

I. Letter to Shareholders

Annual General Meeting of Shareholders 2019

Dear Shareholders, Ladies and Gentlemen,

2018 was a record breaking year of revenue and profits for Powertech Technology Inc. (PTI) with the highly committed customers and employees, despite the challenges of trade tension between US and China, electronic parts shortages, raw material price increased substantially, and saturated smartphone market.

2019 is going to be a challenge year for PTI with unfavorable macroeconomic and new generation application not ready yet. Macroeconomic may improve when trade tension ease. New applications for Internet of Things (IoT), 5G communication, advanced driver-assistance systems (ADAS), AI, and High Performance Computing (HPC) products will be ready after 2020.

I have set two key directions to build PTI to thrive at the ever changing business environment:

1. Legacy succession program.

Proactively identify and develop talents within the organization. Identified management team will be further authorized and intensify responsibilities and duties to the new leadership for operations.

2. Winning Strategies for Sales and R&D:

I. Technologies

II. Quality

III. Services

PTI has been growing with customers and shareholders for the past two decades. PTI has always been technology intensive and innovation driven. PTI seizes the opportunity to grow stronger when facing new challenges in technologies, operations, and market competition.

The investment of Hsin Chu Science Park Plant III demonstrated PTI's commitment to stay at technology leading position. The advanced packaging investment is one of the key drivers for future corporate developing and sustainability. Never stop innovation and perfection drive PTI to stay competitive among peers. We hope you, as our shareholders, continuing to support us. All members of PTI will continue collaborating our effort as we move forward to next triumph.

Thank you again for all your support. We wish you all the very best.

Sincerely,
D.K. Tsai

PTI Chairman

Powertech Technology Inc. 2018 Business Report

I. 2018 Business Operations Report

According to the World Economic Outlook published by the International Monetary Fund (IMF) in January 2019, global economic growth in 2018 was 3.7%, flat with 2016 growth. Major growth contributed by strong US economy and raw material price increases, especially during the first three quarters of 2018. Mixed economy performance among regions, US remained strong, European recovery slowdown, Japan decline caused by nature disaster and conservative consumer and corporate spending. China first three quarters growth descending by quarter and 2018 grew the least since 2008 financial crisis.

2018 global semiconductor revenue was US\$476.7 billion which was 13.4% increased from 2017 base on the survey collected by Gartner. Memory products accounted for 34.8% of 2018 global semiconductor revenue which was 31.0% in 2017, and remained as the biggest segment among semiconductor products. 2019 memory segment expected to be very different from previous two years booming with decline of memory products demand in late 2018 and increasing uncertainty from US-China trade tension. According to data published by Industrial Economics and Knowledge (IEK) in Nov 2018, Taiwan IC industry revenue in 2018 was NT\$2.63 trillion (US\$86.7 billion), 7.0% growth from 2017. Revenue of IC packaging sector was NT\$346.5 billion showing 4.1% growth from 2017 while revenue of IC testing sector was NT\$147.5 billion showing 2.4% growth from 2017. Taiwan semiconductor market underperformed the global semiconductor industry in 2018.

PTI outperformed global and domestic IC packaging and testing industry in 2018 with increasing demands for high performance computing applications and high density memory storage for data centers. 2018 PTI revenue and profit margin improved significantly from 2017 and outperform its financial targets. In 2108, PTI will continue to invest in technology to provide excellent quality and services. PTI will also continue to improve its competitiveness by increasing operational efficiency, cost control, investment in new equipment, technology and product through integration of corporate resources while strengthening strategic partnership. PTI 2018 accomplishment contributed from its excellent quality and services, operations efficiency improvement, efficient cost control, new technologies and products development, equipment investment, and strategic alliance strengthening.

Details of 2018 revenue and profitability are reported as follow:

1.Operational Results of 2018

PTI Consolidated revenue of 2018 was NT\$68.04 billion, showing 14.1% increase from 2017 consolidated revenue of NT\$59.63 billion. 2018 net income belonged to parent company was NT\$6.23 billion which was an increase of 6.6% from 2017 NT\$5.85 billion.

2.Financial Status

2018 Consolidated Statement of Cash Flow		(in NT\$1,000)
a.	Net cash inflow from operating activities	20,207,098
b.	Net cash outflow from investing activities (Changes mainly from acquisition of machinery and equipment)	16,191,623
c.	Net cash outflow from financing activities (Mainly for repayment of bank loans and distribution of cash dividends)	3,383,088

3.Profitability Analysis

Analysis Items		2018	2017
Profitability	Operating Income / Capital Ratio	125.57%	116.46%
	Pre-tax Net Income / Capital Ratio	121.10%	114.06%
	Return on Assets	7.67%	8.34%
	Return on Equity	14.62%	15.51%
	Net Income (Loss) Ratio	9.16%	9.81%
	Net Income(Loss) Per Share	NT \$8.02	NT \$7.51

4.R&D Updates

PTI has been consistently in to technological innovations and development of new production technologies to meet industry standards and customer demands. In addition to DRAM and NAND Flash products, PTI also continue to develop Logic and advanced packaging and testing technologies, such as Lead-Free Bump, Copper Pillar Bump, Flip Chip, low cost molded substrate FCCSP, WLCSP, and RDL providing PTI foundation for developing advanced Logic customers. 2018 R&D expenses were about NT\$1.87 billion, equivalent to 2.7% of consolidated revenue. PTI will actively invest in the research and development of TMV PoP, CIS CSP (TSV), 3D IC (TSV), panel-level fan-out, as well as advanced packaging and testing technologies while striving to become a major service providers for Logic devices, System-in-Package (SiP), and Internet of Things (IOT) , High Performance Computing (HPC), networking, AI, AR/VR, and automotive products.

2019 Operations Plans

1. Plan Outlines:

- (1) Promise, Technology and Integration are our core values.
- (2) Focus on the assembly and final testing sectors in semiconductor industry in order to generate the profits together with our customers and vendors.
- (3) Devoted to the research and development of advanced technologies and launch new products to enhance corporate growth momentum.
- (4) Provide full services to customers with quality and exquisite technologies.
- (5) Integrated corporate resources to enhance operation performances and ensure corporate profitability and sustainability.
- (6) Provided employee trainings to talent, addressed employee benefits and interest of shareholders to create mutual benefits.

2. Sales Forecast volume:

Based on November 2018 estimation of WSTS (The World Semiconductor Trade Statistics), 2019 global semiconductor market value will be about US\$ 490.1 billion at a growth rate of 2.6% from 2018. Taiwan IEK (Industrial Economics and Knowledge Center) estimated 2019 Taiwan semiconductor market will grow 5%, including 2.8% growth for OSAT. The Gartner expected the top three growth semiconductor applications are going to be industrial/medical electronics, storage, and automotive electronics. Optoelectronic and sensor will be the top two growth drivers in terms of component category.

WSTS estimated 2018 global semiconductor market value was \$ 477.9 billion which was up 15.9% from 2017. 33% growth contributed by memory market US\$ 169.4 billion. According to Gartner, estimated 2018 DRAM market value grew 47.9% contributed by increasing ASP (Average Selling Price) and extensive applications. 2018 NAND Flash market value grew 7.2% in addition. Communication (smartphones) and data related products (servers, PC, and tablets) remained as majority of applications for memory products. Global semiconductor market value excluded memory products only grew 6.1% in 2018.

Semiconductor demand stays conservative for 2019 caused by decelerating and diminish demand of smartphone and computer which were the major applications of semiconductor products. 2019 global smartphone shipment estimated to grow 5.3% and PC shipment estimated to grow 1.4%. 2019 estimated revenue for optoelectronic components, sensors, discrete components, analog ICs, logic ICs, and micro components products are expected to grow 6.8%, 5.1%, 3.9%, 3.8%, 3.8%, and 3.0% respectively. Memory product value will reduce 0.3% by weaker demand. The start of AI smart networking and IoT technology are leading the demand

for data processing applications which will accelerate the development of industrial and automotive related semiconductor products. China has been the biggest semiconductor consumer market and it has been aggressively developing its local semiconductor manufacturing abilities. China local semiconductor output value will exceed RMB\$ 200 billion before 2020. The trade tension between US and China will be the key factor for its further development. India and Association of Southeast Asian Nations are expected to be the next market driver, but the growth strength still far less than expectation due to poor infrastructure and low Gross National Income (GNI).

The Company expects revenue decline in DRAM, NAND Flash, Logic, and advanced packaging in 2019.

2019 Sale forecast volume:

Item	Sale Forecast Volume
Assembly	11.0 billion packages
Final Test	7.0 billion packages
Bumping	800 K wafers
CP	3.6 million wafers
SSD+SiP	80.0 million PCS

3. Production and Marketing Policies:

- (1) Provide the turn-key and drop-shipment services to customers to reduce the cycle time and save on the transportation costs.
- (2) Increase the revenue weight from commodity DRAM, Mobile DRAM, NAND Flash, UFS, and Logic products.
- (3) Continue developing Logic business and enhancing technology development for Flip-Chip, Solid State Drive (SSD), Wafer Level Packaging (WLP), Chip Probing (CP), and Fan-Out Panel Level (FOPLO) to create business growth.
- (4) Developing new customers, new markets, and new products at the same time enhancing the relationship with existing customers.
- (5) Improve corporate competitive advantages by cost reduction and resources integration.

Chairman: D.K. Tsai

President: J.Y. Hung

Head of Accounting: Evan Tseng