

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet– Based on IFRS

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)					As of 03/31/2019 (Note 2)
		2014	2015	2016	2017	2018	
Current assets		2,232,392	2,594,622	2,835,760	2,757,846	2,685,387	2,835,366
Property, Plant and Equipment		849,835	895,715	792,553	990,408	1,100,949	1,162,886
Intangible assets		1,850	1,500	1,800	1,167	683	608
Other assets		5,648	5,698	6,889	10,361	10,532	10,634
Total assets		3,089,725	3,497,535	3,637,002	3,759,782	3,797,551	4,009,494
Current liabilities	Before distribution	297,194	399,190	417,647	424,612	453,717	496,255
	After distribution	722,334	1,085,901	1,142,317	1,176,889	Note 3	Note 3
Non-current liabilities		1,181	4,416	5,618	7,552	10,477	11,138
Total liabilities	Before distribution	298,375	403,606	423,265	432,164	464,194	507,393
	After distribution	723,515	1,090,317	1,147,935	1,184,441	Note 3	Note 3
Equity attributable to shareholders of the parent		2,791,350	3,093,929	3,213,737	3,327,618	3,333,357	3,502,101
Capital stock		690,162	690,162	690,162	690,162	690,162	690,162
Capital surplus		608,040	573,532	573,532	573,532	573,532	573,532
Retained earnings	Before distribution	1,493,148	1,830,235	1,950,043	2,063,924	2,069,663	2,238,407
	After distribution	1,068,008	1,143,524	1,225,373	1,311,647	Note 3	Note 3
Other equity interest		0	0	0	0	0	0
Treasury stock		0	0	0	0	0	0
Non-controlling interest		0	0	0	0	0	0
Total equity	Before distribution	2,791,350	3,093,929	3,213,737	3,327,618	3,333,357	3,502,101
	After distribution	2,366,210	2,407,218	2,489,067	2,575,341	Note 3	Note 3

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

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

Note 3: Pending shareholders' approval.

6.1.2 Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Item	Year	Financial Summary for The Last Five Years (Note 1)					As of 03/31/2019 (Note 2)
		2014	2015	2016	2017	2018	
Operating revenue		1,287,550	1,761,223	1,909,472	1,963,490	1,804,308	425,852
Gross profit		690,840	1,080,832	1,183,843	1,236,101	1,122,219	257,058
Net operating income		524,606	865,956	976,509	1,029,131	909,203	205,362
Non-operating income and expenses		35,091	53,369	(4,610)	(15,410)	36,263	5,568
Income before tax		559,697	919,325	971,899	1,013,721	945,466	210,930
Income from continuing operations		472,630	763,040	806,676	838,588	757,739	168,744
Income from discontinued operations		0	0	0	0	0	0
Net income		472,630	763,040	806,676	838,588	757,739	168,744
Other comprehensive income (income after tax)		1,207	(813)	(157)	(37)	277	0
Total comprehensive income		473,837	762,227	806,519	838,551	758,016	168,744
Net income attributable to shareholders of the parent		472,630	763,040	806,676	838,588	757,739	168,744
Net income attributable to non-controlling interest		0	0	0	0	0	0
Comprehensive income attributable to Shareholders of the parent		473,837	762,227	806,519	838,551	758,016	168,744
Comprehensive income attributable to non-controlling interest		0	0	0	0	0	0
Earnings per share		6.85	11.06	11.69	12.15	10.98	2.44

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

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

6.1.3 Auditors' Opinions from 2014 to 2018

Year	CPA Name	Reasons for change CPA	Audit Opinion
2014	KPMG Mei-Yu Tseng and Wan-Yuan Yu	-	Unqualified opinion
2015	KPMG Mei-Yu Tseng and Chien-Hui Lu	Administrative adjustment within the accounting firm	Unqualified opinion
2016	KPMG Mei-Yu Tseng and Chien-Hui Lu	-	Unqualified opinion
2017	KPMG Wan-Yuan Yu and Chien-Hui Lu	Administrative adjustment within the accounting firm	Unqualified opinion
2018	KPMG Wan-Yuan Yu and Chien-Hui Lu	-	Unqualified opinion

6.2 Five-Year Financial Analysis– Based on IFRS

Item		Year	Financial Analysis for the Last Five Years(Note 1)					As of 03/31/2019 (Note 2)
			2014	2015	2016	2017	2018	
Financial structure (%)	Debt ratio		10	12	12	11	12	13
	Long-term funds to property, plant and equipment ratio		329	346	406	337	304	302
Solvency (%)	Current ratio		751	650	679	650	592	571
	Quick ratio		720	621	649	620	559	543
	Times interest earned ratio		-	-	-	-	-	-
Operating performance	Accounts receivable turnover (times)		4.87	5.76	5.50	5.64	5.39	5.71
	Days to collect accounts receivable (day)		75	63	66	65	68	64
	Average inventory turnover (times)		7.53	7.35	6.78	6.62	5.69	5.26
	Accounts payable turnover (times)		15.52	16.50	15.33	14.85	15.34	15.80
	Average days to sell inventory		48	50	54	55	64	69
	Property, plant and equipment turnover (times)		1.48	2.02	2.26	2.20	1.73	1.50
	Total assets turnover (times)		0.43	0.53	0.54	0.53	0.48	0.44
Profitability	Return on total assets (%)		16	23	23	23	20	17
	Return on equity (%)		17	26	26	26	23	20
	Income before tax to paid-in capital (%)		81	133	141	147	137	122
	Profit to sales (%)		37	43	42	43	42	40
	Earnings per share (NT\$)		6.85	11.06	11.69	12.15	10.98	2.44
Cash flow	Cash flow ratio (%)		238	234	228	231	197	250
	Cash flow adequacy ratio (%)		121	130	142	126	111	118
	Cash flow reinvestment ratio (%)		6	11	5	5	3	10
Leverage	Operating leverage		1.44	1.25	1.21	1.19	1.23	1.25
	Financial leverage		1.00	1.00	1.00	1.00	1.00	1.00
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%) Long-term funds to property, plant and equipment ratio and cash flow reinvestment ratio: The decrease was mainly due to increased new plant construction.								

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

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

Below are calculations

1. Financial structure

(1) Debt ratio = Total Liabilities / Total Assets

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

2. Solvency

(1) Current ratio = Current Assets / Current Liabilities

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

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

3. Operating performance

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

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

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

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

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

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

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

4. Profitability

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

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

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

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

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

5. Cash Flow

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

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

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

6. Leverage

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

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

6.3 Audit Committee's Report for the Most Recent Year

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2018 business report, financial statements and earnings distribution proposal. The financial statements were audited by independent auditors, Wan-Yuan Yu and Chien-Hui Lu, 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 26, 2019

- 6.4. Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017, and Independent Auditors' Report:** Please refer to page 66-106 of this annual report.
- 6.5. Parent-company-only Financial Statements for the Years Ended December 31, 2018 and 2017, and Independent Auditors' Report:** Please refer to page 66-106 of this annual report.
- 6.6. If the Company or Its Affiliates Have Experienced Financial Difficulties in the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Printing of the Annual Report, the Annual Report Shall Explain How Said Difficulties Will Affect the Company's Financial Situation:** None.