



## Advanced Ceramic X Corporation

### 2019 Annual Report

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ACX Annual Report is available at: <http://www.acxc.com.tw/annual>

#### *Notice to readers*

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

**Spokesperson**

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Title: Financial Director

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Title: Section Head

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**Headquarters and Plant**

Headquarters

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**Stock Transfer Agent**

Name: Taishin International Bank

Address: B1F, No.96, Sec. 1, Jianguo N.Rd. Zhongshan Dist, Taipei City

Tel: 02-2504-8125

Website: <http://www.taishinbank.com.tw>

**Auditors**

Name of Firm: KPMG

Auditors: Mei- Yu Tseng, Wan-Yuan Yu

Address: 68F, No.7, Sec.5, Xinyi Road, Taipei City

Tel.: 02-8101-6666

Website: <http://www.kpmg.com.tw>

**Overseas Securities Exchange:** None.

**Corporate Website**

<http://www.acxc.com.tw>

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## **I. Letter to Shareholders**

To all shareholders:

The communication industry went through a volatile year in 2019. The macroeconomic uncertainties and slow economic growth in smart phone market led to weaker user demand. Looking back at the performance for 2019, ACX's revenue was NT\$1,707,626 thousand, and net profit after tax was NT\$646,665 thousand, with a basic earnings per share of NT\$9.37. Net revenue and net profit decreased by 5.4% and 14.7% respectively compared with the previous year. Although the overall operating results decreased slightly due to the slowdown in demand, ACX still maintained a stable profit trend.

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

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

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

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

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

## II. Company Profile

### 2.1 Date of Incorporation: April 15, 1998

### 2.2 Company History

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

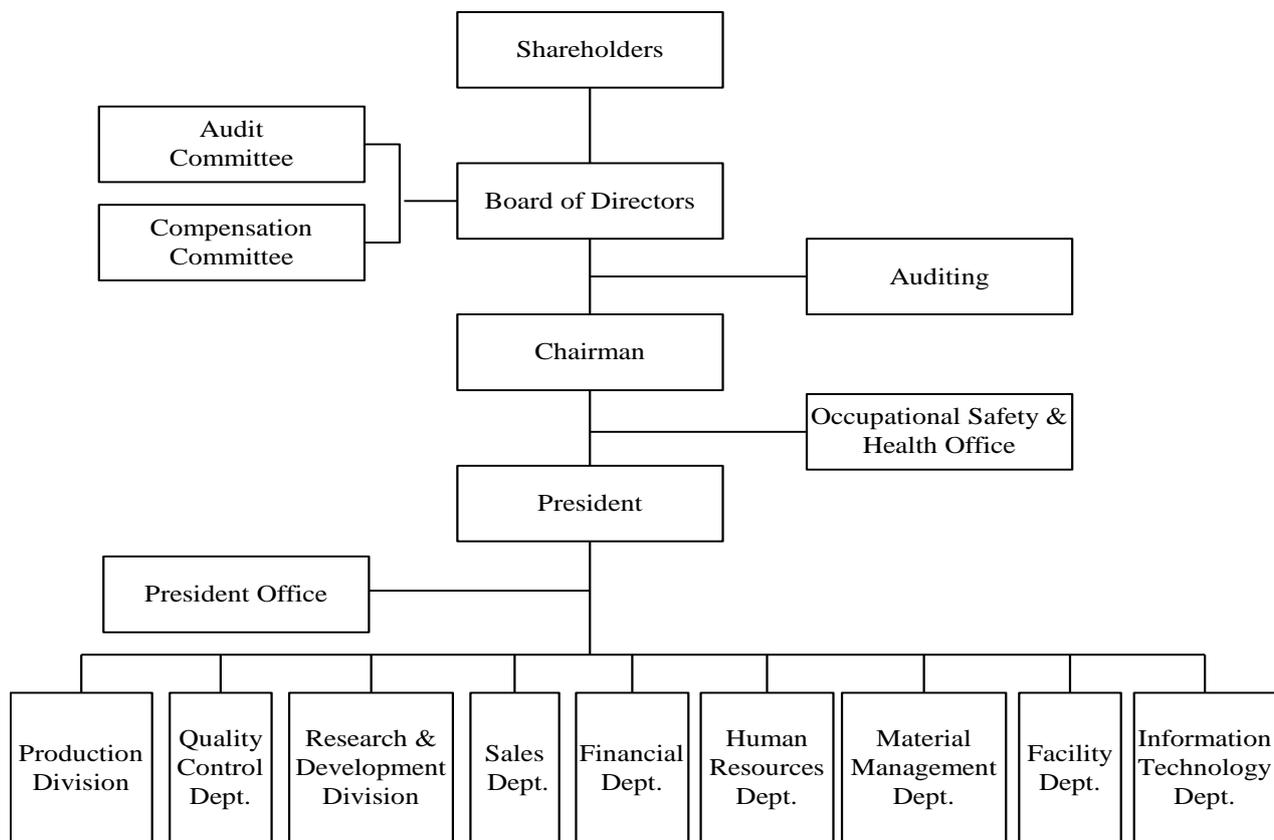
2004 Aug.	Receive the 7th Rising Star Award from the Ministry of Economic Affairs (MOEA), Taiwan.
2004 Oct.	Receive the 13th National Award of Small and Medium Enterprises from the Ministry of Economic Affairs (MOEA), Taiwan.
2004 Dec.	Traded on the Emerging Stock Market.
2005 Jul.	Increased capital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

2017 Jan.	OHSAS 18001 certified.
2017 Apr.	Awarded the TOP 20% of the 3rd Corporation Governance Evaluation by Taiwan Stock Exchange Corporation and Taipei Exchange.
2017 Nov.	Start building factory B in Hsinchu Industrial Park.
2017 Dec.	Receive several Taiwan and US patents on LTCC materials and devices.
2018 Apr.	Awarded the TOP 20% of the 4th Corporation Governance Evaluation by Taiwan Stock Exchange Corporation and Taipei Exchange.
2018 Jul.	IATF16949 certified.
2019 Feb	Receive research grant on A+ industrial innovative R&D program from the Ministry of Economic Affairs (MOEA), Taiwan.
2019 Apr.	Awarded the TOP 5% of the 5th Corporation Governance Evaluation by Taiwan Stock Exchange Corporation and Taipei Exchange.
2020 Apr.	Awarded the TOP 5% of the 6th Corporation Governance Evaluation by Taiwan Stock Exchange Corporation and Taipei Exchange.

### III. Corporate Governance Report

#### 3.1 Organization

##### 3.1.1 Organizational Chart



##### 3.1.2 Functions of Departments

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

## 3.2 Directors, Supervisors and Management Team

### 3.2.1 Directors and Supervisors

#### A. Directors

As of 04/18/2020

Title	Nationality / Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C	Shuang De Investment Corp.	-	06/18/2019	3	06/25/2013	31,000	0.04%	36,000	0.05%	0	0%	0	0%	None	None	None	None	None	Note 2
		Rep.: Chien-Wen Kuo	Male				1,709,481	2.48%	1,709,481	2.48%	365,017	0.53%	0	0%	•Bachelor Degree in Department of Civil Engineering, Chung Yuan Christian University •Chairman of Ting Fu Investment Corp.	Note 1	Director Director Director	Yung-Fu Kuo Chih-Chun Kuo Te-Ti Han	Father and Son Brother Spouse	
Director	R.O.C	Kuo Chia Fu Investment Corp.	-	06/18/2019	3	06/28/2001	5,485,189	7.95%	5,485,189	7.95%	0	0%	0	0%	None	None	None	None	None	
		Rep.: Yung-Fu Kuo	Male				0	0%	0	0%	0	0%	0	0%	•Taipei High School •Director of Kuo Chia Fu Investment Corp.	Director of Kuo Chia Fu Investment Corp.	Chairman Director Director	Chien-Wen Kuo Chih-Chun Kuo Te-Ti Han	Father and Son Brother Daughter-in-law	
Director	R.O.C	Hsin Chang Construction Corp.	-	06/18/2019	3	06/17/2010	1,551,344	2.25%	1,551,344	2.25%	0	0%	0	0%	None	None	None	None	None	
		Rep.: Chih-Chun Kuo	Male				1,709,481	2.48%	1,709,481	2.48%	365,017	0.53%	0	0%	•Master Degree in EMBA, National Taiwan University •Chairman of Kuo Chia Fu Investment Corp.	Note 3	Chairman Director Director	Chien-Wen Kuo Yung-Fu Kuo Te-Ti Han	Father and Son Brother Sister-in-law	
Director	R.O.C	Lin Li Construction Corp.	-	06/18/2019	3	06/17/2010	1,808,271	2.62%	1,808,271	2.62%	0	0%	0	0%	None	None	None	None	None	
		Rep.: Te-Ti Han	Female				365,017	0.53%	365,017	0.53%	1,709,481	2.48%	0	0%	•Bachelor Degree in Spanish Language and Culture, Fu Jen Catholic University •Director of Lin Li Construction Corp.	Note 4	Chairman Director Director	Chien-Wen Kuo Yung-Fu Kuo Chih-Chun Kuo	Spouse Father-in-law Sister-in-law	
Director	US	Johanson Technology Inc.	-	06/18/2019	3	06/28/2001	2,881,810	4.18%	2,881,810	4.18%	0	0%	0	0%	None	None	None	None	None	
		Rep.: Petrinc John Darko	Male				156,200	0.23%	156,200	0.23%	0	0%	0	0%	•Bachelor Degree in Ceramic engineering, Alfred University •President of Johanson Technology Inc.	President of Johanson Technology Inc.	None	None	None	

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

Note 2: The Company has simple organizations, chairman acts as the general manager can increasing efficiency, and general manager without salary. Mr. Chien-Wen Kuo has a wealth of experience in electronics business, and company's stable profit and TOP 20% of Corporation Governance Evaluation during his tenure. The Company needs his insights to guide ACX's future direction. In the future, the board of directors will increase the number of independent directors and planning succession plan to enhance corporate governance.

Note 3: Chairman of Kuo Chia Fu Investment Corp., Chairman of Lien Fu Investment Corp., Chairman of Hsin Chang Construction Corp., Chairman of Chien Fu Investment Co., Ltd, Chairman of Mei Erh Ku Construction Corp., Director of Lin Li Construction Corp., Director of Ting Fu Investment Corp., Chairman of Universal Asia Technology Company, Director of Formosan Union Chemical Corp., Director of Fortune General Merchandise Corp.

Note 4: Director of Lin Li Construction Corp., Chairman of Universal Asia Technology Company, Director of Ting Fu Investment Corp., Director of Lien Fu Investment Corp., Supervisor of Kuo Chia Fu Investment Corp., Supervisor of Hsin Chang Construction Corp., Supervisor of Mei Erh Ku Construction Corp.

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	US	Scientific Components Corp.	-	06/18/2019	3	04/19/2006	3,068,477	4.45%	3,068,477	4.45%	0	0%	0	0%	None	None	None	None	None	
		Rep.: Kelvin Kiew	Male				0	0%	0	0%	0	0%	0	0%	•Master Degree in Engineering, University of California •Vice President of Scientific Components Corp.	•President of Scientific Components Corp •Chairman of Mini-Circuits Taiwan Ltd.	None	None	None	
Director	R.O.C	Ming-Huang LI	Male	06/18/2019	3	02/21/2000	346,450	0.50%	346,450	0.50%	60,219	0.09%	0	0%	•Yanping High School •Chairman of Chun Jing Petroleum Corp.	Chairman of Fortune General Merchandise Corp.	None	None	None	
Director	R.O.C	Chiu-Feng Lien	Male	06/18/2019	3	06/25/2013	20,000	0.03%	N/A		N/A		N/A	•Master Degree in Electronics Engineering, National Chiao Tung University •Director of Explore Semiconductor Inc.	•Director of Explore Semiconductor Inc. •Supervisor of Explore Microelectronics Inc.	None	None	None	Note 5	
Independent Director	R.O.C	Shiuh-Kao Chiang	Male	06/18/2019	3	05/09/2007	0	0%	0	0%	0	0%	0	0%	•Ph. D. in Ceramic Engineering, Ohio State University •EMBA in Cleveland State University •Director of Gould Electronics	Managing partner of Prismark Partners LLC	None	None	None	
Independent Director	R.O.C	Ta-Wen Sun	Male	06/18/2019	3	05/09/2007	0	0%	0	0%	0	0%	0	0%	•Bachelor Degree in Business Administration, Fu Jen Catholic University •Chairman of Taiflex Scientific Co., Ltd.	Note 6	None	None	None	
Independent Director	R.O.C	Shang-Ming Chin	Male	06/18/2019	3	06/25/2013	0	0%	0	0%	0	0%	0	0%	•Master Degree in International Management, American Graduate School •Vice President of IBM	None	None	None	None	

Note 5: Director, Chiu-Feng Lien, officially withdrew from his position on February 26, 2020.

Note 6: Chairman of Taiflex Scientific Co., Ltd., Chairman of Qiao Mei Development Corporation, Chairman of Innatech Co., Ltd., Chairman of Yu Pen Investment Corp., Director of Enli Technology Co., Ltd, Director of SciVision Biotech Inc.

B. Major shareholders of the institutional shareholders

As of 12/31/2019

Name of Institutional Shareholders	Major Shareholders
Shuang De Investment Corp.	Fang-Ling Kuo (50%), Ming-Shan Li (50%)
Kuo Chia Fu Investment Corp.	Chih-Chun Kuo (8.87%), Chien-Wen Kuo (8.80%), Lin Li Construction Corp. (8.12%), Te-Ti Han (6.91%), Hui-Chu Tsai (6.13%), Lien Fu Investment Corp. (5.28%), Hsin Chang Construction Corp. (5.17%), Ting Fu Investment Corp. (4.69%), Lung Kai Investment Corp. (1.46%), Chun-Ling Kuo (1.30%)
Johanson Technology Inc.	Eric Johanson (100%)
Scientific Components Corp.	Harvey Kaylie Family Trust (79%), GK-Yacoby(15.8%)
Hsin Chang Construction Corp.	Ting Fu Investment Corp. (19.48%), Cheng-Hsin Kuo (12.65%), Cheng-Lin Kuo (12.65%), Chun Kuo(12.65%), Li Kuo (12.65%), Chih-Chun Kuo (9.45%), Chien-Wen Kuo (9.20%), Te-Ti Han (5.76%), Hui-Chu Tsai (5.51%)
Lin Li Construction Corp.	Lien Fu Investment Corp. (14.95%), Cheng-Hsin Kuo (14.12%), Cheng-Lin Kuo(14.12%), Chun Kuo (14.12%), Li Kuo(14.12%), Chih-Chun Kuo (7.90%), Chien-Wen Kuo (7.90%), Te-Ti Han (6.39%), Hui-Chu Tsai (6.38%)

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

As of 12/31/2019

Name of Institutional Shareholders	Major Shareholders
Ting Fu Investment Corp.	Lin Li Construction Corp. (30.80%), Chih-Chun Kuo (14.25%), Chien-Wen Kuo (14.20%), Te-Ti Han (11.22%), Hui-Chu Tsai (11.17%), Cheng-Hsin Kuo (4.59%), Cheng-Lin Kuo (4.59%), Chun Kuo (4.59%), Li Kuo (4.59%)
Lien Fu Investment Corp.	Hsin Chang Construction Corp. (33.58%), Chien-Wen Kuo (16.46%), Chih-Chun Kuo (16.33%), Te-Ti Han (15.98%), Hui-Chu Tsai (15.33%), Cheng-Hsin Kuo (0.77%), Cheng-Lin Kuo (0.77%), Chun Kuo (0.39%), Li Kuo (0.39%)
Lung Kai Investment Corp	Yu-Hsiung Hsieh (32.42%), Chung-Wei Hsieh (17.58%), Chung-Chiang Hsieh (17.58%) An-Tzu Hsieh Chen (12.42%), Chung-Chi Hsieh (5%), Po-Chang Hsieh (5%), Po-Hung Hsieh (5%), Po-Chieh Hsieh (5%)

## D. Professional qualifications and independence analysis of directors and supervisors

Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	
	Criteria	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11		12
Shuang De Investment Corp. Rep.:Chien-Wen Kuo	—	—	✓	—	✓	—	—	—	—	✓	✓	✓	✓	—	✓	—	0
Kuo Chia Fu Investment Corp. Rep.:Yung-Fu Kuo	—	—	✓	✓	✓	—	—	—	—	✓	✓	✓	✓	—	✓	—	0
Hsin Chang Construction Corp. Rep.:Chih-Chun Kuo	—	—	✓	✓	✓	—	—	—	—	✓	✓	✓	✓	—	✓	—	0
Lin Li Construction Corp. Rep.:Te-Ti Han	—	—	✓	✓	✓	—	—	—	—	✓	✓	✓	✓	—	✓	—	0
Johanson Technology Inc. Rep.:Petřinec John Darko	—	—	✓	✓	✓	—	✓	—	—	✓	✓	✓	✓	✓	✓	—	0
Scientific Components Corp. Rep.:Kelvin Kiew	—	—	✓	✓	✓	—	✓	—	—	✓	✓	✓	✓	✓	✓	—	0
Ming-Huang LI	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chiu-Feng Lien	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Shiuh-Kao Chiang	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Ta-Wen Sun	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Shang-Ming Chin	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

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

- Not an employee of the Company or any of its affiliates.
- Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
- Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.
- If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company.
- If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution.
- Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
- Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- Not been a person of any conditions defined in Article 30 of the Company Act.
- Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

### 3.2.2 Management Team

As of 04/18/2020

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C	Chien-Wen Kuo	Male	12/13/2013	1,709,481	2.48%	365,017	0.53%	0	0%	<ul style="list-style-type: none"> <li>•Bachelor Degree in Department of Civil Engineering, Chung Yuan Christian University</li> <li>•Chairman of Ting Fu Investment Corp.</li> </ul>	Note 1	None	None	None	Note 2
Vice President	R.O.C	Chih-Wen Shen	Male	10/23/2013	0	0%	0	0%	0	0%	<ul style="list-style-type: none"> <li>•Ph. D. in Electrical Communication Engineering, National Chiao Tung University</li> <li>•Vice President of Scientific Technics Co., Ltd.</li> </ul>	None	None	None	None	
Director	R.O.C	Cheng-Chi Lin	Female	08/01/1998	16,596	0.02%	0	0%	0	0%	<ul style="list-style-type: none"> <li>•Master Degree in Applied Chemistry, National Chiao Tung University</li> <li>•Material Research Fellow of Industrial Technology Research Institute</li> </ul>	None	None	None	None	
Director	R.O.C	Chun-Hung Liu	Male	08/03/2010	7,500	0.01%	300	0%	0	0%	<ul style="list-style-type: none"> <li>•Master Degree in Materials Science and Engineering, National Tsing Hua University</li> </ul>	None	None	None	None	
Director	R.O.C	Wei-Neng Wang (Note 3)	Male	08/07/2018	N/A		N/A		N/A		<ul style="list-style-type: none"> <li>•Master Degree in Accounting, National Taipei University</li> <li>•Financial Director of AUO Crystal Corp.</li> </ul>	None	None	None	None	
Director	R.O.C	Mei-Lan Peng (Note 3)	Female	12/23/2019	0	0%	0	0%	0	0%	<ul style="list-style-type: none"> <li>•Master Degree in Accounting, Tunghai University</li> <li>•Budget and Operational Analysis Department Heads of Nuvoton Technology Corp.</li> </ul>	None	None	None	None	

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

Note 2: The Company has simple organizations, chairman acts as the general manager can increasing efficiency, and general manager without salary. Mr. Chien-Wen Kuo has a wealth of experience in electronics business, and company's stable profit and TOP 20% of Corporation Governance Evaluation during his tenure. The Company needs his insights to guide ACX's future direction. In the future, the board of directors will increase the number of independent directors and planning succession plan to enhance corporate governance.

Note 3: Director, Wei-Neng Wang, officially withdrew from his position on December 20, 2019 and Ms. Mei-Lan Peng was appointed as Finance Director on December 23, 2019.

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

#### A. Remuneration of Directors

As of 12/31/2019; Unit: NT\$ thousands; Shares in thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary	
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)							
		The company	Companies in the Financial Reports	The company	Companies in the Financial Reports	The company	Companies in the Financial Reports	The company	Companies in the Financial Reports	The company	Companies in the Financial Reports	The company	Companies in the Financial Reports	The company	Companies in the Financial Reports	Cash	Stock	Cash	Stock	The company	Companies in the Financial Reports		
Chairman	Shuang De Investment Corp.																						
Director	Kuo Chia Fu Investment Corp.																						
Director	Hsin Chang Construction Corp.																						
Director	Lin Li Construction Corp.																						
Director	Johanson Technology Inc.	0	0	0	0	9,046	9,046	210	210	1.43%	1.43%	0	0	0	0	0	0	0	0	1.43%	1.43%	None	
Director	Scientific Components Corp																						
Director	Ming-Huang LI																						
Director	Chiu-Feng Lien (Note 3)																						
Independent Director	Shiuh-Kao Chiang																						
Independent Director	Ta-Wen Sun	0	0	0	0	3,877	3,877	90	90	0.61%	0.61%	0	0	0	0	0	0	0	0	0.61%	0.61%	None	
Independent Director	Shang-Ming Chin																						

1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: please refer to page 14 of this annual report.

2. Other than disclosure in the above table, Directors remunerations earned by providing services (e.g. providing consulting services as a non-employee) to ACX and all consolidated entities in the 2019 financial statements: None.

Note 1: The employees' compensation and Directors' compensation for year 2019 were NT\$43,077 thousand and NT\$12,923 thousand, respectively, which were passed by the Board of Directors' meeting on February 25, 2020.

Note 2: The net income for year 2019 was NT\$646,665 thousand.

Note 3: Director, Chiu-Feng Lien, officially withdrew from his position on February 26, 2020.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the Financial Reports	The company	Companies in the Financial Reports
Under NT\$ 1,000,000	Chiu-Feng Lien		Chiu-Feng Lien	
NT\$1,000,001 ~ NT\$ 2,000,000	Shuang De Investment Corp., Kuo Chia Fu Investment Corp., Hsin Chang Construction Corp., Lin Li Construction Corp. Johanson Technology Inc., Scientific Components Corp., Ming-Huang LI, Shiuh-Kao Chiang, Ta-Wen Sun, Shang-Ming Chin		Shuang De Investment Corp., Kuo Chia Fu Investment Corp., Hsin Chang Construction Corp., Lin Li Construction Corp. Johanson Technology Inc., Scientific Components Corp., Ming-Huang LI, Shiuh-Kao Chiang, Ta-Wen Sun, Shang-Ming Chin	
NT\$2,000,001 ~ NT\$3,500,000				
NT\$3,500,001 ~ NT\$5,000,000				
NT\$5,000,001 ~ NT\$10,000,000				
NT\$10,000,001 ~ NT\$15,000,000				
NT\$15,000,001 ~ NT\$30,000,000				
NT\$30,000,001 ~ NT\$50,000,000				
NT\$50,000,001 ~ NT\$100,000,000				
Over NT\$100,000,000				
Total	11		11	

B. Compensation of Supervisors: N/A

C. Compensation Paid to President and Vice Presidents

As of 12/31/2019; Unit: NT\$ thousands; Shares in thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D) Note 1				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		The company	Companies in the Financial Reports	The company	Companies in the Financial Reports	The company	Companies in the Financial Reports	The company		Companies in the Financial Reports		The company	Companies in the Financial Reports	
								Cash	Stock	Cash	Stock			
President	Chien-Wen Kuo	2,023	2,023	108	108	1,448	1,448	4,000	0	4,000	0	1.17%	1.17%	None
Vice President	Chih-Wen Shen													

Note 1: The employees' compensation for year 2019 was NT\$43,077 thousand which was passed by the Board of Directors' meeting on February 25, 2020. Employee Compensation percentage used last year is adopted.

Note 2: The net income for year 2019 was NT\$646,665 thousand.

Range of Compensation	Name of President and Vice Presidents	
	The company	Companies in the Financial Reports
Under NT\$ 1,000,000	Chien-Wen Kuo	Chien-Wen Kuo
NT\$1,000,001 ~ NT\$2,000,000		
NT\$2,000,001 ~ NT\$3,500,000		
NT\$3,500,001 ~ NT\$5,000,000		
NT\$5,000,001 ~ NT\$10,000,000	Chih-Wen Shen	Chih-Wen Shen
NT\$10,000,001 ~ NT\$15,000,000		
NT\$15,000,001 ~ NT\$30,000,000		
NT\$30,000,001 ~ NT\$50,000,000		
NT\$50,000,001 ~ NT\$100,000,000		
Over NT\$100,000,000		
Total	2	2

D. Employee Compensation Paid to Management Team

As of 12/31/2019; Unit: NT\$ thousands

Title	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	0	5,788	5,788	0.90%
	Vice President				
	Directors				

Note 1: The employees' compensation for year 2019 was NT\$43,077 thousand which was passed by the Board of Directors' meeting on February 25, 2020. Employee Compensation percentage used last year has been adopted.

Note 2: The net income for year 2019 was NT\$646,665 thousand.

Note 3: Director, Wei-Neng Wang, officially withdrew from his position on December 20, 2019 and Ms. Mei-Lan Peng was appointed as Finance Director on December 23, 2019.

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

Items \ Year	2018		2019	
	The company	Companies in the Financial Reports	The company	Companies in the Financial Reports
Directors	2.03%	2.03%	2.04%	2.04%
Supervisors	N/A	N/A	N/A	N/A
President and Vice Presidents	1.31%	1.31%	1.17%	1.17%
Total	3.34%	3.34%	3.21%	3.21%

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

### 3.3 Implementation of Corporate Governance

#### 3.3.1 Board of Directors

A total of 4 (A) meetings of Board of Directors were held in 2019. Director attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B/A 】	Remarks
Chairman	Shuang De Investment Corp. Rep.:Chien-Wen Kuo	5	0	100	06/18/2019 Re-elected
Director	Kuo Chia Fu Investment Corp. Rep.:Yung-Fu Kuo	5	0	100	06/18/2019 Re-elected
Director	Hsin Chang Construction Corp. Rep.:Chih-Chun Kuo	5	0	100	06/18/2019 Re-elected
Director	Lin Li Construction Corp. Rep.:Te-Ti Han	5	0	100	06/18/2019 Re-elected
Director	Johanson Technology Inc. Rep.:Petrinec John Darko	5	0	100	06/18/2019 Re-elected
Director	Scientific Components Corp. Rep.:Kelvin Kiew	2	0	40	06/18/2019 Re-elected
Director	Ming-Huang LI	4	0	80	06/18/2019 Re-elected
Director	Chiu-Feng Lien	5	0	100	06/18/2019 Re-elected
Independent director	Shiuh-Kao Chiang	5	0	100	06/18/2019 Re-elected
Independent director	Ta-Wen Sun	5	0	100	06/18/2019 Re-elected
Independent director	Shang-Ming Chin	5	0	100	06/18/2019 Re-elected

Other mentionable items:

1. If any of the following circumstances occur,, the dates of the meetings, sessions, contents of motion, all independent directors’ opinions and the company’s response should be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act.

Board of Directors Meeting Date	Resolutions	Independent director’ opinions and the company’s response
02/26/2019 The 12th meeting of the 7th session	<ul style="list-style-type: none"> <li>· Evaluation of independence and qualification of the CPA to be engaged by the Company.</li> <li>· Approval of the 2018 statement of the internal control system.</li> <li>· Approval of the business report and financial statements for the year of 2018.</li> <li>· Amendment to the Company’s “Internal Control Systems” and “Internal Audit Systems”.</li> <li>· Amendment to the Company’s “Procedures for Acquisition or Disposal of Assets”.</li> </ul>	No independent director had a dissenting opinion or qualified opinion to the proposal and all attending directors agree to pass the proposal.
05/07/2019 The 13th meeting of the 7th session	<ul style="list-style-type: none"> <li>· Establishment the Company’s “Standard Operating Procedure for Handling Demands by Directors”.</li> </ul>	
08/06/2019 The 2nd meeting of the 8th session	<ul style="list-style-type: none"> <li>· Amendment to the Company’s “Ethical Corporate Management Best Practice Principles”.</li> </ul>	
11/05/2019 The 3rd meeting of the 8th session	<ul style="list-style-type: none"> <li>· Authorize the Chairman to determine all related matters for the follow-up projects of the new factory.</li> </ul>	

(2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the Board of Directors: None.

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

3. Implementation of self-evaluations by the Company's Board of Directors:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year	2019	Performance of the Board of Directors, board members and functional committee	Internal evaluation of the board, self-evaluation by individual board members, internal evaluation of the functional committee	The Board’s performance evaluation by self-assessment: <ol style="list-style-type: none"> <li>1. Participation in the operation of the company.</li> <li>2. Improvement of the quality of the Board of Directors' decision making.</li> <li>3. Composition and structure of the Board of Directors.</li> <li>4. Election and continuing education of the directors.</li> <li>5. Internal controls.</li> </ol> Self-assessment of Board members: <ol style="list-style-type: none"> <li>1. Their grasp of the Company's goals and missions.</li> <li>2. Their recognition of director's duties.</li> <li>3. Their degree of participation in the Company's operations.</li> <li>4. Their management of internal relationships and communications.</li> <li>5. Their professionalism and continuing professional education.</li> <li>6. Internal controls.</li> </ol> The functional committee’s performance evaluation by self-assessment: <ol style="list-style-type: none"> <li>1. Participation in the operation of the company.</li> <li>2. Awareness of the duties of the functional committee.</li> <li>3. Improvement of quality of decisions made by the functional committee.</li> <li>4. Makeup of the functional committee and election of its members.</li> <li>5. Internal controls.</li> </ol>

4. Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties.
- (1) After the election held in the AGM on June 25, 2013, three Independent Directors has organized the Audit Committee to supervise the following matters: (a) fair presentation of the financial reports of the Company, (b) the hiring (and dismissal) and independence of certificated public accountants of the Company, (c) the effective implementation of the internal control system of the Company, (d) compliance with relevant laws and regulations by the Company, and (e) Control of the existing or potential risks of the Company.
  - (2) The Board had approved “Ethical Corporate Management Best Practice Principles”, “Codes of Ethical Conduct”, “Corporate Governance Practice Principles” and “Corporate Social Responsibility Practice Principles” in order to strengthen the functionality of the Board and enhance information transparency.

### 3.3.2 Audit Committee

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

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

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

C. A total of 4 (A) meetings of the Audit Committee meetings were held in 2019.

Independent director attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B/A 】	Remarks
Independent director	Shiuh-Kao Chiang	4	0	100	06/18/2019 Re-elected
Independent director	Ta-Wen Sun	4	0	100	06/18/2019 Re-elected
Independent director	Shang-Ming Chin	4	0	100	06/18/2019 Re-elected

Other mentionable items:

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

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

Audit Committee Meeting Date	Resolutions	Items prescribed by Article 14-5 of the Securities and Exchange Act	Resolutions of the Audit Committee and the Company's Response
02/26/2019 The 11th meeting of the 2nd session	<ul style="list-style-type: none"> <li>· Reviewed the 2018 fourth quarter internal auditor report.</li> <li>· Evaluation of independence and qualification of the CPA to be engaged by the Company.</li> <li>· Approval of the 2018 statement of the internal control system.</li> <li>· Approval of the business report and financial statements for the year of 2018.</li> <li>· Recommendation of the distribution of earnings for the year of 2018.</li> <li>· Approval of the budget plan of the Company for the year of 2019.</li> <li>· Amendment to the Company's "Internal Control Systems" and "Internal Audit Systems".</li> <li>· Amendment to the Company's "Procedures for Acquisition or Disposal of Assets".</li> </ul>	 V  V  V  V  V	No Audit Committee member had any dissenting opinion or qualified opinion to the proposal and all attending members agree to pass the proposal.
05/07/2019 The 12th meeting of the 2nd session	<ul style="list-style-type: none"> <li>· Reviewed the 2019 first quarter internal auditor report.</li> <li>· Report of the financial statement for the first quarter of 2019.</li> <li>· Establishment the Company's "Standard Operating Procedure for Handling Demands by Directors".</li> </ul>	V	No Audit Committee member had any dissenting opinion or qualified opinion to the proposal and all attending members agree to pass the proposal.
08/06/2019 The 1st meeting of the 3rd session	<ul style="list-style-type: none"> <li>· Reviewed the 2019 second quarter internal auditor report.</li> <li>· Report of the financial statement for the second quarter of 2019.</li> <li>· Amendment to the Company's "Ethical Corporate Management Best Practice Principles".</li> </ul>	 V  V	
11/05/2019 The 2nd meeting of the 3rd session	<ul style="list-style-type: none"> <li>· Reviewed the 2019 third quarter internal auditor report.</li> <li>· Report of the financial statement for the third quarter of 2019.</li> <li>· Approval of auditing plan for 2020.</li> <li>· Authorize the Chairman to determine all related matters for the follow-up projects of the new factory.</li> </ul>	V	

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

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

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

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

Date	Communication	Independent Directors' Opinion
02/26/2019 Audit Committee	<ul style="list-style-type: none"> <li>· Reviewed the 2018 fourth quarter internal auditor report.</li> <li>· Approved of the effective implementation of the internal control system.</li> </ul>	None

05/07/2019 Audit Committee	· Reviewed the 2019 first quarter internal auditor report.	None
08/06/2019 Audit Committee	· Reviewed the 2019 second quarter internal auditor report.	None
11/05/2019 Audit Committee	· Reviewed the 2019 third quarter internal auditor report. · Approving audit plan for 2020.	None

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

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

Date	Communications between the independent directors and the independent auditors	Independent Directors' Opinion
02/26/2019 Audit Committee	· Reviewed auditing scope, the independent auditors' responsibility and independence, major accounting estimates and audit result for 2018. · Review regulatory developments.	None

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

### 3.3.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status		Reason for Non-implementation	
	Yes	No		
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and approved of Board of Directors on 08/19/2009. The information has been disclosed on the MOPS website and Company’s website.	None
2. Shareholding structure & shareholders’ rights				None
(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		The Company established internal procedures and assigned designated departments to handle shareholder suggestions, doubts, disputes and litigations.	
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		The Company tracks the shareholdings of directors, officers and shareholders’ holding more than 10% of the Company’s outstanding shares.	
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		The Company has established internal control system and Procedures to Supervision and Management of Subsidiaries to establish and execute the risk management and firewall system within its conglomerate structure.	
(4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		<p>The Company established “Codes of Ethical Conduct”, “Employees for Code of Ethical Conduct” and “Standards of Behavior Regarding Insider Trading”, strictly prohibiting staffs and managers from insider trading with material nonpublic information. Violators are subject to punishment, investigation, and legal liability.</p> <p>The Company carries out regular training and propaganda of ethical for its directors and employee every year. For new employees, training on personnel rules, management systems, business ethics, prevention of insider trading, and all other CSR-related subjects are carried out on their first day of work.</p> <p>The Company's implementations of prevention of insider trading in 2019</p> <ol style="list-style-type: none"> <li>1. New employees who are required to sign the “Code of Ethic Commitment” on their first day of work.</li> <li>2. Participants of prevention of insider trading training total 214 personnel.</li> <li>3. The Company has not any matters about discipline of insider trading conduct in 2019.</li> </ol>	
3. Composition and Responsibilities of the Board of Directors				None
(1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		Members of the Board are diversified, with different nationalities, genders, skills and professional backgrounds, to form a well-balanced structure. The diversity of composition of the Board of Directors, please refer to page 23 of this annual report.	

Evaluation Item	Implementation Status		Reason for Non-implementation
	Yes	No	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		In addition to the existing Compensation Committee and Audit Committee, the Company plans to establish other functional committees to assist the Board in managing the Company.
(3) Does the company establish standards and method for evaluating Board performance, conduct annual performance evaluations, submit performance evaluation results to the Board, and use the results as a basis for determining the remuneration and nomination of individual directors?	✓		<p>The company has established "Procedures Governing the Performance Evaluation of Board of Directors" on 08/11/2015 and conducts it annually, and to submit the results of performance assessments to the board of directors and use them as reference in determining compensation for individual directors, their nomination and additional office term.</p> <p>The evaluation scope shall cover the Board of Directors and individual members of the Board; corporate governance officer is the unit to conduct the evaluation. Methods of evaluations include the internal evaluation of the Board of Director and self-evaluation by members of the Board.</p> <p>1. The Board's performance evaluation by self-assessment covers the following five major areas:</p> <ol style="list-style-type: none"> <li>(1) Participation in the operation of the company.</li> <li>(2) Improvement of the quality of the Board of Directors' decision making.</li> <li>(3) Composition and structure of the Board of Directors.</li> <li>(4) Election and continuing education of the directors.</li> <li>(5) Internal controls.</li> </ol> <p>2. Self-assessment of Board members covers the following six major areas:</p> <ol style="list-style-type: none"> <li>(1) Their grasp of the Company's goals and missions.</li> <li>(2) Their recognition of director's duties.</li> <li>(3) Their degree of participation in the Company's operations.</li> <li>(4) Their management of internal relationships and communications.</li> <li>(5) Their professionalism and continuing professional education.</li> <li>(6). Internal controls.</li> </ol> <p>3.The functional committee's (Audit Committee and Compensation Committee) performance evaluation by self-assessment covers the following five major areas:</p> <ol style="list-style-type: none"> <li>(1) Participation in the operation of the company.</li> <li>(2) Awareness of the duties of the functional committee.</li> <li>(3) Improvement of quality of decisions made by the functional committee.</li> <li>(4) Makeup of the functional committee and election of its members.</li> <li>(5) Internal controls.</li> </ol> <p>According to the most recent (2019) Board performance evaluation, the Board's performance was graded as excellent.</p> <p>Detailed information regarding the above evaluation was reported to the Board at the Board Meeting of February 25, 2020.</p>
(4) Does the company regularly evaluate the independence of CPAs?	✓		<p>The Company's Audit Committee regularly evaluates the independence of CPAs every year, and submits the evaluation results to the Board of Directors.</p> <p>Standards for CPA Independence:</p> <ol style="list-style-type: none"> <li>1. Whether the CPA has a direct or materially indirect financial interest in the Company.</li> <li>2. Whether the CPA or the audit team members serve as a</li> </ol>

Evaluation Item	Implementation Status		Reason for Non-implementation	
	Yes	No		Abstract Illustration
			<p>director, manager or in a position of the Company that could significantly influence the audit work either currently or in the past two years.</p> <p>3. Whether the CPA acts as a defender of the Company or resolves conflicts with a third party on behalf of the Company.</p> <p>4. Whether the CPA has close relationship with the Company's directors, managers or persons in a position that could significantly influence the audit work.</p> <p>5. Whether the CPA has created intimidation threats with actual or perceived pressures of the Company.</p> <p>6. Whether the CPA Independence is influenced of result from the non-assurance services.</p>	
4. Does the public company have a suitable number of competent corporate governance personnel, and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties, assisting directors and supervisors with regulatory compliance, handling matters related to Board meetings and shareholders' meetings, and preparing proceedings for Board meetings and shareholders' meetings)?	✓		<p>The Board of Director appointed Financial director as Company Secretary, the corporate governance team under the president office as the department responsible for corporate governance and business integrity, to safeguard shareholder rights and strengthen the Board's functioning. Primary duties are to provide the Board directors with information needed for executing their roles, conducting and producing meeting minutes Board Meetings, Audit Committee Meetings, and Shareholder Meetings, assisting in on boarding and continuous development of directors and to assist the Board Directors with legal compliance. The Company Secretary is an officer of the Company and has been in a managerial position for at over three years in a public company in handling financial affairs.</p> <p>The Company's implementations of corporate governance in 2019:</p> <ol style="list-style-type: none"> <li>1. Conducted matters relating to Board Meetings and Shareholder Meeting.</li> <li>2. Recorded minutes of Board Meetings and Shareholder Meeting.</li> <li>3. Regularly conduct performance evaluation pursuant to the rules for "Board of Directors Self-Assessment of Performance".</li> <li>4. Assisting continuous development of directors.</li> </ol>	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		<p>The Company set up telephone numbers and email addresses in the "Stakeholder Area" of the corporate website for communication with stakeholders. Designated personnel and contact information are available to handle all enquiries and respond to any key issues raised by stakeholders. Please refer to the Company's CSR report and corporate website for Issues of Concern and Communication Channel of stakeholders.</p>	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		<p>The Company has appointed the professional agency "Transfer Agency Department, Taishin International Bank" to deal with shareholder affairs.</p>	None

Evaluation Item	Implementation Status		Reason for Non-implementation
	Yes	No	
<p>7. Information Disclosure</p> <p>(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?</p> <p>(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</p> <p>(3) Does the company have publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>Abstract Illustration</p> <p>The Company has set up website (www.acxc.com.tw) to disclose information regarding the Company's financial standings, business, corporate governance and corporate social responsibility status.</p> <p>The Company has set up its website, and has assigned an appropriate person to handle information collection and disclosure. The Company has designated the spokesperson and deputy spokesperson in charge of making external statements. Investor conference information is disclosed on the corporate website.</p> <p>The Company has publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.</p>	None
<p>8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</p>	<p>✓</p>	<p>Employee rights and employee wellness: Please refer to the "5.5 Labor Relations" section on pages 51-53 of this annual report.</p> <p>Investor relations: To achieve openness and information transparency, the Company has delegated specific personnel to announce information including finance and business, on the MOPS website and corporate website on a timely basis in compliance with the related regulations.</p> <p>Supplier relations and rights of stakeholders: The company has maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholders of the company, respect and safeguard their legal rights and interests, and designate a stakeholder's legal rights or interests is harmed, the company has handled the matter in a proper manner and in good faith.</p> <p>Directors' training records: Please refer to the "3.3.15 Continuing education of Directors in 2019" section on page 33 of this annual report.</p> <p>The implementation of risk management policies and risk evaluation measures: Please refer to the "VII. Review of Financial Conditions, Financial Performance, and Risk Management" on pages 39-63 of this annual report.</p> <p>The implementation of customer relations policies: The Company normally maintains close contact with its customers, and ensures products can achieve the expected reliability and quality. Moreover, the Company also actively participates in the customers' CSR and Ethical policies.</p> <p>Purchasing insurance for directors: To reduce and spread the risk of material harm to the company and shareholders arising from the wrongdoings or negligence of a director, the Company purchaser liability insurance for Directors each year.</p>	None

Evaluation Item	Implementation Status					Reason for Non-implementation				
	Yes	No	Abstract Illustration							
9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures: None.										
10. The diversity of composition of the Board of Directors										
(1) The company's diversity policy of the Board of Directors: The Board of Directors shall have least three independent directors, least one director from another country, and least one female director. All members of the board shall have the knowledge, skills, and experience necessary to perform their duties.										
(2) State of implementation:										
Diversity item Name	Independence	Nationality	Gender	Business Judgment	Business Management	Leadership and Decision-making	Industry Knowledge	Crisis Management	International Outlook	Accounting and Financial
Chien-Wen Kuo	Non-independent	R.O.C.	Male	✓	✓	✓	✓	✓	✓	✓
Yung-Fu Kuo	Non-independent	R.O.C.	Male	✓	✓	✓	✓	✓	✓	✓
Chih-Chun Kuo	Non-independent	R.O.C.	Male	✓	✓	✓	✓	✓	✓	✓
Te-Ti Han	Non-independent	R.O.C.	Female	✓	✓	✓	✓	✓	✓	✓
Petrinec John Darko	Non-independent	US	Male	✓	✓	✓	✓	✓	✓	✓
Kelvin Kiew	Non-independent	US	Male	✓	✓	✓	✓	✓	✓	✓
Ming-Huang Li	Non-independent	R.O.C.	Male	✓	✓	✓	✓	✓		✓
Chiu-Feng Lien	Non-independent	R.O.C.	Male	✓	✓	✓	✓	✓	✓	
Shiuh-Kao Chiang	Independent	R.O.C.	Male	✓	✓	✓	✓	✓	✓	✓
Ta-Wen Sun	Independent	R.O.C.	Male	✓	✓	✓	✓	✓	✓	✓
Shang-Ming Chin	Independent	R.O.C.	Male	✓	✓	✓	✓	✓	✓	✓

### 3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

#### A. Duties of the Compensation Committee

- a. The Company's Compensation Committee was established on November 15, 2011.
- b. The members of the Compensation Committee are appointed by the Board of Directors and the Compensation Committee shall consist of three members. The responsibilities of committee are as follows:
  1. Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors and executives.
  2. Periodically evaluate and prescribe the remuneration of directors and executives.

#### B. Professional Qualifications and Independence Analysis of Compensation Committee Members

Title	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks		
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10				
Independent Director	Shiuh-Kao Chiang	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Ta-Wen Sun	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Shang-Ming Chin	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

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

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company.
7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution.
8. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not a person of any conditions defined in Article 30 of the Company Act.

C. Attendance of Members at Compensation Committee Meetings

a. The Compensation Committee has 3 members.

b. The tenure of the 3rd session is from June 18, 2019 to June 17, 2022. A total of 2 (A) meetings of the Compensation Committee were held in 2019. Member attendance was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B/A 】	Remarks
Chairman	Shiuh-Kao Chiang	2	0	100	06/18/2019 Re-elected
Committee Member	Ta-Wen Sun	2	0	100	06/18/2019 Re-elected
Committee Member	Shang-Ming Chin	2	0	100	06/18/2019 Re-elected

Other mentionable items:

1. If the Board of Directors declines to adopt or modifies a recommendation of the compensation committee, it should specify the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the Company's response to the compensation committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the compensation committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the compensation committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

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

Compensation Committee Meeting Date	Resolutions	Resolutions of the Compensation Committee and the Company's Response
02/26/2019 The 6th meeting of the 3rd session	<ul style="list-style-type: none"> <li>• Evaluation directors' compensations for the year of 2018.</li> <li>• Evaluation employees' compensations for the year of 2018.</li> <li>• Reviewing director's system and structure of the remuneration for the year of 2019.</li> <li>• Reviewing manager's system and structure of the remuneration for the year of 2019.</li> <li>• Approval of employees' and directors' compensations for the year of 2019.</li> <li>• Amendment to the Company's "Procedures Governing the Performance Evaluation of Board of Directors"</li> </ul>	No Compensation Committee member had any dissenting opinion or qualified opinion to the proposal and all attending members agree to pass the proposal.
11/05/2019 The 1st meeting of the 4th session	<ul style="list-style-type: none"> <li>• Approval of directors' and employees' compensations for the year of 2019.</li> </ul>	

### 3.3.5 Corporate Social Responsibility Implementation Status and Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies"

Evaluation Item	Implementation Status			Reason for Non-implementation
	Yes	No	Abstract Explanation	
1. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	✓		<p>The company assesses ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies.</p> <p>Corporate Social Responsibility policy</p> <ol style="list-style-type: none"> <li>1. Do honestly manage the company and comply with the law 、respect intellectual property and be transparency.</li> <li>2. Any kind of bribery, extortion, or embezzlement is prohibited to perform well at corporate governance.</li> <li>3. Esteem the human rights of workers and prohibited employ underage workers with unfair welfare.</li> <li>4. Meet all government environmental protection, safety, and health regulations and strive to comply with international environmental protection, safety and health standards.</li> <li>5. The targets of zero accident, zero pollution, and zero occupational disease provide safety and healthy working conditions for worker.</li> <li>6. Implement social responsibility with continuity conduct.</li> </ol>	None
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		<p>The Corporate Social Responsibility group was established to develop and implement policies or practices pertaining to the implementation of corporate governance, a sustainable environment, and safeguarding public interest. The group chairperson is headed by the president and comprises the following promotion teams: Corporate Governance, Employee Development, Green Products, Service of Customer, Supplier Management, Environment Protection and Social Participation. They are responsible for formulating corporate social responsibility policies, and objectives and activities for implementing corporate social responsibility-related events. The leader of each promotion team is usually the head of division, and team's members are composed of relevant business departments.</p> <p>The Group performs its duties based on the P-D-C-A cycle. At the end of each year, the group is reviewed for its effectiveness and a written inspection report is compiled of the Board of Directors.</p>	None
<p>3. Environmental Issues</p> <p>(1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?</p> <p>(2) Does the company establish proper environmental management systems based on the characteristics of their industries?</p> <p>(3) Does the company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>The Company has acquired ISO-14001 and OHSAS18001 certifications and designated a person for system management as well as regular review every year.</p> <p>The Company continues utilizing all resources more efficiently such as utilize electricity, water and paper more efficiently, reducing packaging resources, water recycling, and waste management and recycling.</p> <p>The company has evaluated potential risks and opportunities brought by climate change, and take response measures to climate-related issues.</p>	None

Evaluation Item	Implementation Status		Reason for Non-implementation	
	Yes	No		Abstract Explanation
(4) Does the company compile statistics of greenhouse gas, water use, and total weight of waste in the past two years, and does it establish policies for energy conservation and carbon reduction, greenhouse gas emission reduction, water use reduction, and other waste management?	✓		<p>The Company implements GHG, Water use and Waste Inventory, and strategies to reduce greenhouse gas were established based on the Company's emission level to diminish the negative impact on the environment.</p> <p>Climate change caused increase of extreme temperature and level. The company taken the following policies to energy conservation and carbon reduction:</p> <ol style="list-style-type: none"> <li>1. To devote to save water and energy and control pollution companywide and set reduction goals.</li> <li>2. To take corresponding improvement action plans to the goals of water saving, energy saving and pollution control.</li> <li>3. Review execution status and efficacy of action plans annual.</li> </ol>	
<p>4. Social Issues</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?</p> <p>(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</p> <p>(4) Does the company provide its employees with career development and training sessions?</p> <p>(5) Does the company comply with relevant regulations and international standards in customer health and safety, customer privacy, and marketing and labeling its goods and services, and has it established consumer rights protection policies and complaint procedures?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>To protect the rights and interests of all workers, ACX strictly abides by the provisions of the Labor Standards Act and those of the requirements of international standards in all of our actions relevant to human rights. At the same time, we have consulted the code of conduct established by the Responsible Business Alliance (RBA), as the basis for our management policies into order to protect our employees.</p> <p>The Company reviews the remuneration standard in accordance to market rates to ensure a competitive level of employee benefit measures. According to the Articles of Incorporation of the Company, if there is any profit for a specific fiscal year, the Company shall allocate no lower than 5% of profit of the current year is distributable as employees' compensation to integrate employees' compensation with its Company's operational performance and CSR. Also, by offering a platform of two-way communication though regular performance evaluations and future plan developments, we achieve individual and organization development by rewarding based on performance and encourage employees to grow with the Company.</p> <p>The Company aims to offer a safe and healthy working environment and promote a health life. The Company also regularly holds safety and health training sessions to employees. The Company has acquired OHSAS18001 qualification and designated a person for system management as well as regular review every year.</p> <p>The Company has established the Rules of employee training, to employees offers a comprehensive career development training program.</p> <p>The company ensures the quality of their products and services by following the laws and regulations of the government and relevant standards of their industries. The company follows relevant laws, regulations and international guidelines when marketing or labeling their products and services and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.</p> <p>The Company regularly meets and communicates with customers. Customer satisfaction survey is also undertaken</p>	None	

Evaluation Item	Implementation Status		Reason for Non-implementation	
	Yes	No		Abstract Explanation
(6) Does the company have a supplier management policy, require suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights, and what is its implementation status?	✓		<p>on an annual basis. If satisfaction data analysis shows that objective has not been met, the designated department will be responsible for carrying out improvement measures, and review will be undertaken by senior executives during management review meetings.</p> <p>The company has secured products liability insurance to ensure customers rights.</p> <p>The Company established the Procedure of Supplier Management and the RBA Code of Conduct to require suppliers to meet local regulatory requirements in terms of labor rights, health and safety, environmental protection, ethics, and management systems.</p> <p>To ensure suppliers' and contractors' compliance with RBA Code of Conduct, the Company undertakes social environmental responsibility audit and assessment for Level 1 suppliers and labor contractors on every year.</p>	
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?	✓		<p>The Company adopts Global Reporting Initiative GRI standards producing CSR report and publishes on both the official website and MOPS. Stakeholders can download the report and understand the Company's efforts on concerned CSR topics. CSR report not verified by external certification institutions.</p>	None
6. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: There have been no differences.				
7. Other important information to facilitate better understanding of the company's corporate social responsibility practices : The company policy, promotion plans and performance in implementation for corporate social responsibility, please refer CSR report.				

### 3.3.6 Ethical Corporate Management Implementation Status and Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies"

Evaluation Item	Implementation Status		Reason for Non-implementation
	Yes	No	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Did the company establish an ethical corporate management policy that was approved by the Board of Directors, and declare its ethical corporate management policy and methods in its regulations and external documents, as well as the commitment of its Board and management to implementing the management policies?</p> <p>(2) Does the company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes preventive measures for conduct specified in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Did the company specify operating procedures, guidelines for conduct, punishments for violation, rules of appeal in the unethical conduct prevention plan, and does it implement and periodically review and revise the plan?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>Abstract Illustration</p> <p>The Board of Directors approved Ethical Corporate Management Best-Practice Principles on March 10, 2015. Ethical Corporate Management Policy is clearly stated in the internal policy and external documents. The Board of Directors and management team are fully committed to implement such policies rigorously and thoroughly on internal management and external business dealings.</p> <p>The Company's Ethical Corporate Management Best-Practice Principles have established preventive measures against the following:</p> <ol style="list-style-type: none"> <li>1. Offering and accepting bribes.</li> <li>2. Illegal political donations.</li> <li>3. Improper charitable donations or sponsorship.</li> <li>4. Offering or accepting unreasonable gifts or hospitality, or other inappropriate benefits.</li> <li>5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.</li> <li>6. Engaging in unfair competitive practices.</li> <li>7. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.</li> </ol> <p>The aforementioned related regulations were announced and disseminated to employees, managers and the Board of Directors.</p> <p>The Company established "Ethical Corporate Management Best-Practice Principles", "Codes of Ethical Conduct" and "Employees for Code of Ethical Conduct", establish policies to prevent unethical conduct, integrity mailbox and hotline, punishment for violation and rules of appeal, and periodically review and revise.</p>	None
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Did the company establish a dedicated unit under the board of directors to promote ethical corporate management, and periodically (at least once a year) report to the Board of Directors</p>	<p>✓</p> <p>✓</p>	<p>Prior any business engagement, the Company checks the counterparty's legitimacy and record of unethical conduct. All suppliers and customer are required to sign "ethical clauses", When breach the ethical rule the companies is entitled to termination of business contract.</p> <p>To strengthen ethical corporate management, the Company had its president office enact, supervise and implement the execution of Ethical Corporate Management Policy and prevention solutions. The president reports to the Board of Directors as least once a year.</p> <p>The Company's implementations of ethical corporate</p>	None

Evaluation Item	Implementation Status		Reason for Non-implementation
	Yes	No	
<p>and supervise the implementation of the ethical corporate management policy and unethical conduct prevention plan?</p> <p>(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(4) Does the company have effective accounting system and internal control systems set up to facilitate ethical corporate management, does the internal auditing unit formulate audit plans based on unethical conduct risk assessment results, and does it audit compliance with the unethical conduct prevention plan or commission a CPA to perform the audit?</p> <p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>management in 2019</p> <p>1. New employees who are required to sign the “Code of Ethic Commitment” on their first day of work.</p> <p>2. Participants of Code of Ethic training total 214 personnel.</p> <p>3. The Company has not any matters about discipline of unethical conduct in 2019.</p> <p>The Company established “Ethical Corporate Management Best-Practice Principles”, “Codes of Ethical Conduct” and “Employees for Code of Ethical Conduct”, to policies to prevent conflicts of interest and provide appropriate communication channels, and implement it.</p> <p>The Company has built up an effective accounting system and internal control systems that is constantly under review and evaluation to ensure the system's design and execution remains effective. Internal audit personnel will regularly evaluate risks and propose audit plans and undertake audits accordingly. Special project-based audit will also be undertaken when necessary. Results of such audit are regularly reported to the Audit Committee and the Board of Directors, facilitating the management level to understand the operations of the Company's internal.</p> <p>The Company carries out regular training and propaganda of ethical for its directors and employee every year. For new employees, training on personnel rules, management systems, business ethics, and all other CSR-related subjects are carried out on their first day of work.</p>	
<p>3. Operation of the integrity channel</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the company establish standard operating procedures for investigating reported cases, and does it take subsequent measures and implement a confidentiality mechanism after completing investigation?</p> <p>(3) Does the company provide proper whistleblower protection?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>The Company’s Ethical Corporate Management Best-Practice Principles have established whistle-blowing system the following:</p> <p>1. Either internally established and publicly announced independent mailbox and hotline, to allow company insiders and outsiders to submit reports.</p> <p>2. Dedicated personnel appointed to handle whistle-blowing system and establish standard operating procedures.</p> <p>3. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.</p> <p>4. Follow-up measures to be adopted depending on the severity of the circumstances after investigations of cases reported are completed.</p> <p>5. Confidentiality of the identity of whistle-blowers and the content of reported cases.</p> <p>6. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</p> <p>7. Whistle-blowing incentive measures.</p> <p>The Company encourages its employees to report to a company Audit Committee and chief internal auditor, upon discovery of any activity in violation of a law or regulation. The Company provides protection to whistleblower and personnel involved in the investigation against any unfair treatment or retaliation.</p>	None
<p>4. Strengthening information disclosure</p> <p>(1) Does the company disclose its</p>	<p>✓</p>	<p>The Company’s Ethical Corporate Management</p>	None

Evaluation Item	Implementation Status			Reason for Non-implementation
	Yes	No	Abstract Illustration	
ethical corporate management policies and the results of its implementation on the company's website and MOPS?			Best-Practice Principles and the results of our implementation have been posted on the Company's website and MOPS.	
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: There have been no differences.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies): None.				

### 3.3.7 Corporate Governance Guidelines and Regulations

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

### 3.3.8 Other Important Information Regarding Corporate Governance:

Please refer to Company’s website.

### 3.3.9 Internal Control Systems

A. Statement of Internal Control: Please refer to page 65 of this annual report.

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

**3.3.10 If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement:**  
None.

### 3.3.11 Major Resolutions of Shareholders Meeting and Board Meetings:

Please refer to page 66 of this annual report.

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

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

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Accounting officer Finance officer Company Secretary	Wei-Neng Wang	08/07/2018	12/20/2019	Resignation

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

As of 04/30/2020

Certification Name	Number of Employees
Certified Internal Auditor (CIA)	1
Enterprise Internal Control Basic Ability Exam by the Securities and Futures Institute	1
Stock Affair Specialist Professional Competency Exam by the Securities and Futures Institute	1

### 3.3.15 Continuing education of Directors in 2019:

Title	Name	Date	Host	Class	Duration
Chairman	Shuang De Investment Corp. Rep.:Chien-Wen Kuo	06/18/2019 11/05/2019	Taiwan Corporate Governance Association	China-United States trade war and the influences and response of Taiwan enterprises	6
Director	Kuo Chia Fu Investment Corp. Rep.:Yung-Fu Kuo	06/18/2019 11/05/2019	Taiwan Corporate Governance Association	China-United States trade war and the influences and response of Taiwan enterprises	6
Director	Hsin Chang Construction Corp. Rep.:Chih-Chun Kuo	06/18/2019 11/05/2019	Taiwan Corporate Governance Association	China-United States trade war and the influences and response of Taiwan enterprises	6
Director	Lin Li Construction Corp. Rep.:Te-Ti Han	06/18/2019 11/05/2019	Taiwan Corporate Governance Association	China-United States trade war and the influences and response of Taiwan enterprises	6
Director	Johanson Technology Inc. Rep.:Petrinec John Darko	06/18/2019 11/05/2019	Taiwan Corporate Governance Association	China-United States trade war and the influences and response of Taiwan enterprises	6
Director	Scientific Components Corp. Rep.:Kelvin Kiew	11/05/2019	Taiwan Corporate Governance Association	China-United States trade war and the influences and response of Taiwan enterprises	3
Director	Ming-Huang Li	06/18/2019 11/05/2019	Taiwan Corporate Governance Association	China-United States trade war and the influences and response of Taiwan enterprises	6
Director	Chiu-Feng Lien	06/18/2019 11/05/2019	Taiwan Corporate Governance Association	China-United States trade war and the influences and response of Taiwan enterprises	6
Independent Director	Shiuh-Kao Chiang	06/18/2019 11/05/2019	Taiwan Corporate Governance Association	China-United States trade war and the influences and response of Taiwan enterprises	6
Independent Director	Ta-Wen Sun	04/18/2019	Taiwan Academy of Banking and Finance	The family business succession	3
		06/18/2019	Taiwan Corporate Governance Association	China-United States trade war and the influences and response of Taiwan enterprises	3
Independent Director	Shang-Ming Chin	06/18/2019 11/05/2019	Taiwan Corporate Governance Association	China-United States trade war and the influences and response of Taiwan enterprises	6

### 3.3.16 Continuing education of management team in 2019:

Title	Name	Date	Host	Class	Duration
President	Chien-Wen Kuo	06/18/2019 11/05/2019	Taiwan Corporate Governance Association	China-United States trade war and the influences and response of Taiwan enterprises	6
Financial & Accounting officer Company officer	Wei-Neng Wang (Note1)	03/21/2019	Accounting Research and Development Foundation	The annual professional development training for principal accounting officer	12
		03/22/2019	Accounting Research and Development Foundation	Analysis of common tax violation cases	3
		05/09/2019	Accounting Research and Development Foundation	Analysis of common tax violation cases	3
Financial & Accounting officer Company officer	Mei-Lan Peng (Note1)	06/18/2019 11/05/2019	Taiwan Corporate Governance Association	China-United States trade war and the influences and response of Taiwan enterprises	6
		02/25/2020	Taiwan Corporate Governance Association	Protection of trade secret and issues on non-compete obligations	3
Audit officer	Hsien-Liang Chou	08/19/2019	Accounting Research and Development Foundation	Auditors' expertise and courage	6
		09/18/2019	Accounting Research and Development Foundation	Internal audit personnel should understand the key points of the Securities and Exchange Act and analysis of major violations	6

Note 1: Financial & Accounting Officer, Wei-Neng Wang, officially withdrew from his position on December 20, 2019 and Ms. Mei-Lan Peng was appointed as Finance & Accounting Officer on December 23, 2019.

### 3.4 Audit Fees

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
KPMG	Mei-Yu Tseng, Wan-Yuan Yu	2019	

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

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
KPMG	Mei-Yu Tseng	2,010	0	0	0	120	0	2019	Disbursement fee
	Wan-Yuan Yu								

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

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

**3.4.3 Over 10% decrease in audit fee on a year-to-year basis: None.**

### 3.5 Replacement of CPA:

#### 3.5.1 Regarding the former CPA

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

#### 3.5.2 Regarding the successor CPA

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

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

**3.6 Any of the Company's Chairman, President, or Managers in Charge of Finance or Accounting Held a Position in the CPA's Firm or Its Affiliates in 2019:** None.

### 3.7 Changes in Shareholding and Shares Pledged by Directors, Supervisors, Managers and Shareholders with 10% Shareholdings or More in 2019 and as of the Date of this Annual Report

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

Unit: Shares

Title	Name	2019		As of April 18, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Shuang De Investment Corp.	5,000	0	0	0
Representative	Chien-Wen Kuo	0	0	0	0
Director	Kuo Chia Fu Investment Corp.	0	0	0	0
Representative	Yung-Fu Kuo	0	0	0	0
Director	Hsin Chang Construction Corp.	0	0	0	0
Representative	Chih-Chun Kuo	0	0	0	0
Director	Lin Li Construction Corp.	0	0	0	0
Representative	Te-Ti Han	0	0	0	0
Director	Johanson Technology Inc.	0	0	0	0
Representative	Petrinec John Darko	0	0	0	0
Director	Scientific Components Corp.	0	0	0	0
Representative	Kelvin Kiew	0	0	0	0
Director	Ming-Huang LI	0	0	0	0
Director	Chiu-Feng Lien (Note 1)	0	0	N/A	
Independent Director	Shiuh-Kao Chiang	0	0	0	0
Independent Director	Ta-Wen Sun	0	0	0	0
Independent Director	Shang-Ming Chin	0	0	0	0
President	Chien-Wen Kuo	0	0	0	0
Vice President	Chih-Wen Shen	0	0	0	0
Director	Cheng-Chi Lin	0	0	0	0
Director	Yu-Hui Ning	0	0	0	0
Director	Chun-Hung Liu	0	0	0	0
Financial & Accounting Officer	Wei-Neng Wang (Note 2)	0	0	N/A	
Financial & Accounting Officer	Mei-Lan Peng (Note 2)	0	0	0	0

Note 1: Director, Chiu-Feng Lien, officially withdrew from his position on February 26, 2020.

Note 2: Financial & Accounting Officer, Wei-Neng Wang, officially withdrew from his position on December 20, 2019 and Ms. Mei-Lan Peng was appointed as Finance & Accounting Officer on December 23, 2019.

**3.7.2 Shares Trading with Related Parties: None.**

**3.7.3 Shares Pledge with Related Parties: None.**

### 3.8 Relationship among the Top Ten Shareholders

As of 04/18/2020

Name	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Kuo Chia Fu Investment Corp. Rep.: Yung-Fu Kuo	5,485,189	7.95%	0	0%	0	0%	Te-Ti Han	Daughter-in-law	
Scientific Components Corp. Rep.: Kelvin Kiew	3,068,477	4.45%	0	0%	0	0%	None	None	
Johanson Technology Inc. Rep.: Petrinec John Darko	2,881,810	4.18%	0	0%	0	0%	None	None	
Ting Fu Investment Corp.	2,187,017	3.17%	0	0%	0	0%	None	None	Note 1
Chin Te Hsing Yeh Limited	2,120,000	3.07%	0	0%	0	0%	None	None	Note 1
JPMorgan Chase Bank, Taipei Branch in Custody for Stichting Depository APG Emerging Markets Equity Mutual Fund	2,086,000	3.02%	0	0%	0	0%	None	None	
Bank of Taiwan Branch in Custody for Highcle International Investor for Smaller Companies Fund	2,084,000	3.02%	0	0%	0	0%	None	None	
Kuang Tai Shih Yeh Corp.	2,000,000	2.90%	0	0%	0	0%	None	None	Note 1
Mei Erh Ku Construction Corp.	1,937,870	2.81%	0	0%	0	0%	None	None	Note 1
Lin Li Construction Corp. Rep.: Te-Ti Han	1,808,271	2.62%	0	0%	0	0%	Yung-Fu Kuo	Father-in-law	

Note 1: Corporate shareholder has not appointed a representative.

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

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Capital

##### A. Issued Shares

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

##### B. Type of Stock

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

C. Information for Shelf Registration: None.

#### 4.1.2 Status of Shareholders

As of 04/18/2020

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	4	53	47	3,245	108	3,457
Shares	1,487,000	4,039,546	21,697,934	23,333,890	18,457,830	69,016,200
Percentage	2.15%	5.85%	31.44%	33.81%	26.74%	100.00%

#### 4.1.3 Shareholding Distribution Status

##### A. Common Shares

As of 04/18/2020

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	681	89,382	0.13%
1,000 ~ 5,000	2,232	3,865,104	5.60%
5,001 ~ 10,000	210	1,599,543	2.32%
10,001 ~ 15,000	86	1,104,566	1.60%
15,001 ~ 20,000	41	737,815	1.07%
20,001 ~ 30,000	46	1,179,457	1.71%
30,001 ~ 40,000	25	883,063	1.28%
40,001 ~ 50,000	12	550,901	0.80%
50,001 ~ 100,000	47	3,565,925	5.17%
100,001 ~ 200,000	27	3,737,139	5.41%
200,001 ~ 400,000	20	6,434,765	9.32%
400,001 ~ 600,000	3	1,442,744	2.09%
600,001 ~ 800,000	5	3,219,004	4.66%
800,001 ~ 1,000,000	4	3,705,276	5.37%
1,000,001 or over	18	36,901,516	53.47%
Total	3,457	69,016,200	100.00%

B. Preferred Shares: None.

#### 4.1.4 List of Major Shareholders

As of 04/18/2020

Shareholder's Name	Shareholding	
	Shares	Percentage
Kuo Chia Fu Investment Corp.	5,485,189	7.95%
Scientific Components Corp.	3,068,477	4.45%
Johanson Technology Inc.	2,881,810	4.18%
Ting Fu Investment Corp.	2,187,017	3.17%
Chin Te Hsing Yeh Limited	2,120,000	3.07%
JPMorgan Chase Bank, Taipei Branch in Custody for Stichting Depository APG Emerging Markets Equity Mutual Fund	2,086,000	3.02%
Bank of Taiwan Branch in Custody for Highcle International Investor for Smaller Companies Fund	2,084,000	3.02%
Kuang Tai Shih YehCorp.	2,000,000	2.90%
Mei Erh Ku Construction Corp.	1,937,870	2.81%
Lin Li Construction Corp.	1,808,271	2.62%

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

Unit: NT\$

Items		2018	2019	March 31, 2020	
Market Price Per Share	Highest Market Price	416.00	368.00	363.50	
	Lowest Market Price	161.50	196.50	196.00	
	Average Market Price	257.62	268.78	299.63	
Net Worth Per Share	Before Distribution	48.30	47.79	50.48	
	After Distribution	38.42	(Note 1)	(Note 1)	
Earnings Per Share	Weighted Average Shares(thousand shares)	69,016	69,016	69,016	
	Diluted Earnings Per Share	10.98	9.37	2.69	
	Adjusted Diluted Earnings Per Share	10.98	(Note 1)	(Note 1)	
Dividends Per Share	Cash Dividends	9.88	(Note 1)	(Note 1)	
	Stock Dividends	Dividends from Retained Earnings	0	(Note 1)	(Note 1)
		Dividends from Capital Surplus	0	(Note 1)	(Note 1)
	Accumulated Undistributed Dividends	0	0	0	
Return on Investment	Price / Earnings Ratio (Note 2)	23.46	(Note 1)	N/A	
	Price / Dividend Ratio (Note 3)	26.07	(Note 1)	N/A	
	Cash Dividend Yield Rate (Note 4)	3.84%	(Note 1)	N/A	

Note 1: Pending shareholders' approval in Annual Shareholders' Meeting

Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

#### **4.1.6 Dividend Policy and Implementation Status**

##### **A. Dividend Policy**

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

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

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

##### **B. Proposed Distribution of Dividend**

The proposal for distribution of 2019 profits was passed at the Board of Directors meeting on February 25, 2020. The proposed dividend to shareholders is a cash dividend of NT\$8.43 per common share, totaling NT\$581,806,566, projected payout ratio is around 100%.

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

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

#### **4.1.8 Compensation of Employees and Directors**

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

Article 25 of the Articles of Incorporation stipulates that: The Company should distribute remuneration to employees and directors not less than 5% and not more than 1.5% of annual profits, respectively, after offsetting accumulated deficits, if any. The aforementioned profit is the net profit before income tax excluding the remuneration to employees and directors for each period. Only employees, including employees of affiliate companies that meet certain conditions are subject to the abovementioned remuneration which to be distributed in stock or cash.

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

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

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

###### **(A) Distribution for employees' and directors' compensation for 2019 was passed by the Board of Directors' meeting on February 25, 2020 as follows:**

Employees' compensation distributed in cash is NT\$43,077, 077.

Directors' compensation is NT\$12,923,123.

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

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

**D. Information of 2018 Distribution of Compensation of Employees and Directors**

Items	Board of Directors Resolution	Estimate	Difference	Reason of difference
Compensation of employee	NT\$50,559,707	NT\$50,559,707	0	Note
Compensation of director	NT\$15,167,911	NT\$15,167,911	0	Note

**4.1.9 Buyback of Treasury Stock:** None.

**4.2 Corporate Bonds:** None.

**4.3 Preferred Stock:** None.

**4.4 Global Depository Receipts:** None.

**4.5 Employee Stock Options:** None.

**4.6 New Restricted Employee Stocks:** None.

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

**4.8 Financing Plans and Implementation:** None.

## V. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

##### A. Main areas of business operations

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

##### B. Revenue distribution

Unit : NT\$ thousands

Products	2019	Percentage
RF Front-End devices and modules	1,658,450	97.12%
Others	49,176	2.88%
Total	1,707,626	100%

##### C. Main products

RF Front-End devices and modules, including

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

#### 5.1.2 Industry Overview

##### A. Current Status and Development of the Industry

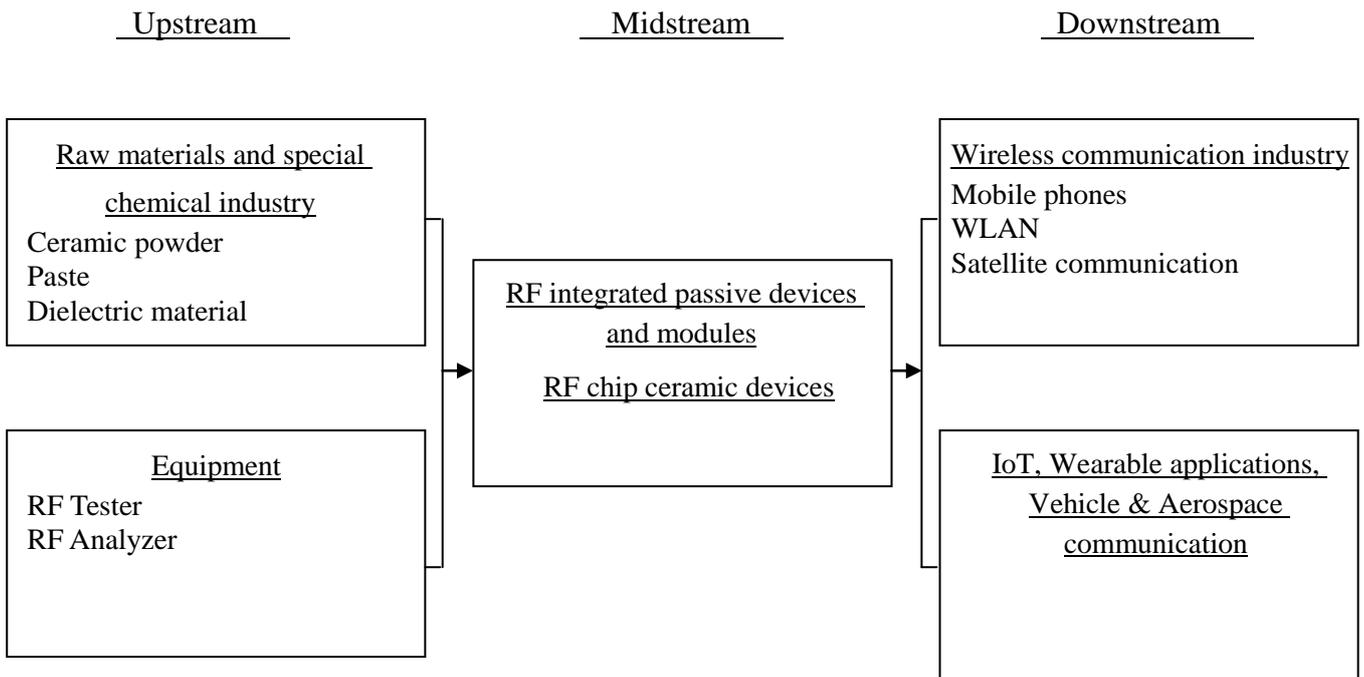
With the trend of telecommunication liberalization and the rapid development of mobile communication technology, the growth of related terminal products and communication equipment has further driven the demand for wireless communication. Wireless communication terminal applications such as mobile phones,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

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

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

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

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



### C. Product Trends and Competition

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

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

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

### 5.1.3 Technology and R&D Status

#### A. R&D Expenses

In 2019, the Company invested NT\$110,403 thousand in R&D.

#### B. Successful R&D and Technologies Development

##### (a) Research and development

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

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

Year	Successful development of technologies or products
2019	<ol style="list-style-type: none"> <li>1. Bandpass filter with package size of 2.0mmx1.25mm for N77 communication system</li> <li>2. 1:1 Balun with package size of 1.0mmx0.5mm for WiFi 2.4GHz communication system</li> <li>3. High rejection bandpass filter with package size of 2.5mmx2.0mm for 5.2GHz communication system</li> <li>4. Triplexer with SAW resonators inside in the package size of 3.5mmx3.5mm for LTE communication system</li> <li>5. Low loss bandpass filter with package size of 2.0mmx1.25mm for WiFi 7GHz communication system</li> <li>6. High isolation diplexer with package size of 1.6mmx0.8mm for WLAN dual-band communication system</li> <li>7. Bandpass filter with package size of 3.2mmx2.5mm for 2.6GHz communication system</li> <li>8. Low profile lowpass filter with package size of 0.6mmx0.5mm for 2.4GHz communication system</li> <li>9. Triplexer with package size of 2.0mmx1.25mm for LoRa (Low Range) communication system</li> <li>10. 1:1 Balun with package size of 1.6mmx0.8mm for 1.7GHz communication system</li> <li>11. Bandpass filter with package size of 2.0mmx1.25mm for N78 communication system</li> <li>12. Diversity Antenna switch front-end module (DiFEM) with package size of 3.7mmx3.2mm for 5G communication system</li> <li>13. High rejection bandpass filter with package size of 2.5mmx2.0mm for 5.6GHz communication system</li> <li>14. Antenna switch diplexer module with package size of 3.0mmx3.0mm for WLAN dual-band communication system</li> <li>15. Differential type antenna switch transceiver module with package size of 2.5mmx2.5mm for single band IoT system</li> <li>16. Diplexer with package size of 1.6mmx0.8mm for WLAN dual-band communication system</li> <li>17. Diplexer with package size of 2.5mmx2.0mm for LTE communication system</li> <li>18. Multiplexer with package size of 3.5mmx3.5mm for LTE five bands communication system</li> <li>19. Diplexer with package size of 2.0mmx1.25mm for LTE communication system</li> <li>20. Differential type lowpass filter with package size of 3.2mmx2.5mm for Low frequency communication system</li> <li>21. Lowpass filter with package size of 3.2mmx2.5mm for Low frequency communication system</li> <li>22. Bandpass filter with package size of 4.5mmx3.2mm for 1.5GHz communication system</li> <li>23. Differential type diplexer with package size of 2.0mmx1.5mm for WLAN dual-band communication system</li> <li>24. Balun with package size of 2.0mmx1.5mm for LNB communication system</li> <li>25. Lowpass filter with package size of 1.6mmx0.8mm for 800MHz communication system</li> <li>26. Low loss triplexer with package size of 2.5mmx2.0mm for 5G communication system</li> <li>27. 1:2 Balun with package size of 1.6mmx0.8mm for 4.6GHz communication system</li> <li>28. Bandpass filter with package size of 1.6mmx0.8mm for 5.5GHz communication system</li> <li>29. Dual-band Antenna with package size of 3.2mmx1.6mm for wireless communication system</li> <li>30. Differential type transceiver module with package size of 2.0mmx1.25mm for 900MHz communication system</li> <li>31. Antenna with package size of 3.0mmx3.0mm for millimeter wave communication system</li> <li>32. Lowpass filter with package size of 1.6mmx0.8mm for Sub-6GHz communication system</li> <li>33. Dual-polarization antenna with package size of 2.3mmx2.3mm for millimeter wave communication system</li> <li>34. Bandpass filter with package size of 4.5mmx3.2mm for N79 communication system</li> <li>35. Triplexer with package size of 2.5mmx2.0mm for LB/MHB/UHB communication system</li> <li>36. Antenna with package size of 1.6mmx0.8mm for 2.4GHz communication system</li> <li>37. Low loss bandpass filter with package size of 1.6mmx0.8mm for N79 communication system</li> <li>38. Bandpass filter with package size of 2.0mmx1.25mm for N79 communication system</li> <li>39. Low loss Bandpass filter with package size of 2.0mmx1.25mm for N79 communication system</li> <li>40. Bandpass filter with package size of 3.2mmx2.5mm for 1.2GHz communication system</li> <li>41. Low loss diplexer with package size of 2.5mmx2.0mm for LTE dual-band communication system</li> <li>42. Bandpass filter with package size of 3.2mmx2.5mm for 1.4GHz communication system</li> <li>43. Bandpass filter with package size of 4.5mmx3.2mm for WiFi 5G communication system</li> <li>44. High rejection bandpass filter with package size of 4.5mmx3.2mm for WiFi 5G communication system</li> <li>45. Bandpass filter with package size of 4.5mmx3.2mm for WiFi 6GHz communication system</li> <li>46. Bandpass filter with package size of 8.5mmx3.2mm for millimeter wave communication system</li> <li>47. 1:1 Balun with package size of 1.6mmx0.8mm for 4.6GHz communication system</li> <li>48. Low loss diplexer with package size of 2.0mmx1.25mm for GPS dual-band communication system</li> <li>49. Low loss diplexer with package size of 2.0mmx1.25mm for LTE/5G communication system</li> <li>50. Low profile lowpass filter with package size of 0.6mmx0.5mm for 5.8GHz communication system</li> </ol>

Year	Successful development of technologies or products
2019	51. Low loss diplexer with package size of 2.5mmx2.0mm for 5G communication system 52. Balun module with package size of 2.0mmx1.25mm for 1.8GHz transceiver communication system 53. Highpass filter with package size of 1.6mmx0.8mm for N78 communication system 54. Lowpass filter with package size of 0.6mmx0.5mm for 2.4GHz communication system 55. A series of phase shifter with various phase in package size of 1.6mmx0.8mm for 5GHz communication system 56. Triplexer with package size of 2.5mmx2.0mm for 5G communication system 57. High isolation triplexer with package size of 2.5mmx2.0mm for 5G communication system 58. High rejection bandpass filter with package size of 2.5mmx2.0mm for 5.5GHz communication system

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

2019 unfinished R&D plan	Current status	Expected finished time	Additional imputed R&D expenses( NT\$ thousands)
Develop miniaturized integration components	90%	2020/Q3-Q4	10,000
Develop miniaturized multi-frequency, multi-mode integrated modules	80%	2020/Q2-Q3	20,000
High precision materials, process development	85%	2020/Q2-Q3	10,000

(d) Main factors for future R&D success

- ① Proper R&D strategy and effective mastery of product development timelines to achieve product time to market
- ② Good product design capability, early effective Design-in with client product design
- ③ Excellent and stable R&D team, enabling R&D experience to effectively accumulate and boost product development capabilities

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

Future R&D plan	For future three years R&D expenses( NT\$ thousand )
Develop miniaturized integration components	100,000
Develop miniaturized multi-frequency, multi-mode integrated modules	200,000
High precision materials, process development	100,000
Total	400,000

#### 5.1.4 Long-term and Short-term Development

##### A. Short-term Development

- (a) Develop the main products in module type
- (b) Product miniaturization and multi-functionality
- (c) Strengthen the demand development of China and emerging markets

##### B. Long-term Development

- (a) Develop new products in module type
- (b) System on Chip module technology development
- (c) Strategic alliance cooperation model

## 5.2 Market and Sales Overview

### 5.2.1 Market Analysis

#### A. Sales Region

Unit: NT\$ thousands

Area \ Year		2018		2019	
		Amount	%	Amount	%
Domestic (Taiwan)		295,487	16.38	278,408	16.30
Overseas	Americas	558,905	30.98	484,489	28.37
	Asia	936,704	51.91	938,003	54.93
	Europe	13,212	0.73	6,726	0.40
	Total	1,508,821	83.62	1,429,218	83.70
Total		1,804,308	100.00	1,707,626	100.00

#### B. Market Share

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

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

#### C. Future Market Supply, Demand, and Growth Status

With the globalization of telecommunications and the advancement of communication technologies, wireless communication has become the most dynamic industry in the 3C industry. Looking forward to the future, mobile phone penetration and portability are excellent when the terminal products are moving toward integration. The competitive advantage is to integrate other product features, of which smartphones are typical representatives. Smartphones have more and more powerful computing and multimedia features, with Internet access, download and sharing capabilities. This requires more transport channels, higher transmission bandwidth and better transmission efficiency. Therefore, it also triggers various communication functions that mobile phones will combine now and in the future. From regional WLAN, short-range Bluetooth and ZigBee, to long-distance WiMAX, plus GPS and mobile TV capabilities, smartphones can be said to have combined voice, data, video and other versatility to create a comprehensive communications platform. IDC estimates that by 2023, global shipments are expected to exceed 1.49 billion. The expansion of global GPS navigation and location services will also be products with high growth potential in the next few years; as for emerging IoT applications, the rapid development of smart applications, such as personal wearable devices, smart home, smart manufacturing, smart health and intelligence transportation. Gartner estimates that the number of related devices in the Internet of Things will reach 20.8 billion units in 2020. It is expected that the economic benefits brought by the Internet of Things in the future will be enormous.

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

#### D. Competitive Advantage

##### (a) Combine four core technologies

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

##### (b) Positioning products in line with market development

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

##### (c) Quality product service

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

#### E. Favorable and Unfavorable Factors in the Long Term

##### (a) Favorable factors

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

##### (b) Unfavorable factors

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

Related Countermeasures :

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

## ②Lack of R&D talent

Related Countermeasures :

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

### 5.2.2 Important Purpose and Production Process of the Main Products

#### A. Important Purpose of the Main Products

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

#### B. Manufacturing Process

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

### 5.2.3 Supply Status of Main Materials

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

## 5.2.4 Major Suppliers and Clients

### A. Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2018				2019				2020 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	a	30,376	12.65	None	a	26,532	11.40	None	e	8,653	10.92	None
2	c	27,422	11.42	None	d	25,000	10.74	None	b	8,007	10.11	None
3	b	25,902	10.79	None								
4	d	25,139	10.47	None								
5	Others	131,313	54.67		Others	181,305	77.86		Others	62,546	78.97	
	Net Total Supplies	240,152	100.00		Net Total Supplies	232,837	100.00		Net Total Supplies	79,206	100.00	

### B. Major Clients in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2018				2019				2020 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	A	399,080	22.12	Note 1	A	349,771	20.48	Note 1	A	99,038	20.59	Note 1
2									B	59,643	12.40	Note 1
3	Others	1,405,228	77.88		Others	1,357,855	79.52		Others	322,417	67.01	
	Net Sales	1,804,308	100.00		Net Sales	1,707,626	100.00		Net Sales	481,098	100.00	

Note 1 : Legal director of the company

## 5.2.5 Production in the Last Two Years

Unit: thousand PCS; NT\$ thousands

Output	Year	2018			2019		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major Products							
RF Front-End devices and modules		2,900,000	2,761,006	688,513	2,900,000	2,549,585	660,429

## 5.2.6 Shipments and Sales in the Last Two Years

Unit: thousand PCS; NT\$ thousands

Sales	Year	2018				2019			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Major Products									
RF Front-End devices and modules		700,103	295,487	1,975,218	1,508,821	637,150	278,408	1,924,046	1,429,218

## 5.3 Human Resources

Year		2018	2019	As of 03/31/2020
Number of Employees	Direct	162	161	186
	Indirect	41	46	46
	Management & Sales	34	33	34
	R & D	44	42	44
	Total	281	282	310
Average Age		35.8	36.3	36.1
Average Years of Service		6.52	6.92	6.50
Education	Ph.D.	2.5%	2.5%	2.3%
	Masters	16.0%	16.0%	14.8%
	Bachelor's Degree	46.3%	46.8%	44.8%
	Senior High School	38.1%	27.3%	27.7%
	Below Senior High School	7.1%	7.4%	10.4%

## 5.4 Environmental Protection Expenditure

### 5.4.1 Total Losses and Penalties

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

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

## 5.5 Labor Relations

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

#### A. Employee Welfare

- Profit sharing: Article 25 of the Articles of Incorporation: The Company should distribute remuneration to employees not less than 5% of annual profits.
- Bonus system: Year-end bonus, performance bonus, operation bonus, etc.
- Annual salary review system.

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

**B. Staff training and training situation**

In accordance with the "Employee Education Training Management Procedures", the company plans relevant training courses according to the professional functions and learning needs of employees.

(a) Training system

- ① Work-oriented training : The head of the unit is responsible for the work guidance of the subordinates or the training of the work.
- ② Centralized training : Consider developing human resources, organizing goals and employee education and propose annual education and training programs.
  - New recruit training : New recruits should receive pre-employment training
  - Functional training : Strengthen professional skills
  - General education course : Courses on corporate social responsibility, information security, occupational safety and health, and self-Inspiration
- ③ Management training: Training courses for grassroots supervisors, middle managers and senior management.

(b) Summary of the implementation of education and training this year

Courses name	Inside training		Outside training	
	Number of people trained	Expenses	Number of people trained	Expenses (NT\$ Thousands)
General education course	1,360	-	10	26.2
Function-management training	-	-	-	-
Function-professional skill training (Centralized)	99	-	13	22
Function-professional skill(OJT)	273	-	-	-
Total	1,732	-	23	48.2

### C. Employee retirement system

- (a) The Company allocates pension funds in accordance with the legislation from the Ministry of Labor and managed by the Bureau of Labor Funds. The annual budget for the allocation of the minimum income cannot be lower than the income calculated based on the interest rate of the banks' two-year time deposits in accordance with the legislation "Management and Utilization of the Labor Pension Funds".
- (b) The Company contributes at the rate of 6% of each employee's monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act from July 1, 2005. Under this defined contribution plan, the Company's contribution to the Bureau of Labor Insurance requires no additional legal or constructive obligations thereafter.

### D. Agreement between labor and management

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

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

**5.5.2 List any losses suffered by the company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken:** None.

### 5.6 Important Contracts

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

## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed Balance Sheet– Based on IFRS

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)					As of 03/31/2020 (Note 2)
		2015	2016	2017	2018	2019	
Current assets		2,594,622	2,835,760	2,757,846	2,685,387	2,349,068	2,431,162
Property, Plant and Equipment		895,715	792,553	990,408	1,100,949	1,417,742	1,605,603
Intangible assets		1,500	1,800	1,167	683	1,783	1,641
Other assets		5,698	6,889	10,361	10,532	11,038	12,202
Total assets		3,497,535	3,637,002	3,759,782	3,797,551	3,779,631	4,050,608
Current liabilities	Before distribution	399,190	417,647	424,612	453,717	467,526	551,927
	After distribution	1,085,901	1,142,317	1,176,889	1,135,597	Note 3	Note 3
Non-current liabilities		4,416	5,618	7,552	10,477	14,061	14,741
Total liabilities	Before distribution	403,606	423,265	432,164	464,194	481,587	566,668
	After distribution	1,090,317	1,147,935	1,184,441	1,146,074	Note 3	Note 3
Equity attributable to shareholders of the parent		3,093,929	3,213,737	3,327,618	3,333,357	3,298,044	3,483,940
Capital stock		690,162	690,162	690,162	690,162	690,162	690,162
Capital surplus		573,532	573,532	573,532	573,532	573,532	573,532
Retained earnings	Before distribution	1,830,235	1,950,043	2,063,924	2,069,663	2,034,350	2,220,246
	After distribution	1,143,524	1,225,373	1,311,647	1,387,783	Note 3	Note 3
Other equity interest		0	0	0	0	0	0
Treasury stock		0	0	0	0	0	0
Non-controlling interest		0	0	0	0	0	0
Total equity	Before distribution	3,093,929	3,213,737	3,327,618	3,333,357	3,298,044	3,483,940
	After distribution	2,407,218	2,489,067	2,575,341	2,651,477	Note 3	Note 3

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

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

Note 3: Pending shareholders' approval.

### 6.1.2 Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Item	Year	Financial Summary for The Last Five Years (Note 1)					As of 03/31/2020 (Note 2)
		2015	2016	2017	2018	2019	
Operating revenue		1,761,223	1,909,472	1,963,490	1,804,308	1,707,626	481,098
Gross profit		1,080,832	1,183,843	1,236,101	1,122,219	1,017,740	281,208
Net operating income		865,956	976,509	1,029,131	909,203	793,146	218,314
Non-operating income and expenses		53,369	(4,610)	(15,410)	36,263	12,395	14,056
Income before tax		919,325	971,899	1,013,721	945,466	805,541	232,370
Income from continuing operations		763,040	806,676	838,588	757,739	646,665	185,896
Income from discontinued operations		0	0	0	0	0	0
Net income		763,040	806,676	838,588	757,739	646,665	185,896
Other comprehensive income (income after tax)		(813)	(157)	(37)	277	(98)	0
Total comprehensive income		762,227	806,519	838,551	758,016	646,567	185,896
Net income attributable to shareholders of the parent		763,040	806,676	838,588	757,739	646,665	185,896
Net income attributable to non-controlling interest		0	0	0	0	0	0
Comprehensive income attributable to Shareholders of the parent		762,227	806,519	838,551	758,016	646,567	185,896
Comprehensive income attributable to non-controlling interest		0	0	0	0	0	0
Earnings per share		11.06	11.69	12.15	10.98	9.37	2.69

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

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

### 6.1.3 Auditors' Opinions from 2015 to 2019

Year	CPA Name	Reasons for change CPA	Audit Opinion
2015	KPMG Mei-Yu Tseng and Chien-Hui Lu	Administrative adjustment within the accounting firm	Unqualified opinion
2016	KPMG Mei-Yu Tseng and Chien-Hui Lu	-	Unqualified opinion
2017	KPMG Wan-Yuan Yu and Chien-Hui Lu	Administrative adjustment within the accounting firm	Unqualified opinion
2018	KPMG Wan-Yuan Yu and Chien-Hui Lu	-	Unqualified opinion
2019	KPMG Mei-Yu Tseng and Wan-Yuan Yu	Administrative adjustment within the accounting firm	Unqualified opinion

## 6.2 Five-Year Financial Analysis– Based on IFRS

Item		Year	Financial Analysis for the Last Five Years(Note 1)					As of 03/31/2020 (Note 2)
			2015	2016	2017	2018	2019	
Financial structure (%)	Debt ratio		12	12	11	12	13	14
	Long-term funds to property, plant and equipment ratio		346	406	337	304	234	218
Solvency (%)	Current ratio		650	679	650	592	502	440
	Quick ratio		621	649	620	559	473	414
	Times interest earned ratio		-	-	-	-	-	-
Operating performance	Accounts receivable turnover (times)		5.76	5.50	5.64	5.39	5.77	5.64
	Days to collect accounts receivable (day)		63	66	65	68	63	65
	Average inventory turnover (times)		7.35	6.78	6.62	5.69	5.57	6.81
	Accounts payable turnover (times)		16.50	15.33	14.85	15.34	14.34	15.09
	Average days to sell inventory		50	54	55	64	66	54
	Property, plant and equipment turnover (times)		2.02	2.26	2.20	1.73	1.36	1.27
	Total assets turnover (times)		0.53	0.54	0.53	0.48	0.45	0.49
Profitability	Return on total assets (%)		23	23	23	20	17	19
	Return on equity (%)		26	26	26	23	20	22
	Income before tax to paid-in capital (%)		133	141	147	137	117	135
	Profit to sales (%)		43	42	43	42	38	39
	Earnings per share (NT\$)		11.06	11.69	12.15	10.98	9.37	2.69
Cash flow	Cash flow ratio (%)		234	228	231	197	180	88
	Cash flow adequacy ratio (%)		130	142	126	111	101	101
	Cash flow reinvestment ratio (%)		11	5	5	3	3	9
Leverage	Operating leverage		1.25	1.21	1.19	1.23	1.26	1.06
	Financial leverage		1.00	1.00	1.00	1.00	1.00	1.00
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)								
Long-term funds to property, plant and equipment ratio and property, plant and equipment turnover: The decrease was mainly due to increased new plant construction.								

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

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

Below are calculations

1. Financial structure

(1) Debt ratio = Total Liabilities / Total Assets

(2) Long-term fund to property, plant and equipment ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Solvency

(1) Current ratio = Current Assets / Current Liabilities

(2) Quick ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Times interest earned ratio = Earnings before Interest and Taxes / Interest Expenses

3. Operating performance

(1) Accounts receivable turnover = Net Sales / Average Trade Receivables

(2) Days to collect accounts receivable = 365 / Average Collection Turnover

(3) Average inventory turnover = Cost of Sales / Average Inventory

(4) Accounts payable turnover = 365 / Average Inventory Turnover

(5) Average days to sell inventory = Cost of Sales / Average Trade Payables

(6) Property, plant and equipment turnover = Net Sales / Average Net Property, Plant and Equipment

(7) Total assets turnover = Net Sales / Average Total Assets

4. Profitability

(1) Return on total assets = (Net Income + Interest Expenses \* (1 - Effective Tax Rate)) / Average Total Assets

(2) Return on equity = Net Income Attributable to Shareholders of the Parent / Average Equity Attributable to Shareholders of the Parent

(3) Income before tax to paid-in capital = Operating Income / Paid-in Capital

(4) Profit to sales = Income before Tax / Paid-in Capital

(5) Earnings per share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow

(1) Cash flow ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash flow adequacy ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend

(3) Cash flow reinvestment ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)

6. Leverage

(1) Operating leverage = (Net Sales - Variable Cost) / Income from Operations

(2) Financial leverage = Income from Operations / (Income from Operations - Interest Expenses)

### **6.3 Audit Committee's Report for the Most Recent Year**

#### Audit Committee's Review Report

The Board of Directors has prepared the Company's 2019 business report, financial statements and earnings distribution proposal. The financial statements were audited by independent auditors, Mei-Yu Tseng and Wan-Yuan Yu, of KPMG with independent auditors' reports issued.

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

Advanced Ceramic X Corporation  
Chairman of the Audit Committee: Shih-Kao Chiang  
February 25, 2020

- 6.4. Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report:** Please refer to page 67-106 of this annual report.
- 6.5. Parent-company-only Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report:** Please refer to page 67-106 of this annual report.
- 6.6. If the Company or Its Affiliates Have Experienced Financial Difficulties in the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Printing of the Annual Report, the Annual Report Shall Explain How Said Difficulties Will Affect the Company's Financial Situation:** None.

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

### 7.1 Financial Status

#### Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	2018	2019	Difference	
			Amount	%
Current Assets	2,685,387	2,349,068	(336,319)	(12.52)
Investments	0	0	0	0
Property, plant and equipment	1,100,949	1,417,742	316,793	28.77
Other Assets	11,215	12,821	1,606	14.32
<b>Total Assets</b>	<b>3,797,551</b>	<b>3,779,631</b>	<b>(17,920)</b>	<b>(0.47)</b>
Current Liabilities	453,717	467,526	13,809	3.04
Long-term Liabilities	0	0	0	0
Other Liabilities	10,477	14,061	3,584	34.21
<b>Total Liabilities</b>	<b>464,194</b>	<b>481,587</b>	<b>17,393</b>	<b>3.75</b>
Capital stock	690,162	690,162	0	0
Capital surplus	573,532	573,532	0	0
Retained Earnings	2,069,663	2,034,350	(35,313)	(1.71)
Other Adjustments	0	0	0	0
<b>Total Stockholders' Equity</b>	<b>3,333,357</b>	<b>3,298,044</b>	<b>(35,313)</b>	<b>(1.06)</b>

Analysis of changes in financial ratios:

1. Property, plant and equipment: The increase was mainly due to increased new plant construction.
2. Other Liabilities: The increase was mainly due to other non-current liability increases.

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

## 7.2 Financial Performance

### Analysis of Financial Performance

Unit: NT\$ thousands

Item	Year	2018	2019	Difference	
				Amount	%
Net Sales		1,804,308	1,707,626	(96,682)	(5.36)
Cost of Sales		682,089	689,886	7,797	1.14
Gross Profit		1,122,219	1,017,740	(104,479)	(9.31)
Operating Expenses		213,016	224,954	11,938	5.60
Operating Income		909,203	793,146	(116,057)	(12.76)
Non-operating Income and Expenses		36,263	12,395	(23,868)	(65.82)
Net Income Before Income Tax		945,466	805,541	(139,925)	(14.80)
Income Tax Expense		187,727	158,876	(28,851)	(15.37)
Net Income		757,739	646,665	(111,074)	(14.66)
Analysis of changes in financial ratios:					
Non-operating Income and Expenses: The decrease was mainly due to foreign exchange loss.					

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

### 7.3 Cash Flow

Cash Balance at the Beginning of Year	Net Cash Flow from Operating Activities	Net Cash Flow from Investment Activities	Net Cash Flow from Financing Activities	Cash Balance at the End of Year	Leverage of Cash Surplus	
					Investment Plans	Financing Plans
1,709,216	841,015	(141,107)	(681,880)	1,727,244	None	None

#### 7.3.1 Cash Flow Analysis for the Current Year

A. Operating Activities: Mainly from operating profit.

B. Investment Activities: Primarily for capital expenditures and net purchase of other financial assets.

C. Financing Activities: Primarily for cash dividends payment.

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

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

### 7.4 Major Capital Expenditure Items

#### 7.4.1 Major Capital Expenditure Items and Source of Capital

Unit: NT\$ thousands

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual or Expected Capital Expenditure			
				2018	2019	2020	2021
New construction plant	Self-capital	March 2020	696,880	162,978	272,115	251,334	10,453

#### 7.4.2. Expected impact of possible benefits on financial operations

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

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

## **7.6 Risk Analysis and Management**

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

#### **A. Interest rate**

The Company's exposure to interest rate risk arises from the bank deposit interest rates change. If the interest rate had increased (decreased) by 1%, the Company's net profit after tax would have increased (decreased) by NT\$15,544 thousand for the year ended December 31, 2019, all other variable factors that remain constant.

#### **B. Foreign exchange rates**

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, accounts payable, and other payable that are denominated in foreign currency. A strengthening (weakening) 1% of appreciation of NTD against USD and JPY for the years ended December 31, 2019 would have increased the net profit after tax by NT\$4,654 thousand.

Mitigation measures being or to be taken:

- (a) The Company reserves the foreign currency position arising from sales appropriately to remit the foreign currency expenditures to safeguard from foreign exchange risk.
- (b) The Company manages the currency risk and then determines the timing of exchanging the foreign currency through collecting the foreign currency information.
- (c) The company uses foreign currency forward exchange contracts to hedge the remaining nature of currency risk arising from netting.

#### **(3) Inflation**

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

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

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

### **7.6.3 Future Research & Development Projects and Corresponding Budget**

Please refer to the "5.1.3 Technology and R&D Status" on pages 44-46 of this annual report.

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

The Company consistently pays close attention to any changes in local and foreign policies and makes appropriate amendments to our systems when necessary. During 2019 and as of the date of publication of this annual report, changes in related laws have not had a significant impact on our operations.

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

The Company pays attention to the changes in technologies and in industry at all time so as to be fully aware of the market trend and evaluate any potential impact on the operations of the Company. During 2019 and as of the date of publication of this annual report, the material changes of technologies have not had brought any adverse impact to the operations of the Company.

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

Since its inception, the Company has consistently maintained an ethical business philosophy and fulfilled its social responsibilities. During 2019 and as of the date of publication of this Annual Report, there were no such risks for the Company.

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

The Company has no ongoing merger and acquisition activities.

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

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

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

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

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

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

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

During 2019 and as of the date of publication of this Annual Report, such risks were not identified by the Company.

#### **7.6.12 Litigation or Non-litigation Matters**

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

#### **7.6.13 Other Major Risks:**

- A. Effects of, risks relating to and response to information systems security: During 2019 and as of the date of publication of this Annual Report, the Company had not been aware of any information systems security incidents that had or would expected to have a material adverse effect on its business and operations.
- B. Risk management framework  
The Company established risk management policies and effectively identify, measure, monitor, and control risk management mechanisms. The Board of Directors has the responsibility for the establishment and oversight of risk management framework. Through routine risk management, regular management meetings, and internal audit control monitor risk management effectiveness.

**7.7 Other important matters:** None.

## VIII. Special Disclosure

**8.1 Information of associated enterprises:** None.

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

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

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

**8.5 Other matters requiring supplementary information:**

**8.5.1 Action arising of 2019 annual general Shareholders' Meeting:**

Major Resolutions	Action Arising
To accept 2018 business report and financial statements.	The amendment was passed by 2019 AGM and relevant documents were filed with authority and disclosed on the MOPS.
To approve the proposal for distribution of 2018 earnings.	The amendment was passed by 2019 AGM. The Company decided to set up the ex-dividend date of cash dividend for August 14, 2019 and paid on September 4, 2019 (NT\$9.88 per common share) according to the resolution of 2019 AGM.
To elect eleven directors (including three independent directors)	The eleven newly elected directors were Shuang De Investment Corp., Kuo Chia Fu Investment Corp., Hsin Chang Construction Corp., Lin Li Construction Corp., Johanson Technology Inc., Scientific Components Corp., Ming-Huang LI, Ming-Huang LI, Shih-Kao Chiang (Independent Director), Ta-Wen Sun (Independent Director), Shang-Min Chin (Independent Director).
To approve the amendment to Procedures for Acquisition or Disposal of Assets	The amendment was passed by 2019 AGM and disclosed on the Company's website. The Company has executed the rules accordingly.
To lift non-competition restrictions on newly elected board members	The amendment was passed by 2019 AGM.

## **IX. Appendices**

### **9.1 Statement of Internal Control System**

#### **Advanced Ceramic X Corporation**

#### **Statement of Internal Control System**

February 25, 2020

The internal control self-assessment of Advanced Ceramic X Corporation was conducted for the year ended December 31, 2019 based on the Company's internal control system. The results are described as following:

1. Advanced Ceramic X Corporation acknowledges that the Board of Directors and the management are responsible for establishing, executing and maintaining an effective internal control system, which has been already set up. The purposes of the internal control system are to provide a reasonable assurance of achieving the goals of efficiency and effectiveness of the operations, such as profitability, performance and the safeguard of the assets, the reliability of the financial reports and the compliance with the applicable laws and regulations.
2. No matter how perfectly designed, the internal control system has its inherent limitations, and it can only provide reasonable assurance of achieving the three goals mentioned above. The effectiveness of the internal control system may subject to changes of environment and circumstances. Advanced Ceramic X Corporation has established an internal control system with self-monitoring capabilities, which can undertake corrective actions whenever a deficiency is identified.
3. Advanced Ceramic X Corporation evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the governing the establishment of internal control system by public companies promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission. The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment (3) control activities, (4) information and communication, and (5) monitoring. Each component consists of certain items, which could be referred to the Standards.
4. Advanced Ceramic X Corporation has evaluated the design and effectiveness of its internal control system according to the aforementioned criteria.
5. Advanced Ceramic X Corporation believes that the effectiveness of the design and execution of the internal control system (including its subsidiaries) during the above mentioned assessment period provides reasonable assurance of achieving the goals of the efficiency and effectiveness of operations, the reliability of financial reports and the compliance with applicable laws and regulations.
6. The Statement of Internal Control will be an integral part of Advanced Ceramic X Corporation annual report and prospectus and will be made public. Any false statement, concealment, or other illegality in the content made public will entail legal liabilities under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. The statement has been passed by the Board of Directors in the meeting held on February 25, 2020, with none of the ten attending directors expressing dissenting opinions on the content of the Statement.

#### **Advanced Ceramic X Corporation**

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

*CEO: Chien-Wen Kuo*

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

Shareholders / Board Meetings	Date	Major Resolutions
Board of Directors Meeting	02/26/2019	<ol style="list-style-type: none"> <li>1. Evaluated the independence and qualification of the independent auditors.</li> <li>2. Approved the 2018 statement of the internal control system.</li> <li>3. Approved the distribution of employees’ and directors’ compensations for the year of 2018.</li> <li>4. Approved the 2018 business report and financial statements.</li> <li>5. Approved the distribution of earnings for the year of 2018.</li> <li>6. Approved the budget plan of the Company for the year of 2019.</li> <li>7. Approved elect eleven directors (including three independent directors).</li> <li>8. Approved nominating directors.</li> <li>9. Approved non-competition restriction on new directors and their representative.</li> <li>10. Amendment to Company’s “Internal Control System” and “Internal Audit System”.</li> <li>11. Amended the Company’s “Procedures for Acquisition or Disposal of Assets”.</li> <li>12. Convened of the 2019 annual general shareholders' meeting.</li> <li>13. Approved the short-term loan with financial institutions.</li> </ol>
Board of Directors Meeting	05/07/2019	<ol style="list-style-type: none"> <li>1. Approved the list of nominated directors.</li> <li>2. Approved the short-term loan with financial institutions.</li> <li>3. Appointed of company secretary.</li> <li>4. Establishment the Company’s “Standard Operating Procedure for Handling Demands by Directors”.</li> </ol>
Shareholders Meeting	06/18/2019	<ol style="list-style-type: none"> <li>1. To accept 2018 business report and financial statements.</li> <li>2. To approve the proposal for distribution of 2018 earnings.</li> <li>3. To elect eleven directors (including three independent directors).</li> <li>4. To approve the amendment to Procedures for Acquisition or Disposal of Assets.</li> <li>5. To lift non-competition restrictions on newly elected board members</li> </ol>
Board of Directors Meeting	06/18/2019	<ol style="list-style-type: none"> <li>1. Election of Chairman.</li> <li>2. Appointment of Compensation Committee members.</li> <li>3. Appointment of Audit Committee members.</li> </ol>
Board of Directors Meeting	08/06/2019	<ol style="list-style-type: none"> <li>1. Amendment to the Company’s “Ethical Corporate Management Best Practice Principles”.</li> </ol>
Board of Directors Meeting	11/05/2019	<ol style="list-style-type: none"> <li>1. Approval of auditing plan for the year of 2020.</li> <li>2. The distribution of employees’ and directors’ compensations for the year of 2019.</li> <li>3. Authorize the Chairman to determine all related matters for the follow-up projects of the new factory.</li> </ol>
Board of Directors Meeting	02/25/2020	<ol style="list-style-type: none"> <li>1. Approved the change of financial officer, accounting officer and spokesperson.</li> <li>2. Evaluated the independence and qualification of the independent auditors.</li> <li>3. Approved the 2019 statement of the internal control system.</li> <li>4. Approved the distribution of employees’ and directors’ compensations for the year of 2019.</li> <li>5. Approved the 2019 business report and financial statements.</li> <li>6. Approved the distribution of earnings for the year of 2019.</li> <li>7. Approved the budget plan of the Company for the year of 2020.</li> <li>8. Amendment to Company’s “Rules and Procedures of Board of Directors Meetings”, “Audit Committee Charter”, “Compensation Committee Charter” and “Procedures of Directors Compensation Distribution”.</li> <li>9. Convened of the 2020 annual general shareholders' meeting.</li> </ol>
Board of Directors Meeting	05/05/2020	<ol style="list-style-type: none"> <li>1. Approved the short-term loan with financial institutions.</li> <li>2. Change location of 2020 Annual shareholders meeting.</li> </ol>

### **9.3 Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report**

#### **Independent Auditors' Report**

To the Board of Directors of Advanced Ceramic X Corporation:

#### **Opinion**

We have audited the financial statements of Advanced Ceramic X Corporation (“the Company”), which comprise the balance sheets as of December 31, 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)

		<u>December 31, 2019</u>		<u>December 31, 2018</u>				<u>December 31, 2019</u>		<u>December 31, 2018</u>	
<b>Assets</b>		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Current Assets :</b>											
1100	Cash and Cash Equivalents (Note 6(1))	\$ 1,727,244	46	1,709,216	45	2170	Accounts Payable	\$ 50,504	1	45,704	1
1170	Notes and Accounts Receivable, Net (Note 6(2))	178,135	5	190,477	5	2201	Salary and Bonus Payable	120,688	3	127,347	3
1180	Receivables from Related Parties (Note 6(2) and 7)	84,294	2	133,791	4	2213	Payables to Contractors and Equipment (Note 7)	91,046	3	52,527	2
1310	Inventories (Note 6(3))	117,516	3	130,408	3	2230	Income Tax Payable	68,006	2	101,698	3
1476	Other Financial Assets - Current (Note 6(1) and 8)	216,237	6	502,607	13	2399	Other Current Liabilities (Note 6(6) and 7)	137,282	4	126,441	3
1479	Other Current Assets	25,642	-	18,888	1			467,526	13	453,717	12
		<u>2,349,068</u>	<u>62</u>	<u>2,685,387</u>	<u>71</u>						
<b>Noncurrent Assets :</b>						2600	Other Liabilities- Noncurrent	14,061	-	10,477	-
1600	Property, Plant and Equipment (Note 6(4), 7 and 8)	1,417,742	38	1,100,949	29			14,061	-	10,477	-
1780	Intangible Assets (Note 6(5))	1,783	-	683	-			<u>481,587</u>	<u>13</u>	<u>464,194</u>	<u>12</u>
1840	Deferred Tax Assets (Note 6(8))	9,497	-	9,409	-						
1980	Other Financial Assets - Noncurrent	447	-	501	-	3100	Capital Stock	690,162	18	690,162	18
1975	Net Defined Benefit Asset- Noncurrent (Note6(7))	1,094	-	622	-	3200	Capital Surplus	573,532	15	573,532	15
		<u>1,430,563</u>	<u>38</u>	<u>1,112,164</u>	<u>29</u>	3300	Retained Earnings	2,034,350	54	2,069,663	55
								<u>3,298,044</u>	<u>87</u>	<u>3,333,357</u>	<u>88</u>
<b>Total Assets</b>		<u>\$ 3,779,631</u>	<u>100</u>	<u>3,797,551</u>	<u>100</u>		<b>Total Equity</b>	<u>\$ 3,779,631</u>	<u>100</u>	<u>3,797,551</u>	<u>100</u>
							<b>Total Liabilities and Equity</b>				

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)

		<u>2019</u>		<u>2018</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4100	<b>Net Revenue</b> (Note 6(11) and 7)	\$ 1,707,626	100	1,804,308	100
5000	<b>Cost of Revenue</b> (Note 6(3), (7), (13) and 7)	689,886	40	682,089	38
	<b>Gross Profit</b>	<u>1,017,740</u>	<u>60</u>	<u>1,122,219</u>	<u>62</u>
	<b>Operating Expenses</b> (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)	-
		<u>224,594</u>	<u>13</u>	<u>213,016</u>	<u>12</u>
	<b>Income from Operations</b>	<u>793,146</u>	<u>47</u>	<u>909,203</u>	<u>50</u>
	<b>Non-Operating Income and Expenses :</b>				
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	-
		<u>12,395</u>	<u>-</u>	<u>36,263</u>	<u>2</u>
7900	<b>Income Before Income Tax</b>	805,541	47	945,466	52
7950	<b>Less : Income Tax Expense</b> (Note 6(8))	158,876	9	187,727	10
8200	<b>Net Income</b>	<u>646,665</u>	<u>38</u>	<u>757,739</u>	<u>42</u>
8300	<b>Other Comprehensive Income :</b>				
8310	<b>Items That will Not Be Reclassified to Profit or Loss</b>				
8311	Remeasurement of Defined Benefit Obligations (Note 6(7))	(98)	-	277	-
8300	<b>Other Comprehensive Income, net of tax</b>	<u>(98)</u>	<u>-</u>	<u>277</u>	<u>-</u>
8500	<b>Total Comprehensive Income</b>	<u>\$ 646,567</u>	<u>38</u>	<u>758,016</u>	<u>42</u>
	<b>Earnings Per Share (Expressed in Dollars)</b> (Note 6(10))				
9750	Basic Earnings Per Share	<u>\$ 9.37</u>		<u>10.98</u>	
9850	Diluted Earnings Per Share	<u>\$ 9.35</u>		<u>10.95</u>	

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)

	Common Stock	Capital Surplus	Retained Earnings		Capital Surplus	
			Legal Reserve	Undistributed Earnings		Subtotal
<b>Balance at January 1, 2018</b>	\$ 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)
<b>Balance at December 31, 2018</b>	<b>690,162</b>	<b>573,532</b>	<b>640,414</b>	<b>1,429,249</b>	<b>2,069,663</b>	<b>3,333,357</b>
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)
<b>Balance at December 31, 2019</b>	<b>\$ 690,162</b>	<b>573,532</b>	<b>716,188</b>	<b>1,318,162</b>	<b>2,034,350</b>	<b>3,298,044</b>

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
<b>Cash Flows from Operating Activities :</b>		
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
<b>Cash Flows from Investing Activities :</b>		
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)
<b>Cash Flows from Financing Activities :</b>		
Cash Dividends	(681,880)	(752,277)
Net Cash Used in Financing Activities	(681,880)	(752,277)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	18,028	(575,106)
<b>Cash and Cash Equivalents at the Beginning of Period</b>	1,709,216	2,284,322
<b>Cash and Cash Equivalents at the End of Period</b>	\$ 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.

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Per IASB</b>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRSs 2015 – 2017 Cycle	January 1, 2019

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

A. IFRS 16 “Leases”

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

## **Advanced Ceramic X Corporation**

### **Notes to Financial Statements**

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

(a) Definition of a lease

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

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

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

(b) As a lessee

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

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

- Leases classified as operating leases under IAS 17

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

Right-of-use assets are measured at either:

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

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

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

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

(c) Impacts on financial statements

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

**B. IFRIC 23 Uncertainty over Income Tax Treatments**

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

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

The cumulative effect of adopting IFRIC 23 was recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, and it did not have any significant impact on its financial statements.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No.1080323028 issued by the FSC on July 29, 2019:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Per IASB</b>
Amendments to IFRS 3 “Definition of Business”	January 1, 2020
Amendments to 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 abovementioned standards or interpretations would not have a material impact on its financial statement.

(3) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, following are the IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

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

## **Advanced Ceramic X Corporation**

### **Notes to Financial Statements**

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

## **Advanced Ceramic X Corporation**

### **Notes to Financial Statements**

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.

## **Advanced Ceramic X Corporation**

### **Notes to Financial Statements**

(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 dealt 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.

## **Advanced Ceramic X Corporation**

### **Notes to Financial Statements**

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.

## **Advanced Ceramic X Corporation**

### **Notes to Financial Statements**

#### **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.

## **Advanced Ceramic X Corporation**

### **Notes to Financial Statements**

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.

## **Advanced Ceramic X Corporation**

### **Notes to Financial Statements**

#### (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.

## **Advanced Ceramic X Corporation**

### **Notes to Financial Statements**

#### (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.

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(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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Cash	\$ 50	50
Cash in bank	232,103	93,048
Time deposits	1,495,091	1,616,118
	<b><u>\$ 1,727,244</u></b>	<b><u>1,709,216</u></b>

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.

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
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)
	<b><u>\$ 262,429</u></b>	<b><u>324,268</u></b>
Notes and accounts receivable, net	<b><u>\$ 178,135</u></b>	<b><u>190,477</u></b>
Accounts receivable from related parties, net	<b><u>\$ 84,294</u></b>	<b><u>133,791</u></b>

The Company applies the simplified approach to provide for its loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and days past due, as well as incorporate forward looking information. The loss allowance provision as of December 31, 2019 and 2018 were determined as follows:

	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average expected loss rate</b>	<b>Lifetime expected credit loss allowance</b>
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%	-
	<b><u>\$ 265,079</u></b>		<b><u>2,650</u></b>

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

The movements of allowance for doubtful accounts were as follows :

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Beginning balance	\$ 3,275	3,489
Reversal of impairment loss	(625)	(214)
Ending balance	<b><u>\$ 2,650</u></b>	<b><u>3,275</u></b>

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

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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

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

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:

	<b>Land</b>	<b>Building and construction</b>	<b>Machinery and equipment</b>	<b>Office &amp; Other equipment</b>	<b>Construction in progress &amp; equipment under installation</b>	<b>Total</b>
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	<b>\$ 248,651</b>	<b>359,639</b>	<b>2,038,877</b>	<b>190,527</b>	<b>583,434</b>	<b>3,421,128</b>
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	<b>\$ 248,651</b>	<b>359,639</b>	<b>1,999,635</b>	<b>172,814</b>	<b>205,413</b>	<b>2,986,152</b>

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	<u>Land</u>	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Office &amp; Other equipment</u>	<u>Construction in progress &amp; equipment under installation</u>	<u>Total</u>
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	<u>\$ -</u>	<u>250,847</u>	<u>1,611,814</u>	<u>140,725</u>	<u>-</u>	<u>2,003,386</u>
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	<u>\$ -</u>	<u>238,450</u>	<u>1,518,082</u>	<u>128,671</u>	<u>-</u>	<u>1,885,203</u>
Carrying amounts:						
Balance at December 31, 2019	<u>\$ 248,651</u>	<u>108,792</u>	<u>427,063</u>	<u>49,802</u>	<u>583,434</u>	<u>1,417,742</u>
Balance at January 1, 2018	<u>\$ 248,651</u>	<u>133,586</u>	<u>505,615</u>	<u>33,591</u>	<u>68,965</u>	<u>990,408</u>
Balance at December 31, 2018	<u>\$ 248,651</u>	<u>121,189</u>	<u>481,553</u>	<u>44,143</u>	<u>205,413</u>	<u>1,100,949</u>

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:

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

**Advanced Ceramic X Corporation**  
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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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Accrued expenses	\$ 92,968	98,708
Directors' remuneration payable	12,923	15,168
Other	31,391	12,565
	<b><u>\$ 137,282</u></b>	<b><u>126,441</u></b>

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:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Present value of the defined benefit obligations	\$ 15,030	16,254
Fair value of plan assets	(16,124)	(16,876)
Net defined benefit assets	<b><u>\$ (1,094)</u></b>	<b><u>(622)</u></b>

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.

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(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:

	<u>2019</u>	<u>2018</u>
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	<u>(2,134)</u>	<u>-</u>
Defined benefit obligation at December 31	<u><b>\$ 15,030</b></u>	<u><b>16,254</b></u>

(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:

	<u>2019</u>	<u>2018</u>
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	<u>(2,134)</u>	<u>-</u>
Fair value of plan assets at December 31	<u><b>\$ 16,124</b></u>	<u><b>16,876</b></u>

(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:

	<u>2019</u>	<u>2018</u>
Current service cost	\$ 80	74
Net interest expense of net defined benefit (liabilities (assets))	<u>(13)</u>	<u>(2)</u>
	<u><b>\$ 67</b></u>	<u><b>72</b></u>

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

- (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:

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

- (g) Actuarial assumptions

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
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:

	<u>Influence of defined defined benefit obligation</u>	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>
December 31, 2019		
Discount rate	\$ (566)	593
Future salary increases	578	(555)

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	<b>Influence of defined defined benefit obligation</b>	
	<b>Increase by 0.25%</b>	<b>Decrease by 0.25%</b>
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:

	<b>2019</b>	<b>2018</b>
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	<b>\$ 158,876</b>	<b>187,727</b>

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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:

	<u>2019</u>	<u>2018</u>
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
	<u>\$ 158,876</u>	<u>187,727</u>

**B. Deferred tax assets and liabilities**

Recognized deferred tax assets and liabilities

	<u>January 1, 2018</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31, 2018</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31, 2019</u>
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	<u>\$ 9,860</u>	<u>(451)</u>	<u>-</u>	<u>9,409</u>	<u>88</u>	<u>-</u>	<u>9,497</u>

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:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Additional paid-in capital	<u>\$ 573,532</u>	<u>573,532</u>

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.

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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:

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

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.

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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:

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

(11) Operating revenue from contracts with customers

	<b>2019</b>	<b>2018</b>
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	<u>134,968</u>	<u>96,083</u>
	<u>\$ 1,707,626</u>	<u>1,804,308</u>
Main product		
RF front-end devices and modules	<u>\$ 1,707,626</u>	<u>1,804,308</u>

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Contract balances :

	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>January 1, 2018</b>
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)
	<b><u>\$ 262,429</u></b>	<b><u>324,268</u></b>	<b><u>345,444</u></b>
Notes and accounts receivable, net	<b><u>\$ 178,135</u></b>	<b><u>190,477</u></b>	<b><u>210,688</u></b>
Accounts receivable from related parties, net	<b><u>\$ 84,294</u></b>	<b><u>133,791</u></b>	<b><u>134,756</u></b>

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 December 31, 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

	<b>2019</b>	<b>2018</b>
Government grants income	\$ 7,073	-
Other income	213	175
	<b><u>\$ 7,286</u></b>	<b><u>175</u></b>

(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.

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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.

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	<b>Carrying amount (Contractual cash flows)</b>	<b>Within 6 months</b>	<b>6 to 12 months</b>
<b>December 31, 2019</b>			
Non-derivative financial liabilities			
Accounts payable	\$ 50,504	50,504	-
Payables to contractors and equipment	91,046	91,046	-
	<b>\$ 141,550</b>	<b>141,550</b>	<b>-</b>
<b>December 31, 2018</b>			
Non-derivative financial liabilities			
Accounts payable	\$ 45,704	45,704	-
Payables to contractors and equipment	52,527	52,527	-
	<b>\$ 98,231</b>	<b>98,231</b>	<b>-</b>

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:

	<b>December 31, 2019</b>			<b>December 31, 2018</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>NTD</b>	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>NTD</b>
<u>Financial assets</u>						
<u>Monetary items</u>						
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
<u>Financial liabilities</u>						
<u>Monetary items</u>						
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.

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(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.

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#### **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.

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(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:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Total liabilities	<u>\$ 481,587</u>	<u>464,194</u>
Total capital	<u>\$ 3,298,044</u>	<u>3,333,357</u>
Debt to equity ratio	<u>14.60%</u>	<u>13.93%</u>

**7. Related-party transactions:**

(1) Names and relationship with related parties

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

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

(2) Significant transactions with related parties

A. Operating revenue

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

	<u>2019</u>	<u>2018</u>
Key management personnel – JOHANSON	\$ 349,771	399,080
Key management personnel – MINI-CKT	<u>128,624</u>	<u>155,235</u>
	<u>\$ 478,395</u>	<u>554,315</u>

B. Receivables from related parties

<u>Categories</u>	<u>Account</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
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	<u>(97)</u>	<u>(228)</u>
		<u>\$ 84,294</u>	<u>133,791</u>

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.

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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.	\$ <u>800</u>	<u>781</u>	<u>800</u>	<u>781</u>

D. Other

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

	Amount		Other current liabilities	
	2019	2018	December 31, 2019	December 31, 2019
Key management personnel— JOHANSON	\$ <u>4,799</u>	<u>4,755</u>	<u>359</u>	<u>697</u>

(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	<u>108</u>	<u>182</u>
	<u>\$ 82,500</u>	<u>89,930</u>

**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	<u>168,944</u>	<u>168,944</u>
		<u>\$ 168,944</u>	<u>170,944</u>

**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.

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- (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:

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

- (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.

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

(3) Product information

	<b>2019</b>	<b>2018</b>
RF Front-End devices and modules	<b>\$ 1,707,626</b>	<b>1,804,308</b>

(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

	<b>2019</b>	<b>2018</b>
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
	<b>\$ 1,707,626</b>	<b>1,804,308</b>

B. Noncurrent Assets

<b>Area</b>	<b>December31, 2019</b>	<b>December31, 2018</b>
Taiwan	<b>\$ 1,430,563</b>	<b>1,112,164</b>

(5) Major customers

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

	<b>2019</b>	<b>2018</b>
Corporation l	<b>\$ 349,771</b>	<b>399,080</b>