

Stock Code : 3152



# **Advanced Ceramic X Corporation**

## **2020 Annual General Shareholders' Meeting**

### **Meeting Agenda** (Translation)

**Time:** June 16, 2020

**Place:** No.165, Hanyang Road, Hsinchu Industrial Park, Hukou Township, Hsinchu County, Taiwan

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-----Disclaimer-----

This is a translation of the agenda for the 2020 Annual General Shareholders’ Meeting of ACX. The translation is for reference only. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

# **Advanced Ceramic X Corporation**

## **2020 Annual General Shareholders' Meeting Procedure**

1. Call Meeting to Order
2. Chairman's Address
3. Report Items
4. Approval Items
5. Extraordinary Motions
6. Meeting Adjournment

# **Advanced Ceramic X Corporation**

## **2020 Annual General Shareholders' Meeting Agenda**

Time: 9: 00AM, June 16, 2020

Place: No.165, Hanyang Road, Hsinchu Industrial Park, Hukou Township, Hsinchu County, Taiwan

1. Call Meeting to Order
2. Chairman's Address
3. Report Items
  - (1) 2019 Business Report
  - (2) Audit Committee's Review Report of 2019
  - (3) Distribution of directors' and employees' compensation in 2019
  - (4) Amendments of Ethical Corporate Management Best Practice Principles
  - (5) Amendments of Corporate Social Responsibility Practice
4. Approval Items
  - (1) To accept 2019 Business Report and Financial Statements
  - (2) To approve the proposal for distribution of 2019 earnings
5. Extraordinary Motions
6. Meeting Adjournment

# Report Items

## 1. 2019 Business Report

Explanation: The 2019 Business Report is attached on page 6~7, Attachment 1.

## 2. Audit Committee's Review Report of 2019

Explanation: The Audit Committee's Review Report is attached on page 8, Attachment 2.

## 3. Distribution of directors' and employees' compensation in 2019

Explanation: Distribution of NT\$12,923,123 and NT\$43,077,077 in cash as compensation to directors and employees, respectively, have been approved by the meeting of Board of Directors held on February 25, 2020.

## 4. Amendments of the Ethical Corporate Management Best Practice Principles

Explanation:

- (1) To comply with the Ethical Corporate Management Best Practice Principles Principles for TWSE/GTSM Listed Companies, it is proposed to amend the Company's Ethical Corporate Management Best Practice Principles.
- (2) A comparison table of the Ethical Corporate Management Best Practice Principles before and after the amendment is attached on page 9~12, Attachment 3.

## 5. Amendments of the Corporate Social Responsibility Practice Principles

Explanation:

- (1) To comply with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, it is proposed to amend the Company's Corporate Social Responsibility Practice Principles.
- (2) A comparison table of the Corporate Social Responsibility Practice Principles before and after the amendment is attached on page 13~14, Attachment 4.

## Approval Items

### 1. To accept 2019 Business Report and Financial Statements (Proposed by the Board of Directors)

#### Explanation:

- (1) The 2019 Financial Statements were audited by KPMG CPAs, Tseng, Mei- Yu and Yu, Wan- Yuan. The aforementioned and 2019 Business Report have been approved by the Audit Committee.
- (2) 2019 Business Report, Independent Auditors' Report and the Financial Statements are attached on page 6~7 and 15~22, Attachments 1 and 5.

#### Resolution:

### 2. To approve the proposal for distribution of 2019 earnings (Proposed by the Board of Directors)

#### Explanation:

- (1) The proposal for distribution of 2019 earnings of the Company has been submitted by the Board of Directors, in accordance with Company Act and the Articles of Incorporation of the Company.
- (2) The Company's net income of 2019 is NT\$646,664,947. After setting aside the legal reserve appropriation of NT\$64,666,495, and adding the adjusted beginning unappropriated retained earnings of NT\$671,496,790, the retained earnings available for distribution is NT\$1,253,495,242. The Company plans to distribute dividends of NT\$581,806,566 to shareholders (Cash dividend NT\$8.43 per share). The cash dividend distribution will be calculated to the nearest NT dollar, and the total amount of cash dividends less than NT\$1 was adjusted in accordance with the total amount of cash dividends.
- (3) The record date will be decided by the Chairman of the Board of Directors.
- (4) If the number of total shares outstanding, prior to the ex-dividend date for the distribution, has changed due to the repurchasing of shares by the Company, or the transfer of treasury shares to employees, or the conversion of shares from domestic convertible bonds, or other convertible securities or employee stock options, etc., such that the ratios of the stock dividends and cash dividends are affected and must be adjusted. The Chairman of the Board of Directors is authorized to make such adjustments.
- (5) The 2019 Earnings Distribution Proposal is attached on page 23, Attachment 6.

#### Resolution:

## **Extraordinary Motions**

## **Meeting Adjournment**

## Attachment 1

### **2019 Business Report**

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 advance R&D technology and production strength, strengthen strategic partnerships, and comprehensively expand the company's operating scale and market share in order to create new business achievements.

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

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

## Attachment 2

### **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

### Attachment 3

Comparison Table of the Ethical Corporate Management Best Practice Principles  
Before and After Amendment

Before amendment	After amendment	Reason of amendment
<p>Article 5 The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.</p>	<p>Article 5 The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and <u>obtain approval from the board of directors, and</u> establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.</p>	<p>In accordance with letter No.1080307434 issued by the FSC</p>
<p>Article 7 <u>When establishing the prevention programs, the Company shall analyze which business activities within their business scope which are possibly at a higher risk of being involved in an unethical conduct, and strengthen the preventive measures.</u>  (Omitted)</p>	<p>Article 7 The Company shall <u>establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis</u> business activities within their business scope which are at a higher risk of being involved in unethical conduct, and <u>establish prevention programs accordingly and review their adequacy and effectiveness on a regular basis.</u>  (Omitted)</p>	<p>In accordance with letter No.1080307434 issued by the FSC</p>
<p>Article 8 (New)  The Company and their respective business group shall clearly specify in their rules and external documents the ethical corporate management policies and the commitment by the board of directors and <u>the management</u> on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.</p>	<p>Article 8 <u>The Company shall request their directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.</u> The Company and their respective business group shall clearly specify in their rules and external documents <u>and on the Company website</u> the ethical corporate management policies and the commitment by the board of directors and <u>senior management</u> on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.</p>	<p>In accordance with letter No.1080307434 issued by the FSC</p>

Comparison Table of the Ethical Corporate Management Best Practice Principles  
Before and After Amendment

Before amendment	After amendment	Reason of amendment
(New)	<u>The Company shall compile documented information on the ethical management policy, statement, commitment and implementation mentioned in the first and second paragraphs and retain said information properly.</u>	
<p>Article 17 (Omitted)</p> <p>To achieve sound ethical corporate management, the Company shall establish a dedicated unit that is under the board of directors and responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters:</p> <ol style="list-style-type: none"> <li>1. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</li> <li>2. <u>Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.</u></li> </ol> <p>(Omitted)</p>	<p>Article 17 (Omitted)</p> <p>To achieve sound ethical corporate management, the Company shall establish a dedicated unit that is under the board of directors and <u>avails itself of adequate resources and staffs itself with competent personnel</u>, responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, <u>and shall report to the board of directors on a regular basis (at least once a year):</u></p> <ol style="list-style-type: none"> <li>1. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</li> <li>2. <u>Analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope, adopting accordingly programs to prevent unethical conduct,</u> and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.</li> </ol> <p>(Omitted)</p>	<p>In accordance with letter No.1080307434 issued by the FSC</p>

Comparison Table of the Ethical Corporate Management Best Practice Principles  
Before and After Amendment

Before amendment	After amendment	Reason of amendment
<p>Article 20 (Omitted)</p> <p>The internal audit unit of company shall <u>periodically</u> examine the Company's compliance with the <u>foregoing systems and prepare audit reports and submit the same to the board of directors</u>. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.</p> <p>(New)</p>	<p>Article 20 (Omitted)</p> <p>The internal audit unit of company shall <u>devise relevant audit plans based on the results of assessment of the risk of involvement in unethical conduct, which plans shall include parties to audit and audit scope, items and frequency etc., and examine accordingly</u> the compliance with the <u>prevention programs</u>. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary. <u>The results of examination in the preceding paragraph shall be reported to senior management and the ethical management dedicated unit and reduced to writing in the form of an audit report to be submitted to the board of directors.</u></p>	<p>In accordance with letter No.1080307434 issued by the FSC</p>
<p>Article 23</p> <p>The Company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:</p> <ol style="list-style-type: none"> <li>1. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow company insiders and outsiders to submit reports.</li> <li>2. Dedicated personnel or unit appointed to handle the whistle-blowing system. Any tip involving a director or senior manager shall be reported to the independent directors or supervisors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.</li> </ol>	<p>Article 23</p> <p>The Company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:</p> <ol style="list-style-type: none"> <li>1. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow internal and external personnel of the Company to submit reports.</li> <li>2. Dedicated personnel or unit appointed to handle the whistle-blowing system. Any tip involving a director or senior management shall be reported to the independent directors or supervisors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.</li> </ol>	<p>In accordance with letter No.1080307434 issued by the FSC</p>

Comparison Table of the Ethical Corporate Management Best Practice Principles  
Before and After Amendment

Before amendment	After amendment	Reason of amendment
<p>(New)</p> <p><u>3.</u> Documentation of case acceptance, investigation processes, investigation results, and relevant documents.</p> <p><u>4.</u> Confidentiality of the identity of whistle-blowers and the content of reported cases.</p> <p><u>5.</u> Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</p> <p><u>6.</u> Whistle-blowing incentive measures.</p> <p>(Omitted)</p>	<p><u>3.</u> <u>Follow-up measures to be adopted depending on the severity of the circumstances after investigations of cases reported are completed. Where necessary, a case shall be reported to the competent authority or referred to the judicial authority.</u></p> <p><u>4.</u> Documentation of case acceptance, investigation processes, investigation results, and relevant documents.</p> <p><u>5.</u> Confidentiality of the identity of whistle-blowers and the content of reported cases, <u>and an undertaking regarding anonymous reporting.</u></p> <p><u>6.</u> Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</p> <p><u>7.</u> Whistle-blowing incentive measures.</p> <p>(Omitted)</p>	<p>In accordance with letter No.1080307434 issued by the FSC</p>

## Attachment 4

### Comparison Table of the Corporate Social Responsibility Practice Before and After Amendment

Before amendment	After amendment	Reason of amendment
<p>Article 3 In fulfilling corporate social responsibility initiatives, in its corporate management guidelines and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance. (New)</p>	<p>Article 3 In fulfilling corporate social responsibility initiatives, in its corporate management guidelines and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance. <u>The Company shall conduct the risk evaluation of environment, society and corporate governance issues related to the Company's operation according to the principle of materiality and stipulate the related risk management policy or strategy.</u></p>	<p>In accordance with letter No.1080341134 issued by the FSC</p>
<p>Article 17 (New)</p> <p>(Omitted) <u>The Company should to monitor the impact of climate change on their operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction based upon their operations and the result of a greenhouse gas inventory. Such strategies should include obtaining carbon credits to promote and minimize the impact of their business operations on climate change.</u></p>	<p>Article 17 <u>The Company shall evaluate the current and approaching potential risk and opportunity on the Company from climate change and adopt the counter-measures related the climate issues.</u> (Omitted) The Company <u>collect statistics the remission of greenhouse gas, consumption of water and weight of waste</u> and establishes the Company strategies for energy conservation, carbon and greenhouse gas reduction, <u>water use reduction and management of other waste</u>, in order to minimize the impact of their business operations on climate change.</p>	<p>In accordance with letter No.1080341134 issued by the FSC</p>
<p>Article 21 The Company is advised to create an environment conducive to the development of their employees' careers and establish effective training programs to foster career skills. The Company shall appropriately reflect the corporate business performance or achievements in the employee</p>	<p>Article 21 The Company is advised to create an environment conducive to the development of their employees' careers and establish effective training programs to foster career skills. The Company shall <u>stipulate and implement reasonable employee benefit policy (including remuneration, leave</u></p>	<p>In accordance with letter No.1080341134 issued by the FSC</p>

Comparison Table of the Corporate Social Responsibility Practice  
Before and After Amendment

Before amendment	After amendment	Reason of amendment
remuneration <u>policy</u> , to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainable operations.	<u>and other welfare</u> ) and appropriately reflect the corporate business performance or achievements in the employee remuneration, to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainable operations.	
<p>Article 24</p> <p>The Company shall ensure the quality of their products and services by following the laws and regulations of the government and relevant standards of their industries.</p> <p>The Company shall follow 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>Article 24</p> <p>The Company shall ensure the quality of their products and services by following the laws and regulations of the government and relevant standards of their industries.</p> <p>The Company shall follow relevant laws, regulations and international guidelines when <u>regarding customer health and safety, customer privacy</u>, 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>	In accordance with letter No.1080341134 issued by the FSC
<p>Article 26</p> <p>(Omitted)</p> <p>Prior to engaging in commercial dealings, the Company should be advised to assess whether there is any record of a supplier's impact on the environment and society, and avoid conducting transactions with those against corporate social responsibility policy.</p> <p>(Omitted)</p>	<p>Article 26</p> <p>(Omitted)</p> <p><u>The Company should stipulate the vendors management policy and request its vendors to comply with the related regulations in relation to environment protection, occupational safety and health or labor rights.</u> Prior to engaging in commercial dealings, the Company should be advised to assess whether there is any record of a supplier's impact on the environment and society, and avoid conducting transactions with those against corporate social responsibility policy.</p> <p>(Omitted)</p>	In accordance with letter No.1080341134 issued by the FSC



## Attachment 5

### Independent Auditors' Report

To the Board of Directors of Advanced Ceramic X Corporation:

#### Opinion

We have audited the financial statements of Advanced Ceramic X Corporation (“the Company”), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for each of the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards, International Accounting Standards, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

#### Basis for Opinion

We conducted our audit in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in the Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters, the key audit matters we communicated in the auditors’ report are as follows:

##### 1. Revenue recognition

Please refer to note 4(11) “Revenue” for accounting principles, and note 6(11) “Operating revenue from contracts with customers” for significant accounts to the financial statements.

**Description of key audit matter:**

Revenue is recognized when the risks and rewards specified in each individual contract with customers are transferred. The Company recognizes revenue depending on the various sales terms in each individual contract with customers to ensure the significant risks and rewards of ownership have been transferred. Therefore, the accuracy and appropriateness of revenue recognition is a key matter when conducting our audit.

**How the matter was addressed in our audit:**

In relation to the key audit matter above, our principal audit procedures included testing the Company's controls surrounding revenue recognition; assessing whether appropriate revenue recognition policies are applied through comparison with accounting standards and understandings the Company's main revenue types, shipping terms, its related sales agreements, and sales terms; on a sample basis, inspecting customers' orders and sales terms and assessing whether the accounting treatment of the sales terms is applied appropriately; performing a test of details of sales revenue for any identified significant sales fluctuations and any significant reversals of revenue through sales discounts and sales returns which incurred within a certain period before and after the balance sheet date; assessing the adequacy of the Company's disclosures of its revenue recognition policy and other related disclosures.

**2. Evaluation of inventory**

Please refer to note 4(7) "Inventories" for accounting principles, note 5 for valuation of inventories, and note 6(3) "Inventories" for significant accounts to the financial statements.

**Description of key audit matter:**

The inventories are measured at the lower of cost or net realizable value at the reporting date; therefore, the Company needs to use judgments and estimates to determine the net realizable value of the inventory on the financial reporting date. With the rapid development of technology and introduction of new products, these may significantly impact market demand, as well as the products themselves, which can lead to product obsolescence that may result in the cost of inventory to be higher than the net realizable value. Therefore, the impairment of inventory is one of the key areas in our audit.

**How the matter was addressed in our audit:**

Our audit procedures included: evaluating the reasonableness of the assessment policy including data basis, assumptions, functions, and verifying whether it is properly applied; inspecting the assessment on supporting documentation whether the estimation of provision for inventory obsolescence and devaluation loss is accurate; using sampling skills to verify inventory aging or testing age report; assessing whether the inventory allowance rate is reasonable and accurate, And assessing the reasonableness of the provision based on erosion and disposal of the obsolescence inventory.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (inclusive of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

1. Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG  
Taipei, Taiwan (Republic of China)  
February 25, 2020

#### **Notice to Readers**

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

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

**Advanced Ceramic X Corporation**  
**Balance Sheets**  
**December 31, 2019 and 2018**  
(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2019		December 31, 2018		Liabilities and Equity		December 31, 2019		December 31, 2018	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current Assets :</b>						<b>Current Liabilities :</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>						<b>Noncurrent Liabilities :</b>					
1600	Property, Plant and Equipment (Note 6(4), 7 and 8)	1,417,742	38	1,100,949	29	2600	Other Liabilities- Noncurrent	14,061	-	10,477	-
1780	Intangible Assets (Note 6(5))	1,783	-	683	-			14,061	-	10,477	-
1840	Deferred Tax Assets (Note 6(8))	9,497	-	9,409	-		<b>Total Liabilities</b>	<u>481,587</u>	<u>13</u>	<u>464,194</u>	<u>12</u>
1980	Other Financial Assets - Noncurrent	447	-	501	-		<b>Equity (Note 6(9)) :</b>				
1975	Net Defined Benefit Asset- Noncurrent (Note 6(7))	1,094	-	622	-	3100	Capital Stock	690,162	18	690,162	18
		<u>1,430,563</u>	<u>38</u>	<u>1,112,164</u>	<u>29</u>	3200	Capital Surplus	573,532	15	573,532	15
						3300	Retained Earnings	2,034,350	54	2,069,663	55
							<b>Total Equity</b>	<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 Liabilities and Equity</b>		<u>\$ 3,779,631</u>	<u>100</u>	<u>3,797,551</u>	<u>100</u>

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

		<b>2019</b>		<b>2018</b>	
		<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)	<u>689,886</u>	<u>40</u>	<u>682,089</u>	<u>38</u>
	<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))	<u>(625)</u>	<u>-</u>	<u>(214)</u>	<u>-</u>
		<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	<u>100</u>	<u>-</u>	<u>95</u>	<u>-</u>
		<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))	<u>158,876</u>	<u>9</u>	<u>187,727</u>	<u>10</u>
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 Never Be Reclassified to Profit or Loss</b>				
8311	Remeasurement of Defined Benefit Obligations (Note 6(7))	<u>(98)</u>	<u>-</u>	<u>277</u>	<u>-</u>
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>	

**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		Common Stock	Capital Surplus
			Legal Reserve	Undistributed Earnings		
<b>Balance at January 1, 2018</b>	\$ 690,162	573,532	556,555	1,507,369	2,063,924	3,327,618
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>

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

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities :</b>		
Profit 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	<u>(7,227)</u>	<u>11,999</u>
Total Adjustments to Reconcile Profit	<u>125,324</u>	<u>141,078</u>
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	<u>3,584</u>	<u>3,176</u>
Total Net Changes in Operating Assets and Liabilities	<u>87,825</u>	<u>(32,676)</u>
Cash Generated from Operations	1,018,690	1,053,868
Interest Received	14,981	15,804
Income Taxes Paid	<u>(192,656)</u>	<u>(176,436)</u>
Net Cash Generated by Operating Activities	<u>841,015</u>	<u>893,236</u>
<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	<u>286,100</u>	<u>(499,950)</u>
Net Cash Used in Investing Activities	<u>(141,107)</u>	<u>(716,065)</u>
<b>Cash Flows from Financing Activities :</b>		
Cash Dividends	<u>(681,880)</u>	<u>(752,277)</u>
Net Cash Used in Financing Activities	<u>(681,880)</u>	<u>(752,277)</u>
<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>	<u>1,709,216</u>	<u>2,284,322</u>
<b>Cash and Cash Equivalents at the End of Period</b>	<u><u>\$ 1,727,244</u></u>	<u><u>1,709,216</u></u>



Attachment 6

Advanced Ceramic X Corporation  
Earnings Distribution Proposal  
Year 2019

(Unit: New Taiwan Dollars)

Unappropriated retained earnings of previous	\$ 671,594,770
Less: Adjustments to remeasurement on the net defined benefit liability	( 97,980)
Adjusted unappropriated retained earnings	<u>671,496,790</u>
Add: Net income of 2019	646,664,947
Less: 10% provision as legal reserve	( 64,666,495)
Retained earnings available for distribution	1,253,495,242
Less: Cash Dividends to Shareholders (Cash dividend NT\$8.43 per share)	(581,806,566)
Unappropriated retained earnings	<u>\$ 671,688,676</u>
Note: Earnings in 2019 are distributed first.	

## Appendix 1

# Advanced Ceramic X Corporation Articles of Incorporation

### Section One – General Provisions

#### Article 1

The Company shall be incorporated, as a company limited by shares, under the Company Act of the Republic of China, and its English name is Advanced Ceramic X Corporation.

#### Article 2

The scope of business of the Company is as follows:

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.

#### Article 3

The Company shall have its head office in Hsinchu County, Taiwan, Republic of China. Subject to the approval of the Board of Directors, the Company may, if necessary set up branches both inside and outside of the Republic of China.

#### Article 4

Public announcements of the Company shall be made in accordance with Article 28 of the Company Act.

### Section Two – Capital Stock

#### Article 5

The authorized capital of the Company is NT \$1.5 billion, representing 150 million common shares at a par value of NT \$10 per share. The share certificates of the Company shall be all in registered common stock. The Board of Directors is authorized to issue the unissued shares in installments. NT \$90 million of the aforementioned capital is reserved as 9 million shares worth of stock subscription warrants, to be issued to employees in installments pursuant to the resolution by the Board of Directors.

#### Article 6

The total amount of the Corporation's reinvestment shall not be subject to the restriction in Article 13 of the Company Act.

#### Article 7

The share certificates of the Company shall all be name-bearing share certificates. If the Company decides to print share certificates for shares issued, the share certificates shall be signed by or affixed with the seals of at least three Directors, and authenticated by the competent authorities of the government or the certification organization. The Company may be exempted from printing share certificates if the shares are registered with a domestic securities depository enterprise.

The Company shareholders affairs shall follow "Regulations Governing the Administration of Shareholder Services of Public Companies", relevant laws, rules and regulations of the Republic of China.

## **Section Three – Shareholders’ Meeting**

### **Article 8**

There are two types of company shareholders’ meeting: (1) regular meetings – which shall be convened by the Board of Directors within 6 months after the close of each fiscal year, and (2) special meetings – which shall be convened whenever necessary in accordance with the relevant laws, rules and regulations of the Republic of China.

### **Article 9**

The shareholders’ meeting shall be presided over by the Chairman of the Board of Directors of the Company. In his absence, the Chairman shall appoint a deputy to act in their place; otherwise, one Director shall be designated to preside over the shareholders’ meeting. If the shareholders’ meeting is convened by a person other than a member of the Board of Directors, the shareholders’ meeting shall be chaired by that convener. If there are two or more conveners for the shareholders’ meeting, one of them shall be elected to chair the meeting.

### **Article 10**

Written notices shall be sent to all shareholders for the convening of shareholders’ meetings at least 30 days in advance for regular meetings; and at least 15 days in advance for special meetings. The meeting date, venue and the purpose(s) for convening such shareholders’ meeting shall be clearly stated in the meeting notices.

The notice may be given as a means of electronic transmission after obtaining a prior consent from the recipients thereof. Shareholders holding less than 1000 shares shall be notified of the shareholders’ meeting by public notice.

### **Article 11**

If a shareholder is unable to attend a shareholders’ meeting, he/she may appoint a representative to attend it, with a Shareholder Proxy Form issued by the Company, in accordance of the Company Act and the “Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies”.

### **Article 12**

A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

### **Article 13**

Except as regulated in the Company Act, shareholders’ meetings may be held if attended by shareholders in person or by proxy representing more than 50% of the total issued and outstanding capital stock of the Company, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting. Shareholders of the Company can vote through the electronic voting system, the details of which shall be handled in accordance with relevant laws and regulations.

The resolutions of the shareholders’ meeting shall be recorded in the minutes, and such minutes shall be signed by or sealed with the chop of the Chairman of the meeting. Shareholders shall be notified of the minutes within 20 days after the meeting. The distribution of the minutes above may be disclosed to the shareholders through a public notice.

### **Article 13-1**

The Company may apply for an approval of ceasing its status as a public company by shareholders’ meeting for review and approval. The present Article shall remain unchanged during the Company’s listing in emerging, OTC, and stock exchange markets.

## **Article 13-2**

The Company may transfer stock to employees at a price that is lower than the actual average price of the shares, or the Company may issue employee stock options at a price that is lower than the common stock closing price of the issue date, pursuant to a resolution approved by the majority of total issued shares represented at the shareholders' meeting and the consent of more than two-thirds of the attending shareholders' voting rights.

## **Section Four – Directors**

### **Article 14**

The Company shall have five to eleven Directors. The Board of Directors must have at least three independent directors. Directors shall be elected in the shareholders' meetings. The term of office for Directors shall be three years, and shall be eligible for re-election.

The cumulative voting method shall be used for election of the directors at this Corporation. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.

The Company directors shall be elected by adopting candidates nomination system. The nomination of directors and related announcement shall comply with the relevant regulations of the Company Act and Securities and Exchange Act. The independent and non-independent directors shall be elected at the same time, but in separately calculated numbers.

The Company total number of shares that all Directors shall hold should be in accordance with the requirements of the competent authorities.

### **Article 15**

The Board of Directors shall be formed by elected Directors and shall have the following responsibilities:

1. Preparing business plans.
2. Proposing allocation plans of earnings or proposals to recover loss.
3. Proposing plans for increasing or decreasing capital.
4. Drafting important rules and contracts.
5. Appointing or discharging the Company's management.
6. Setting up or dissolving branches.
7. Compiling Budget Reports and Final Reports.
8. Performing other duties authorized by the Company Act or shareholders' meeting.

### **Article 16**

The Directors shall elect from among themselves a Chairman of the Board of Directors, and may elect a Vice Chairman of the Board of Directors, by a majority in a meeting attended by over two-thirds of the Directors. The Chairman of the Board of Directors shall have the authority to represent the Company.

### **Article 16-1**

Meetings of the Board of Directors shall be called once per quarter, seven days prior to the convening of a meeting of the Board of Directors, notice shall be sent to all directors, specifying the reasons for calling the meeting, though in emergency situations, a meeting may be called whenever necessary. Notice of the convening of a meeting described in the preceding paragraph may be in writing, by fax or by e-mail notification thereof.

### **Article 17**

Meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors,

unless otherwise regulated by the Company Act. Except as otherwise provided in the Company Act, a meeting of the Board of Directors may be held if attended by a majority or more of total Directors and resolutions shall be adopted with the concurrence of the majority or more of the Directors present at the meeting.

#### **Article 18**

Meetings of the Board of Directors shall be presided over by the Chairman of the Board of Directors of the Company. In their absence, one of the Directors appointed by the Chairman shall preside over the meeting. When a Director is unable to attend the Meeting of the Board of Directors, he may appoint another Director to attend on their behalf, but no Director may act as proxy for more than one other Director.

#### **Article 19**

In Accordance of the Securities and Exchange Act, the Company shall establish an Audit Committee comprising of all independent directors. The exercise of authority of the Audit Committee and other compliance requirements are stipulated by the Company Act, Securities and Exchange Act, and the Company's Articles of Incorporation.

#### **Article 20**

Irrespective of whether the Company makes profits or incurs losses, remunerations of all directors shall be determined by the Board of Directors based on the level of their participation in business operation and the value of their contribution, and taking into account the common remuneration level in the same industry.

If the directors hold other positions at the Company, in addition to the remuneration distributed pursuant to Article 25 hereof, monthly payment of salary based on the standard of general managers may also be granted.

The Company may buy the liability insurance for all directors to the extent of the compensation responsibility assumed in business execution.

### **Section Five – Management of the Company**

#### **Article 21**

The Company shall appoint one President, and more officers. The appointment, discharge, and compensation of the Management shall be in accordance with Article 29 of the Company Act.

#### **Article 22**

The President is responsible for managing all business at the Company in accordance with the Board of Directors.

### **Section Six – Financial Reports**

#### **Article 23**

The Company's fiscal year shall be from January 1 of each year to December 31 of the same year. After the close of each fiscal year, the Company shall prepare final accounts for that year.

#### **Article 24**

After the close of each fiscal year, in accordance with Article 228 of the Company Act, the following reports shall be prepared by the Board of Directors, and be submitted to the shareholders' meeting for acceptance.

1. Business Report.
2. Financial Statements.
3. Proposal Concerning Appropriation of Net Profits or Covering of Losses.

## **Article 25**

If there is any profit for a specific fiscal year, the Company shall allocate at a maximum of 1.5% of the profit as remuneration to Directors and shall allocate no less than 5% of the profit as employees' compensation, provided that the Company's accumulated losses shall have been covered in advance.

In this Article, the "profit" means the net profit before tax, employees' remuneration and directors' remuneration.

Employee's compensation may be distributed in the form of shares or in cash, and employees qualified to receive such compensation may include employees from affiliates companies who meet certain qualification.

## **Article 26**

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.

## **Section Seven – Supplementary Provisions**

### **Article 27**

The Company shall not be endorsement and guarantee for business and investment relation.

### **Article 28**

Matters not provided in these Articles of Incorporation shall be conducted pursuant to the Company Act.

### **Article 29**

These Articles of Incorporation were agreed and signed on April 7, 1998.

The first amendment was made on June 25, 1999, the second amendment on February 21, 2000, the third amendment on April 19, 2002, the fourth amendment on April 29, 2005, the fifth amendment on April 19, 2006, the sixth amendment on September 13, 2006, the seventh amendment on May 9, 2007, the eighth amendment on June 16, 2008, the ninth amendment on June 10, 2009, the tenth amendment on June 17, 2010, the eleventh amendment on June 18, 2012, the twelfth amendment on June 25, 2013, the thirteenth amendment on May 29, 2014, the fourteenth amendment on June 29, 2016, and the fifteenth amendment on June 19, 2018.

## Appendix 2

### Advanced Ceramic X Corporation Rules and Procedures of Shareholders' Meetings

#### **Article 1**

The rules and procedures for the Company's shareholders meetings, except as otherwise provided by laws and regulations, shall be as provided in these Rules.

#### **Article 2**

The Company shall prepare an attendance book for shareholders to sign in, or the shareholder present may hand in an attendance card in lieu of signing on the attendance book. The number of shares representing shareholders present in the meeting shall be calculated in accordance with those indicated on the attendance book or the attendance cards.

To verify the identity of the present shareholders, the present shareholders shall have identity certificates ready for checking and verification upon their sign-in process.

#### **Article 3**

Attendance at shareholders meetings shall be calculated based on numbers of shares. When the Company holds a shareholders meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means.

A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting.

#### **Article 4**

If a shareholders meeting is convened by the Board of Directors, the meeting shall be chaired by the chairman of the board. When the chairman of the board is on leave or for any reason unable to exercise the powers of the chairman, the chairman shall appoint one of the managing directors to act as chair, where the chairman does not make such a designation, the directors shall select from among themselves one person to serve as chair.

If a shareholders meeting is convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

#### **Article 5**

The venue for a shareholders meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.

The Company may designate its lawyer, certified public accountant or other relevant persons to attend the shareholders meeting.

#### **Article 6**

The Company shall make an uninterrupted audio or video recording of whole proceedings of the shareholders meeting, and the recorded materials of the proceeding paragraph shall be retained for at least one year.

#### **Article 7**

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may

announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

#### **Article 8**

If a shareholders meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the Board of Directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting.

If the chair declares the meeting adjourned in violation of the rules of procedure, new chair in accordance by agreement of a majority of the votes represented by the attending shareholders, then continues the meeting. After close of the said meeting, shareholders shall not elect another chair to hold another meeting at the same place or at any other place.

#### **Article 9**

Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

#### **Article 10**

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

#### **Article 11**

When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.

#### **Article 12**

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.



**Article 13**

The chair shall allow ample opportunity during the meeting for explanation; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.

**Article 14**

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair; however, all monitoring personnel shall be shareholders of the Company.

The results of the voting shall be announced on-site at the meeting, and a record made of the vote.

**Article 15**

When a meeting is in progress, the chair may announce a break based on time considerations.

**Article 16**

Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the passage of proposal shall required an affirmative vote of a majority of the votes represented by the attending shareholders.

The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after solicitation by the chair.

**Article 17**

If there is amendment to or substitute for a discussion item, the chair shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any of them has been adopted, the other proposals will then be deemed vetoed and no further voting shall be required.

**Article 18**

The chair may direct the proctors (or security personnel) to help maintain order at the meeting place. When proctors (or security personnel) help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

**Article 19**

In the event that a shareholders' meeting cannot be convened on the day as shown on the notice for any reason, or the meeting cannot be continued due to any reason during the process, the chair of that shareholders' meeting is authorized to announce to postpone or to resume within five days in accordance with Article 182 of the Company Act. The postponement or resumption mentioned in the preceding paragraph is not applicable to the convening procedures set forth in Article 172 of the Company Act.

**Article 20**

Any matters not provided this rules shall be handled in accordance with the Company Act and other related laws and regulations.

**Article 21**

These Rules and any amendments hereto shall be implemented after adoption by shareholders meetings.

## Appendix 3

### Advanced Ceramic X Corporation Shareholding of Directors

1. The standing issued shares of the Company amounted to NT\$690,162,000, representing 69,016,200 common shares.
2. According to Article 26 of Securities and Exchange Act, the minimum number of shares held by all directors of the Company shall be 5,521,296.
3. According to Article 2 of “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies”, the public company has elected two or more independent directors, the share ownership figures calculated at the rates set forth in the preceding paragraph for all directors and supervisors other than the independent directors and shall be decreased by 20 percent. As the Company has established the Audit Committee, the minimum shareholding requirements for supervisors do not apply.
4. As of the date of transfer termination (April 18, 2020), the respective and current shareholding of directors recorded in the shareholder register is as follows: (The shareholding of directors of the Company has reached the statutory standard)

Title	Name	Date Elected	Term	Shares	%
Chairman	Shuang De Investment Corp.	06/18/2019	3 year	36,000	0.05%
Director	Kuo Chia Fu Investment Corp.	06/18/2019	3 year	5,485,189	7.95%
Director	Hsin Chang Construction Corp.	06/18/2019	3 year	1,551,344	2.25%
Director	Lin Li Construction Corp.	06/18/2019	3 year	1,808,271	2.62%
Director	Johanson Technology Inc.	06/18/2019	3 year	2,881,810	4.18%
Director	Scientific Components Corp.	06/18/2019	3 year	3,068,477	4.45%
Director	Ming-Huang Li	06/18/2019	3 year	346,450	0.50%
Independent Director	Shiuh-Kao Chiang	06/18/2019	3 year	0	0
Independent Director	Ta-Wen Sun	06/18/2019	3 year	0	0
Independent Director	Shang-Ming Chin	06/18/2019	3 year	0	0
Holdings of all Directors				15,177,541	21.99%