Stock Code:8261

Advanced Power Electronics Co., Ltd.

Annual Report

2018

(Translation)

Annual Report Website
Market Observation Post System: http://mops.twse.com.tw
Company Website: http:// www.a-power.com.tw
Printing Date: April 23, 2019

1. APEC Spokesperson and Deputy Spokesperson

Name of Spokesperson:Lin-Chung Huang

Title: Executive Vice President

Name of Deputy Spokesperson: Mei-Ying Tan

Title: Vice President of Finance & HR Administration Division

TEL: +886-3-6215899 and +886-2-27940606

Email：investinfo@a-power.com.tw

2. Corporate Headquarters & Taipei office

Corporate Headquarters

12F, No.5, Taiyuan 1st St., Zhubei City, Hsinchu County, 30265, Taiwan, R.O.C.

TEL: +886-3-6215899

Taipei office

2F., No.108, Ruiguang Rd., Neihu Dist., Taipei, 11491, Taiwan, R.O.C.

TEL: +886-2-27940606

3. Common Share Transfer Agent

Company：Yuanta Securities

Address: B1F, No. 210, Sec. 3, Chengde Rd., Datong Dist., Taipei, 10366, Taiwan, R.O.C.

Website: http://www.yuanta.com.tw

TEL: +886-2-2586-5859

4. Independent Auditors

Auditors: Wen-Chin Lin, Cheng-Ming Lee

Company: Deloitte & Touche

Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan, R.O.C.

Website: http://www.deloitte.com.tw

TEL: +886-2-2725-9988

5. Overseas trade places for listed negotiable securities

None.

6. Website

http：//www.a-power.com.tw

Notice to readers

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

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I. Letter to Shareholders

2018 Business Report

To our shareholders:

Thank you for taking time to attend the annual meeting of shareholders of Advanced Power Electronics Co., Ltd. for Year 2019. For Year 2018, the consolidated operating net income is NT$2.71 billion, growing 27.21% from the previous year, and the net profit after tax is NT$160 million, and the EPS after tax is NT$2.04. The outcomes of executions of the business plans for Year 2018 and the business plans for this year are described as the followings:

(I) The Business Report for 2018

1. The outcomes of executions of the business plans

With the great efforts to expand the market in China, the Company and our subsidiaries are benefitted from the robust growth of Chinese market, the consolidated operating net income, the gross operating profit and the net operating profit is NT$2.71 billion, NT$500 million, and NT$170 million, or grows 27.21%, 47.71% and 183.35% from the previous year, respectively. As the gross operating profit grows 47.71% from the previous year, the net profit after tax grows 327.80% from 2017, and the EPS after tax is NT$2.04.

Since the power semiconductor such as MOSFE has greater demands than supplies, while being benefitted from the OEM orders released from international IDM companies, the Company and our subsidiaries have outperformed the previous year and continue to grow, by effectively integrating the upstream and downstream resources and improving the competitiveness.

2. Status of Budget Execution

No financial forecast is released to the public by the Company and its subsidiaries.

3. Analysis of Financial Incomes/Expenditures and Profitability

Unit: NT$ thousands; %

Item		Year 2018
Financial Income and Expenditures	Operating Income	2,709,090
	Gross operating profit	499,729
	Net profit for the period	159,899
	Net profit Shareholders attributed to the parent company	166,169
Profitability	Return on Assets (%)	7.68
	Return on Equity (%)	11.45
	Net profit before tax to contributed capital (%)	23.02
	Net profit rate (%)	5.90
	Earnings per share (NT$)	2.04

4. **The Status of Research and Development**

   For the low and middle voltage N-type Metal Oxide Semiconductor Field Effect Transistor (MOSFET), the second generation technology platforms for production process have been optimized; for the high voltage MOSFET, not only the second generation high voltage technology platforms for production process has been completed, but also the 2.5 generation technology platform has been launched to provide the products with the best C/P value. The whole new product line not only reduces the conduction loss and switch loss to enhance the efficiency, but also provides compact package to meet the clients' demand for product integration. The products have been successfully introduced to the power supplies, network connection devices, DC fans, TVs, PCs, and appliances.

(II) Summary of the Business Plans for Year 2019

1. **Operation Guideline**

   To pursue the holistic development and stable profitability as a business, the Company and the subsidiaries have been controlling the procurement and de-stocking actively, to maintain a stable financial structure. Besides, the Company and the subsidiaries have developed the products satisfying both energy-saving and high-efficiency via the self-researched and developed products, as well as provided various better-suited products responding the demands from the clients. Meanwhile, the new markets are expanded. Through the adjustment of product mix, the competitiveness of products in the markets is enhanced, and thus it is expected to extend the operation scale and create the business profit.

2. **Expected Sales Volume and the Basis**

   The Company and the subsidiaries offer products including Power Metal Oxide Semiconductor Field Effect Transistors (Power MOSFET) and Insulated Gate Bipolar Transistor (IGBT), which are widely applied to various areas, such as car electronics, drones, camera drones, smart phones, tablets, game consoles, and power supplies. Under the trend of energy saving and carbon reduction, the EVs and renewable energies are the new opportunities for the future development. These will drive the usage of the power devices like MOSFET to grow significantly. On the other hand, the international IDM companies continue to expand outsourcing the manufacture of power devices. The Company and the subsidiaries are expected to achieve the annual sales volume of 1.194 billion units for Year 2019.

3. **Key Policies for Production and Sales**

   For sales, except expanding the current and potential clients, the Company will establish the overseas sales stations in China, Japan, and Korea. The Company will also re-invest subsidiaries to provide quick and complete product services while maintaining and improving the market share. For productions, the Company and the subsidiaries have established long-term partnerships with foundries, and packaging and testing companies. We will continue the robust partnership to secure the stable supplies. Also, through the co-operations with makers, we have better insights to the product trends, and thus are able to research, develop, and launch products meeting the demands of the markets timely.

4. **Strategies for future development are affected by the external competitive environment, regulatory environment, and the operational environment as a whole.**

   In 2018, the semiconductor industry chain appeared an upturn cycle. From the upstream devices and materials, mid-stream chip manufacturing, to the end of the chain, the finished products of chips, the growth of order has outperformed the previous years. Look out the future, with the uncertainty resulted from the Sino-US trade war, the key topics for the Company and our subsidiaries include how to leverage the Taiwanese experience of owning a complete semiconductor industry chain from up to middle to downstream for the purpose the capability of innovation and strategic market positioning, enforcing the close ties with foundries, and packaging and testing companies, how to optimize the mix of products to secure the margin and expand the market share, among other things.

   Finally, your support and encouragement for the long time are highly appreciated. On behalf of Advanced Power Electronics Co., Ltd., I want to sincerely express the gratitude to every shareholder.

Wish you all the best!

Fu-Chi Teng, Chairman/President

Mei-Ying Tan, Accounting supervisor

II. Introduction of the Company

(I) Date of Incorporation: July 17, 1998

(II) Company History

The History of the Company is hereby introduced as below:

July 1998:	The Company's incorporation registration was approved with an authorized capital of NT$6,000,000 and a paid-in capital of NT$6,000,000.
July 1998:	First directors and supervisors were elected.
October 1998:	The Company carried out a capital increase of NT$190,430,000 by cash. The authorized capital reached NT$300,000,000 and paid-in capital reached NT$196,430,000.
November 1998:	The technology development, and verification of quality and reliability of were completed for 30V~700V MOSFET.
January 1999:	The Industrial Development Bureau issued the letter of approval qualifying for the scope of application of the requirements for Important Technology Enterprise.
March 1999:	The Company began production and sale of 30V~700V MOSFET with a yield rate 97%.
April 1999:	The technology development, and verification of quality and reliability of were completed for 400V~1,600V IGBT.
September 1999:	The sales performance for a single month achieved NT$10,000,000.
October 1999:	The Company passed ISO-9001 Certification.
January 2000:	The Company carried out a capital increase of NT$303,570,000 by cash. The authorized capital reached NT$500,000,000 and paid-in capital reached NT$500,000,000.
July 2000:	The Securities and Futures Commission, Ministry of Finance approved the supplemental public issuance.
June 2001:	The LV MOSFET applied in L series of P4 VRM was announced.
September 2001:	P Channel MOSFET were developed.
October 2001:	The letter of approval confirming the qualification as a Newly Emerging, Important and Strategic Industries was issued by the Industrial Development Bureau.
March 2002:	The MOSFET applied in PDA and SOT 23 Package of portable products was announced.
April 2002:	The sales performance for a single month achieved NT$50,000,000.
December 2002:	The 40V Dual N Channel MOSFET applied in LCD Monitor was announced.
January 2003:	The Dual N Channel MOSFET applied in the integrated Schottky of mobile phone chargers and component of P Channel MOSFET and in the built-in electrostatic protection circuit of lithium battery protection circuit were announced.
February 2003:	The N+P Channel MOSFET applied in the DIP-8 Package of LCD Monitor was announced.
March 2003:	The sales performance for a single month achieved NT$100,000,000.
March 2003:	The multi-chip 2N+2P Channel SO-8 MOSFET applied in 17-inch or more LCD Monitor was announced.

April 2003:	The 450V, 150A SO-8 Package IGBT of digital cameras was announced.
June 2003:	The Company registered on the Emerging Stock Market and traded over the counter.
September 2003:	The Company applied for listing on the GreTai Securities Market.
December 2003:	The Company carried out a capital increase of NT$37,890,000,000 by earnings and employee bonus. The authorized capital reached NT$650,000,000 and paid-in capital reached NT$537,890,000.
January 2004:	The Securities and Futures Commission, Ministry of Finance approved stocks listed on the GreTai Securities Market.
April 2004:	Listed on the GreTai Securities Market in April 15, 2004.
August 2004:	The Company carried out a capital increase of NT$104,263,500 by earnings and employee bonus. The authorized capital reached NT$1,000,000,000 and paid-in capital reached NT$642,153,500.
October 2004:	The sales performance for a single month achieved NT$200,000,000.
May 2005:	The Company acquired technology patents from International Rectifier Corporation, including U.S. Patient No. 4,642,666, No. 4,680,853, No. 4,705,759, No. 4,789,882, No. 4,959,699, No. 4,974,059, No. 5,008,725, No. 5,130,767, No. 5,191,396, and No. 5,338,961.
May 2005:	The Board of Directors was authorized by the Shareholders' Meeting to complete the private placement of preferred stock within one year from the resolution date of the Shareholders' Meeting without exceeding 2,050,000 shares approved by the Board.
July 2005:	The record date for capital increase by private placement of preferred stock was set on July 27, 2005. Each share was issued at a premium of NT$31.92. The authorized capital was NT$1,000,000,000 and paid-in capital reached NT$662,643,500 after the capital increase.
August 2005:	The sales performance for a single month achieved NT$300,000,000.
September 2005:	The Company signed a patent license agreement with International Rectifier Corporation and acquired U.S. and Japanese Patient No. 6,198,265, No. 5,818,214, No. 2,905,459, No. 4,786,826, No. 6,924,626, No. 6,577,518, and No. 5,977,630.
October 2005:	The Company carried out a capital increase of NT$97,979,950 by earnings and employee bonus. The authorized capital was NT$1,000,000,000 and paid-in capital reached NT$764,423,450.
October 2005:	The Company carried out a capital increase by issuing new shares. Each share was issued at a premium of NT$20, and a total of NT$ 260,000,000 raised. The authorized capital was NT$1,000,000,000 and paid-in capital reached NT$894,423,450 after the capital increase.
August 2006:	The sales performance for a single month achieved NT$400,000,000.
August 2006:	The Company carried out a capital increase of NT$151,331,520 by earnings and employee bonus. The authorized capital was NT$1,500,000,000 and paid-in capital reached NT$898,043,450.
November 2006:	The Company signed a patent license agreement with International Rectifier Corporation and acquired the license of packaging technology of DirectFET MOSFET products.

April 2007: The Company issued domestic secured convertible bonds for the first time and raised a total of NT$400,000,000.

May 2007: The Board of Directors was authorized by the Shareholders' Meeting to complete the private placement of ordinary stock within one year from the resolution date of the Shareholders' Meeting without exceeding 2,670,000 shares approved by the Board.

August 2007: The record date for capital increase by private placement of preferred stock was set on August 13, 2007. Each share was issued at a premium of NT$49.

September 2007: The Company carried out a capital increase of a total of NT$92,303,400 by earnings and employee bonus and NT$26,700,000 by private placement of ordinary stock. The authorized capital was NT$1,500,000,000 and paid-in capital reached NT$1,174,441,110.

August 2008: The Company carried out a capital increase of NT$98,999,540 by earnings and employee bonus. The authorized capital was NT$1,500,000,000 and paid-in capital reached NT$1,298,866,850.

October 2008: The Company carried out a capital reduction of NT$17,980,000 via buyback treasury stocks nullifying. The authorized capital was NT$1,500,000,000 and paid-in capital was NT$1,284,856,850.

December 2008: The Company carried out a capital reduction of NT$30,000,000 via buyback treasury stocks nullifying. The authorized capital was NT$1,500,000,000 and paid-in capital was NT$1,254,856,850.

February 2009: The record date for obtained the shares via transfer from Advanced Microelectronic Products Inc. through issuance of 7,300,000 new shares was set on February 12, 2009. The authorized capital was NT$1,500,000,000 and paid-in capital reached NT$1,328,156,850 after the capital increase.

September 2009: The Company carried out a capital increase of NT$52,374,270 by earnings. The authorized capital was NT$1,500,000,000 and paid-in capital reached NT$1,382,231,120.

December 2009: Per 29 October 2009 Letter No. Financial-Supervisory-Securities-Firms-0980057524 of the Financial Supervisory Commission, the Company was approved to stop going from OTC market to TWSE. In addition, per 30 October 2009 Letter No. Taiwan-Stock-Listing-0980027674 of the Taiwan Stock Exchange Corporation and 24 November 2009 Letter No. Securities-TPEx-Supervision-0980028744 of the Taipei Exchange, the stocks of the Company were approved to be listed and traded in TWSE from December 11, 2009.

June 2010: The Company issued domestic secured convertible bonds for the second and third time and raised a total of NT$400,000,000.

September 2010: The Company carried out a capital increase of NT$41,381,490 by earnings. The authorized capital was NT$1,500,000,000 and paid-in capital reached NT$1,436,214,370.

November 2010: The Company carried out a capital increase of NT$3,424,570 by employee stock option and domestic secured convertible bonds. The authorized capital was NT$2,000,000,000 and paid-in capital reached NT$1,439,638,940.

November 2011: Per Letter No. Financial-Supervisory-Securities-Firms-1000053285 of the Financial Supervisory Commission, the Company file for effective registration of issuance of 2011employee stock option certificates as a total of2,500unit, and the number of shares per unit such employees may subscribe to was1,000 shares as a total of 2,500,000shares of ordinary shares may be subscribed.

September 2012: The Company carried out a capital reduction of NT$35,000,000 via buyback treasury stocks nullifying. The authorized capital was NT$2,000,000,000 and paid-in capital was NT$1,408,958,940.

April 2013: The Company carried out a capital reduction of NT$24,100,000 via buyback treasury stocks nullifying. The authorized capital was NT$2,000,000,000 and paid-in capital was NT$1,384,858,940.

May 2013: The Board of Directors was authorized by the Shareholders' Meeting to complete the private placement of ordinary stock within one year from the resolution date of the Shareholders' Meeting without exceeding 40,000,000 shares approved by the Board.

August 2013: The record date for capital increase by private placement of common stock was set on September 13, 2013.Each share was issued at a premium of NT$10.20.

August 2013: The Company was notified that Merit Alliance Investment Limited purchased the Company's ordinary shares through a tender offer.

October 2013: The Company was notified that Merit Alliance Investment Limited's purchase of the Company's ordinary shares through a tender offer had reached the minimum purchase quantity and conditions of tender offer had been achieved.

January 2014: The Company convened the 1st Extraordinary Shareholders' Meeting on January 17, 2014 for the seventh Directors and Supervisors election.

January 2014: The General Manager resigned from the Company, and the President Fu-Chi Teng held concurrent post.

June 2014: The Company's 1st Audit Committee was established.

August 2014: The record date for capital increase by the Company's first-time employee restricted stock awards was set on August 12, 2014 with a total of 1,810,000 shares issued.

July 2015: The Company filed a cancellation of NT$23,000,000 of employee restricted stock awards and carried out a capital reduction of NT$999,279,290. The authorized capital was NT$2,000,000,000 and paid-in capital was NT$816,222.150.

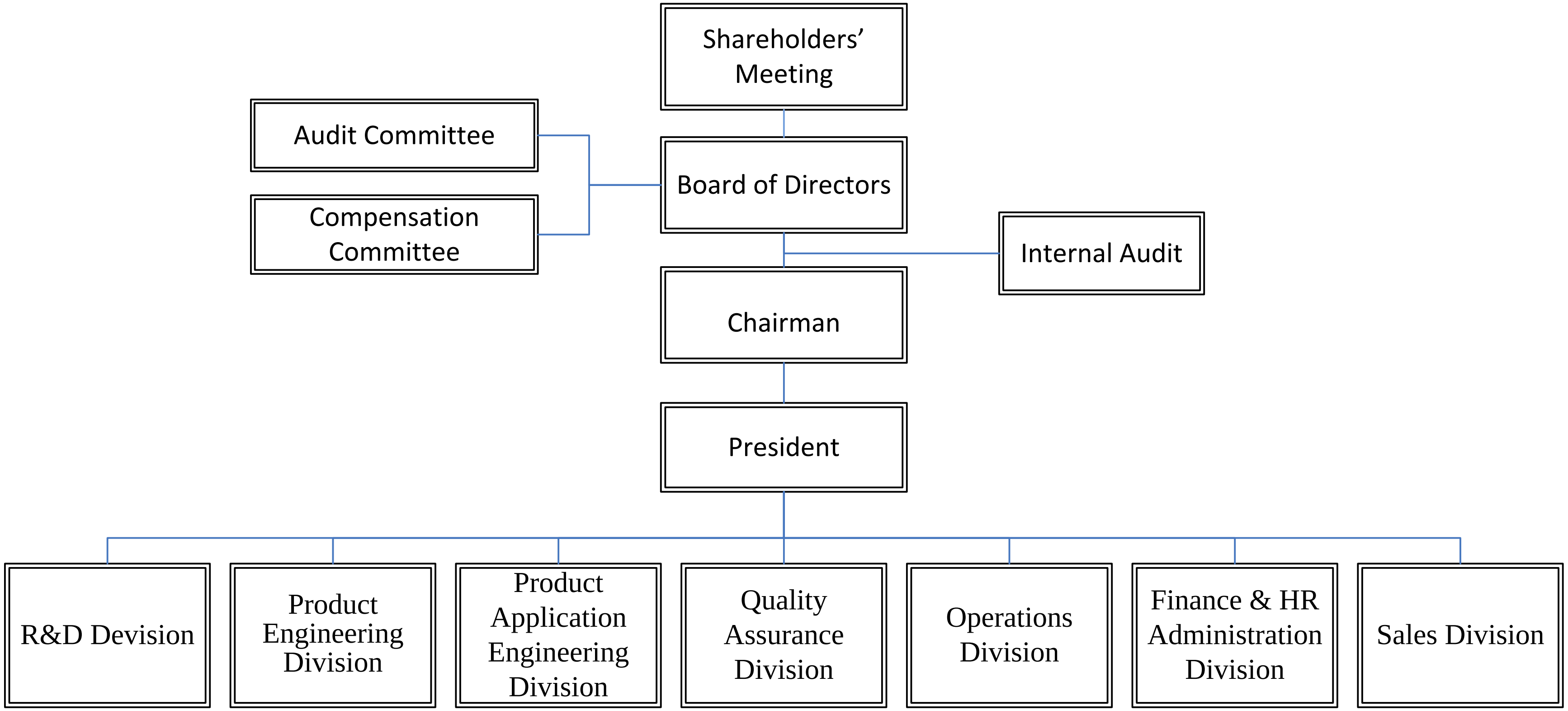
November 2015: The Company filed a cancellation of NT$503,530 of employee restricted stock awards. The authorized capital was NT$2,000,000,000 and paid-in capital was NT$815,718,620.

April 2016:	The Company carried out a capital increase of NT$89,800 by employee stock option. The authorized capital was NT$2,000,000,000 and paid-in capital reached NT$815,808,420.
July 2016:	The Company filed a cancellation of NT$161,850 of employee restricted stock awards. The authorized capital was NT$2,000,000,000 and paid-in capital was NT$815,646,570.
November 2016:	The Company carried out a capital reduction of NT$30,900,000 via buyback treasury stocks nullifying and a capital increase of NT$484,920 by employee stock option. The authorized capital was NT$2,000,000,000 and paid-in capital was NT$813,041,490.
March 2017:	The Company filed a cancellation of NT$215,800 of employee restricted stock awards. The authorized capital was NT$2,000,000,000 and paid-in capital was NT$812,825,690.
October 2017:	The Company carried out NT$8,419 by employee stock option. The authorized capital was NT$2,000,000,000 and paid-in capital reached NT$ 812,909,880.
October 2017:	The Board of Directors decided to hire Tzong-Shiann Wu as General Manager and Vrej Barkhordarian as CTO, while former general manager Fu-Chi Teng stepped down.
March 2018:	The Company carried out NT$495,050 by employee stock option. The authorized capital was NT$2,000,000,000 and paid-in capital reached NT$ 813,404,930.
October 2018:	The General Manager, Tzong-Shiann Wu resigned from the Company, and the President Fu-Chi Teng held concurrent post.
November 2018:	The adjustment of managerial officer and Organization was authorized by the Board of Directors, Lin-Chung Huang as Executive Vice President and the former CTO Vrej Barkhordarian stepped down.

III.Corporate Governance Report

(I) Organization

1. Organization Chart



2. Department Function Description

Division	Scope of responsibilities
Audit Committee	Overseeing the financial reporting and disclosure process. Monitoring choice of accounting policies and principles. Monitoring the internal control process. Overseeing the performance of the internal audit function.
Compensation Committee	To discharge the responsibilities of the Board regarding the compensation of the Company's Executive Officers. To provide oversight of the Company's benefit, perquisite and Employee equity programs.
Internal Audit	Audit the Company’s system and the enforcement of internal regulations, procedures, and authorization with corrective actions offered.
R&D Division	1. Responsible for design of device specification and mask layout. 2. Responsible for flow control of new product. 3. Responsible for development and improvement of device specification. 4. Responsible for improvement and control of C/P yield of device。 5. Responsible for process transfer to new fab. 6. Responsible for development and improvement of fab. 7. Responsible for fab process improvement base on C/P yield.
Product Engineering Division	1. Responsible for development of product package. 2. Responsible for verification and measure of product specification. 3. Responsible for control of the yield of package factory. 4. Responsible for preparement of data sheet of product specification。 5. Responsible for support and exclusion the technical issues of data sheet of product specification. 6. Responsible for experiment, review and analysis of product reliability.
Product Application Engineering Division	1. Responsible for sales strategy of product. 2. Responsible for development and evaluation of new application of product. 3. Responsible for design of demo-board and draw up the new application report. 4. Responsible for support of new product application and technical problem exclusion. 5. Responsible for support of new product design-in and product promotion. 6. Responsible for issue of product EOL. 7. Responsible for handling of customer complaints with Quality Assurance Division.

Division	Scope of responsibilities
Quality Assurance Division	1. Execution of various inspections (incoming materials, manufacturing process and finished products) in order to ensure that the product quality meets customer's requirements. ◦ 2. Responsible for evaluation and auditing the quality system of supplier and subcontractor. 3. Responsible for prevention and correction of defects related to product quality and quality system, and management of improvement tracking and quality records. 4. Responsible for review of update of operation procedure related to ISO quality system.
Operations Division	1. Responsible for Company's overall production plan and production scheduling operation. 2. Responsible for subcontractor management. 3. Responsible for material management and incoming and outgoing shipment operation. 4. Responsible for procurement management 5. Responsible for bonded and export/import operation. 6. Responsible for evaluation and survey of supplier and subcontractor. 7. Responsible for development and maintenance of the application systems.
Finance & HR Administration Division	1. Responsible for planning and enforcement of the Company's finance, and investment. 2. Responsible for capital planning and scheduling. 3. Responsible for accounting matters, budget preparation and control. 4. Responsible for cost accounting matter. 5. Responsible for management report analysis. 6. Responsible for Tax planning and compliance. 7. Responsible for comprehensive management of such businesses of the Company as personnel, employee training, employee benefits and employee salary. 8. Responsible for general and administrative affairs coordination. 9. Responsible for environmental protection and workplace health promotion. 10.Responsible for plan and implement IT infrastructure and Network operation control.
Sales Division	1. Responsible for product selling and customer service handling. 2. Responsible for annual sales plan. 3. Responsible for development of new customers. 4. Responsible for forecast, analysis and management of orders. 5. Responsible for collecting of accounts receivable.

(II) Directors, Supervisors and Management Team

1. Directors

(1) Information of Directors

As of March 18, 2019

Title	Nationality/Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Main working (education) experience	Concurrent positions in the Company and other companies	Officer or director is a spouse or consanguineous within two degree		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman	R.O.C.	Future Technology Consulting, Inc.	—	May 17, 2017	3	Jun. 8, 2000	3,084,899	3.79	3,084,899	3.79	0	0.00	0	0.00	None	None	None	None	None
	R.O.C.	Representative: Fu-Chi Teng	Male	May 17, 2017	3	Jun. 8, 2000	0	0.00	1,940,102	2.39	0	0.00	0	0.00	Executives Program, Graduate School of Business Administration, National Chengchi University Chairman of Tainet Communication System Corp. Independent Director of SOE Co., Ltd. Supervisor of Data Image Corp.	Chairman of Future Technology Consulting, Inc. Representative of juridical person director, Chunghua International Investment Corp. Representative of juridical person director, Tainet Communication System Corp. Representative of juridical person director, Future Technology Consulting (B.V.I.), Inc. Representative of juridical person director, Perfect Prime Ltd. (SAMOA) Representative of juridical person chairman and general manager, Green Power Semiconductor Corp. Representative of juridical person director, OPC Microelectronics Co., Ltd. Representative of juridical person director, Data Image Corp. Independent Director of Technology Unlimited Corp.	None	None	None
Director	British Cayman Islands	STCH Investment Inc.(Cayman)	—	May 17, 2017	3	Jan. 17, 2014	6,193,247	7.62	6,193,247	7.61	0	0.00	0	0.00	None	None	None	None	None
	R.O.C.	Representative Tzu-Cheng Chang (Note)	Male	Jun. 1, 2018	3	Jun. 1, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Master degree from Dept. of Business Administration, National Chengchi University Coordinator of Overseas Investment Dept., China Development Industrial Bank	Partners of The CID Group Representative of juridical person director, Chunghua Century Investment Corp. Director of Net Publishing Co., Ltd.	None	None	None

As of March 18, 2019

Title	Nationality/Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Main working (education) experience	Concurrent positions in the Company and other companies	Officer or director is a spouse or consanguineous within two degree		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
	R.O.C.	Representative: Ching-Shiang Tsai (Note)	Male	May 17, 2017	3	Mar. 31, 2016	0	0.00	0	0.00	0	0.00	0	0.00	Master Degree from Graduate Institute of Photonics and Optoelectronics, National Taiwan University B.S. in Physics, National Taiwan University Senior Consulting Manager of The CID Group	None	None	None	None
Director	R.O.C.	Shih-Chieh Tsai	Male	May 17, 2017	3	Jan. 17, 2014	0	0.00	0	0.00	0	0.00	0	0.00	Master Degree from Dept. of Computer Science, George Washington University B.S. in Computer Science, National Chiaotung University General Manager of Heidrick & Struggles Taiwan President of Accenture Taiwan	Partners of The CID Group Representative of juridical person director, Entire Technology Co., Ltd. Independent director of Novatek Microelectronics Corp.	None	None	None
Director	R.O.C.	Ji-Yu Yang	Male	May 17, 2017	3	Jan. 17, 2014	0	0.00	0	0.00	0	0.00	0	0.00	Master Degree from Dept. of Finance, National Chengchi University Certified Public Accountant of the R.O.C. U.S. Chartered Financial Analyst CFO of TaiHan Precision Technology Co., Ltd.	Director and CFO of LandMark Optoelectronics Corp. Independent director of Elite Advanced Laser Corp. Representative of juridical person supervisor, Entire Technology Co., Ltd.	None	None	None
Independent Director	R.O.C.	Ciou-Lin Chen	Male	May 17, 2017	3	Jan. 17, 2014	0	0.00	0	0.00	0	0.00	0	0.00	Ph. D. in Electrical Engineering, National Taiwan University B.S. in Electrical Engineering, National Taiwan University Professor of Dept. of Electrical Engineering, National Taiwan University Deputy Director of Green Energy and Environment Research Laboratories, Industrial Technology Research Institute General Manager of Noveltek Semiconductor Corp.	Adjunct Professor of Graduate Institute of Electrical Engineering, National Taiwan University Independent director of Bestec Power Electronics Co., Ltd. independent director of GIO Optoelectronics Corp.	None	None	None

As of March 18, 2019

Title	Nationality/Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Main working (education) experience	Concurrent positions in the Company and other companies	Officer or director is a spouse or consanguineous within two degree		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Independent Director	R.O.C.	Yong-Sheng Liu	Male	May 17, 2017	3	Jan. 17, 2014	0	0.00	0	0.00	0	0.00	0	0.00	Master of Business Administration, California Miramar University B.A. in Accounting, Tunghai University Global Vice President and CFO of Asia-Pacific Region, Applied Materials, Inc. Chairman of Applied Materials, Inc. Taiwan CFO and Vice President of Operations of Applied Materials, Inc. Taiwan CFO of Winstek Semiconductor Corp.	Independent director of Rafael Microelectronics Inc.	None	None	None
Independent Director	R.O.C.	Pei-Jun Wu	Female	May 17, 2017	3	May 17, 2017	0	0.00	0	0.00	0	0.00	0	0.00	Master degree from Graduate School of Law, Keio University, Japan LL.B. from College of Law, Taiwan University Chairperson of Dept. of Finance, Mingchuan University	Associate Professor of Dept. of Finance, Mingchuan University Chairman of Songyang Investment Co., Ltd. Chairman of Chihyang Investment Co., Ltd. Supervisor of Tainet Communication System Corp. Compensation Committee member of Flexium Interconnect Inc.	None	None	None

Note:Ching-Shiang Tsai, representative of STCH Investment Inc. (Cayman), resigned on May 31, 2018. Tzu-Cheng Chang was appointed new representative by STCH Investment Inc. (Cayman).

(2) Major shareholders of institutional shareholders

As of March 18, 2019

Name of Institutional Shareholders	Major Shareholders	Percentage
Future Technology Consulting, Inc.	Fu-Chi Teng Wei-Ling Hsieh Wei-Chuan Hsieh Kuang-Chih Yang Yu-Hui Feng	70.30% 13.03% 7.58% 6.06% 3.03%
STCH Investment Inc.(Cayman)	Techlong International Investments, Limited Magic Bravo International Limited	97.00% 3.00%

(3) Principal shareholder of corporate shareholders with a juridical person as its major shareholder

As of March 18, 2019

Name	Major Shareholders	Percentage
Techlong International Investments, Limited	Ching-Yi Chang	100.00%
Magic Bravo International Limited	Ching-Yi Chang Chih-Cheng Chang	50.00% 50.00%

(4) Professional knowledge and independence check matrix of directors

Qualification / Name	Has over five years work experience and following professional qualifications			Independence Attribute (Note1)										Concurrent independent director position in other publicly traded companies
	Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related departments	Judge, Prosecutor, Attorney, CPA or National Certified Professionals	Business, Legal Affairs, Finance, Accounting or Related Work Experience	1	2	3	4	5	6	7	8	9	10	
Fu-Chi Teng			✓				✓		✓	✓	✓	✓		1
Tzu-Cheng Chang (Note2)			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Shih-Chieh Tsai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Ji-Yu Yang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Ciou-Lin Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Yong-Sheng Liu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Pei-Jun Wu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Ching-Shiang Tsai (Note2)			✓	✓	✓	✓	✓		✓	✓	✓	✓		0

Notes: 1. The members who have qualified the following conditions two years before being elected and during the term are to tick the box ("✓") of the corresponding condition.

(1) Not an employee of this Company or its affiliates

(2) Not a Director or Supervisor of the Company or its affiliates. (However, this does not apply, in cases where the person is an Independent Director of the company, its parent company, or any subsidiary in which the company directly or indirectly holds more than 50% of the voting shares.)

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of outstanding shares of the Company or ranking in the top ten in holdings.

(4) Not a spouse, second-degree relative or third-degree relative of those listed in the above three items.
(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
(6) Not a director, supervisor, manager or a shareholder holding five percent or more of the shares of a company or institution that has a business or financial relationship with the Company.
(7) Not a professional individual who provides services or consultation in business, legal, finance, or accounting to the Company or its any related companies, nor an owner, partner, director, supervisor, officer or spouse of a sole proprietorship, partnership, company, or institution. However, this does not apply to the members of the Compensation Committee who perform their duties based on article 7 of the "Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".
(8) Not a spouse or a second-degree relative of any other Director of the Company.
(9) No violations of Article 30 of the Company Act.
(10) Not a governmental, judicial person or its representative as defined by Article 27 of the Company Act.

2. Ching-Shiang Tsai, representative of STCH Investment Inc. (Cayman), resigned on May 31, 2018. Tzu-Cheng Chang was appointed new representative by STCH Investment Inc. (Cayman).

2. Management Team Information

As of March 18, 2019

Title	Nationality	Name	Gender	Date Elected	Shareholding When Elected		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Main working (education) experience	Concurrent positions in the Company and other companies	Officer or director is a spouse or consanguineous within two degree		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
President and General Manager	R.O.C.	Fu-Chi Teng (Note 1)	Male	Oct. 15,2018	1,940,102	2.39	0	0.00	0	0.00	Executives Program, Graduate School of Business Administration, National Chengchi University Chairman of Tainet Communication System Corp. Independent Director of SOE Co., Ltd. Supervisor of Data Image Corp.	Chairman of Future Technology Consulting, Inc. Representative of juridical person director, Chunghua International Investment Corp. Representative of juridical person director, Tainet Communication System Corp. Representative of juridical person director, Future Technology Consulting (B.V.I.), Inc. Representative of juridical person director, Perfect Prime Ltd. (SAMOA) Representative of juridical person chairman and general manager, Green Power Semiconductor Corp. Representative of juridical person director, OPC Microelectronics Co., Ltd. Representative of juridical person director, Data Image Corp. Independent Director of Technology Unlimited Corp.	None	None	None
Executive Vice President	R.O.C.	Lin-Chung Huang (Note 1)	Male	Nov. 12,2018	167,133	0.21	74,410	0.09	0	0.00	Master degree from Dept. of Electrical Engineering, National Sun Yat-sen University Supervisor of Advanced Power Electronics Co., Ltd.	Representative of juridical person director, Green Power Semiconductor Corp. Representative of juridical person director, OPC Microelectronics Co., Ltd.	None	None	None
Vice President of R&D Division	R.O.C.	Jau-Yan Lin (Note 2)	Male	Nov. 12,2018	41,424	0.05	1,337	0.00	0	0.00	Master degree from Dept. of Materials and Optoelectronics, National Sun Yat-sen University Department Director of Hualon Microelectronics Corp.	None	None	None	None
Vice President of Product Engineering Division	R.O.C.	Meng-Hui Lin (Note 2)	Male	Nov. 12,2018	119,968	0.15	7,058	0.01	0	0.00	Master degree from Dept. of Electrical Engineering, National Sun Yat-sen University Engineer of United Microelectronics Corp. Department Director of Hualon Microelectronics Corp.	None	None	None	None
Vice President of Operations Division	R.O.C.	Wen-Jiun Chiou (Note 2)	Male	Nov. 12,2018	0	0.00	0	0.00	0	0.00	Master degree from Dept. of Electrical Engineering, University of Massachusetts Manager of GEM Services Inc.	None	None	None	None
Vice President of Finance & HR	R.O.C.	Mei-Ying Tan	Female	Nov. 1, 2000	121,593	0.15	0	0.00	0	0.00	B.A. in Accounting, Tamkang University Project Manager of Finance Dept., Information Technology Total Services Co., Ltd. Project Director of Planning Dept., TECO	Representative of juridical person director, Seaward Electronics Corp. (Cayman) Representative of juridical person executive director and general manager, ShenZhen Fucheng Electronics. Corp.	None	None	None

As of March 18, 2019

Title	Nationality	Name	Gender	Date Elected	Shareholding When Elected		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Main working (education) experience	Concurrent positions in the Company and other companies	Officer or director is a spouse or consanguineous within two degree		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Administration Division											Electric & Machinery Co., Ltd. Senior Auditor, BDO Taiwan	Representative of juridical person director, Green Power Semiconductor Corp. Representative of juridical person executive director, OPC Microelectronics Co., Ltd.			
Director of Quality Assurance Division	R.O.C.	Ching-Tien Chao	Male	Nov. 20,2017	75,523	0.09	0	0.00	0	0.00	B.S. in Dept. of Mechanical Engineering, Provincial Kaohsiung Institute of Technology (now Kaohsiung University of Science and Technology) Section Manager, Rexin Semiconductor Technology Co., Ltd.	None	None	None	None
Director of Product Application Engineering Division	R.O.C.	Ching-Hsun Cheng	Male	Jan.1,2019	21,625	0.03	0	0.00	0	0.00	B.S. in Dept. of Electronic Engineering, Fengchia University Senior Manager of UBIQ Semiconductor Corp.	None	None	None	None
General Manager	R.O.C.	Tzong-Shiann Wu (Note 1)	Male	Nov. 6, 2017	-	-	-	-	-	-	Doctoral Candidate of School of Engineering, Texas A&M University Master degree from Dept. of Electrical Engineering, National Taiwan University Board Director and Vice President of Advanced Microelectronic Products, Inc., R.O.C. Chairman of Hsinchih Co., Ltd., R.O.C. Vice President and General Manager of DMOS Business Dept., CSMC Technologies Co., Ltd., Hong Kong Board Director and Executive Vice President of InPower Semiconductor Co., Ltd., Hong Kong Board Director and General Manager of Pyramis Corp. USA Manager of Application Dept., International Rectifier Corp. USA	None	None	None	None
Chief Technology Officer	USA	Vrej Barkhordarian Ph.D. (Note 3)	Male	Nov. 6, 2017	-	-	-	-	-	-	Ph.D. in Electronical and Electrical Engineering, University of Leeds, UK Master degree from Marshall School of Business, University of Southern California, USA Technology Consultant of Advanced Microelectronic Products, Inc., R.O.C. Chief Technology Officer of Hsinchih Co., Ltd., R.O.C. R&D Director of Circuit Protection	None	None	None	None

As of March 18, 2019

Title	Nationality	Name	Gender	Date Elected	Shareholding When Elected		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Main working (education) experience	Concurrent positions in the Company and other companies	Officer or director is a spouse or consanguineous within two degree		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
											Production Division, Microsemi Corp., USA R&D Manager of Circuit Protection Production Division, Semtech Corp., USA Senior Design Engineer of International Rectifier Corp., USA Senior Product Engineer of Hewlett Packard Enterprise, UK				
Senior Vice President of R&D Division	R.O.C.	Ko-Yu Yu (Note 4)	Male	Jan. 1, 2001	-	-	-	-	-	-	Master degree from Dept. of Electrical Engineering, National Sun Yat-sen University Deputy Director of R&D Divison, Hualon Microelectronics Corp. Engineer of Electronic and Optoelectronic System Research Laboratories, Industrial Technology Research Institute	None	None	None	None
Vice President of Operations Division	R.O.C.	Chiao-Jung Huang (Note 5)	Male	Nov. 1, 2013	-	-	-	-	-	-	B.A. in Dept. of Management Sciences, Tamkang University Executive Vice President of Young Fast Optoelectronics Co., Ltd.	None	None	None	None
Vice President of Sales Division	R.O.C.	Shih-Hsien Cheng (Note 6)	Male	Nov. 3, 2015	-	-	-	-	-	-	B.S. in Dept. of Industrial Engineering, Dayeh University Director of AAEON Technology Inc. Vice President of Johnson Components & Equipment Co., Ltd. Factory Manager of Wistron Corp.	None	None	None	None
Executive Assistant to Chairman	R.O.C.	Ming-Te Lin (Note 7)	Male	Dec. 4, 2013	-	-	-	-	-	-	Graduated from Lunghwa Junior College of Technology (now Lunghwa University of Science and Technology) Division Director of MStar Semiconductor, Inc.	None	None	None	None
Senior Director of Technical Marketing Division	R.O.C.	Chiao-Wen Chung (Note 8)	Male	Jan. 1, 2018	-	-	-	-	-	-	Master degree from Dept. of Business Administration, Chungyuan Christian University Director of Sales Division, CSMC Technologies Co., Ltd.	None	None	None	None

Note:1. Fu-Chi Teng, President and General Manager were newly appointed on October 15, 2018 and Tzong-Shiann Wu, General Manager resigned on October 15, 2018.

2. Executive Vice President Lin-Chung Huang, Vice President of R&D Division Jau-Yan Lin, Vice President of Product Engineering Division Meng-Hui Lin, Vice President of Operations Division Wen-Jiun Chiouwere newly appointed on November 12, 2018.

3. Vrej Barkhordarian, Chief Technology Officer dismissed on November 12, 2018.

4. Ko-Yu Yu, Senior Vice President of R&D Division retired on August 10, 2018.

5. Chiao-Jung Huang, Vice President of Operations Division resigned on May 31, 2018.

6. Vice President of Sales Division dismissed on December 31, 2018.
7. Ming-Te Lin, Executive Assistant to Chairman resigned on March 7, 2018.
8. Chiao-Wen Chung, Senior of Technical Marketing Division dismissed on November 30, 2018.
9. The insider does not disclose information about the number of shares held since the date of resignation, dismissal, and retirement.

(III) Compensation to Directors, Supervisors and Management Team

1. Compensation to directors

As of December 31, 2018, Unit: NT$ thousands

Title	Name	Director's compensation								A+B+C+D as a % of net profit		Compensation as an employee								A+B+C+D+E+F+G as a % of net profit		Compensation from investees other than subsidiaries
		Cash compensation (A)		Pension (B)		Director's remuneration (C)		Professional fee (D)				Performance-based salary (E)		Retirement pay of employees (F)		Earnings paid as bonus to employees (G)						
																Stand-alone		Consolidated				
		Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Cash bonus	Stock bonus	Cash bonus	Stock bonus	Stand-alone	Consolidated	
Chairman	Future Technology Consulting, Inc. Representative: Fu-Chi Teng	0	0	0	0	800	800	40	40	0.51	0.51	2,775	2,775	0	0	569	0	569	0	2.52	2.52	None
Director	STCH Investment Inc.(Cayman) Representative: Tzu-Cheng Chang (Note1)	0	0	0	0	400	400	20	20	0.25	0.25	0	0	0	0	0	0	0	0	0.25	0.25	None
Director	Shih-Chieh Tsai	0	0	0	0	400	400	35	35	0.26	0.26	0	0	0	0	0	0	0	0	0.26	0.26	None
Director	Ji-Yu Yang	0	0	0	0	400	400	40	40	0.26	0.26	0	0	0	0	0	0	0	0	0.26	0.26	None
Independent Director	Ciou-Lin Chen	0	0	0	0	400	400	110	110	0.31	0.31	0	0	0	0	0	0	0	0	0.31	0.31	None
Independent Director	Yong-Sheng Liu	0	0	0	0	400	400	110	110	0.31	0.31	0	0	0	0	0	0	0	0	0.31	0.31	None
Independent Director	Pei-Jun Wu	0	0	0	0	400	400	105	105	0.30	0.30	0	0	0	0	0	0	0	0	0.30	0.30	None
Director	STCH Investment Inc.(Cayman) Representative: Ching-Shiang Tsai (Note1)	0	0	0	0	0	0	15	15	0.01	0.01	0	0	0	0	0	0	0	0	0.01	0.01	None

Notes：1. Ching-Shiang Tsai, representative of STCH Investment Inc. (Cayman), resigned on May 31, 2018. Tzu-Cheng Chang was appointed new representative by STCH Investment Inc. (Cayman).

2. Estimated amount and actual employee remuneration after the resolution of the shareholders' meeting will be passed on May 16, 2019.

Range of compensation to directors	Name of directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	On a stand-alone basis	On a consolidated basis	On a stand-alone basis	On a consolidated basis
Under NT$2,000,000	Future Technology Consulting, Inc. Representative:Fu-Chi Teng,STCH Investment Inc.(Cayman) Representative:Tzu-Cheng Chang, Shih-Chieh Tsai, Ji-Yu Yang, Ciou-Lin Chen, Yong-Sheng Liu, Pei-Jun Wu, STCH Investment Inc.(Cayman) Representative: Ching-Shiang Tsai (resigned)	Future Technology Consulting, Inc. Representative:Fu-Chi Teng, STCH Investment Inc.(Cayman) Representative:Tzu-Cheng Chang, Shih-Chieh Tsai, Ji-Yu Yang, Ciou-Lin Chen, Yong-Sheng Liu, Pei-Jun Wu, STCH Investment Inc.(Cayman) Representative: Ching-Shiang Tsai (resigned)	STCH Investment Inc.(Cayman) Representative:Tzu-Cheng Chang, Shih-Chieh Tsai, Ji-Yu Yang, Ciou-Lin Chen, Yong-Sheng Liu, Pei-Jun Wu, STCH Investment Inc.(Cayman) Representative: Ching-Shiang Tsai (resigned)	STCH Investment Inc.(Cayman) Representative:Tzu-Cheng Chang, Shih-Chieh Tsai, Ji-Yu Yang, Ciou-Lin Chen, Yong-Sheng Liu, Pei-Jun Wu, STCH Investment Inc.(Cayman) Representative: Ching-Shiang Tsai (resigned)
NT$2,000,000 (included) ~ NT$5,000,000 (excluded)	–	–	Future Technology Consulting, Inc. Representative:Fu-Chi Teng	Future Technology Consulting, Inc. Representative:Fu-Chi Teng
NT$5,000,000 (included) ~ NT$10,000,000 (excluded)	–	–	–	–
NT$10,000,000 (included) ~ NT$15,000,000 (excluded)	–	–	–	–
NT$15,000,000 (included) ~ NT$30,000,000 (excluded)	–	–	–	–
NT$30,000,000 (included) ~ NT$50,000,000 (excluded)	–	–	–	–
NT$50,000,000 (included) ~ NT$100,000,000 (excluded)	–	–	–	–
Over NT$100,000,000	–	–	–	–
Total	8	8	8	8

2. Compensation to Supervisors

The supervisors resigned on June. 6, 2014 and the audit committee was established to substitute for the function.

3. Compensation to President and Vice President

As of December 31, 2018, Unit: NT$ thousands

Title	Name	Salary (A)		Pension (B)		Performance-based salary (C)		Earnings paid as bonus to employees (D)				A+B+C+D as a % of net profit		Compensation from investees other than subsidiaries
		Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone		Consolidated		Stand-alone	Consolidated	
								Cash	Stock	Cash	Stock			
President and General Manager	Fu-Chi Teng (Note1)	28,354	33,998	816	816	4,488	4,488	3,414	0	3,414	0	22.31	25.71	None
Executive Vice President	Lin-Chung Huang (Note 2)													
Vice President of R&D Division	Jau-Yan Lin (Note 2)													
Vice President of Product Engineering Division	Meng-Hui Lin (Note 2)													
Vice President of Operations Division	Wen-Jiun Chiou (Note 2)													
Vice President of Finance & HR Administration Division	Mei-Ying Tan													
General Manager	Tzong-Shiann Wu (Note 1)													
Chief Technology Officer	Vrej Barkhordarian Ph.D. (Note 3													
Senior Vice President of R&D Division	Ko-Yu Yu (Note 4)													
Vice President of Operations Division	Chiao-Jung Huang (Note 5)													
Vice President of Sales Division	Shih-Hsien Cheng (Note 6)													
Executive Assistant to Chairman	Ming-Te Lin (Note7)													

Notes:1.Fu-Chi Teng, President and General Manager were newly appointed on October 15, 2018 and Tzong-Shiann Wu, General Manager resigned on October 15, 2018.
2.Executive Vice President Lin-Chung Huang, Vice President of R&D Division Jau-Yan Lin, Vice President of Product Engineering Division Meng-Hui Lin, Vice President of Operations Division Wen-Jiun Chiouwere newly appointed on November 12, 2018.
3.Vrej Barkhordarian, Chief Technology Officer dismissed on November 12, 2018.
4.Ko-Yu Yu, Senior Vice President of R&D Division retired on August 10, 2018.
5.Chiao-Jung Huang, Vice President of Operations Division resigned on May 31, 2018.
6.Vice President of Sales Division dismissed on December 31, 2018.
7.Ming-Te Lin, Executive Assistant to Chairman resigned on March 7, 2018.
8.Estimated amount and actual employee remuneration after the resolution of the shareholders' meeting will be passed on May 16, 2019.

Range of compensation to President and Vice President	Name of President and Vice President	
	On a stand-alone basis	On a consolidated basis
Under NT$2,000,000	Ming-Te Lin, Chiao-Jung Huang	Ming-Te Lin, Chiao-Jung Huang
NT$2,000,000 (included) ~ NT$5,000,000 (excluded)	Fu-Chi Teng, Lin-Chung Huang, Jau-Yan Lin, Jau-Yan Lin, Wen-Jiun Chiou, Mei-Ying Tan, Ko-Yu Yu, Shih-Hsien Cheng	Fu-Chi Teng, Lin-Chung Huang, Jau-Yan Lin, Jau-Yan Lin, Wen-Jiun Chiou, Mei-Ying Tan, Ko-Yu Yu, Shih-Hsien Cheng
NT$5,000,000 (included) ~ NT$10,000,000 (excluded)	Tzong-Shiann Wu, Vrej Barkhordarian	Tzong-Shiann Wu、Vrej Barkhordarian
NT$10,000,000 (included) ~ NT$15,000,000 (excluded)	—	—
NT$15,000,000 (included) ~ NT$30,000,000 (excluded)	—	—
NT$30,000,000 (included) ~ NT$50,000,000 (excluded)	—	—
NT$50,000,000 (included) ~ NT$100,000,000 (excluded)	—	—
Over NT$100,000,000	—	—
Total	12	12

4. Employee profit sharing granted to the management team

As of December 31, 2018, Unit: NT$ thousands

Title		Name	Stock Dividends	Cash Dividends	Total	Proportion of total amount to net profits after tax (%)
Management team	President and General Manager	Fu-Chi Teng (Note1)	0	3,414	3,414	2.05%
	Executive Vice President	Lin-Chung Huang (Note 2)				
	Vice President of R&D Division	Jau-Yan Lin (Note 2)				
	Vice President of Product Engineering Division	Meng-Hui Lin (Note 2)				
	Vice President of Operations Division	Wen-Jiun Chiou (Note 2)				
	Vice President of Finance & HR Administration Division	Mei-Ying Tan				
	General Manager	Tzong-Shiann Wu (Note 1)				
	Chief Technology Officer	Vrej Barkhordarian Ph.D. (Note 3)				
	Senior Vice President of R&D Division	Ko-Yu Yu (Note 4)				
	Vice President of Operations Division	Chiao-Jung Huang (Note 5)				
	Vice President of Sales Division	Shih-Hsien Cheng (Note 6)				
	Executive Assistant to Chairman	Ming-Te Lin (Note7)				

Notes:1.Fu-Chi Teng, President and General Manager were newly appointed on October 15, 2018 and Tzong-Shiann Wu, General Manager resigned on October 15, 2018.

2.Executive Vice President Lin-Chung Huang, Vice President of R&D Division Jau-Yan Lin, Vice President of Product Engineering Division Meng-Hui Lin, Vice President of Operations Division Wen-Jiun Chiouwere newly appointed on November 12, 2018.

3.Vrej Barkhordarian, Chief Technology Officer dismissed on November 12, 2018.

4.Ko-Yu Yu, Senior Vice President of R&D Division retired on August 10, 2018.

5.Chiao-Jung Huang, Vice President of Operations Division resigned on May 31, 2018.

6.Vice President of Sales Division dismissed on December 31, 2018.

7.Ming-Te Lin, Executive Assistant to Chairman resigned on March 7, 2018.

8.Estimated amount and actual employee remuneration after the resolution of the shareholders' meeting was passed on May 16, 2019.

5. Analysis of the proportion of the total remuneration of directors, supervisors, general managers and deputy general managers of the Company paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements of the recent two years

Title	Proportion of the total compensation to net profit after tax %				Ratio Variation	
	2017		2018			
	On a stand-alone basis	On a consolidated basis	On a stand-alone basis	On a consolidated basis	On a stand-alone basis	On a consolidated basis
Directors	3.39%	3.39%	2.21%	2.21%	(34.81)%	(34.81)%
President and Vice President	58.76%	62.87%	22.31%	25.71%	(62.03)%	(59.11)%

The directors' remuneration includes the transportation allowances and compensation. Transportation allowances are paid based on attendance in board meetings and for services rendered as the chairman of or a member of the Audit Committee or Compensation Committee and industry norms. In accordance with the Company's Articles of Incorporation, compensation for directors shall not exceed 3% and employee compensation shall not less than 8% of the Company's annual profit after deducting losses from previous years. The ratio of compensation for directors is 1.5% in Year 2018 and 1.52% in Year 2017.

Compensation to the president and vice presidents comprises a fixed monthly salary, salaries, bonuses, and staff compensation. The salaries and bonuses are paid according to the relevant personnel-related provisions of the Company. The total amount of compensation accounted for a decrease in the net profit after tax, which was due to the increase in profit in Year 2018 compared with the previous period. Performance bonuses are determined based on the president's or the vice president's contribution to the Company and the results of an annual performance appraisal. The above-mentioned bonuses have been proposed by the Compensation Committee for approval at the board meeting.

(IV) Corporate Governance

1. Information on implementation of Board of Directors

A total of _7_ (A) meetings of the Board of Directors were held in the previous period. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)(B/A)	Remarks
Chairman	Future Technology Consulting, Inc. Representative: Fu-Chi Teng	7	0	100.00	
Director	STCH Investment Inc.(Cayman) Representative: Tzu-Cheng Chang(Note)	3	1	75.00	Re-appointed on June 1, 2018
Director	Shih-Chieh Tsai	6	1	85.71	
Director	Ji-Yu Yang	6	1	85.71	
Independent director	Ciou-Lin Chen	7	0	100.00	
Independent director	Yong-Sheng Liu	7	0	100.00	
Independent director	Pei-Jun Wu	7	0	100.00	
Director	STCH Investment Inc.(Cayman) Representative: Ching-Shiang Tsai (Note)	2	1	66.67	Resigned on May 31, 2018

Other mentionable items:

1. If any of the following circumstances happens in the operation of the Board of Directors, it shall describe the date, term, agenda, opinions of independent directors and the Company's treatment of these opinions:
   (1) The provision of the Securities and Exchange Act, Article 14-3: Please see the table below.
   (2) In addition to the previous provisions, other resolutions of the Board meeting against which independent directors make objections or reserve opinions or submit written statements: None; Please see the table below.
2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting shall be specified: None.
3. The evaluation of targets for strengthening of the functions of the Board (ex. Establishing the Audit Committee, enhancing information transparency, etc.) during the current and immediately preceding fiscal years, and measures taken toward achievement thereof:
   (1) Three of the seven directors are independent, and thus the independent directors are more than one third of the Board of Directors.
   (2) The Board of Directors has authorized to establish the Audit Committee and the Compensation Committee under it, to assist Board of Directors to perform the duty of supervision. The two committees are fully composed by the three independent directors. The chairperson of each committee reports their activities and resolutions to the Board of Directors regularly.
   (3) The material information, including financial information and material resolutions is disclosed on MOPS, as required by laws and regulations; the financial information is also disclosed on the Company's website, for the timely availability to the public.

Note:Ching-Shiang Tsai, representative of STCH Investment Inc. (Cayman), resigned on May 31, 2018. Tzu-Cheng Chang was appointed new representative by STCH Investment Inc. (Cayman) on June 1, 2018.

The Attendance of the independent directors at board of directors' meetings in 2018

◎Attendance in Person; ; ☆ : By Proxy ; ※ : Absent

Director	8th Session 1	8th Session 2	8th Session 3	8th Session 4	8th Session 5	8th Session 1 of Interim Meeting	8th Session 6
Ciou-Lin Chen	◎	◎	◎	◎	◎	◎	◎
Yong-Sheng Liu	◎	◎	◎	◎	◎	◎	◎
Pei-Jun Wu	◎	◎	◎	◎	◎	◎	◎

The Opinions or the Outcomes of Resolutions toward Material Proposal of Independent Directors:

BOD	Content of the Proposals and Follow up Treatment	Independent Directors Dissent or Reservation of Opinions
1st Session of the 8th BOD in 2018 Jan.25, 2018	Proposals Items: 1. Obtained credit line of banks and short-term borrowings as of December 2017.	None
	2. Disposal of short-term investments as of December 2017.	None
	Discussions Items: 1. To ensure the capacities of suppliers by pre-payment.	None
	2. Annual business plan for 2018.	None
	3. The fourth quarter of 2017, there were total 49.505 units executed but not yet registered for the 2011 Stock Option Plan. Each unit of employee stock option may subscribe 1,000 shares at the price of NT$ 21.00. The common shares to be issued due to the execution of employee stock option are 49,505 shares. After the capital increase, the common shares are 81,340,493 shares and the paid-up capital is NT$ 813,404,930.	None
	4. Convened the shareholder meeting of 2018 and received the proposals from the shareholders.	None
	5. Amended to the Rules of Procedure for Board of Directors Meetings.	None
	6. Amended the 2017 Stock Option Plan to 2018 Stock Option Plan. The total issuance of the employee stock options are 2,000 units, each unit of option may subscribe 1,000 shares, and the common shares to be issued due to the execution of employee stock option are 2,000,000 shares.	None
	Opinions from the Independent Directors: None.	
	Treatment of the Opinions from the Independent Directors by the Company: None.	
	Resolutions: All attending directors unanimously agreed to pass.	
2nd Session of the 8th BOD in 2018 Mar.22,	Proposals Items: 1. Obtained credit line of banks and short-term borrowings as of February 2018.	None
	2. Disposal of short-term investments as of February 2018.	None

BOD	Content of the Proposals and Follow up Treatment	Independent Directors Dissent or Reservation of Opinions
2018	3. The Company assigned the legal representative and managers for the Shenzhen Fucheng Electronics Co., Ltd.	None
	Discussions Items: 1. The evaluation report regarding the Company's application of IFRS 9 "Financial Instrument," IFRS 15 "Revenue from contracts with customers," and IFRS 16 "Lease."	None
	2. The "Statement of Internal Control System" of the Company for 2017.	None
	3. The Company's endorsement and guarantee to the sub-subsidiary company, OPC Microelectronics Co., Ltd..	None
	4. The Annual reports and financial statements of 2017.	None
	5. For the profit distribution of 2017, on the basis of profit distribution rules specified in the Articles of Incorporation, the net profit after tax of the Company for 2017 is NT$39,210,069, and then reserve the legal reserve of NT$3,921,007, and the reversal of special reserve NT$2,682,740 as required by laws, the distributable profit at the end of the year is NT$124,721,819. Based on the total issued share capitals of 81,340,493 shares by March 21, 2019, it is proposed to distribute cash dividend of NT$36,603,222, or NT$0.45 per share from the distributable profit of 2018. The residual amount will be included to the other income of the Company.	None
	6. For the compensation to the employees and directors for 2017. The annual profit of the Company for 2017 is NT$55,977,339 (the profit before tax and distributions to employees and directors for the year), it is proposed to distribute the employees' profit sharing bonus as much as 8.10%, or NT$4,531,710, and 1.52% or NT$849,696 as the directors' compensation; both in cash. This will be reported in the Shareholders' Meeting as required by laws.	None
	7. It is intended to issue the employee restricted stocks for total NT$10,000,000, with face value NT$10 per share. Total issuances of common shares are 1,000,000 shares. The issuance price is NT$0, or free issuance.	None
	8. The newly added reason for convening the Shareholders' Meeting for 2018: Discussion Item: Intension of issuing the employee restricted stocks.	None
	Opinions from the Independent Directors: None.	
	Treatment of the Opinions from the Independent Directors by the Company: None.	
	Resolutions: All attending directors unanimously agreed to pass.	
	Proposals Items: 1. Obtained credit line of banks and short-term borrowings as of March 2018.	None
	Discussions Items: 1. To ensure the capacities of suppliers by pre-payment.	None
	2. Financial statements of the first quarter, 2018.	None

BOD	Content of the Proposals and Follow up Treatment	Independent Directors Dissent or Reservation of Opinions
3rd Session of the 8th BOD in 2018 May 10, 2018	3. For the issuance of employee stock option for 2018. The Company has applied to issue 2,000 units of employee stock option, and have obtained the approval from FSC with the Letter No.1070313569. It is expected to issue 2,000 units (total 2,000 units) of employee stock options. The subscribing price of the employee stock option is determined on the basis of the close price of the common shares on May 10, 2018 (the issuance date), NT$27.9 per share. The issuance period is May 10, 2018 to May 9, 2024.	None
	Opinions from the Independent Directors: None.	
	Treatment of the Opinions from the Independent Directors by the Company: None.	
	Resolutions: All attending directors unanimously agreed to pass.	
4th Session of the 8th BOD in 2018 Jun.7, 2018	Proposals Items: 1. Obtained credit line of banks and short-term borrowings as of May 2018.	None
	Discussions Items: 1. The ex-dividend base date for the cash dividends of 2017 is determined to be July 2, 2018. The cash dividend is NT$0.45 per share, the total amount of cash dividends is NT$36,603,222.	None
	Opinions from the Independent Directors: None.	
	Treatment of the Opinions from the Independent Directors by the Company: None.	
	Resolutions: All attending directors unanimously agreed to pass.	
5th Session of the 8th BOD in 2018 Aug. 9, 2018	Proposals Items: 1. Obtained credit line of banks and short-term borrowings as of July 2018.	None
	2. The Company assigns the legal representative supervisors for Shenzhen Fucheng Electronics Co., Ltd., and OPC Microelectronics Co., Ltd..	None
	Discussions Items: 1. Financial statements of the second quarter, 2018.	None
	2. The base date of issuance of the employee restricted stocks for 2018 has been agreed to pending the resolution.	None
	Opinions from the Independent Directors: None or pending the resolution.	
	Treatment of the Opinions from the Independent Directors by the Company: None.	
	Resolutions: All attending directors unanimously agreed to pass or pending the resolution.	
1st Session of the 8th of Interim BOD in Oct. 15, 2018	Discussions Items: 1. Adjustments to the duties of mangers and spokespersons.	None
	Opinions from the Independent Directors: None.	
	Treatment of the Opinions from the Independent Directors by the Company: None.	
	Resolutions: All attending directors unanimously agreed to pass.	
6th Session of the 8th BOD in 2018 Nov. 12, 2018	Proposals Items: 1. Obtained credit line of banks and short-term borrowings as of October 2018.	None
	Discussions Items: 1. The evaluation of the suitability and independence of appointed CPAs and the delegation compensation.	None
	2. Financial statements of the third quarter, 2018.	None
	3. Internal audit plan for 2019.	None
	4. Adjustments to the duties of key managers and spokespersons, as well	None

BOD	Content of the Proposals and Follow up Treatment	Independent Directors Dissent or Reservation of Opinions
	as the organizational structure.	
	5. The subsidiary of the Company, Future Technology Consulting (B.V.I.), Inc., intends to loan of funds to OPC Microelectronics Co., Ltd..	None
	6. The Company's endorsement and guarantee to the sub-subsidiary company, OPC Microelectronics Co., Ltd.	None
	Opinions from the Independent Directors: None.	
	Treatment of the Opinions from the Independent Directors by the Company: None.	
	Resolutions: All attending directors unanimously agreed to pass.	

2. **The operation of the Audit Committee:**

(1) The operation of the Audit Committee: On May 14, 2014, the Company adds one more independent director, and on June 6, 2014, the Audit Committee has been established to replace the Supervisor System.

A total of 4 (A) Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (B/A) (%)	Remarks
Independent director	Yong-Sheng Liu	4	0	100.00	
Independent director	Ciou-Lin Chen	4	0	100.00	
Independent director	Pei-Jun Wu	4	0	100.00	

Other mentionable items:

1.If any of the following circumstances occurs in the operation of the Audit Committee, it shall describe the date, period, the meeting content, the resolution results of the Audit Committee and the Company's treatment for the opinions of the Audit Committee.

(1) The provision of the Securities and Exchange Act, Article 14-5: Please see the table below.

(2) In addition to the previous provisions, other resolutions not passed by the Audit Committee, however, approved by two third of the Board of Directors: None.

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

3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)

(1) The head of internal auditors communicates with the independent directors regularly for the outcomes of audit reports and implementation of the follow-up reports. The implementation and effects are fully communicated. Shall there be any special circumstance, the independent directors will be reported to as well. In 2018, there was no such circumstance. Conclusively, the communication between independent directors and the head of internal auditors is satisfactory.

(2) The independent directors may request the appointed CPAs to report to and communicate with the independent directors any time, regarding the audit outcomes of financial statements (including the consolidated financial statements) or other matters required laws. Shall there be any special circumstance, the independent directors will be reported to as well. In 2018, there was no such circumstance. Conclusively, the communication between independent directors and the appointed CPA is satisfactory.

The Audit Committee comprises of three independent directors, for the purpose of assisting the Board of Directors to fulfill its supervisory duties regarding the quality and integrity for the implementation the accounting, audit, financial reports process and financial controls.

The annual key tasks of the Audit Committee include:

(1) Review and discuss the adoption or amendment for the internal control system.

(2) Review and discuss the internal audit plan and the assessment of the effectiveness of the internal control system.

(3) Review and discuss the adoption or amendment, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
(4) Review and discuss the matters bearing on the personal interest of the directors.
(5) Review and discuss the material assets or derivatives transactions.
(6) Review and discuss the material loaning of funds to others, or endorsement/guarantee for others.
(7) Review and discuss the offering, issuance, or private placement for the equity-type securities.
(8) Review and discuss the evaluation of the suitability and independence of appointed CPAs and the delegation compensation.
(9) Review and discuss the assignment or discharge the head of finance, accounting, or internal auditing officer.t.
(10) Review and discuss the annual and semiannual financial statements.
(11) Review and discuss the matters related to the annual profit distributions.
(12) Review and discuss other material matters required by the Company or the competent authorities.

● Reviewing the Financial Report

The Board of Directors has prepared and submitted the business report, financial statements and the proposal of profit distributions for 2018. The financial statements have been audited by Deloitte & Touche, with the independent auditors' report. After the review, the Committee believes there is no inconsistency among the said business report, financial statements and the proposal of profit distributions.

●The Assessment to the Effectiveness of the Internal Control System

The Audit Committee has assessed the effectiveness of the policies and procedures for the internal control system (including the controlling measures for finance, operation, risk management, information safety, outsource, and compliance). Also, it has reviewed the regular reports from the audit department, CPAs, and the management, including the risk management and compliance. By referring the "Internal Control — Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, the Audit Committee believes that the risk management and internal control are effective, and the Company has taken necessary controls to oversee and correct the violations.

● Appointment of CPAs

The Audit Committee is authorized to oversee the independence of the appointed CPA firm to ensure the just of the financial reports. Generally, except the tax-related services or other items with special approval, the appointed CPA firm is not permitted to provide other services to the Company. All the services provided to the Company must be approved by the Audit Committee. To ensure the independence of the CPA firm, the Audit Committee has referred to the Article 47 of the Certified Public Accountant Act, and The Bulletin of Norm of Professional Ethics for

Certified Public Accountant, No. 10 “Integrity, Objectivity and Independence,” to establish the evaluation form of independence, to assess the independence, professionality, and suitability, to check if the firm and the Company are related parties, or have financial or business interests in each other. November 12, 2018, the 4th meeting of the 2nd Audit Committee, and November 12, 2018, the 6th meeting of the 8th Board of Directors have reviewed and passed that Mr. Wen-Chin Lin, CPA and Mr. Cheng-Ming, Lee, CPA from Deloitte & Touche are qualified for the criteria of independence, as well as suitable to be the appointed CPA for the finance and tax affairs of the Company.

Operations of APEC Audit Committee recently:

Audit Committee	Content of the Proposals and Follow-up Treatment	Items Listed in Article 14-3 of the Securities Exchange Act	Resolutions not passed by the Audit Committee approved by two third of the Board of Directors
1st Session of the 2nd Audit Committee in 2018 Mar. 22, 2018	<u>Discussions Items</u>: 1. The evaluation report regarding the Company’s application of IFRS 9 “Financial Instrument,” IFRS 15 “Revenue from contracts with customers,” and IFRS 16 “Lease.”	-	None
	2. The financial statements of 2017.	✓	None
	3. For the profit distribution of 2017, on the basis of profit distribution rules specified in the Articles of Incorporation, the net profit after tax of the Company for 2017 is NT$39,210,069, and then reserve the legal reserve of NT$3,921,007, and the reversal of special reserve NT$2,682,740 as required by laws, the distributable profit at the end of the year is NT$124,721,819. Based on the total issued share capitals of 81,340,493 shares by March 21, 2019, it is proposed to distribute cash dividend of NT$36,603,222, or NT$0.45 per share from the distributable profit of 2018. The residual amount will be included to the other income of the Company.	-	None
	4. The “Statement of Internal Control System” of the Company for 2017.	✓	None
	5. It is intended to issue the employee restricted stocks for total NT$10,000,000, with face value NT$10 per share. Total issuances of common shares are 1,000,000 shares. The issuance price is NT$0, or free issuance.	✓	None
	The resolution of the Audit Committee: the members unanimously agree to pass the proposal.		
	The treatment of the Company to the opinion of the Audit Committee: the first proposal has be presented to the Board of Directors, and all attending directors		

Audit Committee	Content of the Proposals and Follow-up Treatment	Items Listed in Article 14-3 of the Securities Exchange Act	Resolutions not passed by the Audit Committee approved by two third of the Board of Directors
	unanimously agree to pass the proposal.		
2nd Session of the 2nd Audit Committee in 2018 May 10, 2018	Discussed Issues: 1. Financial statements of the first quarter, 2018.	-	None
	The resolution of the Audit Committee: the members unanimously agree to pass the proposal.		
	The treatment of the Company to the opinion of the Audit Committee: the first proposal has be presented to the Board of Directors, and all attending directors unanimously agree to pass the proposal.		
3th Session of the 2nd Audit Committee in 2018 Aug. 9, 2018	Discussed Issues: 1. Financial statements of the second quarter, 2018.	✓	None
	2. The issuance of the employee restricted stocks for 2018.	✓	None
	The resolution of the Audit Committee: the members unanimously agree to pass the proposal, or pending the resolutions.		
	The treatment of the Company to the opinion of the Audit Committee: the first proposal has be presented to the Board of Directors, and all attending directors unanimously agree to pass the proposal, or pending the resolutions.		
4th Session of the 2nd Audit Committee in 2018 Nov. 12, 2018	Discussions Items: 1. The evaluation of the suitability and independence of appointed CPAs and the delegation compensation.	✓	None
	2. Financial statements of the third quarter, 2018.	-	None
	3. Internal audit plan for 2019.	-	None
	4. The subsidiary of the Company, Future Technology Consulting (B.V.I.), Inc., intends to loan of funds to OPC Microelectronics Co., Ltd..	✓	None
	5. The Company's endorsement and guarantee to the sub-subsidiary company, OPC Microelectronics Co., Ltd.	✓	None
	The resolution of the Audit Committee: the members unanimously agree to pass the proposal.		
	The treatment of the Company to the opinion of the Audit Committee: the first proposal has be presented to the Board of Directors, and all attending directors unanimously agree to pass the proposal.		

(2) Attendance of Supervisors at Board Meetings

On May 14, 2014, the Company adds one more independent director, and on June 6, 2014, the Audit Committee has been established to replace the Supervisor System.

3. Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	✓		Since establishment, the Company has been insisting transparent operation, and emphasized the interests of shareholders on the basis of outstanding corporate governance. Besides, the Company also establishes various corporate governance regulations based on the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies." Please refer to the Corporate Governance Tab of Market Observation Post System (http://mops.twse.com.tw/mops/web/t100sb01_1), or the Corporate Governance Tab of the Company (http://www.a-power.com.tw/)	There have been no differences
2. Shareholding structure & shareholders' rights (1) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		(1) The Company has established the spokesperson system and the contact for share related matters as required by regulations, to deal with suggestions, doubts, disputes and litigations, to ensure the interests of shareholders.	There have been no differences
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(2) The Company always keeps the shareholding status of the directors, managers, and shareholders holding shares for 10% or more of the total Company shares in check. The day-to-day share related business has been delegated to Yuanta Securities Co., Ltd, and the major shareholders and the ultimate controller of the major shareholders are kept in check based on the register of shareholders provided by Yuanta.	There have been no differences
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	✓		(3) The Company has established operational procedures for the transactions with associates, to control each operational procedure for the associates.	There have been no differences

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	✓		(4) The Company has established the “Managerial Procedures for Prevention from Insider’s Trading” and the “Operational Procedures Handling Internal Material Information,” to forbid the insiders of the Company from trading negotiable securities with undisclosed information. The procedures are announced at the official website/investor/ organization and regulations	There have been no differences
3. Composition and Responsibilities of the Board of Directors (1) (1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		(1) The Company has developed a diversification policy at Article 20 of the “Practice Codes for Corporate Governance,” and Article 3 of the “Procedures for Election of Directors.” The procedures are disclosed at the official website of the Company and MOPS. Based on the operation of the Company, operational model, and development need, the elected directors shall not only have professional background (e.g. laws, accounting, industrial, financial, marketing, or technologies,) professional skills and industrial experiences, they should also have the knowledge, skills and literacy necessary for performing duties, to achieve the ideal goal of the corporate governance. Among the 8th Board of Directors, except one female member, three from the seven directors are independent directors, more than two third of the total directors. The diversification policy for the composition of the Board of Directors is disclosed on the official website and MOPS. The composition of the Board of Director is diversified, please refer to the guidelines for implement the diversification for Board of Directors in the Annual Report.	There have been no differences

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		✓	(2) The key decisions of the Company are all made by the resolutions of the Board of Directors, and the Compensation Committee and the Audit Committee have been established; both the committees comprise all the independent directors. There is not yet necessary to establish other functional committees for the business operation.	Described as paragraph (2) in the left column.
(3) Does the Company establish a standard to measure the performance of the Board, and implement it annually?		✓	(3) The Company has not yet established the procedures for evaluate the performance of the Board of Directors; in the future, the related procedures will be developed by referring the circumstance and the practices of the industry to evaluate the performance of the Board of Directors regularly.	Described as paragraph (3) in the left column.
(4) Does the Company regularly evaluate the independence of CPAs?	✓		(4) On November 12, 2018, the Company presented to the Audit Committee and the Board of Directors to evaluate and approve the suitability and independence of the appointed CPA, on the basis of the "Declaration of Independence" and resumes provided by the CPAs, and the "Evaluation Form for Independence of the CPA" provided by the Company (please refer to the Standards for Evaluating the Independence of the CPA), for the purpose of verifying the CPAs have no financial benefits or business relationship with the Company other than the certification and fee for finance and tax cases. Also the Accountant Act and Article 10 of the "Norm of Professional Ethics for Certified Public Accountant of the Republic of China," are referred, for the Board of Directors to discuss the evaluation regarding the independence. For the Standards for Evaluating the Independence of the CPA, please refer to the Standards for Evaluating the Independence of the CPA in the Annual Report (Note 1).	There have been no differences

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
4. Does the Company designate a full-time (part-time) unit or personnel to take charge of the Company's governance businesses (including but not limited to providing required data to the directors and supervisors, performing related events of the Board and the shareholder meetings by law, conduct the Company's registration and the amendment of the registration)?	✓		The Investor Relationship Department is established by the Company to handle the meetings of functional committees, Board of Directors, and shareholders, prepare the meeting minutes, and the other corporate governance related matters such as modification of registration of the Company The head of Corporate Governance is assigned to the employee who has three years or more experience of finance/accounting, share affairs, and administration, and the Investor Relationship Department is in charge of promotion. Implementation in 2018: (1) Assisting the Board of Directors, functional committees and the Shareholders' Meeting to implement affairs required by laws A.Prepare the meetings for the Board of Directors, functional committees and the Shareholders' Meeting, draft the agenda, issue the meeting notices seven days ahead, provide the documents for the meetings, and prepare the meeting minutes. B.Issue the material information regarding the resolutions of the Board of Directors, to ensure the content of such material information is law-compliance and accurate, for the benefits of the shareholders. C.Handle the registrations before the Shareholders' Meeting as required by laws, produce the meeting notices, handbook of the Shareholders' Meeting, minutes, and the annual reports in the mandatory period. D.Handle the amendments to the Company Charter, or the alteration registration after the re-elections of the directors.	There have been no differences

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			(2) Provide the information needed by the directors for fulfilling their duties A.Provide the latest laws and regulations related to the operating business to the directors, to fully grasp the latest information of the corporate governance. B.Provide the information of further education, seminars, and corporate governance seminars, and arrange the on-job training for the directors. C.Provide the information needed by the directors for maintaining the smooth communications and interactions with the executives. D.Where the independent directors in need of meeting the head internal audit and the appointed CPAs respectively on the basis of the codes of corporate governance, arrange the related meetings. (3) Maintain the investor relationship A.Participate the investment forum from time to time, and establish the investment service platform to establish diversified channels for communications. B.Update the official webpages from time to time, to cause the investors to understand the information related to the finance, business, and corporate governance, to ensure the benefits of the shareholders. (4) Promotion of the matters related to corporate governance A.Purchase the director's liability insurance for the directors, to enhance the protection to the benefits of the shareholders.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			B.Add or amend the corporate governance procedures accommodating the amendment of laws and regulations and the needs of the business.	
5. Does the Company setup communication channels between the investors (including but not limited to the shareholders, employees and suppliers), establish the Investor Relation area on the Company's website and respond to the issues of corporate social responsibilities concerned by the investors?	✓		The Company has set up spokespersons and deputy spokespersons, as the communication channel with the stakeholders. There is also a tab specifically for the stakeholders at the official website, to adequately respond the issues corporate social responsibilities concerned by the stakeholders.	There have been no differences
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The shareholder affairs has been delegated to a professional shareholder service agency, Yuanta Securities Co., Ltd.	There have been no differences
7. Information Disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	 ✓ ✓		 (1) The Company discloses the financial standings and the status of corporate governance through the corporate website. (2) The Company has assigned dedicated personnel in charge of collecting the Company's information, and discloses the required information on MOPS and the official website; the spokesperson system has been set up, to ensure the timely and fair disclosure of the material information on the basis of regulations. Shall there be investor conference, the conference will be webcasted on the MOPS and the official website	 There have been no differences There have been no differences
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk	✓		(1) Interests of employees and cares to the employees: the Company has always held the philosophy of the union of the employer and the employees, co-existence and co-prosperity, and emphasizes the reasonable, systematic, and humane management that respects the needs of employees. Also on the	There have been no differences

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			basis of interests-sharing, everything is handled by the Labor Standard Act, and through the full communications and coordination, the good relationship between employer and the employees is established. (2) The investor relationship: the Company announces the material information regarding the finance, business, or changes of insider's holding on MOPS timely as required by laws. On the Company's website, there is an Investor Relationship tab to timely disclose the information regarding finance and business of the Company. The meeting minutes of the Shareholders' Meeting have been recorded as required by laws; except being disclosed on the Company's website, the minutes are also retained by the Company for infinite time. (3) Relationship with suppliers: Under the principle of win-win, the Company establishes close long term relationships with the suppliers, to seek the sustainable growth via the trust and benefits to each other. (4) Rights of stakeholders: The stakeholders may communicate with and suggest to the Company to protect the legal rights they deserve. (5) Further educations of the directors: The directors of the Company all have the professional knowledge, and take the classes of the studies regarding security laws for the hours required by laws. Please refer the details of the further educations of the directors in the annual report. (6) The implementation of the risk management policies and the metrics for risk measurement: the	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			Company has always conducted the related risk management under the principle of solidness. The rigorous internal control system is established to prevent various risks, and the internal audit department conducts the regular and irregular audit for the effectiveness of the internal control system. The Company is also covered by the property insurance. (7) The implementation of the client policy: The Company maintains stable and good relationship with the clients, and the policy is to treat the client as the first priority, to generate profits for the Company. (8) Liability insurance for the directors: The Company has purchased the director's liability insurance for the directors, to enhance the protection to the benefits of the shareholders.	
9. The Company shall describe the improvements with reference to the corporate governance evaluation results issued by the CG Center of Taiwan Stock Exchange Corporation, and shall make available the prioritized enhanced measures for the matters that have not been improved. (1) Does the Company upload the meeting notice's English version 30 days ahead of the Shareholders' Meeting at the same time? Improvement: The English version of the meeting notice of the Shareholders' Meeting for 2019 has been simultaneously uploaded 30 days ahead of the meeting. (2) Has the Company established the English version of the company's website, to include the information related to the finance, business, and corporate governance? The improvement as the first priority: The Company has established http://www.a-power.com.tw/index.aspx?lang=eng&fn=index.				

Individual directors for diversification of Board members

Diversification Item / Name	Gender	Law	Accounting & Finance	Industry	Marketing	Business	Management
Fu-Chi Teng	Male			✓	✓	✓	✓
Tzu-Cheng Chang (Note)	Male		✓	✓	✓	✓	✓
Shih-Chieh Tsai	Male			✓	✓	✓	✓
Ji-Yu Yang	Male		✓	✓		✓	✓
Ciou-Lin Chen	Male			✓	✓	✓	✓
Yong-Sheng Liu	Male		✓	✓	✓	✓	✓
Pei-Jun Wu	Female	✓		✓	✓	✓	✓

Note:Ching-Shiang Tsai, representative of STCH Investment Inc. (Cayman), resigned on May 31, 2018. Tzu-Cheng Chang was appointed new representative by STCH Investment Inc. (Cayman) on June 1, 2018.

The is one director also an employee of the Company; three independent directors, as 43% of the total directors; one female director, as 14% of the total directors; seven directors with specialty in finance/accounting, industry, or operation management, as 100% of the total directors; one director with law specialty, as 14% of the total directors; one independent director with seniority under three years, two independent directors with seniority for four to six years; two directors are more than 60 years old, three are 50-59 years old, and two are under 50 years old.

Note1:Assessment criteria of accountant's independence

Assessment	2018 assessment result (Y/N)	Independence (Y/N)
1. The designated accountant takes into account the possible loss of the client to affect his/her auditing task.	N	Y
2.The designated accountant has direct or indirect financial interest relationship with the Company.	N	Y
3.The designated accountant has a financing or guarantee relationship with the Company or any director or supervisor of the Company.	N	Y
4.The designated accountant has close business relationship with the Company.	N	Y
5.The designated accountant has potential employment relationship with the Company.	N	Y
6. The designated accountant has contingent fees related to his/her auditing task.	N	Y
7. The designated accountant currently/ in the recent two years serves as a director, supervisor, or manager of the Company or	N	Y

Assessment	2018 assessment result (Y/N)	Independence (Y/N)
plays a role having significant influence on the audit case.		
8. The non-audit service that the firm of the designated accountant offered to the Company has direct influence on any important items of the audit case.	N	Y
9. The designated accountant promotes or acts as an intermediate for the shares or other securities issued by the Company.	N	Y
10. The designated accountant serves as the advocate of the Company or as the representative of the Company to mediate the dispute between the Company and any third party.	N	Y
11. The designated accountant has kinship with any director, supervisor, or manager of the Company or the person having significant influence on the audit service.	N	Y
12. The former partner of the designated accountant serves as a director, supervisor, or manager of the Company or in a position having significant influence on the audit case within one year after relieved of his/her office.	N	Y
13. The designated accountant receives gift or present of great value from the Company or any director, supervisor, or manager of the Company.	N	Y
14. The designated accountant accepts any inappropriate selection of accounting policies or inappropriate disclosure of financial statements made by the management of the Company.	N	Y
15.The designated accountant has pressure to reduce inappropriately fees, in order to compel the Company to reduce the extent of work performed.	N	Y

Continuing Education/Training of Directors in 2018

Name	Study period	Sponsoring Organization	Course
Fu-Chi Ten	December 5, 2018	Securities & Futures Institute	Seminar of Advanced Practices for Directors and supervisors (independent ones included) - Enterprise Strategies and Key Performance Indicators
	December 12, 2018	Securities & Futures Institute	Seminar of Advanced Practices for Directors and supervisors (independent ones included) - The Impacts of the Latest Tax Reforms to the Operations of Enterprises and the Responses
Tzu-Cheng Chang	October 20, 2018	Taiwan M&A and Private Equity Council	Training Class for M&A Professionals: Corporate Leader - Masterclass

Name	Study period	Sponsoring Organization	Course
Shih-Chieh Tsai	August 23, 2018	Securities & Futures Institute	Seminar of Advanced Practices for Directors and supervisors (independent ones included) - Discussions of Strategies of Incentives and Compensations to Employees and the Tool Applications
	August 23, 2018	Securities & Futures Institute	Seminar of Advanced Practices for Directors and supervisors (independent ones included) - Analysis to the Key Topics in the Latest Amendments to the Company Act
Ji-Yu Yang	September 6 & September 7, 2018	Accounting Research and Development Foundation	Continuous Education for the Accounting Heads at Issuers, Brokers, and Exchanges
Ciou-Lin Chen	July 19, 2018	Securities & Futures Institute	Seminar of Advanced Practices for Directors and supervisors (independent ones included) - Insights of Impacts to Corporate Governance, Internal Control, and Accountabilities to Directors/Supervisors from the Movement of the Latest Amendments to the Company Act
	July 19, 2018	Securities & Futures Institute	Seminar of Advanced Practices for Directors and supervisors (independent ones included) - Analysis to the Financial Information of Enterprises and the Applications of Decision-Making
Yong-Sheng Liu	April 11, 2018	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Legacy of Family Business
	September 26, 2018	TWSE	EGS Investment Forum
Pei-Jun Wu	May 8, 2018	TWSE	Summit Forum of New Version Blueprint of Corporate Governance for Listed Company
	July 25, 2018	OTC	Seminar for Promotion of Insiders’ Equity of OTC Listed and Emerging Shares

4. **Organization, responsibilities and operation status of the Compensation Committee:**

(1) Information on members of the Compensation Committee

Title	Conditions / Name	Has over 5 years of work experience and following professional qualifications			Independence Attribute (Note)								Concurrent compensation committee position in other publicly listed companies	Remarks
		Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related departments	Judge, Prosecutor, Attorney, CPA or National Certified Professionals	Business, Legal Affairs, Finance, Accounting or Related Work Experience	1	2	3	4	5	6	7	8		
Independent Director	Ciou-Lin Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	2	NA
Independent Director	Yong-Sheng Liu			✓	✓	✓	✓	✓	✓	✓	✓	✓	1	NA
Independent Director	Pei-Jun Wu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	NA

Note:The members who have qualified the following conditions two years before being elected and during the term are to tick the box ("✓") of the corresponding condition.

(1)They are neither employees of the Company nor its affiliates

(2)They are neither directors nor supervisors of the Company or its affiliates, unless they are Independent Directors of the Company or its parent company or subsidiaries in which the Company holds, directly or indirectly, more than 50% of the voting shares.

(3)They are not individual shareholders who hold shares, together with those held by their spouses, minor children or held under others' name, in an aggregate amount of more than 1% of the total outstanding shares of the Company or ranks among the top ten shareholders who are natural persons in terms of the share volume held.。

(4)They are not spouses or relative within the second degree of kinship or lineal relative within the third degree of kinship, or any of the persons in the preceding three subparagraphs.

(5)They are not directors, supervisors or employees of a corporate shareholder that directly holds 5% or more of the total outstanding shares of the Company or ranks among the top 5 corporate shareholders in the terms of share volume held.。

(6)They are not directors, supervisors, managers or shareholders holding 5% or more shares of a specific company or institution and who also have financial or business dealings with the Company.

(7) They are not professionals or owners, partners, directors, supervisors, or executive officer and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consulting services to the Company or to its affiliates.

(8) Not any of the circumstances in Article 30 of the Company Act.

(2) Operation status of the Compensation Committee

A.There are 3 members in the Company's Compensation Committee.

B.Current Term: From May 17, 2017 to May 16, 2020. The Compensation Committee held three meetings in the recent year, the qualifications and attendance of the Committee are shown as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (B/A) (%)	Remarks
Convener	Ciou-Lin Chen	3	0	100.00	
Member	Yong-Sheng Liu	3	0	100.00	
Member	Pei-Jun Wu	3	0	100.00	
Other mentionable items: 1. The board of directors decline to adopt, or will modify, a recommendation of the Compensation Committee:None. 2. The resolutions of the Compensation Committee which Committee member has oppositions or reservations: None.					

Operations of APEC Compensation Committee recently:

Date	Content of the Proposals and Follow-up Treatment
1st Session of the 4th Compensation Committee in 2018 Mar. 22, 2018	Discussed Items: 1. For the compensation to the employees and directors for 2017, based on Article 22 of the Articles of Incorporation. The annual profit of the Company for 2017 is NT$55,977,339 (the profit before tax and distributions to employees and directors for the year), it is proposed to distribute the employees' profit sharing bonus as much as 8.10%, or NT$4,531,710, and 1.52% or NT$849,696 as the directors' compensation; both in cash. This will be reported in the Shareholders' Meeting as required by laws.
	2. For the proposal of the salary adjustment for 2018, based on the "Key Points of the Grading for the Year End Appraisals of Employees," the year end appraisal of 2017 was conducted; based on the outcomes, the proposal of the salary adjustment for 2018 is increase 2.12%.
	The resolution of the Compensation Committee: the members unanimously agree to pass the proposal.
	The treatment of the Company to the opinion of the Compensation Committee: the first proposal has been presented to the Board of Directors, and all attending directors unanimously agree to pass the proposal.
2nd Session of the 4th Compensation Committee in 2018 May 10, 2018	Discussed Items: 1. The proposal of the employee stock option to the managers.
	The resolution of the Compensation Committee: the members unanimously agree to pass the proposal.
	The treatment of the Company to the opinion of the Compensation Committee: the proposal has been presented to the Board of Directors, and all attending directors unanimously agree to pass the proposal.
3rd Session of the 4th Compensation Committee in 2018 Aug 9, 2018	Discussed Items: 1. The salary adjustment for the subsidiaries, Green Power Semiconductor Co., Ltd. and OPC Microelectronics Co., Ltd. for 2018.
	2. The salary adjustment plan for the managers.
	3. The release of the quarter performance bonus for the managers.
	4. The allocation of the employee restricted stock for 2018 for the managers.
	The resolution of the Compensation Committee: the members unanimously agree to pass the proposal, or pending the resolutions.
	The treatment of the Company to the opinion of the Compensation Committee: the fourth proposal has been presented to the Board of Directors, and all attending directors unanimously agree to pending the resolutions.

C.Formation and Responsibilities of APEC Compensation Committee:

The duties of the Compensation Committee are listed as the following, and it shall advice for the following issues to be presented to the Board of Directors for discussions.

(A)Periodically review the organization charter of the Compensation Committee and advice for amendments.

(B) Establish and review periodically the annual and long-term performance targets for the directors and managers, as well as the policies, system, standards, and structure of compensations.

(C)Periodically review the achievement of the performance for the directors and managers, and establish the contents and amount for each of them individually.

(D)The said compensation includes the cash compensation, warrants, bonus to be invested in equity, retirement benefit or resignation pay, various subsidies, and other tangible rewards.

(E)When fulfilling the abovementioned duties, the Compensation Committee shall adhere to the followings:

a. Ensure the arrangement of the compensation complying the laws, and sufficient to attract talents.

b. For the assessment of performance and the compensation of the directors and managers, the peers' level shall be referred to, and various factors, such as the input time, duties to be performed, achievement of the personal target, performance at other positions, the compensations given to the similar positions in the recent years shall be taken into account, as well as the achievement of the short and long-term business target, and the financial position, to assess the personal performance and the relative reasonable ness to the performance of the Company and the future risks.

c. Not to entice the directors and managers to violate the risk appetite of the Company for compensation.

d. For the bonus for the short term performance, and the timing of paying, some variable compensation, the nature of the industry and the business of the Company shall be taken into account.

(F)If the compensation of the directors and managers of the subsidiaries shall be approved by the Company's Board of Directors based on the hierarchy responsibilities, these shall be proposed by the Compensation Committee for the Board of Directors to discuss.

5. Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Corporate Governance Implementation (1) Does the Company declare its corporate social responsibility policy and examine the results of the implementation?	✓		(1) The Board of Directors has passed the "Codes of Practice for the Corporate Social Responsibilities (CSR)," mainly including the implementation of the corporate governance, development of the sustainable environment, maintenance of the public benefits, enhancement of the disclosures of CSR information, and review of the effectiveness of the implementation of related CSR works. The Company believes that the social responsibility of corporates is to improve the society, look forward to the future. The Company expects to continuously implement the CSR, to be a good corporate citizen. The Company seeks the sustainable development, based on the effects of each stakeholder to the Company, as well as the concerned issues. The Company believes that the sustainable development, ethics, and integrity are the keys for the long successes for corporates. Through the implementation of CSR, the clients would trust us more due to our integrity, law-abiding, and good corporate governance; the investors would be willing to invest longer due to the clear core values of the Company; and a stronger coherence among all employees would be generated. Implementing CSRs in these manners, the bigger competitive advantages will be achieved, and thus the higher value for the shareholders will be created, as well as the multiple wins among all related parties. Please refer to III, (IV), 8 of the annual report. To be philanthropic with our employees, the "Guidelines for Donations to Welfare Organization" are established. The employees	There have been no differences

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			may decide the amount and the counterparties they want to contribute to, and the Company will join the contribution. The Company will contribute the same amounts as the donations of the employees to the public welfare organizations. The total amount of donations by the Company and our employees is about NT$490,000.	
(2) Does the Company provide educational training on corporate social responsibility on a regular basis?	✓		(2) To keep the awareness to the codes of ethics of the employees, the Company has published the "Codes of Operation with Integrity," and the "Code of Conducts" on the website as references for the employees, also promotes the core values and compliance system to the employees via various channels such as trainings or promotional essays.	There have been no differences
(3) Does the Company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		(3) The Company has cared for the minorities for a long time. To internalize the CSR to the mindsets of the employees, the Investor Relation Department and the HR Administration Department have organized a task force to promote the concept, for the purpose of fulfilling the CSR during the daily course of operations.	There have been no differences
(4) Does the Company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?		✓	(4) Based on the Labor Standard Act and by referring the peers' salary levels, the reasonable compensation policy is made, as well as a clear reward and penalty system. But the personal performance appraisal does not linked to the CSR policy.	Described as paragraph (4) in the left column.
2. Sustainable Environment Development (1) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(1) The Company emphasizes greens and environments, and implements these in the works of each employee, to actually recycle and reuse the wastes, reduce the pollutions, and fulfill the CSR. Please refer to III, (IV), 8 of the annual report.	There have been no differences

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(2) Does the Company establish proper environmental management systems based on the characteristics of their industries?	✓		(2) The Company is a component design company without foundry. All the production of wafers is outsourced; therefore the ISO14001 environment management system is no applicable. All the OEMs comply with the requirements of the environmental laws and regulations. However, the Company has establish the management for the environmental safety, to actively implement the self-management of environment, safety, and health, as well as the pollution operations, to ensure the health and safety in the working environment, and the eco balance. Please refer to III, (IV), 8 of the annual report.	There have been no differences
(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	✓		(3) The Company has utilized the energy-saving lightings in the working environment, and gradually introduced the e-forms system to reduce the wastes of papers, as a contribution to the earth's environment. Please refer to III, (IV), 8 of the annual report.	There have been no differences
3. Preserving Public Welfare (1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1) The Company adheres to the related labor laws and regulations through the promotions of internal working rules. Also the complaint channels are provided to protect the interests of the employees. We believe all employees are treated and respected equally. The Company respects the international recognized basic labor human rights regulations, as well as the basic labor human rights principles recognized internationally, including the International Labor Organization (IOL), Organization of Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, and the Universal Declaration of Human Rights of United Nations. The	There have been no differences

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			women's employment is protected, as well as the improvement the communications between the Company and the employees. The labor-management meetings are convened regularly to protect the basic interests of the employees.	
(2) Has the Company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	✓		(2) The Company set up the complaint channels for employees, and actively provides the communication platform for the employees; the complaints from the employees will be responded properly.	There have been no differences
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(3) Based on the "Act of Occupation Safety and Health," the "Labor Standard Act," and, the "Fire Services Act," there shall be emergency lighting, evacuation lights, and fire sprinklers at the working environments, the safety awareness and the ability to response the contingency shall be enhanced. The Administration Department inspects and maintains the fire extinguishing equipment regularly, such as the pressure check of fire extinguishers, the parts of fire hydrant. The inspection records shall be documented to ensure the effectiveness of the extinguishing equipment. The machinery equipment and experiment instruments in the warehouse and labs shall be labeled with warning signs. The new employees shall receive the occupational safety and health educations. The Company also has established the "Codes for Work Safety and Health." The health checks are conducted for the employees to ensure their safety and health. Please refer to III, (IV), 8 of the annual report.	There have been no differences
(4) Does the Company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓		(4) Company has established the labor-management negotiation meetings as the active communication platform for the employees, so that the employees have rights to express opinions and participate the operating management activities and decision-making.	There have been no differences
	✓		(5) The Company creates a good environment for the	There have been no

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(5) Does the Company provide its employees with career development and training sessions?			career development of the employees, and establishes the effective training programs for the capabilities of careers.	differences
(6) Does the Company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓		(6) The Company has established the related customer services and satisfaction survey procedures, as well as provides various channels to provide the latest information, information of products and technologies, and communications.	There have been no differences
(7) Does the Company advertise and label its goods and services according to relevant regulations and international standards?	✓		(7) The Company has complied with the related laws and regulations for marketing and labeling of products and services.	There have been no differences
(8) Does the Company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	✓		(8) The suppliers engaged by the Company have been evaluated based on the "Procedures of Supplier Control."	There have been no differences
(9) Do the contracts between the Company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	✓		(9) The contracts with the suppliers do not specified the violation of CSR. However, the Company regularly evaluation the suppliers based on the "Procedures of Supplier Control." Shall any supplier is found such violation, the Company will not select the suppliers ignore the CSR.	There have been no differences
4. Enhancing Information Disclosure (1) Does the Company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	✓		The relevant and reliable information related to CSR are disclosed on the official website of the Company or MOPS.	There have been no differences
5. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the Principles and their implementation: To implement the CSR, and promote the advances of economics, environment, and society, for the purpose of the sustainable development, the codes of practices for CSR are established based on the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" for compliance. The implementation is gradually, and through the corporate ethics training and promotions, the operations of CRS are promoted.				
6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: To be philanthropic with our employees, the "Guidelines for Donations to Welfare Organization" are established. The employees may decide the amount				

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
and the counterparties they want to contribute to, and the Company will join the contribution. The Company will contribute the same amounts as the donations of the employees to the public welfare organizations. The total amount of donations by the Company and our employees is about NT$490,000.				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The Company does not prepare a CSR Report.				

6. **Ethical Corporate Management**

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs				
(1) Does the Company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		(1) To establish the corporation culture of integrity, enhance the corporate governance and risk management for the purpose of a health operating environment, the Company has established the "Codes of Operation with Integrity," specifying that the directors, managers, and employee shall adhere the laws and regulations when conducting business and to prevent the conducts without integrity.	There have been no differences There have been no differences
(2) Does the Company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	✓		(2) In the "Codes of Operation with Integrity," the Company specifies the treatment procedures dealing with the violation of integrity, guidelines of behaviors, disciplinary actions for violations, and the appealing system. The "Guideline for Handling Whistleblowing of Illegal, Unethical, or Dishonest Behaviors," based on the Codes, to establish the whistleblowing and complaint channel, as well as the receiving unit. The receiving unit shall have no interest with the cases, to implement the prevention of	There have been no differences

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			the behaviors without integrity.	
(3) Does the Company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies ?	✓		(3) Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies	There have been no differences
2. Fulfill operations integrity policy				
(1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		(1) To prevent the business activities without integrity, the Company is promoting to include the clauses of integrity in the contracts to be entered gradually.	There have been no differences
(2) Does the Company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	✓		(2) The Investor Relation Department is the window for the promotion of integrity, and the implementation of the policy of operation with integrity. The promotions are based on the ""Codes of Operation with Integrity." To best fulfill the supervisory duty to the operation with integrity, the Board of Directors establishes various organization and channels. The related implementations are reported to the Board of Directors annually. To implement the operation with integrity, not only the new employees will be trained specifically, the promotions are conducted in the routine manager meetings, business meetings, and product production/marketing meetings, and the classes for the compliance of the regulations of operation with integrity, management of occupational safety and health, and internal control are total 36 sessions, for 765 people. Six of them with 126 people are for the tangible approaches of operation with integrity.	There have been no differences
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels,	✓		(3) In the "Handbook for Board of Directors," it is specified that the directors shall be highly	There have been no differences

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
and implement it?			self-disciplined; if any issue in the agenda has interest conflicts with any director or the entity it represented, he/she shall explain the key facts of such conflicts; if the conflict is adverse to the benefits of the Company, such director must not participate the discussion and voting, he/she shall avoid the discussion and voting, neither to be a proxy of any other director for executing the voting right.	
(4) Has the Company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		(4) The Company has established the internal control system and implemented the system. The internal audit personnel regularly inspect the compliance of the system, and prepare the audit report to the Company. Also the Company reviews and revise the system annually to ensure the continuous effectiveness of the design and implementation of the system, so that the good corporate governance and risk control mechanism are established, as the basis of evaluation of the effectiveness of the internal control system and the statement of the internal control system.	There have been no differences
(5) Does the Company regularly hold internal and external educational trainings on operational integrity?	✓		(5) As an implementations of the operation with integrity, not only the new employees will be trained specifically, the promotions are conducted in the routine manager meetings, business meetings, and product production/marketing meetings, and the classes for the compliance of the regulations of operation with integrity, management of occupational safety and health, and internal control are total 36 sessions, for 765 people. Six of them with 126 people are for the tangible approaches of operation with integrity.	There have been no differences
3. Operation of the integrity channel (1) Does the Company establish both a reward/punishment	✓		(1) To promote the corporate culture of operation with	There have been no

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?

(2) Does the Company establish standard operating procedures for confidential reporting on investigating accusation cases?

(3) Does the Company provide proper whistleblower protection ?</td><td>

✓

✓</td><td></td><td>integrity, except setting up the whistleblowing channel, the Company expressively specifies in the Codes of Operation with Integrity and the Codes of Conducts that the alleged violations of integrity will be investigated, and the chance of appealing will be given. The employee that is confirmed for the violation will be penalized by the related regulations.
(2) The “Guideline for Handling Whistleblowing of Illegal, Unethical, or Dishonest Behaviors” has been established. The identity of the whistleblower and the content of the whistleblowing will be strictly kept confidential. The guidelines are published on the website.
(3) The Company has expressively specifies the measures to protect the whistleblowers not to be wrongly treated for the whistleblowing.</td><td>differences

There have been no differences

There have been no differences</td></tr>
<tr><td>4. Strengthening information disclosure
(1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company’s website and MOPS?</td><td>✓</td><td></td><td>The information related to operations with integrity is also disclosed on the official website of the Company and MOPS.</td><td>There have been no differences</td></tr>
<tr><td colspan="5">5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation There have been no differences</td></tr>
<tr><td colspan="5">6. Other important information to facilitate a better understanding of the Company’s ethical corporate management policies (e.g., review and amend its policies). The Company will always pay attentions to the development of the domestic and overseas regulations regarding to the operation with integrity. The directors, managers, employees are encouraged to offer advices for improving the established policies for operation with integrity and the implementation measures, so that the effects of the operation with integrity will be enhanced.</td></tr>
</table>

7. **Corporate Governance Guidelines and Regulations：** Please refer to the MOPS website http://mops.twse.com.tw/ for the corporate governance or the website of the Company for the corporate governance.

8. **Other Important Information Regarding Corporate Governance：** Please refer to the MOPS website http://mops.twse.com.tw/ for the corporate governance or the website of the Company for the corporate governance.

(1) Fulfillment of CSR

The operation philosophy of the Company is the sustainable operation, and the long-term partnership with the clients and the communities. To best fulfill the responsibilities of corporate citizen, and maintain an advanced environmental safety and health have been the important commitment and policies of the Company. The Company always takes the approach of "gaining from the society, returning to the society," and with the philosophy of "caring for employees, emphasizing environment, and practice for the public benefit," the Company engages to the promotions of social responsibilities. Not only for the common improvement of the sustainable development of enterprises and society, it is also expected to lead the society to move forward to the "goodness."

A.Communication

The dedicated personnel and e-mail have been establish as the conversation channels for the stakeholders, to communicate one way or two ways, as well as to handle the communications. Besides, the communications to employees are conducted from time to time in the format of seminars, labor-management meetings, Committee of Benefits, or direct communication from the management to the employees.

B.Green Production

To achieve the goal of zero-pollution, the Company works closely with the suppliers. For the production, the maximum efficiency is seeking for the materials, energies, and resources to save the quantity, and the toxic materials are reduced or even aborted, in order to reduce the damage of emissions from the source. For products, all the international standards for green products are satisfied. The impacts to the environment are even evaluated for the life spans, for the continuous improvement.

C.Environmental Management

The increasing environmental awareness results in that the companies having outstanding environment performance are better positioned in the international competitions. Due to this, the Company continuously requires the suppliers to comply with the ISO14000 environmental management system and OHSAS1800 occupational health and safety management system. It is expected to achieve the autonomous and continuous improvement via the systematic management, and thus to improve the environment and reduce the impacts to the environment.

D.Employee Benefits

The Company has always held the philosophy of the union of the employer and the employees, co-existence and co-prosperity, and emphasizes the reasonable, systematic, and humane management that respects the needs of employees. Also on the basis of interests-sharing, everything is handled by the Labor Standard Act, and through the full communications and coordination, the good relationship between employer and the employees is established. Therefore, the Company's employees shall unit together, work together, to achieve the business goals in a harmonious working environment.

Talents are the most important resources of the Company, as well as the critical keys for the future growth. Therefore, a good working environment is built for the comforts of the employees. The flextime is also introduced, so that the employees may arrange their works and private lives, to achieve the work-life balance better. The Company always values the employee benefits very much. Except the bonuses at the year-end, dragon boat festival, mid-Autumn festival, Labor Days, the Employee Benefit Committee and the Trust of the Employees' Shareholding are establish to promote the harmonious relationship between the labor and the management and the best of the employees' benefits.

(2) Development of Sustainable Environment

A.The degree of effects or impacts of emission of greenhouse gas to the corporation:

(A)The risk of climate changes related regulations that the Company is exposed to:

The Company is not the in the list of "First batch of source of emission to inspect and register the quality of greenhouse emissions" based on the "Act of Reduction and Management for Greenhouse Gas Emission," and thus there is no risk of violation.

(B)The substantial risks for the Company to be affected by the climate changes.

The Company is a component design company without foundry. Therefore, if there are any substantial risks to be affected by the climate changes, such risks should only include the increase of utility bills from the increasing power and water consumption due to the air-conditioning and lightings in the office. However, the abnormal weathers have been more frequently occur worldwide due the emission of greenhouse gas, and the serious disasters are caused. This shall be some certain impact to the operations. The Company will continuously monitor and implement the internal measures for carbon-reduction and water-saving, to seek to minimize the loss if any nature disaster occurs.

(C)Opportunities provided by the climate changes.

The Company provides products with design of better energy saving to increase the adoption of the products. Besides, the Company have always use the consuming materials produced in low-pollution manner and the environment friendly. Not only the production is fully lead-free and halogen free, the parts used by the products are compliant with the RoHS EU environmental parts, and the products of the Company also RoHS certified, to reduce the impact of production and operation to the environment, as well as be consistent to the international trend and the expectation of the clients.

(D)The (direct/indirect) quantity of the greenhouse gas emission (indicating the scope and time of inspection) and if the external certificates are granted.

The inspected quantity of the greenhouse gas emission of the Company is not externally certified, but only a self-management. The CO2 equivalents estimated by the statistics of the utility bills in 2017 and 2018 are as the following:

Scope of Inspection: Hsinchu and Taipei office.

Period of Inspection: 2017 and 2018.

Emission Statistics: based on the power discharge coefficient announced by the Energy Bureau, to translate the power and water consumptions for the CO2 emission.

Year	Total Emission (kg)	CO2 Equivalent (t)
106	503,456	279
107	589,463	327

B.The Strategies, approaches, or objectives to manage the greenhouse gas by the Company:

(A)The strategy to responding the climate changes or management of greenhouse of the Company:

The Company is a component design company without foundry, and thus the greenhouse emission is indirect. The CO2 emission caused by the power consumption from air-conditioning and household water consumption are the major sources of greenhouse emission. The energy-saving and the emission reductions are mainly through the power saving. Besides, the strategy of the Company is to consider the impact to the environment and carbon reduction from the beginning of design. The green design is applied. From the production of materials, transportation, production of products, transportation of products, product application until the post-disposal treatment shall be taken into account for their impacts to the environments. Besides, during the operation, the power shall be actually saved to achieve the goals of reducing the emission of greenhouse gas and decrease the use of resources, and thus minimize the impacts to the environment and ecologies. The energy-saving programs promoted by the Company in the recent years include: turning off lights and power when not needed; walking the stairs instead of taking elevators. Also the light sources are replaced by LED gradually to reduce the power consumption and thus the CO2 emission. The Company is now digitizing the forms of approval, to decrease the use of paper, and move forward to the goal of paperless. Also, for the sustainable use of resources, the first priority of the management of wastes is to reducing wastes during the production, and then the re-use, and the last is the treatment or disposal. To grasp the direction of the wastes, the Company carefully selects the vendors for waste disposal and recycling, to reduce and recycle the wastes for reduction of environmental risks.

(B)The objectives of the greenhouse emission reduction for the Company

The annual total emission is positively related to the numbers of employees, and thus it is not easy to set up the objective for emission reduction. Since the major emission sources are the power consumptions from air-conditioning and office lighting, the energy-saving programs will be promoted to reduce the necessary wastes. The annual total emission is related to the floor area of the offices and the number of the users. The objective will be gradual reduction year-on-year of the emission per capita. Taking 2017 as the base year, it is expected in 2018, 1% of emission per capita reduction will be achieved, and by 2021, the objective of 2% of emission per capita reduction will be achieved.

(C)The budget and plan of the greenhouse emission reduction for the Company

Advocate to turn off lights and power when not needed; energy-saving inspection from time to time, encourage to walk the stairs instead of taking elevators. Turn off the lights and air conditioning at the idled areas, and only basic power is retained, to reduce the usage of power and the emission of CO_2.

(D)The effects of reduction of CO_2 emission brought to the clients or consumers by the products or services of the Company

The Company emphasizes the green design. For the product design, we provide the solutions with better energy saving, to assist the clients to design low power consumption, low toxic damage, and easily recycled products with high efficiency, to decrease the consumed resource during the life spans of products. Also we continuously use the consumable and parts with lower pollutions, to decrease the impacts to the environments.

9. **Status of Implementation of Internal Control System**

(1) Statement of internal control system

Statement of Internal Controls

Date: March 21, 2019

Advanced Power Electronics Co., Ltd. (APEC) states the following with regard to its internal control system for the year 2018:

1. APEC is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. APEC has established such a system to provide reasonable assurance in achieving objectives related to the effectiveness and efficiency of operations (including profits, performance and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. An effective internal control system, no matter how perfectly designed, can provide only a reasonable assurance in the accomplishment of the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in the environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms and the Company takes corrective actions as soon as a deficiency is identified.
3. APEC evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the “Regulations Governing the Establishment of Internal Control Systems” by public companies promulgated by the Securities and Futures Bureau, the Financial Supervisory Commission and the Executive Yuan (herein referred to as the “Regulations”). The internal control system evaluation criteria stated in the Regulations classify internal control into five key elements based on the process of management control: (1) Control environment, (2) Risk assessment and response, (3) Control activities, (4) Information and communications, and (5) Monitoring. Please refer to the Regulations for details on these five key elements.
4. APEC has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the third paragraph, APEC believes that as of Dec. 31, 2018, its internal control system (including its supervision of subsidiaries), which encompasses internal controls to achieve effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations, was effectively designed and operating, and is reasonably assured of achieving the above-stated objectives.
6. This statement will form a major part of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement has been passed by the APEC Board of Directors’ Meeting on March 21, 2019, where all of the seven attending directors did not express any dissenting opinion and affirmed the content of the same.

Advanced Power Electronics Co., Ltd.
Fu-Chi Teng, Chairman
Fu-Chi Teng, President

(2) If the Company is requested by the SEC to retain CPA's service for examining internal control system, the Independent Auditor's Report must be disclosed: None.

10. The punishment delivered to the Company and the staff of the Company, or, the punishment delivered by the Company to the staff for a violation of internal control system, the major nonconformity, and the corrective action in the most recent years and up to the date of the annual report printed: None.

11. Resolutions reached in the Shareholders' Meeting or by the board of directors in the most recent years and up to the date of the annual report printed:

(1) The important resolutions of the general shareholder meeting:

Date	Subjects	Review of execution
May 17,2018	1.The recognition of the 2017 Financial Statements and distribution of 2017 profits.	1. The board of directors set the record date of allocation of dividend on July 2, 2018, and date of allocation of cash dividend on July 16, 2018. (cash dividend NT$0.45 per share).
	2.Approved the issuance of employee restricted stocks, as proposed.	2. The issuance of employee restricted stocks for 2018 issue 1,000,000 common shares, with face value of NT$10. The total amount of issuance is NT$10,000,000. The issuance has been approved by the Financial Supervisory Commission No. 1070320855 to be effective on June 6, 2018.

(2) The important resolutions of the Board of Directors:

For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a total of 9 meetings of the Board of Directors were held:

Date	Major resolutions
1st Session of the 8th BOD in 2018 Jan.25, 2018	1. Approved to ensure the capacities of suppliers by pre-payment, as proposed. 2. Approved to annual business plan for 2018, as proposed. 3. Approved to the fourth quarter of 2017, there were total 49.505 units executed but not yet registered for the 2011 Stock Option Plan. Each unit of employee stock option may subscribe 1,000 shares at the price of NT$ 21.00. The common shares to be issued due to the execution of employee stock option are 49,505 shares. After the capital increase, the common shares are 81,340,493 shares and the paid-up capital is NT$ 813,404,930, as proposed. 4. Approved to convened the shareholder meeting of 2018 and received the proposals from the shareholders, as proposed.

Date	Major resolutions
	5. Approved to amended to the Rules of Procedure for Board of Directors Meetings, as proposed. 6. Approved to amended the 2017 Stock Option Plan to 2018 Stock Option Plan. The total issuance of the employee stock options are 2,000 units, each unit of option may subscribe 1,000 shares, and the common shares to be issued due to the execution of employee stock option are 2,000,000 shares, as proposed.
2nd Session of the 8th BOD in 2018 Mar.22, 2018	1. Approved to the evaluation report regarding the Company's application of IFRS 9 "Financial Instrument," IFRS 15 "Revenue from contracts with customers," and IFRS 16 "Lease", as proposed. 2. Approved to the "Statement of Internal Control System" of the Company for 2017, as proposed. 3. Approved to the Company's endorsement and guarantee to the sub-subsidiary company, OPC Microelectronics Co., Ltd. , as proposed. 4. Approved to the Annual reports and financial statements of 2017, as proposed. 5. Approved to the profit distribution of 2017, on the basis of profit distribution rules specified in the Articles of Incorporation, the net profit after tax of the Company for 2017 is NT$39,210,069, and then reserve the legal reserve of NT$3,921,007, and the reversal of special reserve NT$2,682,740 as required by laws, the distributable profit at the end of the year is NT$124,721,819. Based on the total issued share capitals of 81,340,493 shares by March 21, 2019, it is proposed to distribute cash dividend of NT$36,603,222, or NT$0.45 per share from the distributable profit of 2018. The residual amount will be included to the other income of the Company, as proposed. 6. Approved to the compensation to the employees and directors for 2017. The annual profit of the Company for 2017 is NT$55,977,339 (the profit before tax and distributions to employees and directors for the year), it is proposed to distribute the employees' profit sharing bonus as much as 8.10%, or NT$4,531,710, and 1.52% or NT$849,696 as the directors' compensation; both in cash. This will be reported in the Shareholders' Meeting as required by laws, as proposed. 7. Approved to issue the employee restricted stocks for total NT$10,000,000, with face value NT$10 per share. Total issuances of common shares are 1,000,000 shares. The issuance price is NT$0, or free issuance, as proposed. 8. Approved to the newly added reason for convening the Shareholders' Meeting for 2018: Discussion Item: Intension of issuing the employee restricted stocks, as proposed.
	1. Approved to ensure the capacities of suppliers by pre-payment, as proposed. 2. Approved to financial statements of the first quarter, 2018, as

Date	Major resolutions
3rd Session of the 8th BOD in 2018 May 10, 2018	proposed. 3. Approved to the issuance of employee stock option for 2018. The Company has applied to issue 2,000 units of employee stock option, and have obtained the approval from FSC with the Letter No.1070313569. It is expected to issue 2,000 units (total 2,000 units) of employee stock option. The subscribing price of the employee stock option is determined on the basis of the close price of the common shares on May 10, 2018 (the issuance date), NT$27.9 per share. The issuance period is May 10, 2018 to May 9, 2024, as proposed.
4th Session of the 8th BOD in 2018 Jun.7, 2018	1. Approved to the ex-dividend base date for the cash dividends of 2017 is determined to be July 2, 2018. The cash dividend is NT$0.45 per share, the total amount of cash dividends is NT$36,603,222, as proposed.
5th Session of the 8th BOD in 2018 Aug. 9, 2018	1. Financial statements of the second quarter, 2018. 2. Approved to the base date of issuance of the employee restricted stocks for 2018 has been agreed to pending the resolution, as proposed.
1st Session of the 8th of Interim BOD in Oct. 15, 2018	1. Approved to adjustments to the duties of mangers and spokespersons, as proposed.
6th Session of the 8th BOD in 2018 Nov. 12, 2018	1. Approved to the evaluation of the suitability and independence of appointed CPAs and the delegation compensation, as proposed. 2. Approved to financial statements of the third quarter, 2018. 3. Approved to Internal audit plan for 2019, as proposed. 4. Approved to adjustments to the duties of key managers and spokespersons, as well as the organizational structure, as proposed. 5. Approved to the subsidiary of the Company, Future Technology Consulting (B.V.I.), Inc., intends to loan of funds to OPC Microelectronics Co., Ltd., as proposed. 6. Approved to the Company's endorsement and guarantee to the sub-subsidiary company, OPC Microelectronics Co., Ltd., as proposed.
1st Session of the 8th BOD in 2019 Jan. 17, 2019	1. Approved the budget for 2019, as proposed. 2. Approved to convene the shareholder meeting of 2019 and received the proposals from the shareholders, as proposed 3. Approved to amend the "Guideline for Handling Whistleblowing of Illegal, Unethical, or Dishonest Behaviors, as proposed.
	1. Approved the "Statement of Internal Control System" of the Company for 2018, as proposed. 2. Approved the Annual reports and financial statements of 2018, as proposed. 3. Approved the profit distribution for 2018, as proposed.

Date	Major resolutions
2nd Session of the 8th BOD in 2019 Mar. 21, 2019	4. Approved the Company's distribution for the compensations to the employees and directors for 2018, as proposed. 5. Approved to amend to the Articles of Incorporation, as proposed. 6. Approved to amend to the Rules of Procedure for Shareholder Meetings, as proposed. 7. Approved to amend to Procedures for Election of Directors, as proposed. 8. Approved to amend to the Operational Procedures for Acquisition and Disposal of Assets, as proposed. 9. Approved to amend to the Corporate Governance Best Practice Principles, as proposed. 10. Approved to enact of the Operational Procedures for Loaning of Company Funds, as proposed. 11. Approved to amend to the Endorsement and Guarantee Operating Procedure, as proposed. 12. Approved the newly added reasons to convene the shareholder meeting of 2019, as proposed.

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

13. Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D:

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
General Manager	Tzong-Shiann Wu	Oct. 06, 2017	Oct. 15, 2018	Job adjustment
Chief Technology Officer	Vrej Barkhordarian Ph.D.	Oct. 06, 2017	Oct. 15, 2018	Organization adjustment

(V) Information Regarding the Company's Audit Fee and Independence

CPAs fees

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Deloitte & Touche	Wen-Chin Lin	Cheng-Ming Lee	Jan. 1, 2018~ Dec. 31, 2018	—

Unit: NT$ thousands

Fee Range \ Fee Items		Audit Fee	Non-audit Fee	Total
1	Below 2,000 thousand	–	✓	–
2	2,000 thousands（included）~4,000 thousand	✓	–	✓
3	4,000 thousands（included）~6,000 thousand	–	–	–
4	6,000 thousands（included）~8,000 thousand	–	–	–
5	8,000 thousands(included)~10,000 thousand	–	–	–
6	Over 10,000 thousand（included）	–	–	–

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Wen-Chin Lin, Cheng-Ming Lee	3,100	—	161	—	—	161	Jan. 1, 2018~ Dec. 31, 2018	—

1. **The non-auditing fees paid to CPAs, CPA firm, and the CPA firm's related party accounted for over a quarter of the total auditing fees, the auditing amount and non-auditing amount; also, the non-auditing service must be disclosed:** None.
2. **In case the auditing fee paid in the year retaining service from another CPA Firm is less than the auditing fee paid in the year before, the amount of auditing fee before / after the change of CPA Firm and the reasons for the said change must be disclosed:** None.
3. **In case the auditing fee paid in the year retaining service from another CPA Firm is over 15% less than the auditing fee paid in the year before, the amount and ratio of auditing fee reduced and the reasons for the said change must be disclosed:** None.

(VI) Alternation of CPA: None

(VII) The Company's Chairman, General Manager, or any Managerial Officer in charge of Finance or Accounting Matters has in the most recent year held a position at the Accounting Firm of its CPA or at an Affiliated Enterprise.: None

(VIII) Transfer and Pledge of Stock Equity by Directors, Supervisors, Managerial Officers and Holders of 10% or More of Company share:

1. **Any change in shareholding and net change in shares pledged by directors, supervisors, department heads and shareholders of 10% shareholding or more**

Unit: Shares

Title	Name	2018		As of Mar. 18, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Future Technology Consulting, Inc. Representative:Fu-Chi Teng	0	0	0	0
Director	STCH Investment Inc. (Cayman) Representative:Tzu-Cheng Chang (Note1)	0	0	0	0
Director	Shih-Chieh Tsai	0	0	0	0
Director	Ji-Yu Yang	0	0	0	0
Director	Ciou-Lin Chen	0	0	0	0

Title	Name	2018		As of Mar. 18, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Yong-Sheng Liu	0	0	0	0
Director	Pei-Jun Wu	0	0	0	0
Shareholders with a stake of more than 10 percent	A3F Ltd.	0	0	0	0
General Manager	Fu-Chi Teng (Note 2)	0	0	0	0
Executive Vice President	Lin-Chung Huang (Note 3)	41,335	0	0	0
Vice President of R&D Division	Jau-Yan Lin (Note 3)	41,335	0	0	0
Vice President of Product Engineering Division	Meng-Hui Lin (Note 3)	41,334	0	0	0
Vice President of Operations Division	Wen-Jiun Chiou (Note 3)	0	0	0	0
Vice President of Finance & HR Administration Division	Mei-Ying Tan	91,706	0	0	0
Director	STCH Investment Inc.(Cayman) Representative: Ching-Shiang Tsai (Note1)	0	0	0	0
General Manager	Tzong-Shiann Wu (Note 2)	0	0	0	0
Chief Technology Officer	Vrej Barkhordarian Ph.D. (Note 5)	(5,000)	0	—	—
Senior Vice President of R&D Division	Ko-Yu Yu (Note 6)	(56,000)	0	—	—
Vice President of Operations Division	Chiao-Jung Huang (Note 7)	12,734	0	—	—
Vice President of Sales Division	Shih-Hsien Cheng (Note 8)	(27,000)	0	—	—

Note：
1. Ching-Shiang Tsai, representative of STCH Investment Inc. (Cayman), resigned on May 31, 2018. Tzu-Cheng Chang was appointed new representative by STCH Investment Inc. (Cayman).
2. Fu-Chi Teng, President and General Manager were newly appointed on October 15, 2018 and Tzong-Shiann Wu, General Manager resigned on October 15, 2018.
3. Executive Vice President Lin-Chung Huang, Vice President of R&D Division Jau-Yan Lin, Vice President of Product Engineering Division Meng-Hui Lin, Vice President of Operations Division Wen-Jiun Chiouwere newly appointed on November 12, 2018.
4. Vrej Barkhordarian, Chief Technology Officer dismissed on November 12, 2018.
5. Ko-Yu Yu, Senior Vice President of R&D Division retired on August 10, 2018.
6. Chiao-Jung Huang, Vice President of Operations Division resigned on May 31, 2018.
7. Vice President of Sales Division dismissed on December 31, 2018.
8. Ming-Te Lin, Executive Assistant to Chairman resigned on March 7, 2018.
9. The related information is only disclosed when the insiders are at the position. From the date of resignation and discharge, the insiders' information of shareholding is not to be disclosed.

2. **Information of shares transferred: There is no party involved in shares transfer known as the related party:** None.

3. **Information of equity pledged: There is no party involved in equity pledge knows as the related party:** None.

(IX) Information on Relationships Among the Top Ten shareholders

As of March 18, 2019; Unit: Shares %

Name	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
A3F Ltd.	9,962,107	12.25	0	0.00	0	0.00	-	-	
A3F Ltd. Representative: Chi Man Ng	0	0.00	0	0.00	0	0.00	-	-	
STCH Investment Inc.	6,193,247	7.61	0	0.00	0	0.00	-	-	
STCH Investment Inc. Representative: Ching-Yi Chang	0	0.00	0	0.00	0	0.00	-	-	
Prime Reliance Investment Ltd.	6,193,247	7.61	0	0.00	0	0.00	-	-	
Prime Reliance Investment Ltd. Representative: Han-Fei Lin	0	0.00	0	0.00	0	0.00	-	-	
Future Technology Consulting, Inc.	3,084,899	3.79	0	0.00	0	0.00	Fu-Chi Teng	Chairman of the company	
Future Technology Consulting, Inc. Representative: Fu-Chi Teng	1,940,102	2.39	0	0.00	0	0.00	Future Technology Consulting, Inc.	Chairman of the company	
Fu-Chi Teng	1,940,102	2.39	0	0.00	0	0.00	Future Technology Consulting, Inc.	Chairman of the company	
Qing-Tong Chen	1,432,000	1.76	0	0.00	0	0.00	-	-	
Ko-Yu Yu	947,896	1.17	15,631	0.02	0	0.00	-	-	
Wei-Cheng Chiou	765,289	0.94	0	0.00	0	0.00	-	-	
Chicony Power Technology Co., Ltd	576,000	0.71	0	0.00	0	0.00	-	-	
Chicony Power Technology Co., Ltd Representative: Jin-Zong Lu	0	0.00	0	0.00	0	0.00	-	-	
Rui-Cong Tsai	540,000	0.66	0	0.00	0	0.00	-	-	

(X) Investment from Directors, Supervisors, Managers, and directly or indirectly Controlled Business

Total Shareholding Ratio

As of December 31, 2018, Unit: Share; %

Ownership of Shares in Affiliated Enterprise	Ownership by APEC		Direct/Indirect Ownership by Directors and Management		Total Ownership	
	Shares	%	Shares	%	Shares	%
Future Technology Consulting (B.V. I.), Inc.	2,000,000	100.00	0	0.00	2,000,000	100.00
Perfect Prime Limited (SAMOA)	450,000	100.00	0	0.00	450,000	100.00
Shenzhen Fucheng Electronics. Corp. (Note1)	Not applicable	100.00	Not applicable	100.00	Not applicable	100.00
Green Power Semiconductor Corp.	9,500,000	73.08	0	0.00	9,500,000	73.08
OPC Microelectronics Co., Ltd. (Note 2)	Not applicable	100.00	Not applicable	0.00	Not applicable	100.00

Note:1. An indirect investment through Perfect Prime Limited (SAMOA).
2. An indirect investment through Green Power Semiconductor Corp..

IV. Capital Overview

(I) Company Capital and Shares.

1. Source of Capital

(1) Issued Shares

As of March 18, 2019

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT$ thousands)	Shares	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
1998.07	10	600	6,000	600	6,000	Cash	-	-
1998.10	10	30,000	300,000	19,643	196,430	Cash	-	-
2000.02	17	50,000	500,000	50,000	500,000	Cash	-	-
2003.12	10	65,000	650,000	53,789	537,890	Capitalization of earnings and employee bonus transfer	-	-
2004.08	10	100,000	1,000,000	64,215.3	642,153	Capitalization of earnings and employee bonus transfer	-	-
2005.08	**31.92**	**100,000**	**1,000,000**	**66,265.35**	**662,643.5**	**Technology paten private placemen of preferred shares**	**Technology paten**	-
2005.09	11.62	100,000	1,000,000	66,644.35	666,443.5	Cash	-	-
2005.11	10 20	100,000	1,000,000	89,442.345	894,423.45	Capitalization of earnings and employee bonus transfer Cash	-	-
2006.01	**9.56**	**100,000**	**1,000,000**	**89,692.345**	**896,923.45**	**Cash**	-	-
2006.04	**9.56**	**100,000**	**1,000,000**	**89,804.345**	**898,043.45**	**Cash**	-	-
2006.08	10	150,000	1,500,000	104,937.497	1,049,374.97	Capitalization of earnings and employee bonus transfer	-	-
2006.10	**7.63**	**150,000**	**1,500,000**	**105,183.497**	**1,051,834.97**	**Cash**	-	-
2007.01	**7.63**	**150,000**	**1,500,000**	**105,235.497**	**1,052,354.97**	**Cash**	-	-
2007.04	**7.63**	**150,000**	**1,500,000**	**105,285.497**	**1,052,854.97**	**Cash**	-	-
2007.08	45.3	150,000	1,500,000	105,543.771	1,055,437.71	Cash	-	-
2007.09	**10** **49**	**150,000**	**1,500,000**	**117,444.111**	**1,174,441.11**	**Capitalization of earnings and employee bonus transfer** **Capital increase technically to conduct private placements of common stock**	**Technology paten**	-
2007.10	**6.50**	**150,000**	**1,500,000**	**119,704.731**	**1,197,047.31**	**Cash**	-	-
2008.01	**6.50**	**150,000**	**1,500,000**	**119,792.731**	**1,197,927.31**	**Cash**	-	-

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT$ thousands)	Shares	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2008.04	**6.50**	**150,000**	**1,500,000**	**119,986.731**	**1,199,867.31**	Cash	**-**	**-**
2008.08	10	150,000	1,500,000	129,886.685	1,298,866.85	Capitalization of earnings and employee bonus transfer	-	-
2008.10	**5.30 10**	**150,000**	**1,500,000**	**128,485.685**	**1,284,856.85**	**Cash Cancelling treasury stock**	**-**	**-**
2008.12	10	150,000	1,500,000	125,485.685	1,254,856.85	Cancelling treasury stock	-	-
2009.01	**5.30**	**150,000**	**1,500,000**	**125,515.685**	**1,255,156.85**	**Cash**	**-**	**-**
2009.03	10	150,000	1,500,000	132,815.685	1,328,156.85	Stock transfer capital increase	ADVANCED MICROELECTRONIC PRODUCTS, INC	-
2009.04	**5.30**	**150,000**	**1,500,000**	**132,985.685**	**1,329,856.85**	**Cash**	**-**	**-**
2009.09	10	150,000	1,500,000	138,223.112	1,382,231.12	Capitalization of earnings transfer	-	-
2009.10	24.90	150,000	1,500,000	138,233.112	1,382,331.12	Cash	-	-
2010.01	**5.30~29**	**150,000**	**1,500,000**	**138,526.131**	**1,385,261.31**	**Cash Cancelling preferred shares**	**-**	**-**
2010.04	**5.30~29**	**150,000**	**1,500,000**	**139,172.669**	**1,391,726.69**	**Cash**	**-**	**-**
2010.07	24.90	150,000	1,500,000	139,438.288	1,394,382.88	Cash	-	-
2010.09	10	150,000	1,500,000	143,621.437	1,436,214.37	Capitalization of earnings transfer	-	-
2010.11	24.90	200,000	2,000,000	143,963.894	1,439,638.94	Cash	-	-
2011.01	**3.50~23.20**	**200,000**	**2,000,000**	**144,319.894**	**1,443,198.94**	**Cash**	**-**	**-**
2011.04	**3.50**	**200,000**	**2,000,000**	**144,375.894**	**1,443,758.94**	**Cash**	**-**	**-**
2012.01	**2.80**	**200,000**	**2,000,000**	**144,395.894**	**1,443,958.94**	**Cash**	**-**	**-**
2012.09	10	200,000	2,000,000	140,895.894	1,408,958.94	Cancelling treasury stock	-	-
2013.04	10	200,000	2,000,000	138,485.894	1,384,858.94	Cancelling treasury stock	-	-
2013.09	**10.20**	**200,000**	**2,000,000**	**178,485.894**	**1,784,858.94**	**Conduct private placement of common stock**	**-**	**-**
2014.04	10.40	200,000	2,000,000	179,553.394	1,795,533.94	Cash	-	-
2014.07	10.40	200,000	2,000,000	179,618.394	1,796,183.94	Cash	-	-
2014.08	10	200,000	2,000,000	181,428.394	1,814,283.94	Cancelling new restricted employee stock	-	-

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT$ thousands)	Shares	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2015.04	10.40	200,000	2,000,000	181,687.144	1,816,871.44	Cash	-	-
2015.07	10 10.40	200,000	2,000,000	181,550.144	1,815,501.41	Cancelling new restricted employee stock and cash	-	-
2015.07	10	200,000	2,000,000	81,622.215	816,222.15	Reduction of capital	-	-
2015.11	10	200,000	2,000,000	81,571.862	815,718.62	Cancelling new restricted employee stock	-	-
2016.04	22.7	200,000	2,000,000	81,580.842	815,808.42	Cash	-	-
2016.07	10	200,000	2,000,000	81,564.657	815,646.57	Cancelling new restricted employee stock	-	-
2016.11	10 21.7	200,000	2,000,000	81,304.149	813,041.49	Cancelling treasury stock and cash	-	-
2017.03	10	200,000	2,000,000	81,282.569	812,825.69	Cancelling new restricted employee stock	-	-
2017.10	10	200,000	2,000,000	81,290.988	812,909.88	Cash	-	-
2018.03	10	200,000	2,000,000	81,340.493	813,404.93	Cash	-	-

(2) Type of Stock

As of March 18, 2019 ;Unit: Shares

Share Type	Authorized Capital					Remarks
	Listed	Unlisted	Total	Un-issued Shares	Total Shares	
Order common stock	81,340,493	—	81,340,493	118,659,507	200,000,000	7,500,000 shares are reserved for employee share subscription warrant to exercise as share subscription

(3) Self-registration system: None

2. Status of Shareholders

As of March 18, 2019

Status of Shareholders / QTY	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	1	202	27,501	32	27,736
Shareholding (shares)	0	49,000	4,384,599	52,767,265	24,139,629	81,340,493
Percentage(%)	0	0.06	5.39	64.87	29.68	100.00

3. Shareholding Distribution Status

As of March 18, 2019

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage(%)
1 ~ 999	16,950	1,559,663	1.92
1,000 ~ 5,000	9,051	17,755,871	21.83
5,001 ~ 10,000	1,028	8,156,811	10.03
10,001 ~ 15,000	258	3,311,687	4.07
15,001 ~ 20,000	156	2,876,848	3.54
20,001 ~ 30,000	119	3,072,497	3.78
30,001 ~ 50,000	83	3,285,566	4.04
50,001 ~ 100,000	52	3,844,553	4.73
100,001 ~ 200,000	18	2,584,914	3.18
200,001 ~ 400,000	10	2,756,300	3.39
400,001 ~ 600,000	3	1,616,996	1.99
600,001 ~ 800,000	1	765,289	0.94
800,001 ~ 1,000,000	1	947,896	1.17
1,000,001 or over	6	28,805,602	35.39
Total	27,736	81,340,493	100.00

4. List of Major Shareholders

As of March 18, 2019 ;Unit: Shares

Shares / Shareholder's Name	Shares	Percentage(%)
A3F Ltd.	9,962,107	12.25
STCH Investment Inc.	6,193,247	7.61
Prime Reliance Investment Ltd.	6,193,247	7.61
Future Technology Consulting, Inc.	3,084,899	3.79
Fu-Chi Teng	1,940,102	2.39
Qing-Tong Chen	1,432,000	1.76
Ko-Yu Yu	947,896	1.17
Wei-Cheng Chiou	765,289	0.94
Chicony Power Technology Co., Ltd	576,000	0.71
Rui-Cong Tsai	540,000	0.66

5. Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT$/Share

Item			2017	2018	As of March 31, 2019
Market Price per Share	Highest Market Price		39.50	61.40	34.20
	Lowest Market Price		20.50	24.70	28.70
	Average Market Price		25.67	35.31	31.38
Net Worth per Share	Before Distribution		16.02	17.67	—
	After Distribution		15.57	Note1	—
Earnings per Share (Note 2)	Weighted Average Shares (thousand shares)		81,145	81,341	—
	Diluted Earnings Per Share		0.48	2.04	—
	Adjusted Diluted Earnings Per Share		0.48	Note1	—
Dividends per Share	Cash Dividends		0.45	Note1	—
	Stock Dividends	Dividends from Retained Earnings	0.00	Note1	—
		Dividends from Capital Surplus	0.00	Note1	—
	Accumulated Undistributed Dividends		0.00	0.00	—
Return on Investment	Price / Earnings Ratio (Note 3)		53.48	17.31	—
	Price / Dividend Ratio (Note 4)		57.04	Note1	—
	Cash Dividend Yield Rate (Note 5)		0.02	Note1	—

Note 1：Distribution of 2018 profits has not been resolved by stockholders' meeting.
Note 2：If the stock dividend is to be adjusted retroactively, please list the earnings per share before and after the adjustment.
Note 3：Price / Earnings Ratio = Average Market Price / Earnings per Share
Note 4：Price / Dividend Ratio = Average Market Price / Cash Dividends per Share
Note 5：Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

6. Dividend Policy and Implementation Status

(1) Dividend Policy

A.Shall there be profit for a Year, no less than 8% shall be contributed as the employees' compensations, and the format shall be determined by the Board of Directors in shares or cash. The Board may also decide to contribute no higher than 3% of the said profit as the directors' compensation. The distribution of the employees' and the directors' compensation shall be presented in the Shareholders' Meeting.

Shall there be accumulated deficits, the amount to be offset the deficits shall be reserved before distributing the employees' and the directors' compensation as previously specified.

B.Shall there be earnings after the annual settlement, the earnings shall pay all the taxes and replenish the accumulated losses by laws, and 10% of the remaining shall be provided as the legal reserve. However, if the legal reserve reaches the total paid-up capital of the Company, this reserve may be exempted. The remaining shall be appropriated or reversed for the special reserve. Shall there still be the remaining, the amount may be combined with the accumulated undistributed earnings, for the Board of Directors to propose the earning distributions to be resolved in the Shareholders' Meeting.

C. As the Company is still growing, and to accommodate the future fund demands and long-term financial planning, as well as to satisfy the demand of cash flows from the shareholders, from the distributable earnings specified in the preceding paragraphs the shareholder's bonus will be distributed. The cash dividends shall not be lower than 10% of the total amount of the dividends. However, the type and percentage of such distributions shall be subject to adjustment by the Shareholders' Meeting depending on the actual earnings and the fund status.

(2) The proposed distribution of dividends for the Shareholders' Meeting of the Year

On March 21, 2019, the Board of Directors resolved to pass the proposal of dividend distribution as NT$ 1 per share in cash; the proposal is not yet approved by the Shareholders' Meeting.

7. Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting: None.

8. Compensation of employees, directors, and supervisor

(1) The percentages or ranges with respect to employees', directors', and supervisors' compensation, as set forth in the company's articles of incorporation (Please refer to (VI) Dividend Policy and Implementation Status).

(2) The basis for estimating the amount of employees', directors', and supervisors' compensation, for calculating the number of shares to be distributed as employees' compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: The estimation for the amount of compensation to employees and directors for 2018 is based on distribution percentages specified in the Company's Articles of Incorporation; the employees' and the directors' compensation are contributed as no less than 8% and no higher than 3%, respectively. Where the material changes incur for the distribution amount resolved by the Board of Directors after the period, such changes will be reflected to the expenses of the year. Shall there still be changes on the date of Shareholders' Meeting, such changes will be treated based on the accounting estimation changes, and accounted in the year when the Shareholders' meeting resolves.

(3) Information on any approval by the board of directors of distribution of compensation

A. The amount of any employee' compensation distributed in cash or stocks and compensation for directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed

On March 21, 2019, the Board of Directors resolved to pass the proposal of compensation to employees and directors for 2018; the proposal is not yet approved by the Shareholders' Meeting. The proposal is to distribute as the following:

(A)The proposed compensation to employees: NT$17,071,230 in cash; NT$3,200,856 to directors.

(B)The proposed distributed share compensation to employees: 0 share.

(C)The total amount of the proposed compensation to employees and directors for 2018 is identical to the accounted amount of recognized expenses.

B.The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the consolidated and individual financial reports for the current period and total employee compensation: the proposed distributed share compensation to employees is 0 share, and thus it is 0% of the sum of the after-tax net income in the financial reports and of the total amount of the employees' compensation.

(4) The actual distribution of employees', directors', and supervisors' compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employees', directors', and supervisors' compensation, additionally the discrepancy, cause, and how it is treated: As the actual distribution of the compensation to employees' and directors' for 2017 (including the number of shares, monetary amount, and stock price) are identical to the recognized compensations to employees, directors, and supervisors, there is no discrepancy.

9. **Purchase of Treasury stock:** None.

(II) Issuance of Corporate Bonds: None.

(III) Preferred Shares： None.

(IV) Global Depository Receipts： None.

(V) Employee Stock Options：

1. **Issuance of Employee Stock Options**

As of April 23, 2019

Type of employee stock option	5th (2018)Employee Stock Options
Approval date	May 2, 2018
Issue date	May 10, 2018
Units issued	2,000Unit
Shares of stock options to be issued as a percentage of outstanding shares	2.46%
Duration	The employee stock option holder may execute the employee stock options two years after upon the receipt of the employee stock option, pursuant to the guidelines of the issuance of the employee stock options for 2018. The employee stock option expires after six years.
Conversion measures	Based on the issuance of shares of the Company

Type of employee stock option	5th (2018)Employee Stock Options
Conditional conversion periods and percentages	After 2 full years 40% After 3 full years 70% After 4 full years 100%
Converted shares	0 share
Exercised amount	NT$ 0
Number of shares yet to be converted	315,000 shares
Adjusted exercise price for those who have yet to exercise their rights	NT$ 27.90
Unexercised shares as a percentage of total issued shares	0.39%
Impact on possible dilution of shareholdings	May 10, 2020, as two year after upon the receipt of the employee stock option by the employee stock option holder, such employee stock option may be executed. As the shares to be subscribe only takes 2.46% of the total issued shares, the interests of shareholders shall not be affected substantially.

Note ：The issued shares refer to the shares listed on the changes registered in the MOE as of the date of publication.

2. List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Options

Unit: NT$ thousand/ thousand share

	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised			
					No. of Shares Converted	Strike Price (NT$)	Amount (NT$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT$)	Amount (NT$ thousands)	Converted Shares as a Percentage of Shares Issued
Manager Officer	President	Tzong-Shiann Wu	620	0.76%	-	-	-	-	-	-	-	-
	CTO	Vrej Barkhordarian Ph.D.										
Staff	Staff	Chiao-Wen Chung (Note 2)	1,120	1.38%	-	-	-	-	215	27.90	5,998.5	0.26%
	Staff	Yan-Hao Chen (Note 2)										
	Staff	Zong-Da Li (Note 2)										
	Staff	Yu-Cheng Wang (Note 2)										
	Staff	Zi-Min Chang (Note 2)										
	Staff	Shu-Yu Zhou (Note 2)										
	Staff	Yan-Wang Chang										
	Staff	Zhen-Hua Chien										
	Staff	Jin-Long He (Note 2)										
	Staff	Xiao-Yan Huang										

Note 1：The issued shares refer to the shares listed on the changes registered in the MOE as of the date of publication.

Note 2：The employee has resigned and given up the employee stock option in 2018; therefore the executed and unexecuted shares are not included.

(VI) Subscription of New Shares for Employee Restricted Stocks:

1. For all new restricted employee shares for which the vesting conditions have not yet been met for the full number of shares

As of April 23, 2019

Type of New Restricted Employee Shares	2018 New Restricted Employee Share
Date of Effective Registration	June 6, 2018
Issue date	Not applicable (Note2)
Number of New Restricted Employee Shares Issued	1,000,000shares
Issued Price (NT$)	Issued for free, NT$0
New Restricted Employee Shares as a Percentage of Shares Issued	Not applicable (Note2)
Vesting Conditions of New Restricted Employee Shares	From the date receiving the employee restricted stocks, the employees may receive the specified percentage of allocated shares as following, if these requirements are met: still being employed by the Company at the time, the Company's holistic performance as pre-tax net profit on the CPA audited and certified annual financial statements of the year is positive, and the employees are appraised as A-grade for their performance appraisal while abiding the Codes of Conducts: ●One full year upon receipt: 30% of the allocated shares. ●Two full years upon receipt: 30% of the allocated shares. ●Three full years upon receipt: 40% of the allocated shares.
Restricted Rights of New Restricted Employee Shares	1. Before the stated requirements are met, unless the case of inheritance, the new shares allocated to the employees from the employee restricted stocks shall not be sold, mortgaged, transferred, gift, pledge, or dispose in other manners. 2. The attendance, proposal, speech, and right of vote in the Shareholders' Meeting are executed pursuant to the Trust Custody Agreement. 3. The cash dividends, share dividends, and distributed reserve cash (shared) derived from the employee restricted stocks are trusted altogether. For the disqualified employees, the cash dividends, share dividends, and distributed reserve cash (shared) derived to them, the cash will be recovered by the Company pursuant to the regulations, and the shares are cancelled pursuant to laws.
Custody Status of New Restricted Employee Shares	The Company represents the employees to sign the trust agreement with the trust custody institutions of shares.
Measures to be Taken When Vesting Conditions are not Met	1. The disqualified employees, the Company will recover the granted employee restricted stocks for free and cancel such shares. 2. Other than resign, severance, shall there be any other disqualified employee restricted stocks shall be recovered for

Type of New Restricted Employee Shares	2018 New Restricted Employee Share
	free and cancelled by the Company, except for the following situations: (1)The employment is discontinued due to suffering the occupational disasters; this is deemed as all the requirements are met and is not subjected to the restriction of holding period. (2)The employee decease due to the occupational disasters; this is deemed as all the requirements are met and is not subjected to the restriction of holding period. The rights are obtained by his/her heirs. 3. Temporary leave without salary: The rights of the employee restricted stocks not yet meeting the requirements will be resumed on the date returning to work; but the requirement for the holding period will be deferred to the period of such leaves.
Number of New Restricted Employee Shares that have been Redeemed or Bought Back	-
Number of Released New Restricted Employee Shares	-
Number of Unreleased New Restricted Shares	-
Ratio of Unreleased New Restricted Shares to Total Issued Shares (%)	-
Impact on possible dilution of shareholdings	As of the date of publication, no employee restricted stock is issued, and thus the interests of shareholders shall not be affected substantially.

Note1：The issued shares refer to the shares listed on the changes registered in the MOE as of the date of publication.

Note2：As of the date of publication, no date is determined for issuing employee restricted stock.

2. **Names and acquisition status of managerial officers who have acquired new restricted employee shares and of employees who rank among the top ten in the number of new restricted employee shares acquired, cumulative to the date of publication of the prospectus：**It has not yet been released as of the date of publication so there is no such information.

(VII) Status of New Shares Issuance in Connection with Mergers and Acquisitions:

1. **During the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the company has completed any issuance of new shares in connection with a merger or acquisition or with acquisition of shares of any other company：**None.
2. **Where the board of directors has, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, adopted a resolution approving any issuance of shares in connection with a merger or acquisition or with acquisition of shares of any other company, the annual report shall disclose the state of the plan's implementation together with the basic identifying information of the company (or companies) to be merged or acquired or whose shares are to be acquired:** None.

(VIII) Financing Plans and Implementation

For the period as of the quarter preceding the date of publication of the annual report, the company does not implement the plan: with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits.

V.Operational Highlights

(I) Business Activities

1. Business scope

(1) Main areas of business operations

i. Electronic Parts and Components Manufacturing
ii. Wholesale of Household Appliance
iii. Retail of Household Appliance
iv. Product Designing
v. Software Design Services
vi. Other Designing (Electronic component design, IC design, semi-conductor design)
vii. Other Industry and Commerce Services Not Elsewhere Classified (Electronic component, IC, electronic test service)
viii. Wholesale of Electronic Materials
ix. Retail Sale of Electronic Materials
x. May engage in business not banned or restricted by law except business requiring permit.

(2) Revenue distribution

Unit: NT$ thousand

Major Divisions	Net Sales in Year 2018	Proportion (%)
Low Voltage MOSFET	910,827	33.62
Middle Voltage MOSFET	987,214	36.44
High Voltage MOSFET	469,001	17.31
IGBT	1,723	0.06
Linear Regulator and PWM IC	58,895	2.17
Others	281,430	10.40
Total	2,709,090	100.00

(3) Main products

The main businesses of the Company and the subsidiaries include: research, development, production, testing, and sales of the following products:

i. Low Voltage MOSFET
ii. Middle Voltage MOSFET
iii. High Voltage MOSFET
iv. IGBT
v. IC(Linear Regulator) & IC(PWM IC)。

(4) Products to be developed

For the middle and low voltage MOSFET, the optimal production process platform will be developed continuously, to significantly reduce the on-resistance of MOSFET and accelerate the switching, to satisfy the demands from smart appliances, notebooks for games, high-end video cards, power supplies, new generation game consoles, as well as battery management for high efficiency and low power consumption. With the Dual Side Cooling technology, the better temperature performance is achieved.

For the high voltage MOSFET, the third generation high voltage production process platform is being developed at the same time. With the functions of Low RDS (ON), Low TRR and high di/dt, the demand for the new generation extremely high-power efficiency by the data centers in 5G era and equipment related to 5G. More diversified solutions may be also provided based on the different applications of clients.

The technology R&D for new generation of IGBT has been completed. The plan of the product line will be focused on the needs of smart automated manufacturing while accommodating the needs of clients for the development of new products. Based on the different design structures of clients to provide customized products for the best performance.

2. Industry Overview

(1) The current status and development of the industry

The semiconductors components may be divided as three categories: discrete devices, integrated circuit (IC), and optoelectronic devices. The power semiconductor products can be divided as power discrete and power IC. The power discrete components include power Metal Oxide Semiconductor Field Effect Transistors (MOSFET), Bipolar Power Transistor, and Insulated Gate Bipolar Transistors (IGBT), among other things. The power IC products, on the other hand, include motion control IC, power management IC, smart power IC. Though the power semiconductor products are very compact, they are critical to computer, communication, automobile industry and consumer electronics.

The power semiconductor products may be divided as the following table:

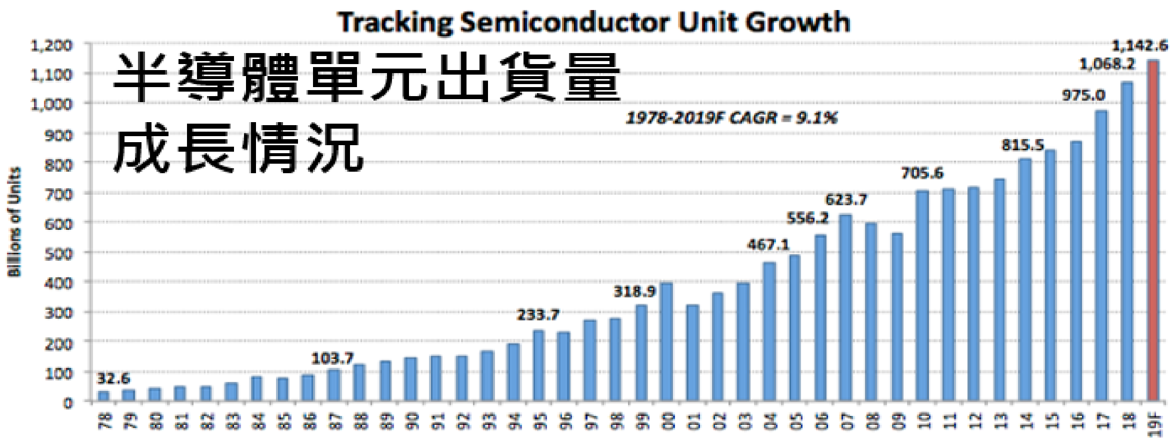
- Power semiconductor
  - Power discrete
    - Thyristors
    - Rectifiers
    - Diodes
    - Power Transistors
  - Power IC
    - Motion Control IC
    - Power management IC
    - Smart Power IC

Source: CSFB Technology Group

Based on the market survey, in the next five years, the fields to drive the growth of power management include mobile, communication, energy, improvement to infrastructure, new energies and alternative energies, e.g. hybrid and electric vehicles, wind power and solar energies and the upgrades of grid that impact the equipment such as smart meters.

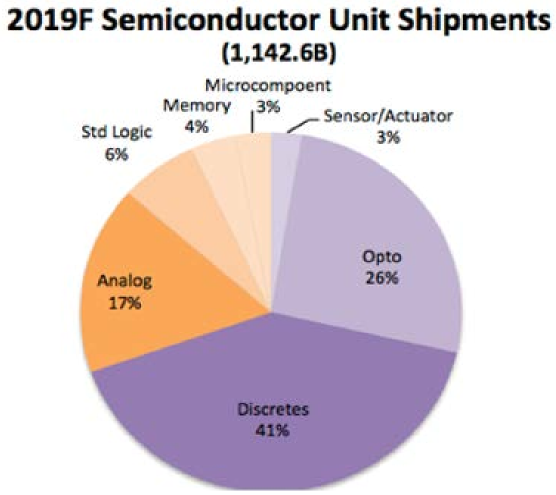
Other statistics and researches show that due to the considerations such as global positioning, cheap labor and environment costs, ambient supply and cost-saving, Asian (Taiwan, China, and Korea) become the global OEM sites for various information and communication products. Therefore, the speed of obtaining parts and their price become the critical factors to the competitions among OEMs. Meanwhile, the mid- and small companies around Asia are led to share the fruits of the high growth with the international majors by their flexibility, speed, quality, and costs. Also, with the domestic demands, Mainland China has become the momentum of growth to the power management market.

IC Insight's data shows that the annual shipment of semiconductor components, including ICs, photoelectric sensors, and discretes (O-S-D), has grown 10% in 2018, and for first time, it grew over 1 trillion, for 1.0682 trillion units. It is expected to grow to 1.1426 trillion in 2019, but the growth rally will moderate to 7%. The annual compound growth rate from 1978 to now is expected to 9.1%, and the shipment has grown from 32.6 billion units in 1978 to 1.1426 trillion units in 2019.



Source: Science & Technology Policy Research and Information Center – complied by Technology Industry Office (iKnow), as of Jan. 2019/ Data source: IC insight

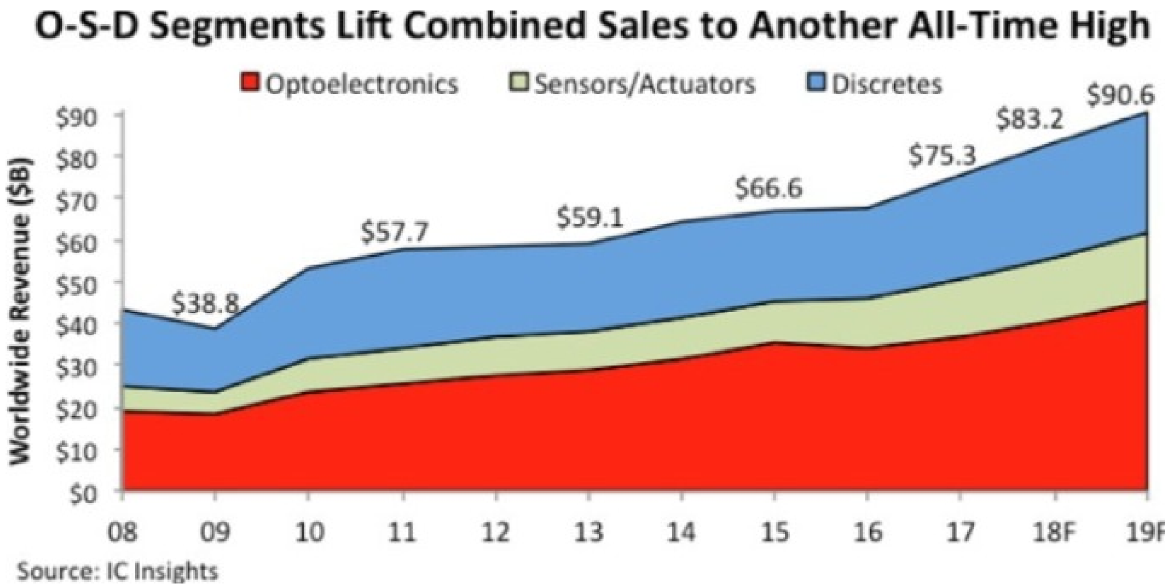
Based on the statistics from IC Insight, it is expected that for the total shipment of semiconductors in 2019, the shares of photoelectric sensors and discretes (O-S-D) will be more critical. It is expected that the photoelectric sensors and discretes (O-S-D) take 70% of the total shipment of semiconductors, and ICs are 30%. This ratio has been stable for the past few years. It is expected that the semiconductor categories with the highest growth in 2019 are for smart phones, vehicle electronic systems, and arithmetic system essential to AI, as well as big data and deep learning applications.



Data source: IC Insights, Jan. 2019

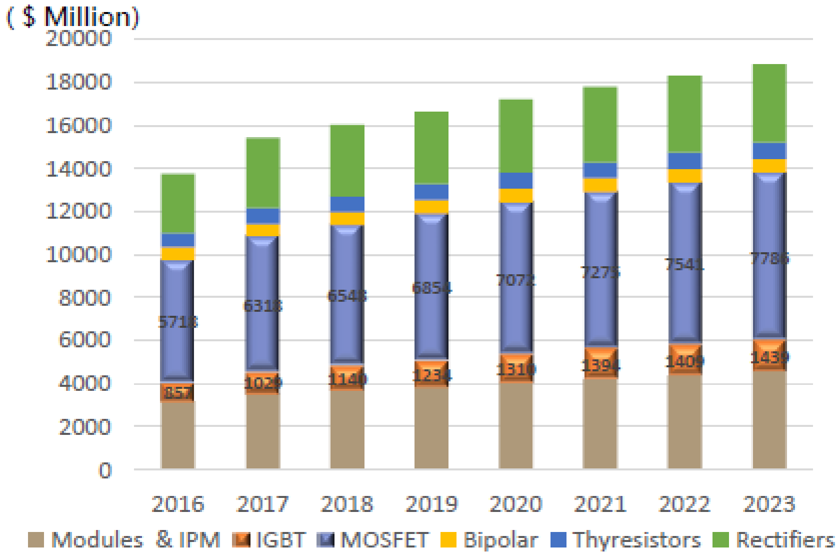
In addition, according to IC Insight's researches, due to increased prices, shortage of supply, and new imaging application, the total sales amount of photoelectric sensors and discretes (O-S-D) has grown 11%, and it is expected to reach a new record high for consecutive nine years.

As the prices of the widely used power transistors and diodes are driven higher due to the tight supply, and the new optical imaging applications are applied by more systems, the diversification of photoelectric sensors and discretes (O-S-D) made the markets more flourish in 2018. According to the forecasts of IC Insights, the total sales amount of the market may reach 83.2 billion USD, and it is expected the annual growth rate of total sales amount for photoelectric sensors and discretes (O-S-D) in 2019 will be 9%, and the revenue in 2019 may reach the new record high, 90.6 billion USD.



Furthermore, based on IKE's report, "The Analysis to the Growth of Power Component Market," during 2017-2023, the compound growth rate of power equipment market is over 4%, and by 2023, MOSFET's market is over 7.8 billion USD. The vehicle and industrial applications are the major parts, while algorithm and storage markets grow steadily.

Global Power Component Market Forecast

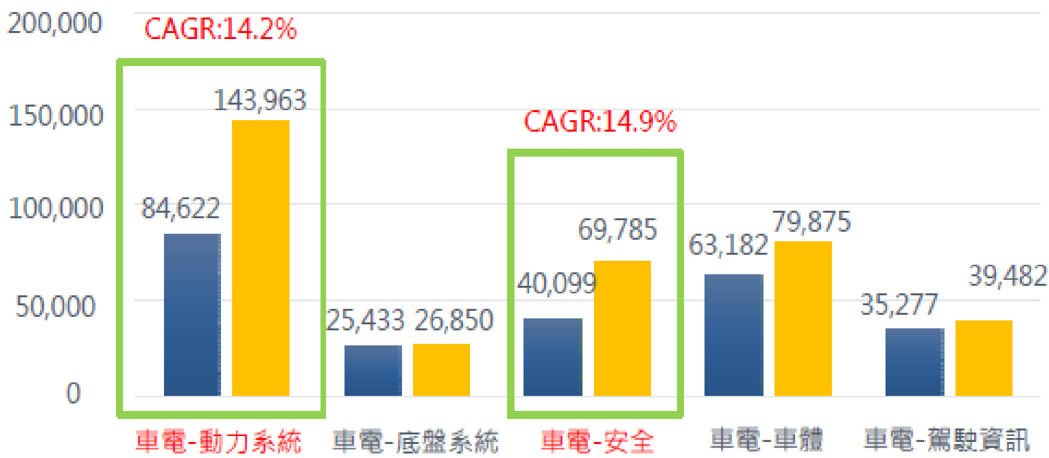


Source: YOLE DEVELOPPEMENT2018/11, ITRI IEK

Also based on the forecast of IKE, by 2025, the fastest growths among the global vehicle electronics' production value are the dynamical system and safety application, the annual compound growth rate is 14.2% and 14.9%, respectively; which in turns will led the significant growth of the use of power components like MOSFET. According to the statistics of Infineon, for the power components used in convention cars, 18 MOSFET components are installed in one car in average; but for EV and hybrid cars, 250 MOSFETs are installed. The power components for vehicles become the key battlefield for the international majors, and thus Taiwan becomes the beneficiary of the low and middle voltage MOSFET market under this competition

Increase in the output value of the global vehicle electronics' production

Unit: million dollars



vehicle electronics - power system/vehicle electronics -chassis system/vehicle electronics – Safety/vehicle electronics - vehicle/vehicle electronics - driving information

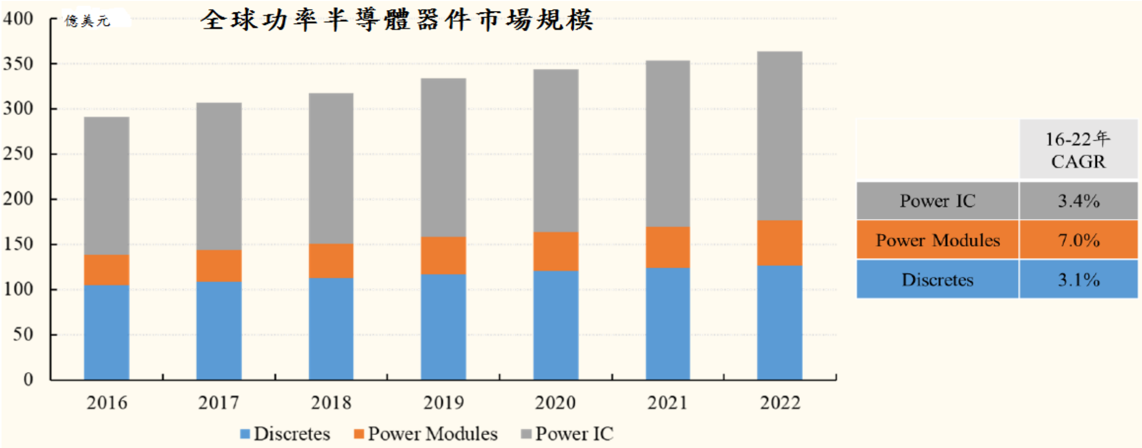
2016 2025F

Source: ITRI IEK Consulting (Sep. 2018)

Based on the forecast of Yole of China, the global market of power component in 2016 was 29.2 billion USD, and by 2022, the market will grow to 36.4 billion USD, and the compound growth rate between 2016 to 2022 is 3.8%. Among the segments, the market of power management IC will be 18.7 billion USD by 2022, and the compound growth rate between 2016 to 2022 is 3.4%; the market for power module is 5 billion USD, and the compound growth rate is 7.0%; the market for power discretes is about 13.7 billion USD, and the compound growth rate is 3.1%.

Global power semiconductor objects market scope

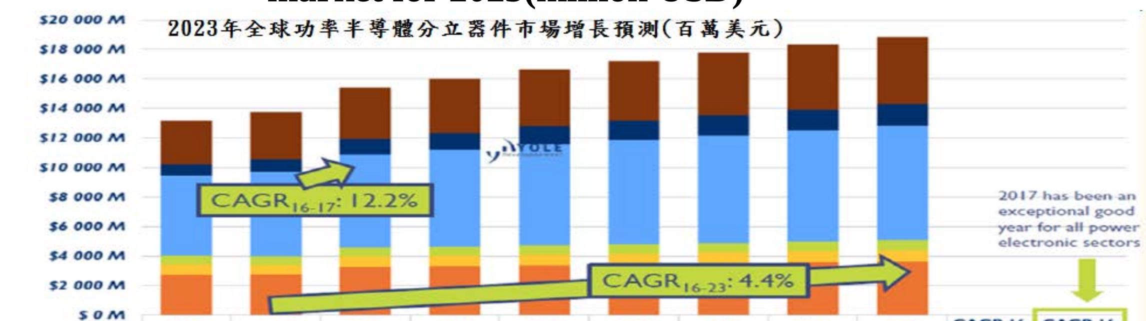
(100 million USD/2016~2022)



Source: Yole, China Securities Research Institute

For 2017, the market for power discretes was about 15.4 billion USD, grew 12.2% year-on-year. The growth was mainly driven by the demands from new markets of EV and IoT; it is expected to grow to 18.8 billion USD by 2023, and the compound growth rate between 2016 to 2022 is 4.4%.

Estimated increase for the global power semiconductor discrete component market for 2023(million USD)

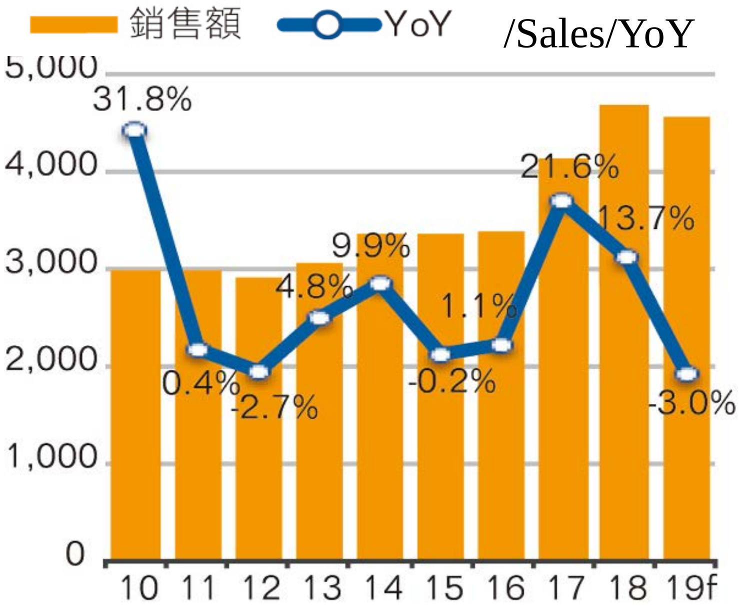


	2015	2016	2017	2018	2019	2020	2021	2022	2023	CAGR 16-23	CAGR 16-17
Modules & IPM	$2 977 M	$3 184 M	$3 511 M	$3 696 M	$3 830 M	$4 053 M	$4 234 M	$4 392 M	$4 569 M	3.1%	10.3%
IGBT	$ 765 M	$ 857 M	$1 029 M	$1 140 M	$1 234 M	$1 310 M	$1 394 M	$1 409 M	$1 439 M	7.7%	20.0%
X-FET	$5 391 M	$5 718 M	$6 318 M	$6 548 M	$6 854 M	$7 072 M	$7 275 M	$7 547 M	$7 766 M	4.5%	10.5%
Bipolar	$ 598 M	$ 585 M	$ 592 M	$ 604 M	$ 616 M	$ 628 M	$ 641 M	$ 653 M	$ 666 M	1.9%	1.2%
Thyristors	$ 706 M	$ 650 M	$ 718 M	$ 726 M	$ 733 M	$ 740 M	$ 748 M	$ 755 M	$ 763 M	2.3%	10.5%
Rectifiers	$2 728 M	$2 758 M	$3 262 M	$3 311 M	$3 377 M	$3 428 M	$3 497 M	$3 567 M	$3 638 M	4.0%	18.3%
Total	$13 165 M	$13 752 M	$15 430 M	$16 025 M	$16 644 M	$17 230 M	$17 789 M	$18 323 M	$18 841 M	4.4%	12.2%

Source: Yole, China Securities Research Institute

Based on the report of Agence France-Press, due to the movement of the demands for the end application markets of semiconductor, imminent Brexit, and the shadow casted by the Sino-US trade war, World Semiconductor Trade Statistics (WSTS) forecasts that the total sales amount of global semiconductors will slow 3.0% to 454.4 billion USD in 2019; which is the greatest slide in the recent years. This implies that the year on year growth of the total sales amount of global semiconductors in 2019 will be revised downward to minus 3.0% from the previous forecast of plus 2.6%; this is the greatest decrease of the global sales amount since 2010. The data shows that the sales amount of memories slides in 2019, and thus becomes the major factor causing the decrease of the holistic total sales amount of semiconductors.

The estimated sales amount of the global semiconductor market, 2010-2019 (100 million USD)

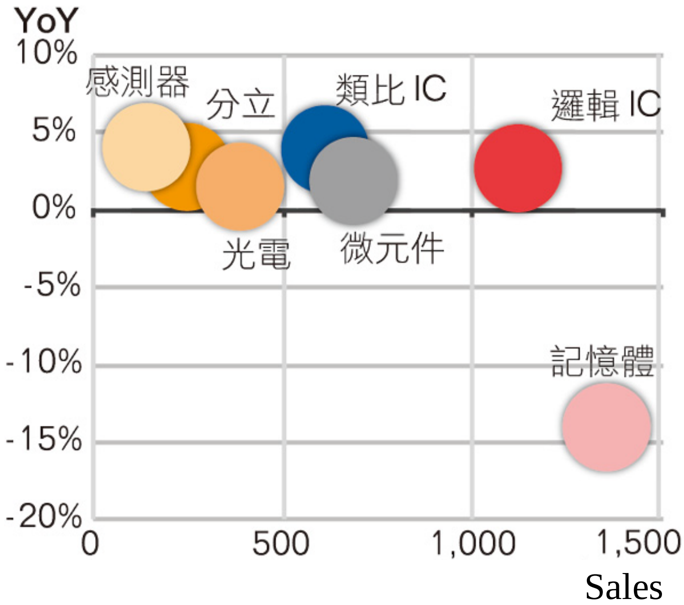


Source: Data Collecting by WSTS, DIGITIMES

WSTS forecasts that in 2019, the global sales amounts of sensors, analogue ICs, discretes, logic ICs, micron components, photoelectric components are still expected to grow 4.1%, 3.9%, 2.8%, 2.6%, 1.9%, 1.5% year-on-year, respectively, or 13.899 billion USD, 61.083 billion USD, 24.776 billion USD, 112.109 billion USD, 68.513 billion USD, and 38.611 billion USD, respectively. Nonetheless, due to the expected significant slide of 14.2% for the memories, the total annual sales amount will moderate.

The estimated sales amount of the global semiconductor market by segment for 2019

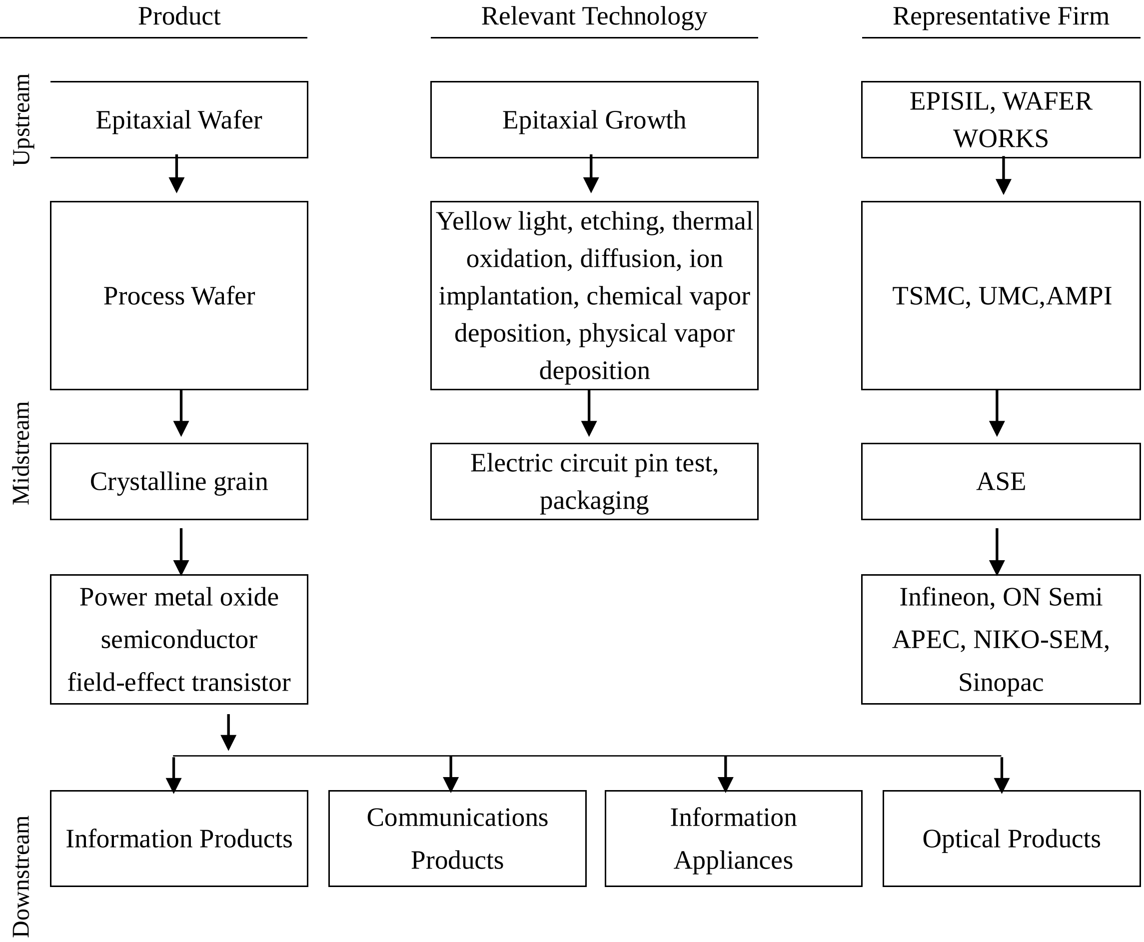
(100 million USD)



Source: Data Collecting by WSTS, DIGITIMES, Feb. 2019

By regional markets, in 2019, except that the semiconductor sales in Japan is expected to grow 1.0% y-on-y, to 40.351 (as much as 8.9% of the total global sales of the year), sales amounts in Americas, Asia-Pacific (China included), and Europe will decrease 5.8%, 3.0%, and 0.3% y-on-y, respectively, to 97.021 billion USD (21.3% of the global sales), 274.350 billion USD (60.4%), and 42.824 billion USD (9.4%), respectively. Look to the future, as the end application markets of semiconductors, including the Internet of Things (IoT), Artificial Intelligence (AI), and 5G network, will expand, WSTS expects that the in 2020, total sales amount of semiconductors will recover.

(2) Relevance among the upstream, midstream & downstream sectors of the industry



(3) The development trends and competition status of products

A.The development trends of products

(A)Requirements to the sustainable energies and green environment

With the policy of sustainable energies and the need of reducing emission of CO2, enhancing the energy efficiency, and developing clean energy become key development objectives for the governments around the world. Solar energy is one of the major sources of the sustainable energies. One the of development strategies for the industrial countries around the world is to aggressively develop the electric vehicles to be introduced to the market as earlier as possible. Therefore, the development of environmental friendly green energy, e.g. solar energies, and development of EV are the development topics for governments and enterprises that shall not be delayed anymore.

(B)Demands to enhance the efficiency of power conversion

With the continuous generation replacement of the micro processor, the demands favors the smaller output voltage with extremely high current output drive capability, to increase the switching frequency, enhance the efficiency of power conversion, as well as reduce the losses when converting among low-voltage outputs. How to provide the product solutions with lower on-resistance, smaller chip, swifter switching, and fewer losses of switches, is a key topic for power management.

B.Competition of Products

Regarding the global power semiconductor development, the major technology developments are still be held by the international IDMs such as Infineon and ST Micro in Europe, Mitsubishi and Toshiba in Japan, and ON Semiconductors in the US. After the previous recession of semiconductor industry, with the consideration of the holistic development strategies, it has been witnessed since that these IDMs have spun off their BUs to restructure their products, or merged with other companies, as well as strategically partnered with other to achieve the synergies. How to integrate the components of power semiconductors is one of the key topics for the future growth of power semiconductor industry. With the insufficient creativity and limited economic momentum, PCs/NBs, tablets, LCD TVs, and conventional consumer electronics become mediocre, with decreasing differentiation among products. As the low-price trend remains (the high-end models add more functions for differentiation), the makers have entered an era with micro profit.

The Company is the first Taiwanese IC design company successfully integrating 6-inch DMOS and IGBT IC, and provides all-rounded power solutions to meet new power demands. The integrated components, including the integration of Metal-Oxide-Semiconductor Field-Effect Transistor with protective diodes, or the integration of drive circuit and power component, have better position for greater performance in various applied optimizations. In 2018, the Company has successfully developed related products. Though these products are launched, but it is still challenging to win the recognitions and great use from clients. Therefore, while facing the operating pressures in the market, the Company enhances the levels of product technologies, and strengthens the cooperation with clients and the technical service supports step by step, while developing emerging niche products and markets to continuously improve the operating efficiency.

3. Overview of Technology and R&D

(1) The R&D expenses input in 2018 is NT$77,071,000.

(2) The technologies and products successfully developed in 2018:

A.Mid-low voltage N Type MOSFET

(A)Specifically for the compact machine tools market, the new generation of low voltage N type MOSFET with extremely low drain-source (On) resistance has been developed.

(B)Specifically for the DC or BLDC motor market, the voltage N type MOSFET with low on-resistance, high withstand current, and high avalanche capability.

(C)Specifically for the high speed DC fans demands for servers and drones, the Company has developed the N type MOSFET with quick switching, and P type MOSFET to be packaged in compact Power PAK 3x3.

B.High Voltage MOSFET

(A)Specifically for the conventional power supply markets, the Company provides planar high voltage MOSFET product with great cost-price profile, as a more competitive product line solutions for the client.

(B)The new generation of high-voltage production process technology has been developed. Not only retaining the characteristics of the diodes from the previous generation, namely low TRR and high di/dt, the on resistance (ON) has been greatly reduced, to providing the complete product solutions, from satisfying the demands of low-power watt power, e.g. chargers for mobile phones, to the demands for extremely high power-watt, e.g. charging piles or the power supplies for data centers.

C.Insulated Gate Bipolar Transistors (IGBT)

The production process platform for the new generation of 600V and 1200V IGBT has been developed. The new generation of IGBT product series will be developed for the markets of UPS, machine tools, industrial/household sewing machines and electric welding machines.

4. **Short-Term and Long-Term Business Development Plan**

(1) The Company's Short-Term Plan

A.Marketing Strategy

(A)Enhance the market penetration of products

To improve the speed of product development, strengthen the diverse product portfolio, and build professional agents and enhance channel functions so that the market penetration of products can be increased.

(B)Provide real-time services

The Company and its subsidiaries pay attention to after-sales service, provides customers with real-time products consulting services and solves customers' problems on the use of technology. It may also work together with customers to develop new product specifications according to customers' requirements planning for products to shorten the time to market and enhance product functions.

B.Production Strategy

To strengthen good partnerships with wafer foundry companies and packaging & testing firms and ensure that the Company and its subsidiaries get its production capacity and controls the delivery schedule of the products so that the effect of stable foundry capacity can be achieved and the direction and rhythm of R&D can be made closer to market demand. As a result, the R&D results can produce the best possible benefit and achieve the time-to-market effect.

C.Product Development Direction

The green environmental protection, energy efficiency and carbon reduction have become consistently big issues of concern current governments and enterprises due to the rise of global awareness of environmental protection. Therefore, the development will move towards domains in widespread use such as new energy electric vehicles, wind power, solar power, high-voltage frequency, and so on in order to provide customers with power management solutions in consideration of green environmental protection, energy efficiency and carbon reduction.

D.Financial Planning

By means of diversified channels for funding in the capital market, to meet requirements of the Company’s long-term development plan in order to maintain financial soundness and protect shareholders’ rights and interests.

(2) The Company's Long-Term Plan

A.Marketing Strategy

Not only continuing to enhance the training of professional marketing personnel and strengthen channel functions, but also actively building the marketing network and points of sale to provide opportunities close to market services and attract domestic and foreign industry leaders to become the Company and its subsidiaries' strategic customers.

B.Production Strategy

To integrate the partnership with packaging & testing firms. Through investments in critical packaging equipment, the and its subsidiaries cannot only ensure its production capacity, but also speed up the development schedule of advanced products and become a leading and professional manufacturer of power semiconductors.

C.Product Development Direction

To expand the product line and deepen the technical capacity by ways of cooperation with integrated device manufacturers and technology licensing, the product development is expected to move towards energy saving and low power consumption required by green environmental protection, enhance market competitiveness and value of the Company and its subsidiaries’ products, and also widen the gap with competitors.

(II) Market and Sales Overview:

1. Market analysis:

(1) Sales regions:

Unit: NT$ thousands

Item \ Year		2017		2018	
		Amount	% of total	Amount	% of total
Domestic Sales	Taiwan	666,746	31.31	755,825	27.90
Export Sales	Asia	1,460,193	68.57	1,950,227	71.99
	Others	2,692	0.12	3,038	0.11
Net sales		2,129,631	100.00	2,709,090	100.00

The export ratio of the Company and its subsidiaries was 72.10% in 2018, mainly in mainland China and South Korea.

(2) Market share and future market supply & demand and growth

A. Market share

Power semiconductor belongs to the semiconductor Industry, and its prosperity moves up and down along with semiconductor cycle. It is needed for any product which requires a power supply and electricity. With the wide scope of application, it is an indispensable product for industries such as computers, communication, automobile, and consumer electronics. According to the report issued by IC Insights, the annual Power Discrete sales volume is expected to US$27,600,000,000 in 2018. Therefore, the Company's sales volume in 2018 accounted for the global power management market was still low.

B. Future market supply & demand and growth

The power MOSFET products are mainly low, middle, and high voltage power discrete components, and the objective is to package greater operating power in smaller size. The international competitors include Infineon, ON Semiconductor and Mitsubishi. The Company and the subsidiaries will focus on the defined technology development for product lines, with the near-term objective of improving the technical specs of product lines to be comparative to the international majors, as well emphasizing various services (including technologies, complete supplies, quality, delivery and prices), seeking to increase the added values for clients' products. With the focus on the R&D of the products, the Company and the subsidiaries have cultivated the power management relevant products, such as power MOSFETs, IGBTs and power IC for long time, with wide applications, from computers, communications, automobile industry to consumer electronics. While the revenue contributions mainly come from the computer-related application, with the efforts in recent years, the new products for other applications have been developed and recognized by some of our clients. We expect them to contribute to the revenue gradually. We expect that after the Company and the subsidiaries develop products and adjust their product lines, both the top and bottom lines of 2019 will grow gradually.

(3) Competitive niche

A. Strong management and R&D team

The Company and its subsidiaries have been devoted to the development of power semiconductor components since its establishment in 1998. There are as much as 60 more items of patent rights which have been acquired or that are under application. The Company and its subsidiaries' management team have practical experiences in mask design and allocation, technology development, and product applications for many years, with leading members as talents for power semiconductor components and process design. Also, the main decision makers at the units of management, business, and quality assurance all have complete practical experience and definite business philosophy. Under the excellent leadership of the management team, it provides a great help for the Company and its subsidiaries to enhance the competitiveness.

B.Possess independent R&D capability

The relevant technologies of multiple power semiconductor components possessed by the Company and its subsidiaries are all the results of its own research and development. It is beneficial to obtain product key technologies, speed new product development schedule, and make product lines complete and diversified. The Company and its subsidiaries also continue to put into considerable R&D expenses every year for research and development, which will be very beneficial to maintain R&D results and continuously develop new products. In addition, the R&D personnel of the Company and its subsidiaries have a low turnover rate, and can effectively integrate their technical expertise to the development of each new product and improve the competitiveness of products.

C.Control foundry capacity and reduce production costs

The Company and its subsidiaries exert sound partnerships with domestic and foreign semiconductor companies and control the capacity to reduce costs well. Therefore, in respects to cost competition, the Company and its subsidiaries have relatively low overhead costs compared to foreign manufacturers, and offer more competitive price for products.

D.Provide customers with excellent product development and after-sales service

To help customers shorten product development cycles, the Company and its subsidiaries provide sound integrated development systems, simulation modules, and verification circuit boards for simulation, validation, and samples making designed for requirements of pre-production to assist customers in reducing the product development schedule and enhancing the market competitiveness. Furthermore, when domestic downstream firms encounter problems on product applications, the Company and its subsidiaries provide them with real-time solutions. The customer can save a lot time in production without opportunities delayed so that the Company and its subsidiaries can grow and maintain good relationship with customers.

(4) Advantage and disadvantage factors of development vision and responsive measures

A.Advantage factor

(A)The discrete component productions are still mainly made by the international majors. With the launches of new fuel economics standards and increasingly stricter environmental regulations, the Company and the subsidiaries continuously develop the products to be applied in the green environment market, e.g. energy-saving and low power consumption and provide the low to high voltage products comparable to these products from the international majors.

(B)The characteristic of power discrete components products is the accumulation of R&D results. This product has a life cycle of 8 to 10 years, with a longer period to recover the cost and vulnerability of economic cycles.

(C)The marketing strategy of the Company and its subsidiaries seek the stable development and use of strategic alliance to make major manufacturers in the industry become main customers of the Company and its subsidiaries in order to expand the market share. The Company and its subsidiaries have a good image in the industry and builds long-term and stable cooperation relationship with both customers and partners.

(D)The Company and its subsidiaries provide a complete product line of power management, and introduce new products according to customer requirements and market changes. The quality and supply of products are recognized and trusted by customers.

(E)The Company and its subsidiaries' products are critical parts used by information products. Mainland China, on the other hand, is a place of strategic importance for production and consumption. The Company and its subsidiaries are close to the market and provide the nearest service for customers. It continues to expand customer bases in order to reduce the marketing costs.

B.Disadvantage factors and responsive measures

(A)International companies expand themselves through mergers to achieve the market share and enlarge the economic scale in order to increase profits.

◆Responsive measures：

For maintaining the competitive advantages, the Company and the subsidiaries continuously upgrade technologies. Not only the quality and functions of the products are improved, the after-sale and complaint services are also enhanced. We seek the cooperation from foundries and packaging/testing companies under the operation of no-foundry, so we can aggressively develop various high value-added niche products with better flexibility to enrich the product lines and expand the margins.

(B)It takes longer to cultivate professional and senior R&D personnel who are not easily trained and educated. In addition, the Company and its subsidiaries have to pay higher labor costs to enhance R&D personnel's coherence to the Company and its subsidiaries. The turnover of R&D personnel will also have an impact on the Company and its subsidiaries.

◆Responsive measures:

The Company and its subsidiaries spare no effort to value and train the R&D personnel and actively recruit outstanding R&D personnel. The R&D personnel can not only get profit feedback from employee bonuses and Employee Stock Ownership, but also have a good working environment and comprehensive job training, which is advantageous in the cultivation of professional R&D talents.

(C)The Company and its subsidiaries are companies for fabless discrete components design. Wafer fabrication needs outsourcing of manufacturing, and the capacity is easily limited to the foundry. As a result, when the market is prosperous, it often faces the situation of insufficient capacity of wafer foundry, which will further impact the shipment to downstream manufacturers.

◆Responsive measures:

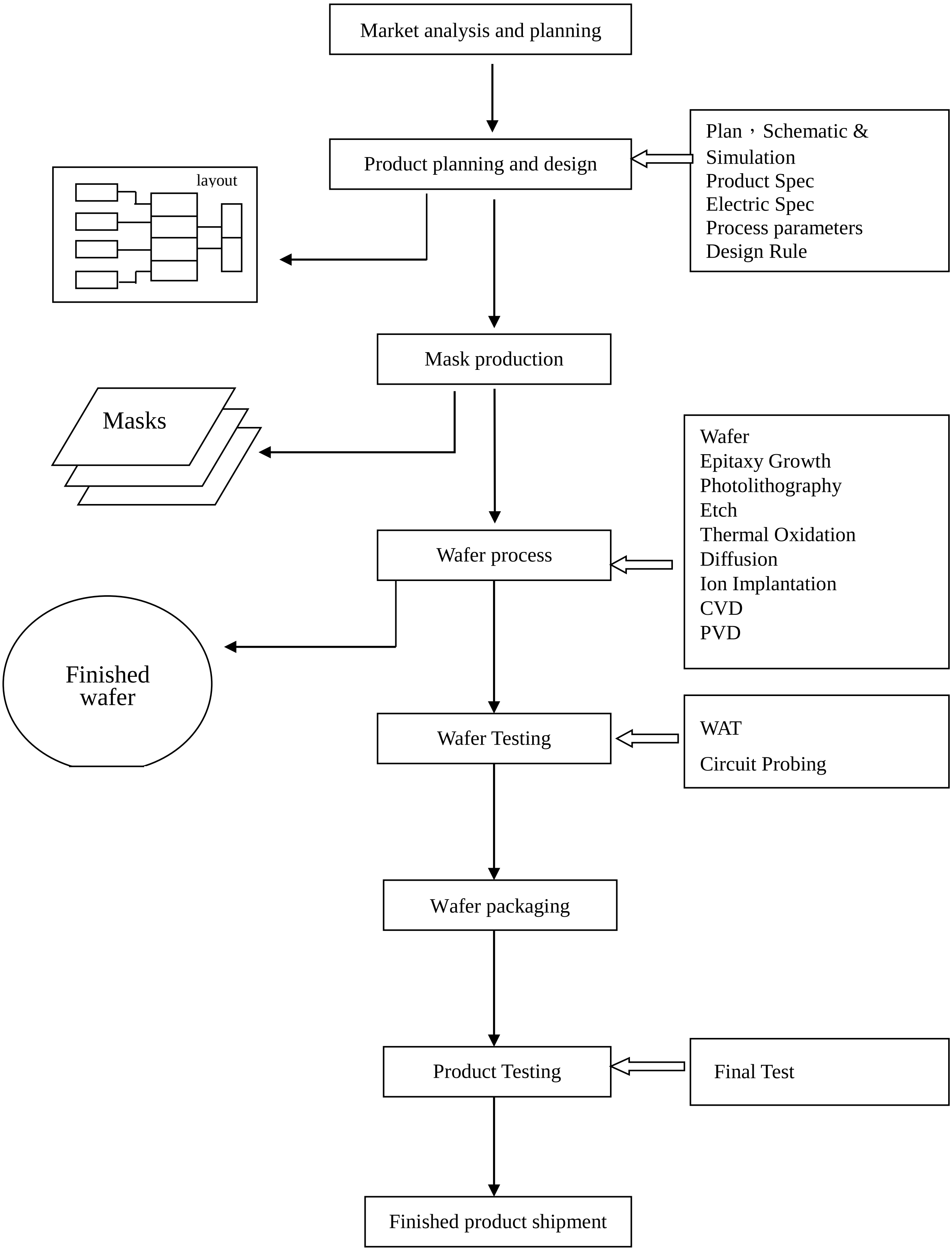
To strengthening strategic alliances and stabilize the long-term partnership with the Wafer foundry, or invest critical machinery and equipment of manufacturers by pre-payment to break production bottlenecks.

2. **The key purposes and production process of the main products**

(1) The key purposes of the main products

Main Products	Key Purposes
Low Voltage MOSFET	This is a power control component for information products, with characteristics of low conduction internal resistance, high switching speed, low gate charging capability, high withstand voltage and high current. This is mainly applied to notebooks, tablets, set-top boxes, power of load (POL), mobile phones, LAN/Hubs, and the power control systems for the portable devices.
Middle and High Voltage MOSFET	This type of products have the characteristics of high withstand voltage, high current, low conduction internal resistance, and high capability to endure avalanche breakdown. They are applied to the low-watt switching power supplies and adapters, such as the charger for mobile phone batteries, and the adapter of notebooks and monitors. Furthermore, they are widely applied to the high-watt switching power supplies for PFC, Lighting, HID lights for care and servers, satisfying the demands for main switching power loads.
Insulated Gate Bipolar Transistor (IGBT)	It has characteristics of high withstand voltage, high drive current, improved electrostatic protection, prevention from damage caused by the gate surge voltage to the circuit, as well as providing safe short circuit protection. It can be applied to the digital camera anti-red-eye flash system as a fast pre-flash. It also provides high current drive capability to meet the needs of high-end digital camera and mobile phone. The high speed IGBT has capabilities of high current drive and high withstand voltage; with proper production process, it meets the demand of switching among components swiftly, and may be applied to appliances.
Linear Regulator	It has the characteristics of low input-output voltage difference and low power consumption, not only providing stable voltage output to improve system reliability, and also extends battery life. It is mainly applied to the notebooks, tablets, power supplies, digital signal processors, portable and desk-top computers, among other things.
PWM/VFM IC	The product mainly provides pulse width/frequency modulation signals to control power conversion components for various power solution (including including boost, buck or buck-boost); it is an essential controlling IC. PWM/VFM IC is mainly applied to the products related to various electronics and information products, such as motherboard, notebooks, desk top computers, and portable products.

(2) The Production process of the main products



3. Supply of major raw materials

Major raw materials	Suppliers	Condition of supply
Epitaxial Wafer	EPISIL, WAFER WORKS	Good
Process Wafer	PSMC、Mosel Vitelic、HGrace	Good
Package Assembly	GEM(Shanghai)、GTBF、GEM(Hefei)、ASE-Weihai	Good

4. Major Customers with over 10% net sales and Suppliers with over 10% total purchases of the last two fiscal years

(1) Major Suppliers of the last two fiscal years

Unit: NT$ thousands

Item	2017				2018			
	Name	Amount	Percentage of net annual purchase (%)	Relation with issuer	Name	Amount	Percentage of net annual purchase (%)	Relation with issuer
1	Mosel Vitelic	290,759	16.49	None	PSMC	430,137	17.59	None
2	GEM(Shanghai)	241,623	13.71	None	Mosel Vitelic	343,943	14.06	None
3	PSMC	209,982	11.91	None	EPISIL	257,435	10.53	None
4					GEM(Shanghai)	253,211	10.35	None
	Others	1,020,433	57.89		Others	1,161,189	47.47	
	Net purchase amount	1,762,797	100.00		Net purchase amount	2,445,915	100.00	

Causes of increase and decrease：The amount of purchases in the year 2018 increased with the increase in sales compared with the year of 2017.The major suppliers have no significant increase or decrease.

(2) Major Customers of the last two fiscal years

Unit: NT$ thousands

Item	2017				2018			
	Name	Amount	Percentage of net annual sales (%)	Relation with issuer	Name	Amount	Percentage of net annual sales (%)	Relation with issuer
1	F110044	264,420	12.42	None	F110044	300,019	11.07	None
	Others	1,865,211	87.58		Others	2,409,071	88.93	
	Net sales amount	2,129,631	100.00		Net sales amount	2,709,090	100.00	

Causes of increase and decrease: The amount of sales in the year 2018 increased with the year of 2017 because the sales channels changed via the active expansion in China, but the major client structure did not changed materially.

5. Production/Sales Quantities and Value over the Past Two Year:

Unit: thousand Piece (unit); NT$ thousands

Year / Quantity & Value / Major Product	2017		2018	
	Quantity	Amount	Quantity	Amount
Low Voltage MOSFET	522,922	600,952	690,205	771,766
Middle Voltage MOSFET	233,062	594,543	352,878	802,265
High Voltage MOSFET	131,389	320,379	149,767	432,719
IGBT	8	175	39	360
Linear Regulator and PWM IC	116,096	169,106	36,848	53,404
Others	2,969	190,057	4,296	502,648
Total	1,006,446	1,875,212	1,234,033	2,563,162

Note:The Company and the subsidiaries engage in IC design and thus no capacity data.

6. Sales quantities and values of the last two fiscal years:

Unit: thousand Piece (unit); NT$ thousands

Quantity / Year / Major Product	2017				2018			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Qty	Amount	Qty	Amount	Qty	Amount	Qty	Amount
Low Voltage MOSFET	252,979	252,452	283,958	448,363	303,693	342,843	377,748	567,984
Middle Voltage MOSFET	62,158	198,175	165,890	543,799	69,363	221,248	262,976	765,966
High Voltage MOSFET	21,272	117,885	105,015	221,353	30,151	153,820	116,452	315,181
IGBT	15	183	249	751	46	273	351	1,450
Linear Regulator and PWM IC	46,866	85,755	77,368	122,737	12,743	24,872	21,998	34,023
Others	2,828	12,296	38	125,882	4,202	12,769	85	268,661
Total	386,118	666,746	632,518	1,462,885	420,198	755,825	779,610	1,953,265

(III) Human Resources

Unit: EA

Year		2017	2018	As of April 23, 2019
Employee	Manufacturing	44	50	51
	R&D	30	26	26
	Sales and Marketing	71	65	62
	General and Administrative	34	27	26
	Total	179	168	165
Average age		38.06	38.40	38.37
Average years of service		4.68	5.25	5.43
Education Distribution %	PhD Degree	1.12	0	0
	Master Degree	18.99	16.67	16.36
	College /University	78.77	82.14	82.43
	Senior High School	1.12	1.19	1.21
	Junior High School and below	0	0	0

(IV) Environmental Protection Expenditure

Total losses (including damage awards) and fines for environmental pollution for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report, and an explanation of the measures (including corrective measures) and possible disbursements to be made in the future (including an estimate of losses, fines, and compensation resulting from any failure to adopt responsive measures, or if it is not possible to provide such an estimate, an explanation of the reason why it is not possible)：None.

(V) Labor Relations

1. Any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests

(1) Employee’s welfare package

The Company and the subsidiaries have always held the philosophy of the union of the employer and the employees, co-existence and co-prosperity, and emphasizes the reasonable, systematic, and humane management that respects the needs of employees. Also on the basis of interests-sharing, everything is handled by the Labor Standards Act, and through the full communications and coordination, the good relationship between employer and the employees is established. Therefore, the Company’s employees shall unit together, work together, to achieve the business goals in a harmonious working environment.

Talents are the most important resources of the Company, as well as the critical keys for the future growth. Therefore, the except various benefit plans, the Employee Benefit Committee and the Trust of the Employees’ Shareholding are establish to promote the harmonious relationship between the labor and the management and the best of the employees’ benefits.

The benefit plans: (1) Annual leaves are better than the days specified in the Labor Standards Act. (2) Labor and health insurance, and the group insurance. (3) Subsidies for wedding, funeral, and birth. (4) Subsidies for training. (5) Health check. (6) Trust of employees’ shareholding. (7) Company retreat. (8) Subsidies for traveling. (9) The bonuses at the year-end, Dragon Boat Festival, Autumn Moon Festival, and Labor Day. (10) Birthday gift money.

(2) Education and training

The Company and the subsidiaries have established the “Procedures for Employee Trainings” to accommodate the guidelines of operations, enhance the knowledge and skills of the employees, for the purpose of improving the efficiency of works and quality of products. The trainings are conducted by focusing the features of the works and the demands in the professional areas, pursuant to the “Procedures for Employee Trainings.”

(3) Code of employee’s conducts and ethics

The Company and the subsidiaries have established the related guidelines and rules for all the employees to understand the concepts of ethics, rights, obligations and the code of conducts, so they may comply with them. The introductions to the guidelines are as the following:

A. The organizational structures of departments and descriptions of jobs: Expressively regulate the organizational functions of each department, and the duties and authorities of each job.

B. Preparing the working rules, to assist all the employees to understand the related guidelines and rules for compliance.

(4) Working environment and worker's safety protection

A. For the labor safety and health, the Company and the subsidiaries have establish the "Best Practices for Health and Safety" pursuant to the regulations of the competent authorities for the employee to adhere for health and safety issues. To coordinate, plan, supervise, and promote the labor health and safety affairs, pursuant to the "Directions of Occupational Safety and Health Management," the occupational health and safety personnel are established to promote the management of health and safety, as well as to conduct the automatic inspections.

B. The Best Practices for Health and Safety of the Company and the subsidiaries is to prevent the accidents, promote the safety and health of the employees, and protect the assets of the Company through the spirit of management as planning, executing, inspecting, and acting. The safety management of the Company and the subsidiaries, not only strives to prevent accidents, but also draft the contingency plans for disasters. In case of disasters, the plans will protect the safety of employees, and prevent or reduce the impacts from the accidents to the society and environment. Also, the Company and the subsidiaries have improved the working environment based on the characteristics of the operation sites, to provide a safe and comfortable working environment.

C. The key points of the Best Practices for Health and Safety of the Company and the subsidiaries are to construct a safe working environment, actively prevent the occupational injuries and diseases, protect the mental and physical health of employees, and deepen the awareness to environment, health and safety among the employees, as well as the responsibility assumptions and cultural cultivation. Besides, the regular health check is provided to all employees to ensure their health.

D. Except the regular fire extinguish system by the Company and the subsidiaries, the regular fire drills are also conducted regularly along with the management center of the building, to focus on the improvement of management and hardware. There is an access control. No entrance is allowed without permits, so the safety of the employees is secured.

E. To contribute one's effort to the society, and sponsor the public welfare charity organizations, the Company and the subsidiaries take philanthropic actions with our employees, the "Guidelines for Donations to Welfare Organization" are established. The employees may decide the amount and the counterparties they want to contribute to, and the Company will join the contribution. The Company will contribute the same amounts as the donations of the employees to the public welfare organizations.

(5) Retirement plan

The Company and the subsidiaries have established the retirement guidelines for employees, covering all the permanent employees. The guidelines specify that every full year of working will earn an employee two radixes; from the 16th year, every full year earns one radix. The maximum accumulated radixes are 45. The seniority less than half year is counted as a half year; more than a half year but less than a full year, the seniority is counted as a year.

In July 1999, the Company had established the dedicate account for the labor pension reserve in the Central Trust Bureau (now it is consolidated to the Bank of Taiwan), and contributed 4% of the monthly wages of the employees. The criteria for payment of pensions and the methods adhere to the Labor Standards Act. By now, after the Company used the funds to pay the settled pensions and the pensions from the old scheme, there is no worker is applicable to the pension scheme in the Labor Standard Act, and no more retirement reserves and severance pay to be released. The dedicate account for the labor pension reserve has been cancelled.

The “Labor Pension Act” has been enforced from July, 1, 2005, is a defined contribution plan for retirement. The workers may choose to be continuously applicable to the retirement mechanism in the Labor Standards Act, or choose to be applicable to the pension system in the Act, their seniority prior to their application to the Act shall be reserved. The amount of labor pension borne by the employer pursuant to the Act shall not be less than six percent of the worker's monthly wage.

(6) The Labor-Management Negotiation

The Company takes the humane management as the first priority, and recognizes the employees and the employer are an integral part, co-existing, and co-prosperous. The labor-management meetings are convened regular for the smooth communications between the two parties.

2. Loss suffered from labor disputes in the latest year and up to the printing date of this Annual Report:

The Company and the subsidiaries take an open and two-way communication approach toward the promotion of policies and understanding the employees’ opinions, for the purpose of the harmonious labor-management relationship. Therefore the Company and the subsidiaries has not suffered from any material loss resulted from labor disputes.

(VI) Important Contracts

Contract Property	Affiliated Person	Start/Expiration date of Contract	Content	Restrictions
SUPPLY ASSURANCE CONTRACT	GEM Power Semiconductor Co., Ltd.	From Jan.1,2015 to Dec.31,2018	Packaging and testing services	N/A
SUPPLY ASSURANCE CONTRACT	Powerchip Semiconductor Manufacturing Corp.	From Jan.30,2018 to Dec.31, 2021	Process Wafer Supply	N/A
SUPPLY ASSURANCE CONTRACT	Episil-Precision Inc.	From May 18,2018 to Dec.31, 2024	Epitaxial Wafer Supply	N/A

VI. Financial Information

(I) Five-Year Financial Summary

1. Condensed balance sheets and statements of comprehensive income

(1) Condensed balance sheets (consolidated) - (Financial information adopted International Financial Reporting Standards)

Unit: NT$ thousands

Item \ Year		Financial information in the past five years (Note 1)				
		2014	2015	2016	2017	2018
Current Assets		2,237,338	1,172,150	1,369,970	1,512,524	1,795,612
Property, plant and equipment		270,358	271,198	263,714	258,095	246,815
Intangible Assets		4,650	5,532	4,287	4,685	5,178
Other Assets		151,953	171,908	132,322	134,828	288,185
Total Assets		2,664,299	1,620,788	1,770,293	1,910,132	2,335,790
Current Liabilities	Before allocation	366,663	293,499	453,837	577,430	875,746
	After allocation	439,338	375,080	510,735	614,033	(Note3)
Total non-current liabilities		3,973	393	484	149	293
Total Liabilities	Before allocation	370,636	293,892	454,321	577,579	876,039
	After allocation	443,311	375,473	511,219	614,182	(Note3)
Equity Attributable to Owners of the Parent		2,293,663	1,326,896	1,311,971	1,303,389	1,437,067
Share capital		1,815,693	815,808	812,826	813,405	813,405
Capital surplus	Before allocation / After allocation (Note 2)	333,932	329,006	323,362	327,372	328,441
Retained earnings	Before allocation	207,298	227,205	215,550	197,862	370,684
	After allocation (Note 2)	134,623	145,624	158,652	161,259	(Note3)
Other Equity		(63,260)	(45,123)	(39,767)	(35,250)	(75,463)
Treasury shares		-	-	-	-	-
Non-controlling interest		-	-	4,001	29,164	22,684
Total Equity	Before allocation	2,293,663	1,326,896	1,315,972	1,332,553	1,459,751
	After allocation	2,220,988	1,245,315	1,259,074	1,295,950	(Note3)

Note1：The above financial information for each year was audited by CPA.
Note2：Distribution of 2017 profits has been resolved by stockholders' meeting.
Note3：Distribution of 2018 profits has not been resolved by stockholders' meeting.

(2) Condensed statements of comprehensive income (consolidated)-(Financial information adopted International Financial Reporting Standards)

Unit: NT$ thousands

Item \ Year	Financial information in the past five years (Note)				
	2014	2015	2016	2017	2018
Operating revenue	2,061,113	1,555,624	1,715,438	2,129,631	2,709,090
Gross profit	390,977	312,551	276,844	338,317	499,729
Operating Income	157,973	95,655	27,281	61,138	173,236
Non-operating Income and Expenses	51,775	21,974	57,432	(11,512)	14,001
Profit before tax	209,748	117,629	84,713	49,626	187,237
Income (Losses) from Continuing Operations for the year	173,421	94,543	70,741	37,377	159,899
Losses from Discontinued Operations	-	-	-	-	-
Profit for the year	173,421	94,543	70,741	37,377	159,899
Other comprehensive income for the year (Net of income tax)	11,017	(13,283)	(5,626)	3,052	2,114
Total comprehensive income for the year	184,438	81,260	65,115	40,429	162,013
Profit (loss), attributable to owners of parent	173,421	94,543	71,740	39,210	166,169
Profit (loss), attributable to non-controlling interests	-	-	(999)	(1,833)	(6,270)
Comprehensive income, attributable to owners of parent	184,438	81,260	66,114	41,893	168,493
Comprehensive income, attributable to non-controlling interests	-	-	(999)	(1,464)	(6,480)
Basic earnings per share (NT$)	0.96	0.70	0.88	0.48	2.04

Note：The above financial information for each year was audited by CPA.

(3) Condensed balance sheets (separate)-(Financial information adopted International Financial Reporting Standards)

Unit: NT$ thousands

Item \ Year		Financial information in the past five years (Note 1)				
		2014	2015	2016	2017	2018
Current Assets		2,236,375	1,172,106	1,270,163	1,358,303	1,668,378
Property, plant and equipment		270,358	271,198	263,590	251,191	239,447
Intangible Assets		4,650	5,532	3,939	3,724	5,178
Other Assets		152,446	171,954	227,191	230,581	354,831
Total Assets		2,663,829	1,620,790	1,764,883	1,843,799	2,267,834
Current Liabilities	Before allocation	366,193	293,501	452,428	540,261	830,438
	After allocation	438,868	375,082	509,326	576,864	(Note3)
Total non-current liabilities		3,973	393	484	149	329
Total Liabilities	Before allocation	370,166	293,894	452,912	540,410	830,767
	After allocation	442,841	375,475	509,810	577,013	(Note3)
Equity Attributable to Owners of the Parent		2,293,663	1,326,896	1,311,971	1,303,389	1,437,067
Share capital		1,815,693	815,808	812,826	813,405	813,405
Capital surplus	Before allocation	333,932	329,006	323,362	327,372	328,441
	After Allocation (Note 2)					
Retained earnings	Before allocation	207,298	227,205	215,550	197,862	370,684
	After allocation (Note 2)	134,623	145,624	158,652	161,259	(Note3)
Other Equity		(63,260)	(45,123)	(39,767)	(35,250)	(75,463)
Treasury shares		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total Equity	Before allocation	2,293,663	1,326,896	1,311,971	1,303,389	1,437,067
	After allocation	2,220,988	1,245,315	1,255,073	1,266,786	(Note3)

Note1：The above financial information for each year was audited by CPA.
Note2：Distribution of 2017 profits has been resolved by stockholders’ meeting.
Note3：Distribution of 2018 profits has not been resolved by stockholders’ meeting.

(4) Condensed statements of comprehensive income (separate)-(Financial information adopted International Financial Reporting Standards)

Unit: NT$ thousands

Item \ Year	Financial information in the past five years (Note)				
	2014	2015	2016	2017	2018
Operating revenue	2,061,047	1,555,624	1,715,446	2,022,785	2,527,232
Gross profit	391,187	312,551	276,852	315,782	460,591
Operating Income	152,747	95,655	44,175	87,740	208,540
Non-operating Income and Expenses	56,949	21,974	41,537	(37,144)	(15,421)
Profit before tax	209,696	117,629	85,712	50,596	193,119
Income (Losses) from Continuing Operations for the year	173,421	94,543	71,740	39,210	166,169
Losses from Discontinued Operations	-	-	-	-	-
Profit for the year	173,421	94,543	71,740	39,210	166,169
Other comprehensive income for the year (Net of income tax)	11,017	(13,283)	(5,626)	2,683	2,324
Total comprehensive income for the year	184,438	81,260	66,114	41,893	168,493
Profit (loss), attributable to owners of parent	173,421	94,543	71,740	39,210	166,169
Profit (loss), attributable to non-controlling interests	-	-	-	-	-
Comprehensive income, attributable to owners of parent	184,438	81,260	66,114	41,893	168,493
Comprehensive income, attributable to non-controlling interests	-	-	-	-	-
Basic earnings per share (NT$)	0.96	0.70	0.88	0.48	2.04

Note：The above financial information for each year was audited by CPA.

2. The name of the CPAs and their auditor’s opinions for the most recent 5 years

Year	Name of accounting firm	Name of CPA	Opinions
2014	Deloitte & Touche	Wen-Chin Lin, Hsin-Wei Tai	Unqualified Opinion
2015	Deloitte & Touche	Wen-Chin Lin, Hsin-Wei Tai	Unqualified Opinion
2016	Deloitte & Touche	Wen-Chin Lin, Cheng-Ming Lee	Unqualified Opinion
2017	Deloitte & Touche	Wen-Chin Lin, Cheng-Ming Lee	Unqualified Opinion
2018	Deloitte & Touche	Wen-Chin Lin, Cheng-Ming Lee	Unqualified Opinion

(II) Five-Year Financial Analysis

1. Financial analysis for consolidated report-(Financial information adopted International Financial Reporting Standards)

Analysis item \ Year		Financial information in the past five years (Note)				
		2014	2015	2016	2017	2018
Financial structure (%)	Ratio of liabilities to assets	13.91	18.13	25.66	30.24	37.51
	Ratio of long-term capital to Property, plant and equipment	849.85	489.42	499.20	516.36	591.55
Solvency	Current ratio (%)	610.19	401.49	301.86	261.94	205.04
	Quick ratio (%)	504.43	297.68	204.21	172.71	106.77
	Times interest earned	0.00	58,815.50	42,357.50	63.19	47.08
Operating ability	Account receivable turnover (times)	3.82	3.86	4.46	3.91	4.37
	Days sales in accounts receivable	96	95	82	93	84
	Inventory turnover(times)	4.43	3.67	4.06	4.10	3.56
	Account payable turnover (times)	4.90	5.14	4.97	4.52	4.90
	Average days in sales	82	99	90	89	103
	Property, plant and equipment turnover (times)	7.53	5.75	6.41	8.16	10.73
	Average days in sales	0.79	0.73	1.01	1.16	1.28
Profitability	Ratio of return on total assets (%)	6.66	4.41	4.17	2.07	7.68
	Ratio of return on equity (%)	7.91	5.22	5.35	2.82	11.45
	Ratio of profit before tax to Paid-in capital (%)	11.56	14.42	10.42	6.10	23.02
	Profit ratio (%)	8.41	6.08	4.12	1.76	5.90
	Earnings per share ($) (non-retroactive)	0.96	0.70	0.88	0.48	2.04
Cash flow (%)	Cash flow ratio	76.06	107.88	(12.36)	(18.96)	(1.59)
	Cash flow adequacy ratio	180.96	492.83	304.38	179.13	54.95
	Cash reinvestment ratio	11.78	16.07	(8.51)	(10.42)	(2.92)
Leverage	Degree of operating leverage	1.87	2.32	4.57	3.02	1.87
	Degree of financial leverage	1.00	1.00	1.00	1.01	1.02

The root causes of the financial ratio change in the last two years (The change amounted up to 20%):

1. Financial structure: The ratio of liabilities to assets increased in 2018 because the short-term borrowing increased.
2. Solvency: The current ratio, quick ratio, and interest protection multiples decreased from 2017 because the short-term borrowing increased.
3. Operating ability: The turnover rate of property, plant and equipment increased in 2018 because the amount of sales increased for the period.
4. Profitability: The return on assets, return on equity, pre-tax income to paid up capital, net income to sales, and the earnings per share increased in 2018 from 2017, as the net profit of the period increased.
5. Cash flow: The cash flow adequacy ratio of 2018 decreased from 2017 because the operating revenue of 2018 benefited from the strong demands in the markets and thus grew significantly, and the inventory increased as well; the cash flow and the cash reinvested rate increased, as the net profit of the period increased.
6. Leverage: The operating leverage of 2018 decreased from 2017, as the operating revenue increased.

Note：The above financial information for each year was audited by CPA.

2. **Financial analysis for separate report-(Financial information adopted International Financial Reporting Standards)**

Analysis item		Financial information in the past five years (Note) 2014	2015	2016	2017	2018
Financial structure (%)	Ratio of liabilities to assets	13.90	18.13	25.66	29.31	36.63
	Ratio of long-term capital to Property, plant and equipment	849.85	489.42	497.92	518.94	600.30
Solvency	Current ratio (%)	610.71	401.47	280.74	251.42	200.90
	Quick ratio (%)	504.81	297.66	186.32	166.72	103.95
	Times interest earned	0.00	58,815.50	42,857.00	151.14	76.20
Operating ability	Account receivable turnover (times)	3.82	3.86	4.46	3.81	4.25
	Days sales in accounts receivable	96	95	82	96	86
	Inventory turnover(times)	4.43	3.67	4.06	4.03	3.64
	Account payable turnover (times)	4.90	5.14	4.95	4.31	4.64
	Average days in sales	82	99	90	91	100
	Property, plant and equipment turnover (times)	7.53	5.75	6.42	7.86	10.30
	Average days in sales	0.79	0.73	1.01	1.12	1.23
Profitability	Ratio of return on total assets (%)	6.65	4.41	4.24	2.19	8.18
	Ratio of return on equity (%)	7.91	5.22	5.44	3.00	12.13
	Ratio of profit before tax to Paid-in capital (%)	11.56	14.42	10.54	6.22	23.74
	Profit ratio (%)	8.41	6.08	4.18	1.94	6.58
	Earnings per share ($) (non-retroactive)	0.96	0.70	0.88	0.48	2.04
Cash flow (%)	Cash flow ratio	77.46	109.10	(5.75)	(7.20)	2.78
	Cash flow adequacy ratio	180.41	492.63	310.17	215.81	85.09
	Cash reinvestment ratio	11.99	16.31	(6.90)	(6.17)	(0.79)
Leverage	Degree of operating leverage	1.94	2.32	3.20	2.25	1.60
	Degree of financial leverage	1.00	1.00	1.00	1.00	1.01

The root causes of the financial ratio change in the last two years (The change amounted up to 20%):

1. Financial structure: The ratio of liabilities to assets increased in 2018 because the short-term borrowing increased.
2. Solvency: The current ratio, quick ratio, and interest protection multiples decreased from 2017 because the short-term borrowing increased.
3. Operating ability: The turnover rate of property, plant and equipment increased in 2018 because the amount of sales increased for the period.
4. Profitability: The return on assets, return on equity, pre-tax income to paid up capital, net income to sales, and the earnings per share increased in 2018 from 2017, as the net profit of the period increased.
5. Cash flow: The cash flow adequacy ratio of 2018 decreased from 2017 because the operating revenue of 2018 benefited from the strong demands in the markets and thus grew significantly, and the inventory increased as well; the cash flow and the cash reinvested rate increased, as the net profit of the period increased.
6. Leverage: The operating leverage of 2018 decreased from 2017, as the operating revenue increased.

Note：The above financial information for each year was audited by CPA.

Equations:

1. Financial structure
   (1) Ratio of liabilities to assets = Total liabilities / Total assets
   (2) Ratio of long-term capital to property, plant and equipment = (Total equity + non-current liabilities) / Net property, plant and equipment
2. Solvency
   (1) Current ratio = Current assets / Current liabilities
   (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities
   (3) Times interest earned = Net income before tax and interest expense / Interest expense of the year
3. Operating ability
   (1) Account receivable turnover (including accounts receivable and notes receivable derived from business operation) = Net sales / Average accounts receivable (including accounts receivable and notes receivable derived from business operation)
   (2) Days sales in accounts receivable = 365 / Account receivable turnover
   (3) Inventory turnover = Cost of goods sold / Average inventory amount
   (4) Account payable turnover (including accounts payable and notes payable derived from business operation) = Cost of goods sold/ Average accounts payable (including accounts payable and notes payable derived from business operation)
   (5) Average days in sales = 365 / Inventory turnover
   (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) Ratio of return on total assets = [Net income (loss) + interest expense x (1-tax rate)] / Average total assets
   (2) Ratio of return on equity = Net income (loss) / Net average total equity
   (3) Ratio of profit before tax to paid-in capital = Net income before tax / Paid-in capital
   (4) Profit ratio = Net income (loss) / Net sales
5. Earnings per share = (Profit attributable to shareholders of the parent - preferred stock dividend) / Weighted average stock shares issued Cash flow
   (1) Cash flow ratio = Net cash flow from operating activity / Current liabilities
   (2) Cash flow adequacy ratio = Net cash flow from operating activity in the past five years / (Capital expenditure + Inventory increase + Cash dividend) in the past five years
   (3) Cash reinvestment ratio = (Net cash flow from operating activity - Cash dividend) / (Gross property, plant and equipment + Gross Investment property + Long-term investment + Other non-current assets + Working capital)
6. Leverage:
   (1) Degree of operating leverage = (Net operating revenue - Variable operating cost and expense) / Operating income
   (2) Degree of financial leverage = Operating income / (Operating income - interest expense)

(III) Audit Committee's Report in the Most Recent Year

Advanced Power Electronics Co., Ltd.
Audit Committee's Review Report on the 2018 Financial Statements

Among the business report for 2018, financial statements, and the proposal of profit distribution prepared and submitted by the Board of Directors, the financial statements have been audited by Deloitte & Touche with the audit report. The abovementioned business report, financial statements and the proposal of profit distribution have been audited by the Committee, and deemed consistent. Therefore, we report such according to Article 14-4 of the Security Transaction Act and Article 219 of the Company Act for your review.

Advanced Power Electronics Co., Ltd.

Convener of the Audit Committee: Yong-Sheng Liu 劉永生

March 21, 2019

(IV) Consolidated Financial Statements in the Most Recent Years: Please refer to Attachment 1 for details.

(V) Financial Statements in the Most Recent Years: Please refer to Attachment 2 for details.

(VI) Impact of Financial Difficulties of the Company and Related Party on the Company's Financial Position: None.

VII.Review of financial position, management performance and risk management

(I) Comparative Analysis of Financial Position

List the main reasons for any material change in the company's assets, liabilities, or equity during the past 2 fiscal years, and describe the effect thereof. Where the effect is of material significance, then describes the measures to be taken in response.

1. Comparative Analysis of Financial Position

Unit: NT$ thousands

Item \ Year	2018	2017	Difference	
			Amount	%
Current assets	1,795,612	1,512,524	283,088	18.72
Property, plant and equipment	246,815	258,095	(11,280)	(4.37)
Intangible assets	5,178	4,685	493	10.52
Other assets	288,185	134,828	153,357	113.74
Total assets	2,335,790	1,910,132	425,658	22.28
Current liabilities	875,746	577,430	298,316	51.66
Non-current liabilities	293	149	144	96.64
Total liabilities	876,039	577,579	298,460	51.67
Share capital	813,405	813,405	0	0.00
Capital surplus	328,441	327,372	1,069	0.33
Retained earnings	370,684	197,862	172,822	87.34
Other equity	(75,463)	(35,250)	(40,213)	(114.08)
Total equity attributable to owners of the parent	1,437,067	1,303,389	133,678	10.26
Non-controlling equity	22,684	29,164	(6,480)	(22.22)
Total equity	1,459,751	1,332,553	127,198	9.55

2. Explanation of any significant change: (The change in amount is up to NT$ 10 million, and amounted to 20%)

(1) The total amount of other assets and assets increased because the long-term prepayment of goods in 2018 increased.

(2) The total amount of current liabilities, non-current liabilities, and liabilities increased because the short-term borrowings and the purchase increased, and the payables increased accordingly in 2018.

(3) Retained earnings increased as the net profit of the period increased.

(4) Other equities decreased because at the beginning of 2018, the impairment losses accumulated in the retained earnings for the share investment recognized as the available-for-sale financial assets at costs pursuant to IAS 39, are reclassified to other equities - unrealized losses of financial assets at fair value through other comprehensive incomes according to IFRS 9.

(5) The non-controlling interests decreased due to the losses from the subsidiaries in 2018.

3. Where the effect is of material significance, then describes the measures to be taken in response:

None.

(II) Comparative Analysis of Financial Performance

List the main reasons for any material change in operating revenues, operating income, or income before tax during the past 2 fiscal years, provide a sales volume forecast and the basis therefor, and describe the effect upon the Company's financial operations as well as measures to be taken in response.

1. Consolidated Comparison of Business Performance

Unit: NT$ thousands

Item \ Year	2018	2017	Difference	
			Amount	%
Operating revenues	2,709,090	2,129,631	579,459	27.21
Gross profit	499,729	338,317	161,412	47.71
Operating expenses	173,236	61,138	112,098	183.35
Operating Income	14,001	(11,512)	25,513	221.62
Non-operating Income and Expenses	187,237	49,626	137,611	277.30
Profit before tax	159,899	37,377	122,522	327.80
Profit for the year	162,013	40,429	121,584	300.73
Comprehensive income, attributable to owners of parent	166,169	39,210	126,959	323.79
Basic earnings per share (NT$)	2.04	0.48	1.56	325.00

2. Explanation of any significant change: (The change in amount is up to NT$ 10 million, and amounted to 20%)

(1) The operating revenues, gross operating profit, and operating profit increased because the operating revenue grew significantly in 2018 due to the strong demands in the markets. In the period, the operation gross profit grew as the portfolio of the products favorable, and the price increased, so the operating profit increased as well.

(2) Non-operating income and expenses increased as these mainly came from the exchange of foreign currencies in 2018.

(3) The pre-tax net profit, net profit for the period, the total amount of the comprehensive income for the period and the net profit attributed to the shareholders of the parent company increased, as the operating revenue increased.

3. The sales volume forecast and the basis

The Company and the subsidiaries establish the annual sales target based on the industrial conditions and the past sales performances. The expected annual sales for 2019 are 1.194 billion pieces.

4. The Company’s future financial performance and the plan for any possible impact

There is no material effect upon the Company's future financial performance.

(III) Analysis of Cash Flow

Describe and analyze any cash flow changes during the most recent fiscal year, describe corrective measures to be taken in response to illiquidity, and provide a liquidity analysis for the coming year.

1. Consolidated liquidity analysis of the last two years

Item \ Year	2018	2017	Financial ratio change
Cash flow ratio%	(1.59)	(18.96)	91.61
Cash flow adequacy ratio%	54.95	179.13	(69.32)
Cash reinvestment ratio%	(2.92)	(10.42)	71.98

Analysis of the percentage of change in increase/ decrease (The change amounted up to 20%):

The cash flow and the cash reinvested rate increased in 2018 from 2017, as the net profit of the period increased; the cash flow adequacy ratio of 2018 decreased from 2017, because the operating revenue of 2018 benefited from the strong demands in the markets and thus grew significantly, and the inventory increased as well.

2. **Insufficient liquidity improvement plan:** The Company has no liquidity shortages.
3. **Cash flow analysis for the coming year:** N/A

(IV) Impact of Major Capital Expenditure on Finance and Business

1. Major capital expenditure item and source of capital

There is no significant capital expenditure during the most recent fiscal year because the Company and its subsidiaries are IC designed with no fabless companies, and the significant capital expenditure is on buying equipment to ensure capacities.

2. Expected benefits

(1) Capacity Guarantee Payment for Goods: to secure the capacities for sufficient supply.

(2) To respond to the future business development, the Company and the subsidiaries invest the machines and equipment to enhance the R&D capabilities so that the unit cost of produce reduces and the competitiveness of products improves, and thus the profit of product improves, as well as the images of product.

(V) Policies for the Current Year, and Reasons for Gain or Loss and Action Plan in regard to Investment for the Next Year

1. The reinvestment policy for the recent year

The reinvestments of the Company mainly are investment for holding, and the strategic investment to accommodate the business expansion of the parent company.

2. **The main reasons for profit or loss and rectification plan**

The investment loss recognized in 2018 by the equity method is NT$ 35,038 thousand, resulted from the reinvestment of Green Power Semiconductor Co., Ltd. and OPC Microelectronics Co., Ltd. are both newly established as the product development and sales for China's green power market. In the future, the Company will continue working on the Chinese Market, with the principle of strategic investment. The other reason is the related operational expenses for the local employees of Shenzhen Fucheng Electronics Co., Ltd.; this company has assisted the Company for accomplishing the product certification and promotions in the market of Southern China, and successfully expanded to the market. In the future, this company is still one of the pioneers for the advancement to the Chinese market of the Company.

3. **Investment plans within a year**

The Company will continue evaluate the reinvestment plan cautiously with the principle of strategic investment.

(VI) Analysis of Risk Management

1. **The impact of interest rate, exchange rate, and inflation on the Company's income and expense a and countermeasures to be taken**

(1) The impact of interest rate, exchange rate, and inflation on the Company's income and expense

Unit: NT$ thousands

Item	2018	2017
Net interest income (expense) (A)	1,486	2,626
Net exchange gain (loss) (B)	10,151	(15,682)
Net operating revenue (C)	2,709,090	2,129,631
Operating Income(D)	173,236	61,138
(A)/(C)	0.05%	0.12%
(A)/(D)	0.86%	4.30%
(B)/(C)	0.37%	(0.74)%
(B)/(D)	5.86%	(25.65)%

A. The Company and the subsidiaries expect the needs of operating funds will increase for the future operating scales. Therefore the financing limits have been applied to the bank institutions for the future fund turnover. The interest income and expense only take insignificant part in the operating revenue. Company and the subsidiaries also have good relationship with banks. The finance department of the Company also watches the movement of the market interest rates. Therefore, the fluctuation of interest rates affects the Company and the subsidiaries insignificantly.

B. Most of the sales prices for the Company and the subsidiaries' products are quoted in USD, and thus the movement of exchange rates impacts the income of the period. In 2017 and 2018, the exchange rate of TWD was volatile, and thus the gain/loss of the exchange had a relatively higher ratio to the net operating profit. The Company and the subsidiaries monitor the movement of exchange rates and the foreign exchange positions held while maintaining the balance between the foreign currency assets and liabilities, in order to reduce the exchange rate risks to the Company and the subsidiaries

C. As of the date of publication, the Company and the subsidiaries have not been materially affected due to inflations. Also the Company and the subsidiaries always monitor the fluctuation of market prices, and keep good relationships with the suppliers and clients, for the purpose of avoiding the adverse impacts to the profit/loss of the Company by inflation.

(2) The responsive measures in the future

To minimize the impact from the movement of exchange rate to the profit/loss of the Company and the subsidiaries, the quotations take into account of the adjustment of prices resulted from the movement of exchange rate, to protect the reasonable profits of the Company and the subsidiaries. The finance department works closely with the banks to grasp the movement of exchange rate for timely reactions. For the USD receivables and payables, the natural off-set approach is taken. The sales are quoted in USD, and the imported goods are paid with USD. The flexible payment mechanism (early or delayed payment) is applied to mitigate the risks from the movement of exchange rate. For the inflations, the Company and the subsidiaries will react by monitoring the global economics situations.

2. Conducting high-risk and high-leverage investment, granting loans to others, endorsement & guarantee and directives policy, root cause of profit and loss, and countermeasures to be taken

Item	Implementation	Policies and the responsive measures
High-risk and high-leverage investment	As of the publication date, in the latest year, the Company and the subsidiaries have not conducted any high risk, high levered investment.	The Company and the subsidiaries focus on the main business, and the funds are not applied to any high risk, high levered investment.
Granting loans to others	As of the publication date, in the latest year, except the subsidiary of the Company, Future Technology Consulting (B.V.I.), Inc., made loan of funds to the sub-subsidiary, OPC Microelectronics Co., Ltd., the Company and the subsidiaries have not made and loan of funds to others.	For any loan of funds to others, the Company and the subsidiaries proceed based on the “Operational Procedures for Loaning of Company Funds”, and report and announce as required by laws.
Endorsement & guarantee	As of the publication date, in the latest year, the Company provides endorsement and guarantee to the sub-subsidiary, OPC Microelectronics Co., Ltd..	For any endorsement and guarantees to others, the Company and the subsidiaries proceed based on the “Endorsement and Guarantee Operating Procedure” and report and announce as required by laws.
Directives	As of the publication date, in the latest year, the Company and the subsidiaries have not conducted any derivative transaction.	Shall the Company and the subsidiaries conduct any derivative transaction in the future, such transaction will be pursuant to the “Operational Procedures for Acquisition and Disposal of Assets.” and report and announce as required by laws.

3. R&D plans and budgeted R&D expense

(1) R&D plans

The MOSFETs will be developed toward the optimal material and the semiconductor process parameters to optimize the on-resistance and the dynamic characteristics of the component switches. Not only to satisfy the wide-range demands of consumer PC, notebooks, chargers for mobile devices, power supplies, power tools, battery management system and the BLDC motors, the development will also focus on the power supplies at the computer facilities at the provider-end/user end in the imminent 5G communication generation, as well as provide product lines with good C/P value for the power supplies in the significant number of base station for the high speed and high frequency bands and the battery systems. The progresses of the said development are expected to complete the process platforms and start to produce commercially.

(2) Budgeted R&D expense

In 2018, the input of the R&D expenses was NT$77,071,000; for the current year, it is expected to maintain the similar level as NT$82,576,000.

4. Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and countermeasures to be taken

The Company and the subsidiaries have been watching any domestic or overseas policies potentially affecting the finance and business of the Company, and the risk management procedures are established accordingly. For the daily operation, the Company and the subsidiaries always abide by the applicable domestic and overseas laws and regulations while monitoring the trend of domestic and overseas policy development and the changes of laws and regulations and collecting the relevant information as the reference to the management, for the purpose of adjusting the operating strategies for the Company and the subsidiaries. As of now, the finance and business of the Company and the subsidiaries have not yet impacted materially due to any change to the domestic and overseas key policies and laws.

5. Effect on the Company's financial operations of developments in science and technology as well as industrial change, and countermeasures to be taken

In recent years, the growth of market for PC and notebooks has stagnated. The Company and the subsidiaries not only actively position the mobile device market but also enter the EV market; moreover, the Company aggressively develops the new generation low, middle, and high voltage MOSFET to meet the demands of LED lighting and the high performance of energy-saving for appliances.

The Company and the subsidiaries have always value the cultivation of R&D talents and the development of products and technologies. Currently, the Company and the subsidiaries have a solid financial position with sufficient funds to react to the needs for future technology development.

6. Effect on the Company's financial operations of developments in science and technology as well as industrial change, and countermeasures to be taken

The most essential image of the Company and the subsidiaries is integrity without seeking illegal benefits. This is also the critical principle for the corporate culture. Therefore, integrity has become the nature of the Company regarding the corporate governance.

7. Expected benefits and possible risks associated with any merger and acquisitions, and countermeasures being or to be taken

As of the publication date, in the latest year, the Company and the subsidiaries have no plan for M&A. However, shall there be any M&A plan in the future, a rigorous assessment will be conducted to see if any tangible synergy will be achieved for the Company and the subsidiaries so that the interests of the shareholders are protected.

8. Expected benefits and possible risks associated with any plant expansion, and countermeasures being or to be taken

In the most recent fiscal year up to the publication of the annual report, the Company and its subsidiaries did not have any plant expansion plan.

9. Risks associated with any consolidation of sales or purchasing operations, and countermeasures being or to be taken

(1) Purchasing:
The Company and the subsidiaries are professional IC design company. The needed purchases mainly are epitaxial wafers or outsourced production to OEM foundries. To diversify the source of purchases, the Company and the subsidiaries have selected EPI and Wafer Works as the suppliers of epitaxial wafers. The wafer OEM is outsourced to Mosel Vitelic and Advanced Microelectronic Products. The Company and the subsidiaries also have cooperation with other professional foundries to ensure the diversified product developments and sufficient supplies of capacities.

(2) Sales:
To maintain the stable operating revenue, the Company and the subsidiaries maintain good partnerships with clients under the principles of equality and co-benefit and the satisfactions of supplies and demands for the both parties. Meanwhile, the Company and the subsidiaries strive to upgrade the quality and types of products in the recent years, and the client base is changed on the basis of the portfolio of products and the operations of the clients. The Company is not subjected to the risks of sales concentration, as the Company maintains good relationships with old clients while gaining new clients aggressively.

10. Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10% stake in the Company has been transferred or has otherwise changed hands, and countermeasures being or to be taken

As of the publication date, in the latest year, there is no material transfer of the shares to impact the Company.

11. Effect upon and risk to Company associated with any change in governance personnel or top management, and countermeasures being or to be taken: None.

12. Any litigation or non-litigation shall clearly state: None.

13. Other important risks, and countermeasures being or to be taken

To implement the management of information security, the following policies are established:

(1) Protect the information of operating activities to prevent unauthorized access, modification, destruction, and theft and to ensure the accuracy, completeness, and confidentiality of information.
(2) Fulfill the security obligations required by operation, laws and regulations, and contracts.
(3) Ensure the Company has the information environment for the continuous operation in place.
(4) Conduct the information security training to deepen the information security awareness of employees, as well as strengthen their recognition of the relevant responsibilities.
(5) Execute the information security assessment mechanism to enhance the effectiveness and timeliness of information security management.
(6) Implement the internal audit systems for information security to ensure the executions of information security management.
(7) Enhance the information service quality to improve the user satisfactions.

The core of the information security strategies focus on the governance of information security, compliance, and application of technologies. From the system to the technologies, from personnel to the organization, the information security capabilities are fully upgraded. As the information security insurance is an emerging insurance, the current assessment suggests the information security insurance not be required for now. The follow-up objective is to perfect the regulations related to information security and the regular information security assessment. In the future, the information security guarding mechanism will be enhanced continuously, plus the training for information security talents and upgrading the professional functions.

(VII) Other important matters: None.

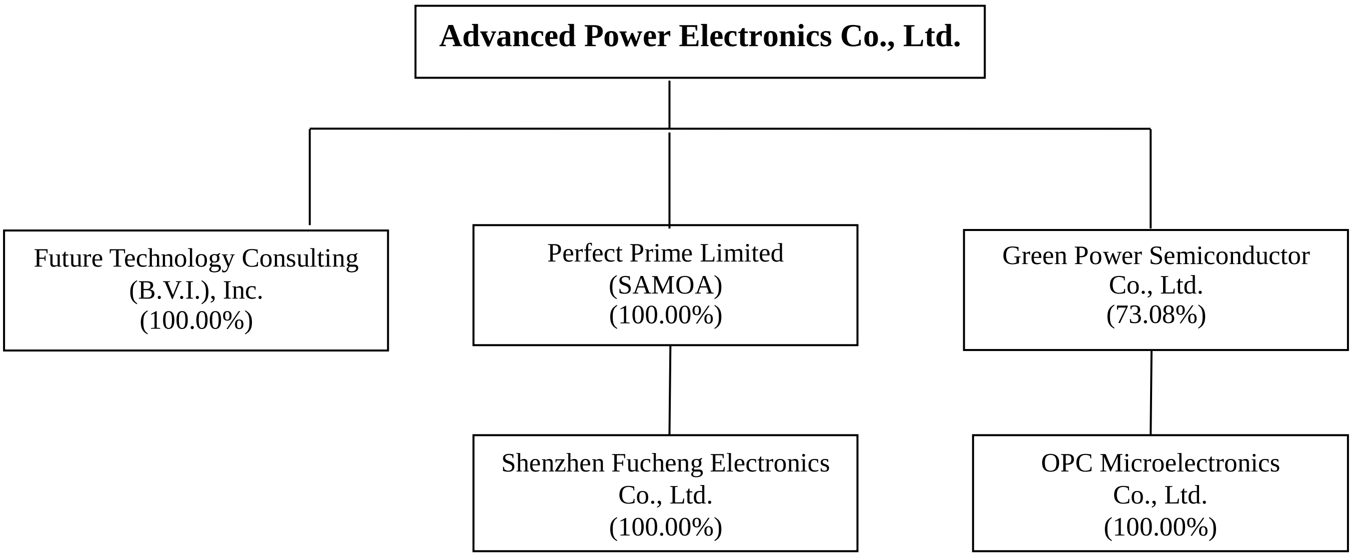
VIII. Special Disclosures

(I) Summary of Affiliated Companies

1. Affiliated Companies

(1) Affiliated Companies Chart

As of December 31, 2018



(2) Affiliated Companies Basic Information

Unit: NT$ thousands and US$ thousands; As of December 31, 2018

Name of Corporation	Date of Incorporation	Address	Paid-in Capital	Principal Business Activity or Production Item
Future Technology Consulting(B.V.I.),Inc.	April 29, 1999	Town, Tortla, British Virgin Islands	US$2,000	Investments
Perfect Prime Limited (SAMOA)	December 15, 2015	Offshore Chambers, P.O. Box 217, Apia, Samoa.	US$450	Investments
Shenzhen Fucheng Electronics Co., Ltd.	April 15, 2016	Room 903-905,MeiLan Business Center, Crossing of XiXiang Avenue and QianJin Road, Baoan District, Shenzhen City	US$440	Electronic parts and components manufacturing, home appliance wholesale, home appliance retail sale, product outlook design, information software service, other designs (electronic element design, integrated circuit design, semi-conductor design), other commercial service (electronic element, integrated circuit, semi-conductor, among other electronics testing service), electronic material wholesale, electronic material retail sale
Green Power Semiconductor Co., Ltd.	July 14, 2016	12F-1, No. 5, Tai Yuan First St., Zhubei City, Hsinchu County 30288, Taiwan (R.O.C.)	NT$130,000	Buy and sale

Name of Corporation	Date of Incorporation	Address	Paid-in Capital	Principal Business Activity or Production Item
OPC Microelectronics Co., Ltd.	May 30, 2016	Room 202-34, Building No.A10, No.777, Jianzhu west Rd., Binhu Dist., Wuxi City, Jiangsu Pro	US$2,092	Integrated circuit, software design, development, and technical service; electronic products, instruments and meters, telecommunication equipment, computer and auxiliary equipment wholesale, commissioning and imports and exports business

(3) Shareholders presumed to have control and subordinate relationship with the same information: None.

(4) The industries covered by the business operated by the affiliates overall. Where connections exist among the businesses operated by individual affiliates, a description of the mutual dealings and division of work among such affiliates should be provided.

The business of each affiliate mainly are investment holdings and provision of after-sale services to the Company’s clients.

(5) Information of directors, supervisors and presidents of affiliated companies

Unit: share; %; As of December 31, 2018

Name of Corporation	Title	Name or Representative	Shareholding	
			Shares	%
Future Technology Consulting (B.V.I.),Inc.	Director	Advanced Power Electronics Co., Ltd. (Representative: Fu-Chi Teng)	2,000,000	100.00
Perfect Prime Limited (SAMOA)	Director	Advanced Power Electronics Co., Ltd. (Representative: Fu-Chi Teng)	450,000	100.00
Shenzhen Fucheng Electronics Co., Ltd.	Chairman	Perfect Prime Limited (SAMOA) (Representative: Mei-Ying Tan)	N/A	100.00
	Supervisor	Perfect Prime Limited (SAMOA) (Representative: Fneg-Chun Yeh)		
	President	Mei-Ying Tan		0.00
Green Power Semiconductor Co., Ltd.	Chairman	Advanced Power Electronics Co., Ltd. (Representative: Fu-Chi Teng)	9,500,000	73.08
	Director	Advanced Power Electronics Co., Ltd. (Representative: Lin-Chung Huang, Mei-Ying Tan)		
	Supervisor	Fneg-Chun Yeh	0	0.00
	President	Fu-Chi Teng	0	0.00
OPC Microelectronics Co., Ltd.	Chairman	Green Power Semiconductor Co., Ltd. (Representative: Mei-Ying Tan)	N/A	100.00
	Director	Green Power Semiconductor Corp (Representative: Fu-Chi Teng, Lin-Chung Huang)		
	Supervisor	Green Power Semiconductor Corp (Representative: Fu-Chi Teng)		

(6) Operation status of the affiliated companies

Unit: NT$ thousands; As of December 31, 2018

Name of Corporation	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating profit(loss)	Net profit(loss)	Earnings per share (NT$)
Future Technology Consulting (B.V.I.),Inc.	64,507	45,568	141	45,427	0	(17,069)	(16,422)	0
Perfect Prime Limited (SAMOA)	14,540	(965)	0	(965)	0	(28)	(1,595)	0
Shenzhen Fucheng Electronics Co., Ltd.	13,515	1,233	2,472	(1,239)	16,162	(1,395)	(1,566)	0
Green Power Semiconductor Co., Ltd.	130,000	94,396	10,133	84,263	64,802	(13,813)	(23,292)	0
OPC Microelectronics Co., Ltd.	63,766	195,553	137,770	57,783	317,386	(3,098)	(10,592)	0

2. Consolidated business reports of affiliated companies

The entities that are required to be included in the combined financial statements of Advanced Power Electronics Co., Ltd. as of and for the year ended December 31, 2018, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Advanced Power Electronics Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

3. Affiliation report: None**.**

(II) Transaction about the Company's private placement of securities during the most recent fiscal year up to the publication of the annual report: None.

(III) Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent fiscal year up to the publication of the annual report: None.

(IV) .Other matters for which supplementary explanation is required: None.

IX. Matters Affecting Shareholders' Equity or Stock Price

(I) Matters according to the Article 36.3.2 of the Securities and Exchange Act of Taiwan in the most recent year and up to the date of printing of this Annual Report which have significant impact to Shareholders' Equity or stock price:

Although there was a change for the President, such change does not affect the shareholders' interests or the price of share materially and adversely, so this is not applicable.

Attachment 1

Consolidated Financial Statements in the Most Recent Year

Stock Code:8261

Advanced Power Electronics Co.,Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

Address: 12F-1 and 12F-2, No. 5, Taiyuan 1st ST., Zhubei City, Hsinchu County, 30265, Taiwan, R.O.C.
Telephone: 886-3-6215899

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Advanced Power Electronics Co., Ltd. as of and for the year ended December 31, 2018, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Advanced Power Electronics Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Advanced Power Electronics Co., Ltd.

Teng Fu-Chi

Fu-Chi Teng
Chairman

March 21, 2019

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Advanced Power Electronics Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Advanced Power Electronics Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards ("IFRS"), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the 2018 consolidated financial statements are as follows:

Estimate for Impairment of Accounts Receivable

Refer to Note 5 and 12, the estimated impairment of accounts receivable of the Group involves the judgment made regarding payments likely unable to be collected. As is required by IAS 9, the management recognized the allowance for receivables according to the expected credit loss for the duration. The estimates above involve the subjective judgment of the management and hypothetical impacts based on credit risk. Therefore, we believe that the review for the impairment of accounts receivable is a key audit matter.

We evaluated the allowance assessment policy of the Group, tested the legitimacy of the expected credit impairment rate, and examined the delinquency of respective accounts receivable and asked for related reasons in order to verify the expected credit loss of accounts receivable.

Evaluation of inventories

Refer to Note 5 for the uncertainty of accounting estimations and assumptions for evaluation of inventories, Inventories are measured at the lower of cost or net realizable value, and the Group uses judgment and estimate to determine the net realizable value of inventory based on assumptions of the management. Therefore, we believe that the review for the evaluation of inventories is a key audit matter.

We have assessed the policy on allowance for inventory valuation loss, evaluated the legitimacy and performed sampling in order to examine the accuracy of the inventory age report. We also randomly inspected the latest selling prices and took part in the annual inventory check and observed the current inventory in order to evaluate the legitimacy of inventory valuation.

Other Matter

We have also audited the parent company only financial statements of Advanced Power Electronics Co., Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC of the ROC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.
Those charged with governance (including the audit committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ROC 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 consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the ROC, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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. Obtain 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 Group’s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude 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 Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated 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 auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate 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 identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate 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 determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors’ 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.

The engagement partners on the audit resulting in this independent auditors' report are Wen-Chin Lin and Cheng-Ming Lee.

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 21, 2019

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles andpractices generally accepted in the ROC and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied inthe ROC.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared andused in the ROC. If there is any conflict between the English version and the original Chinese version orany difference in the interpretation of the two versions, the Chinese-language independent auditors'report and consolidated financial statements shall prevail.

As the consolidated financial statements are the responsibility of the management, Deloitte & Touche cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED BALANCE SHEET

(In Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and Cash Equivalents (Notes 4 and 6)	$ 306,730	13	$ 309,396	16
Financial assets at fair value through other comprehensive income (Note 7)	533	-	-	-
Available-for-sale financial assets (Notes 4 and 9)	-	-	997	-
Debt instrument investment without active market (Notes 4 and 11)	-	-	29,488	2
Notes receivable (Note 12)	40,816	2	44,539	2
Accounts receivable (Notes 4, 5, and 12)	552,219	24	578,355	30
Other receivables (Note 12)	30,628	1	24,684	1
Current tax assets	2,448	-	7,695	-
Inventories (Notes 4, 5, and 13)	775,635	33	467,220	25
Other current assets	86,603	4	50,150	3
Total current assets	1,795,612	77	1,512,524	79
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Note 7)	37,666	2	-	-
Available-for-sale financial assets (Notes 4 and 9)	-	-	17,352	1
Financial assets at amortized cost (Note 8)	204	-	-	-
Financial assets measured at cost (Notes 4 and 10)	-	-	17,766	1
Debt instrument investment without active market (Notes 4 and 11)	-	-	202	-
Property, plant and equipment (Notes 4 and 14)	246,815	10	258,095	14
Goodwill (Note 15)	-	-	668	-
Other intangible assets, net	5,178	-	4,017	-
Deferred tax assets (Notes 4 and 23)	40,974	2	54,531	3
Other non-current assets (Note 16)	209,341	9	44,977	2
Total non-current assets	540,178	23	397,608	21
TOTAL	$ 2,335,790	100	$ 1,910,132	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	$ 269,456	12	$ 60,000	3
Notes payable	29,180	1	17,177	1
Accounts payable	463,190	20	391,926	21
Other payables (Note 19)	92,399	4	82,003	4
Current tax liabilities (Notes 4 and 23)	12,760	1	6,926	-
Other current liabilities	8,761	-	19,398	1
Total current liabilities	875,746	38	577,430	30
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 23)	144	-	-	-
Guarantee deposits	149	-	149	-
Total non-current liabilities	293	-	149	-
Total liabilities	876,039	38	577,579	30
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 21)				
Common stock	813,405	35	813,405	43
Capital surplus	328,441	14	327,372	17
Retained earnings				
Legal reserve	37,891	2	33,970	2
Special reserve	35,250	1	37,932	2
Unappropriated earnings	297,543	13	125,960	6
Total retained earnings	370,684	16	197,862	10
Other equity interests	(75,463)	(4)	(35,250)	(2)
Total equity attributable to owners of the parent	1,437,067	61	1,303,389	68
NON-CONTROLLING INTERESTS	22,684	1	29,164	2
Total equity	1,459,751	62	1,332,553	70
TOTAL	$ 2,335,790	100	$ 1,910,132	100

The accompanying notes are an integral part of the consolidated financial statements.

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Note 4)	$ 2,709,090	100	$ 2,129,631	100
OPERATING COSTS (Notes 11 and 22)	2,209,361	82	1,791,314	84
GROSS PROFIT FROM OPERATIONS	499,729	18	338,317	16
OPERATING EXPENSES (Notes 18 and 22)				
Selling and marketing expenses	149,649	5	134,384	6
General and administrative expenses	99,773	4	66,819	3
Research and development expenses	77,071	3	75,976	4
Total operating expenses	326,493	12	277,179	13
PROFIT/(LOSS) FROM OPERATIONS	173,236	6	61,138	3
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 22)	10,006	1	6,828	-
Other gains and losses (Note 22)	8,058	-	(17,542)	(1)
Finance costs	(4,063)	-	(798)	-
Total non-operating income and expenses	14,001	1	(11,512)	(1)
PROFIT BEFORE INCOME TAX	187,237	7	49,626	2
INCOME TAX EXPENSE (Notes 4 and 23)	27,338	1	12,249	-
NET PROFIT FOR THE YEAR	159,899	6	37,377	2
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	1,370	-	-	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations	744	-	(4,020)	-
Unrealized gain/(loss) on available-for-sale financial assets	-	-	7,072	-
Other comprehensive income/(loss) for the year, net of income tax	2,114	-	3,052	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 162,013	6	$ 40,429	2
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 166,169	6	$ 39,210	2
Non-controlling interests	(6,270)	-	(1,833)	-
	$ 159,899	6	$ 37,377	2
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 168,493	6	$ 41,893	2
Non-controlling interests	(6,480)	-	(1,464)	-
	$ 162,013	6	$ 40,429	2
EARNINGS PER SHARE (Note 24)				
Basic	$ 2.04		$ 0.48	
Diluted	$ 2.03		$ 0.48	

The accompanying notes are an integral part of the consolidated financial statements.

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent													
			Retained Earnings				Other Equity Interests							
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain/(Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Stock-Based Employee Compensation	Total	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2017	$ 812,826	$ 323,362	$ 26,796	$ 34,120	$ 154,634	$ 215,550	$ 556	($ 38,489)	$ -	($ 1,834)	($ 39,767)	$ 1,311,971	$ 4,001	$ 1,315,972
Distribution of 2016 earnings														
Legal reserve	-	-	7,174	-	(7,174)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	3,812	(3,812)	-	-	-	-	-	-	-	-	-
Cash dividends －NT$0.7 per share	-	-	-	-	(56,898)	(56,898)	-	-	-	-	-	(56,898)	-	(56,898)
From share of changes in equities of subsidiaries	-	3,373	-	-	-	-	-	-	-	-	-	3,373	26,627	30,000
Profit for the year ended December 31, 2017	-	-	-	-	39,210	39,210	-	-	-	-	-	39,210	(1,833)	37,377
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	(4,389)	7,072	-	-	2,683	2,683	369	3,052
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	39,210	39,210	(4,389)	7,072	-	-	2,683	41,893	(1,464)	40,429
Issuance of ordinary shares under employee share options	579	637	-	-	-	-	-	-	-	-	-	1,216	-	1,216
Compensation of employee restricted shares	-	-	-	-	-	-	-	-	-	1,834	1,834	1,834	-	1,834
BALANCE, DECEMBER 31, 2017	813,405	327,372	33,970	37,932	125,960	197,862	(3,833)	(31,417)	-	-	(35,250)	1,303,389	29,164	1,332,553
Effect of retrospective application and retrospective restatement	-	-	-	-	43,422	43,422	-	31,417	(74,120)	-	(42,703)	719	-	719
ADJUSTED BALANCE, JANUARY 1, 2018	813,405	327,372	33,970	37,932	169,382	241,284	(3,833)	-	(74,120)	-	(77,953)	1,304,108	29,164	1,333,272
Distribution of 2017 earnings														
Legal reserve	-	-	3,921	-	(3,921)	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(2,682)	2,682	-	-	-	-	-	-	-	-	-
Cash dividends －NT$0.45 per share	-	-	-	-	(36,603)	(36,603)	-	-	-	-	-	(36,603)	-	(36,603)
Profit for the year ended December 31, 2018	-	-	-	-	166,169	166,169	-	-	-	-	-	166,169	(6,270)	159,899
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	954	-	1,370	-	2,324	2,324	(210)	2,114
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	166,169	166,169	954	-	1,370	-	2,324	168,493	(6,480)	162,013
Compensation of employee share options	-	1,069	-	-	-	-	-	-	-	-	-	1,069	-	1,069
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(166)	(166)	-	-	166	-	166	-	-	-
BALANCE, DECEMBER 31, 2018	$ 813,405	$ 328,441	$ 37,891	$ 35,250	$ 297,543	$ 370,684	($ 2,879)	$ -	($ 72,584)	$ -	($ 75,463)	$ 1,437,067	$ 22,684	$ 1,459,751

The accompanying notes are an integral part of the consolidated financial statements.

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	$ 187,237	$ 49,626
Adjustments for:		
Write-downs of inventories	(59,893)	(12,503)
Depreciation expense	22,317	26,071
Amortization of long-term prepayments	10,000	3,333
Unrealized (gain)/loss on foreign currency exchange	(6,611)	16,064
Amortization expense	7,646	6,106
Interest income	(5,549)	(3,424)
Finance costs	4,063	798
Compensation costs of employee share options	1,069	1,834
Impairment loss on Goodwill	672	-
Gain on disposal of property, plant and equipment	(14)	-
Loss on disposal of investments, net	-	362
Changes in operating assets and liabilities:		
Notes receivable	3,723	(7,767)
Accounts receivable	40,689	(174,991)
Other receivables	(6,198)	(2,090)
Inventories	(250,091)	(39,364)
Other current assets	(36,453)	11,095
Net defined benefit liabilities	-	694
Notes payable	12,003	(10,061)
Accounts payable	59,848	58,405
Other payables	12,866	(8,967)
Other current liabilities	(10,637)	(27,195)
Net cash inflows generated from operating activities	(13,313)	(111,974)
Interest received	5,803	3,445
Interest paid	(3,882)	(610)
Income taxes paid	(2,556)	(344)
Net cash used in operating activities	(13,948)	(109,483)

(Continued)

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital return of financial assets at fair value through other comprehensive income	$ 411	$ -
Acquisitions of financial assets at amortized cost	(2)	-
Proceeds from disposal of financial assets at amortized cost	29,488	-
Proceeds from disposal of available-for-sale financial assets	-	815
Proceeds from sale of debt investments with no active market	-	77,416
Net cash outflow on acquisition of subsidiaries	-	7,604
Acquisition of property, plant and equipment	(14,755)	(17,503)
Proceeds from disposal of property, plant and equipment	153	-
Increase (Decrease) in refundable deposits	82	(458)
Payments for intangible assets	(8,807)	(5,836)
Increase (Decrease) in other non-current assets	(169,747)	16,232
Increase in prepayments for equipment	(4,699)	-
Net cash generated from/(used in) investing activities	(167,876)	78,270
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	553,150	355,000
Decrease in short-term loans	(343,423)	(295,000)
Cash dividends	(36,594)	(56,888)
Exercise of share options	-	1,216
Net cash generated from financing activities	173,133	4,328
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	6,025	(17,447)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,666)	(44,332)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	309,396	353,728
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 306,730	$ 309,396

The accompanying notes are an integral part of the consolidated financial statements. (Concluded).

Advanced Power Electronics Co., Ltd. and its subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Advanced Power Electronics Co., Ltd. ("APEC") was incorporated in Taiwan, the Republic of China ("ROC") on July 17, 1998. APEC is mainly engaged in the design of electronic elements, integrated circuits, semi-conductors, and the testing service.

APEC's stock was approved to be traded over the counter by the ROC Taipei Exchange on April 9, 2004 and was listed on the ROC Over-the-Counter ("OTC") Securities Exchange (known as The Taipei Exchange, TPEx) on April 15, 2004. On December 11, 2009, APEC's stock was shifted to be listed on the Taiwan Stock Exchange.

The Group's consolidated financial statements are presented in New Taiwan dollars (TWD), which is APEC's functional currency.

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements on March 21, 2019.

3. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

a. Application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), Interpretations of IFRS ("IFRIC"), and Interpretations of IAS ("SIC") (collectively, the "IFRSs") endorsed and issued into effect by the ROC Financial Supervisory Commission ("FSC").

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies:

   IFRS 9 "Financial Instruments" and related amendment

   IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Please refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment on whether it would retrospectively applied those newly issued and/or amended accounting standards and interpretations. The following table shows the measurement categories and carrying amount under IAS 39 and IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	IAS 39	IFRS 9	IAS 39	IFRS 9	Note
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 309,396	$ 309,396	-
Derivatives	Available-for-sale	Fair value through other comprehensive income (FVTOCI)	18,349	18,349	(a)
	Available-for-sale(financial assets at cost)	Fair value through other comprehensive income (FVTOCI)	17,766	18,485	(a)
Time deposits with original maturities within 3 months	Loans and receivables(Debt investments with no active market and measured at amortized cost)	Amortized cost	29,690	29,690	(b)
Notes and accounts receivable,other receivables	Loans and receivables	Amortized cost	647,578	647,578	(c)
Refundable deposits	Loans and receivables	Amortized cost	1,731	1,731	-

	Carrying Amount as of December 31, 2017 (IAS 39)	Reclassifi-cations	Remea-surements	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Note
FVTOCI							
－Equity instruments							
Add:From available for sale(IAS 39)	$ -	$ 18,349	$ -	$ 18,349	$ 26,932	($ 26,932)	(a)
Add:From financial assets in available-for-sale（financial assets at cost）(IAS 39)	-	17,766	719	18,485	16,490	(15,771)	(a)
Total	$ -	$ 36,115	$ 719	$ 36,834	$ 43,422	($ 42,703)	

a).The Group elected to designate stocks investments previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9. As a result, the related other equity - unrealized loss on available-for-sale financial assets of $31,417 thousand was reclassified to other equity - unrealized loss on financial assets at FVTOCI.

Investments in unlisted stocks previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value.

As a result of retrospective application, the adjustments would result in a increase in financial assets at FVTOCI and other equity - unrealized gain or loss on financial assets at FVTOCI of NT$719 thousand on January 1, 2018.

The Group recognized under IAS 39 impairment loss on investments in unlisted stocks previously measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $43,422 thousand in other equity and an increase of $43,422 thousand in retained earnings on January 1, 2018.

b). Debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

c).Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost, with an assessment of expected credit losses under IFRS 9, respectively.

b.Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019.

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by International Accounting Standards Board (IASB) (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

Note 1: Unless stated otherwise, the above New, Revised or Amended IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from January 1, 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will choose to only evaluate contracts entered into (or changed) after January 1, 2019 to reassess whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. Contracts that are reassessed as containing a lease will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments fall under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities and the interest portion will be classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contracts are recognized as expenses on a straight-line basis. The difference between the actual payments and the expenses, as adjusted for lease incentives, is recognized as accrued or prepaid expenses. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases under IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

1. The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
2. Leases that are completed prior to December 31, 2019 will be treated as short-term leases.
3. When weighing lease-associated liabilities, the determination over the lease period will be based on hindsight bias.

The Group as lessor

Except for sublease transactions, the Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	$ -	$ 8,304	$ 8,304
Total effect on assets	$ -	$ 8,304	$ 8,304
Lease liabilities- Current	$ -	$ 4,380	$ 4,380
Lease liabilities-non-current	-	3,924	3,924
Total effect on liabilities	$ -	$ 8,304	$ 8,304

Except for the above potential impact, as of the date the consolidated financial statements were authorized for issue, the Group had assessed that the application of other standards and interpretations would not have significant impacts on the Group's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC.

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning onor after their respective effective dates.

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The accompanying company only consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values and defined benefit liabilitiy that is carry amount less the fair value of net defined benefit obligation, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

Based on the extent that fair value can be observed, the fair value measurements are grouped into Levels 1 to 3:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: Inputs for the assets or liabilities are not based on observable market data (unobservable inputs).

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. It holds the asset primarily for the purpose of trading;
b. It expects to realize the asset within twelve months after the reporting period; or
c. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used tosettle a liability for at least twelve months after the reporting period.

Current liabilities include:

a. It holds the liability primarily for the purpose of trading;
b.The liability is due to be settled within twelve months after the reporting period (liabilities for which long-term refinancing or re-arrangement of payment agreement is completed before the date shown on the balance sheet and before the financial report is approved and released also belong to current liabilities); or
c. The liability for which the repayment date cannot be extended unconditionally to more than twelve months after the end of the reporting period. Terms of a liability that could, at

the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise they are classified as non-current assets or non-current liabilities.

Basis of Consolidation

All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries. Financial statements of subsidiaries are adequately adjusted to align their accounting policies with those of the Group Transactions and balances, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

For the statements, percentage of ownership and scope of operation of each subsidiary, refer to Note 17 and Tables 5 and 6.

Business Combination

The Group uses the acquisition method to account for business combinations. All acquisitionrelated costs are expensed as incurred.

If the total of the fair values of the consideration of acquisition and any non-controlling interests in the acquiree as well as the acquisition-date fair value of any previous equity interest in the acquiree is higher than the fair value of the Group's share of the identifiable net assets acquired and liabilities assumed, the difference is recorded as goodwill.

Foreign Currency

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

When preparing consolidated financial statements, the assets and liabilities of foreign operations are translated to TWD using the exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated at the average exchange rate for the period. Exchange differences are recognized in other comprehensive income and accumulated in equity attributed to the owners of the Group and non-controlling interests as appropriate.

When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale.

Inventories

Inventories include raw materials, in-process items, and finished products. Inventories are measured at the lower of cost or net realizable value. Inventories are assessed item by item, except those with similar characteristics which are assessed collectively. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costsnecessary to make the sale. The weighted-average method is used in the calculation of cost.

Property, Plant and Equipment

Property, plant and equipment are initially recorded at cost. Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives. The estimated useful lives, residual values and depreciation method arereviewed on the same basis as other identical categories of property, plant and equipment at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

Other separately acquired intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method.

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Software and system design costs - 3 years.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Other Tangible and Intangible Assets (excluding goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of those assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Animpairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unitis increased to the revised estimate of its recoverable amount, but the increased carrying amount does notexceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years (minus amortization or depreciation). A reversal of an impairment loss is recognized immediately in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized in consolidated balance sheets when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

The Group adopts trade-date accounting to recognize and derecognize financial assets.

1) Measurement category

2018

Financial assets are classified into the following categories: Financial assets at amortized cost, and investments in equity instruments at FVTOCI.

a) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortizedcost:

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable, other receivables and refundable deposits are measured at amortized cost, which equal to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the amortized cost of thefinancial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

<u>2017</u>

Financial assets are classified into the following categories: Available-for-sale financial assets, and loans and receivables.

a) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated asavailable-for-sale or are not classified as loans and receivables, held-to-maturity financialassets or financial assets at fair value through profit or loss.

Available-for-sale financial assets are recognized initially at fair value. Changes in the carrying amount of available-for-sale financial assets from foreign exchange gains or losses and interest income using the effective interest method are recognized in profit and loss, while other changes in carrying amount are recognized in other comprehensive income (loss) and presented in unrealized gain (loss) on available-for-sale financial assets in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity instruments that do not have a quoted market price in an active market or derivative instruments that are linked to such unquoted equity instruments and have to be settled by delivering the said equity instruments in nature and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period. Such equity instruments are subsequently remeasured at fair value when their fair value can be reliably measured, and the difference between the carrying amount and fair value is recognized in profit or loss or other comprehensive income.

b) Loans and receivables

Loans and receivables including cash and cash equivalents, notes and accounts receivable, debt instrument investment without active market and other receivables are measured at amortized cost using the effective interest method, less any impairment, except for those loans and receivables with immaterial discounted effect.

Cash equivalents include time deposits and bills sold under re-purchase agreements that are highly liquid, may be converted to a fixed value of cash at any time, and involve minimal risk in value change for the 3 months from the date of acquisition; they are used to fulfill short-term cash commitments.

2) Impairment of financial assets

<u>2018</u>

The Group recognizes a loss allowance for expected credit losses ("ECL") on financial assets at amortized cost (including receivables).

The loss allowances for receivables are measured at an amount equal to lifetime ECL. For other financial assets, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to 12-month ECL. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to lifetime ECL.

ECLs reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

2017

Financial assets, other than those carried at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Those financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, their estimated future cash flows have been affected.

For financial assets carried at amortized cost, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. The Group assesses the collectability of receivables by performing the prior receiving experience and changes in observable national or regional economic situations that have to do with the lag in receivables, among other factors.

For financial assets carried at amortized cost, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment loss is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

For an available-for-sale investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

In addition, objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income (loss), and accumulated in other equity.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Except for being written off from the allowance account due to the impossibility of collecting accounts receivable, changes in the amount of the allowance account are recognized in profit or loss.

3) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

Before 2017,On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. Starting in 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of investments in equity instruments at FVTOCI, the cumulative gain or loss is directly transferred to retained earnings, and it is not reclassified to profit or loss.

b. Financial liabilities

1) Recognition

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Revenue Recognition

2018

The Group's revenue is from the sale of semi-conductor products. Due to the fact that as soon as semi-conductor products are delivered to the location designated by a customer or in the beginning of shipment, the customer already is entitled to set and use prices of the products and is mainly responsible for their re-distribution and also undertakes the risk of the products being obsolete. The Group recognizes revenue and accounts receivable at such time point.

2017

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Sales return is listed with the reasonably estimated value of return in the future according to prior experience and other factors concerned.

Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

a. The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
b. The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
c. The amount of revenue can be measured reliably;
d. It is probable that the economic benefits associated with the transaction will flow to the Group; and
e. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

For processing of self-owned materials, major risks and rewards associated with the ownership of processed products are not transferred. Therefore, the self-owned materials are not treated as sales.

Generally, revenue is recognized as goods are delivered and ownership is transferred.

Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Leases

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. Other leases are operating leases. Receivables collected are periodically recognized as rental income during the lease contract.

The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. The initial direct cost generated by the negotiation and arrangement of business leases is added to the book value of leased assets and is recognized as expenses during the lease period on the straight-line basis.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Employee Benefits

Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

Retirement benefits

For defined contribution retirement benefit plans, payments to the benefit plan are recognized as an expense when the employees have rendered service entitling them to the contribution.

Employee Share-based Payment

Employee stock options/restricted employee stock are recognized at the fair value of the equity instrument on the issuance date and the expected vested best estimated quantity during the vesting period on the straight-line basis and the capital reserve-employee stock option/other equities (unearned employee remunerations) is adjusted at the same time. If immediately vested on the issuance date, all of them are recognized as expenses on the issuance date.

When issuing restricted employee stock, the Group recognizes other equities (unearned employee remunerations) on the issuance date and the capital reserve-restricted employee stock is adjusted at the same time. For paid issuance and when return of the value is required upon resignation of the employee as agreed upon, related payable amounts shall be recognized.

The Group modifies the estimated number of expected vested employee stock options/restricted employee stock on each balance sheet date. If the original estimated quantity is modified, the quantity affected is recognized as part of profits and losses and the accumulated expenses are made to reflect the modified estimates and the corresponding capital reserve - employee stock option/the capital reserve-restricted employee stock is adjusted, respectively.

Income Tax

1. Current taxes

   Income tax on unappropriated earnings (excluding earnings from foreign consolidated subsidiaries) is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

   Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2. Deferred taxes

   Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

   Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and net operating loss carryforwards that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

   Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the aforementioned Group’s accounting policies, the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

a. Impairment assessment of Financial Assets (applicable to 2018)

The estimated impairment of accounts receivable and debt securities is based on the default rate and expected loss rate assumed by the Group. The Group takes into consideration historical experiences, current market condition, and prospective information while rendering assumptions and selecting the estimated input value of impairment. For the important assumptions and input values adopted, please refer to

Notes 7, 8, and 12. If the actual cash flows in the future are below expectations, significant impairment loss may result.

b. Impairment assessment of Accounts receivable (applicable to 2017)

When there is objective evidence showing signs of impairment, the Group takes into consideration estimated cash flows in the future. The value of impairment loss is measured by the difference between the book value of the assets and the current value discounted at the original effective interest rate of the specific financial asset of estimated cash flows in the future (excluding the future credit loss yet to occur). If the actual cash flows in the future are below expectations, significant impairment loss may result.

c. Evaluation of inventories

Inventory net realisable value is the estimated balance of the estimated selling price during a normal business process minus the estimated cost yet to be devoted before completion and the estimated cost required for completing the sale. Such estimates are made according to the current market condition and historical sale experiences of similar products. Variation in market condition might be significant changes to the evaluation.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand and revolving funds	$ 149	$ 161
Bank check and demand deposit	237,165	176,644
Cash equivalents (investments with the original expiration date within 3 months)		
Bank time deposit	-	30,766
Repurchase agreements collateralized by bonds	69,416	101,825
	$ 306,730	$ 309,396

The interest rate bracket for bank deposits on the balance sheet date is as follows:

	December 31	
	2018	**2017**
Bank deposit	0.0001%-1.62%	0.001%-3.5%
Repurchase agreements collateralized by bonds	2.65%	1.5%-4.2%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-2018

	December 31,2018
Current	
Financial assets at fair value through other comprehensive income	$ 533
Non-current	
Financial assets at fair value through other comprehensive income	$ 37,666

Financial assets at fair value through other comprehensive income

	December 31,2018
Current	
Domestic investments	
Publicly traded stocks	$ 533
Non-current	
Domestic investments	
Publicly traded private placement stocks	$ 13,699
Non-publicly traded equity investments	6,645
	20,344
Foreign investments	
Non-publicly traded equity investments	17,322
	$ 37,666

The Group invests in the above-mentioned common stock according to mid-to-long-term strategic purpose and expects to make profits from long-term investments. The management of the Group believes that if variation in the short-term fair value of such investments is included as part of profits or losses, it is against the above-mentioned long-term investment plan. Therefore, such investments are chosen and designated to be measured at fair value through other comprehensive profits or losses. Such investments were originally categorized as available-for-sale financial assets according to IAS 39 (including financial assets measured at cost). Refer to Notes 3, 9, and 10 for information relating to their reclassification and comparative information for 2017.

8. FINANCIAL ASSETS AT AMORTIZED COST-2018

	December 31, 2018
Non-current	
Domestic investments	
Pledged deposit certificate	$ 204

For information on financial assets at amortized, refer to Note 30.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS-2017

	December 31, 2017
Current	
Domestic investments	
Publicly traded stocks	$ 997
Non-current	
Domestic investments	
Publicly traded private placement stocks	$ 17,352

The available-for-sale financial assets-non-current invested in by the Group is private placement domestic listed stocks with trading restrictions - Advanced Microelectronic Products, Inc.

10. FINANCIAL ASSETS CARRIED AT COST-2017

	December 31, 2017
Non-current	
Foreign unlisted stocks	$ 12,633
Domestic unlisted stocks	5,133
	$ 17,766
By the type of measure	
Available-for-sale	$ 17,766

For the above-mentioned domestic and foreign unlisted stocks held by the Group as part of investment, they are measured by the cost less impairment loss on the balance sheet date. Due to the fact that the range of reasonable estimates of the fair value is significant and that it is impossible to reasonably evaluate chances of respective estimates, the Group’s management believes that the fair value cannot be reliably measured.

11. DEBT INSTRUMENT INVESTMENT WITHOUT ACTIVE MARKET-2017

	December 31, 2017
Current	
Periodic deposits more than 3 months past the original expiration date	$ 29,488
Non-current	
Pledged deposit certificate	$ 202

As of December 31, 2017, the interest rate bracket for time deposits with the original expiration date more than 3 months is the annual interest rate and 1.69% ~ 3.50%, respectively.

For information on pledged debt instrument without active market, refer to Note 30.

12. ACCOUNTS, NOTES AND OTHER RECEIVABLE AND, NET

	December 31	
	2018	**2017**
Notes receivable		
From operating	$ 40,943	$ 44,666
Less: Loss allowance	(127)	(127)
	$ 40,816	$ 44,539
Accounts receivable		
Accounts receivable at amortized cost	$ 564,054	$ 590,190
Less: Loss allowance	(11,835)	(11,835)
	$ 552,219	$ 578,355
Other receivable		
Tax refund receivable	$ 30,352	$ 24,024
Others	276	660
	$ 30,628	$ 24,684

a. Accounts receivable

For the Year Ended December 31,2018

The main credit terms range from 60 to 150 days from the invoice date from the end of the month when the invoice is issued; no interest is calculated for accounts receivable.

Before accepting new customers, the Group evaluates the prospective customers’ credit quality through an external credit rating system and set the credit limit for a specific customer.

The Group adopts the simplified approach of IFRS 9 by recognizing the allowance loss for accounts receivable according to the expected credit loss for the duration. Expected credit loss for the duration is calculated with the prepared matrix, taking into consideration prior default records and current financial standing of the customer, industrial and economic situation, and also industrial prospects. As is shown by the historical experience in credit loss of the Group, there is no significant difference in the loss patterns among different customer populations. Therefore, the prepared matrix does not distinguish further the customer populations; instead, the expected credit loss rate is established only by the number of delinquent days for accounts receivable.

In case of any evidence showing that the counterparty is faced with serious financial difficulties and the Group cannot reasonably expect the recoverable amount, the Group writes off related accounts receivable directly; nevertheless, claims will continue and the recovered amounts are recognized under profits or losses.

The allowance loss measured by the Group with the prepared matrix for accounts receivable is as follows:

For the Year Ended December 31,2018

	Not Past Due	Overdue 1 to 90 days	Overdue 91 to 180 days	Overdue Over 180 days	Total
Gross carrying amount	$ 521,376	$ 39,829	$ 44	$ 2,805	$ 564,054
Loss allowance (Lifetime ECL)	(1,540)	(7,481)	(9)	(2,805)	(11,835)
Amortized cost	$ 519,836	$ 32,348	$ 35	$ -	$ 552,219

Movements of allowance for accounts receivables were as follows:

	For the Year Ended December 31 2018
Balance, January 1(IAS 39)	$ 11,835
Effect of retrospective application of IFRS 9	-
Balance, January 1(IFRS 9)	11,835
Add:Impairment loss	-
Balance, December 31	$ 11,835

For the Year Ended December 31,2017

The Group's credit policy in 2017 was as same as the aforementioned credit policy in 2018.

The net accounts receivable aging analysis of the Group was as follows:

	December 31, 2017
Within 60 days	$ 423,837
61-90 days	123,244
over 91 days	43,109
Total	$ 590,190

The above is analyzed on the basis of the number of days since the account was created.

The aging analysis of past-due-but-no-impaired accounts receivable of the Group was as follows:

	December 31, 2017
Past due within 90 days	$ 50,420
Past due over 90 days	1,234
	$ 51,654

The above is analyzed on the basis of the number of days' delinquent.

Movements of allowance for accounts receivables by individual and collective assessment were as follows:

	Impairment loss on individual	Impairment loss on collective assessment	Total
Balance, January 1, 2017	$ 40,269	$ 11,962	$ 52,231
Less: Reclassification	-	-	-
Balance, December 31, 2017	$ 40,269	$ 11,962	$ 52,231

b. Doubtful receivables

The Group evaluates whether or not there is objective impairment evidence for major financial assets that are overdue on the balance sheet date, taking into consideration unfavorable changes that have occurred in the payment status of the counterparty and the increase in the number of overdue payments, among other signs, and classify them as doubtful receivables and allowance for doubtful receivables is appropriated in a full amount.

The Group recognized allowance for doubtful receivables of $38,559 thousand and $40,269 thousand for the years ended December 31, 2018 and 2017.

Movements of allowance for doubtful receivables were as follows:

	For the Year Ended December 31
	2018
Balance, January 1(IAS 39)	$ 40,269
Effect of retrospective application of IFRS 9	-
Balance, January 1(IFRS 9)	40,269
Less: Write-off	(1,710)
Balance, December 31	$ 38,559

13. INVENTORIES

	December 31	
	2018	2017
Raw materials	$ 54,950	$ 30,718
Work in process	527,812	319,683
Finished goods	192,873	116,819
	$ 775,635	$ 467,220

The cost of revenue realted to inventory for 2018 and 2017 was $ 2,209,361 thousand and $ 1,791,314 thousand, respectively. The cost of revenue included the reversal of write-down of inventories of $ 59,893 thousand and $ 12,503 thousand. The reversal of write-down of inventories is the result of disposing of the inventories for which have been write-down to net realizable value previously.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Computer Communication Equipment	Office Equipment	Lease Improvement	Other equipment	Total
Cost								
Balance, January 1, 2017	$ 61,590	$ 187,521	$ 113,391	$ 8,486	$ 10,823	$ 1,962	$ 146,548	$ 530,321
Additions	-	-	2,339	1,592	99	1,251	12,155	17,436
Disposals	-	-	-	-	-	-	-	-
Obtained through corporate mergers	-	-	-	-	239	-	3,182	3,421
Reclassification	-	-	-	208	(155)	-	(53)	-
Effect of exchange rate changes	-	-	-	3	(4)	-	48	47
Balance, December 31, 2017	$ 61,590	$ 187,521	$ 115,730	$ 10,289	$ 11,002	$ 3,213	$ 161,880	$ 551,225
Accumulated depreciation								
Balance, January 1, 2017	$ -	$ 21,116	$ 97,879	$ 6,519	$ 8,829	$ 736	$ 131,528	$ 266,607
Depreciation	-	3,846	5,285	1,078	1,112	348	14,402	26,071
Disposals	-	-	-	-	-	-	-	-
Obtained through corporate mergers	-	-	-	-	75	-	359	434
Reclassification	-	-	-	125	(123)	-	(2)	-
Effect of exchange rate changes	-	-	-	3	1	-	14	18
Balance, December 31, 2017	$ -	$ 24,962	$ 103,164	$ 7,725	$ 9,894	$ 1,084	$ 146,301	$ 293,130
Carrying amount, December 31, 2017	$ 61,590	$ 162,559	$ 12,566	$ 2,564	$ 1,108	$ 2,129	$ 15,579	$ 258,095
Cost								
Balance, January 1, 2018	$ 61,590	$ 187,521	$ 115,730	$ 10,289	$ 11,002	$ 3,213	$ 161,880	$ 551,225
Additions	-	-	807	998	-	104	9,420	11,329
Disposals	-	-	(203)	-	(216)	-	-	(419)
Effect of exchange rate changes	-	-	-	(4)	(2)	(2)	(247)	(255)
Balance, December 31, 2018	$ 61,590	$ 187,521	$ 116,334	$ 11,283	$ 10,784	$ 3,315	$ 171,053	$ 561,880
Accumulated depreciation								
Balance, January 1, 2018	$ -	$ 24,962	$ 103,164	$ 7,725	$ 9,894	$ 1,084	$ 146,301	$ 293,130
Depreciation	-	3,846	4,647	1,048	345	577	11,854	22,317
Disposals	-	-	(203)	-	(77)	-	-	(280)
Effect of exchange rate changes	-	-	-	(4)	(3)	-	(95)	(102)
Balance, December 31, 2018	$ -	$ 28,808	$ 107,608	$ 8,769	$ 10,159	$ 1,661	$ 158,060	$ 315,065
Carrying amount, December 31, 2018	$ 61,590	$ 158,713	$ 8,726	$ 2,514	$ 625	$ 1,654	$ 12,993	$ 246,815

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

Buildings	
Primary buildings	50 years
Mechanical and electrical equipment	15 years
Machinery and Equipment	6 years
Computer Communication Equipment	3-7 years
Office Equipment	1-5 years
Lease Improvement	5 years
Other equipment	1-5 years

For property, plant and equipment set to be secured borrowings, refer to Note 30.

15. GOODWILL

	For the Year Ended December 31	
	2018	2017
Cost		
Balance, January 1	$ 668	$ -
Acquired through corporate mergers this year（Note 26）	-	671
Impairment loss recognized this year	(672)	-
Effect of exchange rate changes	4	(3)
Balance, December 31	$ -	$ 668

16. OTHER ASSETS

	December 31	
	2018	2017
Non-current		
Long-term pre-payment for purchase	$ 186,326	$ 16,579
Long-term prepayments	16,667	26,667
Pre-payment for equipment	4,699	-
Refundable deposits	1,649	1,731
	$ 209,341	$ 44,977

In order to ensure steady packaging capacity and reduce packaging cost, the Group signs a throughput guarantee contract with the packaging manufacturer and pays for the purchases over the long term prepayments in order to ensure fulfillment of the contract.

Green Power Semiconductor organized capital increase worth $30,000 thousand through individual labor-based funds with September 4, 2017 as the base date. Booked long-term pre-payments are recognized as salary amortized over a period of three years.

17. SUBSIDIARY

a. The subsidiaries included in the consolidated financial statement:

The subsidiaries included in the consolidated financial statements were as follows:

Investor	Subsidiary	Main Business and Products	Percentage of Ownership December 31 2018	Percentage of Ownership December 31 2017	Note
APEC	Future Technology Consulting (B.V.I.),Inc. (Future)	Investment	100%	100%	-
APEC	Perfect Prime Limited(Perfect)	Investment	100%	100%	
APEC	Green Power Semiconductor Co., Ltd. (GPS)	Trading	73.08%	73.08%	Note 1
Perfect	Shenzhen Fucheng Electronics Co., Ltd.（Fucheng）	Trading	100%	100%	
GPS	OPC Microelectronics Co., Ltd.(OPC)	Manufacturing	100%	100%	Note 2

Note 1: GPS organized the capital increase with personal labor funding in September 2017. The holding ratio of the APEC after the capital increase dropped to 73.08%.

Note 2: GPS obtained OPC's share options in April 2017.

b. The subsidiaries not included in the consolidated financial statement: None.

18. SHORT-TERM BORROWINGS

	December 31	
	2018	2017
Secured loans		
－debt payable - bank	$ 80,000	$ 45,000
Unsecured loans		
－debt payable - bank	189,456	15,000
	$ 269,456	$ 60,000

The annual interest rate of bank revolving loans was 1.17% to 4.90% and 1.15% to 1.20%, respectively, in 2018 and 2017.

19. OTHER PAYABLES

	December 31	
	2018	2017
Payable salaries and rewards	$ 34,344	$ 36,760
Payable remunerations for employees and directors	20,272	5,382
Payables on equipment	1,016	4,442
Others	36,767	35,419
	$ 92,399	$ 82,003

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

APEC adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed and defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The pension fund system organized by APEC according to the "Labor Standards Act" of Taiwan is the defined benefit retirement plan managed by the government. The payment of pension fund for employees is calculated by the years of service and the average monthly salary for the six months prior to the approved date of retirement. APEC sets aside the retirement fund at 4% of the total value of the monthly salary for each employee. It is given to the Labor Pension Fund Reserve Supervisory Committee and deposited in the account with the Bank of Taiwan in the name of the said Committee. Before a year ends, if the estimated balance in the dedicated account is insufficient to pay workers that are expected to fulfill the retirement criteria within a year, the difference will be appropriated in a lump sum by the end of March of the coming year. The dedicated account is managed as authorized to the Bureau of Labor Funds, Ministry of Labor. APEC does not have the right to affect the investment management strategy.

APEC already followed the requirements of the Labor Standards Act and applicable laws and regulations in March 2017 by settling years in service of all employees by June 30, 2005.

21. EQUITY

a. Capital stock

	December 31	
	2018	**2017**
Authorized shares (in thousands)	200,000	200,000
Authorized capital	$ 2,000,000	$ 2,000,000
Issued and paid shares (in thousands)	81,341	81,341
Issued capital	$ 813,405	$ 813,405

A holder of issued common shares with par value of $10 per share is entitled to vote and to receive dividends.

b. Capital surplus

	December 31	
	2018	**2017**
For make-up accumulated deficit, distributed as cash dividends, be transferred to capital as stock dividends(1)		
Additional paid-in capital	$ 243,984	$ 243,984
Treasury stock transactions	12,728	12,728
Only for make-up accumulated deficit		
Expired stock option (2)	67,287	67,287
Cannot be used by any means		
Employee stock option	1,069	-
From share of changes in equities of subsidiaries (3)	3,373	3,373
	$ 328,441	$ 327,372

1). Such capital surplus may be applied to make-up accumulated deficit, if any, or be transferred to capital as stock dividends, or be distributed as cash dividends when there is no accumulated deficit, and this transfer is restricted to a certain percentage of the paid-in capital.

2). Such capital surplus is the adjustment made to employee stock options with no cash inflows and upon expiration of convertible bonds.

3). Such capital surplus is the adjustment made in the transaction of equities recognized due to variation in the subsidiary's equities when the APEC does not actually acquire or dispose of the subsidiary's stock options or when the capital reserve of the subsidiary is recognized by the APEC using the equity method.

c. Retained earnings and dividend policy

In accordance with the policy, APEC's profits earned in a fiscal year shall first be set aside to pay the applicable taxes, offset losses, and set aside 10% of the profits for legal reserve pursuant to laws and regulations, unless the legal reserve has reached APEC's total paid-up capital. The remaining profits shall be set aside for special reserve in accordance with laws, regulations, or business requirements. Any further remaining profits plus unappropriated earnings shall be distributed in accordance with the proposal submitted by the Board of Directors for approval at a stockholders' meeting.

APEC's Articles of Incorporation provide the policy about the profit sharing bonus to employees, please refer to Note 22(e). Employee benefits expenses.

In light of the fact that APEC is in the business growth phase, to go with the demand for capital in the future and the long-term financial planning as well as to fulfill the demand of shareholders for cash flows, APEC appropriates and assigns dividends to shareholders according to the earnings available for distribution in the preceding paragraph. Cash dividends, in particular, may not be below 10% of the overall dividend value. The type and ratio of such earnings to be distributed, however, may depend on the actual profits and capital conditions of the year and be adjusted once decided through the shareholders' meeting.

According to the ROC Company Act, a company shall first set aside its earning for legal reserve until it equals the paid-in capital. The legal reserve may offset losses. After offsetting any deficit, the legal reserve may be transferred to capital and distributed as stock dividends or cash dividends for the amount in excess of 25% of the paid-in capital pursuant to a resolution adopted in the stockholders'meeting.

APEC distributes and reverses special reserve in accordance with Decree No. 1010012865, Decree No. 1010047490, and "The Q&A for special reserve recognition after adopting IFRS" issued by the FSC.

The 2017 and 2016 earnings appropriations having been resolved in the AGM on May 17, 2018 and May 17, 2017, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share ($)**	
	For Fiscal Year 2017	**For Fiscal Year 2016**	**For Fiscal Year 2017**	**For Fiscal Year 2016**
Appropriation of legal reserve	$ 3,921	$ 7,174		

	Appropriation of Earnings		Dividends Per Share ($)	
	For Fiscal Year 2017	For Fiscal Year 2016	For Fiscal Year 2017	For Fiscal Year 2016
Reversal from special reserve	(2,682)	3,812		
Cash dividends to stockholders	36,603	56,898	$ 0.45	$ 0.7

The 2018 earnings distribution proposal stipulated on March 21, 2019 by the APEC's Board of Directors is as follows:

	Appropriation of Earnings	Dividends Per Share ($)
Appropriation of legal reserve	$ 16,617	
Reversal from special reserve	40,213	
Cash dividends to stockholders	81,340	$ 1

APEC's 2018 earnings appropriations will be proposed by the Board of Directors and approved at the AGM on May 16, 2019.

d. Other equity interests

1). Unrealized gains or loss on available-for-sale financial assets

Balance, January 1, 2017	($ 38,489)
Current period	
Unrealized Gain	7,434
Reclassification	
Loss on disposal of available-for-sale financial assets	(362)
Balance, December 31, 2017	($ 31,417)
Balance, January 1, 2018（IAS 39）	($ 31,417)
Effect of retrospective application of IFRS 9	31,417
Balance, December 31, 2018（IFRS 9）	$ -

2). Unrealized gains or loss on FVTOCI financial assets

	For the Year Ended December 31
	2018
Balance, January 1（IAS 39）	$ -
Effect of retrospective application of IFRS 9	(74,120)
Balance, January 1（IFRS 9）	(74,120)
Current period	
Unrealized gains or loss－equity instrument	1,370
The accumulated disposal gains or loss of equity instrument transferred to the	166

	For the Year Ended December 31
	2018
retained earning	
Balance, December 31	($ 72,584)

22. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income	$ 5,549	$ 3,424
Rent income	1,350	1,705
Other income	3,107	1,699
	$ 10,006	$ 6,828

b. Other gains and losses, net

	For the Year Ended December 31	
	2018	2017
Gain (loss) on foreign exchange	$ 10,151	($ 15,682)
Loss on disposal of available-for-sale financial assets	-	(362)
Gain on disposal of property, plant and equipment, net	14	-
Others	(2,107)	(1,498)
	$ 8,058	($ 17,542)

c. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Depreciation of property, plant and equipment	$ 22,317	$ 26,071
Amortization of intangible assets	7,646	6,106
Total	$ 29,963	$ 32,177
Depreciation expense classified by function		
Classified as operating cost	$ 11,554	$ 16,008
Classified as operating	10,763	10,063
Total	$ 22,317	$ 26,071
Amortization expense classified by function		
Classified as operating cost	$ 543	$ 858
Classified as operating	7,103	5,248

	For the Year Ended December 31	
	2018	**2017**
expenses		
Total	$ 7,646	$ 6,106

d. Employee benefits expenses

	For the Year Ended December 31	
	2018	**2017**
Short-term employee benefits	$ 228,918	$ 194,824
Post-employment benefits		
Defined contribution plans	6,597	6,320
Defined benefit plans	-	256
Share-based Payment	1,069	1,834
Other employee benefits	4,593	4,545
Total	$ 241,177	$ 207,779
Classified by function		
Classified as operating cost	$ 36,542	$ 35,637
Classified as operating expenses	204,635	172,142
	$ 241,177	$ 207,779

e.employees' compensation and remuneration of directors

In cases of profits for the year of the APEC, the estimated employees' compensation and remuneration of directors are set at the rates no less than 8% and no higher than 3%, respectively.

The employees' compensation and remuneration of directors of 2018 and 2017 shown below were approved by the Board of Directors on March 21, 2019 and March 22, 2018, respectively.

Estimated ratio

	For the Year Ended December 31	
	2018	**2017**
Employees' Compensation	8%	8.1%
Remuneration of Directors	1.50%	1.52%

Amount

	For the Year Ended December 31	
	2018	**2017**
	Paid in Cash	Paid in Cash
Employees' Compensation	$ 17,071	$ 4,532
Remuneration of Directors	3,201	850

If there is a change in the approved amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in accounting estimate in the next year.

The actual amount distributed of remunerations for employees and directors of 2017 and 2016 is not different from the value recognized in the consolidated financial statements of 2017 and 2016.

Information on the employees' compensation and remuneration of directors approved by the Board of Directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAX

a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	For the Year Ended December 31	
	2018	**2017**
Current income tax expense		
Current period	$ 13,214	$ 7,060
Additional income tax on unappropriated earnings	137	204
Income tax adjustments on prior years	286	-
	13,637	7,264
Deferred income		
Current period	23,324	4,985
Effect of tax rate changes	(9,623)	-
Income tax expense recognized in profit or loss	$ 27,338	$ 12,249

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	For the Year Ended December 31	
	2018	**2017**
Income before tax	$ 187,237	$ 49,626
Income tax expense at the statutory rate	$ 31,415	$ 7,729
Nondeductible items in determining taxable income	3,404	1,986
Additional income tax on unappropriated earnings	137	204
Temporary differences	4,906	2,075
Investment tax credits	(5,676)	(2,743)
Loss carryforwards	2,489	2,998
Effect of tax rate changes	(9,623)	-
Prior years' other adjustments	286	-
Income tax expense recognized in profit or loss	$ 27,338	$ 12,249

For the year ended December 31, 2017, APEC applied a tax rate of 17% for entities subject to the R.O.C. Income Tax Law. In February 2018, the Income Tax Law in the R.O.C. was amended and, starting from 2018, the corporate income tax rate was adjusted from 17% to 20%. In addition, the tax rate for 2018 unappropriated earnings was reduced from 10% to 5%.

The tax rate applicable to subsidiaries in Mainland China is 25%. Tax rates used by the group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

Due to the fact that uncertainties remain for the distribution of earnings as determined through the 2019 shareholders' meeting, consequences of the additional 5% potential income tax levied of undistributed earnings of 2018 cannot be reliably determined yet.

b. Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2018and 2017, were as follows:

2018

	Balance at the beginning of the year	**Recognized as part of profits and losses**	**Balance at the end of the year**
Deferred income tax asset			
Allowance for losses from falling prices of inventory	$ 26,471	($ 9,233)	$ 17,238
Losses from investments recognized adopting the equity method	8,590	5,120	13,710
Allowance for uncollectible accounts	7,776	1,090	8,866
Unrealized exchange losses	160	(160)	-
Financial assets	986	174	1,160
	43,983	(3,009)	40,974
Loss carryforwards	10,548	(10,548)	-
	$ 54,531	($ 13,557)	$ 40,974
Deferred income tax liabilities			
Unrealized exchange gains	$ -	$ 144	$ 144

2017

	Balance at the beginning of the year	**Recognized as part of profits and losses**	**Balance at the end of the year**
Deferred income tax assets			
Allowance for losses from falling prices of inventory	$ 28,596	($ 2,125)	$ 26,471

	Balance at the beginning of the year	Recognized as part of profits and losses	Balance at the end of the year
Losses from investments recognized adopting the equity method	8,323	267	8,590
Intangible assets	2,505	(2,505)	-
Allowance for uncollectible accounts	8,275	(499)	7,776
Unrealized exchange gains	-	160	160
Financial assets	986	-	986
Net defined benefit liability	46	(46)	-
	48,731	(4,748)	43,983
Loss carryforwards	11,120	(572)	10,548
	$ 59,851	($ 5,320)	$ 54,531
Deferred income tax liabilities			
Unrealized exchange gains	$ 335	($ 335)	$ -

c. Unrecognized deferred tax assets items

	December 31	
	2018	2017
Loss carryforwards	$ 39,386	$ 27,662

d. Unrecognized Loss carryforwards

As of December 31, 2018, the information of the Group had not recognized the prior years' loss carryforwardsis asfollows:

Amount	Expiry Years
$ 2,005	2026
3,517	2027
2,355	2028
$ 7,877	

e. Income tax examination

The latest years for which income tax returns have been examined and cleared by the tax authorities were as follows:

	Year
APEC	2016
Green Power Semiconductor Co., Ltd.	2016

24. EARNINGS PER SHARE

Earnings and weighted average shares of common stock used to calculate earnings per share are as follows:

Net profit for the current year

	2018	2017
Net profits for calculating	$ 166,169	$ 39,210

	2018	2017
fundamental earnings per share		
Impacts of dilutive potential common stock:		
Remunerations for employees	-	-
Employee stock option	-	-
Restricted employee stock	-	-
Net profits for calculating diluted earnings per share	$ 166,169	$ 39,210

Number of shares

Unit: Thousand shares

	2018	2017
Weighted average shares of common stock used to calculate fundamental earnings per share	81,341	81,145
Impacts of dilutive potential common stock:		
Remunerations for employees	587	206
Employee stock option	26	13
Restricted employee stock	-	146
Weighted average shares of common stock used to calculate diluted earnings per share	81,954	81,510

If the Group can choose to issue employee remunerations in the form of shares or cash, in the calculation of diluted earnings per share, it is assumed that issuance of shares will be adopted for employee remunerations and the weighted average outstanding shares are included in the calculation when the said common stock exercises the diluting effect in order to calculate the diluted earnings per share. When the diluted earnings per share are calculated prior to issuance of shares as employee remunerations as determined in the following year, the diluting effect from the said potential common stock shall continue to be taken into consideration, too.

25. SHARE-BASED COMPENSATION EXPENSES

a. Employee Stock Option Plan

The employee stock option approved by the competent authority to be issued on May 2, 2018, November 8, 2011, and May 12, 2009 by the Group are 2,000 units, 2,500 units, and 2,500 units (referred to hereinafter as the “2018 Stock Option Plan, the “2011 Stock Option Plan,” and the “2009 Stock Option Plan,” respectively). Each unit can purchase 1,000 shares of the Group’s common stock. The beneficiaries are employees meeting specific criteria of the Group. The employee stock options are valid for 6 years from the issuance. The holders may exercise the stock options in installments two years after the issuance. The exercise price under the plan shall not be less than the closing price of the Group’s common stock at the issuance. After the stock option is issued, in case of variation to the common stock shares of the Group, the exercise price of the stock option will be adjusted according to the specified formula. In order to inspire employees and retain professionals, upon consent from the employee stock option holder to automatic distention of the existing “2009 Stock Option Plan,” the Group may replace the canceled equity instruments with the newly released “2011 Stock Option Plan.”

Related information of the employee stock option is as follows:

	For the Year Ended December 31			
	2018		2017	
	No. of shares (in thousands)	Weighted-average exercise price	No. of shares (in thousands)	Weighted-average exercise price
Options outstanding at beginning of year	-	$ -	264	$ 21.70
Options granted	2,000	27.90	-	-
Options exercised	-	-	(58)	21.00
Options expired upon resignation	(1,515)	27.90	(190)	21.00
Options expired	-	-	(16)	21.00
Options outstanding at end of year	485	27.90	-	-
Options exercisable at end of year	-	-	-	-
Weighted average fair value of options granted this year ($)	$ 9.31		$ -	

Related information of the outstanding employee stock option is as follows:

	December 31	
	2018	2017
Range of exercise prices ($)	$ 27.9	$ -
Weighted average residual contract period (year)	5.36	-

The Group recognized expenses incurred on share-based compensation of $1,069 thousand and $0 thousand for the years ended December 31, 2018 and 2017.

b. Employee restricted stock

In May 14 2014, the shareholders’ meeting of the Group approved to issue 5,000 thousand shares of employee restricted stock totaling $ 50,000 thousand in value.The par value of each share is $10 and each share will be issued without consideration.. The Board of Directors was authorized to decide the issuance price on the date they would be issued.The Board of Directors during its meeting on August 12, 2014 adopted a resolution to issue 1,810 thousand employee restricted shares with the effective date set on August 15, 2014. The decision of the fair value was based on the closing price of $25.15 (in dollars) at the grant date.

The ratio of shares to be fulfilled under the vesting criteria starting is as follows from the date when employees are assigned with restricted employee stock and upon expiration of each of the following esting periods and when the overall financial performance of the Group is positive according to the after-tax net profits shown in the annual financial statement audited by the independent auditor for the year and personal performance of Class A and above are fulfilled and the code of conduct is properly fulfilled:

One-year anniversary in service: 30% of shares available for assignment.

Two-year anniversary in service: 30% of shares available for assignment.

Three-year anniversary in service: 40% of shares available for assignment.

The Group enters into the trust contract on behalf of employees with the share trust custodian institution.

Restricted rights of employees assigned with or having subscribed to new shares yet failing to fulfill the vesting criteria are as follows:

1). Except for inheritance, they may not sell, place as collateral, assignment, give away as gift, set as pledge, or dispose of in other ways restricted employee stock.
2). Attending, proposal of, speech, and voting rights in the shareholders' meeting are based on the trust custodianship contract.
3). Cash dividends, share dividends, and assigned reserve in cash (shares) associated with restricted employee stock are all sent for trusteeship. When vesting criteria are not fulfilled, the Group will recall the cash according to applicable requirements and cancel the registration by law for assigned cash dividends, share dividends, or reserve in cash (shares).

When employees fail to fulfill vesting criteria, the Group will recall the granted restricted employee stock free of charge and cancel the registration by law. In addition, the handling method in case of inheritance is to be based on applicable requirements for the guidelines for issuance of restricted employee stock.

The cost of remunerations recognized for 2018 and 2017 from the issuance of restricted employee stock was $ 0 thousand and $ 1,834 thousand, respectively.

26. BUSINESS COMBINATION

a. Acquisition of subsidiary

	Main operating activity	Date of acquisition	Ownership equity with a voting right/acquisition ratio (%)	Transfer of negotiation
OPC Microelectronics Co., Ltd.	Design and development of integrated circuits and software; wholesale of electronic products and telecommunication equipment	April 12, 2017	100%	$ 918

The Group acquired OPC on April 12, 2017 mainly for the development of product lines in the future.

b. Transfer of negotiation

	OPC
Cash	$ 918

c. Acquired assets and undertaken liabilities as of the date of acquisition

	OPC
Current assets	
Cash and cash equivalents	$ 8,522
Notes receivable	2,490
Accounts receivable and other receivables	23,994
Inventory	8,030
Other current assets	24,359
Non-current Assets	
Real estate, plants and equipment	2,987
Current liabilities	
Accounts payable and other payable	(28,510)
Other current liabilities	(41,625)
	$ 247

d. Good will generated from acquisition

	OPC
Transfer of negotiation	$ 918
Less:Fair value of recognizable net assets acquired	(247)
Good will generated from acquisition	$ 671

e. Net cash in-flows (out-flows) from the acquisition of subsidiaries

	OPC
Negotiations paid in cash	$ 918
Less:Balance of cash and cash equivalents obtained	(8,522)
	($ 7,604)

f. Impacts of acquisition on operation outcome

Starting from the date of acquisition, the operation outcome from the company being acquired is as follows:

	OPC
Operating revenue	$ 154,065
Net profit for the current year	$ 4,692

If the said acquisition occurs on the start date of the accounting year where the date of acquisition belongs, the stipulated operating revenue and net profits of the Group in 2017 would be $185,817 thousand and $3,724 thousand, respectively.

27. CAPITAL MANAGEMENT

The Group manages capital to ensure that under the premise of continuous operation, by optimizing the balance of debts and equities so that rewards for shareholders may be maximized. In other words, the Group manages its capital for the sake of ensuring that necessary financial resources and operational plans are available to support required operating funds, capital expenditure, costs of research and development, pay-off of debts, and expenditure on dividends, among others, in the 12 months that follow.

The Group's capital structure consists of the Group's equities (that is, capital stock, capital reserve, retained earnings, and other equity items) belonging to the Group.

The Group does not need to follow other external capital requirements.

28. FINANCIAL INSTRUMENTS

a.Fair value of financial instruments – Financial instruments not at fair value

The management of the Group believes that the book value of financial assets and liabilities not at fair value does not show significant differences from the fair value.

b. Fair value of financial instruments – Fair value of financial instruments that are measured at fair value on a recurring basis

1). Levels of fair value

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Equity instruments				
－Domestic listed stocks	$ 533	$ 13,699	$ -	$ 14,232
－Foreign unlisted stocks	-	-	23,967	23,967
total	$ 533	$ 13,699	$ 23,967	$ 38,199

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Equity instruments				
－Domestic listed	$ 997	$ 17,352	$ -	$ 18,349

There was no transfer between the fair value measurements of Levels 1 and 2 for the year ended December 31, 2018 and 2017.

2). Valuation techniques and inputs applied for Level 2 fair value measurement

Type of financial instrument	Valuation technique and input value
Domestic listed stocks -private placement	Fair value of financial assets evaluated according to the observable share price at end of term and taking into consideration data of absence of liquidity discounts.

3). Valuation techniques and inputs applied for Level 3 fair value measurement

The significant and unobservable input parameter for assessing the unlisted stocks held by the Group mainly relates to liquidity discount rate.The evaluation of fair value of unlisted stocks is mainly referenced to the same type of companies or the listed companies (traded-over-the-counter) through the market approach.

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Loans and receivables（Note1）	$ -	$ 988,395
Available-for-sale financial assets（Note 2）	-	36,115
Financial assets measured at amortized cost（Note 3）	932,246	-
Financial assets at fair value through other comprehensive income-Equity instruments	38,199	-
Financial liabilities		
Financial liabilities measured at amortized cost（Note 4）	854,374	551,255

Note1: The balances comprise cash and cash equivalents, Debt instrument investment without active market, notes and accounts receivable, other receivables and refundable deposits.

Note2: The balances comprise available-for-sale financial assets.

Note3: The balances comprise cash and cash equivalents, debt instrument investments, notes and accounts receivable, other receivables and refundable deposits.

Note 4 The balances comprise short-term borrowings, short-term notes and bills payable, payables and guarantee deposits.

d. Purpose and policy of financial risk management

Major financial instruments of the Group include equity investments, cash and cash equivalents, Debt instrument investment without active market, accounts receivable and accounts payable. The Finance Department of the Group provides services to respective operating units and centrally coordinates operations for entering domestic and international financial markets. Such risks include market risk (exchange rate risk and interest rate risk), credit risk, and liquidity risk.

f. Financial risk management

1). Market risk

The Group is exposed to the financial market risks, primarily changes in foreign currency exchange rates, interest rates and equity investment prices.

a). Foreign currency risk

Most of the Group's revenues and expenditures are denominated in foreign currencies. Consequently, the Group is exposed to foreign currency risk.
For the book value of monetary assets and liabilities in non-functional currencies of the Group on the balance sheet data (including monetary items valued in non-functional currencies already eliminated upon consolidation), refer to Note 31.

Sensitivity analysis

The Group is impacted mainly by the fluctuating US and RMB exchange rates. The sensitivity analysis takes place when the exchange rate of TWD (functional currency) versus each of relevant foreign currencies increases or reduces by 5%. The 5% is the sensitivity ratio adopted by the Group internally in the report of the exchange rate risk to the primary management and also represents the reasonable and possible range of changes in the assessment of foreign currency exchange rates performed by the management. The sensitivity analysis only includes the monetary items of circulating foreign currencies and the conversion at the end of the year is adjusted by 5% of variation in the exchange rate. Sensitivity analysis associated with the foreign currency exchange rate risk mainly covers monetary items in foreign currencies as of the end date of the financial reporting period. When 5% of appreciation/depreciation in the TWD versus each of the currencies, the net profits of the Group in 2018 and 2017 would decrease/increase by $39,004 thousand and $16,397 thousand, respectively.

b). Interest rate risk

The book value of financial assets and liabilities exposed to the interest rate risk on the balance sheet date of the Group is as follows:

	December 31	
	2018	**2017**
Interest rate risk involving fair value		
- Financial assets	$ 69,416	$ 162,079
- Financial liabilities	269,456	60,000
Interest Rate Risk Involving Cash Flows		
- Financial assets	237,340	176,841

Sensitivity analysis

The following sensitivity analysis is determined by the exposure to the interest rate risk of non-derivative instruments on the balance sheet date. The rate of change adopted when the interest rate is reported inside the Group to the primary management is based on an increase or a decrease by 50 base points in interest rate. This also represents the evaluation by the management of the reasonable and possible range of changes in the interest rate.

If the interest rate increases or decreases by 50 base points, with all the other variables remaining unchanged, the pre-tax net profits of the Group in 2018 and 2017 will decrease or increase by $1,187 thousand dollars and $884 thousand dollars mainly because of the Group's exposure to the cash flow interest rate risk associated with variable interest rate deposits.

2). Credit risk

Credit risk refers to the risk that a counterparty would default on its contractual obligations resulting in financial loss. The maximum credit exposure of the aforementioned financial instruments is equal to their carrying amounts recognized in consolidated balance sheet as of the balance sheet date.

The policy adopted by the Group is to only engage in transactions with parties with outstanding credit ratings and whenever necessary, sufficient collaterals are secured in order to minimize risks associated with financial losses as a result of delinquency. The Group only engages itself in transactions with enterprises with a rating equivalent to an investment grade and above. Such information is to be provided by an independent rating institution. If such information is not available, the Group will use other publicly available financial information and mutual transaction records to rate primary customers. The Group constantly monitors exposure to credit risk and the credit ratings of counterparties and decentralize the total transaction value among respective qualified customers according to their credit rating and controls the exposure to credit risk according to the counterparty credit limits reviewed and approved by the corporate management on a yearly basis.

The Group has an enormous base of customers that is not inter-related and hence credit risk is not highly concentrated. The Group is not associated with major exposure to the credit risk versus any single counterparty or any group of counterparties with similar properties. When counterparties are affiliated with one another, the Group defines them as counterparties with similar properties.

3). Liquidity risk

The Group manages and maintains cash and cash equivalents of sufficient positions to support its operation and reduce the impacts brought about by fluctuations in cash flows. The Group’s management supervises over the use of bank financing quota and ensures protection of such quota.

As of December 31, 2018 and 2017, the short-term bank financing quotas not allocated by the Group were $ 403,405 thousand and $ 460,000 thousand, respectively.

The expiration analysis of non-derivative financial liabilities in the table below is prepared according to the re-payment date agreed upon.

December 31, 2018

	Demanded immediate payment or within a year	1-5 Years	More Than 5 Years
Non-derivative financial liabilities			
Short-term loans	$ 270,236	$ -	$ -
Notes payable	29,180	-	-
Accounts payable	463,190	-	-
Other payables	92,399	-	-
	$ 855,005	$ -	$ -

December 31, 2017

	Demanded immediate payment or within a year	1-5 Years	More Than 5 Years
Non-derivative financial liabilities			
Short-term loans	$ 60,144	$ -	$ -
Notes payable	17,177	-	-
Accounts payable	391,926	-	-
Other payables	82,003	-	-
	$ 551,250	$ -	$ -

The operating funds of the Group are sufficient to support the above expenses and hence shortage in capital is not a concern. Capital demand, if any, is short-term in nature. In addition, all the borrowings of the Group have a duration of less than a year and comprehensive bank financing quotas are available. After having taken into consideration the Group's financial status, the management believes that it is quite impossible for the bank to exercise its right by demanding that the Group to pay off the above borrowings immediately.

29. RELATED PARTY TRANSACTIONS

Intercompany balances and transactions between APEC and its subsidiaries, which are related parties of APEC, have been eliminated upon consolidation; therefore those items are not disclosed in this note.

Compensation of key management personnel:

	December 31	
	2018	2017
Short-term employee benefits	$ 45,576	$ 25,544
Post-employment benefits	816	443
	$ 46,392	$ 25,987

The compensation to directors and other key management personnel were determined by the Compensation Committee of APEC in accordance with the individual performance and the market trends.

30. PLEDGED ASSETS

The following assets are provided to be the collaterals for customs declaration and bank borrowings for imports:

	December 31	
	2018	2017
Pledged deposit certificate (Financial assets at amortized cost - Non-current)	$ 204	$ -
Pledged deposit certificate(Debt instrument investment without active market- Non-current)	-	202
Land	61,590	61,590
Buildings	158,713	162,559
	$ 220,507	$ 224,351

31. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The following information was summarized according to the foreign currencies other than the functional currency of the Group. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Foreign currency assets			
Monetary items			
USD	$ 21,961	30.715 （USD:TWD）	$ 674,538
RMB	101,287	4.472 （RMB:TWD）	452,955
USD	471	6.8683 （USD:RMB）	14,467
			$ 1,141,960
Foreign currency liabilities			
Monetary items			
USD	11,288	30.715 （USD:TWD）	$ 346,714
RMB	190	4.472 （RMB:TWD）	851
USD	2,084	6.8683 （USD:TWD）	14,314
			$ 361,879

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Foreign currency assets			
Monetary items			
USD	$ 21,184	29.76 （USD:TWD）	$ 630,435
RMB	10,220	4.565 （RMB:TWD）	46,655
USD	8	6.519 （USD:RMB）	238
			$ 677,328
Foreign currency liabilities			
Monetary items			
USD	11,638	29.76 （USD:TWD）	$ 346,343
USD	466	6.519 （USD:RMB）	3,038
			$ 349,381

Realized and unrealized foreign currency exchange profits or losses with significant impacts are as follows:

	For the Year Ended December 31			
	2018		2017	
Foreign Currency	**Exchange rate**	**Net exchange profits or losses**	**Exchange rate**	**Net exchange profits or losses**
USD	30.149（USD:TWD）	$ 11,540	30.43（USD:TWD）	($ 15,358)
RMB	4.56 （RMB:TWD）	(1,392)	4.51 （RMB:TWD）	(242)
		$ 10,148		($ 15,600)

32. ADDITIONAL DISCLOSURES

a. Information on significant transactions and b. Information on investees:

1) Financing extended to other parties: Table 1 (attached)
2) Endorsements/guarantees provided to other parties: Table 2 (attached)
3) Marketable securities held: Table 3 (attached) (excluding investments in subsidiaries and associates)
4) Marketable securities acquired and disposed of at costs or prices of at least $300 million or 20% of the paid-in capital: None.
5) Acquisition of individual real estate at costs of at least $300 million or 20% of the paid-in capital: None.
6) Disposal of individual real estate at prices of at least $300 million or 20% of the paid-in capital: None.
7) Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: None.
8) Receivables from related parties of at least NT$100 million or 20% of the paid-in capital: None.
9) Trading in derivative instruments: None.

10) Others: Business relationships between the parent and the subsidiaries and significant intercompany transactions: Table 4 (attached)

11) Names, locations and related information of investees on which APEC exercised significant influence: Table 5 (attached)

c. Information on investment in Mainland China:

1) The names of investees in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 6 (attached)

2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Table 7 (attached).

   i. Balance of the amount and percentage of purchases and corresponding payables at end of term and the percentage.
   ii. Balance of the amount and percentage of sales and corresponding payables at end of term and the percentage.
   iii. Property transaction amount and the incurred profits or losses.
   iv. Balance of notes endorsement and guarantee or collaterals at end of term and the purpose.
   v. Maximum amount, balance at end of term, interest rate bracket, and total amount of interest for current terms of financing.
   vi. Other transactions with major impacts on profits or losses of the current term or financial standing, such as the provision or acceptance of labor, among others.

33. SEGMENT INFORMATION

The information provided to primary operation decision makers for distribution of resources and evaluation of segment performance focuses on each type of the products or labor delivered or provided.

The Group mainly deals with the design, testing, and trading, among others, of electronic elements, such as integrated circuits and semi-conductors. The primary operation decision makers of the Group look at the Group as a single department as a whole; information about profits or losses, assets, and liabilities is consistent with that shown in the consolidated financial statement. Please refer to the consolidated balance sheet or the consolidated comprehensive income statement for details.

a. Product information

The Group’s revenue of major products is the sale of power semi-conductors.

b. Geographical information

The Group’s revenues are generated mostly from Taiwan.

The primary operation region of the Consolidated Company is Taiwan.

The Group categorized the net revenue mainly based on the countries where the customers are headquartered.

	Net Revenue from External Customers		**Noncurrent Assets**	
	Year Ended December 31 2018	**Year Ended December 31 2017**	**December 31, 2018**	**December 31, 2017**
Taiwan	$ 1,513,377	$ 666,746	$ 447,618	$ 298,637
China	1,078,313	1,299,662	12,067	6,721
Others	117,400	163,223	-	-
	$ 2,709,090	$ 2,129,631	$ 459,685	$ 305,358

Non-current assets do not include financial instruments, deferred income tax assets, net defined welfare assets.

c. Information on major customers

Among the sales revenues of 2018 and 2017, $300,019 thousand and $264,420 thousand, respectively, came from the biggest customers of the Group. The Group does not have revenues from a single customer that exceeds 10% of the consolidated operating revenues in 2018 and 2017.

TABLE 1

Advanced Power Electronics Co., Ltd. and its subsidiaries

FINANCING EXTENDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No. (Note 1)	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period (foreign currencies in Thousands) (Note 2 and6)	Ending Balance (foreign currencies in Thousands) (Note 6)	Amount Actually Drawn (foreign currencies in Thousands)	Interest Rate	Nature for Financing (Note 3)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 4 and 6)	Financing Company's Total Financing Amount Limits (Note 5 and 6)	Note
													Item	Value			
1	Future Technology Consulting (B.V.I.) Inc.	OPC Microelectronics Co., Ltd.	Other receivables from related parties	Yes	$ 15,358 (US$ 500)	$ 15,358 (US$ 500)	$ 15,358	1.45%	2	$ -	Operating capital	$ -	-	$ -	$ 45,427 (US$ 1,479)	$ 45,427 (US$ 1,479)	

Note 1: Descriptions of the numeration field are as follows:
(1) Indicate 0 for the issuer.
(2) The companies invested in are numbered sequentially by the company starting from 1.
Note 2: Maximum balance of funds lent to others for the current year.
Note 3: Descriptions of the nature of loan are as follows:
(1) Indicate 1 if there is business interaction.
(2) Indicate 2 if there is the need for short-term financing.
Note 4: When there is the necessity for short-term financing, the ratio is restricted to 100% of the net worth shown in the financial statements inspected or approved by CPAs for recent terms of funding companies.
Note 5: The total limit of funds lent to others is restricted to 100% of the net worth shown in the financial statements inspected or approved by CPAs for recent terms of funding companies.
Note 6: The foreign currency value shown herein is indicated in TWD at an exchange rate of US$1=NT$30.715 as of December 31, 2018.

TABLE 2

Advanced Power Electronics Co., Ltd. and its subsidiaries

ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No. (Note1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Notes 3)	Maximum Balance for the Period (Note 4)	Ending Balance (Note 5)	Amount Actually Drawn (Note 5)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Guarantee Provided by Parent Company (Note 7)	Guarantee Provided by A Subsidiary (Note 7)	Guarantee Provided to Subsidiaries in Mainland (Note 7)	Note
		Name	Nature of Relationship (Note 2)											
0	APEC	OPC Microelectronics Co., Ltd.	(3)	$ 143,707	$ 64,720	$ 64,720	$ 19,456	$ -	4.50	$ 287,413	Y	N	Y	

Note 1: Descriptions of the numeration field are as follows:
(1) Indicate 0 for the issuer.
(2) The companies invested in are numbered sequentially by the company starting from 1.

Note 2: The endorser/guarantor and the endorsed/guaranteed party are related in the following six ways; simply mark the one that applies:
(1) Company with business relationship.
(2) Company where the Company holds over 50% of shares with direct and indirect voting rights.
(3) Company that holds over 50% of the Company's shares with direct and indirect voting rights.
(4) Between companies where the Company holds over 90% of shares with direct and indirect voting rights.
(5) Companies in the same industry or joint builders that are in a mutual collateral relationship according to the contract to meet the needs of the project undertaken.
(6) Company endorsed and guaranteed by all funding shareholders according to their holding ratio due to a shared investment relationship.

Note 3: The total value of endorsement and guarantee and the maximum limit of endorsement and guarantee for a single enterprise is 20% and 10%, respectively, at maximum of the net worth shown in the financial statements audited, certified, or approved by CPAs for the most recent term of the Group.

Note 4: Maximum balance of endorsement and guarantee for others of the current year.

Note 5: For any limits of endorsement and guarantee contracts or notes signed off by the Company with the Bank as of the end of the year, the Company undertakes the endorsement or guarantee liability. In addition, the other relevant endorsement and guarantee conditions shall all be included as part of the endorsement and guarantee balance.

Note 6: The actual allocated amount within the scope of endorsement and guarantee balance of the endorsed/guaranteed company shall be entered.

Note 7: "Y" only be completed for endorsement and guarantee from a listed (traded-over-the-counter) parent company to a subsidiary, endorsement and guarantee from a subsidiary to a listed (traded-over-the-counter) parent company, and endorsement and guarantee in Mainland China.

TABLE 3

Advanced Power Electronics Co., Ltd. and its subsidiaries

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2018				Note
				Shares/Units Note (In Thousands)	Carrying Value	Percentage of Ownership (%)	Fair Value	
APEC	Stock							
	Advanced Microelectronic Products,Inc..	-	Financial assets at fair value through other comprehensive income - Current	177	$ 533	-	$ 533	
	Advanced Microelectronic Products,Inc.	-	Financial assets at fair value through other comprehensive income –Non-Current	5,708	13,699	2	13,699	
	AXElite Co., Ltd.	-	Financial assets at fair value through other comprehensive income –Non-Current	497	6,645	6	6,645	
	Stock							
Future Technology Consulting (B.V.I.) Inc.	Seaward Electronics, Inc. (Cayman)	-	Financial assets at fair value through other comprehensive income –Non-Current	1,733	17,322	13	17,322	

Note1: ecurities indicated herein refer to the stocks, bonds, beneficiary certificates and securities derived from the above items within the scope of Financial Reporting Standard 9 "Financial Instruments."

Note 2: For related information on investing in subsidiaries, refer to Table 5 and 6.

TABLE 4

Advanced Power Electronics Co., Ltd. and its subsidiaries

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Company Name	Counter Party	Nature of Relationship (Note 3)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 4)	Percentage of Consolidated Net Revenue or Total Assets (Note 2)
0	APEC	Green Power Semiconductor Co., Ltd.	(1)	Purchases	$ 52,071	Note 4	2
				Other Expense	5,124	Note 4	-
				Prepayments	4,270	Note 4	-
				Payables to related parties	3,569	Note 4	-
1	APEC	OPC Microelectronics Co., Ltd.	(1)	Net revenue from sale of goods	87,532	Note 4	3
				Prepayments	60,637	Note 4	3
				Receivables from related parties	12,238	Note 4	1
2	Green Power Semiconductor Co., Ltd.	OPC Microelectronics Co., Ltd.	(3)	Purchases	54,795	Note 4	2
				Payables to related parties	4,838	Note 4	-
				Prepayments	3,788	Note 4	-
2	Future Technology Consulting (BVI), Inc.	Shenzhen Fucheng Electronics Co., Ltd.	(3)	Professional service fees	16,162	Note 4	-
2	Future Technology Consulting (BVI), Inc.	OPC Microelectronics Co., Ltd.	(3)	Other receivables from related parties	15,358	Note 4	1

Note 1: This table only shows one-way transaction information. The above transactions have been written off when the consolidated financial statement was prepared.

Note 2: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note3: The transaction relationships with the counterparties are as follows.

(1) The parent company to the consolidated subsidiary.

(2) The consolidated subsidiary to the parent company.

(3) The consolidated subsidiary to another consolidated subsidiary.

Note 4:ransaction terms are similar to those for ordinary customers. ◦

TABLE 5

Advanced Power Electronics Co., Ltd. and its subsidiaries

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note (US$ in Thousands)
				December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
APEC	Future Technology Consulting (B.V.I.) Inc.	British Virgin Islands	General investment	$ 65,021	$ 65,021	2,000	100	$ 45,427	($ 16,422)	($ 16,422)	Original investment amount US$ 2,000
	Perfect Prime Limited	Samoa	General investment	14,540	14,540	450	100	(965)	(1,595)	(1,595)	Original investment amount US$ 450
	Green Power Semiconductor Co., Ltd.	Taiwan	Trading	100,000	100,000	9,500	73.08	61,579	(23,292)	(17,022)	

TABLE 6

Advanced Power Electronics Co., Ltd. and its subsidiaries

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capita (US$ in Thousands)	Method of Investment (Note1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018 (US$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (US$ in Thousands)	Net Income (Losses) of the Investee Company (US$ in Thousands)	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
					Outflow	Inflow							
Shenzhen Fucheng Electronics Co., Ltd.	Electronic parts and components manufacturing, home appliance wholesale, home appliance retail sale, product outlook design, information software service, other designs (electronic element design, integrated circuit design, semi-conductor design), other commercial service (electronic element, integrated circuit, semi-conductor, among other electronics testing service), electronic material wholesale, electronic material retail sale	$ 13,515 US$ 440	(2)A	$ 13,515 US$ 440	$ -	$ -	$ 13,515 US$ 440	($ 1,566 (US$ 52	100%	($ 1,566) (US$ 52)	($ 1,239) (US$ 40)	$ -	
OPC Microelectronics Co., Ltd.	Integrated circuit, software design, development, and technical service; electronic products, instruments and meters, telecommunication equipment, computer and auxiliary equipment wholesale, commissioning and imports and exports business	63,766	(1)	49,888	13,878	-	63,766	(10,592	100%	(10,592)	57,783	-	

Accumulated Investment in Mainland China as of December, 2018 (US$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousands)	Upper Limit on Investment (Note2)
$77,281	$77,281	$862,240

Note 1: The investment types are as follows:
1). Direct investment in Mainland China.
2). Indirect investment in Mainland China through a subsidiary in a third place.
A. Reinvestment through Perfect Prime Limited
3).Others.

Note 2: 60% of the limit required by the “Review Principles for Investments or Technical Collaborations in Mainland China” of the Investment Board, Ministry of Economic Affairs.

Note 3: The foreign currency assets and profits or losses listed herein are expressed, respectively, in New Taiwan Dollar at an end-of-term and mean exchange rates of US$ 1 = NT$30.715 and US$ 1 = NT30.149 as of December 31, 2018.

TABLE 7

Advanced Power Electronics Co., Ltd. and its subsidiaries

SIGNIFICANT INTERCOMPANY TRANSACTIONS AND RELATED INFORMATION ON INVESTEES IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Type of transaction	Purchases (Sales)	Price	Transaction Term		Notes and accounts receivable (payable)		Unrealized profits and losses	Note
		Amount		Payment term	Compared to ordinary transactions	Amount	%		
OPC Microelectronics Co., Ltd.	Sales	($ 87,532)	Note 1	EOM 60 days	Equivalent to	$ 12,238	2%	$ -	
	Purchases	54,795	Note 1	EOM 60 days	Equivalent to	(4,838)	1%	-	

Note 1: Transactions between the Company and the related party are done according to the transaction price agreed upon between the parties.

Attachment 2

Financial Statements in the Most Recent Years

Advanced Power Electronics Co.,Ltd.

Parent Company Only Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors’ Report

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Advanced Power Electronics Co., Ltd.

Opinion

We have audited the accompanying financial statements of Advanced Power Electronics Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the 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 of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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, 2018. 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 descriptions of the key audit matters of the 2018 financial statements are as follows:

Estimate for Impairment of Accounts Receivable

Refer to Note 5 and 11, the estimated impairment of accounts receivable of the Company involves the judgment made regarding payments likely unable to be collected. As is required by IAS 9, the management recognized the allowance for receivables according to the expected credit loss for the duration. The estimates above involve the subjective judgment of the management and hypothetical impacts based on credit risk. Therefore, we believe that the review for the impairment of accounts receivable is a key audit matter.

We evaluated the allowance assessment policy of the Company, tested the legitimacy of the expected credit impairment rate, and examined the delinquency of respective accounts receivable and asked for related reasons in order to verify the expected credit loss of accounts receivable.

Evaluation of inventories

Refer to Note 5 for the uncertainty of accounting estimations and assumptions for evaluation of inventories, Inventories are measured at the lower of cost or net realizable value, and the Company uses judgment and estimate to determine the net realizable value of inventory based on assumptions of the management. Therefore, we believe that the review for the evaluation of inventories is a key audit matter.

We have assessed the policy on allowance for inventory valuation loss, evaluated the legitimacy and performed sampling in order to examine the accuracy of the inventory age report. We also randomly inspected the latest selling prices and took part in the annual inventory check and observed the current inventory in order to evaluate the legitimacy of inventory valuation.

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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers, 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 (including the audit committee) are responsible for overseeing the Company's financial reporting process.

Auditors' 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 auditors' 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 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 exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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. Obtain 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. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate 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.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate 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 identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Wen-Chin Lin and Cheng-Ming Lee.

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 21, 2019

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles andpractices generally accepted in the ROC and not those of any other jurisdictions. The standards, procedures and *practices to audit such financial statements are those generally applied inthe ROC.*

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared andused in the ROC. If there is any conflict between the English version and the original Chinese version orany difference in the interpretation of the two versions, the Chinese-language independent auditors'report and financial statements shall prevail.

As the parent company only financial statements are the responsibility of the management, Deloitte & Touche cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

Advanced Power Electronics Co., Ltd.

BALANCE SHEET
(In Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and Cash Equivalents (Notes 4 and 6)	$ 263,863	12	$ 255,672	14
Financial assets at fair value through other comprehensive income (Notes 4 and 7)	533	-	-	-
Available-for-sale financial assets (Notes 4 and 8)	-	-	997	-
Debt instrument investment without active market (Notes 4 and 10)	-	-	14,608	1
Notes receivable (Note 11)	35,755	2	41,450	2
Accounts receivable (Notes 4, 5, and 11)	520,244	23	546,264	30
Accounts receivable - Related parties (Note 26)	12,238	-	9,187	1
Other receivables (Note 11)	30,569	1	24,560	1
Current tax assets	-	-	7,689	-
Inventories (Notes 4, 5, and 12)	695,816	31	440,334	24
Other current assets (Notes 15 and 26)	109,360	5	17,542	1
Total current assets	1,668,378	74	1,358,303	74
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 4 and 7)	20,344	1	-	-
Available-for-sale financial assets (Notes 4 and 8)	-	-	17,352	1
Financial assets measured at cost (Notes 4 and 9)	-	-	5,133	-
Investments accounted for using equity method (Note 13)	106,042	5	135,843	7
Property, plant and equipment (Notes 4 and 14)	239,447	10	251,191	14
Intangible assets (Note 4)	5,178	-	3,724	-
Deferred tax assets (Notes 4 and 21)	40,974	2	54,531	3
Other non-current assets (Note 15)	187,471	8	17,722	1
Total non-current assets	599,456	26	485,496	26
TOTAL	$ 2,267,834	100	$ 1,843,799	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	$ 250,000	11	$ 60,000	3
Notes payable	29,180	1	17,177	1
Accounts payable	452,812	20	388,574	21
Payables to related parties (Note 26)	3,569	-	-	-
Other payables (Note 17)	74,843	3	63,407	4
Current tax liabilities (Note 4)	12,760	1	6,139	-
Other current liabilities	7,274	1	4,964	-
Total current liabilities	830,438	37	540,261	29
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	144	-	-	-
Guarantee deposits	185	-	149	-
Total non-current liabilities	329	-	149	-
Total liabilities	830,767	37	540,410	29
EQUITY (Note 19)				
Common stock	813,405	36	813,405	44
Capital surplus	328,441	14	327,372	18
Retained earnings				
Legal reserve	37,891	2	33,970	2
Special reserve	35,250	1	37,932	2
Unappropriated earnings	297,543	13	125,960	7
Total retained earnings	370,684	16	197,862	11
Other equity interests	(75,463)	(3)	(35,250)	(2)
Total equity	1,437,067	63	1,303,389	71
TOTAL	$ 2,267,834	100	$ 1,843,799	100

The accompanying notes are an integral part of the parent company only financial statements.

Advanced Power Electronics Co., Ltd.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Note 4)	$ 2,527,232	100	$ 2,022,785	100
OPERATING COSTS (Notes 12 and 20)	2,066,641	82	1,707,003	84
GROSS PROFIT FROM OPERATIONS	460,591	18	315,782	16
OPERATING EXPENSES (Note 20)				
Selling and marketing expenses	107,446	4	93,266	4
General and administrative expenses	78,179	3	59,074	3
Research and development expenses	66,426	3	75,702	4
Total operating expenses	252,051	10	228,042	11
PROFIT/(LOSS) FROM OPERATIONS	208,540	8	87,740	5
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 20)	8,099	-	6,086	-
Other gains and losses (Note 20)	14,086	1	(16,117)	(1)
Finance costs	(2,568)	-	(337)	-
Share of profit or loss of subsidiaries	(35,038)	(1)	(26,776)	(1)
Total non-operating income and expenses	15,421	-	(37,144)	(2)
PROFIT BEFORE INCOME TAX	193,119	8	50,596	3
INCOME TAX EXPENSE (Notes 4 and 21)	26,950	1	11,386	1
NET PROFIT FOR THE YEAR	166,169	7	39,210	2
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	($ 5,201)	-	$ -	-
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	6,571	-	-	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations	1,478	-	(5,580)	-
Unrealized gain/(loss) on available-for-sale financial assets	-	-	7,072	-
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	(524)	-	1,191	-
Other comprehensive income/(loss) for the year, net of income tax	2,324	-	2,683	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 168,493	7	$ 41,893	2
EARNINGS PER SHARE (Note 22)				
Basic	$ 2.04		$ 0.48	
Diluted	$ 2.03		$ 0.48	

The accompanying notes are an integral part of the parent company only financial statements.

Advanced Power Electronics Co., Ltd.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

			Retained Earnings				Other Equity Interests					
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain/(Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Stock-Based Employee Compensation	Total	Total Equity
BALANCE, JANUARY 1, 2017	$ 812,826	$ 323,362	$ 26,796	$ 34,120	$ 154,634	$ 215,550	$ 556	($ 38,489)	$ -	($ 1,834)	($ 39,767)	$ 1,311,971
Distribution of 2016 earnings												
Legal reserve	-	-	7,174	-	(7,174)	-	-	-	-	-	-	-
Special reserve	-	-	-	3,812	(3,812)	-	-	-	-	-	-	-
Cash dividends －NT$0.7 per share	-	-	-	-	(56,898)	(56,898)	-	-	-	-	-	(56,898)
From share of changes in equities of subsidiaries	-	3,373	-	-	-	-	-	-	-	-	-	3,373
Profit for the year ended December 31, 2017	-	-	-	-	39,210	39,210	-	-	-	-	-	39,210
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	(4,389)	7,072	-	-	2,683	2,683
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	39,210	39,210	(4,389)	7,072	-	-	2,683	41,893
Issuance of ordinary shares under employee share options	579	637	-	-	-	-	-	-	-	-	-	1,216
Compensation of employee restricted shares	-	-	-	-	-	-	-	-	-	1,834	1,834	1,834
BALANCE, DECEMBER 31, 2017	813,405	327,372	33,970	37,932	125,960	197,862	(3,833)	(31,417)	-	-	(35,250)	1,303,389
Effect of retrospective application and retrospective restatement	-	-	-	-	43,422	43,422	-	31,417	(74,120)	-	(42,703)	719
ADJUSTED BALANCE, JANUARY 1, 2018	813,405	327,372	33,970	37,932	169,382	241,284	(3,833)	-	(74,120)	-	(77,953)	1,304,108
Distribution of 2017 earnings												
Legal reserve	-	-	3,921	-	(3,921)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(2,682)	2,682	-	-	-	-	-	-	-
Cash dividends －NT$0.45 per share	-	-	-	-	(36,603)	(36,603)	-	-	-	-	-	(36,603)
Profit for the year ended December 31, 2018	-	-	-	-	166,169	166,169	-	-	-	-	-	166,169
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	954	-	1,370	-	2,324	2,324
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	166,169	166,169	954	-	1,370	-	2,324	168,493
Compensation of employee share options	-	1,069	-	-	-	-	-	-	-	-	-	1,069
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(166)	(166)	-	-	166	-	166	-
BALANCE, DECEMBER 31, 2018	$ 813,405	$ 328,441	$ 37,891	$ 35,250	$ 297,543	$ 370,684	($ 2,879)	$ -	($ 72,584)	$ -	($ 75,463)	$ 1,437,067

The accompanying notes are an integral part of the parent company only financial statements.

Advanced Power Electronics Co., Ltd.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	$ 193,119	$ 50,596
Adjustments for:		
Write-downs of inventories	(69,520)	(12,503)
Share of profit or loss of subsidiaries	35,038	26,776
Depreciation expense	19,035	24,536
Unrealized (gain)/loss on foreign currency exchange	(9,470)	19,011
Amortization expense	7,057	6,029
Interest income	(4,805)	(2,708)
Finance costs	2,568	337
Compensation costs of employee share options	1,069	1,834
Loss on disposal of investments, net	-	362
Changes in operating assets and liabilities:		
Notes receivable	5,695	(7,168)
Accounts receivable	37,709	(175,942)
Other receivables	(6,197)	(2,392)
Inventories	(185,962)	(20,762)
Other current assets	(91,818)	2,960
Net defined benefit liabilities	-	694
Notes payable	12,003	(10,056)
Accounts payable	56,950	54,439
Other payables	14,760	2,492
Other current liabilities	2,310	313
Net cash inflows generated from /(used in)operating activities	19,541	(41,152)
Interest received	4,993	2,809
Interest paid	(2,516)	(296)
Income taxes paid	(1,061)	(262)
Net cash from/(used in) in operating activities	(23,079)	(38,901)

(Continued)

Advanced Power Electronics Co., Ltd.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital return of financial assets at fair value through other comprehensive income	$ 411	$ -
Proceeds from disposal of financial assets at amortized cost	14,608	-
Proceeds from disposal of available-for-sale financial assets	-	815
Proceeds from sale of debt investments with no active market	-	37,473
Net cash outflow on acquisition of subsidiaries	-	(54,752)
Acquisition of property, plant and equipment	(10,716)	(12,204)
Increase in refundable deposits	(2)	(194)
Acquisition of intangible assets	(8,511)	(5,814)
Increase (Decrease) in other non-current assets	(169,747)	16,232
Net cash generated used in investing activities	(173,957)	(18,444)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	490,000	355,000
Decrease in short-term loans	(300,000)	(295,000)
Proceeds from guarantee deposits received	36	-
Cash dividends	(36,594)	(56,888)
Exercise of share options	-	1,216
Net cash generated from financing activities	153,442	4,328
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	5,627	(16,403)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	8,191	(69,420)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	255,672	325,092
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 263,863	$ 255,672

The accompanying notes are an integral part of the parent company only financial statements.

(Concluded).

Advanced Power Electronics Co., Ltd.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Advanced Power Electronics Co., Ltd. (“APEC”) was incorporated in Taiwan, the Republic of China (“ROC”) on July 17, 1998. APEC is mainly engaged in the design of electronic elements, integrated circuits, semi-conductors, and the testing service.

APEC’s stock was approved to be traded over the counter by the ROC Taipei Exchange on April 9, 2004 and was listed on the ROC Over-the-Counter (“OTC”) Securities Exchange (known as The Taipei Exchange, TPEx) on April 15, 2004. On December 11, 2009, APEC’s stock was shifted to be listed on the Taiwan Stock Exchange.

The Company’s financial statements are presented in New Taiwan dollars (TWD), which is APEC’s functional currency.

2. APPROVAL DATE AND PROCEDURES OF THE FINANCIAL STATEMENTS

The Board of Directors approved the financial statements on March 21, 2019.

3. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

a. Application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”), Interpretations of IFRS (“IFRIC”), and Interpretations of IAS (“SIC”) (collectively, the “IFRSs”) endorsed and issued into effect by the ROC Financial Supervisory Commission (“FSC”).

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company’s accounting policies:

   IFRS 9 “Financial Instruments” and related amendment

   IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Please refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Company has performed an assessment on whether it would retrospectively applied those newly issued and/or amended accounting standards and interpretations. The following table shows the measurement categories and carrying amount under IAS 39 and IFRS 9 for each class of the Company’s financial assets and financial liabilities as at January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	IAS 39	IFRS 9	IAS 39	IFRS 9	Note
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 255,672	$ 255,672	-
Derivatives	Available-for-sale	Fair value through other comprehensive income (FVTOCI)	18,349	18,349	(a)
	Available-for-sale(financial assets at cost）	Fair value through other comprehensive income (FVTOCI)	5,133	8,139	(a)
Time deposits with original maturities within 3 months	Loans and receivables(Debt investments with no active market and measured at amortized cost)	Amortized cost	14,608	14,608	(b)
Notes and accounts receivable,other receivables	Loans and receivables	Amortized cost	621,461	621,461	(c)
Refundable deposits	Loans and receivables	Amortized cost	1,145	1,145	-

	Carrying Amount as of December 31, 2017 (IAS 39)	Reclassifi-cations	Remea-surements	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Note
FVTOCI							
－Equity instruments							
Add:From available for sale(IAS 39)	$ -	$ 18,349	$ -	$ 18,349	$ 26,932	($ 26,932)	(a)
Add:From financial assets in available-for-sale（financial assets at cost）(IAS 39)	-	5,133	3,006	8,139	16,490	(13,484)	(a)
Total	$ -	$ 23,482	$ 3,006	$ 26,488	$ 43,422	($ 40,416)	

a).The Company elected to designate stocks investments previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9. As a result, the related other equity - unrealized loss on available-for-sale financial assets of $31,417 thousand was reclassified to other equity - unrealized loss on financial assets at FVTOCI.

Investments in unlisted stocks previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value.

As a result of retrospective application, the adjustments would result in a increase in financial assets at FVTOCI and other equity - unrealized gain or loss on financial assets at FVTOCI of NT$3,006 thousand on January 1, 2018.

The Company recognized under IAS 39 impairment loss on investments in unlisted stocks previously measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $43,422 thousand in other equity and an increase of $43,422 thousand in retained earnings on January 1, 2018.

b). Debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

c).Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost, with an assessment of expected credit losses under IFRS 9, respectively.

d).Since investments accounted for using equity method retrospectively applied IFRS 9, the Company reclassified other equity - unrealized gain (loss) on available-for-sale financial assets to other equity - unrealized gain (loss) on financial assets at FVTOCI. The application also resulted in a decrease of 2,288 thousand in other equity- unrealized gain (loss) on financial assets at FVTOCI.

b.Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019.

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by International Accounting Standards Board (IASB) (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

Note 1: Unless stated otherwise, the above New, Revised or Amended IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from January 1, 2018.

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company will choose to only evaluate contracts entered into (or changed) after January 1, 2019 to reassess whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. Contracts that are reassessed as containing a lease will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments fall under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities and the interest portion will be classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contracts are recognized as expenses on a straight-line basis. The difference between the actual payments and the expenses, as adjusted for lease incentives, is recognized as accrued or prepaid expenses. Cash flows for operating leases are classified within operating activities on the statements of cash flows.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases under IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

1. The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
2. Leases that are completed prior to December 31, 2019 will be treated as short-term leases.
3. When weighing lease-associated liabilities, the determination over the lease period will be based on hindsight bias.

The Company as lessor

Except for sublease transactions, the Company will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	$ -	$ 8,304	$ 8,304
Total effect on assets	$ -	$ 8,304	$ 8,304
Lease liabilities- Current	$ -	$ 4,380	$ 4,380
Lease liabilities-non-current	-	3,924	3,924
Total effect on liabilities	$ -	$ 8,304	$ 8,304

Except for the above potential impact, as of the date the financial statements were authorized for issue, the Company had assessed that the application of other standards and interpretations would not have significant impacts on the Company's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC.

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning onor after their respective effective dates.

Note 2: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The accompanying company only financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values and defined benefit liabilitiy that is carry amount less the fair value of net defined benefit obligation, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

Based on the extent that fair value can be observed, the fair value measurements are grouped into Levels 1 to 3:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: Inputs for the assets or liabilities are not based on observable market data (unobservable inputs).

In preparing the financial statements of each individual consolidated entity, the Company adopts the equity method for subsidiaries that it has investments in. In order for the profits and losses, other combined profits and losses, and equities of the year in this individual financial statement to be identical to those in the Company's consolidated financial statement, on the individual and consolidated bases, for several accounting differences, the "investments adopting the equity method," the "shares of profits and losses of subsidiaries, affiliates, and joint ventures recognized adopting the equity method," "shares of profits and losses of subsidiaries, affiliates, and joint ventures recognized adopting the equity method", and related equity items were adjusted.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. It holds the asset primarily for the purpose of trading;
b. It expects to realize the asset within twelve months after the reporting period; or
c. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used tosettle a liability for at least twelve months after the reporting period.

Current liabilities include:

a. It holds the liability primarily for the purpose of trading;
b.The liability is due to be settled within twelve months after the reporting period (liabilities for which long-term refinancing or re-arrangement of payment agreement is completed before the date shown on the balance sheet and before the financial report is approved and released also belong to current liabilities); or
c.The liability for which the repayment date cannot be extended unconditionally to more than twelve months after the end of the reporting period. Terms of a liability that could, at

the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise they are classified as non-current assets or non-current liabilities.

Foreign Currency

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

When preparing consolidated financial statements, the assets and liabilities of foreign operations are translated to TWD using the exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated at the average exchange rate for the period. Exchange differences are recognized in other comprehensive income and accumulated in equity attributed to the owners of the Company and non-controlling interests as appropriate.

When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale.

Inventories

Inventories include raw materials, in-process items, and finished products. Inventories are measured at the lower of cost or net realizable value. Inventories are assessed item by item, except those with similar characteristics which are assessed collectively. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costsnecessary to make the sale. The weighted-average method is used in the calculation of cost.

Investment in Subsidiaries

Investments accounted for using the equity method include investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of an associate equals or exceeds its interest in that associate, the Company discontinues recognizing its share of further losses.

The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses. Goodwill is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When evaluating impairment, the Company takes into consideration the cash generating units as a whole according to the financial statement and compares the recoverable value and book value. If the recoverable value of assets increases in the future, the impairment loss is reversed to be recognized as interest. The book value of the asset after reversal of impairment loss, however, may not exceed the book value after amortization that should be listed is subtracted without recognizing the impairment loss. The impairment loss that belongs to goodwill may not be reversed during the subsequent period.The impairment loss that belongs to goodwill may not be reversed during the subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company shall account for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

Property, Plant and Equipment

Property, plant and equipment are initially recorded at cost. Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives. The estimated useful lives, residual values and depreciation method arereviewed on the same basis as other identical categories of property, plant and equipment at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

Other separately acquired intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method.

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Software and system design costs - 3 years.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Other Tangible and Intangible Assets (excluding goodwill)

At the end of each reporting period, the Company reviews the carrying amounts of those assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Animpairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unitis increased to the revised estimate of its recoverable amount, but the increased carrying amount does notexceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years (minus amortization or depreciation). A reversal of an impairment loss is recognized immediately in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized in balance sheets when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

The Company adopts trade-date accounting to recognize and derecognize financial assets.

1) Measurement category

2018

Financial assets are classified into the following categories: Financial assets at amortized cost, and investments in equity instruments at FVTOCI.

a) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortizedcost:

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable, other receivables and refundable deposits are measured at amortized cost, which equal to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the amortized cost of thefinancial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Available-for-sale financial assets, and loans and receivables.

a) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated asavailable-for-sale or are not classified as loans and receivables, held-to-maturity financialassets or financial assets at fair value through profit or loss.

Available-for-sale financial assets are recognized initially at fair value. Changes in the carrying amount of available-for-sale financial assets from foreign exchange gains or losses and interest income using the effective interest method are recognized in profit and loss, while other changes in carrying amount are recognized in other comprehensive income (loss) and presented in unrealized gain (loss) on available-for-sale financial assets in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity instruments that do not have a quoted market price in an active market or derivative instruments that are linked to such unquoted equity instruments and have to be settled by delivering the said equity instruments in nature and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period. Such equity instruments are subsequently remeasured at fair value when their fair value can be reliably measured, and the difference between the carrying amount and fair value is recognized in profit or loss or other comprehensive income.

b) Loans and receivables

Loans and receivables including cash and cash equivalents, notes and accounts receivable, debt instrument investment without active market and other receivables are measured at amortized cost using the effective interest method, less any impairment, except for those loans and receivables with immaterial discounted effect.

Cash equivalents include time deposits and bills sold under re-purchase agreements that are highly liquid, may be converted to a fixed value of cash at any time, and involve minimal risk in value change for the 3 months from the date of acquisition; they are used to fulfill short-term cash commitments.

2) Impairment of financial assets

2018

The Company recognizes a loss allowance for expected credit losses (“ECL”) on financial assets at amortized cost (including receivables).

The loss allowances for receivables are measured at an amount equal to lifetime ECL. For other financial assets, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to 12-month ECL. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to lifetime ECL.

ECLs reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

2017

Financial assets, other than those carried at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Those financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, their estimated future cash flows have been affected.

For financial assets carried at amortized cost, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. The Company assesses the collectability of receivables by performing the prior receiving experience and changes in observable national or regional economic situations that have to do with the lag in receivables, among other factors.

For financial assets carried at amortized cost, the amount of the impairment loss is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment loss is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

For an available-for-sale investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

In addition, objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income (loss), and accumulated in other equity.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Except for being written off from the allowance account due to the impossibility of collecting accounts receivable, changes in the amount of the allowance account are recognized in profit or loss.

3) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

Before 2017, On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. Starting in 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of investments in equity instruments at FVTOCI, the cumulative gain or loss is directly transferred to retained earnings, and it is not reclassified to profit or loss.

b. Financial liabilities

1) Recognition

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Revenue Recognition

2018

The Company's revenue is from the sale of semi-conductor products. Due to the fact that as soon as semi-conductor products are delivered to the location designated by a customer or in the beginning of shipment, the customer already is entitled to set and use prices of the products and is mainly responsible for their re-distribution and also undertakes the risk of the products being obsolete. The Company recognizes revenue and accounts receivable at such time point.

2017

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Sales return is listed with the reasonably estimated value of return in the future according to prior experience and other factors concerned.

Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

a. The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
b. The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
c. The amount of revenue can be measured reliably;
d. It is probable that the economic benefits associated with the transaction will flow

to the Company; and

e. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

For processing of self-owned materials, major risks and rewards associated with the ownership of processed products are not transferred. Therefore, the self-owned materials are not treated as sales.

Generally, revenue is recognized as goods are delivered and ownership is transferred.

Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Leases

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. Other leases are operating leases. Receivables collected are periodically recognized as rental income during the lease contract.

The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. The initial direct cost generated by the negotiation and arrangement of business leases is added to the book value of leased assets and is recognized as expenses during the lease period on the straight-line basis.

The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

Employee Benefits

Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

Retirement benefits

For defined contribution retirement benefit plans, payments to the benefit plan are recognized as an expense when the employees have rendered service entitling them to the contribution.

Employee Share-based Payment

Employee stock options/restricted employee stock are recognized at the fair value of the equity instrument on the issuance date and the expected vested best estimated quantity during the vesting period on the straight-line basis and the capital reserve-employee stock option/other equities (unearned employee remunerations) is adjusted at the same time. If immediately vested on the issuance date, all of them are recognized as expenses on the issuance date.

When issuing restricted employee stock, the Company recognizes other equities (unearned employee remunerations) on the issuance date and the capital reserve-restricted employee stock is adjusted at the same time. For paid issuance and when return of the value is required upon resignation of the employee as agreed upon, related payable amounts shall be recognized.

The Company modifies the estimated number of expected vested employee stock options/restricted employee stock on each balance sheet date. If the original estimated quantity is modified, the quantity affected is recognized as part of profits and losses and the accumulated expenses are made to reflect the modified estimates and the corresponding capital reserve - employee stock option/the capital reserve-restricted employee stock is adjusted, respectively.

Income Tax

1. Current taxes

   Income tax on unappropriated earnings (excluding earnings from foreign consolidated subsidiaries) is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2. Deferred taxes

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and net operating loss carryforwards that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the aforementioned Company's accounting policies, the Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

a. Impairment assessment of Financial Assets (applicable to 2018)

The estimated impairment of accounts receivable and debt securities is based on the default rate and expected loss rate assumed by the Company. The Company takes into consideration historical experiences, current market condition, and prospective information while rendering assumptions and selecting the estimated input value of impairment. For the important assumptions and input values adopted, please refer to Notes 7, 8, and 11. If the actual cash flows in the future are below expectations, significant impairment loss may result.

b. Impairment assessment of Accounts receivable (applicable to 2017)

When there is objective evidence showing signs of impairment, the Company takes into consideration estimated cash flows in the future. The value of impairment loss is measured by the difference between the book value of the assets and the current value discounted at the original effective interest rate of the specific financial asset of estimated cash flows in the future (excluding the future credit loss yet to occur). If the actual cash flows in the future are below expectations, significant impairment loss may result.

c. Evaluation of inventories

Inventory net realisable value is the estimated balance of the estimated selling price during a normal business process minus the estimated cost yet to be devoted before completion and the estimated cost required for completing the sale. Such estimates are made according to the current market condition and historical sale experiences of similar products. Variation in market condition might be significant changes to the evaluation.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand and revolving funds	$ 60	$ 60
Bank check and demand deposit	194,387	137,901

	December 31	
	2018	2017
Cash equivalents (investments with the original expiration date within 3 months)		
Bank time deposit	-	15,886
Repurchase agreements collateralized by bonds	69,416	101,825
	$263,863	$255,672

The interest rate bracket for bank deposits on the balance sheet date is as follows:

	December 31	
	2018	2017
Bank deposit	0.0001%-1.62%	0.001%-3.5%
Repurchase agreements collateralized by bonds	2.65%	1.5%-4.2%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-2018

	December 31,2018
Current	
Financial assets at fair value through other comprehensive income	$ 533
Non-current	
Financial assets at fair value through other comprehensive income	$ 20,344

Financial assets at fair value through other comprehensive income

	December 31,2018
Current	
Domestic investments	
Publicly traded stocks	$ 533
Non-current	
Domestic investments	
Publicly traded private placement stocks	$ 13,699
Non-publicly traded equity investments	6,645
	$ 20,344

The Company invests in the above-mentioned common stock according to mid-to-long-term strategic purpose and expects to make profits from long-term investments. The management of the Company believes that if variation in the short-term fair value of such investments is included as part of profits or losses, it is against the above-mentioned long-term investment plan. Therefore, such investments are chosen and designated to be measured at fair value through other comprehensive profits or losses. Such investments were originally categorized as available-for-sale financial assets according to IAS 39 (including financial assets measured at cost). Refer to Notes 3, 8, and 9 for information relating to their reclassification and comparative information for 2017.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS-2017

	December 31, 2017
Current	
Domestic investments	
Publicly traded stocks	$ 997
Non-current	
Domestic investments	
Publicly traded private placement stocks	$ 17,352

The available-for-sale financial assets-non-current invested in by the Company is private placement domestic listed stocks with trading restrictions - Advanced Microelectronic Products, Inc. ◦

9. FINANCIAL ASSETS CARRIED AT COST-2017

	December 31, 2017
Non-current	
Domestic unlisted stocks	$ 5,133
By the type of measure	
Available-for-sale	$ 5,133

For the above-mentioned domestic and foreign unlisted stocks held by the Company as part of investment, they are measured by the cost less impairment loss on the balance sheet date. Due to the fact that the range of reasonable estimates of the fair value is significant and that it is impossible to reasonably evaluate chances of respective estimates, the Company's management believes that the fair value cannot be reliably measured.

11. DEBT INSTRUMENT INVESTMENT WITHOUT ACTIVE MARKET-2017

	December 31, 2017
Current	
Periodic deposits more than 3 months past the original expiration date	$ 14,608

As of December 31, 2017, the interest rate bracket for time deposits with the original expiration date more than 3 months is the annual interest rate 3.50%, respectively.

11. ACCOUNTS, NOTES AND OTHER RECEIVABLE AND, NET

	December 31	
	2018	2017
Notes receivable		
From operating	$ 35,882	$ 41,577
Less: Loss allowance	(127)	(127)
	$ 35,755	$ 41,450
Accounts receivable		
Accounts receivable at amortized cost	$532,079	$558,099
Less: Loss allowance	(11,835)	(11,835)
	$520,244	$546,264
Other receivable		
Tax refund receivable	$ 30,352	$ 24,024
Others	217	536
	$ 30,569	$ 24,560

a. Accounts receivable

For the Year Ended December 31,2018

The main credit terms range from 60 to 150 days from the invoice date from the end of the month when the invoice is issued; no interest is calculated for accounts receivable.

Before accepting new customers, the Company evaluates the prospective customers' credit quality through an external credit rating system and set the credit limit for a specific customer.

The Company adopts the simplified approach of IFRS 9 by recognizing the allowance loss for accounts receivable according to the expected credit loss for the duration. Expected credit loss for the duration is calculated with the prepared matrix, taking into consideration prior default records and current financial standing of the customer, industrial and economic situation, and also industrial prospects. As is shown by the historical experience in credit loss of the Company, there is no significant difference in the loss patterns among different customer populations. Therefore, the prepared matrix does not distinguish further the customer populations; instead, the expected credit loss rate is established only by the number of delinquent days for accounts receivable.

In case of any evidence showing that the counterparty is faced with serious financial difficulties and the Company cannot reasonably expect the recoverable amount, the Company writes off related accounts receivable directly; nevertheless, claims will continue and the recovered amounts are recognized under profits or losses.

The allowance loss measured by the Company with the prepared matrix for accounts receivable is as follows:

For the Year Ended December 31,2018

	Not Past Due	Overdue 1 to 90 days	Overdue 91 to 180 days	Overdue Over 180 days	Total
Gross carrying amount	$ 501,847	$ 27,396	$ 31	$ 2,805	$ 532,079
Loss allowance (Lifetime ECL)	(1,540)	(7,481)	(9)	(2,805)	(11,835)
Amortized cost	$ 500,307	$ 19,915	$ 22	$ -	$ 520,244

Movements of allowance for accounts receivables were as follows:

	For the Year Ended December 31 2018
Balance, January 1(IAS 39)	$ 11,835
Effect of retrospective application of IFRS 9	-
Balance, January 1(IFRS 9)	11,835
Add:Impairment loss	-
Balance, December 31	$ 11,835

For the Year Ended December 31,2017

The Company's credit policy in 2017 was as same as the aforementioned credit policy in 2018.

The net accounts receivable aging analysis of the Company was as follows:

	December 31, 2017
Within 60 days	$ 399,776
61-90 days	117,611
over 91 days	40,712
Total	$ 558,099

The above is analyzed on the basis of the number of days since the account was created.

The aging analysis of past-due-but-no-impaired accounts receivable of the company was as follows:

	December 31, 2017
Past due within 90 days	$ 37,062

The above is analyzed on the basis of the number of days' delinquent.

Movements of allowance for accounts receivables by individual and collective assessment were as follows:

	Impairment loss on individual	Impairment loss on collective assessment	Total
Balance, January 1, 2017	$ 40,269	$ 11,962	$ 52,231
Less: Reclassification	-	-	-
Balance, December 31, 2017	$ 40,269	$ 11,962	$ 52,231

b. Doubtful receivables

The Company evaluates whether or not there is objective impairment evidence for major financial assets that are overdue on the balance sheet date, taking into consideration unfavorable changes that have occurred in the payment status of the counterparty and the increase in the number of overdue payments, among other signs, and classify them as doubtful receivables and allowance for doubtful receivables is appropriated in a full amount.

The Company recognized allowance for doubtful receivables of $38,559 thousand and $40,269 thousand for the years ended December 31, 2018 and 2017.

Movements of allowance for doubtful receivables were as follows:

	For the Year Ended December 31
	2018
Balance, January 1(IAS 39)	$ 40,269
Effect of retrospective application of IFRS 9	-
Balance, January 1(IFRS 9)	40,269
Less: Write-off	(1,710)
Balance, December 31	$ 38,559

12. INVENTORIES

	December 31	
	2018	**2017**
Raw materials	$ 50,249	$ 30,612
Work in process	456,618	294,492
Finished goods	188,949	115,230
	$695,816	$440,334

The cost of revenue realted to inventory for 2018 and 2017 was $ 2,066,641 thousand and $ 1,707,003 thousand, respectively. The cost of revenue included the reversal of write-down of inventories of $ 69,520 thousand and $ 12,503 thousand. The reversal of write-down of inventories is the result of disposing of the inventories for which have been write-down to net realizable value previously.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2018	**2017**
Subsidiaries	$106,042	$135,843

	Percentage of Ownership	
	December 31	
	2018	**2017**
Future Technology Consulting (B.V.I.),Inc. (Future)	100%	100%
Perfect Prime Limited(Perfect)	100%	100%
Green Power Semiconductor Co., Ltd. (GPS)	73.08%	73.08%

Green Power Semiconductor organized the capital increase with personal labor funding in September 2017. The holding ratio of the Company after the capital increase dropped to 73.08%. The Company obtained shares of OPC Microelectronics Corporation in April of the same year.

Profits and losses and other comprehensive profits and losses of subsidiaries using the equity method in 2018 and 2017 are recognized according to the financial statements audited by CPAs during the same period of respective subsidiaries.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Computer Communication Equipment	Office Equipment	Lease Improvement	Other equipment	Total
Cost								
Balance, January 1, 2017	$ 61,590	$ 187,521	$ 113,391	$ 8,486	$ 10,690	$ 1,962	$ 146,548	$ 530,188
Additions	-	-	2,339	1,592	-	1,251	6,955	12,137
Balance, December 31, 2017	$ 61,590	$ 187,521	$ 115,730	$ 10,078	$ 10,690	$ 3,213	$ 153,503	$ 542,325
Accumulated depreciation								
Balance, January 1, 2017	$ -	$ 21,116	$ 97,879	$ 6,519	$ 8,820	$ 736	$ 131,528	$ 266,598
Depreciation	-	3,846	5,285	995	945	348	13,117	24,536
Balance, December 31, 2017	$ -	$ 24,962	$ 103,164	$ 7,514	$ 9,765	$ 1,084	$ 144,645	$ 291,134
Carrying amount, December 31, 2017	$ 61,590	$ 162,559	$ 12,566	$ 2,564	$ 925	$ 2,129	$ 8,858	$ 251,191
Cost								
Balance, January 1, 2018	$ 61,590	$ 187,521	$ 115,730	$ 10,078	$ 10,690	$ 3,213	$ 153,503	$ 542,325
Additions	-	-	807	998	-	-	5,486	7,291
Disposals	-	-	(203)	-	-	-	-	(203)
Balance, December 31, 2018	$ 61,590	$ 187,521	$ 116,334	$ 11,076	$ 10,690	$ 3,213	$ 158,989	$ 549,413
Accumulated depreciation								
Balance, January 1, 2018	$ -	$ 24,962	$ 103,164	$ 7,514	$ 9,765	$ 1,084	$ 144,645	$ 291,134
Depreciation	-	3,846	4,647	1,048	300	536	8,658	19,035
Disposals	-	-	(203)	-	-	-	-	(203)
Balance, December 31, 2018	$ -	$ 28,808	$ 107,608	$ 8,562	$ 10,065	$ 1,620	$ 153,303	$ 309,966
Carrying amount, December 31, 2018	$ 61,590	$ 158,713	$ 8,726	$ 2,514	$ 625	$ 1,593	$ 5,686	$ 239,447

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

Buildings	
Primary buildings	50 years
Mechanical and electrical equipment	15 years
Machinery and Equipment	6 years
Computer Communication Equipment	3-7 years
Office Equipment	5 years
Lease Improvement	5 years
Other equipment	2-5 years

For property, plant and equipment set to be secured borrowings, refer to Note 27.

15. OTHER ASSETS

	December 31	
	2018	**2017**
Curren		
Pre-payment for purchase	$105,562	$ 6,638
Others	3,798	10,904
	$109,360	$ 17,542
Non-current		
Long-term pre-payment for purchase	$186,326	$ 16,579
Refundable deposits	1,145	1,143
	$187,471	$ 17,722

In order to ensure steady packaging capacity and reduce packaging cost, the Company signs a throughput guarantee contract with the packaging manufacturer and pays for the purchases over the long term prepayments in order to ensure fulfillment of the contract.

16. SHORT-TERM BORROWINGS

	December 31	
	2018	**2017**
Secured loans		
－debt payable - bank	$ 80,000	$ 45,000
Unsecured loans		
－debt payable - bank	170,000	15,000
	$ 250,000	$ 60,000

The annual interest rate of bank revolving loans was 1.17% to 1.20% and 1.15% to 1.20%, respectively, in 2018 and 2017.

17. OTHER PAYABLES

	December 31	
	2018	2017
Curren		
Payable salaries and rewards	$ 30,034	$ 31,434
Payable remunerations for employees and directors	20,272	5,382
Payables on equipment	1,016	4,442
Payables on professional service fees	1,200	1,200
Others	22,321	20,949
	$ 74,843	$ 63,407

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

APEC adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed and defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The pension fund system organized by APEC according to the "Labor Standards Act" of Taiwan is the defined benefit retirement plan managed by the government. The payment of pension fund for employees is calculated by the years of service and the average monthly salary for the six months prior to the approved date of retirement. APEC sets aside the retirement fund at 4% of the total value of the monthly salary for each employee. It is given to the Labor Pension Fund Reserve Supervisory Committee and deposited in the account with the Bank of Taiwan in the name of the said Committee. Before a year ends, if the estimated balance in the dedicated account is insufficient to pay workers that are expected to fulfill the retirement criteria within a year, the difference will be appropriated in a lump sum by the end of March of the coming year. The dedicated account is managed as authorized to the Bureau of Labor Funds, Ministry of Labor. APEC does not have the right to affect the investment management strategy.

APEC already followed the requirements of the Labor Standards Act and applicable laws and regulations in March 2017 by settling years in service of all employees by June 30, 2005.

19. EQUITY

a. Capital stock

	December 31	
	2018	2017
Authorized shares (in thousands)	200,000	200,000
Authorized capital	$ 2,000,000	$ 2,000,000

	December 31	
	2018	2017
Issued and paid shares (in thousands)	81,341	81,341
Issued capital	$ 813,405	$ 813,405

A holder of issued common shares with par value of $10 per share is entitled to vote and to receive dividends.

b. Capital surplus

	December 31	
	2018	2017
For make-up accumulated deficit, distributed as cash dividends, be transferred to capital as stock dividends(1)		
Additional paid-in capital	$243,984	$243,984
Treasury stock transactions	12,728	12,728
Only for make-up accumulated deficit		
Expired stock option (2)	67,287	67,287
Cannot be used by any means		
Employee stock option	1,069	-
From share of changes in equities of subsidiaries (3)	3,373	3,373
	$328,441	$327,372

1). Such capital surplus may be applied to make-up accumulated deficit, if any, or be transferred to capital as stock dividends, or be distributed as cash dividends when there is no accumulated deficit, and this transfer is restricted to a certain percentage of the paid-in capital.

2). Such capital surplus is the adjustment made to employee stock options with no cash inflows and upon expiration of convertible bonds.

3). Such capital surplus is the adjustment made in the transaction of equities recognized due to variation in the subsidiary's equities when the Company does not actually acquire or dispose of the subsidiary's stock options or when the capital reserve of the subsidiary is recognized by the Company using the equity method.

c. Retained earnings and dividend policy

In accordance with the policy, APEC's profits earned in a fiscal year shall first be set aside to pay the applicable taxes, offset losses, and set aside 10% of the profits for legal reserve pursuant to laws and regulations, unless the legal reserve has reached APEC's total paid-up capital. The remaining profits shall be set aside for special reserve in accordance with laws, regulations, or business requirements. Any further remaining profits plus unappropriated earnings shall be distributed in accordance with the proposal submitted by the Board of Directors for approval at a stockholders' meeting.

APEC's Articles of Incorporation provide the policy about the profit sharing bonus to employees, please refer to Note 20(e). Employee benefits expenses.

In light of the fact that APEC is in the business growth phase, to go with the demand for capital in the future and the long-term financial planning as well as to fulfill the demand of shareholders for cash flows, APEC appropriates and assigns dividends to shareholders according to the earnings available for distribution in the preceding paragraph. Cash dividends, in particular, may not be below 10% of the overall dividend value. The type and ratio of such earnings to be distributed, however, may depend on the actual profits and capital conditions of the year and be adjusted once decided through the shareholders' meeting.

According to the ROC Company Act, a company shall first set aside its earning for legal reserve until it equals the paid-in capital. The legal reserve may offset losses. After offsetting any deficit, the legal reserve may be transferred to capital and distributed as stock dividends or cash dividends for the amount in excess of 25% of the paid-in capital pursuant to a resolution adopted in the stockholders'meeting.

APEC distributes and reverses special reserve in accordance with Decree No. 1010012865, Decree No. 1010047490, and "The Q&A for special reserve recognition after adopting IFRS" issued by the FSC.

The 2017 and 2016 earnings appropriations having been resolved in the AGM on May 17, 2018 and May 17, 2017, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share ($)**	
	For Fiscal Year 2017	**For Fiscal Year 2016**	**For Fiscal Year 2017**	**For Fiscal Year 2016**
Appropriation of legal reserve	$ 3,921	$ 7,174		
Reversal from special reserve	(2,682)	3,812		
Cash dividends to stockholders	36,603	56,898	$ 0.45	$ 0.7

The 2018 earnings distribution proposal stipulated on March 21, 2019 by the APEC's Board of Directors is as follows:

	Appropriation of Earnings	**Dividends Per Share($)**
Appropriation of legal reserve	$16,617	
Reversal from special reserve	40,213	
Cash dividends to stockholders	81,340	$ 1

APEC's 2018 earnings appropriations will be proposed by the Board of Directors and approved at the AGM on May 16, 2019.

d. Other equity interests

1). Unrealized gains or loss on available-for-sale financial assets

Balance, January 1, 2017	($ 38,489)
Current period	
Unrealized Gain	7,434
Reclassification	
Loss on disposal of available-for-sale financial assets	(362)
Balance, December 31, 2017	($ 31,417)
Balance, January 1, 2018（IAS 39）	($ 31,417)
Effect of retrospective application of IFRS 9	31,417
Balance, December 31, 2018（IFRS 9）	$ -

2). Unrealized gains or loss on FVTOCI financial assets

	For the Year Ended December 31
	2018
Balance, January 1（IAS 39）	$ -
Effect of retrospective application of IFRS 9	(74,120)
Balance, January 1（IFRS 9）	(74,120)
Current period	
Unrealized gains or loss－equity instrument	1,370
The accumulated disposal gains or loss of equity instrument transferred to the retained earning	166
Balance, December 31	($ 72,584)

22. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income	$ 4,805	$ 2,708
Rent income	1,366	1,705
Other income	1,928	1,673
	$ 8,099	$ 6,086

b. Other gains and losses, net

	For the Year Ended December 31	
	2018	2017
Loss on disposal of available-for-sale financial assets	$ -	($ 362)
Gain (loss) on foreign exchange	14,949	(15,120)
Others	(863)	(635)
	$ 14,086	($ 16,117)

c. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Depreciation of property, plant and equipment	$ 19,035	$ 24,536
Amortization of intangible assets	7,057	6,029
Total	$ 26,092	$ 30,565
Depreciation expense classified by function		
Classified as operating costs	$ 11,554	$ 16,008
Classified as operating expenses	7,481	8,528
Total	$ 19,035	$ 24,536
Amortization expense classified by function		
Classified as operating costs	$ 543	$ 859
Classified as operating expenses	6,514	5,170
Total	$ 7,057	$ 6,029

d. Employee benefits expenses

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits		
Salary	$171,318	$147,388
Insurance expenses	11,570	10,833
Others	4,448	4,439
Post-employment benefits(Note18)		
Defined contribution plans	6,328	6,144
Defined benefit plans	-	256
Share-based Payment	1,069	1,834
Total	$194,733	$170,894
Classified by function		
Classified as operating costs	$ 36,542	$ 35,637
Classified as operating expenses	158,191	135,257
	$194,733	$170,894

	For the Year Ended December 31					
	2018			2017		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Salary	$ 30,662	$ 137,455	$ 168,117	$ 30,543	$ 115,995	$ 146,538
Insurance expenses	3,033	8,537	11,570	2,386	8,447	10,833
Pension	1,591	4,737	6,328	1,521	4,879	6,400
Compensation of directors	-	3,676	3,676	-	1,345	1,345
Share-based Payment	-	1,069	1,069	-	1,834	1,834
Others	1,256	2,717	3,973	1,187	2,757	3,944
Total	$ 36,542	$ 158,191	$ 194,733	$ 35,637	$ 135,257	$ 170,894

As of December 31, 2018 and 2017, the number of employees at the Company was 144 and 152, respectively. The number of directors who are not also employees was consistently 7. The calculation basis is the same as that for employee benefits.

e.employees' compensation and remuneration of directors

In cases of profits for the year of the APEC, the estimated employees' compensation and remuneration of directors are set at the rates no less than 8% and no higher than 3%, respectively.

The employees' compensation and remuneration of directors of 2018 and 2017 shown below were approved by the Board of Directors on March 21, 2019 and March 22, 2018, respectively.

Estimated ratio

	For the Year Ended December 31	
	2018	2017
Employees' Compensation	8%	8.1%
Remuneration of Directors	1.50%	1.52%

Amount

	For the Year Ended December 31	
	2018	2017
	Paid in Cash	Paid in Cash
Employees' Compensation	$ 17,071	$ 4,532
Remuneration of Directors	3,201	850

If there is a change in the approved amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in accounting estimate in the next year.

The actual amount distributed of remunerations for employees and directors of 2017 and 2016 is not different from the value recognized in the financial statements of 2017 and 2016.

Information on the employees' compensation and remuneration of directors approved by the Board of Directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAX

a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	For the Year Ended December 31	
	2018	2017
Current income tax expense		
Current period	$ 13,243	$ 6,401
Income tax adjustments on prior years	6	-
	13,249	6,401
Deferred income		
Current period	$ 23,324	$ 4,985
Effect of tax rate changes	(9,623)	-
Income tax expense recognized in profit or loss	$ 26,950	$ 11,386

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	For the Year Ended December 31	
	2018	2017
Income before tax	$193,119	$ 50,596
Income tax expense at the statutory rate (20% in 2018 and 17% in 2017)	$ 38,624	$ 8,601
Nondeductible items in determining taxable income	3,404	1,973
Temporary differences	78	3,351
Additional income tax on unappropriated earnings	137	204
Investment tax credits	(5,676)	(2,743)
Effect of tax rate changes	(9,623)	-
Prior years' other adjustments	6	-
Income tax expense recognized in profit or loss	$ 26,950	$ 11,386

For the year ended December 31, 2017, the Company applied a tax rate of 17% for entities subject to the R.O.C. Income Tax Law. In February 2018, the Income Tax Law in the R.O.C. was amended and, starting from 2018, the corporate income tax rate was adjusted from 17% to 20%. In addition, the tax rate for 2018 unappropriated earnings was reduced from 10% to 5%.

Due to the fact that uncertainties remain for the distribution of earnings as determined through the 2019 shareholders' meeting, consequences of the additional 5% potential income tax levied of undistributed earnings of 2018 cannot be reliably determined yet.

b. Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2018and 2017, were as follows:

2018

	Balance at the beginning of the year	**Recognized as part of profits and losses**	**Balance at the end of the year**
Deferred income tax asset			
Allowance for losses from falling prices of inventory	$ 26,471	($ 9,233)	$ 17,238
Losses from investments recognized adopting the equity method	8,590	5,120	13,710
Allowance for uncollectible accounts	$ 7,776	$ 1,090	$ 8,866
Unrealized exchange losses	160	(160)	-
Financial assets	986	174	1,160
	43,983	(3,009)	40,974
Loss carryforwards	10,548	(10,548)	-
	$ 54,531	($ 13,557)	$ 40,974
Deferred income tax liabilities			
Unrealized exchange gains	$ -	$ 144	$ 144

2017

	Balance at the beginning of the year	**Recognized as part of profits and losses**	**Balance at the end of the year**
Deferred income tax assets			
Allowance for losses from falling prices of inventory	$ 28,596	($ 2,125)	$ 26,471
Losses from investments recognized adopting the equity method	8,323	267	8,590
Intangible assets	2,505	(2,505)	-
Allowance for uncollectible accounts	8,275	(499)	7,776
Unrealized exchange gains	-	160	160
Financial assets	986	-	986
Net defined benefit liability	46	(46)	-
	48,731	(4,748)	43,983
Loss carryforwards	11,120	(572)	10,548
	$ 59,851	($ 5,320)	$ 54,531
Deferred income tax liabilities			
Unrealized exchange gains	$ 335	($ 335)	$ -

c. Income tax examination

The income tax returns before 2016 have been examined and cleared by the tax authorities.

22. EARNINGS PER SHARE

Earnings and weighted average shares of common stock used to calculate earnings per share are as follows:

Net profit for the current year

	2018	2017
Net profits for calculating fundamental earnings per share	$ 166,169	$ 39,210
Impacts of dilutive potential common stock:		
Remunerations for employees	-	-
Employee stock option	-	-
Restricted employee stock	-	-
Net profits for calculating diluted earnings per share	$ 166,169	$ 39,210

Number of shares

Unit: Thousand shares

	2018	2017
Weighted average shares of common stock used to calculate fundamental earnings per share	81,341	81,145
Impacts of dilutive potential common stock:		
Remunerations for employees	587	206
Employee stock option	26	13
Restricted employee stock	-	146
Weighted average shares of common stock used to calculate diluted earnings per share	81,954	81,510

If the Company can choose to issue employee remunerations in the form of shares or cash, in the calculation of diluted earnings per share, it is assumed that issuance of shares will be adopted for employee remunerations and the weighted average outstanding shares are included in the calculation when the said common stock exercises the diluting effect in order to calculate the diluted earnings per share. When the diluted earnings per share are calculated prior to issuance of shares as employee remunerations as determined in the following year, the diluting effect from the said potential common stock shall continue to be taken into consideration, too.

23. SHARE-BASED COMPENSATION EXPENSES

a. Employee Stock Option Plan

The employee stock option approved by the competent authority to be issued on May 2, 2018, November 8, 2011, and May 12, 2009 by the Company are 2,000 units, 2,500 units, and 2,500 units (referred to hereinafter as the “2018 Stock Option Plan, the “2011 Stock Option Plan,” and the “2009 Stock Option Plan,” respectively). Each unit can purchase 1,000 shares of the Company’s common stock. The beneficiaries are employees meeting specific criteria of the Company. The employee stock options are valid for 6 years from the issuance. The holders may exercise the stock options in installments two years after the issuance. The exercise price under the plan shall not be less than the closing price of the Company’s common stock at the issuance. After the stock option is issued, in case of variation to the common stock shares of the Company, the exercise price of the stock option will be adjusted according to the specified formula. In order to inspire employees and retain professionals, upon consent from the employee stock option holder to automatic distention of the existing “2009 Stock Option Plan,” the Company may replace the canceled equity instruments with the newly released “2011 Stock Option Plan.”

Related information of the employee stock option is as follows:

	For the Year Ended December 31			
	2018		2017	
	No. of shares (in thousands)	Weighted-average exercise price	No. of shares (in thousands)	Weighted-average exercise price
Options outstanding at beginning of year	-	$ -	264	$ 21.70
Options granted	2,000	27.90	-	-
Options exercised	-	-	(58)	21.00
Options expired upon resignation	(1,515)	27.90	(190)	21.00
Options expired	-	-	(16)	21.00
Options outstanding at end of year	485	27.90	-	-
Options exercisable at end of year	-	-	-	-
Weighted average fair value of options granted this year ($)	$ 9.31		$ -	

Related information of the outstanding employee stock option is as follows:

	December 31	
	2018	2017
Range of exercise prices ($)	$ 27.90	$ -
Weighted average residual contract period (year)	5.36	-

The Company recognized expenses incurred on share-based compensation of $1,069 thousand and $0 thousand for the years ended December 31, 2018 and 2017.

b. Employee restricted stock

In May 14 2014, the shareholders’ meeting of the Company approved to issue 5,000 thousand shares of employee restricted stock totaling $ 50,000 thousand in value.The par value of each share is $10 and each share will be issued without consideration. The Board of Directors was authorized to decide the issuance price on the date they would be issued.The Board of Directors during its meeting on August 12, 2014 adopted a resolution to issue 1,810 thousand employee restricted shares with the effective date set on August 15, 2014. The decision of the fair value was based on the closing price of $25.15 (in dollars) at the grant date.

The ratio of shares to be fulfilled under the vesting criteria starting is as follows from the date when employees are assigned with restricted employee stock and upon expiration of each of the following esting periods and when the overall financial performance of the Company is positive according to the after-tax net profits shown in the annual financial statement audited by the independent auditor for the year and personal performance of Class A and above are fulfilled and the code of conduct is properly fulfilled:

One-year anniversary in service: 30% of shares available for assignment.
Two-year anniversary in service: 30% of shares available for assignment.
Three-year anniversary in service: 40% of shares available for assignment.

The Company enters into the trust contract on behalf of employees with the share trust custodian institution.

Restricted rights of employees assigned with or having subscribed to new shares yet failing to fulfill the vesting criteria are as follows:

1). Except for inheritance, they may not sell, place as collateral, assignment, give away as gift, set as pledge, or dispose of in other ways restricted employee stock.
2). Attending, proposal of, speech, and voting rights in the shareholders' meeting are based on the trust custodianship contract.
3). Cash dividends, share dividends, and assigned reserve in cash (shares) associated with restricted employee stock are all sent for trusteeship. When vesting criteria are not fulfilled, the Company will recall the cash according to applicable requirements and cancel the registration by law for assigned cash dividends, share dividends, or reserve in cash (shares).

When employees fail to fulfill vesting criteria, the Company will recall the granted restricted employee stock free of charge and cancel the registration by law. In addition, the handling method in case of inheritance is to be based on applicable requirements for the guidelines for issuance of restricted employee stock.

The cost of remunerations recognized for 2018 and 2017 from the issuance of restricted employee stock was $ 0 thousand and $ 1,834 thousand, respectively.

24. CAPITAL MANAGEMENT

The Company manages capital to ensure that under the premise of continuous operation, by optimizing the balance of debts and equities so that rewards for shareholders may be maximized. In other words, the Company manages its capital for the sake of ensuring that necessary financial resources and operational plans are available to support required operating funds, capital expenditure, costs of research and development, pay-off of debts, and expenditure on dividends, among others, in the 12 months that follow.

The Company's capital structure consists of the Company's equities (that is, capital stock, capital reserve, retained earnings, and other equity items) belonging to the Company.

The Company does not need to follow other external capital requirements.

25. FINANCIAL INSTRUMENTS

a.Fair value of financial instruments－Financial instruments not at fair value

The management of the Company believes that the book value of financial assets and liabilities not at fair value does not show significant differences from the fair value.

b.Fair value of financial instruments－Fair value of financial instruments that are measured at fair value on a recurring basis

1). Levels of fair value

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Equity instruments				
－Domestic listed stocks	$ 533	$ 13,699	$ -	$ 14,232
－Foreign unlisted stocks	-	-	6,645	6,645
total	$ 533	$ 13,699	$ 6,645	$ 20,877

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Equity instruments				
－Domestic listed	$ 997	$ 17,352	$ -	$ 18,349

There was no transfer between the fair value measurements of Levels 1 and 2 for the year ended December 31, 2018 and 2017.

2). Valuation techniques and inputs applied for Level 2 fair value measurement

Type of financial instrument	Valuation technique and input value
Domestic listed stocks -private placement	Fair value of financial assets evaluated according to the observable share price at end of term and taking into consideration data of absence of liquidity discounts.

3). Valuation techniques and inputs applied for Level 3 fair value measurement

The significant and unobservable input parameter for assessing the unlisted stocks held by the Company mainly relates to liquidity discount rate.The evaluation of fair value of unlisted stocks is mainly referenced to the same type of companies or the listed companies (traded-over-the-counter) through the market approach.

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Loans and receivables（Note1）	$ -	$ 892,884
Available-for-sale financial assets（Note 2）	-	23,482
Financial assets measured at amortized cost（Note 3）	863,814	-
Financial assets at fair value through other comprehensive income-Equity instruments	$ 20,877	$ -
Financial liabilities		
Financial liabilities measured at amortized cost（Note 4）	810,589	529,307

Note1: The balances comprise cash and cash equivalents, Debt instrument investment without active market, notes and accounts receivable, other receivables and refundable deposits.

Note2: The balances comprise available-for-sale financial assets.

Note3: The balances comprise cash and cash equivalents, debt instrument investments, notes and accounts receivable, other receivables and refundable deposits.

Note 4 The balances comprise short-term borrowings, short-term notes and bills payable, payables and guarantee deposits.

d. Purpose and policy of financial risk management

Major financial instruments of the Company include equity investments, cash and cash equivalents, Debt instrument investment without active market, accounts receivable and accounts payable. The Finance Department of the Company provides services to respective operating units and centrally coordinates operations for entering domestic and international financial markets. Such risks include market risk (exchange rate risk and interest rate risk), credit risk, and liquidity risk.

f. Financial risk management

1). Market risk

The Company is exposed to the financial market risks, primarily changes in foreign currency exchange rates, interest rates and equity investment prices.

a). Foreign currency risk

Most of the Company's revenues and expenditures are denominated in foreign currencies. Consequently, the Company is exposed to foreign currency risk.
For the book value of monetary assets and liabilities in non-functional currencies of the Company on the balance sheet data (including monetary items valued in non-functional currencies already eliminated upon consolidation), refer to Note 28.

Sensitivity analysis

The Company is impacted mainly by the fluctuating US and RMB exchange rates. The sensitivity analysis takes place when the exchange rate of TWD (functional currency) versus each of relevant foreign currencies increases or reduces by 5%. The 5% is the sensitivity ratio adopted by the Company internally in the report of the exchange rate risk to the primary management and also represents the reasonable and possible range of changes in the assessment of foreign currency exchange rates performed by the management. The sensitivity analysis only includes the monetary items of circulating foreign currencies and the conversion at the end of the year is adjusted by 5% of variation in the exchange rate. Sensitivity analysis associated with the foreign currency exchange rate risk mainly covers monetary items in foreign currencies as of the end date of the financial reporting period. When 5% of appreciation/depreciation in the TWD versus each of the currencies, the net profits of the Company in 2018 and 2017 would decrease/increase by $16,069 thousand and $16,218 thousand, respectively.

b). Interest rate risk

The book value of financial assets and liabilities exposed to the interest rate risk on the balance sheet date of the Company is as follows:

	December 31	
	2018	2017
Interest rate risk involving fair value		
- Financial assets	$ 69,416	$132,319
- Financial liabilities	250,000	60,000
Interest Rate Risk Involving Cash Flows		
- Financial assets	194,359	137,896

Sensitivity analysis

The following sensitivity analysis is determined by the exposure to the interest rate risk of non-derivative instruments on the balance sheet date.

The rate of change adopted when the interest rate is reported inside the Company to the primary management is based on an increase or a decrease by 50 base points in interest rate. This also represents the evaluation by the management of the reasonable and possible range of changes in the interest rate.

If the interest rate increases or decreases by 50 base points, with all the other variables remaining unchanged, the pre-tax net profits of the Company in 2018 and 2017 will decrease or increase by $1,187 thousand dollars and $884 thousand dollars mainly because of the Company's exposure to the cash flow interest rate risk associated with variable interest rate deposits.

2). Credit risk

Credit risk refers to the risk that a counterparty would default on its contractual obligations resulting in financial loss. The maximum credit exposure of the aforementioned financial instruments is equal to their carrying amounts recognized in balance sheet as of the balance sheet date.

The policy adopted by the Company is to only engage in transactions with parties with outstanding credit ratings and whenever necessary, sufficient collaterals are secured in order to minimize risks associated with financial losses as a result of delinquency. The Company only engages itself in transactions with enterprises with a rating equivalent to an investment grade and above. Such information is to be provided by an independent rating institution. If such information is not available, the Company will use other publicly available financial information and mutual transaction records to rate primary customers. The Company constantly monitors exposure to credit risk and the credit ratings of counterparties and decentralize the total transaction value among respective qualified customers according to their credit rating and controls the exposure to credit risk according to the counterparty credit limits reviewed and approved by the corporate management on a yearly basis.

The Company has an enormous base of customers that is not inter-related and hence credit risk is not highly concentrated. The Company is not associated with major exposure to the credit risk versus any single counterparty or any group of counterparties with similar properties. When counterparties are affiliated with one another, the Company defines them as counterparties with similar properties.

3). Liquidity risk

The Company manages and maintains cash and cash equivalents of sufficient positions to support its operation and reduce the impacts brought about by fluctuations in cash flows. The Company's management supervises over the use of bank financing quota and ensures protection of such quota.

As of December 31, 2018 and 2017, the short-term bank financing quotas not allocated by the Company were $ 403,405 thousand and $ 460,000 thousand, respectively.

The expiration analysis of non-derivative financial liabilities in the table below is prepared according to the re-payment date agreed upon.

December 31, 2018

	Demanded immediate payment or within a year	1-5 Years	More Than 5 Years
Non-derivative financial liabilities			
Short-term loans	$ 250,551	$ -	$ -
Notes payable	29,180	-	-
Accounts payable(including related parties)	456,381	-	-
Other payables	74,843	-	-
	$ 810,955	$ -	$ -

December 31, 2017

	Demanded immediate payment or within a year	1-5 Years	More Than 5 Years
Non-derivative financial liabilities			
Short-term loans	$ 60,144	$ -	$ -
Notes payable	17,177	-	-
Accounts payable(including related parties)	388,574	-	-
Other payables	63,407	-	-
	$ 529,302	$ -	$ -

The operating funds of the Company are sufficient to support the above expenses and hence shortage in capital is not a concern. Capital demand, if any, is short-term in nature. In addition, all the borrowings of the Company have a duration of less than a year and comprehensive bank financing quotas are available. After having taken into consideration the Company's financial status, the management believes that it is quite impossible for the bank to exercise its right by demanding that the Company to pay off the above borrowings immediately.

26. RELATED PARTY TRANSACTIONS

The transactions between the Company and related parties are as follows:

a. Related party name and nature of relationship

Related Party	Nature of Relationship
Future Technology Consulting (B.V.I.),Inc.	Subsidiary

Related Party	Nature of Relationship
Perfect Prime Limited (SAMOA)	Subsidiary
Shenzhen Fucheng Electronics Co., Ltd.	Subsidiary
Green Power Semiconductor Co., Ltd.	Subsidiary
OPC Microelectronics Co., Ltd.	Subsidiary

b. Operating revenue

Item	Nature of Relationship	For the Year Ended December 31	
		2018	**2017**
Net revenue from sale of goods	Subsidiary	$ 87,578	$ 18,396

c. Purchases

Nature of Relationship	For the Year Ended December 31	
	2018	**2017**
Subsidiary	$ 52,071	$ 33,587

d. Receivables due from related parties (excluding loans to the related party)

Item	Nature of Relationship	December 31	
		2018	**2017**
Accounts receivable	Subsidiary	$ 12,238	$ 9,187

e. Payables due to related parties (excluding borrowings from the related party)

Item	Nature of Relationship	December 31	
		2018	**2017**
Accounts payable	Subsidiary	$ 3,569	$ -

f. Endorsement and guarantee

Endorsement and guarantee information between the Company and the related party. Refer to Table 2.

g. Prepayments

Nature of Relationship/Name	December 31	
	2018	**2017**
Subsidiary/GPS	$ 4,270	$ 10,311
Subsidiary/OPC	60,637	-
	$ 64,907	$ 10,311

h. Operating expense - engineering experiment

Nature of Relationship	December 31	
	2018	**2017**
Subsidiary	$ 5,124	$ 7,211

i. Compensation of key management personnel

	December 31	
	2018	**2017**
Short-term employee benefits	$ 39,932	$ 23,931
Post-employment benefits	816	443
	$ 40,748	$ 24,374

The compensation to directors and other key management personnel were determined by the Compensation Committee of APEC in accordance with the individual performance and the market trends.

27. PLEDGED ASSETS

The following assets are provided to be the collaterals for customs declaration and bank borrowings for imports:

	December 31	
	2018	2017
Land	$ 61,590	$ 61,590
Buildings	158,713	162,559
	$220,303	$224,149

28. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Foreign currency assets			
Monetary items			
USD	$ 21,573	30.715 (USD:TWD)	$ 662,626
RMB	241	4.472 (RMB:TWD)	1,079
			$ 663,705
Foreign currency liabilities			
Monetary items			
USD	11,145	30.715 (USD:TWD)	$ 342,327

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Foreign currency assets			
Monetary items			
USD	$ 20,936	29.76 (USD:TWD)	$ 623,062
RMB	10,218	4.57 (RMB:TWD)	46,646
			$ 669,708
Foreign currency liabilities			
Monetary items			
USD	11,605	29.76 (USD:TWD)	$ 345,355

Realized and unrealized foreign currency exchange profits or losses with significant impacts are as follows:

	For the Year Ended December 31			
	2018		2017	
Foreign Currency	Exchange rate	Net exchange profits or losses	Exchange rate	Net exchange profits or losses
USD	30.149 (USD:TWD)	$ 16,337	30.43 ((USD:TWD)	($ 14,928)
RMB	4.56 (RMB:TWD)	(1,392)	4.51 (RMB:TWD)	(242)
		$ 14,945		($ 15,170)

29. ADDITIONAL DISCLOSURES

a. Information on significant transactions and b. Information on investees:

1) Financing extended to other parties: Table 1 (attached)
2) Endorsements/guarantees provided to other parties: Table 2 (attached)
3) Marketable securities held: Table 3 (attached) (excluding investments in subsidiaries and associates)
4) Marketable securities acquired and disposed of at costs or prices of at least $300 million or 20% of the paid-in capital: None.
5) Acquisition of individual real estate at costs of at least $300 million or 20% of the paid-in capital: None.
6) Disposal of individual real estate at prices of at least $300 million or 20% of the paid-in capital: None.
7) Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: None.
8) Receivables from related parties of at least $100 million or 20% of the paid-in capital: None.
9) Trading in derivative instruments: None.
10) Business relationships between the parent and the subsidiaries and significant intercompany transactions: Table 4 (attached)

c. Information on investment in Mainland China:

1) The names of investees in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 5 (attached)

2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Table 6 (attached).

i. Balance of the amount and percentage of purchases and corresponding payables at end of term and the percentage.

ii. Balance of the amount and percentage of sales and corresponding payables at end of term and the percentage.
iii. Property transaction amount and the incurred profits or losses.
iv. Balance of notes endorsement and guarantee or collaterals at end of term and the purpose.
v. Maximum amount, balance at end of term, interest rate bracket, and total amount of interest for current terms of financing.
vi. Other transactions with major impacts on profits or losses of the current term or financial standing, such as the provision or acceptance of labor, among others.

TABLE 1

Advanced Power Electronics Co., Ltd.

FINANCING EXTENDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No. (Note 1)	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period (foreign currencies in Thousands) (Note 2 and6)	Ending Balance (foreign currencies in Thousands) (Note 6)	Amount Actually Drawn (foreign currencies in Thousands)	Interest Rate	Nature for Financing (Note 3)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 4 and 6)	Financing Company's Total Financing Amount Limits (Note 5 and 6)	Note
													Item	Value			
1	Future Technology Consulting (B.V.I.) Inc.	OPC Microelectronics Co., Ltd.	Other receivables from related parties	Yes	$ 15,358 (US$ 500)	$ 15,358 (US$ 500)	$ 15,358	1.45%	2	$ -	Operating capital	$ -	-	$ -	$ 45,427 (US$ 1,479)	$ 45,427 (US$ 1,479)	

Note 1: Descriptions of the numeration field are as follows:
(1) Indicate 0 for the issuer.
(2) The companies invested in are numbered sequentially by the company starting from 1.

Note 2: Maximum balance of funds lent to others for the current year.

Note 3: Descriptions of the nature of loan are as follows:
(1) Indicate 1 if there is business interaction.
(2) Indicate 2 if there is the need for short-term financing.

Note 4: When there is the necessity for short-term financing, the ratio is restricted to 100% of the net worth shown in the financial statements inspected or approved by CPAs for recent terms of funding companies.

Note 5: The total limit of funds lent to others is restricted to 100% of the net worth shown in the financial statements inspected or approved by CPAs for recent terms of funding companies.

Note 6: The foreign currency value shown herein is indicated in TWD at an exchange rate of US$1=NT$30.715 as of December 31, 2018.

TABLE 2

Advanced Power Electronics Co., Ltd.

ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No. (Note1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Notes 3)	Maximum Balance for the Period (Note 4)	Ending Balance (Note 5)	Amount Actually Drawn (Note 5)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Guarantee Provided by Parent Company (Note 7)	Guarantee Provided by A Subsidiary (Note 7)	Guarantee Provided to Subsidiaries in Mainland (Note 7)	Note
		Name	Nature of Relationship (Note 2)											
0	APEC	OPC Microelectronics Co., Ltd.	(3)	$ 143,707	$ 64,720	$ 64,720	$ 19,456	$ -	4.50	$ 287,413	Y	N	Y	

Note 1: Descriptions of the numeration field are as follows:
(1) Indicate 0 for the issuer.
(2) The companies invested in are numbered sequentially by the company starting from 1.

Note 2: The endorser/guarantor and the endorsed/guaranteed party are related in the following six ways; simply mark the one that applies:
(1) Company with business relationship.
(2) Company where the Company holds over 50% of shares with direct and indirect voting rights.
(3) Company that holds over 50% of the Company's shares with direct and indirect voting rights.
(4) Between companies where the Company holds over 90% of shares with direct and indirect voting rights.
(5) Companies in the same industry or joint builders that are in a mutual collateral relationship according to the contract to meet the needs of the project undertaken.
(6) Company endorsed and guaranteed by all funding shareholders according to their holding ratio due to a shared investment relationship.

Note 3: The total value of endorsement and guarantee and the maximum limit of endorsement and guarantee for a single enterprise is 20% and 10%, respectively, at maximum of the net worth shown in the financial statements audited, certified, or approved by CPAs for the most recent term of the Company.

Note 4: Maximum balance of endorsement and guarantee for others of the current year.

Note 5: For any limits of endorsement and guarantee contracts or notes signed off by the Company with the Bank as of the end of the year, the Company undertakes the endorsement or guarantee liability. In addition, the other relevant endorsement and guarantee conditions shall all be included as part of the endorsement and guarantee balance.

Note 6: The actual allocated amount within the scope of endorsement and guarantee balance of the endorsed/guaranteed company shall be entered.

Note 7: "Y" only be completed for endorsement and guarantee from a listed (traded-over-the-counter) parent company to a subsidiary, endorsement and guarantee from a subsidiary to a listed (traded-over-the-counter) parent company, and endorsement and guarantee in Mainland China.

TABLE 3

Advanced Power Electronics Co., Ltd.

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2018				Note
				Shares/Units Note (In Thousands)	Carrying Value	Percentage of Ownership (%)	Fair Value	
APEC	Stock							
	Advanced Microelectronic Products,Inc..	-	Financial assets at fair value through other comprehensive income - Current	177	$ 533	-	$ 533	
	Advanced Microelectronic Products,Inc.	-	Financial assets at fair value through other comprehensive income –Non-Current	5,708	13,699	2	13,699	
	AXElite Co., Ltd.	-	Financial assets at fair value through other comprehensive income –Non-Current	497	6,645	6	6,645	
	Stock							
Future Technology Consulting (B.V.I.) Inc.	Seaward Electronics, Inc. (Cayman)	-	Financial assets at fair value through other comprehensive income –Non-Current	1,733	17,322	13	17,322	

Note1: ecurities indicated herein refer to the stocks, bonds, beneficiary certificates and securities derived from the above items within the scope of Financial Reporting Standard 9 "Financial Instruments."

Note 2: For related information on investing in subsidiaries, refer to Table 4 and 5.

TABLE 4

Advanced Power Electronics Co., Ltd.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note (US$ in Thousands)
				December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
APEC	Future Technology Consulting (B.V.I.) Inc.	British Virgin Islands	General investment	$ 65,021	$ 65,021	2,000	100	$ 45,427	($ 16,422)	($ 16,422)	Original investment amount US$ 2,000
	Perfect Prime Limited	Samoa	General investment	14,540	14,540	450	100	(965)	(1,595)	(1,595)	Original investment amount US$ 450
	Green Power Semiconductor Co., Ltd.	Taiwan	Trading	100,000	100,000	9,500	73.08	61,579	(23,292)	(17,022)	

Advanced Power Electronics Co., Ltd.

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capita (US$ in Thousands)	Method of Investment (Note1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018 (US$ in Thousands)	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (US$ in Thousands)	Net Income (Losses) of the Investee Company (US$ in Thousands)	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
Shenzhen Fucheng Electronics Co., Ltd.	Electronic parts and components manufacturing, home appliance wholesale, home appliance retail sale, product outlook design, information software service, other designs (electronic element design, integrated circuit design, semi-conductor design), other commercial service (electronic element, integrated circuit, semi-conductor, among other electronics testing service), electronic material wholesale, electronic material retail sale	$ 13,515 US$ 440	(2)A	$ 13,515 US$ 440	$ -	$ -	$ 13,515 US$ 440	($ 1,566 (US$ 52	100%	($ 1,566) (US$ 52)	($ 1,239) (US$ 40)	$ -	
OPC Microelectronics Co., Ltd.	Integrated circuit, software design, development, and technical service; electronic products, instruments and meters, telecommunication equipment, computer and auxiliary equipment wholesale, commissioning and imports and exports business	63,766	(1)	49,888	13,878	-	63,766	(10,592	100%	(10,592)	57,783	-	

Accumulated Investment in Mainland China as of December, 2018 (US$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousands)	Upper Limit on Investment (Note2)
$77,281	$77,281	$862,240

Note 1: The investment types are as follows:
1). Direct investment in Mainland China.
2). Indirect investment in Mainland China through a subsidiary in a third place.
A. Reinvestment through Perfect Prime Limited
3).Others.

Note 2: 60% of the limit required by the “Review Principles for Investments or Technical Collaborations in Mainland China” of the Investment Board, Ministry of Economic Affairs.

Note 3: The foreign currency assets and profits or losses listed herein are expressed, respectively, in New Taiwan Dollar at an end-of-term and mean exchange rates of US$ 1 = NT$30.715 and US$ 1 = NT30.149 as of December 31, 2018.

TABLE 6

Advanced Power Electronics Co., Ltd.

SIGNIFICANT INTERCOMPANY TRANSACTIONS AND RELATED INFORMATION ON INVESTEES IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Type of transaction	Purchases (Sales)	Price	Transaction Term		Notes and accounts receivable (payable)		Unrealized profits and losses	Note
		Amount		Payment term	Compared to ordinary transactions	Amount	%		
OPC Microelectronics Co., Ltd.	Sales	($ 87,532)	Note 1	EOM 60 days	Equivalent to	$ 12,238	2%	$ -	
	Purchases	54,795	Note 1	EOM 60 days	Equivalent to	(4,838)	1%	-	

Note 1: Transactions between the Company and the related party are done according to the transaction price agreed upon between the parties.