

Stock Code: 8261



# **Advanced Power Electronics Co., Ltd.**

## **2019 Annual Shareholders' Meeting Meeting Agenda (Translation)**

**Time of Meeting: 9:00 am, Thursday, May 16, 2019**

**Venue: Conference Room of Tai Yuan Hi-Tech Industrial Park III  
(2F, Park III at No. 3, Tai Yuan First Street, Zhubei City, Hsinchu County)**

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## **Advanced Power Electronics Co., Ltd.**

### Meeting Procedure of 2019 Annual Shareholders' Meeting

- I. Call the Meeting to Order
- II. Chairperson Takes Chair
- III. Chairperson Remarks
- IV. Reports Items
- V. Proposals Items
- VI. Discussions Items
- VII. Special Motions
- VIII. Adjournment



## **Advanced Power Electronics Co., Ltd.**

### The Agenda of the Meeting of Shareholders

Time: 9:00 am, Thursday, May 16, 2019  
Venue: Conference Room, Tai Yuan Hi-Tech Industrial Park III  
(2F, Park III at No. 3, Tai Yuan First Street, Zhubei City, Hsinchu County)  
Attendee: All shareholders and representatives of share interests  
Chairperson: Fu-Chi Teng, Chairman

#### I. Chairperson Remarks

#### II. Reports Items:

- (1) 2018 business report.
- (2) Audit Committee's review report on the 2018 financial statements.
- (3) To report 2018 employees' profit sharing bonus and directors' compensation.
- (4) The status of endorsement and guarantee of the Company.

#### III. Proposals Items:

Proposal 1: Adoption of the 2018 business report and financial statements.

Proposal 2: Adoption of the proposal for distribution of 2018 profits.

#### IV. Discussions Items:

Proposal 1: Amendment to the Articles of Incorporation.

Proposal 2: Amendment to the Rules of Procedure for Shareholder Meetings.

Proposal 3: Amendment to Procedures for Election of Directors.

Proposal 4: Amendment to the Operational procedures for Acquisition and Disposal of Assets.

Proposal 5: Enactment of the Operational Procedures for Loaning of Company Funds.

Proposal 6: Amendment to the Endorsement and Guarantee Operating Procedure.

#### V. Special Motions:

#### VI. Adjournment

## Reports Items

- I. Please review 2018 business report.

The business report is attached as Attachment 1, please refer to page 9 of the meeting agenda.

- II. Please review the Audit Committee's review report on the 2018 financial statements.

The Audit Committee's review report on the 2018 financial statements is attached as Attachment 2, please refer to page 12 of the meeting agenda.

- III. Please review the report of employees' profit sharing bonus and directors' compensation.

Description:

According to Article 22, the Articles of Incorporation, as the profit of the Company for 2018 is NT\$213,390,370 (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%, or NT\$17,071,230, and 1.5% or NT\$3,200,856 as the directors' compensation; both in cash.

- IV. Please review the status of endorsement and guarantee of the Company.

Description:

According to Article 3, 4, and 5 of the "Procedure of Endorsement and Guarantee" of the Company, the Company may endorse and guarantee the sub-subsidiaries within the limit. The Company has provided the endorsement guarantee to its sub-subsidiary, OPC Microelectronics Co., Ltd. Until the end of 2018, the outstanding amount of this endorsement guarantee is NT\$20 million and RMB 10 million.

## Proposals Items

### Proposal 1

**Subject:** Please acknowledge the adoption of the 2018 Business Report and Financial Statements. (Proposed by the Board of Directors)

**Description:** 1. The Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows of 2018 of the Company, have been resolved to pass on March 21, 2019 by the Board of Directors, and audited by CPA Wen-Chin Lin and CPA Cheng-Ming Lee, of Deloitte & Touche.  
2. The Business Reports, Independent Auditors' Report, and the abovementioned Financial Statements for Year 2018, please refer to Page 9 (Attachment 1), Page 62 (Attachment 9), and Page 73 (Attachment 10) of the meeting agenda.

**Resolutions:**

### Proposal 2

**Subject:** Please acknowledge the adoption of the proposal for distribution of 2018 profits. (Proposed by the Board of Directors)

**Description:** 1. The proposal for distribution of 2018 profits has been resolved to pass on March 21, 2019 by the Board of Directors.  
2. The beginning unappropriated retained earnings balance of the Company is NT\$ 88,118,597, add NT\$43,422,020 effect of retrospective application and restatement, and disposal of investments in equity instruments designated as at fair value through other comprehensive income, and the accumulated unrealized profits and losses are transferred to the retained earning directly NT\$(166,636), and additional Year 2018 net profit after tax NT\$ 166,168,462, and then reserve the legal reserve of NT\$16,616,846, and special reserve of NT\$40,212,435. The distributable profit at the end of the Year is NT\$240,713,162. 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\$81,340,493, or NT\$1 per share from the distributable profit of 2018. The residual amount will be included to the other income of the Company.  
3. Shall the share capital have any change to affect the outstanding shares before the base date of dividend distribution, and thus the distribution rate to shareholders is to be revised, authorize the Board handle the issue by the Company Act or other related laws and regulations.  
4. The distribution of 2018 profit is attached, please refer to Page 83 (Attachment 11) of the meeting agenda.

**Resolutions:**

## **Discussions Items**

### **Proposal 1**

**Subject:** Amendment to the Articles of Incorporation. (Proposed by the Board of Directors)

**Description:** 1. It is intended to amend some clauses of the Articles of Incorporation to accommodate the needs of the operations.  
2. The Comparison Table for the Amendment to the Articles of Incorporation is attached, please refer to Page 13 of the meeting agenda (Attachment 3).

**Resolutions:**

### **Proposal 2**

**Subject:** Amendment to the Rules of Procedure for Shareholder Meetings. (Proposed by the Board of Directors)

**Description:** 1. To establish a good governance system of shareholders meetings, strengthen the supervision, and enhance the managerial functions, it is intended to amend the Rules of Procedure for Shareholder Meetings of the Company.  
2. The Comparison Table for the Amendment to the Rules of Procedure for Shareholder Meetings is attached, please refer to Page 16 of the meeting agenda (Attachment 4).

**Resolutions:**

### **Propose 3**

**Subject:** Amendment to Procedures for Election of Directors. (Proposed by the Board of Directors)

**Description:** 1. To accommodate the requirements from the competent authorities, and to apply the candidate nomination system to the election of directors, it is intended to amend Procedures for Election of Directors.  
2. The Comparison Table for the Amendment to Procedures for Election of Directors is attached, please refer to Page 33 of the meeting agenda (Attachment 5).

**Resolutions:**

#### **Proposal 4**

**Subject:** Amendment to the Operational Procedures for Acquisition and Disposal of Assets. (Proposed by the Board of Directors)

**Description:** 1. To accommodate the Order from FSC, Financial-Supervisory-Securities-Corporate-No.1070341072 on November 26, 2018, it is intended to amend to the Operational Procedures for Acquisition and Disposal of Assets.  
2. The Comparison Table for the Amendment to the Operational procedures for Acquisition and Disposal of Assets is attached, please refer to Page 34 of the meeting agenda (Attachment 6).

**Resolutions:**

#### **Proposal 5**

**Subject:** Enactment of the Operational Procedures for Loaning of Company Funds. (Proposed by the Board of Directors)

**Description:** 1. To accommodate the operational demands, the Operational Procedures for Loaning of Company Funds is prepared based on the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” issued by the FSC.  
2. The newly enacted of the Operational Procedures for Loaning of Company Funds is attached, please refer to Page 51 of the meeting agenda (Attachment 7).

**Resolutions:**

#### **Proposal 6**

**Subject:** Amendment to the Endorsement and Guarantee Operating Procedure. (Proposed by the Board of Directors)

**Description:** 1. To accommodate the Order from FSC, Financial-Supervisory-Securities-Corporate-No.1080304826 on March 7, 2019, it is intended to amend the Endorsement and Guarantee Operating Procedure.  
2. The Comparison Table for the Amendment to the Endorsement and Guarantee Operating Procedure is attached, please refer to Page 54 of the meeting agenda (Attachment 8).

**Resolutions:**



**Special Motions**

**Adjournment**

## Attachments

1. 2018 Business Report
2. Audit Committee's Review Report on the 2018 Financial Statements
3. The Comparison Table for the Amendment to the Articles of Incorporation
4. The Comparison Table for the Amendment to the Rules of Procedure for Shareholder Meetings
5. The Comparison Table for the Amendment to Procedures for Election of Directors
6. The Comparison Table for the Amendment to the Operational Procedures for Acquisition and Disposal of Assets
7. The Operational Procedures for Loaning of Company Funds (Newly Enacted)
8. The Comparison Table for the Amendment to the Endorsement and Guarantee Operating Procedure
9. The Audited Report and the Consolidated Financial Report of 2018
10. The Audited Business Report and the Individual Financial Report of 2018
11. Distribution of Profits

## 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



**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



March 21, 2019

**Advanced Power Electronics Co., Ltd.**

**The Comparison Table for the Amendment to the Articles of Incorporation**

Amended Article	Original Article	Note
<p>Article 2 The businesses operated by the Company include:</p> <ol style="list-style-type: none"> <li>1. CC01080 Electronic Parts and Components Manufacturing</li> <li>2. F113020 Wholesale of Household Appliance</li> <li>3. F213010 Retail of Household Appliance</li> <li>4. I501010 Product Designing</li> <li>5. I301010 Software Design Services</li> <li>6. I599990 Other Designing (Electronic component design, IC design, semi-conductor design)</li> <li>7. IZ99990 Other Industry and Commerce Services Not Elsewhere Classified (Electronic component, IC, electronic test service)</li> <li>8. F119010 Wholesale of Electronic Materials</li> <li>9. F219010 Retail of Electronic Materials</li> <li>10. ZZ99999 May engage in businesses not banned or restricted by law except businesses requiring permit.</li> </ol>	<p>Article 2 The purposes of the Company shall include, but not be limited to:</p> <ol style="list-style-type: none"> <li>1. CC01080 Electronic Parts and Components Manufacturing</li> <li>2. F113020 Wholesale of Household Appliance</li> <li>3. F213010 Retail of Household Appliance</li> <li>4. I501010 Product <del>Appearance</del> Designing</li> <li>5. I301010 Software Design Services</li> <li>6. I599990 Other Designing (Electronic component design, IC design, semi-conductor design)</li> <li>7. IZ99990 Other Industry and Commerce Services Not Elsewhere Classified (Electronic component, IC, electronic test service)</li> <li>8. F119010 Wholesale of Electronic Materials</li> <li>9. F219010 Retail of Electronic Materials</li> <li>10. ZZ99999 May engage in businesses not banned or restricted by law except businesses requiring permit.</li> </ol>	<p>The revision is made according to the operated businesses listed on the Commercial Registration of the Company</p>
<p><u>Article 4-1</u> <u>The Company may endorse and guarantee. The related operation shall follow the “Endorsement and Guarantee Operating Procedure” of the Company, in addition to the related laws and regulations.</u></p>	<p>Article 4-1 (Newly added)</p>	<p>New clause is added based on the practice.</p>
<p>Article 5-1 The Company may, upon the consents granted in the meeting of shareholders attended by shareholders holding more than half of the issued shares, with the agreement of two third or more votes of the attending shareholders, to transfer shares to the employees with a price lower than the average repurchased price, or issue warrants to the employees with</p>	<p>Article 5-2 The Company may, upon the consents granted in the meeting of shareholders attended by shareholders holding more than half of the issued shares, with the agreement of two third or more votes of the attending shareholders, to transfer shares to the employees with a price lower than the average repurchased price, or issue warrants to the employees</p>	<p>Number of article is amended.</p>

Amended Article	Original Article	Note
the exercising price lower than the market price.	with the exercising price lower than the market price.	
<p>Article 9-1</p> <p>When an annual meeting is convened, any shareholder <u>holding 1% or more issued shares</u> may propose in writing <u>or electronically</u> to the Company but limited to one proposal. Any shareholder proposing more than one proposal, the proposals will be not be considered. The handling shall follow the Company Act and other related regulations.</p>	<p>Article 9-1</p> <p>When an annual meeting is convened, any shareholder <del>eligible for voting</del> may propose in writing to the Company but limited to one proposal. Any shareholder proposing more than one proposal, the proposals will be not be considered. The handling shall follow the Company Act and other related regulations.</p>	<p>The wordings are amended according to Paragraph 1, Article 172 of the Company Act.</p>
<p>Article 9-2</p> <p>When the shares of the Company are intended to be ceased from public listing, the resolution from the meeting of shareholders is required.</p>	<p>Article 9-2</p> <p>When the shares of the Company are intended to be ceased from public listing, the resolution from the meeting of shareholders is required, <del>and this clause shall not be amended when the shares are publicly listed.</del></p>	<p>The wordings are amended.</p>
<p>Article 15</p> <p>The directors of the Company may be five to seven, including at least <u>three</u> independent directors. The <u>directors and</u> the independent directors shall be elected under the candidate nomination system, elected on the meeting of shareholders from the candidate list. The term is three years, and the directors may be re-elected. The ratio of the total share held by all directors shall comply with the requirements of the governing agency of securities. During the term of directors, the Company may insure the liabilities born by the directors resulted from performing their duties as directors.</p>	<p>Article 15</p> <p>The directors of the Company may be five to seven, including at least <del>two</del> independent directors. The independent directors shall be elected under the candidate nomination system. <del>Aparrt from the independent directors who may be elected on the meeting of shareholders from the candidate list, the rest shall be elected from those of the Shareholders' Meeting with disposing capacity.</del> The term is three years, and the directors may be re-elected. The ratio of the total share held by all directors shall comply with the requirements of the governing agency of securities. During the term of directors, the Company may insure the liabilities born by the directors resulted from performing their duties as directors.</p>	<ol style="list-style-type: none"> <li>1. The seats of independent directors are revised to accommodate the establishment of the functional committee by the Company.</li> <li>2. Revise the wording to reflect Paragraph 1, Article 192 of the Company Act is accommodated to apply the candidate nomination system to the general director.</li> </ol>
<p>Article 16</p> <p>When the vacancies of directors reach one third of the seats of the Board, the Board of Directors shall convene a special meeting of shareholders for election to make up the vacancies. The elected directors shall serve the remaining terms</p>	<p>Article 16</p> <p>When the vacancies of directors reach one third of the seats of the Board <del>or supervisors are dismissed en bloc</del>, the Board of Directors shall convene a special meeting of shareholders for election to make up the vacancies. The</p>	<p>Revise to reflect that the auditors are replaced by the Audit Committee.</p>



Amended Article	Original Article	Note
of these resigned directors.	elected directors shall serve the remaining terms of these resigned directors.	
<p>Article 26</p> <p>The Articles of Incorporation was established by the initiators' meeting, and had been agreed by all the initiators on July 6, 1998.</p> <p>The 1st revision was on July 31, 1998.</p> <p>The 2nd revision was on September 21, 1998.</p> <p>The 3rd revision was on June 30, 1999.</p> <p>The 4th revision was on September 17, 1999.</p> <p>The 5th revision was on November 3, 1999.</p> <p>The 6th revision was on June 8, 2000.</p> <p>The 7th revision was on June 18, 2002.</p> <p>The 8th revision was on June 10, 2003.</p> <p>The 9th revision was on June 16, 2004.</p> <p>The 10th revision was on June 16, 2005.</p> <p>The 11th revision was on June 6, 2006.</p> <p>The 12th revision was on June 6, 2008.</p> <p>The 13th revision was on June 10, 2009.</p> <p>The 14th revision was on June 17, 2010.</p> <p>The 15th revision was on June 9, 2011.</p> <p>The 16th revision was on June 15, 2012.</p> <p>The 17th revision was on June 20, 2013.</p> <p>The 18th revision was on January 17, 2014.</p> <p>The 19th revision was on May 14, 2014.</p> <p>The 20th revision was on May 19, 2016.</p> <p><u>The 21th revision was on May 16, 2019, and enforced upon the resolution of the meeting of shareholders, as well as when being revised.</u></p>	<p>Article 26</p> <p>The Articles of Incorporation was established by the initiators' meeting, and had been agreed by all the initiators on July 6, 1998.</p> <p>The 1st revision was on July 31, 1998.</p> <p>The 2nd revision was on September 21, 1998.</p> <p>The 3rd revision was on June 30, 1999.</p> <p>The 4th revision was on September 17, 1999.</p> <p>The 5th revision was on November 3, 1999.</p> <p>The 6th revision was on June 8, 2000.</p> <p>The 7th revision was on June 18, 2002.</p> <p>The 8th revision was on June 10, 2003.</p> <p>The 9th revision was on June 16, 2004.</p> <p>The 10th revision was on June 16, 2005.</p> <p>The 11th revision was on June 6, 2006.</p> <p>The 12th revision was on June 6, 2008.</p> <p>The 13th revision was on June 10, 2009.</p> <p>The 14th revision was on June 17, 2010.</p> <p>The 15th revision was on June 9, 2011.</p> <p>The 16th revision was on June 15, 2012.</p> <p>The 17th revision was on June 20, 2013.</p> <p>The 18th revision was on January 17, 2014.</p> <p>The 19th revision was on May 14, 2014.</p> <p>The 20th revision was on May 19, 2016, and enforced upon the resolution of the meeting of shareholders.</p>	<p>Revising the number of articles, and adding the rules of the "The revision date of this term and the revision of the procedure of the Articles of Incorporation Implementation."</p>

**Advanced Power Electronics Co., Ltd.**  
**The Comparison Table for the Amendment to the Rules of Procedure for  
 Shareholder Meetings**

Amended Article	Original Article	Note
<p>Article 1  <u>Application Principles</u>            1. <u>To establish a strong governance system and sound supervisory capabilities for this Corporation's shareholders meetings, and to strengthen management capabilities, the rules of procedures are established to be complied with.</u>            2. The rules of procedures for this Corporation's shareholders meetings, except as otherwise provided by law, regulation, <u>or the articles of incorporation</u>, shall be as provided in these Rules.</p>	<p>Article 1             Unless otherwise required by laws and regulations, the shareholders' meeting of the Company shall be held in accordance with these Rules.</p>	<p>To establish a good meeting system for the meetings of shareholders and accommodate the current practice, this is revised.</p>
	<p><del>Article 1-1            The reasons for convening a shareholders' meeting shall be specified in the meeting notice and served 30 days before the date of a regular shareholders' meeting or 15 days before the date of a special shareholders' meeting. To holders of unregistered shares, notices may be served by means of public announcement 45 days before the date of a regular shareholders' meeting or 30 days before the date of a special shareholders' meeting. To shareholders who hold share certificates less than one thousand shares, the notices may be served by means of public announcement 30 days before the date of a regular shareholders' meeting or 15 days before the date of a special shareholders' meeting. The issues which should be enumerated in the notices for the meeting and shall not be posed by means of extraordinary motions shall be duly handled in accordance with the Company Act and laws and ordinances concerned.</del></p>	<p>This clause is deleted to reflect the practice.</p>
<p>Article 2  <u>Convening shareholders meetings and shareholders meeting notices</u>            1. <u>Unless otherwise provided by law or</u></p>	<p>Article 2  <del>When the attending shareholders or proxy attends the shareholders' meeting, he/she shall sign on the attendance sheet or deliver</del></p>	<p>To establish a good meeting system for the meetings of</p>

Amended Article	Original Article	Note
<p><u>regulation, this Corporation's shareholders meetings shall be convened by the board of directors.</u></p> <p>2. <u>This Corporation shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. This Corporation shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, this Corporation shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at this Corporation and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.</u></p> <p>3. <u>The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.</u></p> <p>4. <u>Election or dismissal of directors , amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval</u></p>	<p><del>an attendance card in place of signing, and conduct the attendance procedures. The number of shares present shall be calculated based on the attendance sheet or the attendance cards delivered.</del></p>	<p>shareholders and accommodate the current practice, this clause is revised from Article 6.</p>

Amended Article	Original Article	Note
<p><u>of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, dissolution, merger, spin-off, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.</u></p>		
<p>Article 3  <u>Proposals Ahead of the of Shareholders Meetings and the Handling</u></p> <ol style="list-style-type: none"> <li>1. <u>A shareholder holding 1 percent or more of the total number of issued shares may submit to this Corporation a written proposal for discussion at a regular shareholders meeting. The proposals will be included for discussion in the meetings of shareholders once approved by the Board of Directors.</u></li> <li>2. <u>Prior to the book closure date before a regular shareholders meeting is held, this Corporation shall publicly announce that it will receive shareholder proposals in writing or by way of electronic transmission, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.</u></li> <li>3. <u>The proposals shall be listed in the agenda if without any of the followings circumstances, and shall be indicated in the reasons of convention of that meeting of shareholders:</u> <ol style="list-style-type: none"> <li>(1) <u>Where the subject (the issue) of the said proposal cannot be settled or resolved by a resolution to be adopted at a meeting of</u></li> </ol> </li> </ol>	<p>Article 3  <del>The attendance and voting at the shareholders' meeting shall be calculated based on the shares.</del></p>	<p>To establish a good meeting system for the meetings of shareholders and accommodate the current practice, this clause is revised from Article 9.</p>

Amended Article	Original Article	Note
<p><u>shareholders.</u></p> <p><u>(2) Where the number of shares of the company in the possession of the shareholder making the said proposal is less than one percent (1%) of the total number of outstanding shares at the time when the share transfer registration is suspended by the company in accordance with the provisions set out.</u></p> <p><u>(3) Where the said proposal is submitted on a day beyond the deadline fixed and announced by the company for accepting shareholders' proposals.</u></p> <p><u>(4) Where the said proposal containing more than 300 words or more than one matters in a single proposal as provided in the proviso of Paragraph 1, Article 172-1 of the Company Act.</u></p> <p><u>4. Prior to the date for issuance of notice of a shareholders meeting, this Corporation shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.</u></p> <p><u>5. For the proposals listed in the agenda by the abovementioned three paragraphs, if they are same type, they shall be combined.</u></p> <p><u>6. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the regular shareholders' meeting whereat his proposal is to be discussed and shall take part in the discussion of such proposal.</u></p>		

Amended Article	Original Article	Note
<p>Article 4</p> <p><u>Shareholder Admission</u></p> <p>1. <u>For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by this Corporation and stating the scope of the proxy's authorization.</u></p> <p>2. <u>A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to this Corporation before 5 days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.</u></p> <p>3. <u>After a proxy form has been delivered to this Corporation, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to this Corporation before 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.</u></p>	<p>Article 4</p> <p><del>The place of the shareholders' meeting shall be at the office of the Company or at a location convenient to the shareholders and suitable for convening a shareholders' meeting. The time of the meeting may not be earlier than 9 a.m. or later than 3 p.m..</del></p>	<p>To establish a good meeting system for the meetings of shareholders and accommodate the current practice, this clause is revised from Article 5.</p>
<p>Article 5</p> <p><u>Principles determining the time and place of a shareholders meeting</u></p> <p><u>The venue for a shareholders meeting shall be the premises of this Corporation, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.</u></p>	<p>Article 5</p> <p><del>When the shareholders' meeting was convened by the Board of Directors, the shareholders' meeting shall be presided by the Chairman of the Board of Directors and attended by a majority of the directors. If the Chairman is absent or is unable to exercise the duties for certain reasons, the Chairman may designate one of the director to act on his/her behalf. Where the Chairman does not designate a proxy, the directors may elect a person among themselves to act on behalf of the Chairman.</del></p> <p><del>If the meeting is convened by any other person besides the Board of Directors who is entitled to convene the meeting, such</del></p>	<p>To establish a good meeting system for the meetings of shareholders and accommodate the current practice, this clause is revised from Article 7.</p>

Amended Article	Original Article	Note
	<p><del>person shall be the chairman to preside at the meeting. If there are more than two persons convening the meeting, then shall be the one elected by the other.</del></p>	
<p><u>Article 6</u>  <u>Preparation of documents such as the attendance book</u></p> <ol style="list-style-type: none"> <li>1. <u>This Corporation shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention. The time during which shareholder attendance registrations will be accepted shall be at least 30 minutes prior to the time the meeting commences.</u></li> <li>2. <u>Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. This Corporation may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.</u></li> <li>3. <u>This Corporation shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.</u></li> <li>4. <u>This Corporation shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.</u></li> <li>5. <u>When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting.</u></li> </ol>	<p>Article 6  <del>This Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.</del>  <del>Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.</del></p>	<p>To establish a good meeting system for the meetings of shareholders and accommodate the current practice, this clause is revised from Article 7 and 17.</p>

Amended Article	Original Article	Note
<p><u>When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.</u></p>		
<p>Article 7  <u>The chair and non-voting participants of a shareholders meeting</u>  1. <u>If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the chairperson shall appoint one of the directors to act as chair. Where the chairperson does not make such a designation, the directors shall select from among themselves one person to serve as chair.</u>  2. <u>If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.</u>  3. <u>This Corporation may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.</u></p>	<p>Article 7  <del>The Company shall sound record or video record the whole process of the shareholders' meeting and shall preserve it for at least one year.</del></p>	<p>To establish a good meeting system for the meetings of shareholders and accommodate the current practice, this clause is revised from Article 8.</p>
<p>Article 8  <u>Documentation of a shareholders meeting by audio or video</u>  <u>This Corporation, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures. The recorded materials of the preceding paragraph shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.</u></p>	<p>Article 8  <del>Upon the starting time of the meeting, the chairman shall order the meeting to begin. However, where the shareholders present represent half or less than half of the total outstanding shares, the chairman may postpone the meeting for a total of two times. The postponed time may not in total exceed one hour. Where after two postponements, the shareholders present still do not meet the quorum but represent one third or more of the total outstanding shares, a tentative resolution may be passed in accordance with Paragraph 1, Article 175 of the Company Act.</del></p>	<p>To establish a good meeting system for the meetings of shareholders and accommodate the current practice, this clause is revised from Article 9.</p>



Amended Article	Original Article	Note
	<p>If the shares present represent more than half of the total outstanding shares before the end of the meeting, the chairman may propose the tentative resolution to the shareholders' meeting for voting in accordance with Article 174 of the Company Act.</p>	
<p>Article 9  <u>Share counts and starting the meetings of shareholders</u></p> <ol style="list-style-type: none"> <li>1. <u>Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.</u></li> <li>2. <u>The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.</u></li> <li>3. <u>If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.</u></li> </ol>	<p>Article 9</p> <p>If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting. In case of only a change in the order of progress in the agenda, the change may be conducted by the chairperson at his discretion.</p> <p>The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors.</p> <p>The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting. After adjournment of the meeting, the shareholders shall not elect another chairperson to continue the progress of the meeting at the same venue or at a new venue.</p> <p>If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.</p>	<p>To establish a good meeting system for the meetings of shareholders and accommodate the current practice, this clause is revised from Article 10.</p>

Amended Article	Original Article	Note
<p>4. <u>When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.</u></p>		
<p>Article 10  <u>Discussion of proposals</u></p> <p>1. <u>If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.</u></p> <p>2. <u>The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.</u></p> <p>3. <u>The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.</u></p> <p>4. <u>The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may</u></p>	<p>Article 10  <del>Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.</del></p> <p><del>When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.</del></p> <p><del>Where a shareholder restricts the powers of a proxy through the proxy form or other means, disregarding whether the restriction is known to the Company, only the speech or voting conducted by the proxy shall prevail.</del></p>	<p>To establish a good meeting system for the meetings of shareholders and accommodate the current practice, this clause is revised from Article 11.</p>

Amended Article	Original Article	Note
<p><u>announce the discussion closed and call for a vote.</u></p>		
<p>Article 11 <u>Shareholder speech</u></p> <ol style="list-style-type: none"> <li>1. <u>Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.</u></li> <li>2. <u>A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.</u></li> <li>3. <u>Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.</u></li> <li>4. <u>When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.</u></li> <li>5. <u>When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.</u></li> <li>6. <u>After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.</u></li> </ol>	<p>Article 11</p> <p>Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.</p>	<p>To establish a good meeting system for the meetings of shareholders and accommodate the current practice, this is revised.</p>
<p>Article 12 <u>Calculation of voting shares and recusal system</u></p> <ol style="list-style-type: none"> <li>1. <u>Voting at a shareholders meeting shall be calculated based the number of shares.</u></li> </ol>	<p>Article 12</p> <p><del>Any legal entity designated as proxy by shareholder(s) to be present at the meeting may appoint only one representative to attend the meeting.—</del></p> <p><del>When a juristic person shareholder appoints</del></p>	<p>To establish a good meeting system for the meetings of shareholders and</p>

Amended Article	Original Article	Note
<p>2. <u>With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.</u></p> <p>3. <u>When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of this Corporation, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.</u></p> <p>4. <u>The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.</u></p> <p>5. <u>With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.</u></p>	<p><del>two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.</del></p>	<p>accommodate the current practice, this clause is revised from Article 11.</p>
<p>Article 13 <u>Voting of proposals</u></p> <p>1. <u>A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.</u></p> <p>2. <u>When this Corporation holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. The method of exercise shall be specified in the shareholders meeting notice. A</u></p>	<p>Article 13 <del>After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.</del></p>	<p>To establish a good meeting system for the meetings of shareholders and accommodate the current practice, this clause is revised from Article 11.</p>

Amended Article	Original Article	Note
<p><u>shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that this Corporation avoid the submission of extraordinary motions and amendments to original proposals..</u></p> <p>3. <u>A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to this Corporation before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.</u></p> <p>4. <u>After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to this Corporation, by the same means by which the voting rights were exercised, before 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.</u></p> <p>5. <u>Except as otherwise provided in the Company Act and in this Corporation's</u></p>		

Amended Article	Original Article	Note
<p><u>articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.</u></p> <p>6. <u>When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.</u></p> <p>7. <u>Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation.</u></p> <p>8. <u>Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.</u></p>		
<p>Article 14 <u>Election of directors</u></p> <p>1. <u>The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by this Corporation, and the voting results shall</u></p>	<p>Article 14 <del>When the chair considers that the discussion for a motion has reached the extent for making a resolution, he may announce discontinuance of the discussion and submit the motion for resolution.</del></p>	<p>To establish a good meeting system for the meetings of shareholders and accommodate</p>

Amended Article	Original Article	Note
<p><u>be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected.</u></p> <p>2. <u>The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.</u></p>		<p>the current practice, this clause is revised from Article 13.</p>
<p>Article 15 <u>Meeting minutes and matters to be signed</u></p> <p>1. <u>Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.</u></p> <p>2. <u>This Corporation may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.</u></p> <p>3. <u>The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of this Corporation.</u></p>	<p>Article 15 <del>Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation.</del> <del>The outcome of the voting process shall be reported on the spot and be entered into minutes.</del></p>	<p>To establish a good meeting system for the meetings of shareholders and accommodate the current practice, this clause is revised from Article 13.</p>
<p>Article 16 <u>Public disclosure</u></p> <p>1. <u>On the day of a shareholders meeting, this Corporation shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express</u></p>	<p>Article 16 <del>When a meeting is in progress, the chair may announce a break based on time considerations. Each break shall not exceed the duration of two (2) hours maximum.</del></p>	<p>To establish a good meeting system for the meetings of shareholders and accommodate the current practice, this</p>

Amended Article	Original Article	Note
<p><u>disclosure of the same at the place of the shareholders meeting.</u></p> <p>2. <u>If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation regulations, this Corporation shall upload the content of such resolution to the MOPS within the prescribed time period.</u></p>		<p>clause is revised from Article 18.</p>
<p>Article 17 <u>Maintaining order at the meeting place</u></p> <p>1. <u>Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.</u></p> <p>2. <u>The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."</u></p> <p>3. <u>At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by this Corporation, the chair may prevent the shareholder from so doing.</u></p> <p>4. <u>When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.</u></p>	<p>Article 17 <del>Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders.</del> <del>The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after inquiry by the chairman.</del> <del>Where the present shareholders consent to the proposals posed by the board of directors as entered into the Meeting-Agenda Handbook, such shareholders may hand over their voting ballots about the issues they agree to the tallying staff before the balloting process so as to economize the tie required to tally the ballots. Upon the voting process for such issues, if the agreeing ballots are up to the legal quorum, such issues are deemed to have been duly resolved.</del> <del>Each share held by a shareholder hereof is entitled to one voting power, provided that the Company has no voting power for shares held by itself.</del></p>	<p>To establish a good meeting system for the meetings of shareholders and accommodate the current practice, this clause is revised from Article 13.</p>
	<p>Article 17-1 <del>When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of this Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.</del></p>	<p>This clause is revised as Article 12, and thus is deleted.</p>



Amended Article	Original Article	Note
<p>Article 18  <u>Recess and resumption of a shareholders meeting</u></p> <ol style="list-style-type: none"> <li>1. <u>When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.</u></li> <li>2. <u>If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.</u></li> <li>3. <u>A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.</u></li> </ol>	<p>Article 18  <del>When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.</del></p>	<p>To establish a good meeting system for the meetings of shareholders and accommodate the current practice, this clause is revised from Article 13.</p>
<p>Article 19  <u>By-laws</u>  <u>These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.</u>  <u>The rules were prepared in the annual meeting of shareholders on June 18, 2002.</u>  <u>The 1st revision was in the annual meeting of shareholders on June 10, 2003.</u>  <u>The 2nd revision was in the annual meeting of shareholders on June 15, 2012.</u>  <u>The 3rd revision was in the annual meeting of shareholders on May 16, 2019.</u></p>	<p>Article 19  <del>The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."</del></p>	<p>To establish a good meeting system for the meetings of shareholders and accommodate the current practice, this clause is revised from Article 17.</p>
	<p>Article 20  <del>Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. This Company may distribute the meeting minutes of the preceding paragraph by means of a public</del></p>	<p>This clause is revised as Article 15, and thus is deleted.</p>

Amended Article	Original Article	Note
	<p><del>announcement made through the MOPS. The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of this Company. For the parts of the issues where shareholders have no objection, the "an issue which has been duly resolved exactly as proposed as no objection" is heard in response to the inquiry by the chairman shall be entered. For the parts of the issues where shareholders have objection, the balloting methods number and ratios of voting ballots shall be expressly remarked.</del></p>	
	<p><del>Article 21 The attendance sheet and proxy shall be kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.</del></p>	<p>This clause is revised as Article 14, and thus is deleted.</p>
	<p><del>Article 22 In case of an air raid alarm is sounded during the process of the meeting, the meeting shall be promulgated for discontinuance or suspension from the meeting. All participants shall evacuate. The meeting may be resumed an hour after the air raid alarm is lifted.</del></p>	<p>This clause is deleted to reflect the practice.</p>
	<p><del>Article 23 If the matters do not provided this rules, shall pursuant to the Company Act, the Articles of Incorporation and other laws and regulations</del></p>	<p>This clause is revised as Article 1, and thus is deleted.</p>
	<p><del>Article 24 These Rules and Procedures shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.</del></p>	<p>This clause is revised as Article 19, and thus is deleted.</p>

**Advanced Power Electronics Co., Ltd.**  
**The Comparison Table for the Amendment to Procedures for Election of Directors**

Amended Article	Original Article	Note
<p>Article 1 To ensure a just, fair, and open election of directors, these Procedures are adopted pursuant to Articles 21 of the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.”</p>	<p>Article 1 To ensure a just, fair, and open election of directors, these Procedures are adopted pursuant to Articles 21 <del>and 41</del> of the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.”</p>	<p>Revise to reflect that the supervisors are replaced by the Audit Committee.</p>
<p>Article 6 Elections of <u>both directors and independent directors</u> at this Corporation shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.</p>	<p>Article 6 Elections of independent directors at this Corporation shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.</p>	<p>To accommodate the application of candidate nomination system to the directors.</p>
<p>Article 13 The voting rights shall be calculated on site immediately after the end of the poll, and the list of persons elected as directors which they were elected, shall be announced by the chair <u>or a person designated by the chair</u> on the site. The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.</p>	<p>Article 13 The voting rights shall be calculated on site immediately after the end of the poll, and the list of persons elected as directors which they were elected, shall be announced by the chair on the site. The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.</p>	<p>To accommodate the practice.</p>
<p>Article 14 These Procedures, and any amendments hereto, shall be implemented after approval by a shareholder meeting. <u>The Procedure was prepared and passed in the meeting of shareholders on May 19, 2016.</u> <u>The 1st revision is passed in the annual meeting of shareholders on May 16, 2019.</u></p>	<p>Article 14 These Procedures, and any amendments hereto, shall be implemented after approval by a shareholder meeting.</p>	<p>Adding the dates for establishing and revising the procedure.</p>

**Advanced Power Electronics Co., Ltd.**  
**The Comparison Table for the Amendment to the Operational Procedures for**  
**Acquisition and Disposal of Assets**

Amended Article	Original Article	Note
<p>Article 2</p> <p>The applicable scope of the “assets” specified in this Procedures include the following:</p> <ol style="list-style-type: none"> <li>1. Omitted.</li> <li>2. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.</li> <li>3. Omitted.</li> <li>4. Omitted.</li> <li>5. <u>Right-of-use assets.</u></li> <li>6. Omitted.</li> <li>7. Omitted.</li> <li>8. Omitted.</li> <li>9. Other major assets.</li> </ol>	<p>Article 2</p> <p>The applicable scope of the “assets” specified in this Procedures include the following:</p> <ol style="list-style-type: none"> <li>1. Omitted.</li> <li>2. Real property (including land, houses and buildings, investment property, <del>right-of-use for lands,</del> and construction enterprise inventory) and equipment.</li> <li>3. Omitted.</li> <li>4. Omitted.</li> <li>5. Omitted.</li> <li>6. Omitted.</li> <li>7. Omitted.</li> <li>8. Other major assets.</li> </ol>	<p>To amend in accordance with revision of regulation.</p>
<p>Article 3</p> <p>Investment Scopes and Limits</p> <p>The limits for the Company and each subsidiary to acquire the non-operational real property and <u>the right-of-use assets, or negotiable securities</u> are stated respectively as the following:</p> <ol style="list-style-type: none"> <li>1. The total amounts of the non-operational real property and <u>the right-of-use assets</u> shall not exceed 20% of the net value of the Company.</li> <li>2 to 3 Omitted.</li> </ol>	<p>Article 3</p> <p>Investment Scopes and Limits</p> <p>The limits for the Company and each subsidiary to acquire the non-operational real property and negotiable securities, <del>membership certificates and intangible assets,</del> are stated respectively as the following:</p> <ol style="list-style-type: none"> <li>1. The total amounts of the non-operational real property shall not exceed 20% of the net value of the Company.</li> <li>2 to 3 Omitted.</li> <li>4. <del>The acquisition or disposal of membership certificates and intangible assets shall not exceed 20% of the paid-up capital of the Company.</del></li> <li>5. <del>The abovementioned net worth is the shareholders’ equity in the financial statements of the Company for the most recent period, certified by a certified public accountant.</del></li> </ol>	<p>To amend in accordance with revision of regulation.</p>

Amended Article	Original Article	Note
<p>Article 5 Procedure</p> <p>1. Omitted.</p> <p>2. Acquisition or disposal of assets</p> <p>(1) The investments to the short-term negotiable securities such as <u>domestic bonds</u>, repo or resale <u>bonds</u>, money-market funds issued by the domestic security investment trust businesses, for leveraging the short-term idle funds shall be approved by the general manager if the amount of each transaction or daily transaction is NT\$ 100 million or less; the approval of the board chairman is required for the amount exceeding NT\$ 100 to 500 million. The operations of the abovementioned short-term idle funds need to be verified by reporting to the Board of Directors.</p> <p>(2) For the acquisitions or disposals of other assets, <u>and real property, plants and equipment</u>, if the transaction amount is NT\$ 3 million or less, the approval of the head of unit is required; for the amount <u>exceeding</u> NT\$ 3 million to NT\$ 6 million, the general manager' approval is required, for the amount <u>exceeding</u> NT\$ 6 million to NT\$ 10 million, the board chairman' approval is required. The amount exceeding NT\$ 10 million needs to be approved by both the board chairman and the board of directors beforehand.</p>	<p>Article 5 Procedure</p> <p>1. Omitted.</p> <p>2. Acquisition or disposal of assets</p> <p>(1) The investments to the short-term negotiable securities such as <del>government bonds</del>, repo or resale <del>government bonds</del>, money-market funds issued by the domestic security investment trust businesses, for leveraging the short-term idle funds shall be approved by the general manager if the amount of each transaction or daily transaction is NT\$ 100 million or less; the approval of the board chairman is required for the amount NT\$ 100 to NT\$ 500 million. The operations of the abovementioned short-term idle funds need to be verified by reporting to the Board of Directors.</p> <p>(2) For the acquisitions or disposals of other assets and <del>fixed assets</del>, if the transaction amount is NT\$ 3 million or less, the approval of the head of unit is required; for the amount NT\$ 3 million to NT\$ 6 million, the general manager' approval is required; for the amount NT\$ 6 million to NT\$ 10 million, the board chairman' approval is required. The amount exceeding NT\$ 10 million needs to be approved by both the board chairman and the board of directors beforehand.</p>	<p>To amend in accordance with revision of regulation.</p>
<p>Article 6 Standards for Announcement and Filing</p>	<p>Article 6 Standards for Announcement and Filing</p>	<p>To amend in accordance with</p>

Amended Article	Original Article	Note
<p>1. Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(1) Acquisition or disposal of real property <u>or right-of-use assets</u> thereof from or to a related party, or acquisition or disposal of assets other than real property <u>or right-of-use assets</u> thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$ 300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(2) Omitted.</p> <p>(3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the Procedures adopted by the Company.</p> <p>(4) Where equipment <u>or right-of-use assets</u> thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$ 500 million or more.</p>	<p>1. Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(1) Acquisition or disposal of real property thereof from or to a related party, or acquisition or disposal of assets other than real property thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$ 300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(2) Omitted.</p> <p>(3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the Procedures adopted by the Company.</p> <p>(4) Where equipment thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$ 500 million or more.</p>	<p>revision of regulation.</p>

Amended Article	Original Article	Note
<p>(5) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>and furthermore the transaction counterparty is not a related party</u>, and the amount the company expects to invest in the transaction reaches NT\$ 500 million.</p> <p>(6) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$ 300 million; provided, this shall not apply to the following circumstances:  A. Trading of <u>domestic</u> government bonds.  B. Omitted.</p> <p>(7) The amount of transactions above shall be calculated as follows:  A~B. Omitted.  C. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property <u>or right-of-use assets</u> thereof within the same development project within the preceding year.  D~E. Omitted.</p> <p>2~5. Omitted.</p>	<p>(5) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$ 500 million.</p> <p>(6) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$ 300 million; provided, this shall not apply to the following circumstances:  A. Trading of government bonds.  B. Omitted.</p> <p>(7) The amount of transactions above shall be calculated as follows:  A~B. Omitted.  C. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property thereof within the same development project within the preceding year.</p> <p>D~E. Omitted.</p>	

Amended Article	Original Article	Note
	2~5. Omitted.	
<p>Article 7</p> <p>In acquiring or disposing of real property, equipment, <u>or right-of-use assets</u> thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$ 300 million or more, the company, unless transacting with a <u>domestic</u> government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment <u>or right-of-use assets</u> thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> <li>1. Where due to special circumstances it is necessary to give a limited price, specified price, <u>or special price</u> as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.</li> <li>2. Omitted.</li> <li>3. Omitted.</li> <li>4. Omitted.</li> </ol>	<p>Article 7</p> <p>In acquiring or disposing of real property, equipment, thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$ 300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> <li>1. Where due to special circumstances it is necessary to give a limited price, specified price, as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.</li> <li>2. Omitted.</li> <li>3. Omitted.</li> <li>4. Omitted.</li> </ol>	<p>To amend in accordance with revision of regulation.</p>
<p>Article 8</p> <p>The Criteria to Request CPA Opinions for Acquisition or Disposal of Assets</p> <ol style="list-style-type: none"> <li>1. The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if</li> </ol>	<p>Article 8</p> <p>The Criteria to Request CPA Opinions for Acquisition or Disposal of Assets</p> <ol style="list-style-type: none"> <li>1. The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price.</li> </ol>	<p>To amend in accordance with revision of regulation.</p>



Amended Article	Original Article	Note
<p>the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$ 300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>2. Where the Company acquires or disposes of intangible assets <u>or right-of-use assets thereof or memberships</u> and the transaction amount reaches 20 percent or more of paid-in capital or NT\$ 300 million or more, except in transactions with a <u>domestic</u> government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.</p> <p>3. Omitted.</p> <p>4. The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 6, paragraph 1, subparagraph <u>7</u> herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current</p>	<p><del>Under any of the following circumstances, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$ 300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</del></p> <p><del>(1) Acquisition or disposal of securities without any active market.</del></p> <p><del>(2) Acquisition or disposal of the private placement of securities.</del></p> <p>2. Where the Company acquires or disposes <del>memberships or</del> intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$ 300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.</p> <p>3. Omitted.</p> <p>4. The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 6, paragraph 1, subparagraph <del>5</del> herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction.</p>	

Amended Article	Original Article	Note
<p>transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p>	<p>Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p>	
<p>Article 9</p> <p>1. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 8, paragraph 4 herein.</p> <p>2. When the Company intends to acquire or dispose of real property <u>or right-of-use assets</u> thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property <u>or right-of-use assets</u> thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$ 300 million or more, except in trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter</p>	<p>Article 9</p> <p>1. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 8, paragraph 4 herein.</p> <p>2. When the Company intends to acquire or dispose of real property thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$ 300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a</p>	<p>To amend in accordance with revision of regulation.</p>

Amended Article	Original Article	Note
<p>into a transaction contract or make a payment until the following matters have been approved by the audit committee, and resolved by the board of directors. Such transactions shall be presented in the next meeting of shareholders:</p> <p>(1) Omitted.  (2) Omitted.  (3) The Company that acquires real property <u>or right-of-use assets</u> thereof from a related party and appraises the reasonableness of the terms and conditions of the transaction in accordance with this Article , paragraph 3 to 6.  (4)~ (7) Omitted.</p> <p><u>3. With respect to the types of transactions listed below, when to be conducted between the company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the company's board of directors delegate the board chairman to decide such matters when the transaction is within a NT\$ 30 million or less and have the decisions subsequently submitted to and ratified by the next board of directors meeting:</u></p> <p>(1) <u>Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u>  (2) <u>Acquisition or disposal of real property right-of-use assets held for business use.</u></p> <p>4. The Company that acquires real property <u>or right-of-use assets</u> thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means (Where land and structures thereupon are combined as a single property</p>	<p>payment until the following matters have been approved by the audit committee, and resolved by the board of directors. Such transactions shall be presented in the next meeting of shareholders:</p> <p>(1) Omitted.  (2) Omitted.  (3) The Company that acquires real property thereof from a related party and appraises the reasonableness of the terms and conditions of the transaction in accordance with this Article, paragraph 3 to 6.  (4)~ (7) Omitted.</p> <p>3. The Company that acquires real property thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means (Where land and structures thereupon are combined as a single property purchased in one transaction,</p>	

Amended Article	Original Article	Note
<p>purchased <u>or leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means.):</p> <p>(1) Omitted. (2) Omitted.</p> <p>5. The Company that acquires real property <u>or right-of-use assets</u> thereof from a related party and appraises the cost of the real property <u>or right-of-use assets</u> thereof in accordance with the preceding paragraph shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>6. Where the Company acquires real property <u>or right-of-use assets</u> thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the preceding article, and the preceding two paragraphs do not apply:</p> <p>(1) The related party acquired the real property <u>or right-of-use assets</u> thereof through inheritance or as a gift.</p> <p>(2) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property <u>or right-of-use assets</u> thereof to the signing date for the current transaction.</p> <p>(3) Omitted.</p> <p>(4) <u>The real property right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u></p>	<p>the transaction costs for the land and the structures may be separately appraised in accordance with either of the means.):</p> <p>(1) Omitted. (2) Omitted.</p> <p><del>4.</del> The Company that acquires real property thereof from a related party and appraises the cost of the real property thereof in accordance with the preceding paragraph shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p><del>5.</del> Where the Company acquires real property thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the preceding article, and the preceding two paragraphs do not apply:</p> <p>(1) The related party acquired the real property thereof through inheritance or as a gift.</p> <p>(2) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property thereof to the signing date for the current transaction.</p> <p>(3) Omitted.</p>	

Amended Article	Original Article	Note
<p>7. When the results of the company's appraisal conducted in accordance with paragraph 4 of the Article 9 are uniformly lower than the transaction price, the matter shall be handled in compliance with paragraph 8. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>(1)Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>A. Where undeveloped land is appraised in accordance with the means in the <u>paragraph 4</u>, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>B. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued</p>	<p>6. When the results of the company's appraisal conducted in accordance with paragraph 3 of the Article 9 are uniformly lower than the transaction price, the matter shall be handled in compliance with paragraph 7. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>(1)Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>A. Where undeveloped land is appraised in accordance with the means in the <del>preceding Article</del>, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>B. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued</p>	

Amended Article	Original Article	Note
<p>parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale <u>or leasing</u> practices.</p> <p>(2)Where the Company acquiring real property, <u>or obtaining real property right-of-use assets through leasing</u>, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>(3)Completed transactions involving neighboring or closely valued parcels of land in the subparagraph (1) and (2) in Procedures refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50</p>	<p>parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale practices.</p> <p><del>C.Completed leases by unrelated parties within the preceding year involving other floors of the same property, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard leasing practices.</del></p> <p>(2)Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>(3)Completed transactions involving neighboring or closely valued parcels of land in the subparagraph (1) and (2) in Procedures refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50</p>	

Amended Article	Original Article	Note
<p>percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property <u>or obtainment of the right-of-use assets</u> thereof.</p> <p>8. Where the Company acquires real property <u>or right-of-use assets</u> thereof from a related party and the results of appraisals conducted in accordance with the <u>4</u> to <u>7</u> paragraphs of the articles are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>(1) A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property <u>or right-of-use assets</u> transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.</p> <p>(2) Omitted.</p> <p>(3) Omitted.</p> <p>(4) The company that has set aside a special reserve under the preceding 3 subparagraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased <u>or leased</u> at a premium, or they have been</p>	<p>percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property thereof.</p> <p>7. Where the Company acquires real property thereof from a related party and the results of appraisals conducted in accordance with the <del>3</del> to <del>6</del> paragraphs of the articles are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>(1) A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.</p> <p>(2) Omitted.</p> <p>(3) Omitted.</p> <p>(4) The company that has set aside a special reserve under the preceding 3 subparagraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or</p>	

Amended Article	Original Article	Note
<p>disposed of, <del>or the leasing contract has been terminated.</del> or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>(5)It shall also comply with the preceding four subparagraphs of the paragraph if there is <u>other</u> evidence indicating that the acquisition was not an arms length transaction.</p> <p>9. The calculation of the transaction amounts referred to in the two paragraph shall be made in accordance with Article 9, paragraph 1, subparagraph <u>7</u> herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been <u>approved by the audit committee, and then submitted to the board of directors for a resolution,</u> need not be counted toward the transaction amount.</p>	<p>adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>(5)It shall also comply with the preceding four subparagraphs of the paragraph if there is evidence indicating that the acquisition was not an arms length transaction.</p> <p>8. The calculation of the transaction amounts referred to in the two paragraph shall be made in accordance with Article 9, paragraph 1, subparagraph <u>5</u> herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been <del>approved by the board of directors and recognized by the audit committee</del> need not be counted toward the transaction amount.</p> <p><del>9. In accordance with Article 9, paragraph 2 requires approval by the audit committee members and then submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 16.</del></p>	
<p>Article 10 Derivatives Transactions 1. Types (1) Derivatives referred herein are defined as forward contracts, options contracts, futures contracts, leverage contracts, or</p>	<p>Article 10 Derivatives Transactions 1. Types (1) Derivatives referred herein are defined as forward contracts, options contracts, futures contracts, leverage contracts, and</p>	<p>To amend in accordance with revision of regulation.</p>



Amended Article	Original Article	Note																
<p>swap contracts, whose value is derived from a <u>specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.</u></p> <p>(2) Omitted.</p> <p>2 to 3 Omitted.</p> <p>4. Essentials of performance evaluation</p> <p>(1) For the hedging transaction, assessments shall be conducted every two weeks, and the assessment reports shall be <u>reviewed</u> by the general manager.</p> <p>(2) Omitted.</p> <p>5. Total amount of derivatives contracts that may be traded, and the maximum loss limit</p> <table border="1" data-bbox="113 1220 588 1888"> <thead> <tr> <th data-bbox="113 1220 311 1406"><u>Item</u></th> <th data-bbox="311 1220 588 1406">The share of hedging transactions in the operating sales for the latest season</th> </tr> </thead> <tbody> <tr> <td data-bbox="113 1406 311 1559">Total amount of derivatives contracts that may be traded</td> <td data-bbox="311 1406 588 1559">100%</td> </tr> <tr> <td data-bbox="113 1559 311 1720">The maximum loss limit on total trading</td> <td data-bbox="311 1559 588 1720"><u>Not exceeding 20% of contract amount</u></td> </tr> <tr> <td data-bbox="113 1720 311 1888">The maximum loss limit for individual contracts</td> <td data-bbox="311 1720 588 1888"><u>Not exceeding 20% of contract amount</u></td> </tr> </tbody> </table>	<u>Item</u>	The share of hedging transactions in the operating sales for the latest season	Total amount of derivatives contracts that may be traded	100%	The maximum loss limit on total trading	<u>Not exceeding 20% of contract amount</u>	The maximum loss limit for individual contracts	<u>Not exceeding 20% of contract amount</u>	<p>swap contracts, <del>and compound contracts combining the above products,</del> whose value is derived from assets, interest rates, foreign exchange rates, <del>indexes or other interests.</del></p> <p>(2) Omitted.</p> <p>2 to 3 Omitted.</p> <p>4. Essentials of performance evaluation</p> <p>(1) For the hedging transaction, assessments shall be conducted every two weeks, and the assessment reports shall be <del>submitted to the general manager for review.</del></p> <p>(2) Omitted.</p> <p>5. Total amount of derivatives contracts that may be traded, and the maximum loss limit</p> <table border="1" data-bbox="663 1220 1139 1888"> <thead> <tr> <th data-bbox="663 1220 863 1406"></th> <th data-bbox="863 1220 1139 1406">The share of hedging transactions in the operating sales for the latest season</th> </tr> </thead> <tbody> <tr> <td data-bbox="663 1406 863 1559">Total amount of derivatives contracts that may be traded</td> <td data-bbox="863 1406 1139 1559">100%</td> </tr> <tr> <td data-bbox="663 1559 863 1720">The maximum loss limit on total trading(note)</td> <td data-bbox="863 1559 1139 1720">—</td> </tr> <tr> <td data-bbox="663 1720 863 1888">The maximum loss limit for individual contracts(note)</td> <td data-bbox="863 1720 1139 1888">—</td> </tr> </tbody> </table> <p><del>Note: The purpose of hedging transactions is to avoiding risks, so there is no need to set up a limit for maximum loss.</del></p>		The share of hedging transactions in the operating sales for the latest season	Total amount of derivatives contracts that may be traded	100%	The maximum loss limit on total trading(note)	—	The maximum loss limit for individual contracts(note)	—	
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Amended Article	Original Article	Note
<p>6. Omitted.</p> <p>7. Omitted.</p> <p>8. Internal Control (1)~ (4) Omitted. (5) Trading risk measurement, monitoring, and control shall be in charge of the accounting staff, and report to the board of directors.</p> <p>9. Regular evaluation methods and the <u>handling of irregular</u> circumstances Omitted.</p> <p>10. Omitted.</p>	<p>6. Omitted.</p> <p>7. Omitted.</p> <p>8. Internal Control (1)~ (4) Omitted. (5) Trading risk measurement, monitoring, and control shall be in charge of the accounting staff, and report to the board of directors <del>regularly</del>.</p> <p>9. Regular evaluation methods and the <del>irregularities handling</del> circumstances Omitted.</p> <p>10. Omitted.</p>	
<p>Article 11 Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares</p> <p>1. When the Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.</p> <p>2~8. Omitted.</p>	<p>Article 11 Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares</p> <p>1. When the Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.</p> <p>2~8. Omitted.</p>	<p>The wordings are amended. English version no change for same translation.</p>

Amended Article	Original Article	Note
<p>Article 12 Control Procedures for the Acquisition and Disposal of Assets by Subsidiaries</p> <p>1. The acquisition and disposal of assets by subsidiaries shall follow <u>the Procedures of the Company.</u></p> <p>2. <u>The Company shall supervise the subsidiaries to actually implement related affairs by the Procedures.</u></p> <p>3. <u>The internal auditor of the Company shall review the self-assessment report of the subsidiaries.</u></p> <p>4. Information required to be publicly announced and reported acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by <u>the Company.</u></p> <p>5. The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing.</p> <p>6. "Subsidiary" as referred to in the Procedures <u>shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></p>	<p>Article 12 Control Procedures for the Acquisition and Disposal of Assets by Subsidiaries</p> <p>1. The acquisition and disposal of assets by subsidiaries shall follow <del>the Procedures of the parent company.</del></p> <p>2. Information required to be publicly announced and reported acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by <del>the parent Company.</del></p> <p>3. The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary in determining whether, relative to <del>20% of the paid-in capital or 10% of the total assets,</del> it reaches a threshold requiring public announcement and regulatory filing.</p> <p>4. "Subsidiary" as referred to in the Procedures <del>shall be as a company in which the Company directly and indirectly holds more than 50 percent of the voting shares, or a company in which the other subsidiaries indirectly hold more than 50 percent of the voting shares, or a company in which the Company directly and the other subsidiaries indirectly hold more than 50 percent of the voting shares.</del></p>	<p>To amend in accordance with revision of regulation.</p>
<p>Article 13 The Company acquiring or disposing of assets shall publicly announce <u>and report the relevant information on the FSC's designated website in the appropriate format as prescribed by</u></p>	<p>Article 13 The Company acquiring or disposing of assets shall publicly announce <del>and report the relevant information, and the counterparts are have a substantive-related party relationship, the content of</del></p>	<p>To amend in accordance with revision of regulation.</p>

Amended Article	Original Article	Note
<u>regulations within 2 days counting inclusively from the date of occurrence of the event.</u>	<del>the public announcement shall be disclosed in the notes of the financial statements, and submitted to a shareholders' meeting for report.</del>	
<p>Article 16  <u>By-laws</u>  <u>The Procedures shall be approved by the Shareholders' Meeting. Any amendment is subject to the same procedures.</u>  <u>The Procedures was approved by the Shareholders' Meeting on June 8, 2000.</u>  <u>The 1st Amendment was approved by the Shareholders' Meeting on June 5, 2001.</u>  <u>The 2nd Amendment was approved by the Shareholders' Meeting on June 18, 2002.</u>  <u>The 3rd Amendment was approved by the Shareholders' Meeting on June 10, 2003.</u>  <u>The 4th Amendment was approved by the Shareholders' Meeting on June 15, 2012.</u>  <u>The 5th Amendment was approved by the Shareholders' Meeting on May 14, 2014.</u>  <u>The 6th Amendment was approved by the Shareholders' Meeting on May 19, 2016.</u>  <u>The 7th Amendment was approved by the Shareholders' Meeting on May 17, 2017.</u>  <u>The 8th Amendment was approved by the Shareholders' Meeting on May 16, 2019.</u></p>	<p>Article 16  <u>(Newly added)</u></p>	<p>Adding the dates for establishing and amendment the Procedures.</p>

**Advanced Power Electronics Co., Ltd.**  
**The Operational Procedures for Loaning of Company Funds (Newly Enacted)**

Article 1 Objective

The Company shall comply with these Procedures when making loans to others; provided that where another act or regulation provides otherwise, the provisions of such act shall prevail.

Article 2 Legal Basis

The Procedures are established based on the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" released of the regulatory authorities.

Article 3 Entities to which the company may loan funds

1. The counterparties to whom the Company may loan of funds are limited to the following:
  - (1) Companies having business relationship with the Company.
  - (2) Companies in need of funds for a short-term period.
2. The term "short-term" as used in the preceding paragraph means one year, or where the company's operating cycle exceeds one year, one operating cycle.
3. "Subsidiary" and "parent company" as referred to in these Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 4 Total Lending Amount and the maximum amount permitted to a single borrower

1. Total Lending Amount:
  - (1) The total amount available for lending purpose shall not exceed fifty percent (50%) of the net worth of the Company.
  - (2) The cumulative amount of loaned funds that are deemed necessary for the short-term fund availability by the Board of Director, shall not exceed forty percent (40%) of the net worth of the Company.
  - (3) The previous clauses shall not apply to inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares.
2. The maximum amount permitted to a single borrower:
  - (1) For business relationship:

For the companies having business with the Company, the upper limit of loans to any individual counterparty shall not exceed the amount of business with the Company in the latest year, and twenty five percent (25%) of the net worth of the Company.
  - (2) For the companies are in need of short-term fund availability :

For the companies are in need of short-term fund availability, the upper limit of loans to any individual counterparty shall not exceed twenty percent (20%) of the net worth of the Company.
  - (3) If the companies whose shares with voting rights are held by the Company directly and indirectly for twenty percent (20%) or more are in need of short-term fund availability, the upper limit of loans to any individual counterparty shall not exceed forty percent (40%) of the net worth of the Company.
3. Where the Company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in the Procedures means the equity attributable to owners of the parent in the balance sheet.

#### Article 5 Period for Loaning of Funds

1. For the companies having business with the Company, the period of loaning of funds is one year or less principally.
2. For the companies deemed necessary for the short-term fund availability by the Board of Director, the period of loaning of funds shall not exceed one year or one operating cycle (the longer one prevails).

#### Article 6 Calculation of Interests

1. The Company shall establish the interest rate for loaning of funds by referring the interest rates of deposit and loans of financial institutions.
2. Between the parent company and the subsidiaries, or the parent company with the overseas companies whose shares with voting rights are 100% held by the Company directly and indirectly, the period of loans and the interest rate may be decided case by case.

#### Article 7 Decision-Making Levels

1. Before making a loan of funds to others, the Company shall carefully evaluate whether the loan is in compliance with the restrictive requirements of company funds in the Company Act, the Procedures and the Regulations of FSC for the company's for Loaning Funds to Others. Shall the Company intend to loan of funds to others, it shall prudentially assess if such loans complying with the Procedure, and the requirements of regulations of FSC, and then propose such loans to the Board of Directors for resolution before the implementation. When the Board of Directors loans funds to others, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting. Nonetheless, any material loans of funds shall be firstly approved by the Audit Committee based on the related requirements, and then proposed to the Board of Directors for resolutions.
2. Loans of funds between the Company and its parent company or subsidiaries, or the parent company with the overseas companies whose shares with voting rights are 100% held by the Company directly and indirectly, shall be submitted for a resolution by the board of directors pursuant to the preceding paragraph, and the chairperson may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the board of directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.
3. The "certain monetary limit" mentioned in the preceding paragraph shall be in compliance with the requirement of Paragraph 2, Article 4, In addition, the authorized limit on loans extended by the Company or any of its subsidiaries to any single entity shall not exceed ten percent (10%) of the net worth on the most current financial statements of the lending company.

#### Article 8 Proceeding the Loans and the Review Procedure

1. Execution Unit  
The finance/account department is responsible for proceeding loans of funds to others.
2. Review procedure and approval of loans
  - (1) Credit checking and approving limits  
To proceed loaning of funds, the Company shall carefully assess the purpose of loans, the reasons of loans and the necessity, the guarantee conditions, the financial position, the impact to the shareholders' interests, among other things. For these loans to be released after credit checking and assessment, the personnel handling the loans shall specify the credit report and the review comments to their

line managers until such documents are presented to the Board of Directors for approving.

- (2) The Company shall prepare a memorandum book for its fund-loaning activities and truthfully record the important information regarding the loans.

#### Article 9 The Follow-up Controls of the Loans and the Procedure Handling Overdue Debt

1. Once a loan is released, attentions shall be paid frequently to the financial, business, and credit status of the debtor and the guarantee(s); shall there be any collateral, the value of such collaterals shall be paid frequent attentions to as well.
2. If, as a result of a change in circumstances, an entity does not meet the requirements of these Regulations or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the Board of Directors, and shall complete the rectification according to the timeframe set out in the plan.
3. Notify the borrowers of the amount of principal and interest for payment at maturity prior to the maturity date. The borrowers shall calculate the interest at the maturity date of the loan and pay the interest and repay the principal simultaneously at maturity.
4. Shall the borrower fail to repay the principals and interests on time, unless requesting an extension in advance and such extension is approved by the Board of Director, the Company may request the borrower fully repay all the borrowings, or dispose or recover from the provided collaterals and guarantors.

#### Article 10 Procedure for Public Announcement and Filing

The Company shall announce publicly and file such loans based on the regulations of FSC.

#### Article 11 Internal Audit

The internal auditors shall audit the procedure for loaning of funds to others and the implementation at least quarterly, and document such audits. Shall there be any material breach is found, the Audit Committee shall be notified in writing immediately.

#### Article 12 Penalties

If any manager or personnel in charge breach the Procedure, the discipline actions will be taken based on the HR management procedures and the employee's handbook and the nature of the breaches.

#### Article 13 Supplements to the Related Regulations

Any matter not indicated in the Procedure shall comply with the related laws and regulations.

#### Article 14 Implementation and Revision

The establishment or revision of the Procedure shall be agreed by a half or more members of the Audit Committee, resolved by the Board of Directors, and then presented in the meetings of shareholders for approval and implementation. Shall such not be agreed by a half or more members of the Audit Committee, with the agreement of two third or more directors such establishment or revision may be enforced. But the resolution of the Audit Committee shall be indicated in the minute of the Board of Director Meeting.

For the said the whole members of the Audit Committee and Board of Directors, only the ones actual performing duties count.

#### Article 15 By-Laws

The procedure, and any amendments hereto, shall be implemented after adoption by shareholders meetings.

The Procedure is passed in the annual meeting of shareholders on May 16, 2019.

**Advanced Power Electronics Co., Ltd.**  
**The Comparison Table for the Amendment to the Endorsement and**  
**Guarantee Operating Procedure**

Amended Article	Original Article	Note
<p>Article 3</p> <p>Counterparties:</p> <p>1. The Company may make endorsements/guarantees for the following companies:</p> <p>(1) A company in which the Company directly and indirectly holds more than fifty percent (50%) of the voting shares.</p> <p>(2) A company with which it does business.</p> <p>(3) A company that directly and indirectly holds more than fifty percent (50%) of the voting shares in the Company.</p> <p>2. Omitted.</p> <p>3. Omitted.</p> <p>Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the public company, or through a company in which the <u>Company</u> holds 100% of the voting shares.</p> <p><u>"Subsidiary" and "parent company" as referred to in these Procedures shall be</u></p>	<p>Article 3</p> <p>Counterparties:</p> <p>1. The Company may make endorsements/guarantees for the following companies:</p> <p>(1) A company in which the Company directly and indirectly holds more than fifty percent (50%) of the voting shares.</p> <p>(2) A company with which it does business.</p> <p>(3) A company that directly and indirectly holds more than fifty percent (50%) of the voting shares in the Company.</p> <p><del>"Subsidiary" and "parent company" as referred to in the Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Where the Company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in the Procedures means the equity attributable to owners of the parent in the balance sheet.</del></p> <p>2. Omitted.</p> <p>3. Omitted.</p> <p>Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the public company, or through a company in which the <del>public company</del> holds 100% of the voting shares.</p>	<p>The wordings are amended, and the orders are changed.</p>



Amended Article	Original Article	Note
<p><u>as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Where the Company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in the Procedures means the equity attributable to owners of the parent in the balance sheet.</u></p>		
<p>Article 4 The ceilings on the amounts the Company is permitted to make in endorsements/guarantees:</p> <ol style="list-style-type: none"> <li>1. Omitted.</li> <li>2. <u>The amount of the endorsements/guarantees provided by the Company for any single entity shall not exceed ten percent (10%) of the Company's net worth.</u></li> <li>3. The <u>total</u> amount for the endorsements and guarantees of the Company and its subsidiaries <u>as a whole</u> shall not exceed <u>ten percent (10%) of the Company's net worth.</u></li> <li>4. The <u>total</u> amount of the endorsements/guarantees provided by the Company and its subsidiaries <u>as a whole</u> for any single entity shall not exceed ten percent (10%) of the Company's net worth.</li> <li>5. Omitted.</li> </ol>	<p>Article 4 The ceilings on the amounts the Company is permitted to make in endorsements/guarantees:</p> <ol style="list-style-type: none"> <li>1. Omitted.</li> <li>2. The amount of the endorsements/guarantees provided by the Company and its subsidiaries <del>for any single entity</del> shall not exceed <del>fifty percent (50%) of the aforementioned total amount of guarantee.</del></li> <li>3. The amount of the endorsements/guarantees provided by the Company and its subsidiaries for any single entity shall not exceed ten percent (10%) of the Company's net worth <del>in the latest financial statement. The net worth shall be based on the net worth specified in the latest financial statement audited, certified, or reviewed by CPAs.</del></li> <li>4. Omitted.</li> </ol>	<p>Based on Paragraph 3, Article 12, Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the third paragraph of this clause is added, and the wordings are amended.</p>
<p>Article 5 Decision Making and Authorization Level</p> <ol style="list-style-type: none"> <li>1. The endorsements and guarantees shall be resolved by the Board of Directors for implementation. The</li> </ol>	<p>Article 5 Decision Making and Authorization Level</p> <ol style="list-style-type: none"> <li>1. The endorsements and guarantees shall be resolved by the Board of Directors for implementation. <del>If the</del></li> </ol>	<p>Based on Paragraph 6, Article 6 of the Charter for the Audit Committee of the Company, the amounts of material loaning of funds, and</p>

Amended Article	Original Article	Note
<p>Board of Directors shall take into full consideration each independent director's opinion; <u>independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.</u> The Board of Directors may authorize the Chairman to implement the endorsement/guarantee under NT\$ 30 million based on the Procedures, and then report to <u>the next Audit Committee</u> and the Board of Directors for approval afterwards. <u>The endorsement/guarantee over NT\$ 30 million shall be approved by the Audit Committee first, and then report to the Board of Directors for resolutions.</u> Among the subsidiaries whose shares with voting right are held by the Company for 90% or more directly or indirectly, the endorsement/guarantee in accordance with this Article3, paragraph 1 shall be resolved by the Board of Directors before the implementation. However, the endorsement/guarantee among the subsidiaries whose shares with voting right are held by the Company for 100% is not subjected to this restriction.</p> <p>2. Where the Company needs to exceed the limits set out in the Operational Procedures for Endorsements/ Guarantees to satisfy its business requirements, and where the conditions set out in the Operational Procedures for Endorsements/ Guarantees are complied with, it shall obtain approval from the Board of Directors and half or more of the directors shall act as joint guarantors</p>	<p><del>independent directors are established,</del> each independent director's opinion shall be fully considered, <del>and state their position of approval/disapproval with the reasons of objections in the meeting minutes.</del> The Board of Directors may authorize the Chairman to implement the endorsement/ guarantee under NT\$ 30 million based on the Procedures, and then report to the Board of Directors for approval afterwards; <del>the related affairs shall be reported to the meetings of shareholders.</del> For the subsidiaries whose shares with voting right are held by the Company for 90% or more directly or indirectly, the endorsement/ guarantee in accordance with this Article3, paragraph 1 shall be resolved by the Board of Directors before the implementation. However, the endorsement/guarantee among the subsidiaries whose shares with voting right are held by the Company for 100% is not subjected to this restriction.</p> <p>2. Where the Company needs to exceed the limits set out in the Operational Procedures for Endorsements/ Guarantees to satisfy its business requirements, and where the conditions set out in the Operational Procedures for Endorsements/ Guarantees are complied with, it shall obtain approval from the Board of Directors and half or more of the directors shall act as joint guarantors</p>	<p>endorsements/guarantees are defined, and the wordings are amended.</p>

Amended Article	Original Article	Note
<p>for any loss that may be caused to the Company by the excess endorsement/guarantee. It shall also amend the Operational Procedures for Endorsements/Guarantees accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the company shall adopt a plan to discharge the amount in excess within a given time limit.</p>	<p>for any loss that may be caused to the Company by the excess endorsement/guarantee. It shall also amend the Operational Procedures for Endorsements/Guarantees accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the company shall adopt a plan to discharge the amount in excess within a given time limit.</p> <p><del>The independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board.</del></p>	
<p>Article 6 Procedure for Proceeding Endorsements and Guarantees</p> <p>1. When proceeding endorsements and guarantees, the financial department shall review the applications of the counterparties to check if their qualifications and limits meet the Procedure, and the operation, financial and credit status of such counterparties shall be analyzed, to assess the risks of the endorsement and guarantee while documenting. If necessary, the collaterals shall be obtained, <u>and the values of such collaterals shall be appraised.</u> The specified content and reason of the endorsement/guarantee, with the outcome of risk assessment shall be reported to the Chairman for approval, and its implementation shall be resolved by the Board of Directors. Shall such endorsement/guarantee is within the specified authorized limit, the Chairman may implement the endorsement/guarantee based on the credit and the financial position of the</p>	<p>Article 6 Procedure for Proceeding Endorsements and Guarantees</p> <p>1. When proceeding endorsements and guarantees, the financial department shall review the applications of the counterparties to check if their qualifications and limits meet the Procedure, and the operation, financial and credit status of such counterparties shall be analysis, to assess the risks of the endorsement and guarantee while documenting. If necessary, the collaterals shall be obtained. The specified content and reason of the endorsement/guarantee, with the outcome of risk assessment shall be reported to the Chairman for approval, and its implementation shall be resolved by the Board of Directors. Shall such endorsement/guarantee is within the specified authorized limit, the Chairman may implement the endorsement/guarantee based on the credit and the financial position of the counterparty upon his/her discretion.</p>	<p>1. The amendment is based on Subparagraph 4, Paragraph 5, Article 12, Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.</p> <p>2. Amend to reflect that the supervisors are replaced by the Audit Committee.</p>

Amended Article	Original Article	Note
<p>counterparty upon his/her discretion.</p> <p>2. Omitted.</p> <p>3. Omitted.</p> <p>4. Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of these Procedures, or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to all the <u>Members of Audit Committee</u>, and shall complete the rectification according to the timeframe set out in the plan.</p>	<p>2. Omitted.</p> <p>3. Omitted.</p> <p>4. Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of these Procedures, or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to all the <del>supervisors</del>, and shall complete the rectification according to the timeframe set out in the plan.</p>	
	<p><del>Article 7</del>  <del>Annulment of Endorsements and Guarantees</del></p> <p><del>1. Shall the documents or notes related to the endorsement and guarantee to be removed due to debt repayments or renewal for extension, the counterparty of such endorsement and guarantee shall deliver all the documents related to the original endorsement and guarantee with an official letter; such documents will be returned to the counterparty with stamp "Annulled;" the letter is retained for reference.</del></p> <p><del>2. The financial department shall also record annulments in the endorsement and guarantee reference book to reduce the endorsed and guaranteed amount.</del></p>	<p>Delete the clauses to reflect the practice.</p>
<p>Article <u>7</u>  Internal Control</p> <p>1. The internal auditors shall audit the Operational Procedures for Endorsements/Guarantees for Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly.</p>	<p>Article <u>8</u>  Internal Control</p> <p>1. The internal auditors shall audit the Operational Procedures for Endorsements/Guarantees for Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly.</p>	<p>1. Numbers of article is amended.</p> <p>2. The wordings are amended.</p>

Amended Article	Original Article	Note
<p>They shall promptly notify all the <u>Members of Audit Committee</u> in writing of any material violation found.</p> <p>(Omitted).</p>	<p>They shall promptly notify all the <del>supervisors</del> in writing of any material violation found.</p> <p>(Omitted).</p>	
<p>Article <u>8</u> Procedures for <u>Use and Custody of</u> Corporate Chops</p> <p>(Omitted).</p>	<p>Article <del>9</del> Custody <del>and</del> Procedure for Corporate Chops</p> <p>(Omitted).</p>	<p>1. Numbers of article is amended.</p> <p>2. The wordings are amended.</p>
<p>Article <u>9</u> Procedure for Public Announcement and Filing The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month. If the balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <ol style="list-style-type: none"> <li>1. Omitted.</li> <li>2. Omitted.</li> <li>3. The balance of endorsements/ guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/ guarantees for, <u>investment carried amount</u> based on <u>the Equity Method</u>, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.</li> <li>4. The amount of new endorsements/guarantees made by the Company <u>or</u> its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.</li> </ol> <p>(Omitted).</p>	<p>Article <del>10</del> Procedure for Public Announcement and Filing <del>Other than</del> that the Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month. If the balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <ol style="list-style-type: none"> <li>1. Omitted.</li> <li>2. Omitted.</li> <li>3. The balance of endorsements/ guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, <del>investment of a long-term nature in,</del> and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement</li> <li>4. The amount of new endorsements/guarantees made by the Company <del>and</del> its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.</li> </ol> <p>(Omitted).</p>	<p>1. Numbers of article is amended.</p> <p>2. The wordings are amended.</p>

Amended Article	Original Article	Note
Article <u>10</u> (Omitted).	Article <del>11</del> (Omitted).	Numbers of article is amended.
Article <u>11</u> (Omitted).	Article <del>12</del> (Omitted).	Numbers of article is amended.
<p>Article <u>12</u></p> <p>The establishment or revision of the Procedures shall be agreed by a half or more members of the Audit Committee, and be resolved by the Board of Directors. <u>Shall such not be agreed by a half or more members of the Audit Committee, with the agreement of two third or more directors such establishment or revision may be enforced. But the resolution of the Audit Committee shall be indicated in the minute of the Board of Director Meeting.</u></p> <p><u>For the said the whole members of the Audit Committee and Board of Directors, only the ones actual performing duties count.</u></p>	<p>Article <del>13</del></p> <p><del>The Procedure shall be delivered to all the supervisors, and submitted to approve by the meetings of shareholders after being passed by the Board of Directors. Shall there be any objection from the Board of Directors with records or written statement, the Company shall send such objections to all the supervisors as well, and present the objections in the meetings of shareholders for discussion. The revisions shall follow the same procedure.</del></p> <p><del>When the Company presents the Procedures to the Board of Director for discussion based on the said requirements, and the independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board.</del></p> <p><del>Shall the Audit Committee have been established based on laws, the establishment and revisions of the Procedures shall be agreed by a half of the member of the Audit Committee, and be resolved by the Board of Directors.</del></p> <p><del>Shall the Audit Committee have been established based on laws, the stipulations regarding supervisors in the Securities Transaction Act, the Company Act, and other laws are applicable to such committees.</del></p>	<p>1. Amend to reflect that the supervisors are replaced by the Audit Committee, and the wording are amended.</p> <p>2. Number of article is amended</p> <p>.</p>

Amended Article	Original Article	Note
<p><u>Article 13</u></p> <p><u>By-laws</u></p> <p><u>The Procedures shall be approved by the Shareholders' Meeting. Any amendment is subject to the same procedures.</u></p> <p><u>The Procedures was approved by the Shareholders' Meeting on June 8, 2000.</u></p> <p><u>The 1st Amendment was approved by the Shareholders' Meeting on June 10, 2003.</u></p> <p><u>The 2nd Amendment was approved by the Shareholders' Meeting on June 10, 2009.</u></p> <p><u>The 3rd Amendment n was approved by the Shareholders' Meeting on June 17, 2010.</u></p> <p><u>The 4th Amendment was approved by the Shareholders' Meeting on June 20, 2013.</u></p> <p><u>The 5th Amendment was approved by the Shareholders' Meeting on May 14, 2014.</u></p> <p><u>The 6th Amendment is approved by the Shareholders' Meeting on May 16, 2019.</u></p>		<p>Adding the dates for establishing and amendment the Procedures.</p>

**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.

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Fu-Chi Teng  
Chairman

March 21, 2019



## 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 and practices 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 in the 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 and used in the ROC. If there is any conflict between the English version and the original Chinese version or any 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	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
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	<u>1,795,612</u>	<u>77</u>	<u>1,512,524</u>	<u>79</u>
<b>NON-CURRENT ASSETS</b>				
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	<u>540,178</u>	<u>23</u>	<u>397,608</u>	<u>21</u>
<b>TOTAL</b>	<u>\$ 2,335,790</u>	<u>100</u>	<u>\$ 1,910,132</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
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	<u>875,746</u>	<u>38</u>	<u>577,430</u>	<u>30</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 and 23)	144	-	-	-
Guarantee deposits	149	-	149	-
Total non-current liabilities	<u>293</u>	<u>-</u>	<u>149</u>	<u>-</u>
Total liabilities	<u>876,039</u>	<u>38</u>	<u>577,579</u>	<u>30</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 21)</b>				
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	<u>1,437,067</u>	<u>61</u>	<u>1,303,389</u>	<u>68</u>
<b>NON-CONTROLLING INTERESTS</b>	<u>22,684</u>	<u>1</u>	<u>29,164</u>	<u>2</u>
Total equity	<u>1,459,751</u>	<u>62</u>	<u>1,332,553</u>	<u>70</u>
<b>TOTAL</b>	<u>\$ 2,335,790</u>	<u>100</u>	<u>\$ 1,910,132</u>	<u>100</u>

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)	<u>2,209,361</u>	<u>82</u>	<u>1,791,314</u>	<u>84</u>
GROSS PROFIT FROM OPERATIONS	<u>499,729</u>	<u>18</u>	<u>338,317</u>	<u>16</u>
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	<u>77,071</u>	<u>3</u>	<u>75,976</u>	<u>4</u>
Total operating expenses	<u>326,493</u>	<u>12</u>	<u>277,179</u>	<u>13</u>
PROFIT/(LOSS) FROM OPERATIONS	<u>173,236</u>	<u>6</u>	<u>61,138</u>	<u>3</u>
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	<u>14,001</u>	<u>1</u>	<u>( 11,512 )</u>	<u>( 1 )</u>
PROFIT BEFORE INCOME TAX	187,237	7	49,626	2
INCOME TAX EXPENSE (Notes 4 and 23)	<u>27,338</u>	<u>1</u>	<u>12,249</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>159,899</u>	<u>6</u>	<u>37,377</u>	<u>2</u>
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	-	-	<u>7,072</u>	-
Other comprehensive income/(loss) for the year, net of income tax	<u>2,114</u>	-	<u>3,052</u>	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 162,013</u>	<u>6</u>	<u>\$ 40,429</u>	<u>2</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 166,169	6	\$ 39,210	2
Non-controlling interests	( 6,270 )	-	( 1,833 )	-
	<u>\$ 159,899</u>	<u>6</u>	<u>\$ 37,377</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 168,493	6	\$ 41,893	2
Non-controlling interests	( 6,480 )	-	( 1,464 )	-
	<u>\$ 162,013</u>	<u>6</u>	<u>\$ 40,429</u>	<u>2</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 2.04</u>		<u>\$ 0.48</u>	
Diluted	<u>\$ 2.03</u>		<u>\$ 0.48</u>	

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						Other Equity Interests					Non-controlling Interests	Total Equity	
	Common Stock	Capital Surplus	Retained 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			
			Legal Reserve	Special Reserve	Unappropriated Earnings									
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
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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	<u>( 167,876)</u>	<u>78,270</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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	<u>173,133</u>	<u>4,328</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS</b>	<u>6,025</u>	<u>( 17,447)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>( 2,666)</u>	<u>( 44,332)</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>309,396</u>	<u>353,728</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 306,730</u>	<u>\$ 309,396</u>

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

## 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 and practices 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 in the 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 and used in the ROC. If there is any conflict between the English version and the original Chinese version or any 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)

ASSETS	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
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	<u>1,668,378</u>	<u>74</u>	<u>1,358,303</u>	<u>74</u>
<b>NON-CURRENT ASSETS</b>				
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	<u>599,456</u>	<u>26</u>	<u>485,496</u>	<u>26</u>
<b>TOTAL</b>	<u>\$ 2,267,834</u>	<u>100</u>	<u>\$ 1,843,799</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
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	<u>830,438</u>	<u>37</u>	<u>540,261</u>	<u>29</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 and 21)	144	-	-	-
Guarantee deposits	185	-	149	-
Total non-current liabilities	<u>329</u>	<u>-</u>	<u>149</u>	<u>-</u>
Total liabilities	<u>830,767</u>	<u>37</u>	<u>540,410</u>	<u>29</u>
<b>EQUITY (Note 19)</b>				
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	<u>370,684</u>	<u>16</u>	<u>197,862</u>	<u>11</u>
Other equity interests	(75,463)	(3)	(35,250)	(2)
Total equity	<u>1,437,067</u>	<u>63</u>	<u>1,303,389</u>	<u>71</u>
<b>TOTAL</b>	<u>\$ 2,267,834</u>	<u>100</u>	<u>\$ 1,843,799</u>	<u>100</u>

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)	<u>2,066,641</u>	<u>82</u>	<u>1,707,003</u>	<u>84</u>
GROSS PROFIT FROM OPERATIONS	<u>460,591</u>	<u>18</u>	<u>315,782</u>	<u>16</u>
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	<u>66,426</u>	<u>3</u>	<u>75,702</u>	<u>4</u>
Total operating expenses	<u>252,051</u>	<u>10</u>	<u>228,042</u>	<u>11</u>
PROFIT/(LOSS) FROM OPERATIONS	<u>208,540</u>	<u>8</u>	<u>87,740</u>	<u>5</u>
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	( <u>35,038</u> )	( <u>1</u> )	( <u>26,776</u> )	( <u>1</u> )
Total non-operating income and expenses	<u>15,421</u>	<u>-</u>	( <u>37,144</u> )	( <u>2</u> )
PROFIT BEFORE INCOME TAX	193,119	8	50,596	3
INCOME TAX EXPENSE (Notes 4 and 21)	<u>26,950</u>	<u>1</u>	<u>11,386</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>166,169</u>	<u>7</u>	<u>39,210</u>	<u>2</u>
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	( <u>524</u> )	<u>-</u>	<u>1,191</u>	<u>-</u>
Other comprehensive income/(loss) for the year, net of income tax	<u>2,324</u>	<u>-</u>	<u>2,683</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 168,493</u>	<u>7</u>	<u>\$ 41,893</u>	<u>2</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 2.04</u>		<u>\$ 0.48</u>	
Diluted	<u>\$ 2.03</u>		<u>\$ 0.48</u>	

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					Total Equity
	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	
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	<u>2,310</u>	<u>313</u>
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	( <u>1,061</u> )	( <u>262</u> )
Net cash from/(used in) in operating activities	( <u>23,079</u> )	( <u>38,901</u> )

(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
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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	( <u>173,957</u> )	( <u>18,444</u> )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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	( <u>153,442</u> )	( <u>4,328</u> )
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS</b>		
	( <u>5,627</u> )	( <u>16,403</u> )
<b>NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	8,191	( 69,420 )
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		
	( <u>255,672</u> )	( <u>325,092</u> )
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
	\$ <u>263,863</u>	\$ <u>255,672</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded).

(Attachment 11)

**Advanced Power Electronics Co., Ltd.**

**Distribution of Profits**

**Year 2018**

Currency unit: NT\$

Item	Amount
Unappropriated retained earnings at the beginning	88,118,597
Effect of retrospective application and restatement	43,422,020
<b>Unappropriated retained earnings at the beginning after adjustment</b>	<b>131,540,617</b>
Disposal of investments in equity instruments designated as at fair value through other comprehensive income, and the accumulated unrealized profits and losses are transferred to the retained earning directly	(166,636)
Plus: Net income of 2018	166,168,462
Less: Legal reserve appropriation (10%)	(16,616,846)
Less: Reversal of special reserve appropriation	(40,212,435)
Retained earnings available for distribution	240,713,162
Distribution Item:	
Cash dividends to Common Share Holders (NT\$1 per share)	81,340,493
Balance of unappropriated retained earnings(carried down to the next year)	159,372,669

Chairman: Fu-Chi Teng



General Manager: Fu-Chi Teng



Accounting supervisor: Mei-Ying Tan



**Advanced Power Electronics Co., Ltd.**

**The Rules of Procedure for Shareholder Meetings (before Amendment)**

Revised and enforced in the annual meeting of shareholders on June 18, 2002.

Revised and enforced in the annual meeting of shareholders on June 10, 2003.

Revised and enforced in the annual meeting of shareholders on June 15, 2012.

- Article 1 Unless otherwise required by laws and regulations, the shareholders' meeting of the Company shall be held in accordance with these Rules
- Article 1-1 The reasons for convening a shareholders' meeting shall be specified in the meeting notice and served 30 days before the date of a regular shareholders' meeting or 15 days before the date of a special shareholders' meeting. To holders of unregistered shares, notices may be served by means of public announcement 45 days before the date of a regular shareholders' meeting or 30 days before the date of a special shareholders' meeting. To shareholders who hold share certificates less than one thousand shares, the notices may be served by means of public announcement 30 days before the date of a regular shareholders' meeting or 15 days before the date of a special shareholders' meeting. The issues which should be enumerated in the notices for the meeting and shall not be posed by means of extraordinary motions shall be duly handled in accordance with the Company Act and laws and ordinances concerned.
- Article 2 When the attending shareholders or proxy attends the shareholders' meeting, he/she shall sign on the attendance sheet or deliver an attendance card in place of signing, and conduct the attendance procedures. The number of shares present shall be calculated based on the attendance sheet or the attendance cards delivered.
- Article 3 The attendance and voting at the shareholders' meeting shall be calculated based on the shares.
- Article 4 The place of the shareholders' meeting shall be at the office of the Company or at a location convenient to the shareholders and suitable for convening a shareholders' meeting. The time of the meeting may not be earlier than 9 a.m. or later than 3 p.m..
- Article 5 When the shareholders' meeting was convened by the Board of Directors, the shareholders' meeting shall be presided by the Chairman of the Board of Directors and attended by a majority of the directors. If the Chairman is absent or is unable to exercise the duties for certain reasons, the Chairman may designate one of the director to act on his/her behalf. Where the Chairman does not designate a proxy, the directors may elect a person among themselves to act on behalf of the Chairman.
- If the meeting is convened by any other person besides the Board of Directors who is entitled to convene the meeting, such person shall be the chairman to preside at the meeting. If there are more than two persons convening the meeting, then shall be the one elected by the other.

- Article 6 This Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity. Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.
- Article 7 The Company shall sound record or video record the whole process of the shareholders' meeting and shall preserve it for at least one year.
- Article 8 Upon the starting time of the meeting, the chairman shall order the meeting to begin. However, where the shareholders present represent half or less than half of the total outstanding shares, the chairman may postpone the meeting for a total of two times. The postponed time may not in total exceed one hour. Where after two postponements, the shareholders present still do not meet the quorum but represent one-third or more of the total outstanding shares, a tentative resolution may be passed in accordance with Paragraph 1, Article 175 of the Company Act. If the shares present represent more than half of the total outstanding shares before the end of the meeting, the chairman may propose the tentative resolution to the shareholders' meeting for voting in accordance with Article 174 of the Company Act.
- Article 9 If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting. In case of only a change in the order of progress in the agenda, the change may be conducted by the chairperson at his discretion. The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting. After adjournment of the meeting, the shareholders shall not elect another chairperson to continue the progress of the meeting at the same venue or at a new venue. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.
- Article 10 Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation. Where a shareholder restricts the powers of a proxy through the proxy form or other means, disregarding whether the restriction is known to the Company, only the speech or voting conducted by the proxy shall prevail.

- Article 11 Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.
- Article 12 Any legal entity designated as proxy by shareholder(s) to be present at the meeting may appoint only one representative to attend the meeting.  
When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.
- Article 13 After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.
- Article 14 When the chair considers that the discussion for a motion has reached the extent for making a resolution, he may announce discontinuance of the discussion and submit the motion for resolution.
- Article 15 Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation.  
The outcome of the voting process shall be reported on-the-spot and be entered into minutes.
- Article 16 When a meeting is in progress, the chair may announce a break based on time considerations. Each break shall not exceed the duration of two (2) hours maximum.
- Article 17 Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after inquiry by the chairman. Where the present shareholders consent to the proposals posed by the board of directors as entered into the Meeting Agenda Handbook, such shareholders may hand over their voting ballots about the issues they agree to the tallying staff before the balloting process so as to economize the time required to tally the ballots. Upon the voting process for such issues, if the agreeing ballots are up to the legal quorum, such issues are deemed to have been duly resolved.  
Each share held by a shareholder hereof is entitled to one voting power, provided that the Company has no voting power for shares held by itself.
- Article 17 -1 When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of this Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.
- Article 18 When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.
- Article 19 The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the



meeting place, they shall wear an identification card or armband bearing the word "Proctor."

Article 20 Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. This Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of this Company.

For the parts of the issues where shareholders have no objection, the "an issue which has been duly resolved exactly as proposed as no objection" is heard in response to the inquiry by the chairman shall be entered.

For the parts of the issues where shareholders have objection, the balloting methods number and ratios of voting ballots shall be expressly remarked.

Article 21 The attendance sheet and proxy shall be kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 22 In case of an air-raid alarm is sounded during the process of the meeting, the meeting shall be promulgated for discontinuance or suspension from the meeting. All participants shall evacuate. The meeting may be resumed an hour after the air-raid alarm is lifted.

Article 23 If the matters do not provided this rules, shall pursuant to the Company Act, the Articles of Incorporation and other laws and regulations.

Article 24 These Rules and Procedures shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

**Advanced Power Electronics Co., Ltd.**

**The Articles of Incorporation (before Amendment)**

**Chapter I**

**GENERAL PROVISIONS**

Article 1 The name of the company shall be Advanced Power Electronics Co., Ltd., which shall be written in English as “Advanced Power Electronics Co., Ltd”. (hereinafter referred to as “the Company”).

Article 2 The purposes of the Company shall include, but not be limited to:

- 1.CC01080 Electronic Parts and Components Manufacturing
- 2.F113020 Wholesale of Household Appliance
- 3.F213010 Retail of Household Appliance
- 4.I501010 Product Appearance Designing
- 5.I301010 Software Design Services
- 6.I599990 Other Designing (Electronic component design, IC design, semi-conductor design)
- 7.IZ99990 Other Industry and Commerce Services Not Elsewhere Classified (Electronic component, IC, electronic test service)
- 8.F119010 Wholesale of Electronic Materials
- 9.F219010 Retail Sale of Electronic Materials
- 10.ZZ99999 May engage in businesses not banned or restricted by law except businesses requiring permit.

Article 3 The Principal Office of the Company will be located in Hsinchu County. The branch or other business offices shall be established or closed elsewhere as required according to resolutions passed at meetings of the Board of Directors.

Article 4 By a resolution of the board of directors, the Company may engage in domestic or foreign investment in other companies and become shareholder of other company limited depending on business needs. The total amount of the Company’s investment in other companies is exempted from the prohibition described in Article 13 of the Company Act.

**Chapter II**  
**SHARES**

Article 5 The authorized capital of the Company is NT\$200 million, consisting of 20 million shares, with equal value of NT\$10 per share. The board of directors is authorized to issue the common shares or preferred shares in separate installments as required, of which 7.5 million shares are reserved for stock options for the exercise of stock options.

Article 5-1 Omitted.

Article 5-2 The Company may, upon the consents granted in the meeting of shareholders attended by shareholders holding more than half of the issued shares, with the agreement of two third or more votes of the attending shareholders, to transfer shares to the employees with a price lower than the average repurchased price, or issue warrants to the employees with the exercising price lower than the market price.

- Article 6 All shares issued by the Company shall be common stock registered in nominative form, affixed with seal by 3 directors or more, are issued by certified competent authority. When the Company issues new shares, the Company may print the total number of shares slated for issuance for the current time or may be exempted from issuing common stock. However, Centralized Securities Depository Enterprises Organizations should be contacted for their entries.
- Article 7 All entries in the shareholders register due to share transfers shall be suspended for 60 days prior to an ordinary shareholders meeting, or for 30 days prior to an extraordinary shareholders meeting, or for 5 days prior to the record date fixed for distributing dividends, bonus, or any other benefit.
- Article 8 Handling of the Company stock affairs shall be based on the 「Criteria Governing Handling of Stock Affairs by Public Stock Companies」 Regulations promulgated by the competent regulatory authority.
- Chapter III SHAREHOLDERS' MEETING
- Article 9 General meetings of the shareholders of the Company shall be dividend as ordinary or extraordinary ones.  
The ordinary general meeting of shareholders shall be convened within six months following the end of each fiscal period. Extraordinary general meetings of shareholders may be convened at any time in compliance with resolutions of the Board of Directors and other applicable regulations.
- Article 9-1 When an annual meeting is convened, any shareholder eligible for voting may propose in writing to the Company but limited to one proposal. Any shareholder proposing more than one proposal, the proposals will be not be considered. The handling shall follow the Company Act and other related regulations.
- Article 9-2 When the shares of the Company are intended to be ceased from public listing, the resolution from the meeting of shareholders is required, and this clause shall not be amended when the shares are publicly listed.
- Article 10 Any shareholder who is unable to attend the shareholders' meeting may retain other shareholder to be present on his/her behalf, provided that a company-issued proxy specifying the scope of authorization is presented. Unless otherwise stipulated by Article 177 of The Company Act, measures concerning use of proxy shall be governed by 「Rules Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies」 Regulations promulgated by the competent regulatory authority.
- Article 11 Each shareholder of the Company is entitled to one vote per share, unless otherwise provided by applicable law or regulation.
- Article 12 Unless otherwise stipulated by related laws and regulations, resolutions of the shareholders' meeting require presence in person by shareholders or by proxy representing half of the shares issued and consent by over half of the votes cast by shareholders present at the meeting.
- Article 13 The shareholders' meeting shall be convened by the board of directors; the chairman of the board shall be the chairman presiding at the meeting. If the chairman of the board is on leave or cannot perform his duties for some reason, the chairman may designate one director to serve on his/her behalf. If the chairman fails to make the designation, the directors may select from one of them

to be the chairman of the meeting. If the meeting is convened by any other person besides the board of directors who is entitled to convene the meeting, such person shall be the chairman to preside at the meeting. If there are more than two persons convening the meeting, then shall be the one elected by the other.

Article 14 The resolutions of the shareholders meeting shall be recorded in the minutes, and such minutes shall be signed by or sealed with the stamp of the chairman of the meeting. Such minutes, together with the attendance list and proxies, shall be filed and kept at the head office of the Company and announced to all shareholders within 20 days. This Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

#### Chapter IV DIRECTORS, THE AUDIT COMMITTEE, AND MANAGERS

Article 15 The directors of the Company may be five to seven, including at least two independent directors. The independent directors shall be elected under the candidate nomination system. Apart from the independent directors who may be elected on the meeting of shareholders from the candidate list, the rest shall be elected from those of the Shareholders' Meeting with disposing capacity. The term is three years, and the directors may be re-elected. The ratio of the total share held by all directors shall comply with the requirements of the governing agency of securities. During the term of directors, the Company may insure the liabilities born by the directors resulted from performing their duties as directors.

Article 15-1 The meetings of board convened by the Chairman of Board. Each director shall be notified for such conventions in writing seven days ahead. Nonetheless, the meetings may be convened any time if there is any emergency. The meeting notice shall indicate the time, venue, the reason of meeting, and the written notice may be conducted through fax or email.

The Audit Committee consists of all independent directors, their performance of such duties and other related matters shall follow the Security Transaction Acts and related regulations.

Article 16 When the vacancies of directors reach one third of the seats of the Board or supervisors are dismissed en bloc, the Board of Directors shall convene a special meeting of shareholders for election to make up the vacancies. The elected directors shall serve the remaining terms of these resigned directors.

Article 17 Directors shall organize the Board of Directors and they may elect from among them one chairman when more than two-thirds of the directors are present with the consent of more than half of the directors present at the meeting. Externally, the chairman represents the Company. If the chairman is on leave or for whatever the reason unable to perform the official function, Article 208 of The Company Act shall govern the agent.

Article 18 Unless otherwise stipulated by The Company Act, resolutions by the Board of Directors shall require presence of over half of the directors and consent of over half of the directors present in the meeting.

Article 18-1 Shall any director be unable to attend the meeting, he/she may provide POA indicating the authorization scope for the reason of meeting, to delegate another director as his/her proxy. One director may only delegate one director as the proxy.

- Article 19        Regardless of the financial status of the Company, gain or loss, directors and supervisors shall get rewarded for performing the official functions. The Board of Directors is authorized to award the remuneration by the extent of participation and the contribution to the Company of the individual director, provided that sum without exceeding the Company's criteria for the highest level in the measures concerning salaries and wages for company employees.
- Article 20        The Company shall have one president and a number of vice presidents whose appointment, dismissal and remuneration shall be by Article 29 of Company Act hereof.
- Chapter V        ACCOUNTING
- Article 21        At the end of each and every fiscal year, the Board of Directors should prepare related reports and statements as well as proposals to be submitted to the Audit Committee for review 30 days prior to the Shareholders' Meeting for acknowledgement by shareholders. Once the documents are approved, they shall be resolved by the Board of Directors to be submitted to the annual meetings of shareholders for acknowledgement.
- Article 22        If the Company makes profits for a Year, it shall provide no less than 8% of the profit as the employee compensation, paid in shares or cash, depending on the resolution of the Board of Directors. Also the Board of Directors may apply no higher than 3% of such profit as the rewards to the directors. The distribution of employee compensation and director rewards shall be submitted to the meetings of shareholders first.  
However, shall there be accumulated losses of the Company, the reserve to make up such losses shall be made first, and the abovementioned compensations and rewards will be made from the remaining profits.
- Article 23        Shall there be any profit when the annual accounts are settled, the Company shall pay the taxes and replenish the accumulated losses by laws first, and then assign 10% of the remaining profit as the legal reserve. However, if the legal reserve has reached the paid-up capital of the Company, this reserve may be exempted. The special reserve may be appropriated or reversed to the remaining profit. Shall there be any remaining profit, combining the accumulated undistributed earnings, the Board of Directors may prepare a proposal to distribute such profit, and submit the proposal to the annual meeting of shareholders for the dividends. In consideration of the growth period of the Company and in conjunction with capital needs in future and long-term financial planning in addition to satisfaction to shareholders with respect to the needs of cash flow, it has been decided that cash dividend for distribution to shareholders as shareholder's dividend under the abovementioned shall not be lower than 10% of the total dividend. However, the type and ratio of this surplus distribution can be adjusted according to the resolution of the shareholders' meeting, depending on the actual profit and capital status of the year.
- Chapter VI        ADDENDA
- Article 24        The Board of Directors shall set separately the Company's table of organization and enforcement rules of conducting business.
- Article 25        For matters that are not covered herein, The Company Act and related laws and regulations shall govern.

Article 26      The Articles of Incorporation was established by the initiators' meeting, and had been agreed by all the initiators on July 6, 1998.  
The 1st revision was on July 31, 1998.  
The 2nd revision was on September 21, 1998.  
The 3rd revision was on June 30, 1999.  
The 4th revision was on September 17, 1999.  
The 5th revision was on November 3, 1999.  
The 6th revision was on June 8, 2000.  
The 7th revision was on June 18, 2002.  
The 8th revision was on June 10, 2003.  
The 9th revision was on June 16, 2004.  
The 10th revision was on June 16, 2005.  
The 11th revision was on June 6, 2006.  
The 12th revision was on June 6, 2008.  
The 13th revision was on June 10, 2009.  
The 14th revision was on June 17, 2010.  
The 15th revision was on June 9, 2011.  
The 16th revision was on June 15, 2012.  
The 17th revision was on June 20, 2013.  
The 18th revision was on January 17, 2014.  
The 19th revision was on May 14, 2014.  
The 20th revision was on May 19, 2016, and enforced upon the resolution of the meeting of shareholders.

**Details for Shareholdings of Directors**

I. Issued Shares: 81,340,493 common shares

II. Statutory shareholdings for the directors collectively: 6,507,239 shares

III. Register of Shareholding:

Deadline for transfer: March 18, 2019

Title	Name or the Name of Company	Date of being elected	Term	Shareholding when being elected		Shareholding recorded on the register of shareholders as of the date of deadline for transfer	
				Shares	Percentage	Shares	Percentage
Chairman of Board	Future Technology Consulting, Inc. Representative: Fu-Chi Teng	May 17, 2017	3 years	3,084,899	3.79	3,084,899	3.79
Director	STCH Investment Inc.(Cayman) Representative: Tzu-Cheng Chang	May 17, 2017	3 years	6,193,247	7.62	6,193,247	7.61
Director	Ji-Yu Yang	May 17, 2017	3 years	0	0.00	0	0.00
Director	Shih-Chieh Tsai	May 17, 2017	3 years	0	0.00	0	0.00
Independent Director	Yong-Sheng Liu	May 17, 2017	3 years	0	0.00	0	0.00
Independent Director	Ciou-Lin Chen	May 17, 2017	3 years	0	0.00	0	0.00
Independent Director	Pei-Jun Wu	May 17, 2017	3 years	0	0.00	0	0.00
Total shares held by the directors				9,278,146	11.41	9,278,146	11.40