

# Advanced Ceramic X Corporation

## 2020 Annual General Shareholders' Meeting Minutes

**Time:** 9: 00 a.m., June 16, 2020

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

**The number of shares of attendance:**

Total outstanding ACX shares: 69,016,200 shares

Total shares represented by shareholders present in person or by proxy: 57,752,910 shares (including 20,029,516 shares casted electronically)

Percentage of shares held by shareholders present in person or by proxy: 83.68%

**Chairman:** Shuang De Investment Corporation (Rep.: Chien-Wen Kuo), the chairman of the Board of Directors

**Recorder:** Mei-Lan Peng

**Directors present:**

Shuang De Investment Corporation (Rep.: Chien-Wen Kuo), Lin Li Construction Corporation (Rep.: Te-Ti Han), Shang-Ming Chin

**Other present:** Mei- Yu Tseng (KPMG CPA)

**1. Call the Meeting to Order:**

The aggregate shareholding of the shareholders present constituted a quorum. The Chairman called the meeting to order.

**2. Chairman's Address:** Omitted.

**3. Report Items:**

- (1) 2019 Business Report (see Attachment 1)
- (2) Audit Committee's Review Report of 2019 (see Attachment 2)
- (3) Distribution of directors' and employees' compensation in 2019

Explanation Notes:

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 (see Attachment 3)
- (5) Amendments of the Corporate Social Responsibility Practice Principles (see Attachment 4)

**4. Approval Items**

**Approval Items (1):**

Subject: To accept 2019 Business Report and Financial Statements (Proposed by the Board of Directors)

Explanation Notes:

- (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 hereto as Attachments 1 and 5.

Voting Results: 57,742,676 shares were represented at the time of voting

Voting Results	% of the total represented at the time of voting
Votes in favor: 54,523,898 votes (including 17,604,071 shares casted electronically)	94.43%
Votes against: 27 votes (including 27 shares casted electronically)	0%
Votes abstained and invalid: 3,218,751 votes (including 2,425,418 shares casted electronically)	5.57%

RESOLVED, that the above proposal be and hereby was accepted as proposed.

**Approval Items (2):**

Subject: To approve the proposal for distribution of 2019 earnings (Proposed by the Board of Directors)

Explanation Notes:

- (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 hereto as Attachment 6.

Voting Results: 57,742,676 shares were represented at the time of voting

Voting Results	% of the total represented at the time of voting
Votes in favor: 54,523,878 votes (including 17,604,051 shares casted electronically)	94.43%
Votes against: 47 votes (including 47 shares casted electronically)	0%
Votes abstained and invalid: 3,218,751 votes (including 2,425,418 shares casted electronically)	5.57%

RESOLVED, that the above proposal be and hereby was accepted as proposed.

**5. Extraordinary Motions:** None.

**6. Meeting Adjournment:** The meeting was adjourned at 9:24 a.m.

## 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  
President: Chien-Wen Kuo  
CFO: Mei-Lan Peng

## 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></p> <p>(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></p> <p>(Omitted)</p>	<p>In accordance with letter No.1080307434 issued by the FSC</p>
<p>Article 8 (New)</p> <p>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></p> <p>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</u> 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.</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</u> 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.</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 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. 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 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. 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 (Omitted) 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 (Omitted) <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(12) “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>						2600	<b>Noncurrent Liabilities :</b>				
1600	Property, Plant and Equipment (Note 6(4), 7 and 8)	1,417,742	38	1,100,949	29		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>	481,587	13	464,194	12
1980	Other Financial Assets - Noncurrent	447	-	501	-	3100	<b>Equity (Note 6(9)) :</b>				
1975	Net Defined Benefit Asset- Noncurrent (Note 6(7))	1,094	-	622	-	3200	Capital Stock	690,162	18	690,162	18
		<u>1,430,563</u>	<u>38</u>	<u>1,112,164</u>	<u>29</u>	3300	Capital Surplus	573,532	15	573,532	15
							Retained Earnings	2,034,350	54	2,069,663	55
							<b>Total Equity</b>	3,298,044	87	3,333,357	88
<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><u>\$ 646,567</u></u>	<u><u>38</u></u>	<u><u>758,016</u></u>	<u><u>42</u></u>
	<b>Earnings Per Share (Expressed in Dollars)</b> (Note 6(10))				
9750	Basic Earnings Per Share	<u><u>\$ 9.37</u></u>		<u><u>10.98</u></u>	
9850	Diluted Earnings Per Share	<u><u>\$ 9.35</u></u>		<u><u>10.95</u></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.	