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**Silergy Corp.**

## **2018 Annual Report**

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**Spokesperson, Deputy spokesperson and Litigation and non-litigated agent:**

Name: Tsui-man Liang, Title: IR Manager; Name: Jacqueline Zhou, Title: HR Manager

Name: Kuan-cheng Pan, Title: CFO

Tel: 886 2 2221 5266

Email: IR@silergycorp.com

**Company Information:**

Head office: Silergy Corp.

Tel: 86 571 8775 9971

Address: Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands

Subsidiary:

Silergy Semiconductor Technology (Hangzhou)

Tel: 86 571 8775 9971

Address: A1501, TechnologyMansion, EasternSoftwarePark, No.90 Wensan Road, Hangzhou, Zhejiang, China, 310012

Silergy Technology

Tel: 1 408 746 5696

Address: 1309 S. Mary Ave Sunnyvale, Ca 94087

Nanjing Silergy Semiconductor Technology

Tel: 86 25 6677 7620

Address: Room 301, Zone B, Building F, Xuzhuang Software Park, Xuanwu District, Nanjing, Jiangsu, China, 210042

Silergy Semiconductor (Samoa) Limited

Tel: 86 571 8775 9971

Address: Portcullis TrustNet Chambers P.O. Box 1225, Apia, Samoa

Silergy Korea Limited

Tel: 86 13634188507

Address: 1202, 1203, 120 Heungdeokjungang-ro, Giheung-gu, Yongin-si, Gyeonggi-do, Korea (UTOWER)

Silergy Technology (Taiwan) Inc.

Tel: 886 3 5600123

Address: 7F-8, No. 38, Taiyuan Street, Zhubei City, Hsinchu, Republic of China

Silergy Semiconductor (Hong Kong) Limited

Tel: 86 571 8775 9971

Address: 15/F., BOC Group Life Assurance Tower, 136 Des Voeux Road Central, Hong Kong

Xian Silergy Semiconductor Technology

Tel: 86 29 81131899-8050

Address: 9F, Building A, China Investment International Plaza, No.10 Jinye First Road, District Gaoxin, Xi'an, China, 710075

Silergy Technologies Private Limited

Tel: 44 121 449 1010

Address: No 41, Patalamma Temple Street, Near South End Circle, Basavanagudi, Bangalore, Karnataka, India, S60004

Shanghai Pengxi Semiconductor Technology

Tel: 86-21-61510950

Address: Wanyuan road no. 2163 buildingB 3A-5room Minhang district Shanghai, China

Chengdu Silergy Semiconductor Technology

Tel: 86-28-62695596

Address: RM901, Building4, Zone G, No.1800, YiZhou Road, GaoXin District, ChengDu, China, 610000

**Directors:**

Title	Name	Nation	Major experience /academic background
Chairman and General Manager	Wei Chen	USA	Please refer to pages 13-14 for the information on the directors.
Director and Chief Technology Officer	Budong You	USA	
Director	Jiun-huei Shih	ROC	
Director	Kwan-chu Yang	ROC	
Independent Director	Shun-hsiung Ko	ROC	
Independent Director	Yong-Song Tsai	ROC	
Independent Director	Hung-chi Lee	ROC	

**Stock Transfer Agent:**

Name: Yuanta Securities Common Stock Transfer Agent

Address: B1, No.210, Sec. 3, Chongqing S. Rd., Zhongzheng Dist., Taipei City 10083, Taiwan (R.O.C.)

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

Tel: 886 2 2586 5859

**Auditors:**

Kuo, Tzu-Jung and Chiu, Cheng-Chun of Deloitte &amp; Touche

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

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

Tel: 886 2 2725 9988

**Name of overseas securities dealers and methods to inquire into overseas securities: NA****Company Website:** <http://www.silergy.com>

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## Chapter I Letter to Shareholders

In 2018, the world's industrial situation and political economy faced many uncertainties. The change in direction of industrial development, production capacity of passive components and supply chain structure, as well as the price increase of silicon wafer, Sino-US trade friction, etc., have posed challenges to the world's industrial market and economic development. It is a direct impact on the semi-conductor industry, which is on the upstream of the supply chain. Despite the year of high uncertainties, Silergy Corp. still maintains a steady pace in the rapidly changing environment. Its revenue, gross profit and net profit have maintained a stable growth, and it has continued to invest in the research and development of various products.

2018 consolidated operating revenue was NT\$9,414,159,000, a 9.48% growth compared to NT\$8,599,237,000 in the previous year. Net operating profit amounted to NT\$1,913,422,000, an increase of NT\$42,181,000 (2.25%) compared to NT\$1,871,241,000 in 2017. We continued to see a stable growth in existing product lines, and launched new products.

In 2018, the total operating expenses amounted to NT\$2,501,927,000, which is NT\$251,260,000 more (about 11.16%) than NT\$2,250,667,000 of 2017. With long-term development direction remaining unchanged, and to maintain continued growth, the Company continues to actively invest in product R&D and market development, develop more advanced processes in production to meet the growing demand of high-end products, and maintain a proportional increase in manpower, R&D, and marketing expenses.

Net income after taxes (NIAT) amounted to NT\$1,829,851,000, with a net profit margin of 20%, and basic earnings per share (EPS) of NT\$20.78.

The 4 major categories of terminal applications and products, as well as the existing product markets have maintained stable growth, and active measures were also taken to develop new product lines to drive revenue growth. The Company's main products include DCDC, battery management chip, ACDC, PMU, LED lighting, LED backlight drivers, solid state drive protection switch, smart meter IC, etc. Products with sensor and smart functions are also widely used in terminal applications, bringing our product items to more than 2,000. Our major markets include China, Taiwan and Korea, and we are gradually expanding to the US, Europe, and other Asian regions. In 2018, consumer, industrial, computer, and communication products contributed to about 45%, 39%, 12%, and 4%, respectively, of the total revenue.

In line with the long-term development targets and R&D plans, our product lines for terminal applications continue to increase. At present, there are more than thirty product lines from the 4 main product categories. The newly developed markets such as India, Japan,

Europe and US are gradually seeing a stable growth. Our staff strength, product lines and organizational size have also increased with the business expansion. In terms of R&D technologies, we implemented G3 platform in our product design and processes, as well as continued to actively invest in research and development. As at end of 2018, we have obtained more than 949 patents from China, US, Taiwan, Japan and India, comprising 182 new patents in 2018. In line with future operational development, adjustment has been made to the management organizational structure in 2018. The chairman will focus on long-term new product lines, emerging market development and strategic alliances, while the co-CEOs will focus on mid and short-term operational strategies and business development respectively, in preparation for a stable and sustainable growth in the long run.

Looking ahead to 2019, with the uncertainties in the overall environment, we remain committed in building a strong foundation in product design and manufacturing technologies, and will continue to invest in research and development, recruit talents, innovate and improve our design and technologies, so as to maintain a leading technological position in the industry. In terms of terminal applications in consumer, industry, information and network communication equipment, we will provide wider range of efficient power supply management solutions. Facing the future 5G era, and the development trend of automation and intelligence, we will focus on new technologies and its development direction in technological and R&D layouts. We will continue to invest in research and development in electric car applications, IoT applications and artificial intelligence. Silergy Corp. will maintain its long-term goal and business philosophies, which are to continuously pursue the highest standards in analog IC, reduce energy consumption, and maintain a clean earth through innovative technologies. Adhering to the philosophies of integrity, innovation and sustainability, we will continue to create Company values and give back to the shareholders, establishing long-term growth together with our customers, employees and shareholders.

Chairman, Wei Chen

## Chapter II Company Profile

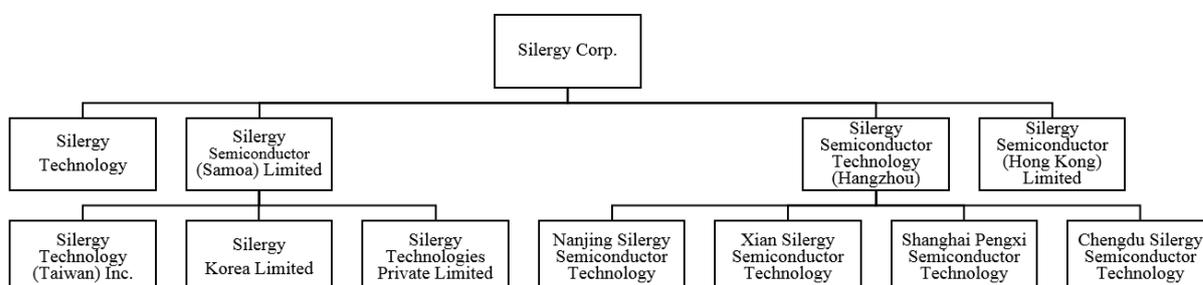
### I. Date of Founding and Summary

Silergy Corp. was founded on February 7, 2008, as a holding company in the British Cayman Islands (hereinafter referred to as “Cayman Islands”), with main businesses in the research and development, design, and sales of power management IC (PMIC). The Company has set up R&D, sales or service locations in China, America, Taiwan, South Korea, Japan and India. Silergy Corp. and its subsidiaries (hereinafter referred to as “Silergy”, “the Company”, or “the Group”) is a professional analog IC design house, and is one of the few IC design houses in the world capable of producing high-voltage, high-current IC in small packages. Silergy has R&D teams specializing in IC design and systems design technologies, and are equipped with industry-leading wafer fabrication and packaging technology design capabilities, enabling Silergy to provide customers with highly integrated products of high performance and quality. Our comprehensive and total solutions enable us to successfully enter the supply chain of companies or ODM/OEM of tablet computers, LED lighting, solid-state drive (SSD), LED TV, notebook, security and surveillance equipment, and smart phones, and expand our customer base for different product applications through IC distributors.

Silergy's management team has years of industrial experience and is well aware of the future directions of the development of products technologies. With our team which specializes in key technologies, Silergy is able to quickly respond to the latest specifications of computer products and provide customers with development platform equipped with comprehensive specifications, designs, and real-time customer service during the product development stage. With the rapid development of information products, Silergy has proven to be a professional IC design house with competitive advantages.

### II. Corporate Structure

December 31, 2018



### III. Company History

Date	Important event
2008	February: Established Silergy Corp., with primary business in power management IC (PMIC) design. May: Established Silergy Technology, a US subsidiary primarily engaged in collecting advanced technologies from the market. Established Silergy (Hangzhou) on April 22, a subsidiary mainly responsible for receiving orders, design, operations, and technical support.
2009	Released industry's first 6V, 2A, 1 MHz synchronous step-down IC in SOT23 package that went into mass production; developed the industry's first 6V, 3.5A, 1 MHz synchronous step-down IC in DFN3x3 package that went into mass production.
2010	Released the world's smallest dual-channel 6A smart-load switch IC in DFN2x2 package. Also released industry's first 30V/2A, 1 MHz buck-boost MR16 LED driver IC in SOT23 package. Passed ISO9001 certification and recognized as a high-tech enterprise and integrated circuit (IC) design enterprise in China.
2011	Released the world's smallest 6V/6A, 1 MHz synchronous step-down IC in DFN2x2 package; released industry's first PFC/QRC/PSR isolated LED driver IC in SOT23 package.
2012	Established Nanjing Silergy Semiconductor Technology. Released industry's first built-in MOS PFC/QRC/PSR isolated LED driver IC in SO8 package. Also released industry's smallest 18V/5A synchronous step-down IC in an SOT23-6 package.
2013	Released industry's first MOS built-in LED driver IC in SOT23 package; and released industry's first input current 6A step-up smart charging IC in QFN3x3 package.
2014	Established Hangzhou Innvolt Technology. Released industry's first SCR dimmable MR16 driver IC. Released industry's first 30V/15A synchronous step-up IC in DFN4x4 package.
2015	Released industry's first motor-driver IC in SOT23 package. Released industry's first high-performance MOS built-in 6.78 MHz wireless charging emitter IC.
2016	Acquired smart-meter and energy-monitoring business units of Maxim Integrated and LED lighting business unit of NXP Semiconductors. Released industry's smallest 500V MOS with PFC silicon-controlled light-modulating LED driver IC in SOT23 package. Released industry's first dual-output DC/DC IC.
2017	Released the industry's first non-inductive high-efficiency Triac dimmable driver IC. Released the industry's smallest 28V/10A four-switch fully integrated buck converter IC in QFN4x4 package. Released the industry's smallest 3.2x3.2 high-efficiency SSD PMIC. Released the industry's smallest QFN4x4 20W power bank PMIC that supports fast charging of mobile phone. Released the industry's smallest 5A switch IC with reverse insertion, over-voltage and over-current protection in QFN2x2 package.
2018	Industry's first single IC, single-inductor, 5-output smart LED dimmable driver IC in QFN5X5 package. Industry's first non-inductive, non-MLCC, high-efficiency Triac dimmable driver IC. IOT buck DCDC IC with ultra-low static power dissipation, 0.5A current in DFN2x2 package. Industry's first single IC 60W PD buck-boost DCDC IC in QFN5X5 package.

## IV. Risks

### (I) Risk factors

1. The impact of changes in interest rates, exchange rate fluctuations, and inflation, on the Company's gain or loss, and the Company's future response measures:

- (1) Interest rate changes

The Company incurred an interest expense of NT\$10,214,000 in 2018, mainly due to the issuance of overseas convertible bonds. With the conversion of overseas convertible bonds into common shares, such interest expenses will further decline.

As the Company increases its scale of operations and profitability, we have adequate equity fund and less reliance on loans from financial institutions. Hence, even if China's interest rates increase in the future, Silergy will not be exposed to risks from significant increase in interest expenses owing to increased interest rates. There will be no material impact on the Company due to interest rate changes.

- (2) Exchange rate fluctuations

Majority of Silergy's sales and purchases are transacted in US dollars. As such, receivables and payables from the sales and purchases will offset each other, resulting in a natural hedging effect. The Company's 2017 exchange loss was NT\$54,733,000, and the exchange gain in 2018 was NT\$27,786,000, amounting to 0.6% and 0.3% of the year's net operating revenue respectively, showing limited impact on the Company's gain and loss.

The main functional currency of Silergy is US dollar, and there is no major risk of exchange rate fluctuation to date. To reduce the impact on the Company's gain or loss as a result of fluctuation in exchange rate, Silergy constantly collects currency exchange information, relies on real-time online exchange rate system, and strengthens communication with financial institutions, to determine the trend in exchange fluctuations and use it as basis for exchange settlements. Silergy strives to balance foreign currency assets and liabilities to achieve natural hedging and lower the impact from exchange rate fluctuations. In the future, Silergy will base on the exchange rate fluctuations and foreign currency funding needs, employ financial derivatives for hedging to avoid foreign exchange risks.

- (3) Inflation

Silergy continues to monitor market price fluctuations and maintain positive interactions with both suppliers and customers. There has been no significant impact caused by inflation in recent years.

2. Policies on high-risk, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives trading, main reasons for profits or losses generated thereby, and future response measures to be undertaken:

Silergy has formulated regulations that include Procedure for Acquisition and Disposition of Assets, Procedure for Loaning Capital to Other Parties, and Procedure for Endorsements and Guarantees. These regulations are used by Silergy and its subsidiaries as the basis for compliance when pursuing relevant activities. Up to the publication date of the annual report, Silergy has not made high-risk or highly leveraged investments, nor provided any capital loan to other parties, made no endorsements or guarantees to other parties, nor engaged in derivatives trading. Silergy practices a steady and conservative

business strategy and focuses on our primary business. As we do not branch into high-risk industries, adopt a steady and conservative financial policy, and do not engage in highly leveraged investments, the risk is limited.

3. Future research and development plans and expected expenditure

(1) Future research and development plans

- A. Develop high-efficiency and highly reliable high-voltage IC manufacturing processes to create control units, driver units, and highly integrated single-chip.
- B. Develop novel digital-analog mixed control technologies, optimize system architecture, and promote smart PMIC developments.
- C. Digitally controlled PMIC.
- D. Develop sensor and detector IC for future Internet of Things (IoT) applications.

(2) Expected research and development expenditures

R&D investments by Silergy will be based on the progress achieved in the development of new products and technologies. With the growth of revenue in the future, Silergy will gradually increase its annual R&D expenses, and is expected to invest at least NT\$1.3 billion by 2019 to support the R&D projects of new product development in the future, and upgrading the performance of existing products, increasing the market competitiveness of the Company.

4. Major changes to local and overseas policies and laws that impact the Company's financial operations, and response measures:

Silergy's daily operations are compliant with both local and overseas laws and regulations, and our financial operations have not been affected by major changes in local or overseas policies and laws. Silergy is also constantly monitoring the trends and development in local and overseas policies to collect relevant information as reference for the management to develop suitable response strategies.

5. Developments in science and technology as well as industrial change that impact the company's financial operations, and response measures

Silergy has a strong foundation in research and development which has been recognized by our customers. Our management team constantly monitors the market development and technological trends, and assesses the impact of the risk on the Company's product positioning, so as to reduce all risk factors and generate maximum benefits for our shareholders. Silergy will also continue to invest in the research and development of new products, monitor product development cycles, formulate relevant response measures, and maintain stable financial structure and flexibility in capital allocation, to cater for future market development. In the last fiscal year up to the date of printing of the annual report, changes in technologies and the industry did not have any material impact on the financial operations of Silergy.

6. Changes to corporate image that impact the Company's crisis management, and response measures

Silergy upholds the spirit of integrity management and stability, and is committed in improving quality, efficiency, and internal management, thereby establishing good

reputation and corporate image in the industry. There were no changes to corporate image which led to business crisis. Silergy will continue to maintain corporate governance and operational transparency, as well as protect the shareholders' rights to strengthen the image of the Company.

7. Expected benefits and possible risks of mergers and acquisitions, and response measures

Silergy did not engage in any mergers or acquisitions in the past fiscal year and up to the publication date of the annual report. If there are any mergers and acquisition plan in the future, it will be handled in accordance with relevant laws and regulations and relevant regulations formulated by the Company, to protect the interests of the Company and shareholders.

8. Expected benefits and possible risks of plant expansion, and response measures

Silergy is an IC design house and adopts a fabless business model. There is no plan to expand the plant.

9. Risks resulting from consolidation of purchasing or sales operations, and response measures

(1) Risks resulting from consolidation of purchasing operations and response measures

Semiconductor industry is a vertical specialization business model. After Silergy completes a design, the rest of the manufacturing process, including photomask production, wafer fabrication, singulation, packaging, and backend testing are outsourced to other specialized companies. Wafer is the primary material in this production process. The key factors of consideration for IC design houses include process technology, quality yield, capacity, and delivery date. One or two fabrication plants are selected as suppliers, and Silergy selected Company R and Company S as ours. To avoid risks of supply shortage or interruptions, Silergy has also established a backup supply, maintains a constant supply proportion, and has built a positive relationship with its suppliers. Product technical specifications are also used to adjust supply proportions. Although consolidation of supply operations is common in the industry, Silergy will continue to monitor the state of production and maintain close contact to avoid risks of over consolidation of production.

(2) Risks resulting from consolidation of sales and response measures

In 2018, sales to the Company's top customer was approximately 13% and 10%, while that to most of other customers was lower than 10%. In general, there is no risk of over-consolidation of sales. Silergy also constantly monitors the customer's financial status, makes credit assessments, and sets aside an allowance for doubtful accounts according to the collection and aging of delinquent accounts. Besides establishing a positive and stable partnership with its customers, Silergy continues to expand its customer base.

10. Impact and risk to the Company due to major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10% stake in the Company has been transferred or changed hands, and response measures:

For the past fiscal year up to the publication date of this report, there have been no significant changes to members of the board, directors, and major shareholders holding at least 10% of the shares. There was no major impact on operation risks, finances and businesses of Silergy.

11. Impact and risk due to any change in governance rights in the company, and response measures

Over the past fiscal year up to the publication date of this report, there has been no change in governance rights in Silergy. Silergy has enhanced various corporate governance measures and introduced independent directors to safeguard the rights and interests of its shareholders. Silergy's professional managerial officers manage our day-to-day operations, and our strong management team has made significant contributions to the performances of the Company, and is expected to continue to gain support from the shareholders. Hence, any change in management power in the future will not have material negative impact on the Company's management and operational advantages.

12. Any litigious or non-litigious matters or administrative disputes up to the publication date of this report where the company and company directors, supervisors, general managers, and persons with actual responsibility in the company, and major shareholders holding more than 10% of the company's shares and affiliated companies who have been concluded through final judgment or still under litigation, to be a party thereof, and where the results thereof could materially affect the shareholders' equity or prices of the company's securities, as well as the facts of the dispute, amount of money at stake, date of litigation commencement, and main parties to the litigation: No such incident.
13. Other material risks and response measures

- (1) Safeguarding shareholder rights and interests

There are a number of differences in the provisions of the Cayman Islands Companies Law and the Company Act of the Republic of China (ROC). Although Silergy has revised its Articles of Incorporation according to the Checklist for the Protection of Shareholder Rights and Interests in the Registration Site of a Foreign Issuer, there are still a number of differences related to corporate operations in the laws of both countries. An investor is unable to adopt the concept of legal rights protection for investments in Taiwanese companies when investing in a Cayman Islands company. Investors should have proper understanding and acquire professional advice to ensure that investments made in a company incorporated in the Cayman Islands are subject to shareholders' rights protection.

- (2) Overall risks of economy, political environment, foreign exchange, and laws

Silergy is registered in the Cayman Islands while the major business operations are conducted in China. The overall economy, changes in political environment and foreign exchange fluctuations of the country of incorporation and countries where its main operations are conducted will affect the operations of Silergy.

- (3) Cash dividend distribution and tax liabilities

According to the relevant laws of China, when a subsidiary in China distributes profit, at least 10% of net income after taxes (NIAT) every year must be first set aside as the legal surplus (regarded as a legal reserve that cannot be distributed as dividend on shares until it reaches 50% of the registered capital of the company). A tax on any share dividend, bonus, interest, and other income earned in and from China by a non-resident company of a country or territory that has signed a tax agreement with China shall be, according to the provisions of the relevant tax agreement, less than 10%. After the company's applications are reviewed and

approved by a competent tax authority, the company may be eligible to the agreed tax rate. With the exception of the aforementioned scenarios, and when the China subsidiary remits the share dividends to places outside China, an income tax of 10% shall be deducted on behalf of the shareholder. These provisions may potentially reduce the ability of Silergy to distribute share dividends to its shareholders. A subsidiary in China must comply with local laws for overseas remittance of shares dividend. If China changes laws related to the aforementioned activities and to dividend remittance so that a subsidiary of Silergy in China is unable to comply with the relevant laws or must acquire permission or submit files related to the activities, there may be a risk of failure to remit share dividends.

(4) Rapid changes to market scale of the product

The demand for consumer electronics depends on the consumer's taste, preference, and government policies of various countries. End-user product suppliers, which include Silergy's customers and market share, are constantly and rapidly changing. The integration of Silergy's products and manufacturers, and the growth of the Company's product market share, in the past and foreseeable future, depend on the ability in predicting consumer tastes and preference, as well as the Company's ability to provide cost-effective design, production, and sale of product to end consumers who control the market.

Silergy will continue to monitor the market demand and work closely with end product manufacturers, so as to grasp market opportunities. We will research and develop more innovative and advanced products, and beat our competitors in launching new products that meet the customer's tastes and preferences to reduce risks caused by demand changes in consumer electronics.

(5) Risks of reduced average sales prices

ICs developed and sold by Silergy are widely used in various types of consumer electronics. Potential price pressure from customers, and the highly competitive and price sensitivity consumer products, may cause a rapid drop in price in the future, leading to reduced gross earnings for Silergy. With expected price pressure from competitors, Silergy may have to lower its products' average sale price. If Silergy is unable to increase sales volume, reduce manufacturing cost, or quickly develop more innovative and higher value-added products to compensate for the reduction in average sales price, it may affect the Company's gross earnings and financial results.

Silergy will continue to monitor customer demands, research and develop products that are more innovative and with more added value to create new markets. It will also continue to use flexible and low-cost business models to raise profitability, in the aim to reduce the risks of falling average selling prices of consumer electronics.

(6) Risks for violating intellectual property laws and patent rights

As commonly seen in semiconductor industry, Silergy or its customers may encounter intellectual property charges from time to time, or may discover that patent rights or IP rights owned by others contain technologies, products or services of Silergy or its end customers. It is a characteristic of the semiconductor industry that many companies own a large number of patents and other IPs, and actively seek, protect and exercise these IP rights.

Silergy is an IC design house, and its core assets are its research and development personnel, and the intangible intellectual properties developed by them. If the Company's intellectual properties are infringed by third parties, besides affecting the Company's products and revenue, significant time and cost may be incurred in legal proceedings to protect the Company's interest, which may have adverse effect on the Company's operations.

Charges of IP infringement are not uncommon in the technology industry. Silergy may also face IP infringement charges in the future. Regardless of whether there is sufficient evidence, the accusation may affect the Company's reputation, finance, business and revenue, and may cause the Company to incur high litigation cost, resulting in adverse impact on the Company's operations.

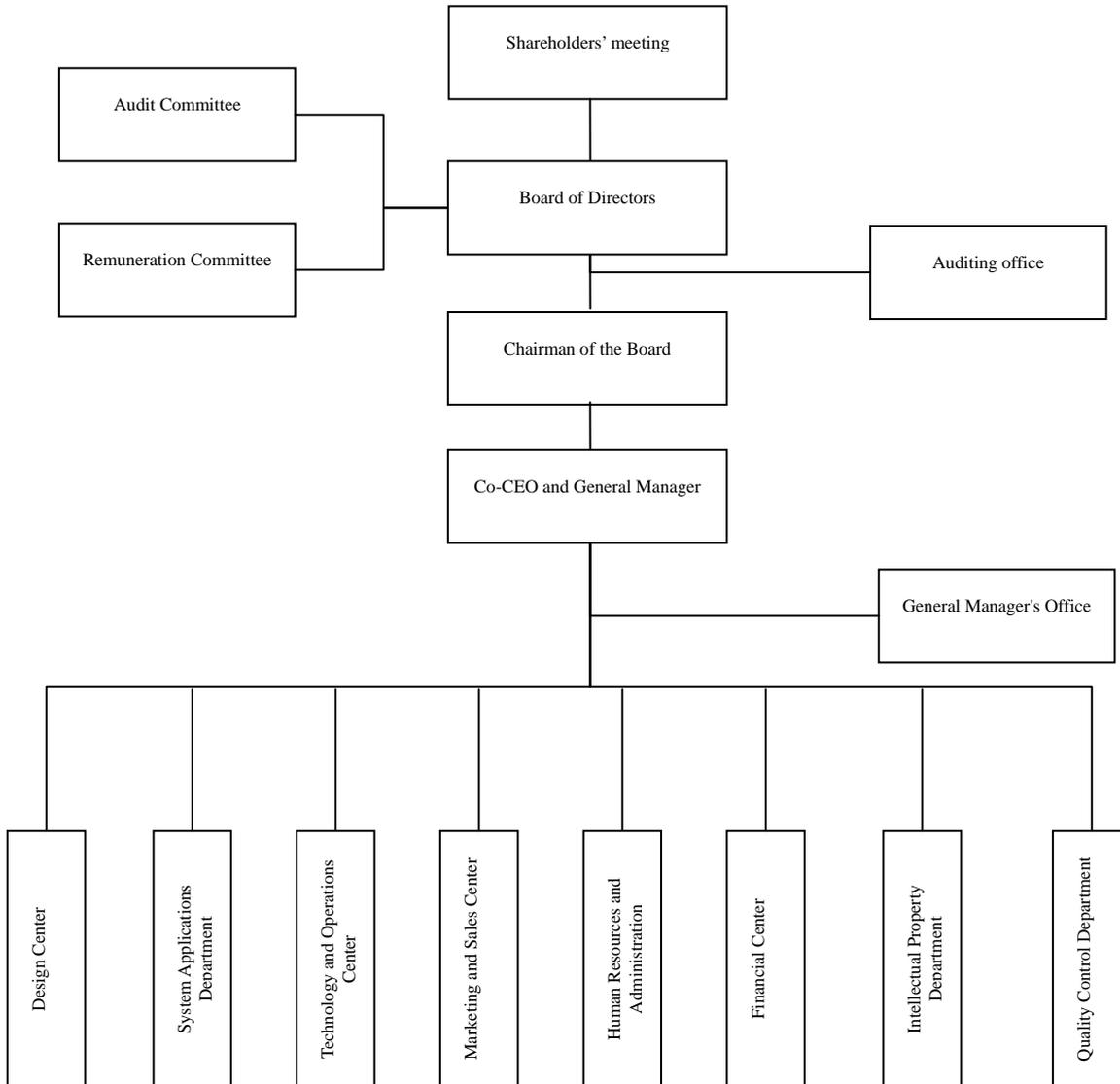
(7) Information security risk

Information security control is an unavoidable issue for companies in the era of industrial control and Internet of Things. In terms of network security planning, Silergy has established security control mechanism in its computer network system to prevent unauthorized system access, conducts periodic review and assessment on various software and hardware security and firewall settings, regularly conveys information security policies and regulations to the employees, conducts tests and network intrusion in a non-periodic manner, and conducts publication and drills for response procedures of possible impacts. The Company has established information security management regulations, where information security and protection and emergency response procedures for information and communication security shall be handled accordingly.

# Chapter III Corporate Governance Report

## I. Organization

### (I) Organizational structure



(II) Responsibilities and functions of major departments

Department	Duties and responsibilities
Audit Committee	<ol style="list-style-type: none"> <li>1. Establish or revise an internal control system.</li> <li>2. Evaluate the effectiveness of the internal control system.</li> <li>3. Establish or amend the handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.</li> <li>4. Resolve issues related to the personal interest of a director.</li> <li>5. Approve material asset or derivatives transaction.</li> <li>6. Review and approve material monetary loan, endorsement, or provision of guarantee.</li> <li>7. Offering, issuance, or private placement of equity-type securities.</li> <li>8. Appoint, discharge, or set remuneration for certified public accountants.</li> <li>9. Appoint or discharge financial, accounting, or internal audit supervisors.</li> <li>10. Audit annual and semi-annual financial reports.</li> <li>11. Any other material matter so required by the Company or the competent authority.</li> </ol>
Remuneration Committee	<ol style="list-style-type: none"> <li>1. Formulate and regularly review the policy, system, standards, and structure of the performance assessment and remuneration of directors and managerial officers.</li> <li>2. Regularly review and set remuneration of directors and managerial officers.</li> </ol>
Auditing Office	<ol style="list-style-type: none"> <li>1. Establish, amend, evaluate, and approve the ICS of the company.</li> <li>2. Implement auditing and independent assessment of the activities of central or branch units.</li> <li>3. Research, improve, and recommend matters related to legal regulations and auditing techniques.</li> </ol>
Chairman	Decides on the major businesses and administrative activities of the Company.
Co-CEO and General Manager	Jointly implements the resolution of the shareholders' meeting and the board of directors, manage all Company's matters and outline the directions and objectives of the Company's business and operations.
General Manager's Office	Responsible for internal and external coordination for overall operations, and comprises investor relation and stock affairs personnel.
Design Center	<ol style="list-style-type: none"> <li>1. R&amp;D and design of new product technologies, circuit layout and verification of products.</li> <li>2. Review, implement, and evaluate research proposals.</li> </ol>
Technology and Operations Center	<ol style="list-style-type: none"> <li>1. Manage Company's production and outsourced processes, achieve the annual goals of production plans and cost control.</li> <li>2. Responsible for product testing, verification, maintenance, and quality improvement.</li> </ol>
System Applications Department	<ol style="list-style-type: none"> <li>1. Define, research and develop, and verify product architecture and application systems.</li> <li>2. Evaluate customer requirements and support customer service activities for field application departments.</li> </ol>
Marketing and Sales Center	<ol style="list-style-type: none"> <li>1. Responsible for product sales, customer service, and sales market expansion.</li> <li>2. Collect overseas and domestic market information, analyze industrial trends, and investigate competitors' information.</li> </ol>
Financial Center	Provide accurate and effective financial accounting information, and make use investment or financing activities to generate value for the Company.
Human Resources (include IT department)	<ol style="list-style-type: none"> <li>1. Responsible for human resources management, administration and general affairs, environmental protection public security, and occupational safety and health activities.</li> <li>2. Responsible for computer and information product purchase, maintenance, and security.</li> </ol>
Intellectual Property Department	Responsible for product IP writing, application and maintenance.
Quality Control Department	Responsible for product quality and reliability planning, implementation, and evaluation, establishing quality assurance framework and system, and quality-related training.

## II. Information on the directors and main managerial officers

(I) Directors information (Silergy has not appointed any supervisors):

March 31, 2019, Unit: 1000 shares; %

Title	Nationality or place of registration	Name	Gender	Date of election (appointment)	Length of term	Date of first election	Shares held when elected		Shares currently held		Shares held by spouse or minor children		Main experience and academic background	Positions currently assumed in Silergy and other companies
							Shares	%	Shares	%	Shares	%		
Chairman	US	Wei Chen	Male	2016/6/2	3 years	2008/02/07	6,733	8.59	7,168	7.93	-	-	PhD, Department of Electrical Engineering, Virginia Polytechnic Institute and State University, USA Technical Manager, Linear Technology Deputy Chief System and Applications Technology Officer, Monolithic Power Systems, Inc.	For information on positions in the Company's affiliates, please refer to "Directors, supervisors, and general managers of affiliated companies" under "VIII. Special Items to be Included" (Page 95) of the Annual Report.
Director	US	Budong You	Male	2016/6/2	3 years	2008/02/22	3,725	4.75	3,687	4.08	-	-	PhD, Department of Electrical Engineering, Virginia Polytechnic Institute and State University, USA Deputy Technology Manager, Volterra Semiconductor	For information on positions in the Company's affiliates, please refer to "Directors, supervisors, and general managers of affiliated companies" under "VIII. Special Items to be Included" (Page 95) of the Annual Report.
Director	ROC	Jiun-huei Shih	Male	2016/6/2	3 years	2016/6/2	-	-	-	-	-	-	J.D., Stanford University Director, CMC Medical Group Director and General Manager, J.P. Morgan Private Equity Group Vice President, Investment Department, Merrill Lynch Attorney, International Finance, Global Law Office, US	Partner, Cinaport Capital, Inc. Senior Board Consultant, Sim2Travel, Inc. Instructor, International Private Funds, Taiwan Academic of Banking and Finance
Director	ROC	Kwan-chu Yang	Male	2016/6/2	3 years	2016/6/2	-	-	-	-	-	-	J.D. degree from Cornell University Partner, The CID Group Attorney, Tsar & Tsai Law Firm	Supervisor, Infinity Logistics International Co., Ltd.

Title	Nationality or place of registration	Name	Gender	Date of election (appointment)	Length of term	Date of first election	Shares held when elected		Shares currently held		Shares held by spouse or minor children		Main experience and academic background	Positions currently assumed in Silergy and other companies
							Shares	%	Shares	%	Shares	%		
Independent director	ROC	Shun-hsiung Ko	Male	2016/6/2	3 years	2013/3/29	-	-	-	-	-	-	Masters, Finance, National Taiwan University (NTU) CPA, Jianda Lianhe Accounting Firm	CPA, Jianda Lianhe Accounting Firm Independent director, Nishoku Technology Inc Independent director, Ruentex Development Co. Ltd
Independent director	ROC	Yong-Song Tsai	Male	2016/6/2	3 years	2014/6/24	-	-	-	-	-	-	Masters, International Business, Master, Materials Science and Engineering, Ohio State University, USA National Taiwan University (NTU) Partner, APP Capital Limited Deputy General Manager, Walden International Taiwan Co., Ltd.	Independent director, Wafer Works Corporation
Independent director	ROC	Hung-chi Lee	Male	2016/6/2	3 years	2016/6/2	-	-	-	-	-	-	MBA, George Washington University Founder and CEO, Quantum International Company Independent director, Cando Corporation Consultant, Yuanta Securities; General Manager, Yuanta Securities; Director and General Manager, Deutsche Bank Securities Taipei Branch Office; Director and General Manager, Credit Suisse First Boston Taipei Branch Office; General Manager, Barclays Securities Taipei Branch Office; Supervisor, Foreign Investment Trade Department, Yuanta Securities; Convener, Overseas Management Strategy Committee, Taiwan Securities Association	Founder and CEO, Quantum International Company

Silergy shares held by directors in the name of other persons: None.  
Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship: None.

Professional qualifications and independence of the directors:

March 31, 2019

Name	Does the individual have more than five years of professional experience and the following qualifications?			Compliant to the requirements of independence (Note)										Currently serving as an independent director of other public companies
	Condition	Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company.	1	2	3	4	5	6	7	8	9	
Wei Chen	-	-	V	-	-	-	V	V	-	V	V	V	V	0
Budong You	-	-	V	-	-	-	V	V	-	V	V	V	V	0
Jiun-huei Shih	-	-	V	V	V	V	V	V	V	V	V	V	V	0
Kwan-chu Yang	-	-	V	V	V	V	-	V	V	V	V	V	V	0
Yong-Song Tsai	-	-	V	V	V	V	V	V	V	V	V	V	V	1
Shun-hsiung Ko	-	V	V	V	V	V	V	V	V	V	V	V	V	2
Hung-chi Lee	-	-	V	V	V	V	V	V	V	V	V	V	V	0

Note: For any director or supervisor who fulfills the relevant condition(s) for two fiscal years before being elected to the office or during the term of office, put a "V" sign in the box for the corresponding conditions. ✓

- (1) Not employed by the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under any other's name, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in shareholding.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds more than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held.
- (6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), managerial officer, or spouse thereof, of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliates. This restriction, however, does not apply to any member of the salary and remuneration committee who exercises powers pursuant to Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is listed on the Stock Exchange or Traded Over the Counter.
- (8) Not a spouse or a relative within the second degree of kinship with any director.
- (9) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.
- (10) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.

## (II) Information of main managerial officers:

March 31, 2019, Unit: Thousand shares; %

Title	Nationality	Name	Gender	Date of appointment	Shares held		Shares held by spouse or minor children		Main experience and academic background	Positions currently assumed in other companies affiliated companies
					Shares	%	Shares	%		
Chairman	US	Wei Chen	Male	2008/02/07	7,168	7.93	-	-	PhD, Department of Electrical Engineering, Virginia Polytechnic Institute and State University, USA; Technical Manager, Linear Technology; Deputy Chief System and Applications Technology Officer, Monolithic Power Systems, Inc.	For information on positions in the Company's affiliates, please refer to "Directors, supervisors, and general managers of affiliated companies" under "VIII. Special Items to be Included" (Page 95) of the Annual Report.
Co-CEO and general manager	US	Budong You	Male	2008/02/22	3,687	4.08	-	-	PhD, Department of Electrical Engineering, Virginia Polytechnic Institute and State University, USA; Deputy Technology Manager, Volterra Semiconductor	
Co-CEO and general manager	US	Michael Grimm	Male	2008/05/19	2,007	2.22	-	-	Masters, Electrical Engineering, University of California, Berkeley; General Manager, Notebook Computers Business Unit, Maxim Integrated	
Vice President of Asia Region	ROC	Chih-chung Lu	Male	2016/11/14	26	0.03	-	-	Deputy Marketing Manager, Magnachip Semiconductor Corp; General Manager of Taiwan Region, ON Semiconductor Marketing Manager of Taiwan Region, Fairchild Semiconductor	
Executive Design Director	US	Jaime Tseng	Male	2008/05/28	1,818	2.01	-	-	Electrical Engineering, University of California, Berkeley; Design Manager, Linear Technology	

Title	Nationality	Name	Gender	Date of appointment	Shares held		Shares held by spouse or minor children		Main experience and academic background	Positions currently assumed in other companies affiliated companies
					Shares	%	Shares	%		
Chief Financial Officer	ROC	Kuan-cheng Pan	Male	2012/02/13	20	0.02	-	-	Department of Finance and International Business, Fu Jen Catholic University; Director, Financial Affairs Division, ViewSil Microelectronics Limited; Manager, Financial Affairs, BenQ Materials Corporation; Deputy Manager, Investment Department, Harvest Capital Group	

Silergy shares held by managerial officers in the name of other persons: None.  
Managerial officer's spouse or relative within the second degree of kinship holding supervisory position in the Company: None.

### III. Remuneration paid out to directors, general manager, and vice presidents in the last three years

#### (I) Director's remuneration:

Unit: NT\$ thousand; thousand shares; %

Title	Name	Director's remuneration								Proportion of sum of A, B, C, and D, to NIAT	Employee remuneration for other activities								Whether the person receives remuneration from non-subsidiary investments			
		Remuneration (A)		Retirement pension (B)		Director's remuneration (C)		Business execution fee fees (D)			Salaries, bonuses and special expenses (E) (Note)		Retirement pension (F)		Employee's compensation (G)					Proportion of sum of A, B, C, D, E, F and G, to NIAT		
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report			The Company	All companies in the financial report	
		Cash	Dividend	Cash	Dividend Sum																	
Director	Wei Chen																					
Director	Budong You																					
Director	Jiun-huei Shih																					
Director	Kwan-chu Yang																					
Independent director	Shun-hsiung Ko	-	3,469	-	-	-	4,900	-	465	-	0.48	-	14,017	-	-	-	-	1,206	-	-	1.31	None
Independent director	Yong-Song Tsai																					
Independent director	Hung-chi Lee																					

Remuneration provided to a director for providing services (such as serving as a non-employed consultant) to any company in the financial report in the most recent fiscal year: None.

Note: Salary expenses recognized under IFRS 2 Share-based Payment, such as employee share subscription warrants, new restricted employee shares, and participation in subscription of stocks in cash capital increase, shall be included in the remuneration.

Table of remuneration range

Remuneration range for each Company's director	Name of director			
	Sum of first four items (A+B+C+D)		Sum of first seven items (A+B+C+D+E+F+G)	
	The Company	All companies in this Financial Report	The Company	All companies in this Financial Report
Less than NT\$2,000,000	-	Wei Chen, Budong You, Shun-hsiung Ko, Yong-Song Tsai, Kwan-chu Yang, Jiun-huei Shih, Hung-chi Lee	-	Shun-hsiung Ko, Yong-Song Tsai, Kwan-chu Yang, Jiun-huei Shih, Hung-chi Lee
NT\$2,000,000 (inclusive) to 5,000,000 (not inclusive)	-	-	-	-
NT\$5,000,000 (inclusive) to 10,000,000 (not inclusive)	-	-	-	Wei Chen, Budong You
NT\$10,000,000 (inclusive) to 15,000,000 (not inclusive)	-	-	-	-
NT\$15,000,000 (inclusive) to 30,000,000 (not inclusive)	-	-	-	-
NT\$30,000,000 (inclusive) to 50,000,000 (not inclusive)	-	-	-	-
NT\$50,000,000 (inclusive) to 100,000,000 (not inclusive)	-	-	-	-
More than NT\$100,000,000	-	-	-	-
Total	-	7 people	-	7 people

## (II) Remuneration for general manager and vice presidents:

Unit: NT\$ thousand; thousand shares; %

Title	Name	Salary (A)		Retirement pension (B)		Bonuses and special expenses (C) (Note) and special expenses (C) (Note)		Employee's remuneration (D)				Proportion of sum of A, B, C, and D, to NIAT(%)		Whether the person receives remuneration from non-subsidiary investments
		The Company	All companies listed in this Financial Report	The Company	All companies in this Financial Report	The Company	All companies in this Financial Report	The Company		All companies listed in this Financial Report		The Company	All companies in this Financial Report	
								Cash	Dividend	Cash	Dividend			
Chairman	Wei Chen	-	30,450	-	-	-	9,895	-	-	3,196	-	-	2.38	None
Co-CEO and general manager	Budong You													
Co-CEO and general manager	Michael Grimm													
Vice President of Asia Region	Chih-chung Lu													

Note: Salary expenses recognized under IFRS 2 Share-based Payment, such as employee share subscription warrants, new restricted employee shares, and participation in subscription of stocks in cash capital increase, shall be included in the remuneration.

## Table of remuneration range

Remuneration range for general manager and vice presidents	Name of the general manager and vice presidents	
	The Company	All companies in the financial report (A + B + C + D)
Less than NT\$2,000,000	-	-
NT\$2,000,000 (inclusive) to 5,000,000 (not inclusive)	-	-
NT\$5,000,000 (inclusive) to 10,000,000 (not inclusive)	-	Wei Chen, Budong You, Michael Grimm, Chih-chung Lu
NT\$10,000,000 (inclusive) to 15,000,000 (not inclusive)	-	-
NT\$15,000,000 (inclusive) to 30,000,000 (not inclusive)	-	-
NT\$30,000,000 (inclusive) to 50,000,000 (not inclusive)	-	-
NT\$50,000,000 (inclusive) to 100,000,000 (not inclusive)	-	-
More than NT\$100,000,000	-	-
Total	-	4 people

(III) Names of managerial officers provided with employee's compensation and state of distribution:

Unit: NT\$ thousand; %

	Title	Name	Dividend	Cash	Total	Ratio to NIAT
Managerial officer	Chairman	Wei Chen	-	4,865	4,865	0.27
	Co-CEO and general manager	Budong You				
	Co-CEO and general manager	Michael Grimm				
	Executive Design Director	Jaime Tseng				
	Vice President of Asia Region	Chih-chung Lu				
	Chief Financial Officer	Kuan-cheng Pan				

(IV) Analysis of total remuneration paid to directors, supervisors, general managers, and vice presidents over the past two years by Silergy and all companies listed in the consolidated financial statement as a percentage of NIAT, and descriptions of the policies, standards and packages, procedures for determining remuneration, and relation to operational performance and future risk exposure:

1. Analysis of the total remuneration paid to the Company's directors, supervisors, general managers, and vice presidents by the Company and all companies listed in the consolidated financial statement as a percentage of NIAT:

Unit: NT\$ thousand; %

Item	2017		2018	
	Amount	As a proportion of NIAT	Amount	As a proportion of NIAT
NIAT	1,808,017	100.00	1,829,851	100.00
Total remuneration paid to the Company's directors, supervisors, general managers, and vice presidents by the Company and all companies listed in the consolidated financial statement	31,646	1.75	48,906	2.67

2. Policies, standards and packages, procedures for determining remuneration, and relation to operational performance and future risk exposure:
  - (1) In accordance with Article 129 of the Articles of Association, no more than 2% of the profit before tax shall be set aside as directors' remuneration if there is profit before tax for the year. Directors' remuneration shall be assessed in accordance with the Company's "Regulations for Board Performance Evaluation". The Company's remuneration committee and board of directors, besides referencing the Company's overall operational performance, future risk exposure and development trend in accordance with the Company's Articles of Association, shall also take into account the individual's performance achievement rate and contribution to the Company's performance, as well as the reasonable remuneration standard in the industry, both domestic and overseas. The Company's remuneration committee and board of directors shall review the remuneration system in a timely manner, based on the actual operating

conditions and relevant laws and regulations, so as to balance the Company's sustainability and risk control.

- (2) Remunerations paid to a general manager and vice presidents are determined by the Company's remuneration committee and the board of directors in accordance with the Company's Personnel Charter, based on their position held, contributions to the Company, and their performance.
- (3) Silergy offers competitive remuneration to attract talents. Performance evaluation indicators for managerial officers include contributions to the Company according the position held. Future business risks and long-term business outcomes are also taken into consideration.

#### IV. State of implementation of corporate governance

##### (I) State of operations of the board of directors

The Company's board of directors has held 7 board meetings in 2018, and the directors' attendance rates are as follows:

Title	Name	Actual attendance	Proxy attendance	Actual attendance rate (%)	Notes
Director	Wei Chen	6	1	86	
Director	Budong You	7	0	100	
Director	Kwan-chu Yang	7	0	100	
Director	Jiun-huei Shih	7	0	100	
Independent director	Shun-hsiung Ko	7	0	100	
Independent director	Yong-Song Tsai	7	0	100	
Independent director	Hung-chi Lee	5	2	71	

1. Where the proceedings of the board meeting include one of the following circumstances, the date of board meeting, session, topic discussed, opinions of every independent director, and their handling by Silergy, shall be stated:

(1) Items listed under Article 14-3 of the Securities and Exchange Act:

Board of directors meeting	Motion	Dissenting or qualified opinion of the independent director	Handling of independent director's opinion by the Company	Resolution resolutions
January 26, 2018 9th meeting of the 2nd board	Purchase of real property by subsidiary Xian Silergy Semiconductor Technology	None	Not applicable	Unanimously approved by the attending shareholders
	Provision of security deposit by subsidiary Silergy Semiconductor Technology (Hangzhou) Co., Ltd for Xian Silergy Semiconductor Technology	None	Not applicable	Unanimously approved by the attending shareholders
	Capital increase of subsidiary Xian Silergy Semiconductor Technology	None	Not applicable	Unanimously approved by the attending shareholders
	2018 Certified public accountants' audit fees	None	Not applicable	Unanimously approved by the attending shareholders

Board of directors meeting	Motion	Dissenting or qualified opinion of the independent director	Handling of independent director's opinion by the Company	Resolution resolutions
March 20, 2018 10th board meeting of the 2nd board	Issuance of employee share subscription warrants	None	Not applicable	Unanimously approved by the attending shareholders
	Issuance of restricted employee shares	None	Not applicable	Unanimously approved by the attending directors
	2017 performance assessment and evaluation review on the independence and suitability of the certified public accountant	None	Not applicable	Unanimously approved by the attending directors
	Replacement of CPA	None	Not applicable	Unanimously approved by the attending directors
	Appointment of certified public accountant to review 2018 internal control system	None	Not applicable	Unanimously approved by the attending directors
July 27, 2018 12th board meeting of the 2nd board	The Company intends to invest in Silicon Micro Technology L.P.	None	Not applicable	Unanimously approved by the attending directors
December 20, 2018 15th board meeting of the 2nd board	2019 audit fees for certified public accountants	None	Not applicable	Unanimously approved by the attending directors

(2) In addition to the aforementioned motions, other board meeting motions where an independent director expressed a dissenting or qualified opinion that have been recorded or stated in writing: No such incident.

2. For the implementation and state of director's recusal for conflict of interest, describe the director's name, contents of the motion, reasons for the required recusal, and participation in the voting process: Silergy discussed director's remuneration, bonuses for managerial officers in 2017, and adjusted the remuneration for managerial officers in 2018 during the board meeting on March 20, 2018. The attending directors recused themselves when matters related to them are being discussed and decided in accordance with Article 13 of the Rules of Procedure for Board of Directors Meetings. During the discussion of managerial officers proposal in the board meeting on August 13, 2018, director Budong You, in accordance with Article 13 of Rules of Procedure for Board of Directors Meetings, stated his position as a director, and recused himself from the discussion and voting. The proposal was approved by the attending directors. During the discussion of directors remuneration proposal in the board meeting on November 13, 2018, director Wei Chen, in accordance with Article 13 of Rules of Procedure for Board of Directors Meetings, stated his position as a director, and recused himself from the discussion and voting. The proposal was approved by the attending directors.
3. Goals for enhancing the functions of the board of directors for the current and most recent fiscal period as well as assessments of the actions implemented:  
The Company has established the audit committee and remuneration committee. For state of operations of the committees, please refer to Pages 23 and 32 of the Annual Report.

(II) State of operations of audit committee

The Company has set up an audit committee, which is composed of the entire number of independent directors, to assist the board of directors in fulfilling its duties in supervising the Company in accounting, audit, and financial report review, and evaluate the effectiveness of the internal control. The Company's audit committee held 7 meetings in 2018, and the following describes the independence directors' attendance, main job scope and state of operations:

Title	Name	Actual attendance	Proxy attendance	Actual attendance rate (%)	Notes
Independent director	Shun-hsiung Ko	7	0	100	
Independent director	Yong-Song Tsai	7	0	100	
Independent director	Hung-chi Lee	5	2	71	
<p>1、Where the proceedings of the audit committee meeting include one of the following circumstances, the date of meeting, session, and motion of the board meeting, resolutions of the audit committee, and Silergy's handling of the comments shall be stated:</p> <p>(1) Items listed in Article 14-5 of the Securities and Exchange Act:</p>					
Board of directors meeting	Motion	Audit committee resolutions	Silergy's response to the comments of the audit committee		
January 26, 2018 10th meeting of the 2nd board	Purchase of real property by subsidiary Xian Silergy Semiconductor Technology	Unanimously approved by the attending committee members	Unanimously approved by the attending directors		
	Provision of security deposit by subsidiary Silergy Semiconductor Technology (Hangzhou) Co., Ltd for Xian Silergy Semiconductor Technology	Unanimously approved by the attending committee members	Unanimously approved by the attending directors		
	Capital increase of subsidiary Xian Silergy Semiconductor Technology	Unanimously approved by the attending committee members	Unanimously approved by the attending directors		
March 20, 2018 11th board meeting of the 2nd board	2018 Certified public accountants' audit fees	Unanimously approved by the attending committee members	Unanimously approved by the attending directors		
	2017 Consolidated Financial Statements	Unanimously approved by the attending committee members	Unanimously approved by the attending directors		
	2017 Statement of Internal Control System	Unanimously approved by the attending committee members	Unanimously approved by the attending directors		
	Issuance of employee share subscription warrants	Unanimously approved by the attending committee members	Unanimously approved by the attending directors		
	Issuance of restricted employee shares	Unanimously approved by the attending committee members	Unanimously approved by the attending directors		
	2017 performance assessment and evaluation review on the independence and suitability of the certified public account	Unanimously approved by the attending committee members	Unanimously approved by the attending directors		
	Replacement of CPA	Unanimously approved by the attending committee members	Unanimously approved by the attending directors		
July 27, 2018 13th board meeting of the 2nd board	Appointment of certified public accountant to review 2018 internal control system	Unanimously approved by the attending committee members	Unanimously approved by the attending directors		
	The Company intends to invest in Silicon Micro Technology L.P.	Unanimously approved by the attending committee members	Unanimously approved by the attending directors		
August 13, 2018 14th board meeting of the 2nd board	2018 2nd quarter consolidated financial report	Unanimously approved by the attending committee members	Unanimously approved by the attending directors		
December 20, 2018 16th board meeting of the 2nd board	2018 Certified public accountants' audit fees	Unanimously approved by the attending committee members	Unanimously approved by the attending directors		

<p>(2) In addition to the aforementioned motions, other motions not passed by the audit committee but passed by at least two-thirds of the votes of the entirety of the board of directors: No such incident.</p> <p>2、For the implementation and state of the independent director's recusal on conflict of interest, describe the director's name, contents of the motion, reasons for the required recusal, and participation in the voting process: No such incident.</p> <p>3、Communication between the independent director and the internal audit manager or certified public accountant (shall include material matters, methods, and results of communication on the finances and state of business of Silergy):</p> <p>(1) Silergy convenes regular audit committee meetings every quarter. Where necessary, the certified public accountant, audit manager, and relevant managers are invited to the meeting.</p> <p>(2) The internal audit manager regularly submits audit reports to each independent director for review. During the quarterly audit committee meeting, report on the implementation of internal audits and operations of the internal control system (ICS) for the quarter is presented. The manager may also convene a meeting where there is a major non-conformity.</p> <p>(3) Silergy convenes regular audit committee meetings to communicate and discuss with the certified public accountants, the review and assessment results of the quarterly financial statements, and compliance of the laws and regulations.</p>
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(III) The state of the Company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies, and the reason for any such departure.

Item	State of implementation			Departure of such implementation from the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies, and the reason for any such departure
	Yes	No	Summary	
I. Did the Company establish and disclose best practice principles for corporate governance according to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?		V	The Company has not established Corporate Governance Best Practice Principles. However, it upholds key principles such as safeguarding the shareholders' rights, enhancing the functions of the board of directors, establishing the functions of an independent director, respecting the rights of stakeholders, and improving information transparency based on essential elements for corporate governance best practices principles of listed companies, and implemented the following corporate governance rules: Rules of Procedure for Board of Directors Meetings, Remuneration Committee Charter, Management Regulations for Handling Major Internal Information and Prevention of Insider Trading, Responsibilities and Rules for independent directors, and Procedures and Implementation Guidelines for Best Practice Principles for Ethical Corporate Management. Key information of Silergy is disclosed according to relevant rules, while financial information is disclosed regularly. The board of directors also refers to the responsibilities and authorities granted by the shareholders to guide corporate management strategies and supervise the management of the corporate governance organization.	No major gaps.

Item	State of implementation			Departure of such implementation from the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies, and the reason for any such departure
	Yes	No	Summary	
<p>II. Equity structure and shareholders' rights of the company</p> <p>(I) Did the company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to the internal procedure?</p> <p>(II) Did the company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?</p> <p>(III) Did the company establish and enforce risk control and firewall systems with its affiliates?</p> <p>(IV) Did the company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?</p>	V		<p>(I) Silergy has established a spokesperson system and has appointed a spokesperson and a deputy spokesperson to handle shareholder recommendations, doubts, disputes, and litigations to safeguard the shareholders' rights.</p> <p>(II) Silergy constantly monitors shareholding conditions of its directors, managerial officers, and major shareholders holding more than 10% of the shares.</p> <p>(III) Silergy has established relevant control measures in its internal control system (ICS) and Regulations for Financial Transactions with Related Parties, Specific Companies, and Groups according to relevant laws.</p> <p>(IV) Silergy has stipulated Regulations for Handling Major Internal Information and Prevention of Insider Trading, prohibiting company insiders from trading securities using information not disclosed to the market.</p>	<p>No major gaps.</p> <p>No major gaps.</p> <p>No major gaps.</p> <p>No major gaps.</p>
<p>III. Composition and responsibilities of the board of directors:</p> <p>(I) Has a policy of diversity been established and implemented for the composition of the board of directors?</p> <p>(II) In addition to salary and remuneration committee and audit committee established according to law, has the company voluntarily established other functional committees?</p> <p>(III) Did the company stipulate regulations for performance evaluation of the board, and its evaluation method, and conduct performance evaluation on a yearly basis?</p>	V	V	<p>(I) In consideration of future business directions, Silergy actively seeks industry experts and appointed three independent directors: Shun-hsiung Ko, Yong-Song Tsai, and Hung-chi Lee. Shun-hsiung Ko has professional background in financial affairs and accounting, and the household registrations of all three independent directors are in the Republic of China (ROC).</p> <p>(II) Silergy has established a remuneration committee and audit committee in accordance with the relevant laws, and will form other functional committees according to actual requirements and legal regulations.</p> <p>(III) Silergy has established "Regulations for Board Performance Evaluation" which was passed on November 14, 2016. Since 2016, self-evaluation questionnaire on performance are given to all directors at the end of every year. In addition to evaluating the overall operations of the board of directors, every director is also required to review their own performance.</p>	<p>No major gaps.</p> <p>No major gaps.</p> <p>No major gaps.</p>

Item	State of implementation			Departure of such implementation from the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies, and the reason for any such departure
	Yes	No	Summary	
(IV) Did the company regularly implement assessments on the independence of the certified public accountants?	V		<p>Evaluations for the entire board of directors include the following five dimensions:</p> <ol style="list-style-type: none"> <li>1. Level of participation in corporate operations.</li> <li>2. Improving board of directors decision-making.</li> <li>3. Composition and structure of the board of directors.</li> <li>4. Elections and continuous training of the directors.</li> <li>5. Internal control.</li> </ol> <p>Self-evaluation of director performance shall comprise at least the six following dimensions:</p> <ol style="list-style-type: none"> <li>1. Knowledge of corporate objectives and mission.</li> <li>2. Knowledge of the director's responsibilities.</li> <li>3. Level of participation in corporate operations.</li> <li>4. Internal relationships and communications.</li> <li>5. Director's professionalism and continuous training.</li> <li>6. Internal control.</li> </ol> <p>After the questionnaires have been returned, the Company's board meeting unit conducts analysis in accordance with the above methods, submits the results to the board of directors, and proposes recommendations for improvements. The preceding rules and evaluation results are disclosed on the Company's website.</p> <p>2018 performance evaluation results of the board are as follows:</p> <ol style="list-style-type: none"> <li>1. Board performance scored 100 points (maximum 100 points).</li> <li>2. Self-evaluation by individual board members scored 3.80 (maximum 4.00 points).</li> </ol> <p>(IV) Silergy's finance department conducts self-evaluation of the independence of CPA once every year. 2018 evaluation results were reported to the audit committee and board of directors on March 19, 2019 for their review, and were approved. Silergy's finance department evaluated CPA Tzu-Jung Kuo and CPA Cheng-Chun Chiu of Deloitte Taiwan, and both conform to the standards of independence established by Silergy and are capable of serving as CPA of Silergy.</p>	No major gaps.

Item	State of implementation			Departure of such implementation from the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies, and the reason for any such departure
	Yes	No	Summary	

Note 1: Evaluation standards for the independence of certified public accountants  
Silergy Corp.

2018 Evaluation of Certified Public Accountant, and Performance Evaluation Form

Item	Specific indicator	Evaluation standard	Score	Notes
1. Independence indicator:				
1	Whether the CPA has direct or material indirect financial interest in the client	If No, 5 points; if Yes, 0 point	5	
2	Whether the CPA has inappropriate interest in the client	If No, 5 points; if Yes, 0 point	5	
3	Whether the CPA has assumed the position of a director, managerial officer or key personnel of the client, and has left the position for less than two years?	If No, 5 points; if Yes, 0 point	5	
4	Whether the CPA's name is used by others (declaration)	If No, 5 points; if Yes, 0 point	5	
5	Whether the CPA and all members of the audit team hold shares in the client	If No, 5 points; if Yes, 0 point	5	
6	Whether there is loan of money between the CPA and client	If No, 5 points; if Yes, 0 point	5	
7	Whether there is co-investment or sharing of interest between the CPA and client	If No, 5 points; if Yes, 0 point	5	
8	Whether the CPA assumes a regular job with the client, and receives a fixed salary	If No, 5 points; if Yes, 0 point	5	
9	Whether the CPA receives any business related commission	If No, 5 points; if Yes, 0 point	5	
10	Whether the CPA's audit tenure has not been rotated for more than 7 years	If No, 5 points; if Yes, 0 point	5	
Subtotal (Independence indicator)			50	

IV. Did the listed company appoint an exclusively (or concurrent) responsible unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, and handling, in accordance with relevant laws, matters related to board meetings and shareholders' meetings, business registration and changes to the registration, and for preparing minutes of board meetings and shareholders' meetings)?	V	Silergy has yet to appoint an exclusively (or concurrently) responsible unit or personnel in charge of matters related to corporate governance. However, it upholds key principles such as safeguarding the shareholders' rights, enhancing the functions of the board of directors, establishing the functions of an independent director, respecting the rights of stakeholders, and improving information transparency based on essential elements for corporate governance best practices principles of listed companies, and implemented the following corporate governance rules: Rules of Procedure for Board of Directors Meetings, Remuneration Committee Charter, Management Regulations for Handling Major Internal Information and Prevention of Insider Trading, Responsibilities and Rules for independent directors, and Procedures and Implementation Guidelines for Best Practice Principles for Ethical Corporate Management. Key information of Silergy is disclosed according to relevant rules, while financial information is disclosed regularly. The board of directors also refers to the	No major gaps.
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Item	State of implementation			Departure of such implementation from the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies, and the reason for any such departure
	Yes	No	Summary	
			responsibilities and authorities granted by the shareholders to guide corporate management strategies and supervise the management of the corporate governance organization. The personnel or unit will also be in charge of relevant matters as required in the future.	
V. Has the company established a communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers)? Has a stakeholders' area been established in the company's website? Are major corporate social responsibility (CSR) topics that the stakeholders are concerned with addressed appropriately by the company?	V		Silergy has appointed responsible personnel exclusively to handle matters related to stakeholders, including financial institutions and other creditors, employees, customers, suppliers, and related parties of corporate interest, and to maintain open communication channels. Silergy has also appointed a spokesperson and a deputy spokesperson as a contact window for communicating with external parties and provide appropriate responses to relevant matters.	No major gaps.
VI. Has the company delegated a professional shareholder services agent to handle matters of shareholders' meeting?	V		Silergy has delegated the responsibility of handling matters related to shareholders' meetings to the shareholders affairs department of Yuanta Securities.	No major gaps.
VII. Information disclosure (I) Did the company establish a website to disclose information on financial operations and corporate governance?  (II) Did the company adopt other means of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose company information, implement a spokesperson system, and disclosing the process of investor conferences on the company website)?	V  V		(I) Silergy has complied with relevant laws to disclose finance related matters and material information on the Market Observation Post System (MOPS). Silergy has also established a special area for shareholders' interaction on its official Chinese and English website ( <a href="http://www.silergy.com">http://www.silergy.com</a> ) to promptly disclose corporate information.  (II) Silergy has appointed personnel in charge of collecting corporate information and disclosure of material events (email: <a href="mailto:IR@silergy.com">IR@silergy.com</a> ). It has also appointed a spokesperson and deputy spokesperson system according to law; while holding investors' conference, information related to the conference is uploaded to the corporate website and the Market Observation Post System(MOPS); the relevant material information is readily available on MOPS.	No major gaps.  No major gaps.
VIII. Has the Company provided important information to enable better understanding of the state of corporate governance (including but not limited to employees' rights, employee care, investor relations, supplier	V		(I) Employees' rights: To safeguard the employees' rights, Silergy has established an employees' manual and corporate welfare policy, clearly stating the employees' rights, obligations, and welfare.  (II) Employee care: Silergy provides	No major gaps.

Item	State of implementation			Departure of such implementation from the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies, and the reason for any such departure
	Yes	No	Summary	
relations, stakeholders' rights, progress of training of directors and supervisors, risk management policy and state of implementing risk impact standards, state of implementing customer policies, and the company's purchase of liability insurance for its directors and supervisors)?			<p>social insurance according to relevant laws of the local government to safeguard employees' interests. Silergy also holds meal gatherings, tours, and other activities every now and then to improve employees' physical and mental well-being.</p> <p>(III) Investor relations, supplier relations, and stakeholder relations: Silergy maintains an open communication channel with its investors, suppliers, and stakeholders to safeguard their legal rights and interests.</p> <p>(IV) Supplier relations: Silergy has maintained a positive relationship with its suppliers.</p> <p>(V) Stakeholder relations: Stakeholders can communicate and make recommendations to Silergy to safeguard their legal rights.</p> <p>(VI) Director's training: Directors of Silergy participate in various professional training courses (Note 2).</p> <p>(VII) Director recusal on conflict of interest: For restrictions and recusals of directors in conflict of interest, Silergy has stipulated clear rules and incorporated the rules in the Board Meeting Rules.</p> <p>(VIII) Risk management policy and risk assessment standards, and implementation thereof: Silergy has established internal control systems (ICS) and internal management rules according to relevant laws, and implemented various risk management and assessment according to relevant systems and rules to reduce and prevent any possible risks.</p> <p>(IX) State of implementation of customer policies: There is a dedicated department to address customer queries and provide channel for complaint.</p> <p>(X) Liability insurance for the directors: Silergy has purchased liability insurance for every director. The status of payment for liability insurance premium for the directors has been reported at the board meeting held on March 19, 2019.</p>	

Item	State of implementation			Departure of such implementation from the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies, and the reason for any such departure
	Yes	No	Summary	

Note 2: 2018 directors' training

Name	Training date	Organizer	Course title	Training hours
Wei Chen	2018.06.11	Taiwan Corporate Governance Association	Analysis of the practices and case studies of corporate mergers	3
			Strategies of Trade Secret Protection	3
Budong You	2018.06.11	Taiwan Corporate Governance Association	Analysis of the practices and case studies of corporate mergers	3
			Strategies of Trade Secret Protection	3
Kwan-chu Yang	2018.06.11	Taiwan Corporate Governance Association	Analysis of the practices and case studies of corporate mergers	3
			Strategies of Trade Secret Protection	3
Jiun-huei Shih	2018.06.11	Taiwan Corporate Governance Association	Analysis of the practices and case studies of corporate mergers	3
			Strategies of Trade Secret Protection	3
Shun-hsiung Ko	2018.06.11	Taiwan Corporate Governance Association	Analysis of the practices and case studies of corporate mergers	3
			Strategies of Trade Secret Protection	3
Yong-Song Tsai	2018.06.11	Taiwan Corporate Governance Association	Analysis of the practices and case studies of corporate mergers	3
			Strategies of Trade Secret Protection	3
Hung-chi Lee	2018.06.11	Taiwan Corporate Governance Association	Analysis of the practices and case studies of corporate mergers	3
			Strategies of Trade Secret Protection	3

IX. Describe improvements made according to the corporate governance assessment made in the latest fiscal year by the Corporate Governance Center of the Taiwan Stock Exchange Corporation (TWSE), and provide priority improvements and measures to be taken for improvements that have yet to be carried out. (not required as the Company is not an assessed company)

1. The company provides the annual report in English version.
2. The Company conducts self-evaluation of the Board of Directors and the preceding rules and evaluation results are disclosed on the Company's website.

(IV) Composition, duties, and operations of the remuneration committee:

To enhance corporate governance and to establish a comprehensive remuneration system for the directors and managerial officers, Silergy has established a remuneration committee on March 29, 2013, and appointed three independent directors to serve as the members of the first committee, with the duration of a service term similar to that of a director on the board of directors.

1. Information on members of the current remuneration committee

March 31, 2019

Identity	Name	Does the individual have more than five years of professional experience and the following qualifications?			Compliant to the requirements of independence (Note)								Number of salary and remuneration committee memberships concurrently held in other public companies End of this section
		Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of a company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Has professional experience necessary for business administration, legal affairs, finance, accounting, or business sector of the company.	1	2	3	4	5	6	7	8	
Independent Director	Yong-Song Tsai	-	-	V	V	V	V	V	V	V	V	V	1
Independent Director	Shun-hsiung Ko	-	V	V	V	V	V	V	V	V	V	V	3
Independent Director	Hung-chi Lee	-	-	V	V	V	V	V	V	V	V	V	0

Note: For any committee member who fulfills the relevant condition(s) 2 years before being elected or during the term of office, please put a "V" sign in the box of the corresponding condition(s).✓

- (1) Not employed by the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or an affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under any other's name, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in shareholding.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds more than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held.
- (6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), or managerial officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliates, or spouse thereof.
- (8) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

2. State of operations of the remuneration committee

- (1) Silergy has a remuneration committee composed of three members.
- (2) Term of current committee members: From June 2, 2016 to June 1, 2019, the remuneration committee has convened two meetings in 2018. The following outlines the qualifications of the committee members and their attendance:

Title	Name	Actual attendance	Proxy presence	Actual attendance rate (%)	Notes
Convener	Yong-Song Tsai	3	0	100	
Committee member	Shun-hsiung Ko	3	0	100	
Committee member	Hung-chi Lee	2	1	67	

Other items that shall be recorded:

1. The duty of the Company's remuneration committee is to professionally and objectively evaluate the remuneration policy and system for the Company's directors and managerial officers, and make recommendations to the board of directors, to be used as reference for their decision making. The scope of duties include regular review of the Company's Remuneration Committee Charter and propose amendment recommendations, establish and conduct review on performance evaluation standards of the Company's directors, supervisors and managerial officers, set annual and long-term performance targets, establish remuneration policies, system, standard and structure, regularly evaluate the performance target achievement of the Company's directors, supervisors and managerial, and set the individual's remuneration content and quantity based on the results from the performance evaluation standards.
2. The Company has conducted three remuneration committee meetings in 2018 to discuss director's remuneration, managerial officer's assignment and remuneration, and managerial officer's annual remuneration, and review proposals such as the Company's "Remuneration Committee Charter" and Employee Equity Incentive Plan, which were approved by the attending committee members and submitted to the board of directors for discussion.
3. If the board of directors chooses not to adopt or revise the recommendations proposed by the remuneration committee, the date of the board meeting, session, contents discussed, results of board resolutions, and how the Company handle the opinions of the remuneration committee shall be described in detail: No such incident.
4. Where resolutions of the remuneration committee include dissenting or qualified opinion which is on record or stated in a written statement, the date of remuneration committee meeting, session, contents discussed, opinions from every member, and how the members' opinions are handled, shall be described in detail: No such incident.

(V) Fulfillment of social responsibilities

Assessed items	State of implementation			Gaps in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root
	Yes	No	Summary	
<p>I. Implementation of corporate governance</p> <p>(I) Has the company set out corporate social responsibility (CSR) policies and systems and reviewed the effectiveness of CSR actions?</p> <p>(II) Has the Company provided regular training on CSR topics?</p> <p>(III) Has the Company established an exclusively (or concurrently) dedicated unit for promoting CSR? Has the unit empowered the board of directors to implement CSR activities at upper management levels? Does the unit report the progress of such activities to the board of directors?</p> <p>(IV) Has the company established a relevant remuneration policy and combined its employee performance assessment system with CSR policies? Has the company established a clear reward and penalty system?</p>		<p>V</p> <p>V</p> <p>V</p> <p>V</p>	<p>(I) Silergy has established “Ethical Behavior Standards,” but has yet to put in place a CSR policy or system. However, to uphold social responsibility, Silergy is involved in non-periodic CSR activities such as environmental protection, social contribution, social service, social charity, consumer rights and interests, human rights, and safety and health.</p> <p>(II) Silergy has yet to implement regular CSR training, and will provide training according to future needs.</p> <p>(III) Silergy has yet to establish any exclusively (or concurrently) responsible unit for handling CSR activities. However, employees of Silergy often focus on upholding CSR principles during regular business operations within the scope of their work.</p> <p>(IV) Silergy has established a reasonable remuneration policy and stipulated an Employee Reward and Penalty Management Regulations by complying with relevant laws and referring to salary standards in the industry. In the future, Silergy shall combine employee performance assessment system with CSR policies as required.</p>	<p>No major gaps.</p> <p>No major gaps.</p> <p>No major gaps.</p> <p>No major gaps.</p>
<p>II. Developing a sustainable environment</p> <p>(I) Is the Company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact?</p> <p>(II) Has the Company referred to the nature of its industry to establish a suitable environment management system (EMS)?</p> <p>(III) Is the Company concerned with changes to the global climate and how it may affect business activities? Has the Company implemented greenhouse gas (GHG) inventory checks and developed strategies for reducing</p>	<p>V</p> <p>V</p> <p>V</p>	<p>(I)</p> <p>(II)</p> <p>(III)</p>	<p>Silergy continues to improve utilization of various resources as well as recycling and re-use of various raw materials.</p> <p>Since its founding, Silergy has appointed exclusively responsible personnel in charge of various environmental protection measures in accordance with relevant laws to protect the environment.</p> <p>Silergy continues to support energy saving and carbon reduction policies, promoting turning off of lights when leaving a room and controlling air conditioner temperatures. Silergy also enhances energy saving and carbon-reduction management</p>	<p>No major gaps.</p> <p>No major gaps.</p> <p>No major gaps.</p>

Assessed items	State of implementation			Gaps in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root
	Yes	No	Summary	
energy consumption, carbon emissions, and greenhouse gas production?			measures during production processes to meet relevant environmental protection laws.	
III. Sustaining community services				
(I) Has the Company referred to relevant laws and international human rights instruments to develop relevant management policies and procedures?	V		(I) Silergy refers to relevant labor laws to stipulate HR management rules, employee rules of work, and various management systems to safeguard the employee's legal rights.	No major gaps.
(II) Has the Company established employee appeal system and channels, and are employee appeals handled appropriately?	V		(II) Silergy has stipulated the Procedures and Implementation Guidelines for Best Practice Principles for Ethical Corporate Management, Ethical Behavior Standards, Performance Evaluation Management Regulations, Employee Reward and Penalty Management Regulations, and other relevant management regulations, establishing employee appeal systems and channels and to handle the appeals appropriately.	No major gaps.
(III) Has the Company provided employees with safe and healthy work environment as well as conducted regular classes on health and safety?	V		(III) Silergy provides employees with a comfortable, safe, and healthy work environment, and arranges regular health checkups to care for their safety and health.	No major gaps.
(IV) Has the Company established a system to regularly communicate with its employees, and used appropriate means to notify them of operation changes that may result in material impacts?	V		(IV) Silergy regularly convenes employee meetings to establish an employees' communication channel and to communicate important business and operational information to all employees.	No major gaps.
(V) Has the Company established effective career and competence development and training plans?	V		(V) Silergy provides an excellent career building environment for the employees and established an effective career and competence development and training program.	No major gaps.
(VI) Has the Company formulated policies and systems of appeal for consumer rights for research and development, purchase, production, operations, and services?	V		(VI) The business departments of Silergy are responsible for handling customer complaints or product returns and to compile relevant issues which were then referred to the quality assurance department or relevant units for redress.	No major gaps.
(VII) Is the Company compliant with relevant laws and international laws governing the marketing and labeling of its products and services?	V		(VII) Product marketing and labeling in Silergy are compliant with relevant laws and international standards.	No major gaps.
(VIII) Has the Company assessed any record of a supplier's impact on the environment and society before engaging in commercial dealings with the said supplier?		V	(VIII) Silergy assesses various areas, including impacts on the environment and society, of a potential supplier before engaging in commercial dealings with suppliers.	No major gaps.
(IX) Do contracts between the Company and its major suppliers include terms where the	V		(IX) Contracts between Silergy and its major suppliers have yet to include terms allowing Silergy to terminate	No major gaps.

Assessed items	State of implementation			Gaps in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root
	Yes	No	Summary	
Company may terminate or rescind the contract at any time if the said supplier has violated the Company's corporate social responsibility policy and have caused significant impact on the environment and society?			or rescind the contract at any time if the said supplier has violated Silergy's CSR policy or caused significant impact on the environment and society. Contractual terms will be altered as required in the future.	
IV. Enhance information disclosure Does the Company disclose relevant and reliable information relating to CSR on its official website or the Market Observation Post System (MOPS)?		V	Silergy discloses information related to corporate operations and other material information on the Market Observation Post System (MOPS) in accordance with the relevant laws and regulations. Silergy is yet to provide CSR related information on its official website.	No major gaps.
V. Where the Company has stipulated its own Best Practices on CSR according to the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies, please describe any gaps between the prescribed best practices and actual activities undertaken by the Company: Silergy has yet to formulate a CSR best practice principles or system. However, to uphold social responsibility, Silergy undertakes CSR activities relating to environmental protection, social contributions, social services, social charity, consumer equity, human rights, and safety and health in a non-periodic manner.				
VI. Any important information useful for understanding the state of CSR operations: None.				
VII. Any review of standards of CSR certification bodies that the Company's CSR report has been certified for it to be described: None.				

(VI) Compliance with ethical corporate management and measures implemented:

Assessed items	State of implementation			Gaps in Ethical Corporate Management Best Practice Principles for TWSE/TPEX- Listed Companies, and the reasons for the shortcomings
	Yes	No	Summary	
I. Formulation of policies and plans for ethical corporate management (I) Has the Company clearly indicated policies and activities related to ethical corporate management in its bylaws and external documents, and are the company's directors and management actively fulfilling their commitment to corporate policies?	V		(I) Silergy has developed Procedures and Guidelines for the Implementation of Ethical Management Best Practice Principles, specifying that when engaging in commercial activities, directors, managers, employees, or persons having substantial control of Silergy shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty to acquire or receive benefits.	No major gaps.
(II) Has the Company developed a plan to forestall unethical conduct? Has the Company clearly prescribed procedures, best practices, and disciplinary	V		(II) Silergy has formulated Procedures and Guidelines for the Implementation of Ethical Management Best Practice Principles outlining corporate	No major gaps.

Assessed items	State of implementation			Gaps in Ethical Corporate Management Best Practice Principles for TWSE/TPEX- Listed Companies, and the reasons for the shortcomings
	Yes	No	Summary	
<p>and appeal systems for violations in the said plan? Has the plan been implemented accordingly?</p> <p>(III) Has the Company put in place preventive measures for the items prescribed in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies or business activities with a higher risk of being involved in an unethical conduct in the Company's scope of business?</p>	V		<p>operations and procedures, guide relevant activities, and establish a whistle-blowing and deterrence system. Silergy also communicates in a non-periodic manner, the importance of ethical behaviors to its internal employees.</p> <p>(III) Silergy has put in place Procedures and Guidelines for the Implementation of Ethical Management Best Practice Principles to increase measures to prevent the use or receiving of bribes, making illegal political contributions, and other illegal activities in business activities with a higher potential risk for unethical behavior.</p>	No major gaps.
<p>II. Implementing ethical corporate management</p> <p>(I) Has the Company evaluated ethical records of its counterparty? Does the contract signed by the Company and its trading counterparty clearly provide terms on ethical conduct?</p> <p>(II) Has the Company established an exclusively (or concurrently) dedicated unit for promoting ethical corporate management that answer to the board of directors? Does the said unit regularly report to the board of directors on the state of its activities?</p> <p>(III) Has the Company established policies preventing conflict of interest, provided proper channels of appeal, and enforced these policies and opened channels accordingly?</p> <p>(IV) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate management? Are regular audits carried out by the company's internal audit unit or commissioned to a CPA?</p>	V	V	<p>(I) Silergy personnel avoid commercial dealings with unethical suppliers, customers, or other trading counterparties. Once unethical conduct is identified, Silergy will immediately suspend all dealings and blacklist the said supplier, customer, or other trading counterparties to uphold ethical management practices of Silergy.</p> <p>(II) Silergy has yet to establish an exclusively (or concurrently) dedicated unit for promoting ethical corporate management principles, and will establish a unit as required in the future and report its activities to the board of directors accordingly.</p> <p>(III) When Silergy personnel discover conflict of interest during the course of business, the conflict has to be reported to a direct supervisor, who will provide appropriate guidance.</p> <p>(IV) The management of Silergy has established an effective accounting system and internal control system (ICS). The internal audit unit audits the state of compliance according to an annual audit plan.</p>	<p>No major gaps.</p> <p>No major gaps.</p> <p>No major gaps.</p> <p>No major gaps.</p>

Assessed items	State of implementation			Gaps in Ethical Corporate Management Best Practice Principles for TWSE/TPEX- Listed Companies, and the reasons for the shortcomings
	Yes	No	Summary	
(V) Does the Company regularly organize internal and external training for ethical corporate management?		V	(V) Silergy promotes the principles of ethical corporate management in a non-periodic manner during various meetings. In the future, Silergy will assess the actual needs and determine whether to organize regular training on ethical corporate management.	No major gaps.
III. Status of enforcing whistle-blowing systems in the Company				
(I) Has the Company established concrete whistle-blowing and rewarding systems and accessible whistle-blowing channels? Does the Company assign a suitable and dedicated individual for the case being exposed by the whistle-blower?	V		(I) Silergy has established Procedures and Implementation Guidelines Best Practice Principles for Ethical Corporate Management, Ethical Behavior Standards, Performance Evaluation Management Regulations, Employee Reward and Penalty Management Regulations, and other relevant management regulations, set up employee appeal systems and channels, and will appoint suitable and dedicated personnel for the matter reported.	No major gaps.
(II) Has the Company stipulated standard operating procedures (SOP) and relevant systems of confidentiality for investigating the case being exposed by the whistle-blower?	V		(II) To encourage employees to report violations, Silergy has in accordance with relevant regulations, make employees aware that the Company will protect the identity of the whistle-blower and maintain confidentiality.	No major gaps.
(II) Has the Company adopted protection against inappropriate disciplinary action for the whistle-blower?	V		(III) Silergy will ensure the confidentiality of the whistle-blowers and has a duty to protect them from inappropriate disciplinary actions for reporting the matter.	No major gaps.
IV. Enhance information disclosure Has the Company disclosed the content of its best practices on ethical corporate management and the effectiveness of its activities on its official website or Market Observation Post System (MOPS)?		V	Silergy has formulated Procedures and Guidelines for the Implementation of Ethical Management Best Practice Principles, and will disclose the content as well as the outcome of implementing such principles on its official website and on Market Observation Post System (MOPS).	No major gaps.
V. Where the Company has formulated its own best practices on ethical corporate management according to the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies", please describe any gaps between the prescribed best practices and actual action taken by the Company: Silergy has established the Procedures and Guidelines for the Implementation of Ethical Management Best Practice Principles and upholds the principles of social responsibility in accordance with the principles of sustainable business management, and has established good management system and risk control system. When engaging in business activities, personnel of Silergy are required to uphold the principles of fairness, integrity, trust, and transparency to uphold ethical				

Assessed items	State of implementation		Summary	Gaps in Ethical Corporate Management Best Practice Principles for TWSE/TPEX- Listed Companies, and the reasons for the shortcomings
	Yes	No		
corporate management principles, and actively prevent unethical conduct.				
VI. Any important information useful for understanding the state of ethical corporate management: None.				

- (VII) Means for reviewing corporate governance best practice principles and relevant regulations: Silergy has yet to formulate corporate governance best practice principles or relevant regulations. Silergy has, however, formulated "Regulations for Shareholders' Meetings", "Regulations for Election of Directors and Independent Directors", and "Audit Committee Charter", and operate and execute regulations relating corporate governance in line with the spirit of corporate governance. Silergy will revise relevant management regulations, enforce information transparency, and enhance the functions of the board of directors to promote corporate governance.
- (VIII) Other important information to better understand the state of implementation of corporate governance: None.

(IX) Implementation of internal control system

1. Statement of Internal Control System

**Silergy Corp.**

Statement of Internal Control System

Date: March 19, 2019

Silergy makes the following statement based on the self-evaluation of its internal control system in 2018:

- I. Silergy fully understands that the establishment, implementation, and maintenance of internal control system (ICS) are the responsibilities of Silergy's board of directors and managerial officers, and have established the said system accordingly. The objectives of ICS include achieving various objectives in business benefits and efficiency (including profitability, performance, and protection of assets and safety), ensuring reliability, timeliness, transparency, and regulatory compliance of reporting, and providing reasonable assurance.
- II. All ICS are bound by natural limitations and regardless of the robustness of designs, effective ICS can only provide reasonable assurance for the three objectives listed above. Efficacy of the ICS will also change with the changing environment or context. However, Silergy's ICS has self-monitoring systems, allowing Silergy to promptly initiate corrective actions for any defects detected.
- III. Silergy will refer to the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "ICS Regulations") to identify assessment items for determining the effectiveness of ICS as well as the performance of design and implementation of the system. The ICS is divided into five key components according to the process of management control to generate ICS assessment items used by the ICS Regulations, namely:
  1. control environment,
  2. risk assessment,
  3. control activities,
  4. information and communication, and
  5. monitoring activities.Each key component also includes a number of sub-items. For the aforementioned items, please refer to the provisions in the ICS Regulations.
- IV. Silergy has adopted the aforementioned ICS assessment items to evaluate the effectiveness of ICS design and implementation.
- V. Based on the above assessment results, it is determined that the Company's internal control system (include monitoring and management of subsidiaries) as at December 31, 2018, is effectively designed and implemented, and can reasonably ensure that: it understand the degree of achievement of operational effectiveness and efficiency objectives; the reporting is reliable, timely, transparent, and complies with applicable rules; and the applicable laws, regulations, and bylaws have been complied with.
- VI. For public announcements and declarations required of a listed company, Silergy has referred to Article 28 of the ICS Regulations and commissioned a certified public accountant to review on the internal control system related to the reliability of the external financial reports for the aforementioned periods and protection of assets security (ensuring that the asset is not acquired, used, or disposed of without authorization). As described in the previous paragraphs, the design and implementation of the ICS are considered effective, and there is no major defect related to the records, disposition, compilation, and report reliability of financial information, nor any major defect for the protection of asset security concerning unauthorized acquisition, use, or disposition of the asset.
- VII. This Statement shall be a major content of Silergy's annual report and prospectus, and shall be publicly disclosed. Where any of the disclosed content contains any illegal acts such as misrepresentation or nondisclosures, Silergy shall be subject to legal responsibilities provided in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VIII. We hereby declare that this Statement has been approved by the board of directors on March 19, 2019. Amongst the seven directors present at the meeting, none had dissenting views, and all have all agreed with the content of this Statement.

Silergy Corp.

Chairman: Wei Chen

General manager: Budong You

2. CPA's audit report:

Review Report on the Internal Control System

Attached is the statement issued by Silergy Corp. on March 19, 2019, which upon evaluation, to be relevant to its internal control over financial reporting and safeguarding of assets, that the design and implementation from January 1 to December 31, 2017, are effective in all material respects, which has been reviewed by our certified public accountants. Maintaining an effective internal control system and evaluating its effectiveness is the responsibility of the Company's management. The responsibility of our CPA is to express an opinion on the effectiveness of the Company's internal control system based on the review results, and its statement on internal control system.

Our CPA plan and perform the review in accordance with "Regulations Governing Establishment of Internal Control Systems by Public Companies" and Generally Accepted Auditing Standards (GAAS), to obtain reasonable assurance on whether effective internal control was maintained in all material respects. Our review include obtaining an understanding of the Company's internal control system, evaluating the process of the management in evaluating the efficacy of all internal control systems, testing and evaluating the design and operating effectiveness of internal control, and performing other review procedures as our CPA considered necessary. Our CPA believe that this review provides a reasonable basis for our opinion.

Any internal control system has inherent limitations. Hence, the aforementioned Silergy Corp.'s internal control system may not prevent or detect error or fraud that has occurred. In addition, future environment may change, and compliance to the internal control system may also decrease; hence, a current effective internal control system may not be as effective in the future too.

Our CPAs are of the opinion that, based on the assessment items for effective internal control system in accordancwe with “Regulations Governing Establishment of Internal Control Systems by Public Companies”, Silergy Corp. maintained, in all material respects, effective internal control over financial reporting and safeguarding of assets, from January 1 to December 31, 2018, in terms of design and implementation. After evaluation, the statement which the Company issued on March 8, 2018, concluding that the design and implementation of the Company's internal control system relating to financial reporting and safeguarding of assets are effective in all material respects, is a fair presentation.

Deloitte Taiwan  
CPA Tzu-Jung Kuo

CPA Cheng-Chun Chiu

March 19, 2019

(X) The disciplines towards the internal personal of the Company in compliance with rules and the internal personal in violation of internal rules, the related major deficiency and the improvement of the most recent fiscal year up to the publication date of this report: None.

(XI) Major resolutions of shareholders meeting and meeting of the board of directors of the most recent fiscal year up to the publication date of this report

1. Major resolutions of 2018 annual general meeting and state of implementation

\* 2017 Business Report and Consolidated Financial Statements

Resolution and state of implementation: Passed.

\* 2017 Profit Distribution Proposal

Resolution and state of implementation: Resolved to issue cash dividends of NT\$526,395,672 for common shares on July 27, 2018.

\* Revision of the Articles of Incorporation

Resolution and state of implementation: Passed. The Articles are disclosed on Silergy's official website and enforced according to the revised procedures.

\* Issuance of new restricted employee shares

Resolution and state of implementation: Passed, and entered into force on June 22, 2018, in accordance with the Financial Supervisory Commission Official Letter Jin-Guan-Zheng-Fa-Zi No. 10703228041. The shares may be distributed in one installment or in several within a period of one year starting from the date of receipt of the notice informing formal activation of the declaration.

2. Major board meeting resolutions

Meeting Date	Major resolution
March 19, 2019	(I) 2018 Statement of Internal Control System
	(II) 2018 Review on the independence and performance evaluation of the certified public accountants
	(III) Appoint certified public accountant to review on 2019 internal control system
	(IV) New shares issued in line with the exercise of employee share subscription warrants and conversion of overseas convertible corporate bonds
	(V) 2018 Consolidated Financial Statements
	(VI) 2018 Business Report
	(VII) 2018 Profit Distribution Proposal
	(VIII) Revision of the Articles of Incorporation
	(IX) Revision of the Procedures for the Acquisition and Disposal of Assets
	(X) Issuance of employee share subscription warrants
	(XI) Issuance of new restricted employee shares
	(XII) Election of directors
	(XIII) Releasing directors non-competition restrictions
	(XIV) Setting of agenda for 2019 annual shareholders' meeting
	(XV) 2018 employees' compensation and directors' remuneration
	(XVI) 2018 managerial officers' performance evaluation, bonus and 2019 remuneration adjustment
	(XVII) 2018 list of employees granted third issuance of new restricted employee shares
	(XVIII) 2018 list of employees granted third issuance of employee share subscription warrants

Meeting Date	Major resolution
December 20, 2018	(I) 2019 operating budget (II) Capital increase of subsidiary Silergy Semiconductor (SAMOA) Limited (III) 2019 audit fees for certified public accountants
November 13, 2018	(I) New shares issued in line with the exercise of employee share subscription warrants and conversion of overseas convertible corporate bonds (II) Established the Company's 2019 audit plan (III) For vested conditions not met, new restricted employee shares to be returned and cancelled, and capital reduction to be carried out (IV) Silergy Corp. intends to open an OBU account at Citibank Taiwan (hereafter referred to as "Citibank") and authorize the chairman to represent the Company in handling the account opening matters and sign the relevant documents (V) Silergy Corp. intends to apply for loan from Citibank Taiwan (hereafter referred to as "Citibank") and authorize the chairman to represent the Company in handling the loan matters and sign the relevant documents (VI) Chairman's remuneration (VII) Managerial officer's assignment and remuneration (VIII) 2018 list of employees granted second issuance of new restricted employee shares (IX) 2018 list of employees granted second issuance of employee share subscription warrants
August 13, 2018	(I) New shares issued in line with the exercise of employee share subscription warrants and conversion of overseas convertible corporate bonds (II) Amendment of "2018 rules for issuance of new restricted employee shares" (III) 2018 list of employees granted first issuance of new restricted employee shares (IV) 2018 list of employees granted first issuance of employee share subscription warrants (V) Managerial officers proposal
July 27, 2018	The Company intends to invest in Silicon Micro Technology L.P.
May 11, 2018	(I) Issuance of new shares in line with the Company's employee share subscription warrants (II) Review of shareholders' proposals for 2018 annual shareholder meeting (III) Capital increase of subsidiaries Shanghai Pengxi Semiconductor Technology Limited and Chengdu Silergy Semiconductor Technology (IV) Investment by subsidiary Silergy Semiconductor Technology (Hangzhou) Co., Ltd on Ningbo Anchuang Growth Equity Investment Partnership (V) 2017 list of employees granted fifth issuance of new restricted employee shares (VI) 2017 list of employees granted fifth issuance of employee share subscription warrants
March 20, 2018	(I) New shares issued in line with the exercise of employee share subscription warrants and conversion of overseas convertible corporate bonds (II) 2017 Consolidated Financial Statements (III) 2017 Business Report (IV) 2017 Employees and Directors Remuneration (V) 2017 Profit Distribution Proposal (VI) 2017 Statement of Internal Control System (VII) Revision of the Articles of Incorporation

Meeting Date	Major resolution
	(VIII) Issuance of employee share subscription warrants (IX) Issuance of new restricted employee shares (X) Setting of agenda for 2018 annual shareholders' meeting (XI) 2017 Performance assessment and evaluation review on the independence and suitability of the certified public accountants (XII) Replacement of the certified public accountant (XIII) Appointment of certified public accountant to review the 2018 internal control system (XIV) Revision of the Company's "Remuneration Committee Charter" (XV) Managerial officer's 2017 bonus and 2018 remuneration adjustment (XVI) 2017 list of employees granted fourth issuance of new restricted employee equities (XVII) 2017 list of employees granted fourth issuance of employee share subscription warrants
January 26, 2018	(I) 2018 operating budget (II) Investment in Nanjing Bolande Electronic Technology Co., Ltd. by Silergy Semiconductor Technology (Hangzhou) Co., Ltd (III) Purchase of real estate by subsidiary Xian Silergy Semiconductor Technology (IV) Provision of security deposits for Xian Silergy by Silergy Semiconductor Technology (Hangzhou) Co., Ltd (V) Capital increase of subsidiary Xian Silergy Semiconductor Technology (VI) Establishment of Korean subsidiary by Silergy Semiconductor (Samoa) Limited (VII) Deregistration of the Company's Korean office (VIII) 2018 audit fees for certified public accountants (IX) Revision of "Regulations for Assessment and Performance Evaluation of Certified Public Accountants" and "Regulations for Board Performance Evaluation". (X) 2017 list of employees granted third issuance of new restricted employee shares (XI) 2017 list of employees granted third issuance of employee share subscription warrants

(XII) Major content of any dissenting opinions on entry or stated in a written statement made by directors or supervisors regarding key resolutions of board meetings during the past fiscal year up to the publication date of this report: None.

(XIII) Any resignation or dismissal of company personnel related to the financial report in the most recent fiscal year up to the publication date of this report: None.

## V. Audit fee information

### (I) Fee information

Unit: NT\$ thousand

Name of accounting firm	Name of CPA	Audit fee	Non-audit charge					Auditing period	Notes
			System design	Business registration	Human resource	Others	Subtotal		
Deloitte Taiwan	Tzu-Jung Kuo	6,470	-	-	-	-	-	2018.01.01~ 2018.12.31	-
	Cheng-Chun Chiu								

1. When non-audit fees paid to the CPA, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: not applicable.
2. When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: not applicable.
3. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15% or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: not applicable.

(II) The professional fees for auditing services referred to in the preceding item means the professional fees paid by the company to a certified public accountant for auditing and review of financial reports and tax certification.

## VI. Replacement of certified public accountants:

### (I) Information on the previous certified public accountants

Date of replacement	March 20, 2018		
Cause and details of the replacement	Internal change of the accounting firm. CPA Ming-Yen Chien and CPA Cheng-Chun Chiu were replaced by CPA Tzu-Jung Kuo and CPA Cheng-Chun Chiu.		
Any details for the termination or rejection of the commissioner or CPA	Situation	Party	Commissioner
	Active termination of the commission		
	Rejection of (continuing) commission	V	
Opinion and reasons for audit report issued during the two past fiscal years containing an observation other than unqualified ones	Not applicable		
Any disagreement with the issuer	Yes		Accounting principles or practices
			Disclosure of financial reports
			Scope or procedure of audits
			Others
	None	V	
	Description		
Other items to be disclosed (items that shall be disclosed as prescribed by Article 10 Subparagraph 6 Item 1-4 to 1-7 of these standards)	Not applicable		

### (II) About the successor independent auditor

Name of the accounting firm	Deloitte Taiwan
Name of certified public accountant	CPA Tzu-Jung Kuo and CPA Cheng-Chun Chiu
Date of commissioning	March 20, 2018
Accounting treatment or accounting principle for specific transactions as well as consultation items and results on audit assessment on the financial report prior to formal engagement	Not applicable
Written views on disagreements between the successor and former independent auditors	Not applicable

(III) Response of the former independent auditors regarding Article 10, Subparagraph 6, Items 1 and 2-3 of these standards: Not applicable.

**VII. Company's chairman, general manager, or any managerial officer in charge of finance or accounting matters who has, during the past year, held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: None.**

**VIII. Equity transfer or changes to equity pledge of a director, managerial officer, or shareholder with a stake of more than 10% during the most recent fiscal year and up to the date of publication of the annual report**

(I) Changes to the equity of directors, supervisors, managerial officers, and major shareholders

Unit: Thousand shares

Title	Name	2018		2019 till March 31	
		Number of shares held Addition (reduction)	shares pledged Addition (reduction)	Number of shares held Addition (reduction)	shares pledged Addition (reduction)
Chairman and General Manager	Wei Chen	109	1,480	-	-
Director and Chief Technology Officer	Budong You	17	-	-	200
Director	Kwan-chu Yang	-	-	-	-
Director	Jiun-huei Shih	-	-	-	-
Independent director	Shun-hsiung Ko	-	-	-	-
Independent director	Yong-Song Tsai	-	-	-	-
Independent director	Hung-chi Lee	-	-	-	-
Vice President of Engineering	Michael Grimm	272	-	(64)	-
Executive Design Director	Jaime Tseng	(200)	-	37	-
Vice President of Asia Region	Chih-chung Lu	-	-	15	-
Chief Financial Officer	Kuan-cheng Pan	(61)	-	(9)	-

(II) Where the counterparty of equity transfer is a related party: None.

(III) Where the counterparty of equity pledge is a related party: None.

**IX. Relationship information, if among the 10 largest shareholders any one is a related party of another**

April 15, 2019, Unit: thousand shares; %

Name	Shares held by the person Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Title or name and relationships of the 10 largest shareholders where they are related parties, spouses, or relatives within the second degree of kinship		Notes
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relations	
Wei Chen.	7,168	7.93	-	-	-	-	-	-	-
Budong You.	3,687	4.08	-	-	-	-	-	-	-
Magical Square Limited.	2,875	3.18	-	-	-	-	-	-	-
Yu Tzu Ming	165	0.18	-	-	-	-	-	-	-
JPMorgan Chase Bank N.A. Taipei Branch in custody for T. Rowe Price International Discovery Fund	2,857	3.16	-	-	-	-	-	-	-
National Westminster Bank Plc as Trustee of St. James's Place Emerging Markets Equity Unit Trust - Wasatch Advisors Inc. as external fund manager	2,493	2.76	-	-	-	-	-	-	-
Shanghai Walden Venture Capital Enterprise LIP-BU TAN	2,062	2.28	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Fubon Life Insurance Co., Ltd.	2,030	2.24	-	-	-	-	-	-	-
Tsai Ming Hsing	-	-	-	-	-	-	-	-	-
Michael Grimm	2,007	2.22	-	-	-	-	-	-	-
JPMorgan Chase Bank N.A. Taipei Branch in custody for JPMorgan Funds	1,866	2.06	-	-	-	-	-	-	-
Jaime Tseng	1,818	2.01	-	-	-	-	-	-	-

**X. The total number of shares held in any single enterprise by the Company, its directors and managerial officers, and any companies controlled either directly or indirectly by the Company**

December 31, 2018, Unit: thousand shares; %

Other companies in which Silergy has invested (Note)	Investments by Silergy		Investments by the directors, supervisors, managerial officers, and companies directly or indirectly controlled by the Company		Total investments	
	Shares	%	Shares	%	Shares	%
HF SMAT Microtech	-	35.12%	-	-	-	35.12%

Note: Long-term investments made by Silergy using the equity method.

## Chapter IV Capital raising activities

### I. Capital and shares

#### (I) Source of shares

Units: Thousand shares; NT\$

Year and month	Issued price (NT\$)	Authorized stock		Paid-in capital		Source of shares	Notes	
		Shares	Amount	Shares	Value in US\$		Equity contributions made in the form of assets other than cash	Par value per share (US\$)
2008.02	US\$1	25,000	5,000	0.1	0.02	Capital stock at establishment	-	US\$0.0002
2008.06	US\$0.0003	25,000	5,000	7,722	1,544.40	Cash capital increase	-	US\$0.0002
2008.12	US\$0.0003	25,000	5,000	7,924	1,584.80	Cash capital increase	-	US\$0.0002
2009.04	US\$0.0003	25,000	5,000	8,109	1,621.80	Cash capital increase	-	US\$0.0002
2009.11	US\$0.0003	25,000	5,000	8,149	1,629.80	Cash capital increase	-	US\$0.0002
2010.03	US\$0.0500	25,000	5,000	8,357	1,671.47	Exercising of employee stock options	-	US\$0.0002
2011.02	US\$0.0500	50,000	10,000	8,421	1,684.30	Exercising of employee stock options	-	US\$0.0002
2011.03	US\$0.0003	50,000	10,000	8,428	1,685.63	Exercising of employee stock options	-	US\$0.0002
2011.03	US\$0.0003	50,000	10,000	10,360	2,072.00	Cash capital increase	-	US\$0.0002
2011.12	US\$0.4000	50,000	10,000	10,380	2,076.00	Exercising of employee stock options	-	US\$0.0002
2012.03	US\$0.0000	50,000	10,000	13,763	2,752.60	Exercising of employee stock options	-	US\$0.0002
2012.03	US\$0.2300	50,000	10,000	13,770	2,754.10	Exercising of employee stock options	-	US\$0.0002
2012.07	US\$0.4000	50,000	10,000	13,830	2,766.10	Exercising of employee stock options	-	US\$0.0002
2012.10	US\$2.2000	50,000	10,000	14,785	2,957.00	Cash capital increase	-	US\$0.0002
Restricted stock								
2008.06	US\$0.0003	25,000	5,000	300	60	Cash capital increase	-	US\$0.0002
Class A convertible preferred stock								
2008.05	US\$0.5000	15,000	45,000	9,900	29,700.00	Issuance of Class A convertible preferred stock	-	US\$0.0030
Class B convertible preferred stock								
2010.03	US\$1.5000	30,000	90,000	3,864	11,591.00	Issuance of Class B convertible preferred stock	-	US\$0.0030
Class C convertible preferred stock								
2011.12	US\$2.2000	30,000	90,000	6,818	20,454.55	Issuance of Class C convertible preferred stock	-	US\$0.0030

Convert par value to NT\$10								
Year and month	Par value per share (US\$)	Authorized stock		Paid-in capital		Notes		
		Shares	Amount	Shares	Amount	Source of shares	Equity contributions made in the form of assets other than cash	Par value per share (US\$)
2012.12	NT\$10	100,000	1,000,000,000	54,000	540,000,000	-	-	NT\$10
2013.03	NT\$10	100,000	1,000,000,000	54,363	543,633,600	Cash capital increase	-	NT\$10
2013.04	NT\$10	100,000	1,000,000,000	54,901	549,007,970	Cash capital increase	-	NT\$10
2013.05	NT\$10	100,000	1,000,000,000	55,007	550,067,770	Exercising of employee stock options	-	NT\$10
2013.05	NT\$10	100,000	1,000,000,000	55,060	550,597,670	Exercising of employee stock options	-	NT\$10
2013.10	NT\$10	100,000	1,000,000,000	55,599	555,992,570	Exercising of employee stock options	-	NT\$10
2013.12	NT\$10	100,000	1,000,000,000	63,040	630,402,570	Listed underwriting of cash capital increase	-	NT\$10
2014.07	NT\$10	200,000	2,000,000,000	63,563	635,634,440	Exercising of employee stock options	-	NT\$10
2014.07	NT\$10	200,000	2,000,000,000	76,171	761,714,950	Recapitalization of retained earnings	-	NT\$10
2014.11	NT\$10	200,000	2,000,000,000	76,763	767,629,950	Issuance of new restricted employee shares	-	NT\$10
2014.12	NT\$10	200,000	2,000,000,000	77,271	772,714,950	Issuance of new restricted employee shares	-	NT\$10
2014.12	NT\$10	200,000	2,000,000,000	77,395	773,950,370	Exercising of employee stock options	-	NT\$10
2015.03	NT\$10	200,000	2,000,000,000	77,622	776,217,620	Exercising of employee stock options	-	NT\$10
2015.04	NT\$10	200,000	2,000,000,000	77,828	778,284,880	Exercising of employee stock options	-	NT\$10
2015.07	NT\$10	200,000	2,000,000,000	77,987	779,870,580	Exercising of employee stock options	-	NT\$10
2015.08	NT\$10	200,000	2,000,000,000	78,130	781,302,080	Issuance of new restricted employee shares	-	NT\$10
2015.11	NT\$10	200,000	2,000,000,000	78,175	781,752,080	Issuance of new restricted employee shares	-	NT\$10
2015.12	NT\$10	200,000	2,000,000,000	78,221	782,205,670	Exercising of employee stock options	-	NT\$10
2016.03	NT\$10	200,000	2,000,000,000	78,301	783,013,060	Exercising of employee stock options	-	NT\$10
2016.04	NT\$10	200,000	2,000,000,000	78,363	783,631,560	Issuance of new restricted employee shares	-	NT\$10
2016.06	NT\$10	200,000	2,000,000,000	78,399	783,994,420	Exercising of employee stock options	-	NT\$10
2016.08	NT\$10	200,000	2,000,000,000	78,569	785,693,920	Issuance of new restricted employee shares	-	NT\$10
2016.09	NT\$10	200,000	2,000,000,000	78,897	788,967,020	Exercising of employee stock options	-	NT\$10
2016.09	NT\$10	200,000	2,000,000,000	81,256	812,557,610	ECB conversion	-	NT\$10
2016.12	NT\$10	200,000	2,000,000,000	83,897	838,972,860	ECB conversion	-	NT\$10

Convert par value to NT\$10								
Year and month	Par value per share (US\$)	Authorized stock		Paid-in capital		Notes		
		Shares	Amount	Shares	Amount	Source of shares	Equity contributions made in the form of assets other than cash	Par value per share (US\$)
2016.12	NT\$10	200,000	2,000,000,000	83,941	839,413,570	Exercising of employee stock options	-	NT\$10
2016.12	NT\$10	200,000	2,000,000,000	84,023	840,231,570	Issuance of new restricted employee shares	-	NT\$10
2017.01	NT\$10	200,000	2,000,000,000	84,161	841,605,160	Exercising of employee stock options	-	NT\$10
2017.03	NT\$10	200,000	2,000,000,000	85,985	859,851,600	ECB conversion	-	NT\$10
2017.06	NT\$10	200,000	2,000,000,000	86,023	860,233,320	ECB conversion	-	NT\$10
2017.06	NT\$10	200,000	2,000,000,000	86,092	860,919,060	Exercising of employee stock options	-	NT\$10
2017.04	NT\$10	200,000	2,000,000,000	86,124	861,237,060	Issuance of new restricted employee shares	-	NT\$10
2017.06	NT\$10	200,000	2,000,000,000	86,140	861,401,560	Issuance of new restricted employee shares	-	NT\$10
2017.08	NT\$10	200,000	2,000,000,000	86,378	863,776,860	Issuance of new restricted employee shares	-	NT\$10
2017.09	NT\$10	200,000	2,000,000,000	86,559	865,585,860	Exercising of employee stock options	-	NT\$10
2017.09	NT\$10	200,000	2,000,000,000	87,391	873,905,210	ECB conversion	-	NT\$10
2017.11.	NT\$10	200,000	2,000,000,000	87,408	874,075,210	Issuance of new restricted employee shares	-	NT\$10
2017.12	NT\$10	200,000	2,000,000,000	87,423	874,229,270	ECB conversion	-	NT\$10
2017.12	NT\$10	200,000	2,000,000,000	87,733	877,326,120	Exercising of employee stock options	-	NT\$10
2018.02	NT\$10	200,000	2,000,000,000	87,735	877,354,120	Issuance of new restricted employee shares	-	NT\$10
2018.03	NT\$10	200,000	2,000,000,000	88,032	880,315,850	Exercising of employee stock options	-	NT\$10
2018.05	NT\$10	200,000	2,000,000,000	88,074	880,742,550	Issuance of new restricted employee shares	-	NT\$10
2018.06	NT\$10	200,000	2,000,000,000	88,259	882,591,290	ECB conversion	-	NT\$10
2018.06	NT\$10	200,000	2,000,000,000	88,693	886,931,640	Exercising of employee stock options	-	NT\$10
2018.09	NT\$10	200,000	2,000,000,000	88,769	887,686,360	Exercising of employee stock options	-	NT\$10
2018.09	NT\$10	200,000	2,000,000,000	89,362	893,617,750	ECB conversion	-	NT\$10
2018.09	NT\$10	200,000	2,000,000,000	89,423	894,233,250	Issuance of new restricted employee shares	-	NT\$10
2018.10	NT\$10	200,000	2,000,000,000	89,431	894,313,250	Exercising of employee stock options	-	NT\$10
2018.10	NT\$10	200,000	2,000,000,000	90,086	900,860,880	ECB conversion	-	NT\$10
2018.11	NT\$10	200,000	2,000,000,000	90,083	900,830,880	Return and cancellation of new restricted employee shares	-	NT\$10
2018.11	NT\$10	200,000	2,000,000,000	90,196	901,960,680	Issuance of new restricted employee shares	-	NT\$10
2018.12	NT\$10	200,000	2,000,000,000	90,257	902,565,680	Exercising of employee stock options	-	NT\$10

Convert par value to NT\$10								
Year and month	Par value per share (US\$)	Authorized stock		Paid-in capital		Notes		
		Shares	Amount	Shares	Amount	Source of shares	Equity contributions made in the form of assets other than cash	Par value per share (US\$)
2019.03	NT\$10	200,000	2,000,000,000	90,332	903,315,680	Issuance of new restricted employee shares	-	NT\$10
2019.03	NT\$10	200,000	2,000,000,000	90,381	903,805,450	Exercising of employee stock options	-	NT\$10
2019.04	NT\$10	200,000	2,000,000,000	90,426	904,261,410	Exercising of employee stock options	-	NT\$10

Note 1: Silergy has 9,900,000 Class A preferred shares; 3,863,666 Class B preferred shares; and 6,818,182 Class C preferred shares. All of these preferred shares have been converted to common shares on August 1, 2012. One preferred share is converted to one common share

Note 2: The shareholders' meeting of Silergy, held on December 30, 2012, resolved to convert the par-value share of US\$0.0002 to NT\$10, repossessing a total of 35,666,872 shares that were already issued, while issuing another 54,000,000 shares at a price of NT\$10. The shareholding proportion of the existing shareholders remains the same even after this change.

April 15, 2019, Unit: Shares

Type of Shares	Authorized stock			Notes
	Outstanding shares	Unissued shares	Total	
Registered common shares	90,426,141	109,573,859	200,000,000	-

Information on the shelf registration system: Not applicable.

(II) Shareholder structure

April 15, 2019, Unit: Shares; %

Shareholder structure	Government agencies	Financial institutions	Other juristic person	Personal	Overseas institutions and foreigners	China investment	Total
Persons	2	38	14	604	381	4	1,043
Number of shares held	475,000	4,539,157	150,042	4,397,013	74,707,898	6,157,031	90,426,141
Shareholding percentage	0.53	5.02	0.17	4.86	82.62	6.80	100.00

## (III) Dispersion of equity ownership

April 15, 2019, Unit: Shares; %

Shareholding range	Number of shareholders	Number of shares held	Shareholding percentage
1 to 999	184	28,427	0.03
1,000 to 5,000	453	822,822	0.91
5,001 to 10,000	54	422,586	0.47
10,001 to 15,000	35	440,717	0.49
15,001 to 20,000	23	404,574	0.45
20,001 to 30,000	51	1,265,961	1.40
30,001 to 50,000	43	1,283,822	1.42
50,001 to 100,000	59	4,269,258	4.72
100,001 to 200,000	51	7,249,606	8.02
200,001 to 400,000	53	15,659,531	17.32
400,001 to 600,000	12	6,026,621	6.66
600,001 to 800,000	8	5,427,512	6.00
800,001 to 1,000,000	9	8,249,768	9.12
1,000,001 or more	18	38,874,936	42.99

Note: The Company has not issued preferred shares

## (IV) List of major shareholders

April 15, 2019, Unit: thousand shares; %

Name of major shareholder	Shares held	Shareholding percentage
Wei Chen.	7,168	7.93
Budong You.	3,687	4.08
Magical Square Limited.	2,875	3.18
JPMorgan Chase Bank N.A. Taipei Branch in custody for T. Rowe Price International Discovery Fund	2,857	3.16
National Westminster Bank Plc as Trustee of St. James's Place Emerging Markets Equity Unit Trust - Wasatch Advisors Inc. as external fund manager	2,493	2.76
Shanghai Walden Venture Capital Enterprise	2,061	2.28
Fubon Life Insurance Co., Ltd.	2,030	2.24
Michael Grimm	2,007	2.22
JPMorgan Chase Bank N.A. Taipei Branch in custody for JPMorgan Funds	1,866	2.06
Jaime Tseng	1,818	2.01

(V) Prices, net-asset value per share (NAVPS), earnings per share (EPS), and dividend per share (DPS), and related information over the past two years.

Unit: NT\$; Thousand shares

Item		Year	2017	2018	2019 Up to March 31
Market rate per share	Highest		713.00	780.00	556.00
	Lowest		452.00	369.00	420.00
	Average (Note 1)		585.73	562.28	480.12
Net value per share	Before allotment		120.48	143.34	(Note 3)
	After allotment		114.48	(Note 2)	-
Earnings per share (EPS)	Weighted average		85,301	88,072	(Note 3)
	Earnings per share (EPS)	Before retrospective application	21.20	20.78	(Note 3)
		After retrospective application	21.20	(Note 2)	-
Dividend per share (DPS)	Cash dividend		5.97988710	(Note 2)	-
	Free allotment	Surplus allotment	-	-	-
		Capital reserve allotment	-	-	-
	Cumulative unpaid dividends		-	(Note 2)	(Note 2)
Return on investment (ROI) analysis	Price-to-earnings (P/E) (Note 4)		27.63	27.06	(Note 3)
	Price-to-dividend ratio (P/D) (Note 5)		97.95	(Note 2)	-
	Cash dividend yield (Note 6)		1.02	(Note 2)	-

Note 1: Average market price = Total transaction value/ Total transaction volume of the year

Note 2: The Company's board meeting convened on March 19, 2019, passed a resolution to declare a cash dividend of NT\$6.5 per share to shareholders. The resolution is yet to be approved by the 2019 annual shareholders' meeting

Note 3: Up to the publication date of the annual report, no information has been attested or reviewed by a certified public accountant.

Note 4: Price-to-earnings (P/E) = Average market price per share/Earnings per share (before retrospective application) for the year

Note 5: Price-to-dividend (P/D) = Average market price per share/Cash dividend per share for the year.

Note 6: Cash dividend yield = Cash dividend per share/Average market price per share for the year.

#### (VI) Dividend policy and its implementation

##### 1. Dividend distribution policy stipulated in Article 129 of the Articles of Incorporation

Silergy is currently in growth phase. The Company has requirements for capital expenditure, expansion of business operations, establish robust financial planning systems, and seek sustainable development. The dividend distribution policy of Silergy will be arrived at based on future capital expenditure, budget, and its own requirements; share dividend will be distributed to the stockholders of Silergy in the form of cash and/or shares in place of cash dividend.

In addition to laws governing listed companies, if Silergy had earned net income before tax for the year, it will have to set aside from the net income before tax: (1) a maximum of

twenty percent (20%) and a minimum of eight percent (8%) as the compensation to employees (including employees of Silergy and/or affiliated businesses) (hereinafter referred to as “employees’ compensation”); and (2) a maximum of two percent (2%) as the directors’ remuneration (hereinafter referred to as “directors’ remuneration”). Regardless of the aforementioned provisions, if Silergy has any accumulated losses from previous years, it must set aside an equivalent amount to make up for the said losses before allocation to employees and the directors. In addition to the laws of the British Cayman Islands, laws governing listed companies, and provisions of Article 139, employees’ compensation and directors’ remuneration may be distributed in cash and/or shares after a motion thereof is approved by more than half of directors at a board meeting attended by at least half of the attending directors. For the board meeting resolution on the employees’ compensation and the directors’ remuneration, said resolution shall, after being voted for in the board meeting. After the approval at the board meeting, it has to be reported to the shareholders during the shareholders’ meeting.

For shares of Silergy already registered as an emerging stock or during listing on the Taipei Exchange (TPEX) or Taiwan Stock Exchange (TWSE), in addition to provisions of the Company Act and laws governing listed companies, the board of directors shall, when Silergy has a surplus in the final annual settlement, distribute it using the following method and sequence to propose a profit distribution proposal, and submit the proposal to the shareholders’ meeting for approval:

- (a) Set aside a sum to make payments as required by law;
- (b) Make provision for accumulated losses from previous years (if losses exist);
- (c) Set aside 10% in accordance with laws governing listed companies as legal reserve. However, if the legal reserve has reached the paid-in capital of the Company, this restriction shall not apply;
- (d) Set aside a special reserve in accordance with laws governing listed companies or requirements of a competent authority; and
- (e) Add the balance of surplus of the year after deducting amounts for items (a) to (d) to the balance from the undistributed earnings from the previous fiscal period to obtain the surplus available for distribution. The Board of Directors may propose a motion for a dividend payout plan using the surplus available for distribution, and submit the motion at the shareholders' meeting for approval according to laws governing listed companies. The dividend shall be paid once the shareholders vote for the motion. The dividend payout may be in the form of cash dividends and/or share dividend. The sum of the dividend payout shall, without violating the statutory regulations of the British Cayman Islands, be at least ten percent (10%) of the balance of the annual surplus less the amounts in items (a) to (d), and the cash dividend may not be less than ten percent (10%) of the total dividend of the shareholders.

2. Dividend distribution proposed (or resolved) for this year

During the board meeting convened on March 19, 2019, a motion for 2018 profit distribution proposal was passed, where a cash dividend of NT\$586,667,692 (NT\$6.5 per share) is proposed to be issued in cash to the shareholders. The motion will be submitted to the annual shareholders’ meeting for approval.

3. Major changes expected in the dividend policy: None

- (VII) The impact on the company's business performance and earnings per share (EPS) for allotment of free shares proposed at the shareholder's meeting: None.

(VIII) Compensation for employees, directors, and supervisors

1. Quantity or scope of compensation for employees, directors, and supervisors as prescribed under the articles of association

Please refer to the dividend distribution policy stipulated by Article 129 of the Articles of Incorporation. Silergy has not appointed a supervisor.

2. Accounting treatment for the basis of estimating the amount of the employees' compensation and director's remuneration for this fiscal period, the basis of calculating the number of shares to be distributed as employees' compensation, and for any discrepancy between the actual amount distributed and the estimated figures.

The employers' and directors' remuneration for Silergy is calculated as per the figures stipulated by the Articles of Incorporation of Silergy, and is estimated every year as per this principle. If there are any changes in the amounts after approval of the annual consolidated financial report, they will be treated accordingly and recorded in the accounts of the next fiscal year.

3. Status of compensation distribution as approved by the board of directors

- (1) On March 19, 2019, the board of directors resolved to issue 2018 employees' compensation of NT\$ 176,371,650 and director's remuneration of NT\$ 4,900,000. The above mentions compensations are to be paid in cash.

- (2) Sum of employees' compensation provided in distributed shares and its proportion of the net income after tax (NIAT) provided in the individual or financial report and of the total sum of employees' compensation of this fiscal period: Not applicable.

4. Actual distribution of compensation to employees, directors, and supervisors (including the number, sum, and price of shares distributed), and where there were discrepancies with the approved compensation for employees, directors, and supervisors, describe the sum, the cause, and treatment of the discrepancy:

Meeting of the board of director on March 20, 2018 resolved to distribute NT\$4,550,000 as directors' remuneration and NT\$164,332,800 as employees' cash bonus. There is no difference between the actual distribution and the approved sums

- (IX) Repurchase by Silergy of its own shares: During the past fiscal year up to the publication date of this annual report, Silergy has not repurchased its own shares.

**II. Corporate bonds: None.**

**III. Preferred shares: None.**

**IV. Overseas depository receipts: None.**

## V. Employee share subscription warrants:

### (I) Status of employee share subscription warrants of Silergy that have yet to mature

March 31, 2019, Unit: Shares

Categories of employee share subscription warrants	2008 equity motivation plan	2015 Rules for issuance of employee stock warrants			2016 Rules for issuance of employee stock warrants			2017 Rules for issuance of employee stock warrants				2018 Rules for issuance of employee stock warrants			
Date of effective registration		2015/05/11			2016/07/12			2017/6/19				2018/06/22			
Date of issuance (placement)	2012/12/28	2015/8/24	2015/11/12	2016/4/6	2016/12/13	2017/4/17	2017/6/15	2017/8/11	2017/11/23	2018/2/7	2018/5/11	2018/9/28	2018/11/22	2019/3/27	2018/11/22
Subscribable shares issued	1,706,289	2,532,500	150,000	317,500	188,000	639,000	173,000	262,000	787,000	373,000	78,000	179,000	102,500	86,250	602,750
Ratio of subscribable shares issued as part of the total issued and outstanding shares	3.07%	3.25%	0.19%	0.41%	0.22%	0.74%	0.20%	0.30%	0.90%	0.42%	0.09%	0.20%	0.11%	0.10%	0.67%
Exercise period	10 years	10 years													
Method for exercising the warrant	Issuance of new shares	Issuance of new shares													
Restrictions on the warrant exercise period and exercise ratio (%)	Two types of restrictions are imposed: A. 100% of stock warrant may be exercised on maturity of a 5-year period. B. Stock warrants are exercised according to performance				Period granted			Proportion of exercisable warrant				May exercise 100% after 3 years of allotment			
					After 2 years (from the 3rd year)			40%							
					After 3 years (from the 4th year)			60%							
					After 4 years (from the 5th year)			80%							
					After 5 years (from the 6th year)			100%							
								(Total)							
Number of shares already obtained through exercise of warrant rights (Note 2)	1,638,334	668,861	60,000	2,000	0	0	0	0	0	0	0	0	0	0	0
Total value of shares obtained by exercising warrant rights	NT\$16,383,340	NT\$6,688,610	NT\$600,000	NT\$20,000	-	-	-	-	-	-	-	-	-	-	-
Number of unsubscribed shares (Note 3)	356,728	1,863,639	90,000	315,500	188,000	639,000	173,000	262,000	787,000	373,000	78,000	179,000	102,500	86,250	602,750
Subscription price per share of the unsubscribed shares	US\$1.56/share in USD	NT\$262/share	NT\$336.5/share	NT\$415/share	NT\$448.5/share	NT\$513/share	NT\$548/share	NT\$591/share	NT\$608/share	NT\$596/share	NT\$616/share	NT\$550/share	NT\$394/share	NT\$444/share	NT\$394/share
Proportion of the quantity of unsubscribed shares to total issued and outstanding shares	0.39%	2.06%	0.10%	0.35%	0.21%	0.71%	0.19%	0.29%	0.87%	0.41%	0.09%	0.20%	0.11%	0.10%	0.67%
Impact on shareholders' equity	No material impact	No material impact			No material impact			No material impact				No material impact			

Note 1: On December 12, 2012, the Company converted its US share capital to NT\$ share capital. The shares are then shown as NT\$ shares on November 20, 2013.

Note 2: Includes the recapitalization of retained earnings on July 28, 2014; the share capital increased the exercising of subscribable shares by about 19.835%.

Note 3: Unsubscribed shares refer to the issued subscribable shares and the recapitalization of retained earnings on July 28, 2014, and increased share capital by about 19.835%. The quantity also excludes shares that have been exercised or rendered ineffective and terminated.

(II) Names, acquisition, and subscription of managerial officers who have obtained employee share subscription warrants as well as employees who rank among the top ten in terms of the number of shares obtained via employee stock warrants

March 31, 2019, Unit: Shares; NT\$; %

	Title	Name	Stock subscriptions obtained (Note 2)	Proportion of subscribed shares acquired to the total issued and outstanding shares	Exercised (Note 2)				Not exercised (Note 2)			
					Subscription quantity	Subscription price	Subscription amount	Number of subscribed shares and proportion thereof as part of issued shares	Subscription quantity	Subscription price	Subscription amount	Number of subscribed shares and proportion thereof as part of issued shares
Managerial officer	General Manager	Wei Chen	2,020,251	2.24	1,619,767	US\$1.56 US\$0.69 NT\$262	NT\$ 16,197,670	1.79	400,484	US\$1.56 NT\$262 NT\$513 NT\$394	NT\$ 4,004,840	0.44
	Chief Technology Officer	Budong You										
	Vice President of Engineering	Michael Grimm										
	Executive Design Director	Jaime Tseng										
	Vice President of Asia Region	Chih-chung Lu										
	Chief Financial Officer	Kuan-cheng Pan										
Employee (Note 1)	Employee	Moon, Byongin	1,534,980	1.70	918,736	US\$1.56 US\$0.69 US\$0.23 NT\$262 NT\$336.5	NT\$ 9,187,360	1.02	616,244	US\$1.56 US\$0.69 NT\$262 NT\$336.5 NT\$394	NT\$ 6,162,440	0.68
		Tzu-ming Yu										
		Chi-tien Li										
		Chia-wei Liao										
		Hung-kuo Hsu										
		Yu-hsien Liao										
		Meng-hsi Li										
		Sheng-chan Lin										
		Xiaoming Duan										
Xiaolung Yuan												

Note 1: Refers to non-managerial employees in the top 10 list in terms of the quantity of stock warrants subscribed.

Note: Includes the recapitalization of retained earnings on July 28, 2014 and subscribable shares that increased the share capital by about 19.835%.

## VI. New restricted employee shares:

### (I) Implementation state of new restricted employee shares

March 31, 2019, Unit: Shares; NT\$; %

Categories of new restricted employee shares	2014 Issuance of New Restricted Employee Shares		2018 Issuance of New Restricted Employee Shares		
Date of effective registration	October 1, 2014		June 22, 2018		
Date of issuance	November 7, 2014	December 9, 2014	September 28, 2018	November 22, 2018	March 27, 2019
Number of new restricted employee shares issued	591,500	508,500	61,550	112,980	75,000
Issued price	Issued at NT\$0		Issued at NT\$0		
Proportion of new restricted employee shares issued as part of total equities that have been issued at the time of issuance (%)	0.66	0.56	0.07	0.13	0.08
Prerequisites for receiving new restricted employee shares	<ol style="list-style-type: none"> <li>291,500 shares of the equities: From the day of issuance, 20% of new restricted employee shares shall be received every year the employee remains employed with the Company, to a maximum of 100% at the end of the 5th year.</li> <li>300,000 shares of the equities: From the day of issuance, employees who remain employed for 5 years and achieve the Company's performance goals, shall receive 100% of the new restricted employee shares.</li> </ol>	<p>From the day of issuance, 20% of new restricted employee shares shall be received every year the employee remains employed with the Company, to a maximum of 100% at the end of the 5th year.</p>	<ol style="list-style-type: none"> <li>250,000 shares will be issued for Type A. Employees who have been employed for one year since grant date, and is still employed by the Company on the vesting date after allotment of new restricted employee shares, and the Company has met its operational goals, will be given 100% of the new restricted employee shares.</li> <li>50,000 shares will be issued for Type B. Employees who have been employed for three years since grant date, and is still employed by the Company on the vesting date after allotment of new restricted employee shares, and the Company has met its operational goals, will be given 100% new restricted employee shares.</li> </ol> <p>The Company's operational goals refer to the Company's gross margin and operating margin for the year before the vesting date, not lower than the average standard of companies in the same industry, namely MediaTek Inc., Novatek Microelectronics Corp. and Realtek Semiconductor Corp., in the same year.</p>		
Restrictions and privileges for receiving new restricted employee shares	<ol style="list-style-type: none"> <li>Prior to reaching the vesting conditions, an employee may not sell, pledge, transfer, gift, create, or dispose of the new restricted employee shares in any way.</li> <li>Prior to reaching the vesting conditions, the restricted employee equities may not be used to participate in share allotment, payouts, cash capital increases, or exercise any voting power.</li> <li>After issuance of new restricted employee shares, an employee shall immediately submit the equities to a trust or custodian according to the contracted agreement. Before satisfying the vesting conditions, the employee may not, for any reason or using any method, seek their return.</li> </ol>		<ol style="list-style-type: none"> <li>Prior to reaching the vesting conditions, an employee may not sell, pledge, transfer, gift, create, or dispose of the new restricted employee shares in any way.</li> <li>New restricted employee shares that are yet to meet the vesting conditions may be eligible for share allotment in Silergy, but may not be eligible for dividend payout or cash capital increase, nor has voting power in Silergy.</li> <li>After issuing new restricted employee shares allotted to the employee, it should be submitted to a trustee or custodian in accordance with the contractual terms; prior to fulfilling the vesting conditions, the employee may not, for any reason or using any method, seek their return.</li> </ol>		

Categories of new restricted employee shares	2014 Issuance of New Restricted Employee Shares		2018 Issuance of New Restricted Employee Shares		
Safekeeping of new restricted employee shares	After the issuance of new restricted employee shares, he/she shall immediately submit them to a trust or custodian as per contractual agreement. Before satisfying the vesting conditions, the employee may not, for any reason or using any method, seek their return.		After issuance of the new restricted employee shares, the employee shall submit them to a trustee or custodian in as per the contractual terms; prior to fulfilling the vesting conditions, the employee may not, for any reason or using any method, seek their return.		
Action for handling allotments or subscription to new shares by employees who are yet to meet the prerequisite conditions	<ol style="list-style-type: none"> <li>1. When an employee has voluntarily resigned, been dismissed, or severed, or applied for leave without pay, Silergy shall recover, at no cost to it, any shares issued to him/her (for the current year) that are yet to meet the vesting conditions.</li> <li>2. New restricted employee shares that are yet to meet the vesting conditions may not be eligible for shares or dividend allotment of Silergy.</li> <li>3. If an employee violates, prior to meeting the vesting conditions, Paragraph (8) of this Article on the expiration or termination of proxy authorization of Silergy, the company will repossess the shares without any compensation.</li> <li>4. Silergy will repossess and terminate without any compensation any new restricted employee shares that are yet to meet the vesting conditions pursuant to the conditions in the regulations of issuance.</li> <li>5. Any share free from restrictions will not have voting power or privileges related to share allotment (or subscription) or participate in dividend distribution despite an employee meeting the vesting conditions 15 business days prior to the temporary share transfer suspension in accordance with law, book closure day for issuance of bonus shares, book closure date for distribution of cash dividend, or book closure date for cash capital increase to one business day prior to the record date of issuance of equities, and during a period of capital reduction to one day prior to the first trading day of the shares from the date of capital reduction.</li> </ol>		<ol style="list-style-type: none"> <li>1. When an employee has voluntarily resigned, been dismissed, or severed, or applied for leave without pay, Silergy shall recover, at no cost to it, any shares issued to him/her that are yet to meet the vesting conditions.</li> <li>2. New restricted employee shares that are yet to meet the vesting conditions may be eligible for share allotment in Silergy, but may not be eligible for dividend payout or cash capital increase, nor has voting power in Silergy.</li> <li>3. If an employee violates, prior to meeting the vesting conditions, Paragraph (8) of this Article on the expiration or termination of proxy authorization of Silergy, the company will repossess the shares without any compensation.</li> <li>4. Silergy will repossess and terminate without any compensation any new restricted employee shares that are yet to meet the vesting conditions pursuant to the conditions in the regulations of issuance.</li> <li>5. Shares free from restrictions will not have voting power or privileges related to distribution of shares or dividend despite an employee satisfying vesting conditions 15 business days prior to the temporary share transfer suspension in accordance with law, book closure date for issuance of bonus shares, book closure date for distribution of cash dividend, or book closure date for cash capital increase to one business day prior to the record date for issuance of equities, and during a period of capital reduction to one day prior to the first trading day of the shares from the date of capital reduction.</li> </ol>		
Quantity of new restricted employee shares that have been recovered or repurchased	-	3,000	-	-	-
Quantum of new restricted shares extinguished	233,200	405,300	-	-	-
Quantum of new restricted shares not yet extinguished	358,300	100,200	61,550	112,980	75,000
Proportion of new restricted shares remaining restricted as part of total equities issued	0.40	0.11	0.07	0.13	0.08
Impact on shareholders' equity	Calculated according to the stipulated vesting periods of circulating shares of Silergy at the time of issuance. The impact of dilution on the earnings per share (EPS) of Silergy is limited, and has limited effect on the shareholders' rights.		Calculated according to the stipulated vesting periods of circulating shares of Silergy at the time of issuance. The impact of dilution on the earnings per share (EPS) of Silergy is limited, and has limited effect on the shareholders' rights.		

(II) Name of managerial staff and top 10 employees who have acquired new restricted employee shares, and the state of acquisition

March 31, 2019, Unit: Shares; NT\$; %

	Title	Name	New restricted employee shares acquired	Proportion of new restricted employee shares issued as part of total equities issued	Restrictions lifted				Restrictions not lifted			
					Quantum of shares no longer restricted	Issue price	Issue amount	Proportion of shares no longer restricted as part of total equities issued	Quantum of shares still restricted	Issue price	Issue amount	Proportion of shares remaining restricted as part of total equities issued
Managerial officer	Vice President of Asia Region	Chih-chung Lu										
Employee (Note)	Employee	David Timm	669,150	0.74	500,480	NA	-	0.55	168,670	NA	-	0.19
		Chia-wei Liao										
		Pang-pen Hsieh										
		Tsui-man Liang										
		Mei-chun Ko										
		HK Lee										
		Ai-chun Hsi										
		Wei-Kuei Chi										
		Chen Liang										
Tsaiyu Chen												

Note: Refers to non-managerial employees in the top 10 list in terms of new restricted employee shares issued.

**VII. Status of mergers and acquisitions or issuance of new shares for the purpose of acquiring the shares of another company: None.**

**VIII. Implementation of capital allocation plans: Up to the quarter preceding the date of printing of the annual report, Silergy has no uncompleted public issue or private placement of securities or where the benefits of the plan have yet to be realized.**

## Chapter V Business operations

### I. Business description

#### (I) Business scope

##### 1. Major details of business operations

The Company is primarily engaged in research, development, design, and sales of power management IC. Its products have a wide range of applications and are mainly find application in the field of consumer electronics and industry, including LED lighting, tablet computers, notebook computers, solid-state drives, video surveillance systems, servers, digital set-top boxes, smart phones, televisions, LED backlight modules, routers, mobile power sources, and smart meters.

##### 2. Business proportion of major products

End-user application of products from the Company can be divided into four main categories: consumer products, industrial products, computer products, and communication products.

Unit: NT\$ thousand; %

Major products	2014		2015		2016		2017		2018	
	Amount	%								
Consumer product	1,256,545	39	1,924,850	41	3,033,630	42	3,885,624	45	4,199,016	45
Industrial product Product	1,014,706	31	1,752,037	37	2,836,982	40	3,307,172	38	3,695,146	39
Computer product	895,840	27	817,452	18	916,040	13	1,036,848	12	1,162,125	12
Communication product	105,641	3	206,642	4	352,252	5	369,592	4	357,873	4
Total	3,272,732	100	4,700,981	100	7,138,903	100	8,599,237	100	9,414,159	100

##### 3. Current products (services) offered by the Company

Power management IC is the main product currently offered by the Company. The product is widely used in consumer electronics, industrial, computer, and communication products Silergy provides different kinds of chips for the power structure of end-user products. For example, Silergy provides battery charge management chips, DC to DC conversion chips, over-current protection chips, LED backlight driver chips, and PMUs for tablets. Silergy provides LED lighting driver chip for LED lighting. For set-top box, Silergy provides AC to DC conversion chip, DC to DC converter chip, over-current protection chip, etc. For smart meters, Silergy provides System on Chip (SOC) with Energy measurement IC.

##### 4. Development projects for new products (services)

Silergy will continue to invest in developing new generation of products and technologies, including new generation of semiconductor manufacturing processes, new generation of digital control solutions, wireless charging, related applications of the Internet of Things, automotive supplies and related applications of major home appliances. Silergy will update process technologies of its existing products and develop new patents to create power IC products with higher efficiency, smaller size, and fewer peripherals. These new products can then be used in

applications with higher performance requirements while attaining competitive advantage over other businesses within the same industry.

## (II) State of the industry

### 1. Current state and development of the industry

#### (1) Summary of the current state of semiconductor market and IC design industry

The semiconductor industry is a key sector for industrial equipment, computers, network communications, and consumer electronics, and is currently a basic industry that supports developments in other related fields. In response to active developments in computer, communication and consumer (3C) products as well as demands for smart, low-power industrial solutions, shorter product life cycles, and faster performances, the Company has diversified its operations and increased product development to expand the product portfolio. Release of new products, replacement of older models, and market growth will increase the requirements for the semiconductor industry and contribute to the growth of the market.

The semiconductor supply chain in Taiwan is maturing rapidly with specialization in up, mid and downstream operations of the industry that provide an excellent environment for developing the IC design sector and allow IC design houses to focus on design of IC fabrication to be subcontracted to wafer foundries to create IC wafers. After front-end testing, the tested wafers can be transferred to a packaging company for singulation and packaging. The packaged IC then undergoes back-end testing at a professional testing plant to complete the final product.

IC components can be divided into two major categories: digital logic IC and analog IC. A digital IC uses a non-continuous method for signal transmission (0 and 1) and is often used for processing digital information such as computation, control, and storage. Digital IC has advantages in dimension, speed, and power consumption (and thus is process-driven). An analog IC, on the other hand, is often in charge of processing continuous analog signals collected from the natural environment, including light, heat, electricity, speed, and pressure. It serves as a bridge between various sets of physical information and a digital electronic system, and requires collaboration in process, circuit design, and physical specifications of the semiconductor component. Equilibrium must be attained between chip performance and cost, and the resulting balance will determine the final quality that can be achieved by the digital product. Therefore, component characteristics will be considered more important for analog IC (and thus is design-driven). Key properties include reliability, stability, power consumption, power conversion performance, and voltage, and current control abilities.

#### (2) Power-management IC

Due to growing concern for environmental protection and energy saving, interest has spurred in energy-saving technologies currently making it a major area of development for the Company. Analog IC is indispensable and has a critical role in power-management ICs (PMIC) used during system operations to control current and voltage supply to ensure that both are within ideal ranges. Power-supply device quality will directly affect the service life of an electronic product. Recent development in power-supply devices has

focused on smaller size, power efficiency, and durability. The key to achieve these targets for the products lie on how to achieve high efficiency (high performance), high voltage stability, and low noise interference in the power supply. All of these ICs that participate in control functions are called "power control and management analog ICs." The market maintained a moderate growth every year. Consumer electronics, network communications, mobile internet are the most important markets these days.

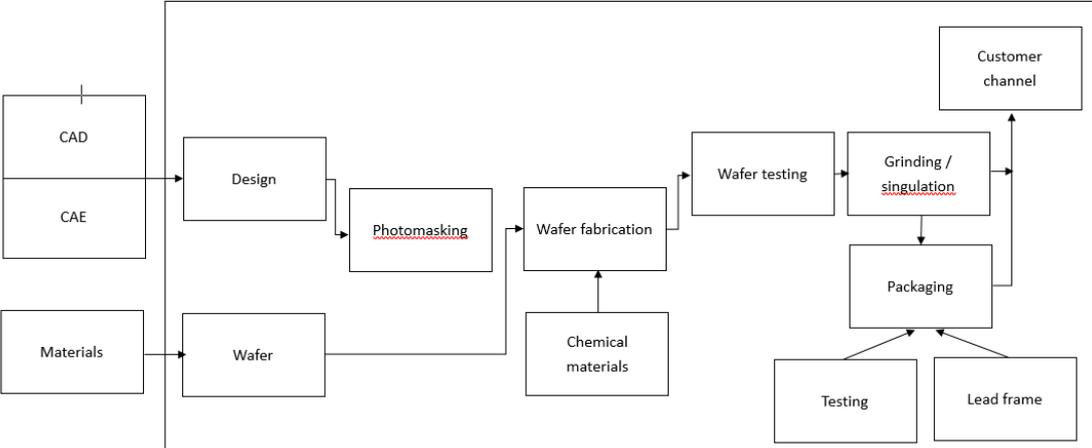
The power-management unit (PMU) is a highly integrated power management solution designed for portable and mobile applications. Multiple power management devices that are traditionally separate from each other can be integrated within a single package to enhance power-conversion performance, reduce power consumption, and the number of components in a single product to adapt to smaller board spaces. PMU integrates as many power channels as possible within a limited volume. Based on the requirements of each subunit, it provides highly efficient power supply, clean power with low noise, or power-on sequence control required for the system, making it the preferred choice for system power supply.

Rapid developments have been made in recent years in smart phones, tablets, and smart TVs. Overall, the end market for smart products will continue to grow rapidly. The market demand of PMU has a chance to achieve a high developing trend than what the market previously expected.

Development trends in smart terminals and products include larger screens, thinner sizes and light weights, as well as smaller battery sizes. There is also a demand for longer battery life while maintaining current battery capacities. To meet these demands, smart power management will become indispensable in addition to improvements to IC power consumption. The PMU market is therefore expected to have excellent developments in the future.

2. Correlation with up, mid, and downstream industries

The Company is a fabless IC design house and is positioned at the very upstream section of the IC industry as well as the industrial value chain. To obtain the final product, additional IC production processes such as masking, fabrication, packaging, and testing as well as final product assembly are necessary. Major overseas companies are often integrated device manufacturers (IDM) that integrate up and downstream processes of design, fabrication,



packaging, testing, and assembly of product systems. The Company has a size comparable to the average IC design house in Taiwan, where the industrial supply chain is segmented into up and downstream processes, with individual companies specializing in each of the processes to derive benefit from the division of labor. The tested final product is then sold to a product system assembly company to create the desired product system. Unlike other IC design houses that are completely reliant on the technologies of the wafer foundry or packaging company and therefore limited to the production techniques of other companies, the Company has developed its own semiconductor fabrication, packaging, and independent testing technologies that are then outsourced to other companies. The Company therefore has a virtual IDM business model. Its proprietary processes offer both long-term technical and cost advantages, and help delay infringement by competitors to protect the profitability of its new products.

### 3. Trends in the development of various products

Power management IC (PMIC) is the most fundamental and critical analog IC product. Power management has always been one of the most popular markets in the semiconductor industry. A PMIC is considered a key component for every electronic product and relates to the technical field of high power analog circuits. PMIC is primarily used to provide an electronic product with stable and suitable voltage and current and directly affects the usage life of the electronic product. Constant integration of consumer electronic products, emergence of smart industrial products, and demand for low power consumption resulted in gradual development of shorter product life cycles, lower power consumption, lightweight, smaller sizes, and integration of more and more functions in terminal devices. To meet these demands, key issues that must be addressed by a PMIC include capability for improving power-system efficiency and reduction in IC component packaging size to minimize the area occupied on the printed circuit board (PCB). As CPU performance continues to improve, power stability and voltage precision become increasingly important. Additionally, higher levels of integration not only reduce the number of components, but also provide other benefits that include reduced system level power consumption, improved system reliability and quality, enhanced production yield, and lower production cycle time that translates into reduced cost.

Due to growing concerns for environmental protection and energy conservation issues, energy-saving technologies have currently become an important area of development. PMIC therefore plays a critical and indispensable role in this field. In addition to demand for low power consumption and ultra-low passive power consumption, energy-efficient and lead-free packaging processes became key requirements for environmental protection, low energy, and other green concepts. PMIC manufacturers must therefore consider restrictions imposed by statutory regulations for environmental protection. Compliance with environmental protection laws and green energy requirements will therefore be a major direction of development in PMIC designs.

#### 4. Competition

The Company focuses on PMIC design and development. The following is an analysis of competing product series offered by PMIC design companies in other countries and Taiwan that are similar to those offered by it:

Product project \ Competitors	Major competitors	
	Overseas	Taiwan
PMIC	TI · Maxim · ON semi · ADI	On-Bright Electronics, Global Mixed-mode Technology Inc., and Leadtrend Technology

In comparison with fellow competitors in the same industry from Taiwan, who tend to offer analog products to computer markets dominated by European and American suppliers, Silergy has been offering proprietary products featuring high efficiency, high levels of integration, and small sizes designed for emerging consumer products and industrial products instead, since its establishment. Examples include low-energy consumption set-top boxes and notebook computers that require long battery life and smaller, thinner dimensions, as well as LED lighting markets that demand high performance and long service life. After gaining the customer's confidence in product quality and service for these 10 years since established, the Company then expanded research and development efforts to other products and technical fields. Clear product positioning policy and its rapid and effective decision-making processes allow the Company to create an adequate product portfolio. No competitor from Taiwan in the same field of analog IC is able to match the scope of the product portfolio offered by the Company. In terms of product performance, most analog IC design houses are subject to process and technical restrictions as they outsource wafer fabrication and IC packaging to other companies. As a result, such companies offer product features with low levels of differentiation. Silergy has its own wafer process, packaging process, as well as testing and development technologies. The patents that we currently own involve processes, electronic components, packaging, control strategies, current configuration, system framework, etc., and have successfully moved into mass production. Exclusive patents and technologies owned by the Company relate to: ability to reduce the IC chip area and number of external components, and helping to improve the precision for voltage/current control and enhance the reliability and stability of circuit performance; reduce the switching resistance to help lower power loss, alleviate heat dissipating requirement, improve conversion ratio, and extend battery life; increase switching frequency to help reduce the circuit volume and mass, and accelerate response speed, allowing a product to achieve lower circuit costs, faster design processes, and enhanced performance. Products of the Company are therefore more competitive

The main business team of Silergy comes from the Silicon Valley in the United States, and has many years of experience working with global leaders in the same field, providing a strong foundation in technical innovation. Silergy has established business centers in Korea, Taiwan, and China, and therefore enjoys cultural and ethnic advantage when pursuing business expansion in the Asia-Pacific region, and is also able to offer local technical support and product development projects. As Silergy expands, new business units will be established in the US, Japan, and India. The Company has adopted a fabless IC design house business model. As it has developed a large number of key technologies independently, it is able to shorten new

product development cycle times. Continuous production process improvements also effectively reduced costs enabling it to earn higher profit margins.

(III) Technologies and recent R&D efforts

1. R&D investments made in the most recent fiscal year up to the publication of this report

Unit: NT\$ thousand; %

Item \ Year	2014	2015	2016	2017	2018
R&D expenses	390,469	614,684	1,009,598	1,167,951	1,398,259
Consolidated net revenue	3,272,732	4,700,981	7,138,903	8,599,237	9,414,159
As a proportion of consolidated net revenue	11.93	13.08	14.14	13.58	14.85

2. Successfully developed technologies or products

Year	R&D results	Description
2009	1. First in the industry to realize 6V/2A high-performance and high-power-density synchronous step-down modulator in an SOT23 package.	The product is provided with an SOT23 package, making it the smallest 2A DC/DC product in the industry. It is often used in set-top boxes, notebook computers, LCD television, switchboards, and other electronic products.
	2. First in the industry to realize 6V/3.5A high-performance high-power-density synchronous step-down modulator in a DFN 3x3 package	The product is provided with a DFN 3x3 package, making it the smallest 3.5A DC/DC product in the industry. It is used in notebook computers, switchboards, smart TV, and other electronic products.
2010	1. First in the industry to realize 16V/2A high-performance high-power-density synchronous step-down modulator in an SSOT23 package.	The product is a 16V/2A high-performance high-power-density synchronous step-down conversion in an ultra-small SSOT23 package, and is used in set-top boxes, notebook computers, LCD television, switchboards, and other electronic products.
	2. Smallest dual-channel 6A smart current-limit switch package (DFN 2x2) in the industry	The product is the smallest dual-channel 6A smart current-limit switch (DFN 2x2) in the industry, and is used in servers, notebook computers, and other electronic products.
	3. First in the industry to realize 30V/1.2A high-performance high-power-density synchronous step-down modulator in an SOT23 package.	The product achieves 30V/1.2A high-performance high-power-density synchronous step-down conversion in an ultra-small SOT23 package, and can be used in set-top boxes, switchboards, mobile televisions, and other electronic products.
	4. Smallest 6V/6A high-performance high-power-density synchronous step-down modulator package (DFN 3x3)	The product is the smallest 6V/6A high-performance high-power-density synchronous step-down modulator package (DFN 3X3) and is used in smart LCD TV, notebook computers, and other electronic products.

Year	R&D results	Description
	in the industry.	
	5. First in the industry to realize a 30V/2A buck-boost MR16-LED driver in an SOT23 package	The product is the first 30V/2A buck-boost MR16-LED driver in an SOT23 package, and is used for display-case LED lighting and in other similar settings.
2011	1. First in the industry to provide a high performance isolated single-stage PFC primary quasi-resonant control LED driver.	The product is the first high-performance isolated single-stage PFC primary quasi-resonant control LED driver released in the industry, and is used in various types of LED lighting like LED light bulbs and T-type lighting.
	2. First in the industry to provide a non-isolated PFC quasi-resonant control buck-boost LED driver	The product is a high-performance non-isolated PFC quasi-resonant buck-boost LED controller and can be used in various types of LED lighting like LED light bulbs and T-type lighting.
	3. Smallest 6V/6A high-performance high-power density synchronous step-down modulator package (DFN 2x2) in the industry	The product is the smallest 6V/6A high-performance high-power-density synchronous step-down modulator package (DFN 2X2) and is used in high-definition set-top boxes, LCD TV, notebook computers, switchboards, and other electronic products.
	4. High-performance non-isolated PFC quasi-resonant control step-down LED driver	The product is a high-product non-isolated PFC quasi-resonant step-down LED driver and is used in various types of LED lighting like LED light bulbs and T-type lighting.
	5. First in the industry to realize 18V/2A synchronous step-down modulator in an SOT23-6 package	The product is an 18V/2A high-performance high-power-density synchronous step-down modulator in an ultra-small package (SOT23-6), and is used in LCD TV, switchboards, and other electronic products.
	6. First in the industry to realize 30V/6A synchronous step-down modulator in a DFN 4x3 package	The product is a 30V/6A high-performance high-power-density synchronous step-down modulator in an ultra-small package (DFN 4x3), and is used in LCD TV, smart displays, and other electronic products.
	7. First in the industry to provide a single-stage isolated PFC primary quasi-resonant control LED driver in an SOT23 package	The product is the first single-stage isolated PFC primary quasi-resonant LED driver realized in the ultra-small SOT23 package released in the industry, and is used in various types of LED lighting like light bulbs and T-shaped lighting.
2012	1. First in the industry to realize a non-isolated PFC quasi-resonant control step-down LED driver in an SOT23 package	The product is the first high-performance non-isolated PFC quasi-resonant step-down LED controller realized in the ultra-small SOT23 package and is used in various types of LED lighting like LED light bulbs and T-type lighting.
	2. Ultra-high-performance synchronous step-up modulator in an SC70 package	The product is an ultra-high-performance high-power-density synchronous step-up modulator realized in an SC70 package and can be used in a battery power supply system for applications like portable healthcare systems.
	3. Smallest 6V/3A synchronous step-down modulator package (DFN 2x2) in the industry	The product is the smallest 6V/3A high-performance high-power-density synchronous step-down modulator package (DFN 2X2) that can be used in notebook computers, switchboards, and other electronic products.

Year	R&D results	Description
	4. First in the industry to realize a non-isolated PFC quasi-resonant control buck-boost LED driver in an SOT23 package	The product is the first high-performance non-isolated PFC quasi-resonant buck-boost LED controller realized in the ultra-small SOT23 package that can be used in various types of LED lighting, including LED light bulbs and T-type lighting.
	5. First in the industry to provide a high-performance primary quasi-resonant operation flyback constant voltage output controller	The product is the first high-performance primary control quasi-resonant operation flyback constant voltage output controller released in the industry, and can be used in an AC/DC adapter power source, battery charger power source, and other products.
	6. High-performance smart synchronous rectification driver	The product is a high-performance smart synchronous rectification driver that can be used in AC/DC adapter power source, etc.
	7. Smallest 5-channel 12C control synchronous step-down modulator module package in the industry	The product is the smallest 5-channel 12C control high-performance high-power-density power management IC (PMIC) in QFN 4x4 package, and can be used in a solid-state drive and other electronic products.
2013	1. Smallest high- performance 6A input/6V output synchronous step-up IC package (DFN 2x2) in the industry	The product is provided in the DFN 2x2 package, the smallest package in the industry, and offers an efficiency of at least 95%. It can be used in large-capacity mobile power supply, tablet computers, etc.
	2. First synchronous step-up smart-charging IC in the industry	The product is the first synchronous step-up charging IC released in the industry, offering a maximum output current of 6A. It can be used to charge a 2-cell Li-ion battery and has an area that can be packaged within DFN 3x3. Can be used for high-end DSC and mobile power supply.
	3. First in the industry to realize a high-voltage MOS LED driver IC in an SOT23 package	The product is the smallest built-in high-voltage MOS LED driver IC in the industry, and can be used in low-power LED light bulbs.
2014	1. Industry's first silicon-controlled light-modulating MR16 driver IC in the industry	The product is the first compatible silicon-controlled light-modulating MR16 LED driver IC (in QFN 4x4 package) released in the industry.
	2. Released industry's first 30V, 15A synchronous step-up IC in DFN 4x4 package	The product is the first completely integrated large current synchronous step-up IC in the industry, and allows a maximum input current of 15A and a maximum output voltage of 30V. It can be used in high-capacity mobile power supplies and high-end portable consumer electronic products.
2015	1. Released industry's first motor driver IC in an SOT23 package	The product is the smallest motor driver IC in the industry, and can be used to drive small motors in Internet of Things (IoT) applications.
	2. Released industry's first-high performance MOS built-in 6.78 MHz wireless charging emitter IC in the industry.	The product is the first high-performance MOS built-in 6.78 MHz wireless charging emitter IC of the industry.

Year	R&D results	Description
2016	1. Released industry's smallest SOT23 package embedded with 500V MOS, equipped with PFC dimmable LED driver IC.	The product is the smallest Triac light-modulating LED driver IC in the industry, and is provided with high performance and high PF. Applicable for various LED light bulbs compatible with a Triac light modulator.
	2. Released industry's first dual-output DCDC IC in SOT23 package.	The product is the smallest dual-channel DC/DC IC package in the industry, and can be used in electronic products requiring a small size, such as SSD and USB Dongles.
2017	1. Released industry's first non-inductive, high-efficiency Triac dimmable driver IC.	This product is the first non-inductive high-efficiency Triac dimmable driver chip in the industry. It is applied to LED lighting products.
	2. Released industry's smallest 28V/10A four-switch fully integrated buck converter IC in QFN4x4 package.	Industry's smallest 28V/10A four-switch fully integrated buck converter chip in an QFN4x4 package in the industry. It is applied to high end USB PD products.
	3. Industry's smallest 3.2x3.2 high-efficiency SSD PMIC.	This product is the smallest packaged and high efficiency product and mainly applied to SSD in the industry.
	4. Industry's smallest QFN4x4 20W power bank PMIC.	This product is the smallest 20W fully integrated PMIC in the industry. It is used in power bank for cellphone and has chips with fast charging.
	5. Industry's smallest 5A switch IC with reverse insertion, over-voltage and over-current protection in QFN2x2 package.	The product is industry's smallest switch protection component, which can prevent reverse insertion and equipped with over-voltage and over-current protection. The product can be used in a wide range of applications such as computers, SSD, etc.
2018	1. Released industry's smallest single IC, single-inductor, 5-output smart dimmable LED driver IC in QFN5X5 package.	Released industry's smallest single IC, single-inductor, 5-output smart dimmable LED driver IC in QFN5X5 package.
	2. Industry's first non-inductive, non-MLCC, high-efficiency Triac dimmable driver IC.	Industry's first non-inductive, non-MLCC, high-efficiency Triac dimmable driver IC.
	3. IOT buck DCDC IC with ultra-low static power dissipation, 0.5A current in DFN2x2 package.	IOT buck DCDC IC with ultra-low static power dissipation, 0.5A current in DFN2x2 package.
	4. Industry's first single IC 60W PD buck-boost DCDC IC in QFN5X5 package	Industry's first single IC 60W PD buck-boost DCDC IC in QFN5X5 package.

#### (IV) Long and short-term business development plans

##### 1. Short-term development strategy and plan

###### (1) R&D strategies and plans

- A. Improve voltage and current capacities and continue to revise design processes; monitor market trends and customer requirements to further expand market share of product applications.
- B. Leverage power management related technologies and knowledge acquired and continue to develop PMIC related products; upgrade products to improve market position.

###### (2) Marketing strategies

- A. Continue to expand markets in China, Taiwan, and Korea, and continue to develop markets in Japan, India, Europe, and the US.
- B. Combine R&D technologies of the Company and customer requirements to provide comprehensive technical support; make use of distributor marketing network to improve the market share of the products.

###### (3) Production strategies

- A. Leverage the unique specializations of the semiconductor sector in China and Taiwan and provide flexible and customizable processes to meet special customer requirements and improve customer satisfaction.
- B. Continue to pursue healthy relationship with wafer fabs and packaging and testing companies to maintain proper understanding of outsourcing arrangements, ensure access to production capacities, and monitor product delivery to meet customer requirements and offer related services.

###### (4) Operations and financial strategies

- A. Enhance employee training, inspire competence and potential, and improve management performance.
- B. Prioritize employee welfare policy, and implement bonus sharing and performance bonus schemes to raise employee morale and strengthen corporate identity.

##### 2. Long-term development strategy and plan

###### (1) R&D strategies and plans

- A. Include market applications and requirements to provide a comprehensive product portfolio; use IC design experience, integration technologies and capabilities to expand the scope and depth of various product series; develop other high-end products to diversify products and satisfy the customer's need for total solutions.
- B. Continue to develop key technologies and patents, and develop next generation products that correspond to industrial trends and developments to secure leading position for the products.

- C. Actively develop other analog products and production technologies to provide customers with more one-stop services.
- (2) Marketing strategies
- A. Actively engage in new product platform R&D, expand overseas locations, and improve local services. Seek strategic partnership and opportunities with system companies to expand into different fields to improve sales.
- B. Pursue continuous product upgrades to elevate the products as leading solutions in the PMIC market and build a brand image of a global technology leader.
- (3) Production strategies
- A. Form long-term partnerships with upstream wafer fabs and packaging and testing companies to acquire strategic partners, jointly develop production processes with specialized functions, reduce production costs, and develop quality, multi-functional, and competitive products.
- B. Continue to enhance planning and control over production sites, production capacities, and quality with key customers to improve customer services.
- (4) Operations and financial strategies
- A. Promote globalization concepts and build global business management competencies; actively train and develop global business professionals to become a multi-national corporation.
- B. Strengthen risk control and management, and enforce a stable, highly effective, and flexible business policy.

## II. Market, production, and sales

### (I) Market analysis

#### 1. Areas of sales (provision) of primary products (services)

Unit: NT\$ thousand; %

Year Area of sales	2014		2015		2016		2017		2018	
	Amount	%								
Domestic sales	-	-	-	-	-	-	-	-	-	-
Export (Asia)	3,272,732	100	4,700,981	100	7,138,903	100	8,599,237	100	9,414,159	100
Total	3,272,732	100	4,700,981	100	7,138,903	100	8,599,237	100	9,414,159	100

#### 2. Market share

The Company is primarily focused on the design, R&D, testing, and sales of PMIC for various types of electronic products, and is therefore a specialized analog IC design house. It is also one of the few IC design houses in the world that is able to provide high-voltage, large-current IC in small packaging. Its products find application in power-supply products for consumer electronics, computers, communication, and industrial applications for devices that include: tablet computers, LED TV, LED lighting, set-top boxes, digital cameras, notebook computers, solid-state drives, smart phones,

smart TV, video surveillance systems, smart meters, and other power-supply products for various fields. It has R&D teams for IC design technology and systems technology as well as design capabilities for wafer fabrication and packaging technology that are well ahead of competitors in the same industry. It is able to customize customer specifications to resolve compatibility issues, providing products that offer three advantages—low power consumption, excellent heat dissipation, and small size.

### 3. State and growth of market supply and demand

#### (1) LED lighting

LED products have advantages that include reduced power consumption, lower heat dissipation, small size, long service life, and fast reaction rate. When compared to traditional lighting, LED lighting products provide significant advantages in terms of efficiency and generate significant energy saving benefits.

As traditional lighting companies accelerate their expansion into the LED lighting segment, leading multinational companies are able to secure cost and product advantages via OEM and ODM while leveraging their own advantages in channels and branding. The market structure of LED light bulbs/light tubes is likely to assume a centralized position in the future. Since the Company has acquired the LED lighting business of NXP in 2016, it was able to improve LED lighting technologies, provide a more comprehensive LED product range, and accelerate integration of LED lighting technologies, its customers, and the relevant sales channels.

#### (2) SSD

Traditional hard-disk drives (HDD) have a long history of development. In terms of storage space, transmission speed, and cost considerations, most corporations often prioritize HDD as their option for information storage. The working principle of traditional HDD is to induce magnetic changes to a disc platter electro-magnetically to store information digitally on the latter. However, traditional HDD are mechanical structures and its operations are often subject to metal fatigue, collision, wear, and other similar issues, and are thus more prone to damage and are difficult to repair. HDD also tends to be larger and heavier as well. Solid-state drives (SSD), on the other hand, are able to address most of the issues faced by HDD. The structure of an SSD is similar to that of memory cards and flash drives, and is internally provided with NAND Flash and control chips for operations. The simple structure and absence of mechanical components or operating principles meant SSD often achieves better speed and power consumption compared to a traditional HDD. Storage devices developed using NAND Flash components tend to be thinner, smaller, vibration resistant, and easy to carry about, and are thus able to replace HDD as the latter is difficult to miniaturize. As prices of primary components fall, and as the number of companies investing in the R&D of SSD main controller IC continues to grow, SSD controller performance is expected to increase, thereby helping to improve SSD's market penetration.

The global NAND Flash market benefits from the increasing number of product applications and demands for higher storage volumes. This allows the NAND Flash market to attain better growth compared to the entire memory market. Since its use in DSC, smartphones, and tablets, the market for SSD in notebooks (NB) has increased

providing great potential for the global NAND Flash market. Storage devices that use NAND Flash components are able to satisfy 3C product requirements that include small size, vibration resistance, and portability. Production processes are becoming increasingly streamlined, helping to reduce NAND Flash costs, allowing such devices to enter the PC SSD market that offers great potential as well as high levels of price sensitivity. The biggest beneficiaries of this trend are global firms capable of controlling the sources of NAND Flash, the critical component of SSD.

In addition to increased demand for SSD from Ultrabooks, the demand from cloud computing is also increasing significantly, especially since it offers faster speeds and lower power consumption compared to traditional HDD.

(3) Tablet computers

Tablet computers feature touch control, rapid power-on, and extended usage times, and offer other advantages by providing a reading mode that is similar to traditional reading. Since it was released, tablet computers proved to be extremely popular amongst consumers. More and more consumers are thus expected to use tablet computers to meet their gaming, internet browsing, and social networking needs.

(4) Smart TV

Smart TV integrates computer functions into a TV set, allowing it to connect to the Internet and combine a family TV set with the worldwide web. A user can easily acquire Internet content from the TV or browse for Internet entertainment channels or a wide variety of Internet media resources. Upon release, smart TVs have proved to be extremely popular amongst consumers. Next generation tablet computers use higher resolution TFT screens, more powerful CPUs, and additional communication functions, all of which have increased the demand for large current and multifunctional power-source ICs.

(5) Smart meters

The Company has acquired the smart watch and power efficiency and monitoring business unit of Maxim in 2016. The product portfolio offered mainly involves power performance and management applications for smart meters and Internet of Things (IoT). Smart meters play a key role in smart power grids and provide important functions in energy conservation. Such devices are widely used in North America and China, and substantial opportunities for growth are offered in Europe, India, and South American markets. Power performance monitoring IC also offers a great potential for development in performance management in a future IoT network. This acquisition of smart meters and power-monitoring ICs from Maxim included 70 patents and licenses of pioneering technologies in the industry and all of the technologies and licenses related to smart meters. The large number of customers from North America, Europe, and Asia will provide opportunities for growth of business revenue, enhance scale of corporate operations, and improve technological performance and product revenue for F-Silergy. These developments will help diversify the product catalog, sources of revenue, market spread, and customer base for the Company.

The Company will integrate the leading technologies of the product portfolio, products, and customer relationships with advantages it has in the field of PMIC

market as well as provide highly effective solutions in the smart meters and power monitoring IC market. These efforts will continue to provide excellent solutions for the smart meter products market, pursue various types of market developments in various regions, and enhance the overall efficiency of the power-management supply chain in the regional market.

#### 4. Competitive niche

##### (1) Strong R&D team and excellent R&D and creative capacities

Analog IC receives and sends continuous wave forms and thus is prone to noise interference. Continuous wave signals can be easily distorted by noise introduced by the external or internal circuits, negatively affecting the integrity of the output signal. Designs and technologies that preserve signal integrity must utilize circuit design techniques, special processing steps, and have full understanding and leveraging of the nature of transistors. However, to cultivate an analog IC design engineer, it requires technological experience accumulated over time, which could take more than 10 years. The level of professionalism is extremely high.

The core team of the Company comes from the Silicon Valley in U.S., and members have up to 15 years of work experience with leading multinational companies in the industry. Since the establishment of the Company in February 2008, the key technologies used in our products are developed by our research and development team. To date, we have acquired 974 patents and 345 are currently under review. Our design capabilities have gained recognition in the industry, and we also research and develop new technologies, integrate various product functionalities, and optimize our products, so as to gain competitive advantages in the market.

##### (2) Integrated IC design capabilities

The Company is a professional IC design house and thus must own key technologies to achieve product ownership and secure market competitive advantages. It has developed its own technologies in semiconductor fabrication and components, package designs and manufacturing, and independent testing, which can then be transferred to a partner for production. Standard IC design houses, on the other hand, are completely reliant on the technologies of wafer fabs and packaging companies and are therefore subject to technical restrictions in production. The Company is therefore able to develop ICs capable of dealing with higher voltages and currents compared to its competitors while reducing IC package size and preventing duplication of its products.

Products of the Company feature high technical barriers, high added-value, high levels of integration, high efficiency, small size, ease of use, and energy conservation. When compared to solutions offered by leading global firms, the products offer equal performance and technologies and can help reduce a user's overall cost, making it difficult to other competitors in the Greater China Region to surpass the Company. Due to these advantages, the Company was able to rapidly expand its market share, secure contracts with leading companies within a few years after its founding, provide substantial support to Silergy business expansion, and provide substantial competitive advantages and secure market position in the industry.

(3) Sufficient product catalog range and depth

The Company has R&D teams in IC design and systems technology, wafer fabrication and packaging technology design capabilities that are way ahead of competitors in the same industry, and is thus able to modify customer specifications to resolve compatibility issues, providing products that offer three advantages: low power consumption, excellent heat dissipation, and small size. It is able to provide different IC chips that match the power framework of various terminal products, including battery charging management IC, DC/DC-converter IC, overcurrent protection IC, LED backlight driver IC, and power management unit (PMU) for tablet computers; LED-lighting driver IC for LED lighting; and AC/DC-converter IC, DC/DC-converter IC, and overcurrent protection IC for set-top boxes. The Company also offers AC/DC-converter IC for cellphone chargers. Its products feature reliable quality and excellent performance. It also provides a comprehensive product catalog and a niche advantage of providing a customer with total solutions, allowing it to successfully enter the market for tablet computers, LED lighting, solid-state drive (SSD), LED TV, notebook computers, security and surveillance equipment, smart phones, and smart meters for the supply chain of branded companies or ODM/OEM subcontractors, laying a foundation for a broad market.

(4) Customer-oriented market strategy and building of healthy partnerships with the customer

Most electronic companies are clustered in areas around Taipei (Taiwan), Seoul (Korea), the Pearl River Delta and Yangtze River Delta. The Company has deployed field application engineer (FAE) teams at these locations and in areas where other key customers operate to provide comprehensive product development services. The Company also owns proprietary production process and system architecture IC design capabilities facilitating ease of use, reducing design cycle time for the user, lowering developmental costs, and providing prompt service and support. The Company is also capable of meeting customer requirements in product quality, delivery (with effective inventory and sales management), yield, and post-sales service. It also independently provides validation services for specific customers regarding laboratory instruments and equipment used by it to improve the timeliness of validation processes. It is thus capable of maintaining beneficial partnerships with its customers to benefit future business developments pursued by it.

5. Positive and negative factors affecting long-term development

(1) Positive factors

China is the world's largest market for semiconductors, and the market for this region exhibits a growth rate higher than that of the global average. Most semiconductors in China are imported. Given the drive for local production, local IC design houses in China have plenty of room for development. Silergy is one of the largest suppliers of analog ICs in China. As the leading of analog IC in China, Silergy has been establishing sales and R&D center in major cities each year through long term work. Silergy has also been expanding to overseas. Silergy has years of foundation in Taiwan and Korea and has been expanding its operating locations in U.S., India, and Japan. Therefore, the Company's growth in China, Asia and international markets can be expected. After years of technical innovation, Silergy has released a number of product series that feature pioneering technologies in the

industry, and has established a positive brand image within the industry, specifically in the fields of LED lighting, solid-state drives (SSD), and other emerging applications.

(2) Negative factors and response measures

A. Lack of professionals in analog IC design and sensitivity to HR changes

Analog IC designers need thorough knowledge in physics, and skills in production processes, and circuit design of semiconductor components. This field therefore poses a significant technical barrier of entry. Despite rapid improvements in computer-aided design and electronic design automation (EDA) that allow digital IC circuits to be simulated and designed using software programs, EDA is only of limited use in analog IC designing. Analog IC design therefore requires additional experience and designers must undergo longer periods of training compared to those involved in digital IC technologies. Currently, digital IC design industries provide substantially better resources and remuneration, and thus many skilled professionals are more likely to seek employment in it. The number of analog IC design professionals trained at various colleges, universities, and research institutions is limited. When coupled with increasingly rapid changes in market products, professional training is unable to keep pace with the demands of the industry.

Response measures:

In addition to providing an excellent work environment and channels of promotion, the Company also offers comprehensive training for a diverse selection of R&D professionals. It has continued to provide for employee welfare, share profits, and stock subscription schemes to attract first-rate designers. It also endeavors to build on employer–employee relationships and establish excellent communication channels to strengthen the identity and cohesion among employees and to reduce the turnover rate. The Company relies on its experienced leadership to create an effective training and management system, allowing inexperienced newly hired employees to quickly achieve personal growth and imbibe professionalism.

B. Over-reliance on wafer fabs and exclusion effects

The defining feature of IC design house is subcontracting of product fabrication and manufacturing to other companies. When the semiconductor industry does poorly, subcontracted fabs and manufacturers are often able to meet the needs of IC design houses, but it is not so when it is doing well, and they may not be able to cater to every demand. Securing enough production capacity of downstream subcontractors is therefore a key factor for achieving growth in corporate revenue and profitability for IC design houses.

Response measures:

Since its founding, the Company has established a close relationship with downstream subcontractors to secure production capacities and product delivery. The Company has yet to experience supply shortage or insufficient production capacity from a subcontractor. In addition to building long-term partnerships with various subcontractors, the Company also maintains constant and close

monitoring of product fabrication and manufacturing status. As business scale expands and as the number of wafers per fabrication order increases, the Company is able to consolidate partnerships with subcontractors and overcome risk of production constraints. The Company also actively seeks partnerships with other subcontractors to meet expanded production needs and reduce the risk of over reliance on a few.

C. Infringement of intellectual property and potential legal litigations or indemnity risks

As the Company continues to grow, the number of competitors in the market will also increase, leading to an increased risk of infringement. Currently, patents and other intellectual property (IP) held by the Company are key factors to secure a leading position in the market. Any litigation will potentially have adverse effects on the reputation, sales, financial position, and business performance of the Company. Furthermore, the Company may have to spend extremely high amounts as litigation costs, or divert resources to respond to relevant litigations.

Response measures:

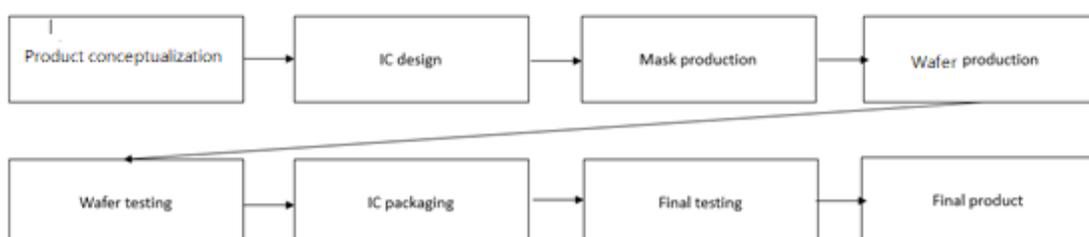
- \* Continue to invest substantial resources in product R&D and brand positioning and construct a comprehensive IP protection network system, and improve user awareness of the brand reputation related to products, services, and IP of the Company.
- \* Continue to comply with relevant statutory regulations such as copyright, patent, and copyright laws to reduce the possibility of relevant litigation or accusations.
- \* Use technical licensing and other methods to legally utilize the IP of partnering firms.
- \* Comply with the restrictions imposed by non-disclosure agreements.

(II) Major uses and production process of the primary products

1. Key applications of the primary products

Power management IC (PMIC) is the primary product offered by the Company. The main function and purpose of PMIC is to convert an electrical signal from an input power source to an electrical signal required by terminal equipment and supply the equipment with power. The Company seeks to provide products with higher performance and smaller volumes.

2. Production processes of the primary products



(III) Supply of primary raw materials

Primary raw materials	Main suppliers	State of supply
Wafer	Companies R, S, and U	Excellent

(IV) A list of any suppliers accounting for 10% or more of the company's total procurement in either of the two most recent fiscal years, the percentage of total procurement, and an explanation of the reason for change in these figures:

Unit: NT\$ thousand, %

Item	2017				2018			
	Name	Amount	Proportion of total net procurement value for the entire year	Relationship with issuer	Name	Amount	Proportion of total net procurement value for the entire year	Relationship with issuer
1	Company R	1,837,065	70.05	None	Company R	2,037,598	71.14	None
2	Company S	277,847	10.59	None	--	-	-	-
3	Others	785,538	29.95	None	Others	826,425	28.86	None
		2,622,603	100.00	None		2,864,023	100	None

Note: The Company has signed a non-disclosure agreement with the suppliers.

The Company directly procures wafers from a wafer fab. As wafer fabrication is a capital-intensive industry, there are only a limited number of companies offering relevant services. The Company therefore maintains a long-term partnership with its suppliers, and has not changed its primary suppliers.

(V) A list of any customers accounting for 10% or more of the company's total sales in either of the two most recent fiscal years, the percentage of total sales, and an explanation of the reasons for changes in these figures:

Unit: NT\$ thousand; %

Item	2017				2018			
	Name	Amount	Proportion of total net sales value for the entire year	Relationship with issuer	Name	Amount	Proportion of total net sales value for the entire year	Relationship with issuer
1	Company J	929,346	10.81	None	Company J	1,264,774	13.43	None
2	Others	7,669,891	89.19	None	Others	7,194,488	86.57	None

Note 1: The Company has signed a non-disclosure agreement with the customers.

Note 2: Financial information is prepared in accordance with the International Financial Reporting Standards (IFRS).

To develop and support more customers, the Company has adopted a channel distributor sales model for its main business strategy. However, it may also adopt direct sales model according to the business needs of the customer. In the two most recent fiscal years, changes to the sales to the aforementioned customers are primarily due to the customer's business expansion capacities and changes to the sales of the customer's downstream clients.

(VI) Production volume over the past two fiscal years

Unit: NT\$ thousand; thousand

Year Production volume	2017			2018		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Primary products						
PMIC	-	3,102,392	4,828,870	-	3,224,657	5,022,442

Note: The Company is a professional IC design house. Wafer fabrication, packaging, and testing processes are outsourced to other companies. Production capacities will not be relevant for the Company.

(VII) Sales volume over the past two years

Unit: NT\$ thousand; thousand

Year	2017				2018			
	Domestic sales		Export		Domestic sales		Export	
Sales volume	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Primary products								
PMIC	-	-	2,898,017	8,599,237	-	-	3,088,143	9,414,159

Note: Export refers to sales to areas outside Taiwan.

Due to rising demands for PMIC, the Company has continued to release new products while providing customers with comprehensive product development services. The Company is also able to meet customer requirements in product quality, delivery (with effective inventory and sales management), yield, and post-sales services, achieving gradual growth for product sales volumes and production volumes.

### III. Employees Information

Number, average tenure, average age, and the academic background of employees for the past two recent years up to the date of the publication of this report

Unit: Persons; %

Year		2017	2018	2019 till March 31
Number of employees	Management	6	6	6
	General employees	198	209	206
	R&D personnel	447	559	553
	Total	651	774	765
Average age		34.06	32.39	32.64
Average work tenure		3.31	3.45	3.66
Academic qualification distribution Distribution	PhDs	3.78	3.49	3.53
	Master's	41.78	40.83	40.78
	Bachelor's	46.71	47.55	47.84
	College and below (include)	7.73	8.13	7.85

#### **IV. Disbursements for environmental protection**

- (I) Total losses (including damage awards) and losses (including fines) for environmental pollution during the most recent fiscal year up to the date of printing of the annual report, and an explanation of the measures (including corrective measures) and possible disbursements to be made in the future (including an estimate of losses, fines, and compensation resulting from any failure to adopt responsive measures, or if it is not possible to provide such an estimate, an explanation of the reason why it is not possible):

The Company is an IC design company and generates no specific pollution as wafer fabrication, packaging, and testing processes are subcontracted to other companies. The Company requires no facilities, equipment, or emission permits.

#### **V. Labor relations**

- (I) List various employee benefit plans, continuing education, training, retirement systems, and the state of implementation as well as various employee–employer agreements and measures for protecting employee rights and also the interests of the company:

1. Employee benefit plans

To fulfill the vision of the Company in achieving creative technologies, total quality control, customer-oriented services, and sharing of profits, it has extended customer-related concepts to its employees, treating them as internal customers of the Company. This principle is used to plan the following welfare measures. Details are provided in the following:

- (1) End-of-year bonus and employee profit-sharing schemes to share corporate profit.
- (2) Quarterly events for employee recreation and to enrich their lifestyle and to strengthen inter-personnel relationships.
- (3) Regular employee health examinations and provision of group insurance to the employees.
- (4) Organize end-of-year events for the employees (annual dinner) to express gratitude for their hard work.
- (5) Organize various cultural and athletic activities at the organization level to build a corporate culture.
- (6) Organize anniversary tours of the Company to enhance corporate image amongst the employees.
- (7) Employees who have reached five years of service are given an additional 15 days of special leaves.
- (8) For employees with newborns, female employees are entitled maternity leave while male employees are given paternity leave. Every employee is entitled to family leave based on the number of children.
- (9) Employees or their immediate family members who encounter major illness or injury, the Company will according to the actual circumstance, provide financial assistance or leave.
- (10) The Company will give gift vouchers to employees for festivals or public holidays.

(11) The facilities of the Company's new building are complete, which comprises a staff canteen, fitness center, shower room, nursery room, refreshment, and lunch break bed for every employee, so as to create a better working environment.

2. Status of employee training and education

The Company has organized various training programs to enhance professional competence and work performance of its employees.

- (1) Internal training: The Company organizes courses enrolling both internal and external instructors. On-site training and demonstration may also be arranged by supervisors.
- (2) External training: External training may be provided according to departmental or individual requirements of the employees. After external training, similar training will be imparted, according to actual requirements, to other employees in the Company.
- (3) Encourage on-the-job training, and provide course fee subsidies based on the subject of study and degree of relevance to the job.

3. Retirement system and state of implementation

The Company has set up sales offices or subsidiaries in China, US, Taiwan, Korea, Japan, India, etc. In accordance with the Labor Pension Act and relevant regulations, Taiwan subsidiary contributes 6% to every employee's retirement account every month; the employee may also voluntarily set aside an additional amount of not more than 6% of their salary to their retirement account every month. The rest of the companies shall abide by their respective local labor laws.

4. Employee–employer agreements and measures taken to safeguard the employee interests

The Company lays great emphasis on employer–employee relationships. In addition to enhancing communication between supervisors and subordinates in various departments, the Company also often holds internal meetings to improve corporate image. No serious employee–employer dispute has arisen due to the harmonious relationship that exists in the Company.

- (II) Any loss suffered due to employee–employer disputes, and estimated loss and response measures for current or future incidents that may occur in the most recent fiscal year up to the date of printing of the annual report; where an estimate could not be provided, explain the reasons why a reasonable estimate could not be made: The Company has no employee–employer dispute in the most recent fiscal year up to the date of printing of the annual report.

## VI. Important contracts

Nature of contract	Party	Contract Starting and ending dates	Main content	Terms and conditions
Patent license agreement	Monolithic Power Systems, Inc.	2016/10/1 - 2021/9/30	The Company to make quarterly payment of US\$150,000 for a duration of 5 years	-
Real estate lease contract	Hangzhou East Software Park	2017/3/1 - 2019/6/30	Real estate lease contract	-

## Chapter VI Financial summary

### I. Condensed balance sheet and statement of comprehensive income over the past five fiscal years

(I) Condensed balance sheet and statement of comprehensive income over the past five fiscal years

#### Condensed balance sheet

Unit: NT\$ thousand

Year		2014	2015	2016	2017	2018
Item		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
Current assets		3,298,193	3,814,438	5,331,410	6,505,061	7,101,603
Property, plant, and equipment (PP&E)		97,644	109,488	387,356	698,094	1,176,605
Intangible assets		314,080	406,739	4,144,375	3,699,367	3,588,913
Other assets		203,521	996,605	964,934	1,188,936	2,010,324
Total assets		3,913,438	5,327,270	10,828,075	12,091,458	13,877,445
Current liability	Before allotment	401,922	719,355	792,934	800,645	900,862
	After allotment	707,102	875,865	1,213,050	1,327,041	(Note 2)
Non-current liability		-	63	1,840,381	720,407	39,122
Total liabilities	Before allotment	401,922	719,418	2,633,315	1,521,052	939,984
	After allotment	707,102	875,928	3,053,431	2,047,448	(Note 2)
Equity attributable to the owner of the parent company		3,511,516	4,607,852	8,194,760	10,570,406	12,937,461
Capital stock		773,950	782,206	840,232	877,326	902,566
Capital reserve		1,268,872	1,356,490	3,763,742	5,140,803	6,061,816
Retained earnings	Before allotment	1,375,912	2,272,381	3,585,510	4,973,915	6,281,894
	After allotment	1,070,732	2,115,871	3,165,394	4,447,519	(Note 2)
Other equity		92,782	196,775	5,276	(421,638)	(308,815)
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before allotment	3,511,516	4,607,852	8,194,760	10,570,406	12,937,461
	After allotment	3,206,336	4,451,342	7,774,644	10,044,010	(Note 2)

Note 1: Condensed balance sheets from 2014 to 2018 are compiled in accordance with International Financial Reporting Standards (IFRS) and consolidated financial statements audited by an independent auditor.

Note 2: Pending resolution at the 2019 annual shareholders' meeting.

Condensed statement of comprehensive income

Unit: NT\$ thousand

Item \ Year	2014 (Note)	2015 (Note)	2016 (Note)	2017 (Note)	2018 (Note)
Operating revenue	3,272,732	4,700,981	7,138,903	8,599,237	9,414,159
Gross profit	1,487,895	2,180,703	3,400,610	4,104,605	4,397,855
Operating profit (loss)	763,081	1,175,177	1,440,826	1,871,241	1,913,422
Non-operating revenue (expenses)	24,268	86,460	57,416	(8,854)	17,176
Earnings before tax (EBT)	787,349	1,261,637	1,498,242	1,862,387	1,930,598
Net income of continuing operations during this period	800,730	1,201,241	1,469,656	1,808,017	1,829,851
Loss of discontinued operations	-	-	-	-	-
Net profit (loss) in this period	800,730	1,201,241	1,469,656	1,808,017	1,829,851
Other comprehensive income (loss) in this period (net value after tax)	186,402	64,712	(196,086)	(454,814)	125,894
Total comprehensive income (loss) during this period	987,132	1,265,953	1,273,570	1,353,203	1,955,745
Net income attributable to owners of the parent company	800,730	1,201,247	1,469,656	1,808,017	1,829,851
Net income attributable to non-controlling interest	-	(6)	-	-	-
Comprehensive income (loss) attributable to the owner of the parent company	987,132	1,265,959	1,273,570	1,353,203	1,955,745
Total comprehensive income (loss) attributable to non-controlling interest	-	(6)	-	-	-
Earnings per share (EPS)	10.55	15.66	18.72	21.20	20.78

Note: 2014 to 2018 Condensed Consolidated Income Statement adopt International Financial Reporting Standards (IFRS) and consolidated financial statements audited by the certified public accountants.

(II) Names of certified public accountants and audit opinions over the past five years

Year	Certified public accountant	Company name	Audit opinion
2014	CPA Ming Yen Chien CPA Liang Fa Wei	Deloitte Taiwan	Unqualified opinion
2015	CPA Ming Yen Chien CPA Liang Fa Wei	Deloitte Taiwan	Unqualified opinion
2016	CPA Ming Yen Chien CPA Liang Fa Wei	Deloitte Taiwan	Unqualified opinion
2017	CPA Ming Yen Chien CPA Cheng-Chun Chiu	Deloitte Taiwan	Unqualified opinion
2018	CPA Tzu-Jung Kuo CPA Cheng-Chun Chiu	Deloitte Taiwan	Unqualified opinion

## II. Financial analysis over the past five fiscal years

(I) Financial analysis of the consolidated financial report for the most recent five years

Unit: NT\$ thousand

Fiscal Year		2014 (Note 1)	2015 (Note 1)	2016 (Note 1)	2017 (Note 1)	2018 (Note 1)
Items for analysis						
Financial structure (%)	Debt to asset ratio (%)	10.27	13.50	24.32	12.58	6.77
	Proportion of long-term capital to property, plant and equipment (%)	3,596.24	4,208.55	2,115.56	1,514.18	1,099.56
Solvency (%)	Current ratio	820.61	530.26	672.36	812.48	788.31
	Quick ratio	682.92	383.04	500.14	599.15	592.88
	Interest coverage ratio (multiples)	Note 2	Note 2	25.26	91.60	190.01
Operating ability	Receivables turnover rate (times)	16.03	16.40	15.68	14.75	16.16
	Average collection days	23	22	23	25	23
	Inventory turnover rate (times)	4.37	3.27	3.20	3.04	3.01
	Payables turnover rate (times)	11.06	8.70	9.16	10.25	11.25
	Average days for sale	84	112	114	120	121
	Property, plant and equipment turnover rate (times)	39.50	45.39	28.74	15.84	10.04
	Total asset turnover rate (times)	0.96	1.02	0.88	0.75	0.73
Profitability	Return on assets (%)	23.40	26.00	18.19	15.91	14.15
	Return on equity (%)	25.81	29.59	22.96	19.27	15.57
	Ratio of income before tax to paid-in capital (%)	101.73	161.29	178.31	212.28	213.90
	Profit margin before tax (%)	24.47	25.55	20.59	21.03	19.44
	Earnings per share (NT\$)	10.55	15.66	18.72	21.20	20.78
Cash flow	Cash flow ratio (%)	154.56	118.81	209.63	264.11	275.09
	Cash flow adequacy ratio (%)	93.25	77.01	50.39	65.33	72.27
	Cash re-investment ratio (%)	12.92	11.39	14.91	14.76	14.87
Leveraging Degree	Operating leverage	1.03	0.87	1.16	1.12	1.11
	Financial leverage	1.00	1.00	1.04	1.01	1.01
Description of causes for changes to various financial ratios during the past two fiscal years:						
1. Financial structure: Continuing conversion of convertible corporate bonds and increased property purchases reduced liability ratio and reduced the long-term capital as a proportion of PP&E.						
2. Debt-paying ability: The increase in interest coverage ratio is caused by the decrease in interest expense of convertible corporate bonds.						
3. Operational ability: The decrease in Property, plant and equipment turnover rate (times) was mainly caused by the increased of property and equipments purchases.						
4. Profitability: The decrease in Return on Assets Ratio and ROE is caused by expansion of the operating scale and the growth of the net profit slowly.						
5. Cash flow: The increase in cash flow ratio was mainly due to the increase in net cash inflows from operating activities and no significant cash outflow from mergers and acquisitions during the last fiscal year.						
6. Operating leverage: No significant changes with previous fiscal year.						

Note 1: 2014 to 2018 adopt International Financial Reporting Standards (IFRS) and consolidated financial statements audited by certified public accountants.

Note 2: No interest expense was incurred from 2014 to 2015.

Note 3: The following lists the calculation formulas used:

1. Financial structure

(1) Debt to asset ratio = Total liabilities/Total assets.

(2) Long-term capital as a proportion of PP&E = (Total equities + Non-current liabilities)/  
Net value of PP&E.

2. Solvency

(1) Current ratio = Current assets/Current liabilities

(2) Quick ratio = (Current assets - Inventory - Prepaid expenses)/Current liabilities.

(3) Interest coverage ratio = income before income tax and interest expenses / current interest expenses

3. Operating ability

(1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period.

(2) Average collection days = 365/Receivables turnover rate.

(3) Inventory turnover rate = cost of sales / average inventory

(4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sale / average payables (including accounts payable and notes payable arising from business operations) for each period

(5) Average sales days = 365/Inventory turnover ratio.

(6) PP&E turnover rate = Net sale/Average PP&E value.

(7) Total asset turnover rate = Net sales/Average total assets.

4. Profitability

(1) Return on assets = [net income (loss) after tax + interest expenses x (1- tax rate)] /  
average total assets

(2) Return on shareholders' equity = Net gain (loss) after tax / average shareholder's equity

(3) Profit margin before tax = Net gain (loss) after tax/Net sales.

(4) Earnings per share (EPS) = (Gain (loss) attributable to the owners of the parent company – dividends on preferred shares) / weighted average number of issued shares  
(Note 4)

5. Cash flow

(1) Cash flow ratio = Net cash from operating activities /Current liabilities.

(2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend)

(3) Cash flow reinvestment ratio = (Net cash flow from operating activities – cash dividend) /  
gross property, plant and equipment value + long-term investment + other non-current assets + working capital)

6. Leveraging:

(1) Operating leverage = (net operating revenue – variable operating costs and expenses) /  
operating income

(2) Financial leverage = operating income / (operating income - interest expenses)

(II) Financial analysis of the individual financial report of the past five fiscal years: Not Applicable

### **III. Audit Report of the Audit Committee**

#### **Audit Committee's Review Report**

The Board of Directors has prepared the Company's Business Report, Consolidated Financial Statements, and Earnings Distribution Proposal for the year of 2018. Tzu-Jung Kuo and Cheng-Chun Chiu, Certified Public Accountants of Deloitte & Touche, have audited the Financial Statements. The 2018 Business Report, Consolidated Financial Statements, and Earnings Distribution Proposal have been reviewed and determined to be correct and accurate by the Audit Committee of Silergy Corp. We hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Silergy Corp.

Chair of the Audit Committee: Shun-hsiung Ko

March 19, 2019

**IV. Latest annual consolidated financial statement and auditor's report: please refer to Appendix (Pages 105 - 183).**

**V. The Company's individual financial report audited and attested by a CPA from the most recent fiscal year: Not applicable.**

**VI. Any financial difficulties experienced by Silergy and its affiliates as well as the impact of the said difficulties on the financial condition of Silergy: Silergy and its affiliates have not experienced any financial difficulty.**

## Chapter VII Review, analysis, and risks of financial position and performance

### I. Financial Status

Unit: NT\$ thousand

Item \ Year	2017 (Note)	2018 (Note)	Difference	
			Amount	%
Current assets	6,505,061	7,101,603	596,542	9.17
Fixed assets	698,094	1,176,605	478,511	68.55
Intangible assets	3,699,367	3,588,913	(110,454)	(2.99)
Other assets	1,188,936	2,010,324	821,388	69.09
<b>Total assets</b>	<b>12,091,458</b>	<b>13,877,445</b>	<b>1,785,987</b>	<b>14.77</b>
Current liabilities	800,645	900,862	100,217	12.52
Long-term liabilities	670,404	0	(670,404)	(100.00)
Other liabilities	50,003	39,122	(10,881)	(21.76)
<b>Total liabilities</b>	<b>1,521,052</b>	<b>939,984</b>	<b>(581,068)</b>	<b>(38.20)</b>
Capital stock	877,326	902,566	25,240	2.88
Capital reserve	5,140,803	6,061,816	921,013	17.92
Retained earnings	4,973,915	6,281,894	1,307,979	26.30
<b>Total shareholder equity</b>	<b>10,570,406</b>	<b>12,937,461</b>	<b>2,367,055</b>	<b>22.39</b>

Description of items with material changes: (where the difference from the previous fiscal period is 20% or more, and where the amount of change exceeds NT\$10 million)

1. Fixed assets: Increase due to real estate purchase.
2. Other assets: Mainly caused by cost approach investment
3. Long-term liabilities, other liabilities and total liabilities: Mainly caused by continuous conversion of convertible corporate bonds and the reduction of payment of premiums payable.
4. Retained earnings and Total shareholder equity: Due to the increasement of 2018 net profit.

Note: Adopt International Financial Reporting Standards (IFRSs) approved by the Financial Supervisory Commission (FSC) and consolidated financial statements audited by certified public accountants.

## II. Financial performance

(I) Analysis of changes to business outcomes over the past two fiscal years

Unit: NT\$ thousand; %

Item \ Year	2017 (Note)	2018 (Note)	Changes	
			Amount	Proportion of change
Total operating revenue	8,599,237	9,414,159	814,922	9.48
Net operating revenue	8,599,237	9,414,159	814,922	9.48
Operating cost	4,494,632	5,016,304	521,672	11.61
Gross profit	4,104,605	4,397,855	293,250	7.14
Operating expense	2,250,667	2,501,927	251,260	11.16
Net operating profit	1,871,241	1,913,422	42,181	2.25
Non-operating income and benefits	95,394	157,934	62,540	65.56
Non-operating expenses and losses	104,248	140,758	36,510	35.02
Net income before tax	1,862,387	1,930,598	68,211	3.66
Net income after tax	1,808,017	1,829,851	21,834	1.21
Description of items with material changes: (where the difference from the previous fiscal period is 20% or more, and where the amount of change exceeds NT\$10 million)				
1. Non-operating income and benefits: Mainly attributed to the interest income, compensation income and appreciation of the US dollar.				
2. Non-operating expenses and losses: Mainly caused by the loss of goodwill.				

Note: Adopt International Financial Reporting Standards (IFRSs) approved by the Financial Supervisory Commission (FSC) and consolidated financial statements audited by certified public accountants.

(II) Sales forecast for the future year and basis thereof: Silergy will take the forecasts of customers' considerations into account for planning production capacity and past business performance to set annual delivery goals.

(III) Possible impact on the company's financial operations and response plans:

The business sector of Silergy is still in a growing phase. Meanwhile, Silergy shall also constantly monitor changes to market requirements, expand its market share, develop new customers, improve corporate profitability, and continue to have a stable and healthy financial condition.

### III. Cash flow

(I) Analysis of changes to cash flow over the past fiscal year

Unit: NT\$ thousand; %

Item	2017	2018	Increase (decrease) change	
			Amount	%
Business activities	2,114,572	2,478,185	363,613	17.20
Investment activities	(1,290,156)	(2,267,423)	(977,267)	75.75
Financing activities	(334,116)	(585,707)	(251,591)	75.30
Net cash inflow (outflow)	234,646	(295,752)	(530,398)	(226.04)

Analysis of the proportion of change:

Business activity: Net cash inflow increased by NT\$363,613,000, which was mainly attributed by business profits.

Investment activities: Net cash outflows increased by NT\$977,267,000, which was mainly due to increase the investment in Cost Method

Financing activity: Net cash outflow increased by NT\$251,591,000, which was mainly caused by the redemption of convertible corporate bonds and cash dividend distribution.

(II) Improvement plan for inadequate liquidity: Silergy expects to maintain profitability for 2019 as business activity will maintain net cash inflow and respond to required cash outflow from investment and financing activities. There should be no concern of inadequate liquidity.

(III) Cash liquidity analysis for the following year

Unit: NT\$ thousand

Initial cash balance (1)	Cash inflow resulting from business activities for the entire year (2)	Cash outflow for the entire year (3)	Cash surplus (inadequacy) (1)+(2)-(3)	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
2,618,420	2,640,141	1,163,254	4,095,307	-	-

Analysis of cash flow for the future year:

1. Business activity: Net cash inflow increased by NT\$2,640,141,000, which was mainly attributed by business profits.

2. Investment activity: Cash outflow of NT\$1,163,254,000, which was mainly attributed by expected issuance of dividends and construction of the headquarter.

3. Financing activity: None.

### IV. Material expenditure over the past year and its impact on the company's finances and operations:

Main capital expenditure forecasts for the past fiscal year of Silergy are acquisition of equipment and technologies required for research and development as well as construction of the headquarters building, and shall be met from corporate capital.

## V. Policy on investment in other companies, main reasons for profit/losses resulting therefrom, improvement plan, and investment plans for the upcoming fiscal year

### (I) Policy on investment in other companies:

Silergy focuses on its primary business sector and its policy on investments in other companies is based on investment related to the businesses. The responsible department shall comply with the internal control system (ICS) Investment Cycle, Procedures for Handling Acquisition and Disposal of Assets and other relevant regulations to implement relevant policies; the relevant regulations and procedures have been discussed and approved by the board of directors or at a shareholders' meeting.

### (II) Main causes for profits or losses

Unit: NT\$ thousand; %

Investee	Shareholding percentages	Realized investment gain (loss) in 2018	The main causes of profit or loss	Improvement plan
Silergy Technology	100	74,520	Business growth	Not applicable
Silergy Semiconductor Technology (Hangzhou) Co., Ltd	100	922,394	Business growth	Not applicable
Nanjing Silergy Semiconductor Technology	100	222,192	Business growth	Not applicable
Silergy Semiconductor (Samoa) Limited	100	(8,820)	Recognized expenses from Japan Branch	Continuous R&D expansion and new business development
Silergy Technology (Taiwan) Inc.	100	(1,503)	Goodwill losses	Continuous new business development
Xian Silergy Semiconductor Technology	100	1,611	Business growth	Not applicable
Silergy Semiconductor (Hong Kong) Limited	100	(16,059)	Investment losses assessed as per the recognized equity method	Continue to monitor and optimize the performance of the invested company
Shanghai Pengxi Semiconductor Technology Limited	100	(54,160)	R&D investment	Continuous R&D expansion and new business development
Silergy Technologies Private Limited	100	2,899	Business growth	Not applicable
Chengdu Silergy Semiconductor Technology	100	(26,509)	R&D investment	Continuous R&D expansion and new business development
Silergy Korea Limited	100	11,922	Business growth	Not applicable
HF SMAT Microtech	35.12	(39,441)	R&D investment	Continuous R&D expansion and new business development

(III) Improvement plan: Establish an effective business management constitution, coordinate group policy development, and strengthen measures for marketing and receiving orders.

(IV) Investment plan for the future year: Refer to corporate operations and market requirements to evaluate opportunities for continuing investments.

**VI. Risks: Please refer to pages 5 to 10.**

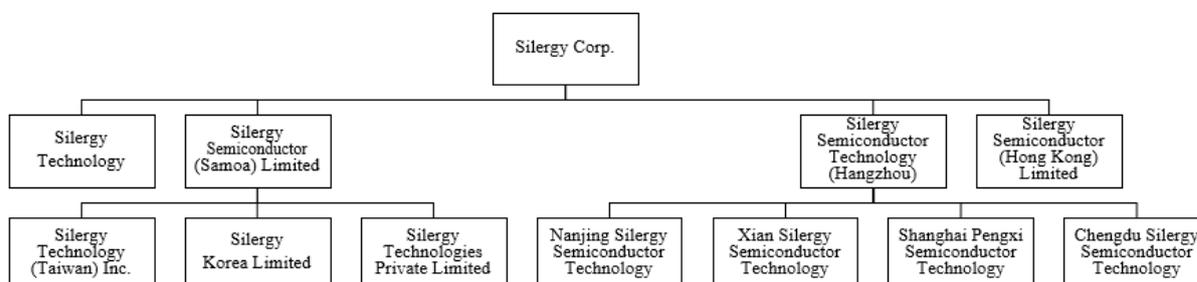
**VII. Other important matters: None.**

## Chapter VIII Special Items to be Included

### I. Information of affiliates

#### (I) Organizational chart of the affiliates

December 31, 2018



#### (II) Industries covered by the business operated by the affiliates

The main business items of the Company's affiliates include: research and development, design, and sales of power management IC (PMIC), and provision of relevant technical services and professional investments.

#### (III) Basic information of affiliates

December 31, 2018, Unit: dollar

Company name	Date of incorporation	Address	Paid-in capital	Main business items
Silergy Semiconductor Technology (Hangzhou) Co., Ltd	2008/5	Mainland China	US\$58,520,270	R&D, design, and sales of electronic parts, and provision of related technical services.
Silergy Technology	2008/5	US	US\$3,122,140	Development and design services for power management integrated circuits technologies
Nanjing Silergy Semiconductor Technology	2012/8	Mainland China	RMB31,000,000	R&D, design, and sales of electronic components
Silergy Semiconductor (Samoa) Limited	2012/12	Samoa	US\$24,300,000	Professional investment company
Silergy Technology (Taiwan) Inc.	2000/3	Taiwan	NT\$317,000,000	R&D, design, and sales of electronic parts
Xian Silergy Semiconductor Technology	2015/4	Mainland China	RMB91,000,000	R&D, design, and sales of electronic parts
Silergy Semiconductor (Hong Kong) Limited	2015/10	Hong Kong	US\$11,375,000	Professional investment company
Shanghai Pengxi Semiconductor Technology Limited	2016/4	Mainland China	RMB37,000,000	R&D and design of electronic components
Silergy Technologies Private Limited	2016/5	India	USD 2,000	R&D, design, and sales of electronic parts
Chengdu Silergy Semiconductor Technology	2016/11	China	RMB26,000,000	R&D and design of electronic parts
Silergy Korea Limited	2017/11	Korea	US\$311,000	R&D, design, and sales of electronic parts

(IV) Information of shareholders in common, presumed to have a relationship of control and subordination: None

(V) Directors, supervisors, and general managers of affiliated companies

December 31, 2018, Unit: Shares; %

Company name	Title	Name or representative	Company owned	Number of shares held	Shares held
Silergy Semiconductor Technology (Hangzhou) Co., Ltd	Executive director Supervisor	Wei Chen Budong You	Silergy Corp.	-	100%
Silergy Technology	Director and General Manager General Manager	Silergy Corp. (Representative: Michael Grimm)	Silergy Corp.	-	100%
Silergy Semiconductor (Samoa) Limited	Director	Silergy Corp. (Representative: Wei Chen)	Silergy Corp.	-	100%
Silergy Semiconductor (Hong Kong) Limited	Director	Kuan-cheng Pan	Silergy Corp.	-	100%
Nanjing Silergy Semiconductor Technology	Executive director Supervisor	Wei Chen Budong You	Silergy Semiconductor Technology (Hangzhou) Co., Ltd	-	100%
Xian Silergy Semiconductor Technology	Executive director Supervisor	Wei Chen Budong You	Silergy Semiconductor Technology (Hangzhou) Co., Ltd	-	100%
Shanghai Pengxi Semiconductor Technology Limited	Executive director Supervisor	Wei Chen Budong You	Silergy Semiconductor Technology (Hangzhou) Co., Ltd	-	100%
Chengdu Silergy Semiconductor Technology	Executive director Supervisor	Wei Chen Budong You	Silergy Semiconductor Technology (Hangzhou) Co., Ltd	-	100%
Silergy Technology (Taiwan) Inc.	Chairman	Silergy Semiconductor (Samoa) Limited (Representative: Wei Chen)	Silergy Semiconductor (Samoa) Limited	31,700,000	100%
Silergy Technologies Private Limited	Director	Silergy Semiconductor (Samoa) Limited (Representative: Wei Chen)	Silergy Semiconductor (Samoa) Limited	-	100%
Silergy Korea Limited	Director	Silergy Semiconductor (Samoa) Limited (Representative: Wei Chen)	Silergy Semiconductor (Samoa) Limited	-	100%

## (VI) Business operations of the affiliates

December 31, 2018; Unit: NT\$ thousand

Company name	Actual paid-in capital	Total assets Total Value	Total liabilities	Net value	Operating revenue	Operating profit (loss)	Current profit (loss)	Earnings per share (NT\$)
Silergy Semiconductor Technology (Hangzhou) Co., Ltd	1,797,450	5,314,068	457,202	4,856,866	4,156,846	914,955	922,394	NA
Silergy Technology	95,897	372,260	40,091	332,169	487,679	76,380	74,520	NA
Nanjing Silergy Semiconductor Technology	138,735	837,610	70,142	767,468	661,760	204,944	222,192	NA
Silergy Semiconductor (Samoa) Limited	746,375	423,624	38,688	384,936	327,379	23,319	(8,820)	NA
Silergy Technology (Taiwan) Inc.	317,000	151,367	18,355	133,012	53,395	27,846	2,011	NA
Xian Silergy Semiconductor Technology	407,255	326,172	27,608	298,564	161,324	(2,038)	1,611	NA
Silergy Semiconductor (Hong Kong) Limited	349,383	304,958	53	304,905	0	(95)	(16,059)	NA
Shanghai Pengxi Semiconductor Technology Limited	165,587	53,869	11,584	42,285	6,883	(54,545)	(54,160)	NA
Silergy Technologies Private Limited	52	8,015	1,092	6,923	0	3,309	2,899	NA
Chengdu Silergy Semiconductor Technology	116,359	81,070	6,888	74,182	0	(26,555)	(26,509)	NA
Silergy Korea Limited	9,430	47,158	17,401	29,757	0	14,803	11,922	NA

Note: Capital sum, total assets, total liabilities, and net worth are calculated using the exchange rates at the end of 2018. Operating revenue, operating profit (loss), profit (loss) for the current fiscal period, and earnings per share (EPS) are based on the average annual exchange rate of 2018.

(VII) Consolidated financial statement of affiliates: Similar to the consolidated financial reports of Silergy and its affiliates. Refer to pages 105 - 183.

(VIII) Affiliation Report: Not applicable.

## II. Private placement of securities in the past fiscal year up to the publication date of this report: None.

**III. Holding or disposal of shares in the Company by the Company's subsidiaries in the past fiscal year up to the date of publication of the annual report: None.**

**IV. Other supplementary information:**

The following are the key differences between the Articles of Incorporation of Silergy and regulations of the Republic of China governing the shareholders' rights:

Key matters related to the protection of shareholders' rights Important matters	Provisions in the Articles of Incorporation and description thereof	Laws of the Cayman Islands and description thereof	Differences
Where the company buys its own shares and transfers them to an employee, the company may restrain the shares from being transferred or assigned to others within a specific period of time which shall be no longer than two (2) years. which shall be no longer than two (2) years.	According to Article 1 of the Articles of Incorporation, treasury shares shall refer to shares that have been issued in accordance with the Articles of Incorporation, laws of the Cayman Islands or laws governing listed companies but have been repurchased, redeemed, or acquired using other means but not terminated. Regulations governing this item are provided in Article 40C of the Articles of Incorporation.	The board of directors may decide the terms and conditions related to treasury shares. There are no laws in the Cayman Islands governing matters related to the employees' bonus plans.	Attorneys from the Cayman Islands advise that the restrictions agreed between the transferor and transferee is a contractual matter between themselves.
5. The essential contents of the following matters shall be explained in the notice to convene a meeting of shareholders, and shall not be brought up as extemporary motions; the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the Company, and such website shall be indicated in the above notice. (1) election or discharge of directors and supervisors, (2) amendment of Articles of Incorporation; (3) reduction of capital; (4) application for the approval of ceasing its status as a public company; (5) dissolution, merger, transfer of shares, and demerger; (6) enter into, amend or	Cayman Islands Companies Law provides no special regulations governing extraordinary motions. Provisions from Paragraph 5 are therefore included in Article 50 of the Articles of Incorporation.	Cayman Islands Companies Law provides no special regulations governing extraordinary motions.	According to attorneys from Cayman Islands, for matters related to extraordinary motions, the shareholders' meeting must clearly state the content to be discussed at the meeting and provide relevant information to facilitate the shareholders' understanding. However, a shareholders' meeting notice often includes the item, "any other motions" which are usually for informal or unimportant items. The meeting chairperson may not place a key matter into this motion. Any key matter shall be discussed and resolved by convening another meeting in accordance with relevant procedures. However, for urgent matters that must be discussed at the shareholders' meeting, additional details will be raised during the next meeting for ratification. Hence, even though the Cayman Islands laws do not clearly prohibit extraordinary motions, attorneys from the Cayman Islands

Key matters related to the protection of shareholders' rights Important matters	Provisions in the Articles of Incorporation and description thereof and description thereof	Laws of the Cayman Islands and description thereof	Differences
<p>terminate any contract for lease of the company's business in whole, or for entrusted business, or for regular joint operation with others;</p> <p>(7) transfer the whole or any essential part of its business or assets;</p> <p>(8) accept the transfer of the entirety of a business or asset from another party, in which the transfer has a great bearing on the business operation of the company;</p> <p>(9) private issuance of securities with equity characteristics.</p> <p>(10) permission for directors in participating in restrictive competitive business;</p> <p>(11) distribute dividend and bonus, in whole or in part, by issuing new shares;</p> <p>(12) distribute legal reserve and the capital reserve from income derived from the issuance of new shares at a premium or from endowments received by the company, in whole or in part, by issuing new shares or by cash to its original shareholders.</p>			<p>recommend that it will not be proper to raise extraordinary motions at the shareholders' meeting.</p>
<p>3. Where the company exercises voting rights by correspondence or electronic means, the method of exercising the rights shall be clearly stated in the shareholders' meeting notice. A shareholder exercising voting rights by correspondence or electronic means shall be regarded as having personally attended the meeting. However, the shareholder shall be regarded as having</p>	<p>Cayman Islands Companies Law does not have any special regulations governing the matters stated in Paragraph 3. The regulations in the first section of Paragraph 3 are therefore provided in Article 68 of the Articles of Incorporation.</p>	<p>Cayman Islands Companies Law has no special regulations governing the matters stated in Paragraph 3.</p>	<p>As per legal opinion from the Cayman Islands, a shareholder voting by correspondence is regarded as having granted the chairman with the power of attorney on his/her behalf. Hence, the opinion of the Cayman Islands lawyer on the second section of the matters stated in Paragraph 3 is placed in the provisions of Article 68 of the Articles of Incorporation (in other words, a shareholder exercising voting rights by correspondence or electronic means shall be regarded as having granted the chairman of</p>

Key matters related to the protection of shareholders' rights Important matters	Provisions in the Articles of Incorporation and description thereof and description thereof	Laws of the Cayman Islands and description thereof	Differences
forfeited the voting rights for extraordinary motions or amendments to the original motion.			the shareholders' with the power of attorney to act, on the basis of the correspondence or electronic file, on the shareholder's behalf; however, the shareholder is regarded to have forfeited his/her voting rights for extraordinary motions or amendments to an original motion; however, the aforementioned granting of the power of attorney shall not be regarded as the granting of the power of attorney as specified by laws governing listed companies.)
4. If a shareholder who exercised voting rights by correspondence or by electronic means intends to personally attend the shareholders' meeting, he/she shall revoke the power of attorney, two days prior to the convening of the shareholders' meeting, and by using the same method for exercising the voting rights, his or her expressed intent to exercise voting rights by correspondence or electronic means. If the shareholder failed to revoke his or her expressed intent within the time limit, the shareholders' voting rights as exercised by correspondence or electronic means will prevail.	Cayman Islands Companies Law does not provide special regulations governing the matters stated in Paragraph 5. The regulations of Paragraph 5 are therefore provided in Article 70 of the Articles of Incorporation.	Cayman Islands Companies Law provides no special regulations governing the matters stated in Paragraph 5.	As per the legal opinion from the Cayman Islands, under the Common Law system of the UK and the US, a person may revoke its proxy by attending the meeting in person. Hence, a shareholder exercising voting rights by correspondence or electronic means shall be regarded as granting the power of attorney to the chairperson of the shareholders' meeting to act, on the basis of the instructions provided in the correspondence or electronic file, on the shareholder's behalf. Hence, the provisions of Paragraph 5 may be considered not enforceable.
5. After the power of attorney form is delivered to the company, if a shareholder intends to personally attend the shareholders' meeting or intends to exercise voting rights by correspondence or electronic means, the shareholder shall provide, two days prior to the convening of the shareholders' meeting, a written notice to the company to revoke the power of attorney. Where	Cayman Islands Companies Law provides no special regulations governing power of attorney forms or collection of power of attorney forms. Provisions from Paragraph 5 are therefore included in Article 62A of the Articles of Incorporation.	Cayman Islands Companies Law provides no special regulations governing power of attorney forms or collection of power of attorney forms.	Legal opinion from the Cayman Islands states that under Common Law, a person may revoke his/her proxy by attending the meeting in person. The provisions of Paragraph 5 may not be enforceable.

Key matters related to the protection of shareholders' rights Important matters	Provisions in the Articles of Incorporation and description thereof and description thereof	Laws of the Cayman Islands and description thereof	Differences
the shareholder fails to revoke the power of attorney after the specified period, the voting rights exercised by an attending proxy shall prevail.			
<p>For the following motions that relate to key rights of the shareholders, the motion may be adopted by a majority vote at a shareholders' meeting, wherein the meeting is attended by shareholders representing two-thirds or more of the total number of its outstanding shares. In the event the total number of shares represented by the shareholders present at a shareholders' meeting of a company is less than the percentage of the total shareholdings required in the preceding Paragraph, the resolution may be adopted by at least two-third of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the company.</p> <p>1. Enter into, amend or terminate any contract for lease of the company's business in whole, or for entrusted business, for regular joint operation with another party, transfer the whole or any essential part of its business or assets, and accept the transfer of the entirety of a business or asset from another party, in which the transfer has a great bearing on the business operation of the company.</p> <p>2. Amendment to the Articles of Incorporation</p> <p>3. Where amendments to the Articles of Incorporation will damage the rights of shareholders holding preferred shares, a resolution of the preferred shareholders' meeting</p>	(I) Cayman Islands Companies Law has neither special requirements nor prohibitions regarding matters provided in Subparagraph 1, Subparagraph 4, part of Subparagraph 5 regarding demergers, and Subparagraph 6. Hence, matters provided in Subparagraph 1, Subparagraph 4, part of Subparagraph 5 regarding demergers, and Subparagraph 6 are respectively provided in Articles 32 (a), (b), (c), (d), (e), and (h). Such matters can only be approved through a supermajority resolution at a shareholders' meeting.	<p>Cayman Islands Companies Law has no special requirements nor restrictions regarding items 1, 4, 5 (the part regarding demerger) and 6. According to items 2 and 3, Article 24 of the Cayman Islands Companies Law, any amendment to the Articles of Incorporation requires passing of special resolution. For item 5 (the part regarding demerger) Article 116 of the Cayman Islands Companies Law provides that a company can undergo voluntary dissolution only after a special resolution; additionally, if the company motions to undergo voluntary dissolution as a result of being unable to settle its debts, the motion must be passed through a shareholders' meeting. Attorneys from the Cayman Islands believe that the matter may only be implemented with an ordinary resolution or special resolution adopted in the aforementioned shareholders' meeting, or through a higher-level resolution specified in the Articles of Incorporation. Additionally, for a matter related to item 5 (the part regarding merger), they express that Article 233(6) of the Cayman Islands</p>	<p>Article 24 of the Cayman Islands Companies Law specifies that any amendment of the Articles of Incorporation can only be adopted through a special resolution at a shareholders' meeting. The provisions of Paragraph 2 are thus provided in Article 157 of the Articles of Incorporation, stating that the company may adopt an amendment to the memorandum and/or Articles of Association through a special resolution. Matters regarding the number of attendants at the shareholders' meeting are specified in the provisions of Article 51 (stating that the motion may be adopted by a shareholders' meeting where the shareholders attending in person or by proxy represent a majority of the outstanding shares of the company). Hence, provisions of Subparagraph 3 are provided in Article 18 of the Articles of Incorporation, stating that for a motion relating to an amendment of the Articles of Incorporation that damages the rights of a shareholder holding preferred shares, the motion can only be adopted by a special resolution in a general shareholders' meeting, and a special resolution in a preferred shareholders' meeting. Matters regarding the number of attendants at the shareholders' meeting are specified in the provisions of Article 51 (stating that the motion may be adopted by a shareholders' meeting where the shareholders attending in person or by proxy represent a majority of the outstanding shares of the company). For the part in Subparagraph 5 related to dissolution, Article 116 of the Cayman Islands</p>

Key matters related to the protection of shareholders' rights Important matters	Provisions in the Articles of Incorporation and description thereof and description thereof	Laws of the Cayman Islands and description thereof	Differences
<p>must be convened</p> <p>4. Distribute the whole or part of dividend or bonus by issuing new shares</p> <p>5. Resolutions for dissolution, merger, or demerger</p> <p>6. Private placement of securities</p>		<p>Companies Law provides that the matter can be approved only through a special resolution. Where the Articles of Incorporation have other regulations governing the resolution, it shall follow the relevant provisions of the Articles of Incorporation.</p>	<p>Companies Law provides that a company can undergo voluntary dissolution only after a special resolution; additionally, if the company motions to undergo voluntary dissolution as a result of inability to settle its debts, the motion must be passed at a shareholders' meeting. Attorneys from the Cayman Islands believe that the matter may only be implemented with an ordinary resolution or special resolution adopted at the aforementioned shareholders' meeting, or through a higher-level resolution specified in the Articles of Incorporation. Hence, the part of Subparagraph 5 related to corporate dissolution is provided in Article 33 of the Articles of Incorporation, stating that if the company motions to undergo voluntary dissolution as a result of being unable to settle its debts, the motion shall be resolved through a supermajority resolution at a shareholders' meeting (Article 33(a)); if the company motions to undergo voluntary dissolution for other reasons, then the motion shall be resolved through a special resolution (Article 33(b)). Matters regarding the number of attendants at the shareholders' meeting are specified in the provisions of Article 51 (stating that the motion may be adopted by a shareholders' meeting where the shareholders attending in person or by proxy represent a majority of the outstanding shares of the company). Additionally, for a matter related to the part of Subparagraph 5 regarding mergers, legal opinion from the Cayman Islands is that Article 233(6) of the Cayman Islands Companies Law provides that the matter can only be approved through a special resolution. Where the Articles of Incorporation have other regulations governing the</p>

Key matters related to the protection of shareholders' rights Important matters	Provisions in the Articles of Incorporation and description thereof and description thereof	Laws of the Cayman Islands and description thereof	Differences
			resolution, it shall follow the relevant provisions of the Articles of Incorporation. Hence, the part of Subparagraph 5 related to mergers is included Article 31(c) of the Articles of Incorporation. Matters regarding the number of attendants at the shareholders' meeting are specified in the provisions of Article 51 (stating that the motion may be adopted by a shareholders' meeting where the shareholders attending in person or by proxy represent a majority of the outstanding shares of the company).
Regulations related to supervisors.	As the Company has not appointed a supervisor, there is no amendment to the Articles of Incorporation regarding this matter.	Cayman Islands Companies Law provides no special regulations governing supervisors.	As the Company has not appointed a supervisor, there is no amendment to the Articles of Incorporation regarding this matter.
5. After the power of attorney form is delivered to the company, if a shareholder intends to personally attend the shareholders' meeting or intends to exercise voting rights by correspondence or electronic means, the shareholder shall provide, two days prior to the convening of the shareholders' meeting, a written notice to the company to revoke the power of attorney. Where the shareholder fails to revoke the power of attorney after the specified period, the voting rights exercised by an attending proxy shall prevail.	Cayman Islands Companies Law provides no special regulations governing power of attorney forms or collection of power of attorney forms. Provisions from Paragraph 5 are therefore included in Article 62A of the Articles of Incorporation.	Cayman Islands Companies Law provides no special regulations governing power of attorney forms or collection of power of attorney forms.	Legal opinion from the Cayman Islands states that under Common Law, a person may revoke his/her proxy by attending the meeting in person. The provisions of Paragraph 5 may not be enforceable.
1. Shareholder(s) who has/have been continuously holding 1% or more of the total number of the outstanding shares of the Company over six months may request in writing the supervisors of the Company to institute, for the Company, an action against a director of the Company, and Taiwan	The Articles of Incorporation of the Cayman Islands does not have any special request or prohibitions on this matter. Also, Silergy did not appoint any supervisor, but has established an audit committee. In accordance with Tai-Zheng-Shang No. 1011702189 of the Taiwan Stocks Exchange (TWSE) on July 27, 2012, a	Cayman Islands Companies Law provides neither special requirements nor restrictions regarding this item. According to the Cayman Islands laws, a shareholder may initiate a litigation on behalf of the company with the following conditions: (A) where	Legal opinion from Cayman Islands states that although the Articles of Incorporation specify that the directors and company bear joint and several liabilities, the legal perspective is that a third party still cannot directly initiate a point of law against a director.

Key matters related to the protection of shareholders' rights Important matters	Provisions in the Articles of Incorporation and description thereof and description thereof	Laws of the Cayman Islands and description thereof	Differences
<p>Taipei District Court may be the court of jurisdiction for the first instance.</p> <p>2. Where the supervisor does not initiate litigation when a period of 30 days has passed after the shareholder makes the request, the shareholder may initiate litigation against the Company. The court of first instance shall be Taiwan Taipei District Court.</p>	<p>company shall replace a supervisor with an independent director serving in an audit committee. Hence, parts of Paragraphs 1 and 2 relating to supervisors are replaced with independent directors of the audit committee, and included in Article 123 of the Articles of Incorporation. A court with jurisdiction (including Taiwan Taipei District Court) shall be the competent court. Legal opinion from the Cayman Islands states that Article 123 of the Articles of Incorporation must fulfill the statutory regulations of the Cayman Islands. According to the laws of the Cayman Islands, a director is not obliged to initiate, when receiving a request from a shareholder holding 3% or more shares, a litigation against another director if the said director believes that the litigation does not benefit the company.</p>	<p>an act is a legal violation or trespasses an authorized scope of a company, and cannot be ratified by the shareholder; or (B) where an act is a fraud against a minority of shareholders (in other words, the target seeking legal redress through litigation will be a major shareholder, and the major shareholder is a plaintiff who will not allow the company to adopt non-interference with respect to the litigation seeking legal redress; where the litigation is initiated for this Subparagraph, then a proof of fraud and the violator implementing such act exerts a controlling right over the company must be provided</p> <p>A court of the Cayman Islands is inclined to not interfere with internal activities of a company where the act is within the authorized scope of the company, or has trespassed the authorized scope but can still be ratified by the shareholders and fulfills the intent of a majority of shareholders.</p>	
<p>1. A company director shall act diligently and take due care of the company as a good administrator in conducting the business operation of the company; if he/she has acted contrary to this provision, shall be liable for the damages sustained by the company there-from. If the said act is implemented by the director himself or herself, or another party, the board of shareholders may</p>	<p>Taking into consideration the legal opinions from the Cayman Islands (refer to the left column for details), the provisions of Paragraphs 1, 2, and 3 are included within Article 97A of the Articles of Association.</p>	<p>As per the Cayman Islands Companies Law, a director has fiduciary duties to the company. If the director violates the said fiduciary duties and where the said violation damages the company, the court may rule the director to bear liabilities for compensating the damage.</p>	<p>According to the Cayman Islands laws, where a director, in the course of performing business operations, damages a third party, the third party may request damage payments from the company. The company may, in response, request the director to compensate the loss incurred by the company. Although the Articles of Incorporation specify that the directors and company bear joint and several liabilities, the legal perspective of the Cayman Islands is that a third party still</p>

Key matters related to the protection of shareholders' rights Important matters	Provisions in the Articles of Incorporation and description thereof and description thereof	Laws of the Cayman Islands and description thereof	Differences
<p>resolve and consider an earning received from the said act as an earning of the company.</p> <p>2. Where a director has, in the course of conducting business operations, violated any provision of the applicable laws and thus caused damage to another party, he/she shall be liable for the damages to be sustained by the company there-from.</p> <p>3. A managerial officer and supervisor when acting within the scope of their duties, shall bear the same liabilities as a company director.</p>			cannot directly initiate a point of law against a director.

**Chapter IX Any event which has a material impact on the shareholders' equity or on prices of securities as specified in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act that have occurred in the past year up to the publication date of this report:**

None.

**Silergy Corp.**  
**(Incorporated in the Cayman Islands)**  
**and Subsidiaries**

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

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Silergy Corp.

### **Opinion**

We have audited the accompanying consolidated financial statements of Silergy Corp. and its subsidiaries (collectively referred to as the "Company"), 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 Company 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 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 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.

Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2018 are stated as follows:

#### Evaluation of Provisions Held Against Inventory

As of December 31, 2018, the Company held inventory of NT\$1,690,972 thousand, comprising 12% of its total assets. Because the amount is significant, the measurement involves a great amount of judgment, inventory management could influence the amount of provisions held against inventory, and the amount of provision is affected by market competition, the value of inventory and the provisions held against inventory was identified as one of the key audit matters.

Information of accounting policies, estimates and assumption of uncertainty and disclosures related to the evaluation of provisions held against inventory are indicated in Notes 4, 5 and 12 of the Notes to Consolidated Financial Statements.

The audit procedures developed for this key audit matter were as follows:

1. Understood, evaluated, and tested the internal control related to inventory management.
2. Confirmed whether the evaluation of provisions held against inventory is according to the lower of cost and net realizable value method; acquired the inventory net realizable value forms and inventory aging forms and then sampled and verified the last sale price.
3. Acquired inventory aging forms and performed a retrospective review to comparatively analyze the historical accuracy of judgments with reference to actual inventory write-downs; observed the physical count of inventory to test the reasonability of the evaluation of provisions held against inventory.

#### Goodwill Impairment Loss

As of December 31, 2018, the Company held Goodwill of NT\$2,397,800 thousand, comprising 17% of its total assets. According to IAS 36 "Impairment of Assets", the assumption of impairment loss may occur has to be made on the balance sheet date. Management takes into consideration the recoverable amount of the allocation of cash-generating unit when making assumptions of impairment loss. Because the amount is significant and the measurement involves a great amount of judgment from management, and could also be influenced by future market condition or economy, thus as such was identified as one of the key audit matters.

Information of accounting policies, estimates and assumption of uncertainty and disclosures related to goodwill impairment loss are indicated in Notes 4, 5 and 16 of the Notes to Consolidated Financial Statements.

The audit procedures developed for this key audit matter were as follows:

1. Understood and evaluated the reasonability of management's estimates of assets impairment.
2. Evaluated the professional qualifications, competence and independence of independent evaluators that management hired.
3. Understood management's estimation process and basis of future sales forecast and forecasted sales growth rate and profit margin of the cash-generating unit.
4. Evaluate the reasonability of the assumption and assessment method used in the goodwill impairment loss report provided by independent evaluators and consult with specialist within our firm.

## **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 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, 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 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 members of the Audit Committee) are responsible for overseeing the Company'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 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 consolidated financial statements.

As part of an audit in accordance with the 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 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 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 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 Company 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 Company to express an opinion on the consolidated 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.

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 Tzu-Jung Kuo and Cheng-Chun Chiu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 19, 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 Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*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 Republic of China. 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.*

**SILERGY CORP.**  
**(Incorporated in the Cayman Islands)**  
**AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2018 AND 2017**  
**(In Thousands of New Taiwan Dollars)**

ASSETS	2018		2017	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 3 and 6)	\$ 2,618,420	19	\$ 2,914,172	24
Financial assets at fair value through profit or loss - current (Notes 3, 7 and 19)	-	-	1,076	-
Financial assets at amortized cost - current (Notes 3 and 8)	2,022,896	15	-	-
Debt investments with no active market - current (Notes 3 and 10)	-	-	1,234,205	10
Accounts receivable, net (Notes 3 and 11)	581,860	4	583,440	5
Other receivables (Notes 3 and 11)	117,814	1	64,143	-
Inventories (Notes 5, 12 and 28)	1,690,972	12	1,643,851	14
Prepayments (Note 18)	69,641	-	64,174	1
Total current assets	<u>7,101,603</u>	<u>51</u>	<u>6,505,061</u>	<u>54</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 3 and 7)	1,289,447	9	-	-
Financial assets measured at cost - non-current (Notes 3 and 9)	-	-	247,894	2
Debt investment with no active market - non-current (Notes 3 and 10)	-	-	29,760	-
Investments accounted for using equity method (Note 14)	595,650	4	624,913	5
Property, plant and equipment (Notes 15 and 28)	1,176,605	9	698,094	6
Goodwill (Notes 5, 16 and 28)	2,397,800	17	2,387,267	20
Other intangible assets (Notes 17 and 28)	1,191,113	9	1,312,100	11
Deferred tax assets (Notes 4, 5 and 25)	34,632	-	45,121	-
Refundable deposits (Note 3)	39,853	-	92,295	1
Net defined benefit assets - non-current (Notes 4 and 22)	1,309	-	1,518	-
Long-term prepayments (Notes 18)	49,433	1	147,435	1
Total non-current assets	<u>6,775,842</u>	<u>49</u>	<u>5,586,397</u>	<u>46</u>
<b>TOTAL</b>	<u>\$ 13,877,445</u>	<u>100</u>	<u>\$ 12,091,458</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable (Note 20)	\$ 475,293	4	\$ 416,735	4
Accounts payable - related parties (Note 32)	584	-	-	-
Other payables (Note 21)	390,873	3	355,193	3
Current tax liabilities	8,527	-	16,740	-
Other current liabilities (Note 21)	25,585	-	11,977	-
Total current liabilities	<u>900,862</u>	<u>7</u>	<u>800,645</u>	<u>7</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Note 19)	-	-	670,404	6
Deferred tax liabilities (Notes 4 and 25)	141	-	164	-
Guarantee deposits	6,730	-	735	-
Other payables - non-current (Note 21)	32,251	-	49,104	-
Total non-current liabilities	<u>39,122</u>	<u>-</u>	<u>720,407</u>	<u>6</u>
Total liabilities	<u>939,984</u>	<u>7</u>	<u>1,521,052</u>	<u>13</u>
<b>EQUITY (Notes 4, 19, 23 and 27)</b>				
Share capital				
Common shares	902,566	6	877,326	7
Capital surplus	6,061,816	44	5,140,803	43
Retained earnings				
Legal reserve	580,995	4	400,194	3
Special reserve	363,370	3	-	-
Unappropriated earnings	5,337,529	38	4,573,721	38
Total retained earnings	6,281,894	45	4,973,915	41
Other equity				
Exchange differences on translating foreign operations	(237,236)	(2)	(363,370)	(3)
Unearned employee benefits	(71,579)	-	(58,268)	(1)
Total other equity	(308,815)	(2)	(421,638)	(4)
Total equity	<u>12,937,461</u>	<u>93</u>	<u>10,570,406</u>	<u>87</u>
<b>TOTAL</b>	<u>\$ 13,877,445</u>	<u>100</u>	<u>\$ 12,091,458</u>	<u>100</u>

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

**SILERGY CORP.**  
(Incorporated in the Cayman Islands)  
**AND 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 REVENUE, NET (Notes 4 and 32)	\$ 9,414,159	100	\$ 8,599,237	100
OPERATING COSTS (Notes 12 and 32)	<u>5,016,304</u>	<u>53</u>	<u>4,494,632</u>	<u>52</u>
GROSS PROFIT	<u>4,397,855</u>	<u>47</u>	<u>4,104,605</u>	<u>48</u>
OPERATING EXPENSES (Notes 4, 11, 22, 24, 27 and 32)				
Selling and marketing expenses	626,006	7	637,393	7
General and administrative expenses	478,975	5	445,323	5
Research and development expenses	1,398,259	15	1,167,951	14
Gain on reversal of expected credit loss	<u>(1,313)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>2,501,927</u>	<u>27</u>	<u>2,250,667</u>	<u>26</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 14 and 24)	<u>17,494</u>	<u>-</u>	<u>17,303</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>1,913,422</u>	<u>20</u>	<u>1,871,241</u>	<u>22</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 4)	54,129	-	30,835	-
Other income (Notes 24)	75,174	1	53,715	1
Foreign exchange gain (loss), net (Notes 4 and 33)	27,786	-	(54,733)	(1)
Interest expenses (Note 19)	(10,214)	-	(20,556)	-
Miscellaneous expenses	(3,192)	-	(19,261)	-
Impairment loss (Note 16)	(60,673)	(1)	-	-
Gain on disposal of associates (Note 14)	845	-	-	-
Loss (gain) on financial instruments at fair value through profit or loss (Note 31)	(27,238)	-	10,844	-
Share of loss of associates (Note 14)	<u>(39,441)</u>	<u>-</u>	<u>(9,698)</u>	<u>-</u>
Total non-operating income and expenses	<u>17,176</u>	<u>-</u>	<u>(8,854)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,930,598	20	1,862,387	22
INCOME TAX EXPENSE (Notes 4 and 25)	<u>(100,747)</u>	<u>(1)</u>	<u>(54,370)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>1,829,851</u>	<u>19</u>	<u>1,808,017</u>	<u>21</u>

(Continued)

**SILERGY CORP.**  
(Incorporated in the Cayman Islands)  
**AND 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	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 4, 22, 23 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences arising on translation to the presentation currency	\$ 369,416	4	\$ (670,892)	(8)
Remeasurement of defined benefit plans	(240)	-	504	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(213,592)	(2)	178,671	2
Share of the other comprehensive gain (loss) of associates accounted for using equity method	<u>(29,690)</u>	<u>(1)</u>	<u>36,903</u>	<u>1</u>
Other comprehensive income (loss) for the year, net of income tax	<u>125,894</u>	<u>1</u>	<u>(454,814)</u>	<u>(5)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,955,745</u>	<u>20</u>	<u>\$ 1,353,203</u>	<u>16</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$20.78</u>		<u>\$21.20</u>	
Diluted	<u>\$19.93</u>		<u>\$19.96</u>	

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

(Concluded)

**SILERGY CORP.**  
(Incorporated in the Cayman Islands)  
**AND 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 Company						Other Equity (Notes 23 and 27)			Total Equity
	Share Capital (Note 23) Shares	Capital Surplus (Notes 19, 23 and 27)	Legal Reserve	Special Reserve	Retained Earnings (Note 23) Unappropriated Earnings	Total	Exchange Differences on Transferring Foreign Operations	Unearned Employee Benefits	Total	
BALANCE AT JANUARY 1, 2017	84,023	\$ 3,763,742	\$ 253,228	\$ -	\$ 3,332,282	\$ 3,585,510	\$ 91,948	\$ (86,672)	\$ 5,276	\$ 8,194,760
Appropriation of the 2016 earnings	-	-	146,966	-	(146,966)	-	-	-	-	-
Legal reserve	-	-	-	-	(420,116)	(420,116)	-	-	-	(420,116)
Cash dividends distributed by Silergy Corp.	-	-	-	-	-	-	-	-	-	141,070
Recognition of employee share options by Silergy Corp.	-	141,070	-	-	-	-	-	-	-	991,470
Convertible bonds converted to common shares	2,710	964,369	-	-	-	-	-	-	-	1,808,017
Net profit for the year ended December 31, 2017	-	-	-	-	1,808,017	1,808,017	-	-	-	1,808,017
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	504	504	(455,318)	-	(455,318)	(454,814)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,808,521	1,808,521	(455,318)	-	(455,318)	1,353,203
Issue of common shares under employee share options	697	98,606	-	-	-	-	-	-	-	105,571
Recognition of restricted employee shares issued by Silergy Corp.	303	173,016	-	-	-	-	-	28,404	28,404	204,448
BALANCE AT DECEMBER 31, 2017	87,733	5,140,803	400,194	-	4,573,721	4,973,915	(563,370)	(58,268)	(421,638)	10,570,406
Effect of retrospective application	-	-	-	-	5,169	5,169	-	-	-	5,169
BALANCE AT JANUARY 1, 2018 AS RESTATED	87,733	5,140,803	400,194	-	4,578,890	4,979,084	(563,370)	(58,268)	(421,638)	10,575,575
Appropriation of the 2017 earnings	-	-	180,801	-	(180,801)	-	-	-	-	-
Legal reserve	-	-	-	363,370	(363,370)	-	-	-	-	-
Cash dividends distributed by Silergy Corp.	-	-	-	-	(526,396)	(526,396)	-	-	-	(526,396)
Changes in capital surplus from investments in associates accounted for using the equity method	-	3,025	-	-	-	-	-	-	-	3,025
Recognition of employee share options by Silergy Corp.	-	204,969	-	-	-	-	-	-	-	204,969
Convertible bonds converted to common shares	1,433	524,727	-	-	-	-	-	-	-	539,055
Redemption of equity component of convertible bonds	-	(13,678)	-	-	(405)	(405)	-	-	-	(14,083)
Net profit for the year ended December 31, 2018	-	-	-	-	1,829,851	1,829,851	-	-	-	1,829,851
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	(240)	(240)	126,134	-	126,134	125,894
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	1,829,611	1,829,611	126,134	-	126,134	1,955,745
Issue of common shares under employee share options	874	98,121	-	-	-	-	-	-	-	106,863
Recognition of restricted employee shares issued by Silergy Corp.	220	104,120	-	-	-	-	-	(13,351)	(13,351)	92,969
Recognition of restricted employee shares forfeited	(3)	(271)	-	-	-	-	-	40	40	(261)
BALANCE AT DECEMBER 31, 2018	90,227	\$ 6,061,816	\$ 580,995	\$ 363,370	\$ 5,337,529	\$ 6,281,894	\$ (237,236)	\$ (71,579)	\$ (308,815)	\$ 12,937,461

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

**SILERGY CORP.**  
**(Incorporated in the Cayman Islands)**  
**AND 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 OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,930,598	\$ 1,862,387
Adjustments for:		
Gain on reversal of expected credit loss	(1,313)	-
Impairment loss recognized on accounts receivable	-	3,008
Net loss (gain) on financial instruments at fair value through profit or loss	27,238	(10,844)
Depreciation expenses	47,421	34,018
Amortization expenses	183,305	203,076
Interest income	(54,129)	(30,835)
Interest expenses	10,214	20,556
Compensation cost of employee share options	204,969	141,070
Compensation cost of restricted employee shares	92,708	204,448
Share of loss of associates	39,441	9,698
Loss on disposal of property, plant and equipment	125	105
Property, plant and equipment transferred to expenses	-	24
Gains on disposal of intangible assets	(17,619)	(17,408)
Write-down of inventories	119,152	63,986
Unrealized loss on foreign currency exchange	2,159	1,850
Gain on redemption of bonds payable	(2,903)	-
Impairment loss of goodwill	60,673	-
Changes in operating assets and liabilities		
Decrease (increase) in accounts receivable	632	(5,770)
Decrease (increase) in other receivables	(39,794)	19,425
Increase in inventories	(168,988)	(378,998)
Increase in prepayments	(5,313)	(10,776)
Increase in defined benefit assets - non-current	(91)	(81)
Increase (decrease) in accounts payable	58,622	(43,467)
Increase in accounts payable - related parties	584	-
Increase in other payables	37,526	50,760
Increase in other current liabilities	<u>13,608</u>	<u>6,768</u>
Cash generated from operations	2,538,825	2,123,000
Interest received	45,242	35,183
Income tax paid	<u>(105,882)</u>	<u>(43,611)</u>
Net cash generated from operating activities	<u>2,478,185</u>	<u>2,114,572</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(788,691)	-
Purchase of debt investments with no active market	-	(566,356)
Purchase of financial assets measured at cost	-	(122,817)
Net cash outflow on business combinations (Note 28)	-	(40,952)

(Continued)

**SILERGY CORP.**  
(Incorporated in the Cayman Islands)  
**AND SUBSIDIARIES**

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

	<b>2018</b>	<b>2017</b>
Purchase of financial assets at fair value through profit or loss	\$ (1,040,104)	\$ -
Acquisition of property, plant and equipment	(445,450)	(349,920)
Proceeds from disposal of property, plant and equipment	1	8
Increase in long-term prepayments	(3,575)	(98,389)
Payments for intangible assets	(42,046)	(47,441)
Decrease (increase) in refundable deposits	<u>52,442</u>	<u>(64,289)</u>
Net cash used in investing activities	<u>(2,267,423)</u>	<u>(1,290,156)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Redemption of bonds payable	(172,169)	-
Increase (decrease) in guarantee deposits	5,995	(8,266)
Cash dividends paid	(526,396)	(431,421)
Proceeds from exercise of employee share options	<u>106,863</u>	<u>105,571</u>
Net cash used in financing activities	<u>(585,707)</u>	<u>(334,116)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>79,193</u>	<u>(255,654)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(295,752)	234,646
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>2,914,172</u>	<u>2,679,526</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 2,618,420</u>	<u>\$ 2,914,172</u>

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

(Concluded)

**SILERGY CORP.**  
**(Incorporated in the Cayman Islands)**  
**AND SUBSIDIARIES**

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

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**1. GENERAL INFORMATION**

Silergy Corp. (“Silergy”) was incorporated as a limited company under the Company Law of the Cayman Islands on February 7, 2008. Silergy Corp. and its subsidiaries (collectively, the “Company”) mainly design, develop, and sell various integrated circuit products and provide related technical services.

Silergy’s shares have been listed on the Taiwan Stock Exchange of the Republic of China (ROC) since December 2013.

The functional currency of Silergy is the U.S. dollar. However, for greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars, since Silergy’s shares are listed on the Taiwan Stock Exchange.

**2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the board of directors on March 19, 2019.

**3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS**

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

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

- IFRS 9 “Financial Instruments” and related amendments

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

The requirements for classification, measurement and impairment of financial assets and hedging cost have been applied retrospectively starting from January 1, 2018. IFRS 9 is not applicable to items that have already been derecognized as of December 31, 2017.



- 4) Trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.
- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed by the FSC for application starting from 2019

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

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

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

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

- IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17, IFRIC 4 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

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

straight-line basis. Prepaid lease payments for land use rights of land located in mainland China are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

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

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

The Company expects to apply the following practical expedients:

- a) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Company as lessor

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

Anticipated impact on assets, liabilities and equity

	<b>Carrying Amount as of December 31, 2018</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of January 1, 2019</b>
Long-term prepayments for leases - non-current	\$ 45,117	\$ (45,117)	\$ -
Right-of-use assets	<u>-</u>	<u>164,274</u>	<u>164,274</u>
Total effect on assets	<u>\$ 45,117</u>	<u>\$ 119,157</u>	<u>\$ 164,274</u>
Lease liabilities - current	\$ -	\$ 34,379	\$ 34,379
Lease liabilities - non-current	<u>-</u>	<u>84,778</u>	<u>84,778</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 119,157</u>	<u>\$ 119,157</u>

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Company continues assessing other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Company's financial position and financial performance and will disclose these other impacts when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of Silergy and the entities controlled by Silergy (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by Silergy.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 12 and Tables 4 and 5 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

f. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of Silergy and its foreign operations (including subsidiaries, associates or branches operating in other countries or those that use currencies that are different from Silergy's currency) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income attributed to the owners of Silergy and non-controlling interests as appropriate. The exchange differences accumulated in equity, which resulted from the translation of the assets and liabilities of the group entities into the presentation currency are not subsequently reclassified to profit or loss.

On the disposal of a foreign operation (i.e. disposal of the Company's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of Silergy are reclassified to profit or loss.

g. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

h. Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Company uses the equity method to account for its investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes its share in the changes in the equity of associates attributable to the Company.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's consolidated financial statements only to the extent of interests in the associate that are not related to the Company.

i. Property, plant and equipment

Property, plant and equipment are stated at cost, less recognized accumulated depreciation.

Properties, plant and equipment in the course of construction are carried at cost. Cost includes professional fees. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

k. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

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

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

2018

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 31.

ii. Financial assets at amortized cost

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

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

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

2017

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

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are either held for trading or are designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 31.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

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

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented as a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

### iii. Loans and receivables

Loans and receivables (including cash and cash equivalents, debt investments with no active market, accounts receivable, and other receivables) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

## b) Impairment of financial assets and contract assets

### 2018

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

The Company always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

## 2017

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

Financial assets carried at amortized cost, such as accounts receivable and other receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 45 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as default or delinquency in interest or principal payments, it becomes probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. Accounts receivable that are considered uncollectible are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivable that are written off against the allowance account.

### c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

## 2) Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of Silergy's own equity instruments.

## 3) Financial liabilities

### a) Subsequent measurement

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

#### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 31.

### b) Derecognition of financial liabilities

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

## 4) Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

n. Revenue recognition

2018

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

- Revenue from the sale of goods

Revenue from the sale of goods comes from sales of integrated circuit products. Sales of products are recognized as revenue at the time of delivery because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;

- d) It is probable that the economic benefits associated with the transaction will flow to the Company; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

## 2) Interest income

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

The Company's revenue recognition model in 2018 and 2017 have not changed significantly as a result of the application of the amended accounting standards.

## o. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

## p. Government grants

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable. Government grants whose primary condition is related to future costs are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

## q. Employee benefits

### 1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

### 2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Rereasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plan or reductions in future contributions to the plan.

r. Share-based payment arrangements

The fair value at the grant date of the employee share options or restricted shares for employees is expensed on a straight-line basis over the vesting period, based on the Company's estimate of employee share options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options or other equity - unearned employee benefits. It is recognized as an expense in full at the grant date if vested immediately.

When restricted shares for employees are issued, other equity - unearned employee benefits are recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital surplus - employee share options or capital surplus - restricted shares for employees.

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. A deferred tax liability is not recognized on taxable temporary differences arising from the initial recognition of goodwill. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred tax

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

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

a. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from a cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Income taxes

As of December 31, 2018 and 2017, the carrying amount of the deferred tax assets in relation to tax losses that are unused and have not been recognized are disclosed in Note 25. The realizability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

c. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Cash on hand	\$ 675	\$ 678
Checking accounts and demand deposits	2,279,880	2,496,854
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>337,865</u>	<u>416,640</u>
	<u>\$ 2,618,420</u>	<u>\$ 2,914,172</u>

Interest rate ranges for bank deposits on the balance sheet date were as follows:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Deposits	0.00%-3.35%	0.00%-1.95%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Financial assets - current</u>		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Call and put options of convertible bonds (Note 19)	<u>\$ -</u>	<u>\$ 1,076</u>
<u>Financial assets - non-current</u>		
Non-derivative financial assets		
Overseas unlisted common shares		
Silicon Micro Technology L.P. (1)	\$ 921,450	\$ -
Hangzhou Hualan Microelectronique Co., Ltd. (“Hualan”)	32,216	-
Calterah Semiconductor (“Calterah”) (2)	30,403	-
Jiangsu CAS-IGBT Technology Co., Ltd. (“Jiangsu”)	30,766	-
Shenzhen Anchuang S&T Fund (“Anchuang”) (3)	26,852	-
FSP-Powerland Technology Inc. (“FSP-Powerland”) (4)	82,768	-
Ningbo Meishan Bonded Port Area Anchuang Growth Equity Investment Partnership L.P. (“Ningbo Anchuang”) (5)	78,318	-
Puhe Equity Investment Fund Partnership L.P. (“Puhe”) (6)	22,377	-
Overseas unlisted preferred shares		
Vango Technologies, Inc. (“Vango”)	33,582	-
Hybrid financial assets		
Convertible bonds		
Vango Technologies, Inc. (“Vango”)	<u>30,715</u>	<u>-</u>
	<u>\$ 1,289,447</u>	<u>\$ -</u>

- a. In August 2018, the Company signed an investment agreement with Silicon Micro Technology L.P. to acquire a 21.89% equity interest in Silicon Micro Technology L.P. for US\$30,000 thousand.

- b. In March 2017, Silergy Semiconductor Technology (Hangzhou) (“Hangzhou Silergy”) signed an investment agreement with Calterah to increase its shareholdings in Calterah for RMB4,000 thousand. Together with their original shareholdings, Hangzhou Silergy acquired a 10% equity interest in Calterah for a total of RMB8,000 thousand.
- c. In January 2017, Hangzhou Silergy signed an investment agreement with Anchuang to acquire a 6.78% equity interest in the latter for RMB6,000 thousand. Hangzhou Silergy paid RMB3,000 thousand each in January 2017 and April 2018.
- d. In December 2017, Hangzhou Silergy signed an investment agreement with FSP-Powerland to acquire a 7.69% equity interest in the latter for RMB20,000 thousand.
- e. In March 2018, Hangzhou Silergy signed an investment agreement with Ningbo Anchuang to acquire a 1.186% equity interest in the latter for RMB17,500 thousand.
- f. In August 2018, Nanjing Silergy Semiconductor Technology (“Nanjing Silergy”) signed an investment agreement with Puhe to acquire a 7.092% equity interest in Puhe for RMB10,000 thousand. As of December 31, 2018, Nanjing Silergy has paid RMB5,000 thousand.

The above-mentioned equity instruments and convertible bonds were classified as financial assets measured at cost and debt investments with no active market under IAS 39, respectively. But under IFRS 9, the above-mentioned equity instruments and convertible bonds were mandatorily classified as at FVTPL. Refer to Notes 3, 9 and 10 for information relating to their reclassification and comparative information for 2017.

## 8. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT - 2018

	<b>December 31, 2018</b>
<u>Current</u>	
Time deposits with original maturities of more than 3 months	<u>\$ 2,022,896</u>
Interest rate range	1.62%-3.23%
Time deposits with original maturities of more than 3 months were previously classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 10 for information relating to their reclassification and comparative information for 2017.	

**9. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT - 2017**

	<b>December 31, 2017</b>
<u>Non-current</u>	
Overseas unlisted common shares	
Hangzhou Hualan Microelectronique Co., Ltd. (“Hualan”)	\$ 31,881
Calterah Semiconductor (“Calterah”)	36,436
Jiangsu CAS-IGBT Technology Co., Ltd. (“Jiangsu”)	15,303
Shenzhen Anchuang S&T Fund (“Anchuang”)	13,664
FSP-Powerland Technology Inc. (“FSP-Powerland”)	91,090
Overseas unlisted preferred shares	
Vango Technologies, Inc. (“Vango”)	<u>59,520</u>
	<u>\$ 247,894</u>
Financial assets by measurement category	
Available-for-sale financial assets	<u>\$ 247,894</u>

Management believed that the above unlisted equity investments held by the Company had fair values that could not be reliably measured because the range of reasonable fair value estimates was so significant; thus, these investments were measured at cost less impairment at the end of the reporting period.

**10. DEBT INVESTMENTS WITH NO ACTIVE MARKET**

	<b>December 31, 2017</b>
<u>Current</u>	
Time deposits with original maturities of more than 3 months	<u>\$ 1,234,205</u>
Interest rate range	1.35%-2.10%
<u>Non-current</u>	
Corporate bonds - Vango Technologies, Inc.	<u>\$ 29,760</u>

**11. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES**

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 583,978	\$ 587,340
Less: Allowance for impairment loss	<u>(2,118)</u>	<u>(3,900)</u>
	<u>\$ 581,860</u>	<u>\$ 583,440</u>

(Continued)

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Other receivables</u>		
Building payment refund receivables	\$ 53,030	\$ 53,969
Tax refund receivables - value added tax	27,205	-
Interest receivables	19,066	4,937
Tax refund receivables - income tax	4,990	-
Others	<u>13,523</u>	<u>5,237</u>
	<u>\$ 117,814</u>	<u>\$ 64,143</u>

(Concluded)

### Accounts Receivable

#### 2018

The average credit period of sales of goods was 45 days. Due to the short average credit period of sales of goods, no interest was charged on trade receivables.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated with reference to the past default experience of the debtor and an analysis of the debtor's current financial position and general economic conditions of the industry in which the debtors operate. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The following table details the loss allowance of accounts receivable.

#### December 31, 2018

	<b>Not Past Due</b>	<b>1 to 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
Gross carrying amount	\$ 535,932	\$ 47,965	\$ -	\$ -	\$ 81	\$ 583,978
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(2,037)</u>	<u>-</u>	<u>-</u>	<u>(81)</u>	<u>(2,118)</u>
Amortized cost	<u>\$ 535,932</u>	<u>\$ 45,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 581,860</u>

The movements of the loss allowance of accounts receivables were as follows:

	<b>2018</b>
Balance at January 1, 2018	\$ 3,900
Less: Net remeasurement of loss allowance	(1,313)
Less: Amounts written off	(507)
Foreign exchange gains and losses	<u>38</u>
Balance at December 31, 2018	<u>\$ 2,118</u>

### 2017

The Company applied the same credit policy in 2018 and 2017. In assessing the allowance for impairment loss, the Company considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period. The Company recognized an allowance for impairment loss of 100% against all receivables past due over 180 days because historical experience was that receivables that are past due beyond 180 days were not recoverable. Allowance for impairment loss was recognized against accounts receivable between 1 day and 180 days based on estimated irrecoverable amounts determined by reference to the past default experience of the counterparties and an analysis of their current financial position.

For the accounts receivable balances that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss because there was no significant change in the credit quality and the amounts were still considered recoverable. The Company did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	<b>December 31, 2017</b>
Not past due	\$ 470,973
1-60 days	113,660
61-90 days	1,084
91-180 days	1,002
More than 180 days	<u>621</u>
	<u>\$ 587,340</u>

The above aging schedule was based on the past due date.

The aging of receivables that were past due but not impaired was as follows:

	<b>December 31, 2017</b>
1-60 days	\$ 86,086
61-90 days	<u>1,002</u>
	<u>\$ 87,088</u>

The above aging schedule was based on the past-due date.

The movements of the allowance for doubtful accounts were as follows:

	<b>Collectively Assessed for Impairment</b>
Balance at January 1, 2017	\$ 1,595
Add: Impairment losses recognized on receivables	3,008
Less: Amount written off during the year as uncollectible	(531)
Effect of foreign currency exchange differences	<u>(172)</u>
Balance at December 31, 2017	<u>\$ 3,900</u>

## 12. INVENTORIES

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Finished goods	\$ 725,886	\$ 730,192
Work in progress	481,581	655,200
Raw materials	<u>483,505</u>	<u>258,459</u>
	<u>\$ 1,690,972</u>	<u>\$ 1,643,851</u>

The cost of goods sold for the years ended December 31, 2018 and 2017 was \$5,016,304 thousand and \$4,494,632 thousand, respectively. The cost of goods sold included inventory write-downs of \$119,152 thousand and \$63,986 thousand for the years ended December 31, 2018 and 2017, respectively.

## 13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Nature of Activities	<b>Proportion of Ownership</b>		Remark
			<b>2017</b>	<b>2018</b>	
Silergy Corp. ("Silergy")	Silergy Technology ("TECH")	Development and design of power management ICs	100%	100%	a
	Silergy Semiconductor Technology (Hangzhou) ("Hangzhou Silergy")	Development, design and sales of electronic components, and related technical services	100%	100%	b
	Silergy Semiconductor (Samoa) Limited ("Silergy Samoa")	Holding company	100%	100%	c
	Silergy Semiconductor (Hong Kong) Limited ("HK Silergy")	Holding company	100%	100%	d
Hangzhou Silergy	Nanjing Silergy Semiconductor Technology ("Nanjing Silergy")	Development, design and sales of electronic components	100%	100%	e
	Hangzhou Innvolt Technology ("Innvolt")	Development, design and sales of electronic components, and related technical services	-	-	f
	Xian Silergy Semiconductor Technology ("Xian Silergy")	Development, design and sales of electronic components	100%	100%	g
	Shanghai Pengxi Semiconductor Technology ("Shanghai Pengxi")	Development and design of electronic components	100%	100%	h
Silergy Samoa	Chengdu Silergy Semiconductor Technology ("Chengdu Silergy")	Development and design of electronic components	100%	100%	i
	Taiwan Silergy Co., LTD ("TW Silergy")	Development and design of electronic components	-	-	j
	Silergy Technology (Taiwan) Inc. (Originally named Integrated Crystal Technology Inc.) ("Crystal")	Development, design and sales of electronic components	100%	100%	k
	Silergy Technologies Private Limited	Development, design and sales of electronic components	100%	100%	l
	Silergy Korea Limited	Development, design and sales of electronic components	100%	100%	m

Remarks:

- a. In May 2008, Silergy set up TECH, which mainly develops and designs power management integrated circuits (ICs). In 2017Q1, TECH entered into a merger by absorption of Gazelle Semiconductor Inc. As of December 31, 2018, the paid-in capital of TECH was US\$3,122 thousand.
- b. In May 2008, Silergy set up Hangzhou Silergy, which develops, designs, and sells electronic components (e.g., ICs), electronic products, communications products and computer software and provides related technical services. To meet the needs of Hangzhou Silergy for more working capital and to purchase properties, the board of directors of Silergy approved a capital increase in this investee of US\$13,700 thousand and US\$15,000 thousand in May 2017 and December 2017, respectively. As of December 31, 2018, the capital of Hangzhou Silergy was US\$58,520 thousand.
- c. In December 2012, Silergy set up Silergy Samoa, a holding company. The board of directors of Silergy agreed to inject capital at US\$2,600 thousand and US\$2,000 thousand in February 2017 and December 2018, respectively. As of December 31, 2018, the capital of Silergy Samoa was US\$24,300 thousand. In March 2013, Silergy Samoa set up a Taiwan branch, Silergy Semiconductor (Samoa TW) Limited; due to a merger of the investee subsidiaries in Taiwan, Silergy Semiconductor (Samoa TW) Limited was dismissed, and its registration was terminated in July 2017. Silergy Samoa set up a Japan branch in April 2016. As of December 31, 2018, a total capital of US\$1,699 thousand had been injected into the Japan branch.
- d. In October 2015, Silergy set up HK Silergy, a holding company. The board of directors of Silergy agreed to inject capital of US\$10 thousand into the holding company in December 2018. As of December 31, 2017, the capital of HK Silergy was US\$11,375 thousand.
- e. In August 2012, Hangzhou Silergy set up Nanjing Silergy, which mainly develops, designs, and sells electronic components (e.g., ICs), electronic products, communications products and computer software. As of December 31, 2018, the capital of Nanjing Silergy was RMB31,000 thousand.
- f. In March 2014, Hangzhou Silergy set up Innvolt, which develops, designs, and sells electronic components (e.g., ICs) and semiconductor electronic products and provides related technical services. Due to the Company's operation plan, Innvolt has dismissed, and its registration was terminated in December 2017.
- g. In April 2015, Hangzhou Silergy set up Xian Silergy, which develops, designs, and sells electronic components (e.g., ICs), semiconductors and other electronic products. Hangzhou Silergy injected capital into Xian Silergy at RMB15,000 thousand, RMB21,000 thousand, RMB9,000 thousand and RMB20,000 in March 2017, May 2017, December 2017 and January 2018, respectively. As of December 31, 2017, the capital of Xian Silergy was RMB91,000 thousand.
- h. In April 2016, Hangzhou Silergy set up Shanghai Pengxi, which develops and designs electronic components (e.g., ICs), semiconductors and other electronic products. Hangzhou Silergy injected capital into Shanghai Pengxi at RMB11,000 thousand and RMB16,000 thousand in May 2017 and April 2018. As of December 31, 2018, the capital of Shanghai Pengxi was RMB37,000 thousand.
- i. In November 2016, Hangzhou Silergy set up Chengdu Silergy, which develops and designs electronic components (e.g., ICs), semiconductors and other electronic products. Hangzhou Silergy injected capital into Chengdu Silergy at RMB6,000 thousand in May 2018. As of December 31, 2018, the capital of Chengdu Silergy was RMB26,000 thousand.
- j. In June 2014, Silergy Samoa set up TW Silergy and obtained investment approval by the Export Processing Zone Administration under the Ministry of Economic Affairs in July 2014. Due to a merger of the investee subsidiaries in Taiwan, TW Silergy was dismissed, and its registration was terminated in July 2017.

- k. In September 2014, Silergy Samoa acquired a 42.59% equity interest in Crystal, consisting of 7,028 thousand common shares, at NT\$71,685 thousand. Crystal mainly develops, designs, and sells electronic components. In January 2015, Silergy Samoa bought 9,472 thousand common shares of Crystal at NT\$99,579 thousand and thus acquired a 100% equity interest in Crystal. In February 2017, to meet Crystal's need for more working capital, the board of directors of Silergy agreed to inject capital NT\$50,000 thousand in this investee. As of December 31, 2018, Crystal's capital was NT\$317,000 thousand. Additionally, concerning the efficiency and effectiveness of management, in order to improve the usage of resources and the plan for taxation in regard of the Company, in November 2016, the board of directors of Silergy agreed to reorganize the investees in Taiwan. Crystal obtained capital from Silergy Samoa to purchase all of the assets from Samoa TW and TW Silergy on the books and remain as the surviving entity. Samoa TW and TW Silergy were dismissed, and their registrations were terminated after all of the assets were sold to Crystal in July 2017. Subsequently, Crystal changed its registration name to Silergy Technology (Taiwan) Inc. in March 2017.
- l. In May 2016, Silergy Samoa set up Silergy Technologies Private Limited in India, which develops, designs and sells electronic components, and injected capital at US\$38 thousand in August 2016. As of December 31, 2018, the capital of Silergy Technologies Private Limited was US\$2 thousand.
- m. In November 2017, Silergy Samoa set up Silergy Korea Limited in Korea, which develops, designs and sells electronic components, and injected capital at US\$600 thousand in December 2017. As of December 31, 2018, the capital of Silergy Korea Limited was US\$311 thousand.

#### 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	2018	2017
<u>Investments in associates</u>		
Material associate		
Hefei SMAT Technology Co., Ltd. ("SMAT")	<u>\$ 595,650</u>	<u>\$ 624,913</u>

#### **Material Associates**

In December 2015, SMAT was set up by Hangzhou Silergy, HK Silergy and unrelated third parties. The Company acquired, through Hangzhou Silergy, a 22.22% equity interest in SMAT using a patent worth RMB100,000, and, through HK Silergy, a 16.42% equity interest for RMB73,876 thousand. The fair value of the patent was determined by an independent third party. Accordingly, in 2016 a gain of RMB61,361 thousand resulting from the patent-related transaction with SMAT was recognized only to the extent of the interests in this associate that were not related to the Company. To the extent of the investment related to the Company, Hangzhou Silergy recognized an unrealized gain of RMB38,639 thousand, which would be amortized along the economic life of the patent. As of the end of year 2018 and year 2017, the total realized gain was NT\$17,619 thousand and NT\$17,408, respectively.

The board of directors of SMAT agreed to increase capital and complete the related procedures by the first half of 2018. The Company did not subscribe to the capital increase in shares in accordance to the original shareholding ratio. Thus, the shareholding ratio of Hangzhou Silergy and HK Silergy dropped from 22.22% to 20.20% and 16.42% to 14.92%, respectively. The Company made adjustments to increase the share of changes in capital surplus of associates accounted for using the equity method by NT\$3,025 thousand and recognized a gain of NT\$845 thousand from the disposal of associates.

Refer to Table 7 "Information on Investments in Mainland China" for the nature of activities, principal place of business and country of incorporation of the associates.

The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

## SMAT

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Current assets	\$ 812,840	\$ 1,269,621
Non-current assets	<u>1,529,621</u>	<u>872,882</u>
Total assets	<u>\$ 2,342,461</u>	<u>\$ 2,142,503</u>
Current liabilities	\$ 242,946	\$ 160,839
Non-current liabilities	<u>59,186</u>	<u>-</u>
Total liabilities	<u>\$ 302,132</u>	<u>\$ 160,839</u>
Equity	<u>\$ 2,040,329</u>	<u>\$ 1,981,664</u>
Proportion of the Company's ownership	35.12%	38.64%
Equity attributable to the Company	\$ 716,696	\$ 765,698
Unrealized gain on disposal of intangible assets with associates	<u>(121,046)</u>	<u>(140,785)</u>
Carrying amount	<u>\$ 595,650</u>	<u>\$ 624,913</u>
	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Operating income	<u>\$ 10,302</u>	<u>\$ -</u>
Net loss for the year	<u>\$ (110,318)</u>	<u>\$ (25,099)</u>

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 were based on the associates' audited financial statements for the same years.

## 15. PROPERTY, PLANT AND EQUIPMENT

	<b>For the Year Ended December 31, 2018</b>					
	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Office Equipment</b>	<b>Leasehold Improvements</b>	<b>Construction in Progress</b>	<b>Total</b>
<u>Cost</u>						
Balance, beginning of year	\$ 158,242	\$ 118,867	\$ 46,533	\$ 17,583	\$ 468,650	\$ 809,875
Additions	57,626	55,348	5,766	9,532	317,178	445,450
Disposals	-	(425)	(2,281)	(3,038)	-	(5,744)
Reclassification	99,652	-	(79)	-	-	99,573
Effect of foreign currency exchange differences	<u>(5,289)</u>	<u>(1,291)</u>	<u>(227)</u>	<u>27</u>	<u>(14,029)</u>	<u>(20,809)</u>
Balance, end of year	<u>310,231</u>	<u>172,499</u>	<u>49,712</u>	<u>24,104</u>	<u>771,799</u>	<u>1,328,345</u>

(Continued)

For the Year Ended December 31, 2018						
	Buildings	Machinery and Equipment	Office Equipment	Leasehold Improvements	Construction in Progress	Total
<u>Accumulated depreciation</u>						
Balance, beginning of year	\$ 7,169	\$ 65,089	\$ 28,912	\$ 10,611	\$ -	\$ 111,781
Depreciation expense	7,784	28,627	7,399	3,611	-	47,421
Disposals	-	(424)	(2,225)	(2,969)	-	(5,618)
Reclassification	-	-	(956)	-	-	(956)
Effect of foreign currency exchange differences	(253)	(464)	(144)	(27)	-	(888)
Balance, end of year	<u>14,700</u>	<u>92,828</u>	<u>32,986</u>	<u>11,226</u>	<u>-</u>	<u>151,740</u>
Net book value, end of year	<u>\$ 295,531</u>	<u>\$ 79,671</u>	<u>\$ 16,726</u>	<u>\$ 12,878</u>	<u>\$ 771,799</u>	<u>\$ 1,176,605</u> (Concluded)

For the Year Ended December 31, 2017						
	Buildings	Machinery and Equipment	Office Equipment	Leasehold Improvements	Construction in Progress	Total
<u>Cost</u>						
Balance, beginning of year	\$ 58,729	\$ 88,581	\$ 38,314	\$ 23,077	\$ 264,829	\$ 473,530
Acquisitions through business combinations (see Note 27)	-	52	-	-	-	52
Additions	96,564	35,145	10,736	531	206,944	349,920
Disposals	-	(243)	(465)	(179)	-	(887)
Reclassification	2,594	(1,960)	(1,372)	(5,223)	-	(5,961)
Effect of foreign currency exchange differences	355	(2,708)	(680)	(623)	(3,123)	(6,779)
Balance, end of year	<u>158,242</u>	<u>118,867</u>	<u>46,533</u>	<u>17,583</u>	<u>468,650</u>	<u>809,875</u>
<u>Accumulated depreciation</u>						
Balance, beginning of year	3,942	46,189	25,034	11,009	-	86,174
Depreciation expense	1,956	22,186	5,982	3,894	-	34,018
Disposals	-	(237)	(358)	(179)	-	(774)
Reclassification	1,288	(1,960)	(1,348)	(3,917)	-	(5,937)
Effect of foreign currency exchange differences	(17)	(1,089)	(398)	(196)	-	(1,700)
Balance, end of year	<u>7,169</u>	<u>65,089</u>	<u>28,912</u>	<u>10,611</u>	<u>-</u>	<u>111,781</u>
Net book value, end of year	<u>\$ 151,073</u>	<u>\$ 53,778</u>	<u>\$ 17,621</u>	<u>\$ 6,972</u>	<u>\$ 468,650</u>	<u>\$ 698,094</u>

The Company planned to build their headquarters in Hangzhou. The total estimated amount to complete this plan is RMB350 million, and the construction will be completed in 2019 Q2 according to the plan.

No impairment assessment was performed for the years ended December 31, 2018 and 2017 as there was no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, as follows:

Buildings	35-50 years
Machinery and equipment	3-7 years
Office equipment	3-10 years
Leasehold improvements	3-5 years

## 16. GOODWILL

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Cost</u>		
Balance at January 1	\$ 2,517,224	\$ 2,685,336
Acquisitions through business combinations (see Note 28)	-	28,450
Effect of foreign currency exchange differences	<u>75,388</u>	<u>(196,562)</u>
Balance at December 31	<u>\$ 2,592,612</u>	<u>\$ 2,517,224</u>
<u>Accumulated impairment losses</u>		
Balance at January 1	\$ (129,957)	\$ (139,284)
Impairment losses recognized	(60,673)	-
Effect of foreign currency exchange differences	<u>(4,182)</u>	<u>9,327</u>
Balance at December 31	<u>\$ (194,812)</u>	<u>\$ (129,957)</u>
Net book value at December 31	<u>\$ 2,397,800</u>	<u>\$ 2,387,267</u>

For the year ended December 31, 2018, the Company recognized an impairment loss of NT\$32,223 thousand and NT\$28,450 thousand for goodwill relating to CitrusCom Corporation (CitrusCom) and Energy Pass Incorporation (EPI), respectively. The recoverable amount of CitrusCom of NT\$110,085 thousand and EPI of NT\$5,379 thousand was determined based on a value in use calculation and a discount rate of 15.7% and 16.7%, respectively. The main reason for the impairment loss was because the related products' profitabilities were lower than expected.

Based on the Purchase Price Allocation (PPA) report regarding the acquisition of EPI that the Company received on December 2017, the fair values of EPI's inventory, property, plant and equipment and other intangible assets on the acquisition date were NT\$6,399 thousand, NT\$52 thousand and NT\$6,051 thousand, respectively. The comparative figures have been restated as if the initial accounting was completed on the acquisition date. Management believes there is no material impact on comparative figures that have not been restated.

Adjustments made on the balance sheet are as follows:

	<b>Date of Acquisition</b>
Goodwill	<u>\$ (5,661)</u>
Inventory	<u>\$ (320)</u>
Property, plant and equipment	<u>\$ (70)</u>
Other intangible assets	<u>\$ 6,051</u>

## 17. OTHER INTANGIBLE ASSETS

	<b>For the Year Ended December 31, 2018</b>				
	<b>Computer Software</b>	<b>Technical Know-how</b>	<b>Customer Relationships</b>	<b>Back Orders</b>	<b>Total</b>
<u>Cost</u>					
Balance, beginning of year	\$ 59,130	\$ 440,080	\$ 1,168,654	\$ 57,556	\$ 1,725,420
Additions	23,957	-	-	-	23,957
Disposals	(93)	-	-	-	(93)
Effect of foreign currency exchange differences	<u>1,954</u>	<u>13,422</u>	<u>37,304</u>	<u>1,847</u>	<u>54,527</u>
Balance, end of year	<u>84,948</u>	<u>453,502</u>	<u>1,205,958</u>	<u>59,403</u>	<u>1,803,811</u>
<u>Accumulated amortization</u>					
Balance, beginning of year	46,231	116,473	193,060	57,556	413,320
Amortization expenses	19,291	58,651	105,363	-	183,305
Disposals	(93)	-	-	-	(93)
Effect of foreign currency exchange differences	<u>1,746</u>	<u>4,516</u>	<u>8,057</u>	<u>1,847</u>	<u>16,166</u>
Balance, end of year	<u>67,175</u>	<u>179,640</u>	<u>306,480</u>	<u>59,403</u>	<u>612,698</u>
Net book value, end of year	<u>\$ 17,773</u>	<u>\$ 273,862</u>	<u>\$ 899,478</u>	<u>\$ -</u>	<u>\$ 1,191,113</u>
	<b>For the Year Ended December 31, 2017</b>				
	<b>Computer Software</b>	<b>Technical Know-how</b>	<b>Customer Relationships</b>	<b>Back Orders</b>	<b>Total</b>
<u>Cost</u>					
Balance, beginning of year	\$ 33,025	\$ 469,023	\$ 1,265,918	\$ 62,372	\$ 1,830,338
Additions	29,182	-	-	-	29,182
Acquisitions through business combinations (see Note 27)	-	6,051	-	-	6,051
Disposals	(81)	-	-	-	(81)
Effect of foreign currency exchange differences	<u>(2,996)</u>	<u>(34,994)</u>	<u>(97,264)</u>	<u>(4,816)</u>	<u>(140,070)</u>
Balance, end of year	<u>59,130</u>	<u>440,080</u>	<u>1,168,654</u>	<u>57,556</u>	<u>1,725,420</u>
<u>Accumulated amortization</u>					
Balance, beginning of year	25,483	62,971	96,328	47,233	232,015
Amortization expenses	23,236	59,213	106,342	14,285	203,076
Disposals	(81)	-	-	-	(81)
Effect of foreign currency exchange differences	<u>(2,407)</u>	<u>(5,711)</u>	<u>(9,610)</u>	<u>(3,962)</u>	<u>(21,690)</u>
Balance, end of year	<u>46,231</u>	<u>116,473</u>	<u>193,060</u>	<u>57,556</u>	<u>413,320</u>
Net book value, end of year	<u>\$ 12,899</u>	<u>\$ 323,607</u>	<u>\$ 975,594</u>	<u>\$ -</u>	<u>\$ 1,312,100</u>

The above items of intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	3-10 years
Technical know-how	6-10 years
Customer relationships	5-12 years
Back orders	1 year

## 18. PREPAYMENTS

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Current</u>		
Prepaid expenses	\$ 67,418	\$ 49,683
Prepayments to suppliers	2,223	2,288
Prepayments for equipment	<u>-</u>	<u>12,203</u>
	<u>\$ 69,641</u>	<u>\$ 64,174</u>
<u>Non-current</u>		
Prepayments for leases	\$ 45,117	\$ 46,903
Prepayments for equipment	4,316	-
Prepayments for property	<u>-</u>	<u>100,532</u>
	<u>\$ 49,433</u>	<u>\$ 147,435</u>

Prepayments for leases refer to land use rights in China, which was acquired by Hangzhou Silergy for the expansion of its operations. The useful life of the land use rights is 50 years.

Prepayments for property refer to payments made by the Company to buy buildings in China for expansion of its operations.

## 19. BONDS PAYABLE (DECEMBER 31, 2018: NONE)

	<u>December 31,</u> <u>2017</u>
Overseas convertible bonds	\$ 717,216
Less: Discount on overseas convertible bonds	<u>(46,812)</u>
	<u>\$ 670,404</u>

For the purpose of a business combination and diversity of fund raising, the board of directors of the Company approved to issue global zero-coupon overseas convertible bonds with a face value of US\$125,000 thousand on March 11, 2016. This proposal was approved by the FSC in August, and total of 1,250 shares were issued in August 4, 2016, with total value of US\$125,000 thousand. Approval-in-principal has been obtained for the listing of the bonds on the Singapore Exchange Securities Trading Limited (“SGX-ST”), with a duration of 5 years. According to IFRSs, the Company has bifurcated the bonds into a liability component and an equity component.

The bonds may be converted into common shares of the Company at any time on or after September 4, 2016 and up to July 25, 2021, and except during the book closure periods. The initial conversion price for the bonds is NT\$420 per convertible share, with a fixed exchange rate of NT\$32.065 per U.S. dollar will be applied when converting the U.S. dollar-denominated principal amount of the bonds to an N.T. dollar equivalent.

The conversion price will be subject to adjustment in the manner provided upon the occurrence of the following events, and will be based on the extent provided in article 13 of the Company’s Prospectus on “Description of the Bonds - Conversion”:

- a. Distribution of stock dividends of common shares or other types of dividends.
- b. Warrants or options issued to shareholders entitling them to subscribe for or purchase shares at less than the current market price per share.
- c. Other issues of shares other than shares issued upon the conversion or exchange of any convertible or exchangeable security.
- d. Adjustment upon capital reduction, excluding a decrease in capital resulting from the cancellation of treasury shares purchased.
- e. Analogous events and modifications stated in the policy.

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each bond at 100.0% of its principal amount in cash on August 4, 2021 (the “Maturity Date”).

According to the aforementioned “Description of the Bonds - Conversion”, holders of the bonds will have the right to require the Company to repurchase the bonds for cash at 100.0% of the principal amount after August 4, 2018 if an “Event of Delisting” or a “Change of Control” occurs.

The Company has the option to redeem the bonds at a redemption amount equal to the early redemption amount, in whole or in part, at any time on or after August 4, 2018 and prior to the Maturity Date, (i) if the closing price of shares listed on the Taiwan Stock Exchange for 20 trading days in any consecutive 30-trading-day period, the last day of which occurs not more than five days prior to the date on which notice of such redemption is given, reaches 130% of the early redemption amount divided by the conversion ratio, (ii) where 90% or more in principal amount of the bonds issued have been redeemed, repurchased, cancelled or converted or (iii) the change in tax law and regulation of the Republic of China or Cayman Islands leads to additional tax liabilities, interest expenses and operating costs due to the issuance of convertible bonds.

The Company has exercised their right of early redemption on October 31, 2018 in accordance with Article 12 of the Company’s Prospectus on “Description of the Bonds - Conversion”, and redeemed all the overseas convertible bonds at 101.12572% of the original face value. The profit on the redemption was US\$94 thousand.

Movements of host liability instruments from January 1 to December 31, 2018 and 2017 were as follows:

	<b>Host Liability Instruments</b>	
	<b>From January 1, 2018 to December 31, 2018</b>	
	<b>US\$</b>	<b>NT\$</b>
Beginning balance	\$ 22,527	\$ 670,404
Interest expense	338	10,214
Converted parts	(17,641)	(540,447)
Redemption of bonds payable	(5,224)	(161,719)
Translation adjustments	-	<u>21,548</u>
Ending balance	<u>\$ -</u>	<u>\$ -</u>

**Host Liability Instruments  
From January 1, 2017 to  
December 31, 2017**

	US\$	NT\$
Beginning balance	\$ 54,535	\$ 1,758,758
Interest expense	676	20,556
Converted parts	(32,684)	(991,602)
Translation adjustments	<u>-</u>	<u>(117,308)</u>
Ending balance	<u>\$ 22,527</u>	<u>\$ 670,404</u>

Movements of call and put option derivative instruments from January 1 to December 31, 2018 and 2017 were as follows:

**Call And Put Option Derivative  
Instruments  
From January 1, 2018 to  
December 31, 2018**

	US\$	NT\$
Beginning balance	\$ (36)	\$ (1,076)
Gain from fair value changes	(23)	(690)
Converted parts	45	1,392
Translation adjustments	14	426
	<u>-</u>	<u>(52)</u>
Ending balance	<u>\$ -</u>	<u>\$ -</u>

**Call And Put Option Derivative  
Instruments  
From January 1, 2017 to  
December 31, 2017**

	US\$	NT\$
Beginning balance	\$ 315	\$ 10,170
Gain from fair value changes	(356)	(10,844)
Converted parts	5	132
Translation adjustments	<u>-</u>	<u>(534)</u>
Ending balance	<u>\$ (36)</u>	<u>\$ (1,076)</u>

Movements of the equity portion of the conversions were as follows:

**From January 1 to December 31**

	2018	2017
Beginning balance	\$ 59,936	\$ 147,974
Converted parts	(46,258)	(88,038)
Redemption of convertible bonds	<u>(13,678)</u>	<u>-</u>
Ending balance	<u>\$ -</u>	<u>\$ 59,936</u>

## 20. ACCOUNTS PAYABLE

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Accounts payable - operating	\$ <u>475,293</u>	\$ <u>416,735</u>

The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 21. OTHER PAYABLES AND LIABILITIES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Current</u>		
Other payables		
Payables for salaries and bonuses	\$ 312,928	\$ 282,114
Payables for royalties	18,429	17,856
Payables for remuneration of directors	4,900	4,550
Payables for mask fees	4,878	7,034
Payables for business tax	1,441	1,318
Others	<u>48,297</u>	<u>42,321</u>
	<u>\$ 390,873</u>	<u>\$ 355,193</u>
Other liabilities		
Contract liabilities	\$ 4,233	\$ -
Advances on sales	-	8,015
Others	<u>21,352</u>	<u>3,962</u>
	<u>\$ 25,585</u>	<u>\$ 11,977</u>
<u>Non-current</u>		
Other payables		
Payables for royalties	<u>\$ 32,251</u>	<u>\$ 49,104</u>

In December 2016, the Company signed a cross-licensing agreement with Monolithic Power Systems, Inc. regarding particular patents. The agreement stated that the Company has to pay US\$150 thousand each quarter, for 5 years, totaling US\$3,000 thousand. As of December 31, 2018 and 2017, the payables for royalties were US\$1,650 thousand and US\$2,250 thousand, respectively.

## 22. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

Silergy Technology (Taiwan) Inc. (originally named Integrated Crystal Technology Inc.) have pension plans under the Labor Pension Act in Taiwan (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of Silergy's subsidiaries in China are members of retirement benefit plans operated by their respective governments. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit plan is to make the specified contributions.

Silergy's subsidiaries, branches and offices in other areas are required to contribute to the retirement benefit according to the respective policies.

b. Defined benefit plans

Silergy Technology (Taiwan) Inc. (Originally named Integrated Crystal Technology Inc.) adopted the defined benefit plan under the Labor Standards Act of Taiwan (LSA), under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. Silergy Technology (Taiwan) Inc. (Originally named Integrated Crystal Technology Inc.) contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year, starting in March 2016, according to an amendment to LSA validated in February 2015. The pension fund is managed by the Bureau of Labor Funds ("the Bureau") under Taiwan's Ministry of Labor; the Company has no right to influence the Bureau's investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Company's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Present value of defined benefit obligation	\$ 676	\$ 359
Fair value of plan assets	<u>(1,985)</u>	<u>(1,877)</u>
Net defined benefit assets	<u>\$ (1,309)</u>	<u>\$ (1,518)</u>

Movements in net defined benefit liabilities (assets) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2018	\$ 359	\$ (1,877)	\$ (1,518)
Net interest expense (income)	<u>5</u>	<u>(28)</u>	<u>(23)</u>
Recognized in profit or loss	<u>5</u>	<u>(28)</u>	<u>(23)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(48)	(48)
Actuarial gain - experience adjustments	267	-	267
Actuarial loss - changes in financial assumptions	<u>45</u>	<u>-</u>	<u>45</u>
Recognized in other comprehensive income	<u>312</u>	<u>(48)</u>	<u>264</u>
Contributions from the employer	<u>-</u>	<u>(32)</u>	<u>(32)</u>
Balance at December 31, 2018	<u>\$ 676</u>	<u>\$ (1,985)</u>	<u>\$ (1,309)</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2017	\$ 958	\$ (1,787)	\$ (829)
Net interest expense (income)	<u>10</u>	<u>(20)</u>	<u>(10)</u>
Recognized in profit or loss	<u>10</u>	<u>(20)</u>	<u>(10)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	2	2
Actuarial gain - experience adjustments	(610)	-	(610)
Actuarial loss - changes in financial assumptions	<u>1</u>	<u>-</u>	<u>1</u>
Recognized in other comprehensive income	<u>(609)</u>	<u>2</u>	<u>(607)</u>
Contributions from the employer	<u>-</u>	<u>(72)</u>	<u>(72)</u>
Balance at December 31, 2017	<u>\$ 359</u>	<u>\$ (1,877)</u>	<u>\$ (1,518)</u> (Concluded)

Through the defined benefit plans under the Labor Standards Act in Taiwan, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Discount rate	1.11%	1.47%
Expected rate of salary increase	1.50%	2.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would decrease/increase as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Discount rate		
0.5% increase	<u>\$ (62)</u>	<u>\$ (33)</u>
0.5% decrease	<u>\$ 69</u>	<u>\$ 37</u>
Expected rate of salary increase		
0.5% increase	<u>\$ 68</u>	<u>\$ 36</u>
0.5% decrease	<u>\$ (61)</u>	<u>\$ (33)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
The expected contributions to the plan for the next year	<u>\$ 33</u>	<u>\$ 74</u>
The average duration of the defined benefit obligation	19.62 years	19.82 years

## 23. EQUITY

### a. Common shares

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>90,257</u>	<u>87,733</u>
Shares issued	<u>\$ 902,566</u>	<u>\$ 877,326</u>

Fully paid common shares, which have a par value of NT\$10, carry one vote per share and a right to dividends.

For the years ended December 31, 2018 and 2017, Silergy's shares increased by 1,433 thousand and 2,710 thousand because of the bondholders' exercise of their conversion rights, respectively.

For the years ended December 31, 2018 and 2017, Silergy's shares increased by 1,094 thousand and 1,000 thousand because of the employees' exercise of their employee share options and the issuance of restricted shares to employees, respectively. And on November 13, 2018, the board of directors resolved to recall 3 thousand employee restricted shares that have been issued with no compensation given. For further explanation refer to Note 27.

b. Capital surplus

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>		
Issuance of ordinary shares	\$ 4,975,920	\$ 4,306,814
<u>May be used to offset a deficit only</u>		
Employee share options	83,232	48,950
Employee restricted shares	465,268	269,111
Share of changes in capital surplus of associates	3,025	-
<u>May not be used for any purpose</u>		
Employee share options	414,436	243,749
Employee restricted shares	119,935	212,243
Conversion of bonds warrants	<u>-</u>	<u>59,936</u>
	<u>\$ 6,061,816</u>	<u>\$ 5,140,803</u>

\* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividend policy

Under the Company's dividend policy in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Note 24(e) on employee benefits expense.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals Silergy's paid-in capital. Legal reserve may be used to offset deficit. If Silergy has no deficit and the legal reserve has exceeded 25% of Silergy's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and, thereafter, distributed.

The appropriations of earnings for 2017 and 2016 approved in the shareholders' meetings on June 8, 2018 and June 2, 2017, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Legal reserve	\$ 180,801	\$ 146,966	\$ -	\$ -
Special reserve	363,370	-	-	-
Cash dividends	526,396	420,116	5.97988710	4.92446839

The appropriation of earnings for 2018 had been proposed by Silergy's board of directors on March 19, 2019. The appropriation of earnings and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 182,985	\$ -
Reversal of special reserve	(126,134)	-
Cash dividends	586,668	6.5

The appropriation of earnings for 2018 are subject to the resolution of the shareholders in the shareholders' meeting to be held on June 13, 2019.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Balance at January 1	\$ (363,370)	\$ 91,948
Recognized for the year		
Exchange differences arising on translation to the presentation currency	369,416	(670,892)
Exchange differences on translating the financial statements of foreign operations	(213,592)	178,671
Share of other comprehensive income of associates accounted for using the equity method	<u>(29,690)</u>	<u>36,903</u>
Balance at December 31	<u>\$ (237,236)</u>	<u>\$ (363,370)</u>

2) Unearned employee benefits

In the meetings of the shareholders, the shareholders approved a restricted share plan for employees (see Note 27 for the details).

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Balance at January 1	\$ (58,268)	\$ (86,672)
Shares granted	(106,320)	(176,044)
Share-based payment expenses recognized	92,969	204,448
Share-based payment expenses reversed	(261)	-
Employee's restricted shares retired	<u>301</u>	<u>-</u>
Balance at December 31	<u>\$ (71,579)</u>	<u>\$ (58,268)</u>

**24. NET PROFIT**

a. Other operating income and expenses

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Gain on disposal of intangible assets (Note 14)	\$ 17,619	\$ 17,408
Loss on disposal of property, plant and equipment	<u>(125)</u>	<u>(105)</u>
	<u>\$ 17,494</u>	<u>\$ 17,303</u>

b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Government grants	\$ 50,204	\$ 45,582
Others	<u>24,970</u>	<u>8,133</u>
	<u>\$ 75,174</u>	<u>\$ 53,715</u>

c. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Other intangible assets	\$ 183,305	\$ 203,076
Property, plant and equipment	<u>47,421</u>	<u>34,018</u>
	<u>\$ 230,726</u>	<u>\$ 237,094</u>
An analysis of depreciation by function		
Operating expenses	<u>\$ 47,421</u>	<u>\$ 34,018</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 183,305</u>	<u>\$ 203,076</u>

d. Employee benefits expense

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Post-employment benefits (see Note 22)	\$ 71,569	\$ 62,525
Share-based payments		
Equity-settled	<u>297,677</u>	<u>345,518</u>
Short-term employee benefits		
Salary	1,059,523	938,758
Labor and health insurance	73,081	61,773
Others	<u>95,683</u>	<u>73,597</u>
	<u>1,228,287</u>	<u>1,074,128</u>
Total employee benefits expense	<u>\$ 1,597,533</u>	<u>\$ 1,482,171</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 1,597,533</u>	<u>\$ 1,482,171</u>

e. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at rates of 8% to 20% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017 which have been approved by the Company's board of directors on March 19, 2019 and March 20, 2018, respectively, were as follows:

Accrual rate

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Employees' compensation	8.35%	8.09%
Remuneration of directors	0.23%	0.22%

Amount

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Employees' compensation	\$ 176,372	\$ 164,333
Remuneration of directors	4,900	4,550

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved by Silergy's board of directors for 2019 and 2018 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

a. Major components of tax expense recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax		
In respect of the current year	\$ 89,126	\$ 70,647
In respect of prior years	1,700	(9,091)
Deferred tax		
In respect of the current year	<u>9,921</u>	<u>(7,186)</u>
Income tax expense recognized in profit or loss	<u>\$ 100,747</u>	<u>\$ 54,370</u>

A reconciliation of accounting profit and income tax expense was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Profit before tax	<u>\$ 1,930,598</u>	<u>\$ 1,862,387</u>
Income tax expense calculated at the statutory rate	\$ 139,465	\$ 89,328
Nondeductible expenses in determining taxable income	6,764	765
Tax-exempt income	(54,929)	(31,392)
Unrecognized loss carryforwards	(6,414)	9,601
Adjustments for prior year's current tax expense	1,700	(9,091)
Others	<u>14,161</u>	<u>(4,841)</u>
Income tax expense recognized in profit or loss	<u>\$ 100,747</u>	<u>\$ 54,370</u>

Silergy and Silergy Samoa are exempt from business income tax in accordance with local laws and regulations.

In 2017, the applicable corporate tax rate for Silergy Technology (Taiwan) Inc. in the ROC was 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

The applicable tax rate used by Hangzhou Silergy, Nanjing Silergy, Xian Silergy, Shanghai Pengxi and Chengdu Silergy in China is 25%. Hangzhou Silergy and Nanjing Silergy obtained approval from local tax authorities to have tax credits on its IC design business. Thus, the applicable tax rate for Hangzhou Silergy was nil in 2013 and 2014 and will be 12.5% from 2015 to 2017. Hangzhou Silergy applied for an additional tax-deduction and obtained approval from the authorities; the applicable tax rate for 2016 and 2015 decreased to 10%. The applicable tax rate for Nanjing Silergy will be nil in 2016 and 2017 and will be 12.5% from 2018 to 2020. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

The tax returns of Silergy Technology (Taiwan) Inc. through 2015 have been assessed by the tax authorities.

b. Income tax recognized in other comprehensive income

**For the Year Ended December 31**  
**2018**                      **2017**

Deferred tax

In respect of the current year

Remeasurement on defined benefit plan	\$ <u>24</u>	\$ <u>(104)</u>
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c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Exchange Difference	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Write-downs of inventory	\$ 19,893	\$ (2,567)	\$ -	\$ (298)	\$ 17,028
Property, plant and equipment	746	875	-	41	1,662
Intangible assets	139	(1,147)	-	(16)	(1,024)
Allowance for uncollectible amounts	5	154	-	(3)	156
Financial assets at FVTPL	3,170	(857)	-	(40)	2,273
Unrealized gain on disposal of intangible assets	21,118	(8,809)	-	(204)	12,105
Others	<u>50</u>	<u>2,432</u>	<u>-</u>	<u>(50)</u>	<u>2,432</u>
	<u>\$ 45,121</u>	<u>\$ (9,919)</u>	<u>\$ -</u>	<u>\$ (570)</u>	<u>\$ 34,632</u>

Deferred tax liabilities

Temporary differences					
Prepaid pension	\$ 163	\$ -	\$ (24)	\$ -	\$ 139
Property, plant and equipment	<u>1</u>	<u>2</u>	<u>-</u>	<u>(1)</u>	<u>2</u>
	<u>\$ 164</u>	<u>\$ 2</u>	<u>\$ (24)</u>	<u>\$ (1)</u>	<u>\$ 141</u>

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Exchange Difference	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Write-downs of inventory	\$ 11,131	\$ 8,891	\$ -	\$ (129)	\$ 19,893
Property, plant and equipment	809	-	-	(63)	746
Intangible assets	151	-	-	(12)	139
Allowance for uncollectible amounts	19	(13)	-	(1)	5

(Continued)

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehen- sive Income</b>	<b>Exchange Difference</b>	<b>Closing Balance</b>
Financial assets measured at cost	\$ 3,235	\$ -	\$ -	\$ (65)	\$ 3,170
Unrealized gain on disposal of intangible assets	23,352	(1,741)	-	(493)	21,118
Others	<u>-</u>	<u>49</u>	<u>-</u>	<u>1</u>	<u>50</u>
	<u>\$ 38,697</u>	<u>\$ 7,186</u>	<u>\$ -</u>	<u>\$ (762)</u>	<u>\$ 45,121</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Prepaid pension	\$ 59	\$ -	\$ 104	\$ -	\$ 163
Property, plant and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ 104</u>	<u>\$ 1</u>	<u>\$ 164</u>

(Concluded)

- d. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Loss carryforwards		
Expiry in 2019	\$ -	\$ 12,098
Expiry in 2020	10,098	23,185
Expiry in 2021	41,951	42,694
Expiry in 2022	56,640	47,718
Expiry in 2023	14,246	20,902
Expiry in 2024	31,383	31,383
Expiry in 2025	18,311	18,311
Expiry in 2026	<u>23,750</u>	<u>23,750</u>
	<u>\$ 196,379</u>	<u>\$ 220,041</u>

## 26. EARNINGS PER SHARE

Unit: Dollars Per Share

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Basic earnings per share	<u>\$ 20.78</u>	<u>\$ 21.20</u>
Diluted earnings per share	<u>\$ 19.93</u>	<u>\$ 19.96</u>

The earnings and weighted average number of common shares outstanding used in the computation of earnings per share were as follows:

**Net Profit for the Year**

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Earnings used in the computation of basic earnings per share	\$ 1,829,851	\$ 1,808,017
Effect of potentially dilutive common shares:		
Interest on convertible bonds	<u>10,214</u>	<u>20,556</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,840,065</u>	<u>\$ 1,828,573</u>

**Common Shares Outstanding**

(In Thousands of Shares)

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Weighted average number of common shares used in the computation of basic earnings per share	88,072	85,301
Effect of potentially dilutive common shares:		
Employee share options	1,814	2,421
Convertible bonds	1,354	2,707
Restricted shares for employees	657	909
Employees' compensation	<u>442</u>	<u>296</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>92,339</u>	<u>91,634</u>

If the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in shareholders' meeting in the following year.

**27. SHARE-BASED PAYMENT ARRANGEMENTS**

a. Employee share option plan of the Company

Qualified employees of the Company were granted 639,000 options, 173,000 options, 262,000 options and 787,000 options in April 2017, June 2017, August 2017 and November 2017, respectively. Furthermore, qualified employees of the Company were granted an additional 373,000 options and 78,000 options in February 2018 and May 2018, respectively. Each option entitles the holder to subscribe for one common share of Silergy. The outstanding options granted in 2018 and 2017 are valid for 10 years and exercisable at certain percentages after a certain anniversary from the grant date. Except for options currently outstanding but granted before the IPO whose exercise price needs to be separately agreed on, other options were granted at an exercise price equal to the closing price of the Company's common shares listed on the Taiwan Stock Exchange on the grant dates.

The board of directors of Silergy agreed to issue 1,350,000 options on March 20, 2018. Upon completion of registration with the FSC, Silergy issued 179,000 options and 705,250 options in September 2018 and November 2018, respectively. Each option entitles the holder to subscribe for one common share of Silergy.

Information about employee share options was as follows:

	<b>For the Year Ended December 31</b>			
	<b>2018</b>		<b>2017</b>	
<b>Employee Share Options</b>	<b>Units of Options</b>	<b>Weighted-average Exercise Price</b>	<b>Units of Options</b>	<b>Weighted-average Exercise Price</b>
Balance, beginning of year	5,598,024	\$ 341	4,433,542	\$ 217
Options granted	1,335,250	484	1,861,000	567
Options exercised	<u>(874,180)</u>	122	<u>(696,518)</u>	152
Balance, end of year	<u>6,059,094</u>	404	<u>5,598,024</u>	341
Options exercisable, end of year	<u>1,441,186</u>	223	<u>1,576,666</u>	129
Weighted-average fair value of options granted (\$)	<u>\$ 151</u>		<u>\$ 186</u>	

For any subsequent changes in Silergy's capital surplus, the exercise price or the number of shares corresponding to each option unit is adjusted in accordance with the rules for each plan.

For the years ended December 31, 2018 and 2017, the weighted-average share prices at the date of exercise were NT\$652 and NT\$623, respectively.

Information about outstanding options as of December 31, 2018 and 2017 was as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Range of exercise price	\$48-\$616	\$21-\$608
Weighted-average remaining contractual life (years)	3.99-9.89	4.42-9.90

Options granted from 2017 to 2018 were priced using the binomial option pricing model and the inputs to the model were as follows:

Issue Date	Fair Value Per Option- Grant Date	Exercise Price	Expected Volatility	Expected Life	Expected Dividend Yield	Risk-free Interest
April 17, 2017	176	513	43.53%	10 years	-	1.02%
June 15, 2017	180	548	43.08%	10 years	-	1.05%
August 11, 2017	192	591	42.43%	10 years	-	1.035%
November 23, 2017	194	608	41.77%	10 years	-	0.998%
February 7, 2018	183	596	41.32%	6.0 years- 7.5 years	-	0.750%- 0.855%
May 11, 2018	191	616	40.87%	6.0 years- 7.5 years	-	0.802%- 0.880%
September 28, 2018	170	550	40.62%	6.0 years- 7.5 years	-	0.790%- 0.828%
November 22, 2018	124	394	41.95%	6.0 years- 7.5 years	-	0.824%- 0.860%

Compensation cost recognized was \$204,969 thousand and \$141,070 thousand for the years ended December 31, 2018 and 2017, respectively.

b. Restricted shares for employees

In the shareholders' meeting on June 2, 2017, the shareholders approved the issuance of 300,000 shares under a restricted share plan. Upon the completion of the registration of this issuance with the Financial Supervisory Commission (FSC), Silergy issued to employees 237,530 restricted shares in August 2017, 17,000 restricted shares in November 2017, 2,800 restricted shares in February 2018, and 42,670 restricted shares in May 2018.

The restrictions on the rights of the outstanding restricted shares in 2018 and 2017 that have not met the vesting conditions are as follows:

- 1) The employees should not sell, pledge, transfer, donate or in any other way dispose of these shares.
- 2) The employees holding these shares are entitled for receive stock dividends but not cash dividends, but are not entitled to subscribe for new common shares issued for cash.
- 3) The employees holding these shares have no voting rights.

In the shareholders' meeting on June 8, 2018, the shareholders approved the issuance of 300,000 shares under a restricted share plan. Upon the completion of the registration of this issuance with the FSC, Silergy issued to employees 61,550 shares and 112,980 shares in September 2018 and November 2018, respectively.

If an employee fails to meet the vesting conditions, Silergy will recall and cancel the restricted shares without any reimbursement. On November 13, 2018, the board of directors of Silergy resolved to recall and retire 3,000 shares of the restricted shares with no compensation given.

Information on the restricted shares for employees is as follows:

<b>Restricted Shares for Employees</b>	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Balance, beginning of year	874,530	1,031,750
Shares issued	220,000	302,780
Shares vested	(458,500)	(460,000)
Shares forfeited	<u>(3,000)</u>	<u>-</u>
Balance, end of year	<u>633,030</u>	<u>874,530</u>

As of December 31, 2018 and 2017, information on the outstanding restricted employee shares is as follows:

<b>Grant Date</b>	<b>Fair Value Per Share - Grant Date</b>	<b>Shares Granted (In Thousands of Shares)</b>	<b>Vesting Period</b>
April 17, 2017	\$ 513	32	0.5 year
June 15, 2017	548	16	0.5 year
August 11, 2017	591	238	0.5 year
November 23, 2017	608	17	0.5 year
February 7, 2018	596	3	0.5 year
May 11, 2018	616	43	0.5 year
September 28, 2018	550	62	1 year
November 22, 2018	394	113	1 year

Compensation cost recognized was \$92,708 thousand and \$204,448 thousand for the years ended December 31, 2018 and 2017, respectively.

## 28. BUSINESS COMBINATIONS

### a. Acquisition of assets and operations

	<b>Principal Activity</b>	<b>Date of Acquisition</b>	<b>Proportion of Voting Equity Interests Acquired (%)</b>	<b>Consideration Transferred</b>
Energy Pass Incorporation business unit	Development and design of electronic components	February 28, 2017	100.00	<u>\$ 40,952</u>

The net assets and business of Energy Pass Incorporation business unit (“EPI”) were wholly acquired in February 2017 to increase product lines.

### b. Considerations transferred

Acquisitions of EPI were made under cash consideration arrangements in the amount of US\$40,952 thousand. Acquisition-related costs were excluded from the consideration transferred and recognized as an expense in the year of acquisition.

### c. Assets acquired and liabilities assumed at the date of acquisition

	<b>EPI</b>
Current assets	
Inventories	\$ 6,399
Non-current assets	
Property, plant and equipment	52
Other intangible assets	<u>6,051</u>
	<u>\$ 12,502</u>

### d. Goodwill arising on acquisition

	<b>EPI</b>
Consideration transferred	\$ 40,952
Less: Fair value of identifiable net assets acquired	<u>(12,502)</u>
Goodwill arising on acquisition	<u>\$ 28,450</u>

Goodwill arose in the acquisition of EPI because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

- e. Net cash outflow on acquisition of subsidiaries, assets and operations

	<b>EPI</b>
Consideration paid in cash	<u>\$ 40,952</u>

- f. Impact of acquisition on the results of the Company

The extrapolated results of operations from the acquisition of EPI had the acquisition been in effect for the whole year could not be reliably estimated; thus, the Company's pro-forma financial information related to such acquisitions is unable to be disclosed.

## 29. OPERATING LEASE ARRANGEMENTS

### The Company as Lessee

Operating leases relate to leases of land, office facilities and parking lots with lease terms between 1 and 10 years. The Company does not have a bargain purchase option to acquire the leased office at the expiration of the lease periods.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Not later than 1 year	\$ 40,273	\$ 30,466
Later than 1 year and not later than 2 years	31,704	6,092
Later than 2 years and not later than 5 years	55,449	13,435
Later than 5 years	<u>267</u>	<u>335</u>
	<u>\$ 127,693</u>	<u>\$ 50,328</u>

## 30. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Company's capital structure management strategy is based on (a) its scale of operations and expected growth and product development - an appropriate market share target is determined, and the capital expenditures required to meet this target are estimated; (b) industry developments - the Company calculates the required working capital under an overall plan for long-term asset development; and (c) the Company's competitiveness - estimates are made of marginal contribution, operating profit rate and cash flows of possible products, taking into consideration the risk factors of industrial cyclical fluctuations and product life cycles to determine the Company's appropriate capital structure.

Management regularly reviews the Company's capital structure and considers the costs and risks of different capital structures, and balances the Company's capital structure by raising debt and issuing convertible bonds. In general, the Company has a prudent risk management strategy.

### 31. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

Management believed the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

- b. Fair value of financial instruments that are measured at fair value on a recurring basis

- 1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Equity instruments	\$ -	\$ -	\$ 1,258,732	\$ 1,258,732
Convertible bonds	-	-	30,715	30,715
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,289,447</u>	<u>\$ 1,289,447</u>

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivatives	\$ -	\$ -	\$ 1,076	\$ 1,076

- 2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2018

Financial Assets	Financial Assets at FVTPL			Total
	Derivatives	Equity Instruments	Convertible Bonds	
Balance at January 1, 2018	\$ 1,076	\$ 253,063	\$ 29,760	\$ 283,899
Recognized in profit or loss	690	(27,928)	-	(27,238)
Current year additions	-	1,040,104	-	1,040,104
Current year conversions	(1,392)	-	-	(1,392)
Current year redemptions	(426)	-	-	(426)
Translation adjustments	52	(6,507)	955	(5,500)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 1,258,732</u>	<u>\$ 30,715</u>	<u>\$ 1,289,447</u>

For the year ended December 31, 2017

	<b>Financial Liabilities at Fair Value Through Profit or Loss</b>	
	<b>Derivatives</b>	
	<b>US\$</b>	<b>NT\$</b>
<u>Financial liabilities (assets)</u>		
Balance at January 1, 2017	\$ (315)	\$ (10,170)
Recognized in profit or loss		
Realized	241	7,326
Unrealized	115	3,518
Transfers	(5)	(132)
Net exchange differences	<u>-</u>	<u>534</u>
Balance at December 31, 2017	<u>\$ 36</u>	<u>\$ 1,076</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

- a) The fair values of financial asset and liability components of convertible bonds were determined using the binomial option pricing model. The significant inputs used are listed in the table below. (December 31, 2018: None)

	<b>December 31, 2017</b>
Fluctuation rate	31.64%
Risk-free rate	2.0584%
Risk discount rate	2.7469%
Liquidity risk rate	7.09%

b) Equity instrument investments

Equity instrument investments are unlisted company stock with no active market. Fair values are estimated using the market approach, with reference to the Company's recent financing activities, valuation of similar companies, market conditions and other economic indicators, etc.

c) Convertible bond investment

Future cash flows are estimated based on the equity value of the invested company on the balance sheet date and the exercise price stated in the contract, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Financial assets</u>		
Financial assets at FVTPL		
Derivatives	\$ -	\$ 1,076
Equity instruments	1,258,732	-
Convertible bonds	30,715	-
Loans and receivables (1)	-	4,918,015
Available-for-sale financial assets - non-current (2)	-	247,894
Assets measured at amortized cost (3)	5,348,648	-
<u>Financial liabilities</u>		
Measured at amortized cost (4)	905,731	1,492,171

- 1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, accounts receivable, other receivables (excluding tax receivable), and refundable deposits.
- 2) The balances included the carrying amount of available-for-sale financial assets measured at cost.
- 3) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, financial assets measured at amortized cost, accounts receivable, other receivables (excluding tax receivable), and refundable deposits.
- 4) The balances included financial liabilities measured at amortized cost, which comprise accounts payable, accounts payable - related parties, other payables, bonds payable, guarantee deposits and other long-term liabilities.

d. Financial risk management objectives and policies

The Company's major financial instruments included equity and debt investments, accounts receivable, other receivables, refundable deposits, accounts payable, other payables, bonds payable, guarantee deposits and other long-term liabilities. The Company's Corporate Treasury function provides services to the business departments, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other prices (see (c) below).

a) Foreign currency risk

The Company had foreign currency-denominated sales and purchases, which exposed the Company to foreign currency risk. The carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 32.

### Sensitivity analysis

The Company was mainly exposed to the U.S. dollar.

The following table details the Company's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency-denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the U.S. dollar strengthening 5% against the relevant currency. For a 5% weakening of the U.S. dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	<b>U.S. Dollar Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Profit or loss and equity*	\$ 21,791	\$ 18,815

\* This was mainly attributable to the exposure outstanding on U.S. dollar-denominated deposits, receivables and payables, which were not hedged at the end of the reporting period.

#### b) Interest rate risk

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Fair value interest rate risk		
Financial assets	\$ 2,360,761	\$ 1,680,605
Financial liabilities	-	670,404
Cash flow interest rate risk		
Financial assets	2,087,866	2,334,644

### Sensitivity analysis

The sensitivity analysis below was determined based on the Company's floating-rate financial assets and financial liabilities at the end of the reporting period.

Had interest rates been 50 basis points higher and all other variables held constant, the Company's pretax profit for the years ended December 31, 2018 and 2017 would have increased by \$10,439 thousand and \$11,673 thousand, respectively, which was mainly attributable to the Company's exposure to interest rate changes on its variable-rate bank deposits.

#### c) Other price risk

The Company's price risk of equity instrument investments in 2018 are primarily from the investments of financial assets at FVTPL.

If the price of the equity instrument increased (decreased) by 5% at the end of the reporting period, the Company's profit before tax will increase (decrease) by \$62,937 thousand in 2018.

## 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation approximates the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses publicly or non-publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The accounts receivable balances of individual customers, which each accounted for more than 10% of the total balance as of December 31, 2018 and 2017, were as follows:

	<b>December 31, 2018</b>
Customer A	\$ 178,557
Customer B	67,729
Customer C	<u>60,939</u>
	<u>\$ 307,225</u>
	<b>December 31, 2017</b>
Customer A	\$ 122,987
Customer D	100,987
Customer E	91,097
Customer C	<u>67,287</u>
	<u>\$ 382,358</u>

## 3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

As of December 31, 2018, the Company's working capital was sufficient and there was no liquidity risk due to lack of funds needed to meet contractual obligations.

### 32. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between Silergy and its subsidiaries which are related parties of Silergy, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and its related parties are disclosed below.

- a. Sales of goods (for the year ended December 31, 2018: None)

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>For the Year Ended December 31, 2017</b>
Sales	Associates Hefei SMAT Technology Co., Ltd. (“SMAT”)	<u>\$ 92</u>

The sales of goods to related parties were made based on the prices and terms stated in the agreements made between the Company and its associates. Thus, there are no other transaction prices for reference.

- b. Purchases of goods (for the year ended December 31, 2017: None)

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31, 2018</b>
Associates SMAT	<u>\$ 38</u>

Terms and conditions for purchases of goods from related parties are the same as that of general transactions.

- c. Payables to related parties (December 31, 2017: None)

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>For the Year Ended December 31, 2018</b>
Accounts payable - related parties	Associates SMAT	<u>\$ 584</u>

- d. Others (for the year ended December 31, 2017: None)

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>For the Year Ended December 31, 2018</b>
Research and development expense	Associates SMAT	<u>\$ 3,617</u>

e. Compensation of key management personnel

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Salaries	\$ 74,013	\$ 72,017
Share-based payments	<u>9,902</u>	<u>2,232</u>
	<u>\$ 83,915</u>	<u>\$ 74,249</u>

### 33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

**(In Thousands of Dollars, Except for Exchange Rate which is in Dollars)**

December 31, 2018

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>NT\$</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,397	30.715 (USD:NTD)	\$ 73,622
USD	11,193	6.8632 (USD:RMB)	343,801
USD	781	1,106.85 (USD:KRW)	<u>23,992</u>
			<u>\$ 441,415</u>
<u>Financial liabilities</u>			
Monetary items			
USD	75	30.715 (USD:NTD)	\$ 2,312
USD	107	6.8632 (USD:RMB)	3,287
NTD	4,900	0.0326 (NTD:USD)	<u>4,900</u>
			<u>\$ 10,499</u>

December 31, 2017

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>NT\$</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,662	29.760 (USD:NTD)	\$ 49,447
USD	11,325	6.5342 (USD:RMB)	337,024
GBP	13	1.347782 (GPB:USD)	514
NTD	692	0.0336 (NTD:USD)	692
KRW	45,830	0.000945 (KRW:USD)	<u>1,289</u>
			<u>\$ 388,966</u>
<u>Financial liabilities</u>			
Monetary items			
USD	341	6.5342 (USD:RMB)	\$ 10,162
NTD	4,550	0.0336 (NTD:USD)	4,550
KRW	458,082	0.000945 (KRW:USD)	<u>12,881</u>
			<u>\$ 27,593</u>

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gains (losses) were NT\$27,786 thousand and NT\$(54,733) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

#### **34. SEPARATELY DISCLOSED ITEMS**

a. Information about significant transactions and investees:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (Table 1)
- 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 2)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 3)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (Table 4)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)

- 9) Trading in derivative instruments (Notes 7 and 19)
  - 10) Intercompany relationships and significant intercompany transactions (Table 5)
  - 11) Information on investees (Table 6)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: (Table 7)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (None)
    - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (None)
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (None)

### **35. SEGMENT INFORMATION**

a. Segment information

Information reported to the chief operating decision maker is for the purposes of resource allocation and assessment of segment performance. Under IFRS 8 “Operating Segments,” if the operating revenue of an operating segment accounts for up to 90% of the Company’s total revenue, the Company is considered as having only one reportable segment.

b. Revenue from major products and services

The Company mainly develops, designs, and sells electronic products, which is the major source of revenue.

c. Geographical information

The Company's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
China (including Hong Kong)	\$ 4,370,164	\$ 4,120,536	\$ 4,556,306	\$ 4,307,468
Others	<u>5,043,995</u>	<u>4,478,701</u>	<u>298,498</u>	<u>329,723</u>
	<u>\$ 9,414,159</u>	<u>\$ 8,599,237</u>	<u>\$ 4,854,804</u>	<u>\$ 4,637,191</u>

Non-current assets included property, plant and equipment, goodwill, other intangible assets, refundable deposits and long-term prepayments.

d. Information about major customers

Single customers who contributed 10% or more to the Company's revenue were as follows:

	<b>For the Year Ended December 31, 2018</b>	
	<b>Amount</b>	<b>Percentage of Revenue</b>
Customer A	\$ 1,264,774	13.43
Customer B	<u>954,897</u>	<u>10.14</u>
	<u>\$ 2,219,671</u>	<u>23.57</u>

	<b>For the Year Ended December 31, 2017</b>	
	<b>Amount</b>	<b>Percentage of Revenue</b>
Customer A	<u>\$ 929,346</u>	10.81

**SILERGY CORP.**  
(Incorporated in the Cayman Islands)  
**AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2018**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guaranteee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 4)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 5)	Actual Borrowing Amount (Note 6)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 2)											
1	Hangzhou Silergy	Xian Silergy	2	\$ 971,373	\$ 55,189	\$ -	\$ -	\$ -	-	\$ 2,428,433	N	N	Y	

Note 1: No. 0 represents the parent company; other numbers represent subsidiaries.

Note 2: The nature of the relationship between the endorser/guarantor and the endorsee/guaranteee are represented by the following numerals:

- No. 1 - companies with business transactions.
- No. 2 - a subsidiary directly holding over 50% of the common shares.
- No. 3 - a parent and subsidiary collectively holding over 50% of the common shares of the investee company.
- No. 4 - a parent company holding 50% of the common shares directly or through a subsidiary indirectly.
- No. 5 - companies (based on the contractual project requirements of the same industry) with contractual mutual guarantees.
- No. 6 - companies guaranteed by their respective common shareholdings in accordance with mutual investment relations.
- No. 7 - companies engaged in performance guarantees of contracts related to the pre-sale of real estate in accordance with the Consumer Protection Law.

Note 3: The total amount of guarantee shall not exceed 50% of Hangzhou Silergy's net value. The total amount of the guarantee provided by Hangzhou Silergy to any individual entity shall not exceed 20% of Hangzhou Silergy's net value.

Note 4: The column indicates the maximum amount guaranteed for others during 2017.

Note 5: By the end of the year, if the Company signed an endorsement to ensure the amount of a contract or bill and was approved by the bank, it shall bear the endorsement or guarantee responsibility; and other related parties who have endorsed the guarantee shall be included in the outstanding guarantee balance.

Note 6: The amount entered is the endorsee's actual usage of the endorsement within the scope of the actual borrowing amount.

TABLE 2

**SILERGY CORP.**  
(Incorporated in the Cayman Islands)  
**AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**  
**DECEMBER 31, 2018**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2018			Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	
Silergy Corp.	<u>Bonds</u> Vango Technologies, Inc.	-	Financial assets at FVTPL - non-current	-	\$ 30,715 (US\$ 1,000,000)	-	\$ 30,715 (US\$ 1,000,000)
	<u>Shares</u> Vango Technologies, Inc.	-	Financial assets at FVTPL - non-current	2,666,667	33,582 (US\$ 1,093,333)	8.04 (Note 1)	33,582 (US\$ 1,093,333)
	Silicon Micro Technology L.P.	-	Financial assets at FVTPL - non-current	-	921,450 (US\$ 30,000,000)	21.89	921,450 (US\$ 30,000,000)
	Jiangsu	-	Financial assets at FVTPL - non-current	-	30,766 (RMB 6,874,689)	3.442	30,766 (RMB 6,874,689)
	Hualan	-	Financial assets at FVTPL - non-current	1,166,700	32,216 (RMB 7,198,539)	1.84	32,216 (RMB 7,198,539)
	Calterah	-	Financial assets at FVTPL - non-current	-	30,403 (RMB 6,793,653)	10.00	30,403 (RMB 6,793,653)
	Anchuang	-	Financial assets at FVTPL - non-current	-	26,852 (RMB 6,000,000)	6.78	26,852 (RMB 6,000,000)
	FSP-Powerland	-	Financial assets at FVTPL - non-current	-	82,768 (RMB 18,494,326)	7.69	82,768 (RMB 18,494,326)
	Ningbo Anchuang	-	Financial assets at FVTPL - non-current	-	78,318 (RMB 17,500,000)	1.186	78,318 (RMB 17,500,000)
	Puhe	-	Financial assets at FVTPL - non-current	-	22,377 (RMB 5,000,000)	7.092	22,377 (RMB 5,000,000)

Note 1: Percentage of ownership refers to preference shares.

Note 2: Refer to Tables 4 and 5 for information about subsidiaries and associates.

**SILERGY CORP.**  
(Incorporated in the Cayman Islands)  
**AND SUBSIDIARIES**

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Acquire, Dispose Company	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relation	Beginning Balance		Acquired		Disposed			Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Sale Price	Cost	Profit and Loss on Disposal	Shares
Silergy Corp.	Unlisted equity investments Silicon Micro Technology L.P.	Financial assets at FVTPL - non-current	-	-	-	\$ -	-	\$ 921,450 (US\$ 30,000,000)	-	\$ -	\$ -	-	\$ 921,450 (US\$ 30,000,000)

**SILERGY CORP.**  
(Incorporated in the Cayman Islands)  
**AND SUBSIDIARIES**

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NTS300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Acquisition of Real Estate Company	Asset Name	Acquisition Date	Transaction Amount (Foreign Currency in Thousands)	Payment Status	Counterparty	Relation	Last Transaction Information If Counterparty Was Related			Price Decision Reference	Acquisition Purpose and Usage	Other Agreements
							Holder	Relation to Issuer	Transfer Date			
Xian Silergy	Office	January 26, 2018	\$ 191,630 (RMB 41,584)	Already paid in full	Zhongtoun Real Estate Co. Ltd	-	NA	NA	NA	Refer to PPA report then negotiated by both parties	Office use	None

TABLE 5

**SILERGY CORP.**  
(Incorporated in the Cayman Islands)  
**AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2018**  
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Flow of Transactions (Note 2)	Transaction Details			Percentage to Consolidated Total Gross Sales or Total Assets (Note 3)
				Financial Statement Account	Amount (Note 4)	Terms (Note 5)	
0	Silergy Corp.	Silergy Technology Silergy Technology Hangzhou Silergy Hangzhou Silergy Silergy Semiconductor (Samoa) Limited Silergy Technology Silergy Technology Silergy Technologies Private Limited Silergy Technologies Private Limited HK Silergy Silergy Technology (Taiwan) Inc. Silergy Technology (Taiwan) Inc. Silergy Korea Limited Silergy Korea Limited	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Other payables - related parties Accounts payable - related parties Other payables - related parties Sales Other payables - related parties Operating expenses Sales Other payables - related parties Operating expenses Other receivables - related parties Other receivables - related parties Operating expenses Other payables - related parties Operating expenses	\$ 44,372 15 28,123 756 20,504 381,548 62,211 4,976 19,324 53 11,896 176,309 16,524 76,674	- - - - - - - - - - - - - -	0.32% - 0.20% 0.01% 0.15% 4.05% 0.66% 0.04% 0.21% - 0.09% 1.87% 0.12% 0.81%
1	Hangzhou Silergy	Silergy Corp. Silergy Technology Silergy Technology Nanjing Silergy Xian Silergy Shanghai Pengxi	2 3 3 3 3 3	Sales Sales Accounts receivable - related parties Other payables - related parties Sales Operating expenses	50,392 1,991 54 2,635 621 6,883	- - - - - -	0.54% 0.02% - 0.02% 0.01% 0.07%
2	Silergy Technology (Taiwan) Inc.	Silergy Corp. Silergy Corp. Silergy Semiconductor (Samoa) Limited	2 2 3	Sales Accounts receivable - related parties Other payables - related parties	53,741 22,522 1,604	- - -	0.57% 0.16% 0.01%
3	Nanjing Silergy	Silergy Corp.	2	Sales	2,236	-	0.02%
4	Xian Silergy	Silergy Corp.	2	Sales	94,696	-	1.01%
5	Silergy Technology	Silergy Corp.	2	Sales	850	-	0.01%

(Continued)

Note 1: No. 0 represents the parent company; other numbers represent subsidiaries.

Note 2: The directional flow of the transactions are represented by the following numerals:

No. 1 - from parent company to subsidiary.

No. 2 - from subsidiary to parent company.

No. 3 - between subsidiaries.

Note 3: The accounts in the consolidated balance sheets and those in the consolidated statements of comprehensive income were based on the Company's consolidated total assets and total gross sales, respectively.

Note 4: Intercompany balances and transactions were eliminated upon consolidation.

Note 5: The selling prices and payment terms for intercompany sales and purchases were not significantly different from those for unrelated parties. For other intercompany transactions, prices and terms were based on mutual agreements.

(Concluded)

**SILERGY CORP.**  
(Incorporated in the Cayman Islands)  
**AND SUBSIDIARIES**

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Number of Shares	As of December 31, 2018		Share of Profit (Loss) (Notes 1, 3 and 4)	Note
				December 31, 2018	December 31, 2017		Percentage of Ownership (%)	Carrying Amount (Notes 1 and 2)		
Silergy Corp.	Silergy Technology	Suite 215, 2F 1309 S. Mary Ave, Sunnyvale City, Santa Clara County, California State, U.S.A.	Development and design of power management IC	US\$ 7,378,454	US\$ 6,971,913	-	100.00	\$ 74,520 (US\$ 2,471,714)	74,520 (US\$ 2,471,714)	Subsidiary
	Silergy Semiconductor (Samoa) Limited	Porcullis TrustNet chambers, P.O. Box 1225, Apia, Samoa	Holding Company	US\$ 24,300,000	US\$ 22,300,000	-	100.00	(US\$ 8,820) (US\$ -292,531)	(US\$ 8,820) (US\$ -292,531)	Subsidiary
	HK Silergy	Suite 2302-6, 23/F Great Eagle CTR, 23 Harbour Rd., WanChai, Hong Kong	Holding Company	US\$ 11,375,000	US\$ 11,365,000	-	100.00	(US\$ 16,059) (US\$ -532,646)	(US\$ 16,059) (US\$ -532,646)	Subsidiary
Silergy Semiconductor (Samoa) Limited	Silergy Technology (Taiwan) Inc.	7F-8, No. 38, Taiyuan St., Zhubei City, Hsinchu County 302, Taiwan	Development, design and sales of electronic components	314,831 (Note 6)	314,831	31,700,000	100.00	2,011	(1,503)	Subsidiary
	Silergy Technologies Private Limited	No 41, Patalamma Temple Street, Near South End Circle, Basavanagudi, Bangalore, Karnataka, India, 560004	Development, design and sales of electronic components	US\$ 38,200	US\$ 38,200	-	100.00	2,899 (US\$ 96,168)	2,899 (US\$ 96,168)	Subsidiary
	Silergy Korea Limited	#1202, #1203, 120 Hengdeokjungang-ro, Giheung-gu, Yongin-si, Gyeonggi-do, Korea (UTOWER)	Development, design and sales of electronic components	US\$ 600,000 (KRW 655,800,000)	US\$ 600,000 (KRW 655,800,000)	-	100.00	11,922 (US\$ 395,442)	11,922 (US\$ 395,442)	Subsidiary

Note 1: The carrying amount of the investments and the share of profit or loss were eliminated upon consolidation.

Note 2: Translation was based on the exchange rate at December 31, 2018.

Note 3: Translation was based on the average exchange rate for the year ended December 31, 2018.

Note 4: Information was based on the investee's current year's audited financial statements.

Note 5: Refer to Table 7 for information on investments in mainland China.

Note 6: Silergy Samoa acquired 9,472 thousand shares of Silergy Technology (Taiwan) Inc. at NT\$99,579 thousand in January 2015, resulting in Silergy Technology (Taiwan) Inc. becoming a wholly owned subsidiary of Silergy Samoa. The fair value of the equity interest held previously was NT\$63,252 thousand. Silergy Samoa injected a total of NT\$152,000 thousand in Silergy Technology (Taiwan) Inc. from April 2015 to February 2017. Thus, Silergy Samoa's investment in Silergy Technology (Taiwan) Inc. increased to NT\$314,831 thousand.

**SILERGY CORP.**  
(Incorporated in the Cayman Islands)  
**AND SUBSIDIARIES**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2018**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee (Note 2)	Percentage of Ownership (%)	Investment Income (Loss) Recognized (Notes 2, 3 and 4)	Carrying Amount as of December 31, 2018 (Note 4)	Accumulated Reparitition of Investment Income as of December 31, 2018
					Outward	Inward						
Hangzhou Silergy	Development, design and sale of electronic components and related technical services	US\$ 58,520,270 (RMB 381,687,917)	Through Silergy	\$ -	\$ -	\$ -	\$ 922,394 (RMB 202,284,762)	100	\$ 922,394 (RMB 202,284,762)	\$ 4,856,866	\$ -	
Nanjing Silergy	Development, design and sale of electronic components	RMB 31,000,000	Through Hangzhou Silergy	-	-	-	222,192 (RMB 48,727,604)	100	222,192 (RMB 48,727,604)	767,468	-	
Xian Silergy	Development, design, and sale of electronic components	RMB 91,000,000	Through Hangzhou Silergy	-	-	-	1,611 (RMB 353,219)	100	1,611 (RMB 353,219)	298,564	-	
Shanghai Pengxi	Development and design of electronic components	RMB 37,000,000	Through Hangzhou Silergy	-	-	-	(54,160) (RMB -11,877,460)	100	(54,160) (RMB -11,877,460)	42,285	-	
Chengdu Silergy	Development and design of electronic components	RMB 26,000,000	Through Hangzhou Silergy	-	-	-	(26,509) (RMB -5,813,548)	100	(26,509) (RMB -5,813,548)	74,182	-	
SMAT	Development and manufacturing of vehicles and IOT	RMB 495,000,000	Through Hangzhou Silergy	-	-	-	(110,318) (RMB -24,193,297)	20.20	(22,621) (RMB -4,960,881)	291,142 (Note 6)	-	
	Development and manufacturing of vehicles and IOT	RMB 495,000,000	Through HK Silergy	-	-	-	(110,318) (US\$ -3,659,109)	14.92	(16,820) (US\$ -557,892)	304,508	-	

Accumulated Outward Remittance for Investments from Taiwan in Mainland China as of December 31, 2018	Investment Amount Authorized by the Investment Commission, MOEA	Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
\$ - (Note 5)	\$ - (Note 5)	\$ - (Note 5)

Note 1: Translation was based on the exchange rate at December 31, 2018.

Note 2: Translation was based on the average exchange rate for the year ended December 31, 2018.

Note 3: Information was based on the investee's current year's audited financial statements.

Note 4: Except for SMAT, the carrying amount of the investments and the share of profit or loss were eliminated upon consolidation.

Note 5: Foreign security issuers are not subject to the investment limitation set out in the "Guidelines on Investment and Technical Cooperation in Mainland China" issued by the Ministry of Economic Affairs on August 29, 2008, whereby the limit is 60% of an investment entity's most recent net value.

Note 6: The information was reduced by net profit from disposal of unrealized intangible assets.

**Silergy Corp.**  
**Chairman: WEI CHEN**