68,728	2						
2230 Income Tax Payable	28,960	1	101,698	3	52,614	2						
2399 Other Current Liabilities (Note 6(6) and 7)	147,963	4	126,441	3	147,151	4						
	<u>480,113</u>	<u>14</u>	<u>453,717</u>	<u>12</u>	<u>494,999</u>	<u>14</u>						
<b>Noncurrent Liabilities :</b>												
2600 Other Liabilities- Noncurrent	13,399	-	10,477	-	9,837	-						
	<u>13,399</u>	<u>-</u>	<u>10,477</u>	<u>-</u>	<u>9,837</u>	<u>-</u>						
<b>Total Liabilities</b>	<u>493,512</u>	<u>14</u>	<u>464,194</u>	<u>12</u>	<u>504,836</u>	<u>14</u>						
<b>Equity (Note 6(9)) :</b>												
3100 Capital Stock	690,162	19	690,162	18	690,162	19						
3200 Capital Surplus	573,532	15	573,532	15	573,532	16						
3300 Retained Earnings	1,878,696	52	2,069,663	55	1,864,385	51						
	<u>3,142,390</u>	<u>86</u>	<u>3,333,357</u>	<u>88</u>	<u>3,128,079</u>	<u>86</u>						
<b>Total Equity</b>	<u>3,142,390</u>	<u>86</u>	<u>3,333,357</u>	<u>88</u>	<u>3,128,079</u>	<u>86</u>						
<b>Total Liabilities and Equity</b>	<b>\$ 3,635,902</b>	<b>100</b>	<b>3,797,551</b>	<b>100</b>	<b>3,632,915</b>	<b>100</b>						

See accompanying notes to the financial statements.

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

**Advanced Ceramic X Corporation**

**Statements of Comprehensive Income**

**For the Three and Nine Months Ended September 30, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars)

	<b>Three Months Ended September 30</b>				<b>Nine Months Ended September 30</b>			
	<b>2019</b>		<b>2018</b>		<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4100 <b>Net Revenue</b> (Note 6(11) and 7)	\$ 415,061	100	472,421	100	1,270,478	100	1,319,730	100
5000 <b>Cost of Revenue</b> (Note 6(3), (7), (13) and 7)	170,158	41	173,894	37	512,796	40	499,900	38
<b>Gross Profit</b>	<u>244,903</u>	<u>59</u>	<u>298,527</u>	<u>63</u>	<u>757,682</u>	<u>60</u>	<u>819,830</u>	<u>62</u>
<b>Operating Expenses</b> (Note 6(7), (13) and 7) :								
6100 Selling and Distribution Expenses	9,919	2	8,071	2	26,887	2	22,833	2
6200 General and Administrative Expenses	20,072	5	19,625	4	56,399	5	56,447	4
6300 Research and Development Expenses	28,128	7	27,933	6	84,309	7	76,350	6
6450 Expected Credit Impairment Loss (Gain) (Note 6(2))	802	-	(109)	-	5,459	-	63	-
	<u>58,921</u>	<u>14</u>	<u>55,520</u>	<u>12</u>	<u>173,054</u>	<u>14</u>	<u>155,693</u>	<u>12</u>
<b>Profit from Operations</b>	<u>185,982</u>	<u>45</u>	<u>243,007</u>	<u>51</u>	<u>584,628</u>	<u>46</u>	<u>664,137</u>	<u>50</u>
<b>Non-Operating Income and Expenses :</b>								
7101 Interest Income	3,601	1	3,802	1	11,173	1	12,246	1
7190 Other Income (Note 6(12))	3,196	1	-	-	5,847	-	176	-
7230 Foreign Exchange Gain (Loss), Net	(305)	-	1,017	-	9,081	1	14,268	1
7610 Gain on Disposal of Property, Plant and Equipment, Net	100	-	-	-	100	-	95	-
	<u>6,592</u>	<u>2</u>	<u>4,819</u>	<u>1</u>	<u>26,201</u>	<u>2</u>	<u>26,785</u>	<u>2</u>
7900 <b>Profit Before Income Tax</b>	192,574	47	247,826	52	610,829	48	690,922	52
7950 <b>Income Tax Expense</b> (Note 6(8))	36,265	9	49,565	10	119,916	9	138,184	10
8200 <b>Net Income</b>	<u>156,309</u>	<u>38</u>	<u>198,261</u>	<u>42</u>	<u>490,913</u>	<u>39</u>	<u>552,738</u>	<u>42</u>
8300 <b>Other Comprehensive Income, net</b>	-	-	-	-	-	-	-	-
8500 <b>Total Comprehensive Income</b>	<u>\$ 156,309</u>	<u>38</u>	<u>198,261</u>	<u>42</u>	<u>490,913</u>	<u>39</u>	<u>552,738</u>	<u>42</u>
<b>Earnings Per Share (Expressed in Dollars)</b> (Note 6(10))								
9750 Basic Earnings Per Share	<u>\$ 2.26</u>		<u>2.87</u>		<u>7.11</u>		<u>8.01</u>	
9850 Diluted Earnings Per Share	<u>\$ 2.26</u>		<u>2.87</u>		<u>7.10</u>		<u>7.98</u>	

See accompanying notes to the financial statements.

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

**Advanced Ceramic X Corporation**  
**Statements of Changes in Equity**  
**For the Nine Months Ended September 30, 2019 and 2018**  
(Expressed in Thousands of New Taiwan Dollars)

	Common Stock	Capital Surplus	Retained Earnings		Subtotal	Total Equity
			Legal Reserve	Undistributed Earnings		
<b>Balance at January 1, 2018</b>	\$ 690,162	573,532	556,555	1,507,369	2,063,924	3,327,618
Profit for the Nine Months Ended September 30, 2018	-	-	-	552,738	552,738	552,738
Other Comprehensive Income for the Nine Months Ended September 30, 2018	-	-	-	-	-	-
Total Comprehensive Income for the Nine Months Ended September 30, 2018	-	-	-	552,738	552,738	552,738
Appropriation and Distribution of 2017 Earnings :						
Legal Reserve	-	-	83,859	(83,859)	-	-
Cash Dividends	-	-	-	(752,277)	(752,277)	(752,277)
<b>Balance at of September 30, 2018</b>	<b>\$ 690,162</b>	<b>573,532</b>	<b>640,414</b>	<b>1,223,971</b>	<b>1,864,385</b>	<b>3,128,079</b>
<b>Balance at January 1, 2019</b>	\$ 690,162	573,532	640,414	1,429,249	2,069,663	3,333,357
Profit for the Nine Months Ended September 30, 2019	-	-	-	490,913	490,913	490,913
Other Comprehensive Income for the Nine Months Ended September 30, 2019	-	-	-	-	-	-
Total Comprehensive Income for the Nine Months Ended September 30, 2019	-	-	-	490,913	490,913	490,913
Appropriation and Distribution of 2018 Earnings :						
Legal Reserve	-	-	75,774	(75,774)	-	-
Cash Dividends	-	-	-	(681,880)	(681,880)	(681,880)
<b>Balance at of September 30, 2019</b>	<b>\$ 690,162</b>	<b>573,532</b>	<b>716,188</b>	<b>1,162,508</b>	<b>1,878,696</b>	<b>3,142,390</b>

See accompanying notes to the financial statements.

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

**Advanced Ceramic X Corporation**  
**Statements of Cash Flows**  
**For the Nine Months Ended September 30, 2019 and 2018**  
(Expressed in Thousands of New Taiwan Dollars)

	<b>Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash Flows from Operating Activities :</b>		
Profit Before Income Tax	\$ 610,829	690,922
Adjustments for :		
Depreciation	111,465	107,241
Amortization	250	375
Provision of Expected Credit Impairment Loss	5,459	63
Interest Income	(11,173)	(12,246)
Gain on Disposal of Property, Plant and Equipment, Net	(100)	(95)
Provision (Reversal) for Inventory Obsolescence and Devaluation Loss	(4,700)	4,500
Total Adjustments to Reconcile Profit	<u>101,201</u>	<u>99,838</u>
Changes in Operating Assets and Liabilities :		
Notes and Accounts Receivable	(5,238)	(21,196)
Receivables from Related Parties	59,415	25,404
Inventories	4,200	(34,799)
Other Operating Current Assets	(7,430)	(6,922)
Accounts Payable	6,776	1,591
Net Defined Benefit Liabilities-Noncurrent	(425)	(251)
Other Liabilities-Noncurrent	2,922	2,536
Other Operating Current Liabilities (Including Salary Payable and Other Current Liabilities)	<u>61,072</u>	<u>51,699</u>
Total Net Changes in Operating Assets and Liabilities	<u>121,292</u>	<u>18,062</u>
Cash Generated from Operations	833,322	808,822
Interest Received	11,465	12,196
Income Taxes Paid	(192,654)	(176,428)
<b>Net Cash Flows from Operating Activities</b>	<u>652,133</u>	<u>644,590</u>
<b>Cash Flows from Investing Activities :</b>		
Acquisition of Property, Plant and Equipment	(289,282)	(111,015)
Proceeds from Disposal of Property, Plant and Equipment	100	95
Decrease in Guarantee Deposits	55	-
Acquisition of Intangible Assets	(750)	-
Decrease (Increase) in Other Financial Assets	286,100	(342,000)
<b>Net Cash Flows from Used in Investing Activities</b>	<u>(3,777)</u>	<u>(452,920)</u>
<b>Cash Flows from Financing Activities :</b>		
Cash Dividends	(681,880)	(752,277)
<b>Net Cash Flows from Used in Financing Activities</b>	<u>(681,880)</u>	<u>(752,277)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(33,524)	(560,607)
<b>Cash and Cash Equivalents at the Beginning of Period</b>	<u>1,709,216</u>	<u>2,284,322</u>
<b>Cash and Cash Equivalents at the End of Period</b>	<u><b>\$ 1,675,692</b></u>	<u><b>1,723,715</b></u>

See accompanying notes to the financial statements.

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

**Advanced Ceramic X Corporation  
Notes to Financial Statements  
September 30, 2019 and 2018**

(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 November 5, 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”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) issued by the International Accounting Standards Board (“IASB”) (collectively, “IFRSs”) and endorsed by the FSC with effective date from January 1, 2019.

<b><u>New, Revised or Amended Standards and Interpretations</u></b>	<b><u>Effective Date Per IASB</u></b>
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”.

## **Advanced Ceramic X Corporation**

### **Notes to Financial Statements**

The Company applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below:

(a) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 4(2).

On transition to IFRS 16, the Company elected to apply the practical expedient to waive the assessment of whether transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease.

Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

(b) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of transportation equipment.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019.

Right-of-use assets are measured at either:

- Their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Company applied this approach to its largest property leases; or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all other lease.

In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the result of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term at the date of initial application.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.



**Advanced Ceramic X Corporation**  
**Notes to Financial Statements**

(c) Impacts on financial statements

On transition to IFRS 16, the Company applies the exemptions of short-term leases and does not recognize right-of-use assets and lease liabilities at the date of initial application.

**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 cumulative effect of adopting IFRIC 23 was recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, and it did not have any 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, 2020 in accordance with Ruling No.1080323028 issued by the FSC on July 29, 2019:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Per IASB</b>
Amendments to IFRS 3 “Definition of Business”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Company believes that the initial adoption of abovementioned standards or interpretations would not have a material impact on its financial statement.

(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:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Per IASB</b>
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 IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	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.

## **Advanced Ceramic X Corporation**

### **Notes to Financial Statements**

#### **4. Summary of significant accounting policies**

##### **(1) Statement of compliance**

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

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

Except for the following accounting policies mentioned below, the significant accounting policies adopted in the interim financial statements is the same as those in the financial statements for the year ended December 31, 2018. For the related information, please refer note 4 of the financial statements for the year ended December 31, 2018.

##### **(2) Leases (applicable from January 1, 2019)**

###### **A. Identifying a lease**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- (a) The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- (b) The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- (c) The Company has the right to direct the use of the asset:
  - The Company has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.
  - In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of an asset if either:
    - The Company has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - The Company designed the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

###### **B. As a lessee**

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

## **Advanced Ceramic X Corporation**

### **Notes to Financial Statements**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (a) Fixed payments, including substantively fixed payments;
- (b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- (c) Amounts expected to be payable under a residual value guarantee; and
- (d) Payments for purchase or termination options that is reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- (a) There is a change in future lease payments arising from the change in an index or rate; or
- (b) There is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- (c) There is a change of its assessment on whether it will have the option to exercise a purchase; or
- (d) There is a change of its assessment on lease term as to whether it will be extended or terminated; or
- (e) There is any lease modifications.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of transportation equipment and staff dormitory, those have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### (3) Income taxes

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

**Advanced Ceramic X Corporation**  
**Notes to Financial Statements**

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

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

(4) Employee benefits

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

(5) Government grants

Government grants are reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate.

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

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

The preparation of the financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the financial statements for the year ended December 31, 2018. For the related information, please refer to note 5 of the financial statements for the year ended December 31, 2018.

**6. Explanation of significant accounts**

Except for the following disclosure, the significant account disclosure in the financial statements for the nine months ended September 30, 2019, which compare with the financial statements for the year ended December 31, 2018, was not changed significantly. For the related information, please refer to note 6 of the financial statements for the year ended December 31, 2018.

(1) Cash and cash equivalents

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Cash	\$ 50	50	50
Cash in bank	164,256	93,048	83,310
Time deposits	<u>1,511,386</u>	<u>1,616,118</u>	<u>1,640,355</u>
	<b><u>\$ 1,675,692</u></b>	<b><u>1,709,216</u></b>	<b><u>1,723,715</u></b>

As of September 30, 2019, December 31, 2018 and September 30, 2018, the classified from cash and cash equivalents to other financial assets-current for time deposits, amounted to \$215,850 thousand, \$499,950 thousand and \$342,000, 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.

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**Notes to Financial Statements**

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

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Notes receivable	\$ 1,381	302	298
Accounts receivable	196,258	192,099	233,714
Accounts receivable from related parties	75,727	135,142	110,713
Less: Allowance for impairment	(7,977)	(1,924)	(2,445)
Allowance for impairment from related parties	(757)	(1,351)	(1,107)
	<b><u>\$ 264,632</u></b>	<b><u>324,268</u></b>	<b><u>341,173</u></b>
Notes and accounts receivable, net	<b><u>\$ 189,662</u></b>	<b><u>190,477</u></b>	<b><u>231,567</u></b>
Accounts receivable from related parties, net	<b><u>\$ 74,970</u></b>	<b><u>133,791</u></b>	<b><u>109,606</u></b>

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. 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. As of September 30, 2019, the Company recognized a loss allowance amounting to \$14,458 thousand for accounts receivable with gross carrying amount of \$6,145 thousand, as there was objective evidence indicating that, under reasonable expectation, it would not be recovered. The other loss allowance provision was determined as follows:

	<b>September 30, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average expected loss rate</b>	<b>Lifetime expected credit loss allowance</b>
Not past due	\$ 258,860	1%~2%	2,589
Past due less than 30 days	48	1%~2%	-
	<b><u>\$ 258,908</u></b>		<b><u>2,589</u></b>
	<b>December 31, 2018</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average expected loss rate</b>	<b>Lifetime expected credit loss allowance</b>
Not past due	\$ 325,107	1%~2%	3,251
Past due less than 30 days	2,436	1%~2%	24
	<b><u>\$ 327,543</u></b>		<b><u>3,275</u></b>

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	<b>September 30, 2018</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average expected loss rate</b>	<b>Lifetime expected credit loss allowance</b>
Not past due	\$ 338,122	1%~2%	3,486
Past due less than 30 days	2,211	1%~2%	22
Past due 31~120 days	4,392	1%~2%	44
	<b>\$ 344,725</b>		<b>3,552</b>

The movements of allowance for doubtful accounts were as follows:

	<b>Nine months ended September 30, 2019</b>	<b>Nine months ended September 30, 2018</b>
Beginning balance	\$ 3,275	3,489
Provision of impairment loss	5,459	63
Ending balance	<b>\$ 8,734</b>	<b>3,552</b>

As of September 30, 2019, December 31, 2018 and September 30, 2018, the notes and accounts receivable were not pledged as collateral. The information about the Company's exposure to credit risk is disclosed in note 6(14).

(3) Inventories

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Raw materials and supplies	\$ 32,510	29,087	32,578
Work in process	63,881	53,678	77,865
Finished goods	34,517	47,643	29,193
	<b>\$ 130,908</b>	<b>130,408</b>	<b>139,636</b>

For the three months and nine months ended September 30, 2019 and 2018, the amounts of inventories that were charged to cost of sales were \$169,858 thousand, \$173,394 thousand, \$517,496 thousand and \$495,400 thousand, respectively.

For the three months ended September 30, 2019, the net of provisions that charged to cost of sales for inventories written down to net realizable value amounted to \$300 thousand and the reversal of inventories written down were \$4,700 thousand for the nine months ended September 30, 2019.

For the three months and nine months ended September 30, 2018, the net of provisions that charged to cost of sales for inventories written down to net realizable value were \$500 thousand and \$4,500 thousand, respectively.

As of September 30, 2019, December 31, 2018 and September 30, 2018, the inventories were not pledged as collateral.

**Advanced Ceramic X Corporation**  
**Notes to Financial Statements**

(4) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the nine months ended September 30, 2019 and 2018 were as follows:

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Office &amp; other equipment</u>	<u>Construction in progress &amp; equipment under installation</u>	<u>Total</u>
Cost :						
Balance at January 1, 2019	\$ 248,651	359,639	1,999,635	172,814	205,413	2,986,152
Additions	-	-	14,660	6,374	299,534	320,568
Reclassifications	-	-	40,456	10,703	(51,159)	-
Disposals	-	-	(26,167)	(1,729)	-	(27,896)
Balance at September 30, 2019	<u>\$ 248,651</u>	<u>359,639</u>	<u>2,028,584</u>	<u>188,162</u>	<u>453,788</u>	<u>3,278,824</u>
Balance at January 1, 2018	\$ 248,651	359,639	1,914,472	153,763	68,965	2,745,490
Additions	-	-	35,925	6,631	123,800	166,356
Reclassifications	-	-	52,925	433	(53,358)	-
Disposals	-	-	(3,322)	(2,834)	-	(6,156)
Balance at September 30, 2018	<u>\$ 248,651</u>	<u>359,639</u>	<u>2,000,000</u>	<u>157,993</u>	<u>139,407</u>	<u>2,905,690</u>
Depreciation :						
Balance at January 1, 2019	\$ -	238,450	1,518,082	128,671	-	1,885,203
Depreciation	-	9,298	91,859	10,308	-	111,465
Disposals	-	-	(26,167)	(1,729)	-	(27,896)
Balance at September 30, 2019	<u>\$ -</u>	<u>247,748</u>	<u>1,583,774</u>	<u>137,250</u>	<u>-</u>	<u>1,968,772</u>
Balance at January 1, 2018	\$ -	226,053	1,408,857	120,172	-	1,755,082
Depreciation	-	9,298	89,796	8,147	-	107,241
Disposals	-	-	(3,322)	(2,834)	-	(6,156)
Balance at September 30, 2018	<u>\$ -</u>	<u>235,351</u>	<u>1,495,331</u>	<u>125,485</u>	<u>-</u>	<u>1,856,167</u>
Carrying value :						
Balance at January 1, 2019	<u>\$ 248,651</u>	<u>121,189</u>	<u>481,553</u>	<u>44,143</u>	<u>205,413</u>	<u>1,100,949</u>
Balance at September 30, 2019	<u>\$ 248,651</u>	<u>111,891</u>	<u>444,810</u>	<u>50,912</u>	<u>453,788</u>	<u>1,310,052</u>
Balance at January 1, 2018	<u>\$ 248,651</u>	<u>133,586</u>	<u>505,615</u>	<u>33,591</u>	<u>68,965</u>	<u>990,408</u>
Balance at September 30, 2018	<u>\$ 248,651</u>	<u>124,288</u>	<u>504,669</u>	<u>32,508</u>	<u>139,407</u>	<u>1,049,523</u>

Pledged assets

As of September 30, 2019, December 31, 2018 and September 30, 2018, the property, plant and equipment of the Company had been pledged as collateral for short-term borrowings; please refer to note 8.

**Advanced Ceramic X Corporation**  
**Notes to Financial Statements**

(5) Intangible assets

	<b>Royalty</b>
Carrying amount :	
Balance at January 1, 2019	<u>\$ 683</u>
Balance at September 30, 2019	<u>\$ 1,183</u>
Balance at January 1, 2018	<u>\$ 1,167</u>
Balance at September 30, 2018	<u>\$ 792</u>

For the nine months ended September 30, 2019 and 2018, there were no significant additions, disposals, or recognition and reversal of impairment losses of intangible assets. Please refer to note 12(1) for details on impairment and to note 6(5) of the financial statements for the year ended December 31, 2018 for other related information.

As of September 30, 2019, December 31, 2018 and September 30, 2018, the intangible assets were not pledged as collateral.

(6) Other current liabilities

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Accrued expenses	\$ 113,490	98,708	116,465
Directors' remuneration payable	9,799	15,168	10,896
Other	24,674	12,565	19,790
	<u>\$ 147,963</u>	<u>126,441</u>	<u>147,151</u>

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

(7) Employee benefits

Defined benefit plans

The management believes that there was no material market volatility, material reimbursement and settlement, or other material one-time events. As a result, the pension cost in the accompanying interim financial statements was measured and disclosed according to the actuarial report as of December 31, 2018 and 2017.

Please refer to note 12(1) for employee pension costs or expenses under defined benefit plans and defined contribution plans.

(8) Income tax

A. Income tax expense

	<b>Three months ended September 30</b>		<b>Nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Income tax expense	\$ 38,515	49,565	122,166	138,184
Adjustment for prior periods	(2,250)	-	(2,250)	-
	<u>\$ 36,265</u>	<u>49,565</u>	<u>119,916</u>	<u>138,184</u>



**Advanced Ceramic X Corporation**  
**Notes to Financial Statements**

B. As of September 30, 2019, the tax authorities have completed the examination of income tax returns of the Company through 2017.

(9) Capital and other equity

Except for the following disclosure, there were no significant change for capital and other equity for the nine months ended September 30, 2019 and 2018. For the related information, please refer to note 6(9) of the financial statements for the year ended December 31, 2018.

A. 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-up 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.

B. Earnings distribution

On June 18, 2019, the Company's shareholders' meetings resolved to distribute the 2018 earnings. On June 19, 2018, the shareholders' meetings resolved to distribute the 2017 earnings. These earnings were distributed as dividends as follows:

	<b>2018</b>	<b>2017</b>
Dividends distributed to ordinary shareholders		
Amount per share (NTD) :		
Cash dividends	<b>\$ 9.88</b>	<b>10.90</b>

The aforementioned appropriations of earnings for 2018 and 2017 were consistent with the resolutions of the meeting of the Board of Directors. The related information mentioned above can be found on websites such as the Market Observation Post System.

(10) Earnings per share (EPS)

For the three months and nine months ended September 30, 2019 and 2018, the Company's earnings per share were calculated as follows:

	<b>Three months ended September 30</b>		<b>Nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Basic EPS :				
Net profit belonging to common shareholders	<b>\$ 156,309</b>	<b>198,261</b>	<b>490,913</b>	<b>552,738</b>
Weighted average common stock outstanding (in thousands)	<b>69,016</b>	<b>69,016</b>	<b>69,016</b>	<b>69,016</b>
Basic EPS (NTD)	<b>\$ 2.26</b>	<b>2.87</b>	<b>7.11</b>	<b>8.01</b>

**Advanced Ceramic X Corporation**  
**Notes to Financial Statements**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Diluted EPS :</b>				
Net profit belonging to common shareholders	<b>\$ 156,309</b>	<b>198,261</b>	<b>490,913</b>	<b>552,738</b>
Weighted average common stock outstanding (in thousands) (basic)	69,016	69,016	69,016	69,016
Employee compensation	127	176	167	208
Weighted average common stock outstanding plus the effect of potentially dilutive common stock (in thousands) (diluted)	<b>69,143</b>	<b>69,192</b>	<b>69,183</b>	<b>69,224</b>
Diluted EPS (NTD)	<b>\$ 2.26</b>	<b>2.87</b>	<b>7.10</b>	<b>7.98</b>

(11) Operating revenue from contracts with customers

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Primary geographic markets</b>				
China	\$ 154,139	185,753	441,546	548,483
United States	111,675	140,527	387,159	388,646
Taiwan	74,124	76,953	205,320	227,414
Hong Kong	40,006	47,824	134,601	83,482
Other	35,117	21,364	101,852	71,705
	<b>\$ 415,061</b>	<b>472,421</b>	<b>1,270,478</b>	<b>1,319,730</b>
<b>Main Product</b>				
RF Front-End devices and modules	<b>\$ 415,061</b>	<b>472,421</b>	<b>1,270,478</b>	<b>1,319,730</b>

(12) Non-operating income and expenses

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Government grants income	\$ 3,196	-	5,635	-
Other income	-	-	212	176
	<b>\$ 3,196</b>	<b>-</b>	<b>5,847</b>	<b>176</b>

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**Notes to Financial Statements**

(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 three months and nine months ended September 30, 2019 and 2018, the Company estimated the remuneration to employees amounting to \$10,298 thousand, \$13,771 thousand, \$32,665 thousand and \$36,348 thousand, respectively, and remuneration to directors amounting to \$3,089 thousand, \$4,114 thousand, \$9,799 thousand and \$10,896 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 nine months ended September 30, 2019 and 2018. The differences between the actual distributed amounts as determined by the Board of Directors and those recognized in the financial statements, if any, shall be accounted for as changes in accounting estimated and recognized in profit or loss in the following year. 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.

Remuneration to employees for 2018 and 2017 in the amounts of \$50,560 thousand and \$54,210 thousand, respectively, and remuneration to director for 2018 and 2017 in the amounts of \$15,168 thousand and \$16,263 thousand, respectively, in cash for payment has been approved in the meeting of Board of Directors. The aforementioned approved amounts are the same as the amounts charged against earnings of 2018 and 2017. The information about the Company's remuneration to employees and directors is available at the Market Observation Post System website.

(14) Financial instruments

Except for the following disclosure, there was no significant change in the fair value of the Company's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(14) of the financial statement for the year ended December 31, 2018.

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 September 30, 2019, December 31, 2018 and September 30, 2018, the Company's notes and account receivable (including related parties) were both concentrated on 5 customers, whose accounts represented 57%, 64% and 63% of the account receivables, respectively. For the information of credit risk exposure of notes and accounts receivable, please refer to note 6(2).

As of September 30, 2019, December 31, 2018 and September 30, 2018, the Company's cash in bank and time deposits were both concentrated on one financial institution, whose accounts represented 64%, 85% and 89% 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.

**Advanced Ceramic X Corporation**  
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(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) of the financial statements for the year ended December 31, 2018.

B. Liquidity risk

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

	<b>Carrying amount (Contractual cash flows)</b>	<b>Within 6 months</b>	<b>6 to 12 months</b>
<b>September 30, 2019</b>			
Non-derivative financial liabilities			
Accounts payable	\$ 52,480	52,480	-
Payables to contractors and equipment	83,813	42,825	40,988
	<b><u>\$ 136,293</u></b>	<b><u>95,305</u></b>	<b><u>40,988</u></b>
<b>December 31, 2018</b>			
Non-derivative financial liabilities			
Accounts payable	\$ 45,704	45,704	-
Payables to contractors and equipment	52,527	52,527	-
	<b><u>\$ 98,231</u></b>	<b><u>98,231</u></b>	<b><u>-</u></b>
<b>September 30, 2018</b>			
Non-derivative financial liabilities			
Accounts payable	\$ 44,828	44,828	-
Payables to contractors and equipment	68,728	68,728	-
	<b><u>\$ 113,556</u></b>	<b><u>113,556</u></b>	<b><u>-</u></b>

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

**Advanced Ceramic X Corporation**  
**Notes to Financial Statements**

C. Currency risk

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

	September 30, 2019			December 31, 2018			September 30, 2018		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 10,825	30.990	335,467	10,971	30.665	336,426	12,294	30.475	374,660
JPY	500,424	0.2858	143,021	258,641	0.2762	71,437	245,015	0.2672	65,468
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	545	31.090	16,944	346	30.765	10,645	1,508	30.575	46,107
JPY	29,446	0.2898	8,533	18,892	0.2802	5,294	16,790	0.2712	4,553

(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 September 30, 2019 and 2018, while all other variables were remained constant, would have increased (decreased) the net profit after tax by \$3,624 thousand and \$3,116 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 nine months ended September 30, 2019 and 2018, foreign exchange gain, including realized and unrealized portions, amounted to \$9,081 thousand and \$14,268 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 \$11,349 thousand and \$12,406 thousand for the nine months ended September 30, 2019 and 2018, all other variable factors that remain constant.

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**Notes to Financial Statements**

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

There were no significant change in the Company's financial risk management and policies as disclosed in note 6(15) of the financial statements for the year ended December 31, 2018.

(16) Capital management

The objectives and policies of capital management of the Company have been applied consistently with those described in the financial statements for the year ended December 31, 2018. Also, there were no significant changes in the Company's capital management information as disclosed in the financial statements for the year ended December 31, 2018. Refer to note 6(16) of the financial statements for the year ended December 31, 2018 for the relevant information.

**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.

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

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Key management personnel— JOHANSON	\$ 79,243	94,053	273,573	280,234
Key management personnel— MINI-CKT	<u>30,795</u>	<u>45,534</u>	<u>109,356</u>	<u>106,271</u>
	<u>\$ 110,038</u>	<u>139,587</u>	<u>382,929</u>	<u>386,505</u>

**Advanced Ceramic X Corporation**  
**Notes to Financial Statements**

B. Receivables from related parties

<u>Categories</u>	<u>Account</u>	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>September 30,</u> <u>2019</u>
Key management personnel — JOHANSON	Receivables from related parties	\$ 60,892	112,365	85,332
	Bad debt provision	(609)	(1,123)	(853)
Key management personnel — MINI-CKT	Receivables from related parties	14,835	22,777	25,381
	Bad debt provision	(148)	(228)	(254)
		<u>\$ 74,970</u>	<u>133,791</u>	<u>109,606</u>

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

As of December 31, 2018, Hsin Chang Construction Corporation provided consulting service for construction engineering amounted to \$781 thousand.

	<u>Construction and equipment payable</u>		
	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>September 30,</u> <u>2018</u>
Hsin Chang Construction Corporation	<u>0</u>	<u>781</u>	<u>0</u>

D. Other

The transaction amount paid by the Company to its related parties for purchase spare parts and design service expenses and the related unpaid balances were as follows:

	<u>Transaction amount</u>				<u>Other current liabilities</u>		
	<u>Three months ended</u>		<u>Nine months ended</u>		<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>September 30,</u> <u>2018</u>
	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
Key management personnel — JOHANSON	<u>\$ 1,231</u>	<u>1,274</u>	<u>3,709</u>	<u>3,524</u>	<u>858</u>	<u>697</u>	<u>605</u>

(3) Transactions with key management personnel

The key management personnel compensation was comprised as below:

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 19,833	17,658	62,323	65,134
Post-employment benefits	27	27	81	155
	<u>\$ 19,860</u>	<u>17,685</u>	<u>62,404</u>	<u>65,289</u>

**Advanced Ceramic X Corporation**  
**Notes to Financial Statements**

**8. Pledged assets:**

The carrying amounts of pledged assets were as follows:

<u>Pledge assets</u>	<u>Pledged to secure</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
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	168,944
		<u>\$ 168,944</u>	<u>170,944</u>	<u>170,944</u>

**9. Commitments and contingencies:**

- (1) As of September 30, 2019, December 31, 2018 and September 30, 2018, the outstanding letters of credit for the Company's purchases of machinery and equipment and raw materials amounted to \$3,536 thousand, \$35,353 thousand and \$14,995 thousand, respectively.
- (2) As of September 30, 2019, December 31, 2018 and September 30, 2018, the Company purchased machinery and equipment and the unpaid amount was \$303,868 thousand, \$592,938 thousand and \$639,6633 thousand, respectively.
- (3) Bank guarantees of the Company's purchases of raw materials, machinery and equipment amounted to \$2,000 thousand, as of September 30, 2019.
- (4) As of September 30, 2019, the Company requested the bank to open performance bonds for the technology projects, which amounted to \$20,340 thousand.

**10. Losses due to major disasters: None**

**11. Subsequent events: None**



**Advanced Ceramic X Corporation**  
**Notes to Financial Statements**

**12. Other:**

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

	Three months ended September 30, 2019			Three months ended September 30, 2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries	26,876	26,655	53,531	27,876	27,936	55,812
Labor and health insurance	2,436	1,641	4,077	2,453	1,642	4,095
Pension	938	831	1,769	946	809	1,755
Directors remuneration	2,811	344	3,155	3,743	425	4,168
Others	1,178	629	1,807	1,189	667	1,856
Depreciation	32,303	4,344	36,647	32,812	3,459	36,271
Amortization	-	100	100	-	125	125

	Nine months ended September 30, 2019			Nine months ended September 30, 2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries	80,187	80,398	160,585	82,749	80,216	162,965
Labor and health insurance	7,230	4,777	12,007	7,364	4,847	12,211
Pension	2,775	2,411	5,186	2,860	2,392	5,252
Directors remuneration	8,917	1,116	10,033	9,915	1,173	11,088
Others	3,552	1,866	5,418	3,575	1,939	5,514
Depreciation	98,928	12,537	111,465	96,979	10,262	107,241
Amortization	-	250	250	-	375	375

(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 September 30, 2019 (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

**Advanced Ceramic X Corporation**  
**Notes to Financial Statements**

E. Acquisition of individual real estate with amount exceeding the lower of NTD\$300 million or 20% of the capital stock:

(In thousands of New Taiwan Dollars)

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
The company	New construction plant	2017.11.7	663,695	315,470	Xu Yuan Construction Corp.	-	N/A	N/A	N/A	N/A	Bidding	Manufacturing purpose	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:

(In thousands of New Taiwan Dollars)

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)	273,573	22%	60 days	Note1	Note1	60,892	22%	
The Company	MINI-CKT	Corporate director	(Sales)	109,356	9%	30 days	Note1	Note1	14,835	5%	

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

I. Trading in derivative instruments: None

(2) Information on investments: None

(3) Information on investment in Mainland China: None

**14. Segment information:**

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