Stock Code：3152

ADVANCED CERAMIC X CORPORATION

Financial Statements and Independent Auditors' Report
December 31, 2019 and 2018

Address：No.16, Tzu Chiang Road, Hsinchu Industrial Park, Hsinchu County, Taiwan
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Notes to Readers

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

Independent Auditors' Report

To the Board of Directors of Advanced Ceramic X Corporation:

Opinion

We have audited the financial statements of Advanced Ceramic X Corporation ("the Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, 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, 2019. 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 valuation 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 25, 2020

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current Assets：				
1100	Cash and Cash Equivalents (Note 6(1))	$ 1,727,244	46	1,709,216	45
1170	Notes and Accounts Receivable, Net (Note 6(2))	178,135	5	190,477	5
1180	Receivables from Related Parties (Note 6(2) and 7)	84,294	2	133,791	4
1310	Inventories (Note 6(3))	117,516	3	130,408	3
1476	Other Financial Assets - Current (Note 6(1) and 8)	216,237	6	502,607	13
1479	Other Current Assets	25,642	-	18,888	1
		2,349,068	62	2,685,387	71
	Noncurrent Assets：				
1600	Property, Plant and Equipment (Note 6(4), 7 and 8)	1,417,742	38	1,100,949	29
1780	Intangible Assets (Note 6(5))	1,783	-	683	-
1840	Deferred Tax Assets (Note 6(8))	9,497	-	9,409	-
1980	Other Financial Assets - Noncurrent	447	-	501	-
1975	Net Defined Benefit Asset- Noncurrent (Note6(7))	1,094	-	622	-
		1,430,563	38	1,112,164	29
	Total Assets	**$ 3,779,631**	**100**	**3,797,551**	**100**

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current Liabilities：				
2170	Accounts Payable	$ 50,504	1	45,704	1
2201	Salary and Bonus Payable	120,688	3	127,347	3
2213	Payables to Contractors and Equipment (Note 7)	91,046	3	52,527	2
2230	Income Tax Payable	68,006	2	101,698	3
2399	Other Current Liabilities (Note 6(6) and 7)	137,282	4	126,441	3
		467,526	13	453,717	12
	Noncurrent Liabilities：				
2600	Other Liabilities- Noncurrent	14,061	-	10,477	-
		14,061	-	10,477	-
	Total Liabilities	481,587	13	464,194	12
	Equity (Note 6(9))：				
3100	Capital Stock	690,162	18	690,162	18
3200	Capital Surplus	573,532	15	573,532	15
3300	Retained Earnings	2,034,350	54	2,069,663	55
	Total Equity	3,298,044	87	3,333,357	88
	Total Liabilities and Equity	**$ 3,779,631**	**100**	**3,797,551**	**100**

See accompanying notes to the financial statements.

Advanced Ceramic X Corporation
Statements of Comprehensive Income
Years Ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

		2019 Amount	2019 %	2018 Amount	2018 %
4100	**Net Revenue** (Note 6(11) and 7)	$ 1,707,626	100	1,804,308	100
5000	**Cost of Revenue** (Note 6(3), (7), (13) and 7)	689,886	40	682,089	38
	Gross Profit	1,017,740	60	1,122,219	62
	Operating Expenses (Note 6(7), (13) and 7)：				
6100	Selling and Distribution Expenses	36,450	2	32,083	2
6200	General and Administrative Expenses	78,366	5	76,973	4
6300	Research and Development Expenses	110,403	6	104,174	6
6450	Expected Credit Impairment Loss (Gain) (Note 6(2))	(625)	-	(214)	-
		224,594	13	213,016	12
	Income from Operations	793,146	47	909,203	50
	Non-Operating Income and Expenses：				
7101	Interest Income	14,711	1	15,905	1
7190	Other Income (Note 6(12))	7,286	-	175	-
7230	Foreign Exchange Gain (Loss), Net	(9,702)	(1)	20,088	1
7610	Gain on Disposal of Property, Plant and Equipment, Net	100	-	95	-
		12,395	-	36,263	2
7900	**Income Before Income Tax**	805,541	47	945,466	52
7950	**Less：Income Tax Expense** (Note 6(8))	158,876	9	187,727	10
8200	**Net Income**	646,665	38	757,739	42
8300	**Other Comprehensive Income**：				
8310	**Items That will Not Be Reclassified to Profit or Loss**				
8311	Remeasurement of Defined Benefit Obligations (Note 6(7))	(98)	-	277	-
8300	**Other Comprehensive Income, net of tax**	(98)	-	277	-
8500	**Total Comprehensive Income**	**$ 646,567**	**38**	**758,016**	**42**
	Earnings Per Share (Expressed in Dollars) (Note 6(10))				
9750	Basic Earnings Per Share	**$**	**9.37**		**10.98**
9850	Diluted Earnings Per Share	**$**	**9.35**		**10.95**

See accompanying notes to the financial statements.

Advanced Ceramic X Corporation

Statements of Changes in Equity

Years Ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

			Retained Earnings			
	Common Stock	**Capital Surplus**	**Legal Reserve**	**Undistributed Earnings**	**Subtotal**	**Capital Surplus**
Balance at January 1, 2018	$ 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**
Net income in 2019	-	-	-	646,665	646,665	646,665
Other Comprehensive Income, Net of Tax	-	-	-	(98)	(98)	(98)
Total Comprehensive Income for the Year	-	-	-	646,567	646,567	646,567
Appropriation and Distribution of Earnings：						
Legal Reserve	-	-	75,774	(75,774)	-	-
Cash Dividends	-	-	-	(681,880)	(681,880)	(681,880)
Balance at December 31, 2019	**$ 690,162**	**573,532**	**716,188**	**1,318,162**	**2,034,350**	**3,298,044**

See accompanying notes to the financial statements.

Advanced Ceramic X Corporation

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash Flows from Operating Activities：		
Income Before Income Tax	$ 805,541	945,466
Adjustments for：		
Depreciation Expense	147,587	144,809
Amortization Expense	400	484
Expected Credit Gain	(625)	(214)
Interest Income	(14,711)	(15,905)
Gain on Disposal of Property, Plant and Equipment, Net	(100)	(95)
Provision (Reversal) for Inventory Obsolescence and Devaluation Loss	(7,227)	11,999
Total Adjustments to Reconcile Profit	125,324	141,078
Changes in Operating Assets and Liabilities：		
Notes and Accounts Receivable	12,467	20,415
Receivables from Related Parties	49,997	975
Inventories	20,119	(33,070)
Other Operating Current Assets	(6,754)	(2,701)
Net Defined Benefit Assets	(570)	(596)
Accounts Payable	4,800	2,467
Other Operating Current Liabilities (Including Salary Payable and Other Current Liabilities)	4,182	(23,342)
Other Liabilities-Noncurrent	3,584	3,176
Total Net Changes in Operating Assets and Liabilities	87,825	(32,676)
Cash Generated from Operations	1,018,690	1,053,868
Interest Received	14,981	15,804
Income Taxes Paid	(192,656)	(176,436)
Net Cash Generated by Operating Activities	841,015	893,236
Cash Flows from Investing Activities：		
Acquisition of Property, Plant and Equipment	(425,861)	(216,210)
Proceeds from Disposal of Property, Plant and Equipment	100	95
Decrease in Refundable Deposits	54	-
Acquisition of Intangible Assets	(1,500)	-
Decrease (Increase) in Other Financial Assets	286,100	(499,950)
Net Cash Used in Investing Activities	(141,107)	(716,065)
Cash Flows from Financing Activities：		
Cash Dividends	(681,880)	(752,277)
Net Cash Used in Financing Activities	(681,880)	(752,277)
Net Increase (Decrease) in Cash and Cash Equivalents	18,028	(575,106)
Cash and Cash Equivalents at the Beginning of Period	1,709,216	2,284,322
Cash and Cash Equivalents at the End of Period	**$ 1,727,244**	**1,709,216**

See accompanying notes to the financial statements.

Advanced Ceramic X Corporation
Notes to Financial Statements
For the Years Ended December 31, 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 February 25, 2020.

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.

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".

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.

(c) Impacts on financial statements

On transition to IFRS 16, the Company applies the exemptions of short-term leases and does not recognizes 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 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, 2020 in accordance with Ruling No.1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective Date Per IASB
Amendments to IFRS 3 “Definition of Business”	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Company believes that the initial adoption of above mentioned 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:

New, Revised or Amended Standards and Interpretations	Effective Date Per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Subject to IASB’s announcement
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current	January 1, 2022

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 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 functional currency of the Company is determined based on the primary economic environment in which the Company operates. 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. 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 comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investment that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in the value. Time deposits which meet the above definition and are held for the purpose of meeting short-term commitments rather than for investment or other purposes should be recognized as cash equivalents.

(6) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(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.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is 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 dialed 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.

(c) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(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, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.
Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent cost
Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

C. Depreciation
Land has an unlimited useful life and therefore is not depreciated.
Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.
Land 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
The depreciation methods, useful lives and residual values are reviewed at each reporting date, and adjusted if appropriate.

(9) 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.

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.

(10) Intangible assets

A. Research and development

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Patent right with a finite useful life is measured at cost less accumulated amortization and any accumulated impairment losses.

B. 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.

C. Amortization

The depreciable amount of an intangible asset is the cost less its residual value, and with a finite useful life is amortized using the straight-line method from the date that the asset is made available for use. The amortization charge is recognized in profit or loss.

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.

Amortization method, useful lives and residual value at each reporting date and adjusted if appropriate.

(11) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(12) Revenue

Revenue from contracts with customers

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.

(13) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to 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. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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 actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (excluding interest), are recognized immediately in other comprehensive income , and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group 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.

(14) 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.

(15) Income taxes

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.

Income taxes comprise 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 comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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 are offset if the following criteria are met:

A. The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

B. The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(a) the same taxable entity; or

(b) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are 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 they can be utilized. Deferred tax assets are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(16) 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.

(17) 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, 2019	December 31, 2018
Cash	$ 50	50
Cash in bank	232,103	93,048
Time deposits	1,495,091	1,616,118
	$ 1,727,244	**1,709,216**

As of December 31, 2019 and 2018, the classified from cash and cash equivalents to other financial assets-current for time deposits, amounted to $215,850 thousand and $499,950, 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, 2019	December 31, 2018
Notes receivable	$ 1,016	302
Accounts receivable	178,918	192,099
Accounts receivable from related parties	85,145	135,142
Less: Allowance for impairment	(1,799)	(1,924)
Allowance for impairment from related parties	(851)	(1,351)
	$ 262,429	324,268
Notes and accounts receivable, net	$ 178,135	190,477
Accounts receivable from related parties, net	$ 84,294	133,791

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. The loss allowance provision as of December 31, 2019 and 2018 were determined as follows:

	December 31, 2019		
	Gross carrying amount	Weighted-average expected loss rate	Lifetime expected credit loss allowance
Not past due	$ 264,876	1%~2%	2,648
Past due less than 30 days	181	1%~2%	2
Past due 31~120 days	22	1%~2%	-
	$ 265,079		2,650

	December 31, 2018		
	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

The movements of allowance for doubtful accounts were as follows：

	December 31, 2019	December 31, 2018
Beginning balance	$ 3,275	3,489
Reversal of impairment loss	(625)	(214)
Ending balance	$ 2,650	3,275

The payment terms granted to customers are generally 30 to 150 days from the end of the month during which the invoice is issued.

As of December 31, 2019 and 2018, the notes and accounts receivable were not pledged as collateral. Other credit risk information, please refer to note 6(14).

(3) Inventories

	December 31, 2019	December 31, 2018
Raw materials and supplies	$ 27,582	29,087
Work in process	58,279	53,678
Finished goods	31,655	47,643
	$ 117,516	**130,408**

For the years ended December 31, 2019 and 2018, the amounts of inventories that were charged to cost of goods sold were $697,113 thousand and $670,090 thousand, respectively, the reversal of inventories written down were $7,227 thousand and the net of provisions that charged to cost of goods sold for inventories written down to net realizable value amounted to $11,999 thousand for the years ended December 31, 2018.

As of December 31, 2019 and 2018, 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, 2019 and 2018, 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, 2019	$ 248,651	359,639	1,999,635	172,814	205,413	2,986,152
Additions	-	-	19,712	7,125	437,543	464,380
Reclassifications	-	-	46,998	12,524	(59,522)	-
Disposals	-	-	(27,468)	(1,936)	-	(29,404)
Balance at December 31, 2019	**$ 248,651**	**359,639**	**2,038,877**	**190,527**	**583,434**	**3,421,128**
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**

		Land	Building and construction	Machinery and equipment	Office & Other equipment	Construction in progress & equipment under installation	Total
Depreciation:							
Balance at January 1, 2019	$	-	238,450	1,518,082	128,671	-	1,885,203
Depreciation		-	12,397	121,200	13,990	-	147,587
Disposals		-	-	(27,468)	(1,936)	-	(29,404)
Balance at December 31, 2019	$	-	250,847	1,611,814	140,725	-	2,003,386
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
Carrying amounts:							
Balance at December 31, 2019	$	248,651	108,792	427,063	49,802	583,434	1,417,742
Balance at January 1, 2018	$	248,651	133,586	505,615	33,591	68,965	990,408
Balance at December 31, 2018	$	248,651	121,189	481,553	44,143	205,413	1,100,949

Pledged assets

As of December 31, 2019 and 2018, 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, 2019 and 2018, were as follows:

		2019	2018
Cost:			
Balance at January 1	$	2,500	3,500
Additions		1,500	-
Disposals		-	(1,000)
Balance at December 31	$	4,000	2,500
Amortization and impairment loss:			
Balance at January 1	$	1,817	2,333
Additions		400	484
Disposals		-	(1,000)
Balance at December 31	$	2,217	1,817
Carrying amount at the Beginning of Period	$	683	1,167
Carrying amount at the End of Period	$	1,783	683

For the years ended December 31, 2019 and 2018, the amortization expense of intangible assets recognized in statements of comprehensive income; please refer to note 12(1).
As of December 31, 2019 and 2018, the intangible assets were not pledged as collateral.

(6) Other current liabilities

		December 31, 2019	December 31, 2018
Accrued expenses	$	92,968	98,708
Directors' remuneration payable		12,923	15,168
Other		31,391	12,565
	$	**137,282**	**126,441**

The above accrued expenses included material consumption, insurance, service expense, 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, 2019	December 31, 2018
Present value of the defined benefit obligations	$	15,030	16,254
Fair value of plan assets		(16,124)	(16,876)
Net defined benefit assets	**$**	**(1,094)**	**(622)**

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 $16,124 thousand as of December 31, 2019. 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, 2019 and 2018, movements in the present value of the defined benefit obligations for the Company, were as follows:

	2019	2018
Defined benefit obligation at January 1	$ 16,254	15,836
Current service cost and interest	290	329
Remeasurement of the net defined benefit liability (assets)		
—Demographic assumptions	-	861
—Financial assumptions	566	555
—Experience adjustment	54	(1,327)
Benefits paid	(2,134)	-
Defined benefit obligation at December 31	**$ 15,030**	**16,254**

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

For the years ended December 31, 2019 and 2018, movements in the fair value of the plan assets were as follows:

	2019	2018
Fair value of plan assets at January 1	$ 16,876	15,585
Interest revenue	223	257
Contributions from plan participants	637	669
Remeasurements of the net defined benefit liability (assets)		
—Return on plan assets (excluding interest revenue)	522	365
Benefits paid	(2,134)	-
Fair value of plan assets at December 31	**$ 16,124**	**16,876**

(d) For the years ended December 31, 2019 and 2018, there were no changes in the effect of plan asset ceiling.

(e) Expenses recognized in profit or loss

For the years ended December 31, 2019 and 2018, the expenses recognized in profit or losses for the Company were as follows:

	2019	2018
Current service cost	$ 80	74
Net interest expense of net defined benefit (liabilities (assets))	(13)	(2)
	$ 67	**72**

		2019	2018
Cost of revenue	$	38	42
Selling and distribution expenses		7	7
General and administrative expenses		10	11
Research and development expense		12	12
	$	67	72
Actual return on plan assets	$	746	622

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

For the years ended December 31, 2019 and 2018, the remeasurements of the net defined benefit liability (asset) recognized in other comprehensive income were as follows:

		2019	2018
Balance at January 1	$	1,448	1,171
Recognized during the period		(98)	277
Balance at December 31	$	1,350	1,448

(g) Actuarial assumptions

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

	December 31, 2019	December 31, 2018
Discount rate	1.125%	1.375%
Future salary rate increases	2.00%	2.00%

The Company expects to make contributions of $651 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 16.75 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, 2019 and 2018, 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, 2019			
Discount rate	$	(566)	593
Future salary increases		578	(555)

	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)

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 $6,945 thousand and $6,966 thousand of the pension under the pension costs to the Bureau of Labor Insurance for the years ended December 31, 2019 and 2018, respectively.

(8) Income tax

A. Income tax expense

The components of income tax expense for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Current tax expense		
Current period incurred	$ 161,214	188,883
Adjustment for prior periods	(2,250)	(1,611)
Other	-	4
	158,964	187,276
Deferred tax expense		
Origination and reversal of temporary differences	(88)	451
Income tax expense	**$ 158,876**	**187,727**

As of December 31, 2019 and 2018, 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:

	2019	2018
Profit before income tax	$ 805,541	945,466
Income tax at Company's domestic tax rate	161,108	189,093
Change in provision in prior periods	(2,250)	(1,611)
Undistributed earnings additional tax at 10%	18	242
Other	-	3
	$ 158,876	187,727

B. Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

	January 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2018	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2019
Deferred tax assets：							
Unrealized foreign exchange loss, net	$ 2,402	(2,363)	-	39	2,248	-	2,287
Provision for inventory obsolescence and devaluation loss	7,458	1,912	-	9,370	(2,160)	-	7,210
Deferred tax assets	$ 9,860	(451)	-	9,409	88	-	9,497

C. As of December 31, 2019, the tax authorities have completed the examination of income tax returns of the Company through 2017.

(9) Capital and other equity

A. Ordinary share

As of December 31, 2019 and 2018, 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, 2019 and 2018.

B. Capital surplus

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

	December 31, 2019	December 31, 2018
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

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 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:

	2018	2017
Dividends distributed to ordinary shareholders		
Amount per share (NTD)		
Cash dividends	$ 9.88	10.90

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.

The cash dividend per share for 2019 was NT$8.43 per share according with the resolutions of the meeting of the Board of Directors on February 25, 2020. 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, 2019 and 2018, the Company's earnings per share were calculated as follows:

	2019	2018
Basic EPS：		
Net profit belonging to common shareholders	$ 646,665	757,739
Weighted average common stock outstanding (in thousands)	69,016	69,016
Basic EPS (NTD)	$ 9.37	10.98
Diluted EPS：		
Net profit belonging to common shareholders	$ 646,665	757,739
Weighted average common stock outstanding (in thousands) (basic)	69,016	69,016
Employee compensation	122	206
Weighted average common stock outstanding plus the effect of potentially dilutive common stock (in thousands) (diluted)	69,138	69,222
Diluted EPS (NTD)	$ 9.35	10.95

(11) Operating revenue from contracts with customers

	2019	2018
Primary geographic markets:		
China	$ 643,717	729,833
United States	484,428	558,842
Taiwan	278,408	295,487
Hong Kong	166,105	124,063
Other	134,968	96,083
	$ 1,707,626	1,804,308
Main product		
RF front-end devices and modules	$ 1,707,626	1,804,308

Contract balances：

		December 31, 2019	December 31, 2018	January 1, 2018
Notes receivable	$	1,016	302	862
Accounts receivable		178,918	192,099	211,954
Accounts receivable from related parties		85,145	135,142	136,117
Less: Allowance for impairment		(1,799)	(1,924)	(2,128)
Allowance for impairment from related parties		(851)	(1,351)	(1,361)
	$	262,429	324,268	345,444
Notes and accounts receivable, net	$	178,135	190,477	210,688
Accounts receivable from related parties, net	$	84,294	133,791	134,756

For details on trade receivables and allowance for impairment, please refer to note 6(2).
As of December 31, 2019 and 2018, and January 1, 2018 the Company contract liabilities amount was $28,895 thousand, $9,988 thousand and $8,263 thousand, respectively. Contract liabilities are included in other current liabilities.

The major change in the balance of contract liabilities is unearned sales revenue to be contracts; the Company recognizes revenue when it satisfies a performance obligation by transferring control of goods to a customer. The amount of revenue recognized for the year ended December31, 2019 and 2018 that was included in the contract liabilities balance at the beginning for the period was $9,988 thousand and $8,263 thousand, respectively.

The contract liabilities primarily relate to the advance consideration received from customers for the RF Front-End devices and modules sales contracts, for which revenue is recognized when products are delivered to customers.

(12) Non-operating income and expenses

		2019	2018
Government grants income	$	7,073	-
Other income		213	175
	$	7,286	175

(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, 2019 and 2018, the Company estimated the remuneration to employees amounting to $43,077 thousand and $50,560 thousand, respectively, and remuneration to directors amounting to $12,923 thousand and $15,168 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, 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 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, 2019 and 2018.
The related information mentioned above can be found on websites such as the Market Observation Post System.

(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, 2019 and 2018, the Company's notes and accounts receivable (including related parties) were both concentrated on 5 customers, whose accounts represented 59% and 64% 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, 2019 and 2018, the Company's cash in bank and time deposits were both concentrated on one financial institution, whose accounts represented 65% and 85% 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 months	6 to 12 months
December 31, 2019				
Non-derivative financial liabilities				
Accounts payable	$	50,504	50,504	-
Payables to contractors and equipment		91,046	91,046	-
	$	141,550	141,550	-
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	-

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, 2019			December 31, 2018		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 13,548	29.930	405,492	10,971	30.665	336,426
JPY	729,144	0.2740	199,785	258,641	0.2762	71,437
Financial liabilities						
Monetary items						
USD	566	30.030	16,997	346	30.765	10,645
JPY	23,352	0.2780	6,492	18,892	0.2802	5,294

(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, 2019 and 2018,while all other variables were remained constant, would have increased (decreased) the net profit after tax by $4,654 thousand and $3,135 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, 2019 and 2018, foreign exchange gain (loss), including realized and unrealized portions, amounted to ($9,702) thousand and $20,088 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 $15,544 thousand and $17,689 thousand for the year ended December 31, 2019 and 2018, 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 did not provide guarantee to anyone. As of December 31, 2019 and 2018, 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, 2019, 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, 2019	December 31, 2018
Total liabilities	$ 481,587	464,194
Total capital	$ 3,298,044	3,333,357
Debt to equity ratio	14.60%	13.93%

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 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:

	2019	2018
Key management personnel－JOHANSON	$ 349,771	399,080
Key management personnel－MINI-CKT	128,624	155,235
	$ 478,395	554,315

B. Receivables from related parties

Categories	Account	December 31, 2019	December 31, 2018
Key management personnel－JOHANSON	Receivables from related parties	$ 75,455	112,365
	Bad Debt Provision	(754)	(1,123)
Key management personnel－MINI-CKT	Receivables from related parties	9,690	22,777
	Bad Debt Provision	(97)	(228)
		$ 84,294	133,791

The selling price and collection terms of sales to related parties were determined in the economic environment and market competition, payment terms are 30 to 150 days. The payment terms granted to routine sales customers are advance receipt or 30 to 120 days base on trading experience and credit assessment.

C. Consulting Service for Construction Engineering

	Amount		Construction and equipment payable	
	2019	**2018**	**December 31, 2019**	**December 31, 2018**
Hsin Chang Construction Corp.	$ 800	781	800	781

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:

	Amount		Other current liabilities	
	2019	**2018**	**December 31, 2019**	**December 31, 2019**
Key management personnel－JOHANSON	$ 4,799	4,755	359	697

(3) Transactions with key management personnel

The key management personnel compensation was comprised as follows:

	2019	**2018**
Short-term employee benefits	$ 82,392	89,748
Post-employment benefits	108	182
	$ 82,500	89,930

8. Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledge assets	**Pledged to secure**	**December 31, 2019**	**December 31, 2018**
Time deposits (Other financial assets-current)	Customs duty guarantee	$ -	2,000
Land (Property, plant and equipment)	Short-term borrowings	168,944	168,944
		$ 168,944	170,944

9. Commitments and contingencies:

(1) As of December 31, 2019 and 2018, the outstanding letters of credit for the Company’s purchases of machinery and equipment and raw materials amounted to $3,392 thousand and $35,353 thousand, respectively.

(2) As of December 31, 2019 and 2018, the Company purchased machinery and equipment and the unpaid amount was $302,185 thousand and $640,512 thousand, respectively.

Advanced Ceramic X Corporation
Notes to Financial Statements

(3) Bank guarantees of the Company's purchases of raw materials, machinery and equipment amounted to $2,000 thousand, as of December 31, 2019.

(4) On December 31, 2019, the Company requested the bank to open performance bonds for the technology projects, guarantee period from April 7, 2019 to April 30, 2022, which amounted to $20,340 thousand.

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 follows:

	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries	107,650	107,825	215,475	110,365	107,852	218,217
Labor and health insurance	9,700	6,466	16,166	9,832	6,506	16,338
Pension	3,732	3,280	7,012	3,817	3,221	7,038
Directors remuneration	11,760	1,463	13,223	13,753	1,654	15,407
Others	4,739	2,515	7,254	4,771	2,609	7,380
Depreciation	130,567	17,020	147,587	130,642	14,167	144,809
Amortization	-	400	400	-	484	484

The employee benefits expense information of the Company for the year ended December 31, 2019 and 2018, were as follows:

	2019	2018
Employees	293	292
Non-employee directors	11	11
Average employee benefit expenses	$ 872	886
Average salary expenses	$ 764	777
Adjustment on the average salary expenses	(2)%	(5)%

(2) Seasonality of operations:

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

Advanced Ceramic X Corporation
Notes to Financial Statements

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, 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

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	230,155	Xu Yuan Construction Corp.	-	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)	349,771	20%	150 days	Note1	Note1	75,455	28%	
The Company	MINI-CKT	Corporate director	(Sales)	128,624	8%	30 days	Note1	Note1	9,690	4%	

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:

(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

		2019	2018
RF Front-End devices and modules	$	**1,707,626**	**1,804,308**

(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

		2019	2018
China	$	643,717	729,833
United States		484,428	558,842
Taiwan		278,408	295,487
Hong Kong		166,105	124,063
Other		134,968	96,083
	$	**1,707,626**	**1,804,308**

B. Noncurrent Assets

Area		Decmber31, 2019	Decmber31, 2018
Taiwan	$	**1,430,563**	**1,112,164**

(5) Major customers

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

		2019	2018
Corporation l	$	**349,771**	**399,080**

Advanced Ceramic X Corporation

Statement of cash and cash equivalents

December 31, 2019

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

Item	Description	Amount
Cash	Petty cash	$ 50
Bank deposit	Demand deposit	29,121
	Foreign currency demand deposit	
	Note1: JPY：729,144,154	199,785
	EUR：21,002.33	702
	USD：83,041.42	2,485
	RMB：2,313.36	10
		232,103
	Time deposits	1,348,600
	Foreign currency time deposit	
	Note1: USD：4,742,076.89	141,930
	RMB：1,065,509.05	4,561
		1,495,091
	Total	**$ 1,727,244**

Note3：The exchange rate on December 31, 2019 is as follows:

JPY1=$0.274

USD1=$29.93

EUR1=$33.39

RMB1=$4.28

Advanced Ceramic X Corporation

Statement of notes and accounts receivable

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Notes receivable:	
Corporation b	$ 772
Corporation d	244
	1,016
Less: Allowance for impairment－Notes receivable	(10)
	1,006
Accounts receivable:	
Corporation m	23,232
Corporation d	20,152
Corporation k	19,225
Corporation j	18,010
Corporation e	16,972
Corporation h	15,681
Corporation i	15,078
Corporation f	10,656
Corporation n	9,733
Others (individual amount not exceeding 5%)	30,179
	178,918
Less: Allowance for impairment－Accounts receivable	(1,789)
	177,129
Total	**$ 178,135**

Advanced Ceramic X Corporation

Statement of inventories

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount: Cost	Amount: Net realizable value	Note
Raw materials and supplies	$ 33,254		Please refer to note 4(7) for further description of the net realizable value of inventories.
Less: Provision for raw materials and supplies	(5,672)		
Subtotal	27,582	27,628	
Work in progress	73,566		
Less: Provision for work in progress	(15,287)		
Subtotal	58,279	396,762	
Finished goods and merchandises	46,744		
Less: Provision for finished goods and merchandises	(15,089)		
Subtotal	31,655	112,536	
	$ 117,516	**536,926**	

Statement of other financial assets - current

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Time deposits (more than three months)	$ 215,850
Interest receivable	387
	$ 216,237

Advanced Ceramic X Corporation

Statement of other current assets

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount
Supplies inventory		$ 10,743
Tax refund receivable	Business tax	7,618
Other accounts receivable		4,073
Prepayments to suppliers		2,435
Others (individual amount not exceeding 5%)		773
		$ 25,642

Statement of changes in property, plant and equipment

For the year ended December 31, 2019

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

Statement of changes in intangible assets

For the year ended December 31, 2019

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

Advanced Ceramic X Corporation

Statement of deferred income tax assets

December 31, 2019

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

Statement of accounts payable

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Corporation M	$ 6,203
Corporation B	4,099
Corporation S	3,146
Corporation D	2,694
Corporation F	2,689
Others (individual amount not exceeding 5%)	31,673
	$ 50,504

Advanced Ceramic X Corporation

Statement of other current liability

December 31, 2019

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

Statement of net revenue

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Quantity (in thousands)	Amount
RF Front-End devices and modules	2,561,196	$ 1,707,626

Advanced Ceramic X Corporation

Statement of cost of revenue

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Raw materials used	
Raw materials on January 1, 2019	$ 36,286
Add: Purchases	228,728
Less: Raw material on December 31, 2019	(33,254)
Transferred to expense	(69,809)
	161,951
Direct labor	80,437
Manufacturing overhead	433,083
Manufacturing cost	675,471
Add: Work in process on January 1, 2019	81,426
Less: Work in process on December 31, 2019	(73,566)
Others	(373)
Cost of finished goods	682,958
Add: Finished goods on January 1, 2019	59,510
Less: Finished goods on December 31, 2019	(46,471)
Others	(2,617)
Cost of self-made sales	693,380
Add: Merchandises on January 1, 2019	34
Purchases	4,109
Less: Merchandises on December 31, 2019	(273)
Others	(137)
Cost of sales	697,113
Less: Reversal for inventory obsolescence	(7,227)
Cost of revenue	**$ 689,886**

Advanced Ceramic X Corporation

Statement of selling and distribution expenses

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Salaries	$ 12,712
Import and export expense	5,867
Service expense	3,801
Commission expense	3,205
Others (individual amount not exceeding 5%)	10,865
Total	**$ 36,450**

Statement of general and administrative expenses

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Salaries	$ 29,621
Repairs expense	13,553
Depreciation	7,081
Others (individual amount not exceeding 5%)	28,111
Total	**$ 78,366**

Advanced Ceramic X Corporation

Statement of research and development expenses

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Salaries	$ 65,492
Material consumption	12,265
Depreciation	9,795
Others (individual amount not exceeding 5%)	22,851
Total	**$ 110,403**