Advanced Power Electronics Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020 and Independent Auditors' Report

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REPRESENTATION LETTER

The entities that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as those included in the consolidated financial statements of Advanced Power Electronics Co., Ltd. and its subsidiaries prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates is included in the consolidated financial statements of Advanced Power Electronics Co., Ltd. and its subsidiaries. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Advanced Power Electronics Co., Ltd.

Teng Fu-Chi

Fu-Chi Teng
Chairman

February 24, 2022

勤業眾信

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Advanced Power Electronics Co., Ltd. and its subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, 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 (FSC) of the Republic of China (ROC).

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 ROC. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the ROC, 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, 2020.

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 Group's consolidated financial statements for the year ended December 31, 2021 are stated as follows:

Validity of Revenue

The Group's primary source of revenue is generated from design and sales of power semiconductors (Power MOSFETs). Due to the revenue recognition has inherently higher fraud risks and the management may be under pressure to achieve financial goals. Therefore, we identified the validity of the revenue derived from these customers with significant growth has been identified as a key audit matter.

The main audit procedures that we performed to assess the validity of the revenue are as follows:

1. We understood the designed and tested operating effectiveness of internal control and confirmed the validity of revenue recognition.
2. We sampled the transaction documents related to revenue, including sales order, shipping, customs documents, and verified cash collections which have related to revenue derived from the above-mentioned customers and verified the reasonableness of revenue recognition.

Other Matter

We have also audited the parent company only financial statements of Advanced Power Electronics Co., Ltd. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the ROC will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists and is related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 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 Chien-Liang Liu and Li-Wen Kuo.

Deloitte & Touche

Taipei, Taiwan

Republic of China

February 24, 2022

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 Taiwan, the Republic of China (ROC) and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the ROC.

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

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED BALANCE SHEET
(In Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and Cash Equivalents (Notes 4 and 6)	$ 693,779	19	$ 445,441	16
Financial assets at amortized cost (Notes 4 and 9)	44,825	1	6,774	-
Notes receivable (Note 10)	30,552	1	18,610	1
Accounts receivable (Notes 4 and 10)	981,146	28	799,910	29
Other receivables (Note 10)	46,320	1	41,212	2
Current tax assets (Note 4)	12	-	15	-
Inventories (Notes 4, 5 and 11)	599,180	17	721,698	26
Other current assets	4,450	-	22,050	1
Total current assets	2,400,264	67	2,055,710	75
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Notes 4 and 7)	27,500	1	-	-
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	89,203	2	62,491	2
Financial assets measured at amortized cost (Notes 4 and 9)	345,121	10	-	-
Property, plant and equipment (Notes 4 and 12)	434,909	12	359,000	13
Right-of-use assets (Notes 4 and 13)	1,861	-	614	-
Other intangible assets, net (Note 4)	2,006	-	2,393	-
Deferred tax assets (Notes 4 and 21)	34,043	1	44,086	2
Other non-current assets (Note 14)	238,745	7	218,091	8
Total non-current assets	1,173,388	33	686,675	25
TOTAL	$ 3,573,652	100	$ 2,742,385	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	$ 270,000	8	$ 280,000	10
Notes payable	37,328	1	38,989	2
Accounts payable	584,554	16	575,711	21
Other payables (Note 17)	203,721	6	112,197	4
Current tax liabilities (Note 4)	116,288	3	21,582	1
Lease liabilities (Notes 4 and 13)	687	-	621	-
Long-term borrowings - current portion (Note 16)	15,456	-	9,886	-
Other current liabilities	8,236	-	14,434	1
Total current liabilities	1,236,270	34	1,053,420	39
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 16)	128,725	4	88,974	3
Lease liabilities (Notes 4 and 13)	1,229	-	-	-
Total non-current liabilities	129,954	4	88,974	3
Total liabilities	1,366,224	38	1,142,394	42
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 19)				
Common stock	813,405	23	813,405	30
Capital surplus	344,555	10	333,480	12
Retained earnings				
Legal reserve	79,848	2	60,021	2
Special reserve	51,961	2	79,758	3
Unappropriated earnings	941,713	26	362,296	13
Total retained earnings	1,073,522	30	502,075	18
Other equity interests	(25,722)	(1)	(51,961)	(2)
Total equity attributable to owners of the parent	2,205,760	62	1,596,999	58
NON-CONTROLLING INTERESTS	1,668	-	2,992	-
Total equity	2,207,428	62	1,599,991	58
TOTAL	$ 3,573,652	100	$ 2,742,385	100

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

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Note 4)	$ 4,203,639	100	$ 3,125,776	100
OPERATING COSTS (Notes 11 and 20)	2,953,209	70	2,613,933	83
GROSS PROFIT FROM OPERATIONS	1,250,430	30	511,843	17
OPERATING EXPENSES (Note 20)				
Selling and marketing expenses	99,362	2	88,914	3
General and administrative expenses	202,688	5	86,478	3
Research and development expenses	119,407	3	100,439	3
Expected credit reversal benefit	-	-	(3,929)	-
Total operating expenses	421,457	10	271,902	9
PROFIT FROM OPERATIONS	828,973	20	239,941	8
NON-OPERATING INCOME AND EXPENSES				
Interest income	2,881	-	2,264	-
Other income (Note 20)	4,234	-	7,642	-
Other gains and losses, net (Note 20)	(34,908)	(1)	(23,294)	(1)
Finance costs (Note 20)	(4,936)	-	(2,941)	-
Total non-operating income and expenses	(32,729)	(1)	(16,329)	(1)
PROFIT BEFORE INCOME TAX	796,244	19	223,612	7
INCOME TAX EXPENSE (Notes 4 and 21)	144,764	4	27,264	1
NET PROFIT	651,480	15	196,348	6
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	27,208	1	29,274	1
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	(986)	-	(1,555)	-
Other comprehensive income (loss) (after tax)	26,222	1	27,719	1
TOTAL COMPREHENSIVE INCOME	$ 677,702	16	$ 224,067	7
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	$ 652,787	15	$ 198,348	6
Non-controlling interests	(1,307)	-	(2,000)	-
	$ 651,480	15	$ 196,348	6

(Continued)

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	**%**	**Amount**	**%**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	$ 679,026	16	$ 226,069	7
Non-controlling interests	(1,324)	-	(2,002)	-
	$ 677,702	16	$ 224,067	7
EARNINGS PER SHARE (Note 22)				
Basic earnings per share	$ 8.03		$ 2.44	
Diluted earnings per share	$ 7.87		$ 2.42	

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

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent											
							Other Equity Interests					
			Retained Earnings									
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2020	$ 813,405	$ 328,700	$ 54,508	$ 75,463	$ 214,502	$ 344,473	($ 4,632)	($ 75,126)	($ 79,758)	$ 1,406,820	$ 9,230	$ 1,416,050
Distribution of 2019 earnings												
Legal reserve	-	-	5,513	-	(5,513)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	4,295	(4,295)	-	-	-	-	-	-	-
Cash dividends -NT$ 0.5 per share	-	-	-	-	(40,670)	(40,670)	-	-	-	(40,670)	-	(40,670)
Changes in ownership interests in subsidiaries	-	4,236	-	-	-	-	-	-	-	4,236	(4,236)	-
Profit (Loss) for the year ended December 31, 2020	-	-	-	-	198,348	198,348	-	-	-	198,348	(2,000)	196,348
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	(1,553)	29,274	27,721	27,721	(2)	27,719
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	198,348	198,348	(1,553)	29,274	27,721	226,069	(2,002)	224,067
Compensation cost of employee share options	-	544	-	-	-	-	-	-	-	544	-	544
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(76)	(76)	-	76	76	-	-	-
BALANCE, DECEMBER 31, 2020	813,405	333,480	60,021	79,758	362,296	502,075	(6,185)	(45,776)	(51,961)	1,596,999	2,992	1,599,991
Distribution of 2020 earnings												
Legal reserve	-	-	19,827	-	(19,827)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(27,797)	27,797	-	-	-	-	-	-	-
Cash dividends -NT$ 1.0 per share	-	-	-	-	(81,340)	(81,340)	-	-	-	(81,340)	-	(81,340)
Unclaimed dividend	-	9	-	-	-	-	-	-	-	9	-	9
Profit (Loss) for the year ended December 31, 2021	-	-	-	-	652,787	652,787	-	-	-	652,787	(1,307)	651,480
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	(969)	27,208	26,239	26,239	(17)	26,222
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	652,787	652,787	(969)	27,208	26,239	679,026	(1,324)	677,702
Compensation cost of employee share options	-	11,066	-	-	-	-	-	-	-	11,066	-	11,066
BALANCE, DECEMBER 31, 2021	$ 813,405	$ 344,555	$ 79,848	$ 51,961	$ 941,713	$ 1,073,522	($ 7,154)	($ 18,568)	($ 25,722)	$ 2,205,760	$ 1,668	$ 2,207,428

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

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	$ 796,244	$ 223,612
Adjustments for:		
Depreciation expense	20,508	21,987
Amortization expense	3,352	3,214
Expected credit reversal benefit	-	(3,929)
Finance costs	4,936	2,941
Interest income	(2,881)	(2,264)
Dividend income	(666)	(3,058)
Compensation costs of employee share options	11,066	544
Loss on disposal of property, plant and equipment	1,222	303
Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories	(77,198)	8,655
Unrealized loss on foreign currency exchange	28,333	31,761
Changes in operating assets and liabilities:		
Notes receivable	(11,942)	18,227
Accounts receivable	(204,526)	(311,605)
Other receivables	(4,290)	(13,341)
Inventories	199,536	94,295
Other current assets	17,600	18,631
Notes payable	(1,661)	31,018
Accounts payable	21,709	267,903
Other payables	92,771	35,053
Other current liabilities	(6,198)	9,310
Net cash inflows generated from operating activities	887,915	433,257
Interest received	2,063	2,468
Interest paid	(5,432)	(3,020)
Income taxes paid	(40,012)	(19,898)
Net cash generated from operating activities	844,534	412,807
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from acquisition of financial assets at fair value through profit or loss	(27,500)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	1,132

(Continued)

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
Proceeds from acquisition of financial assets at amortized cost	(387,867)	-
Proceeds from disposal of financial assets at amortized cost	208	17,126
Acquisition of property, plant and equipment	(94,041)	(139,556)
Proceeds from disposal of property, plant and equipment	-	20
Increase in refundable deposits	-	(100,623)
Decrease in refundable deposits	100,448	-
Payments for intangible assets	(2,902)	(1,212)
Decrease (Increase) in other non-current assets	(124,626)	57,777
Increase in prepayments for equipment	-	(503)
Other dividend received	666	3,058
Net cash generated from/ (used in) investing activities	(535,614)	(162,781)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	181,860	210,000
Decrease in short-term loans	(191,860)	(320,000)
Decrease in short-term bills payable	-	(10,000)
Increase in long-term loans	57,970	98,860
Decrease in long-term loans	(12,649)	-
Decrease in guaranteed deposits received	-	(149)
Repayment of the principal portion of lease liabilities	(619)	(3,708)
Cash dividends paid	(81,340)	(40,670)
Net cash generated from / (used in) financing activities	(46,638)	(65,667)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	(13,944)	(17,712)
NET INCREASE IN CASH AND CASH EQUIVALENTS	248,338	166,647
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	445,441	278,794
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 693,779	$ 445,441

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

Advanced Power Electronics Co., Ltd. and its subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

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

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

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

2. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the APEC’s board of directors and were authorized for issue on February 24, 2022.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

a. Application of the International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”), Interpretations of IFRS (“IFRIC”), and Interpretations of IAS (“SIC”) (collectively, the “IFRSs”) endorsed and issued into effect by the ROC Financial Supervisory Commission (“FSC”).

   Application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies.

b. The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC for application starting from 2022.

New IFRSs	Effective Date Announced by IASB
“ Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17“Initial Application of IFRS 17 and IFRS 9-Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except those deferred taxes will be recognized on January 1,2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The accompanying consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

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

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

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

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

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within 12 months after the reporting period; and

c. 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:

a. Liabilities held primarily for the purpose of trading;

b. 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

c. Liabilities for which the Group 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.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of APEC and its controlled entities (the subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective dates of acquisitions or to the effective dates of disposals, as appropriate. Financial statements of subsidiaries are adequately adjusted to align their accounting policies with those of the Group. Transactions and balances, and any income and expenses arising from intra-group transactions were eliminated during the preparation of the consolidated financial statements. The comprehensive income from subsidiaries is allocated to APEC and its non-controlling interests, even if the non-controlling interests have a deficit balance.

See Note 15 and Tables 3 and 4 for the detailed information of subsidiaries (including the percentage of ownership and main business).

Foreign Currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

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

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the Group (including subsidiaries and associates that use currency different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

Inventories

Inventories consist of raw materials, work-in-process, and finished goods 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.

Property, Plant and Equipment

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

Land has an unlimited useful life and therefore is not depreciated. Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates 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.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. 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 estimates accounted for on a prospective basis.

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

Impairment of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets (excluding goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset 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 Group 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.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit 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 on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

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

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 fair value through profit or loss) 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 fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

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

1) Measurement category

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

a) Financial assets at FVTPL

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

b) Financial assets measured 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, accounts receivable, other receivables, refundable deposits, etc., are measured at amortized cost, which equal to gross carrying amount determined by the effective interest method less any impairment loss, except for short-term receivables when the recognition of interest is immaterial. Exchange differences are recognized in profit or loss.

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

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

b) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

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

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

ECLs reflect the weighted average of credit losses with the respective risks of a 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.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

a) Internal or external information shows that the debtor is unlikely to pay its creditors.

b) Failure to meet the obligation associated with liabilities within the credit terms unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment loss in profit or loss for aforementioned financial instruments and contract assets with a corresponding adjustment to their carrying amount through a loss allowance account.

3) Derecognition of financial assets

The Group derecognizes financial assets only when the contractual rights of 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.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of investments in equity instruments at FVTOCI, the cumulative gain or loss is directly transferred to retained earnings, and is not reclassified to profit or loss.

b. Financial liabilities

1) Recognition

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

2) Derecognition of financial liabilities

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

Revenue Recognition

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

Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease.

a. The Group as lessor

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Lease payments from operating leases are recognized on a straight-line basis over the terms of the relevant leases.

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the end of the lease term.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Borrowing Costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss in the periods during which services are rendered by employees.

Share-based payment arrangements

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

At the end of each reporting period, the Group revises its estimate of the number of employee share options 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 the capital surplus-employee share options.

Income Tax

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

a. Current taxes

Income tax payable (refundable) is based on taxable profit (loss) for the year determined in accordance with the applicable tax laws of each tax jurisdiction

An additional surtax on undistributed earnings, computed in accordance with the Income Tax Act of the ROC, is recognized in current taxes in the year of approval by a stockholders' meeting resolution.

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

b. Deferred taxes

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries 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 are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

c. Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group has considered the economic implications of COVID-19 on critical accounting estimates such as cash flow estimation, growth rate, discount rate, and profitability. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Write-down of inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value was based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	**2020**
Cash on hand and revolving funds	$ 92	$ 82
Bank check and demand deposit	332,740	189,970
Cash equivalents (investments with the original expiration date within 3 months)		
Bank time deposit	-	23,846
Repurchase agreements collateralized by bonds	360,947	231,543
	$ 693,779	$ 445,441

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2021	**2020**
Non-current		
Domestic unlisted stocks	$ 27,500	$ -

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI

	December 31	
	2021	**2020**
Non-current		
Domestic listed stocks- private placement	$ 55,937	$ 36,530
Domestic unlisted stocks	15,304	8,311
Foreign unlisted stocks	17,962	17,650
	$ 89,203	$ 62,491

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believed that recognizing short-term fluctuations from these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	December 31	
	2021	**2020**
Current		
Investments with the original expiration date over 3 months		
Bank time deposit	$ 17,145	$ 6,774
Repurchase agreements collateralized by bonds	27,680	-
	$ 44,825	$ 6,774
Non-current		
Pledged deposit certificate	$ 345,121	$ -

Financial assets measured at amortized cost pledged as collateral are set out in Note 27.

10. ACCOUNTS, NOTES, DOUBTFUL AND OTHER RECEIVABLE, NET

	December 31	
	2021	**2020**
Notes receivable		
From operating	$ 30,679	$ 18,737
Less: Allowance for impairment loss	(127)	(127)
	$ 30,552	$ 18,610
Accounts receivable		
At amortized cost	$ 988,628	$ 807,402
Less: Allowance for impairment loss	(7,482)	(7,492)
	$ 981,146	$ 799,910
Doubtful receivable		
At amortized cost	$ 1,434	$ 1,434
Less: Allowance for impairment loss	(1,434)	(1,434)
	$ -	$ -

	December 31	
	2021	2020
Other receivable		
Tax refund receivable	$ 34,217	$ 41,030
Earned revenue receivable	940	122
Others	11,163	60
	$ 46,320	$ 41,212

a. Accounts receivable

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

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECLs). The ECLs on trade receivables are estimated using a provision matrix with reference to past default experiences of the customers and an analysis of the customers' current financial positions, as well as forward-looking indicators such as the industrial economic conditions. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision matrix does not distinguish customer segments. As a result, the expected credit loss rate is based on the number of past due days of trade receivables.

The Group writes off a trade receivable when there are evidences indicating that the counterparty is in severe financial difficulty and the trade receivable is considered uncollectible. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2021

		Overdue			
	Not Past Due	1 to 90 days	91 to 180 days	Over 180 days	Total
Gross carrying amount	$ 978,746	$ 8,492	$ 24	$ 1,366	$ 988,628
Loss allowance (Lifetime ECL)	-	(6,131)	(24)	(1,327)	(7,482)
Amortized cost	$ 978,746	$ 2,361	$ -	$ 39	$ 981,146

December 31, 2020

		Overdue			
	Not Past Due	1 to 90 days	91 to 180 days	Over 180 days	Total
Gross carrying amount	$ 731,847	$ 73,375	$ -	$ 2,180	$ 807,402
Loss allowance (Lifetime ECL)	(2)	(6,153)	-	(1,337)	(7,492)
Amortized cost	$ 731,845	$ 67,222	$ -	$ 843	$ 799,910

Movements of allowance for accounts receivable were as follows:

	For the Year Ended December 31	
	2021	**2020**
Beginning balance	$ 7,492	$ 11,835
Less: Impairment losses reversed	-	(3,929)
Less: Write-off	-	(500)
Reclassification	-	58
Effect of exchange rate changes	(10)	28
Ending balance	$ 7,482	$ 7,492

b. Doubtful receivable

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

Movements of allowance for doubtful receivable were as follows:

	For the Year Ended December 31	
	2021	**2020**
Beginning balance	$ 1,434	$ 1,492
Reclassification	(-)	(58)
Ending balance	$ 1,434	$ 1,434

11. INVENTORIES

	December 31	
	2021	**2020**
Raw materials	$ 85,701	$ 53,107
Work in process	353,094	489,774
Finished goods	160,385	178,817
	$ 599,180	$ 721,698

The composition of inventory-related expenses and losses recognized as cost of goods sold by the Group were as follows:

	For the Year Ended December 31	
	2021	**2020**
Cost of goods sold	$ 3,030,407	$ 2,605,278
Write-down (gain on reversal) of inventories	(77,198)	8,655
	$ 2,953,209	$ 2,613,933

The reversal of inventory loss due to sold of part of the written-down inventory.

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Computer Communication Equipment	Office Equipment	Lease Improvement	Other Equipment	Total
Cost								
Balance, January 1, 2020	$ 61,590	$ 187,521	$ 118,514	$ 11,960	$ 10,871	$ 3,311	$ 176,562	$ 570,329
Additions	49,316	73,568	9,061	-	-	-	5,707	137,652
Disposals and retirements	-	-	(33,701)	-	-	-	(3,877)	(37,578)
Reclassification from pr-payment for equipment	-	-	-	-	-	-	3,017	3,017
Effect of exchange rate changes	-	-	-	3	1	2	167	173
Balance, December 31, 2020	$ 110,906	$ 261,089	$ 93,874	$ 11,963	$ 10,872	$ 3,313	$ 181,576	$ 673,593
Accumulated depreciation and impairment								
Balance, January 1, 2020	$ -	$ 32,654	$ 111,048	$ 9,928	$ 10,404	$ 2,212	$ 167,132	$ 333,378
Depreciation	-	3,966	3,736	907	206	372	9,108	18,295
Disposals and retirements	-	-	(33,701)	-	-	-	(3,554)	(37,255)
Effect of exchange rate changes	-	-	-	3	1	2	169	175
Balance, December 31, 2020	$ -	$ 36,620	$ 81,083	$ 10,838	$ 10,611	$ 2,586	$ 172,855	$ 314,593
Carrying amount, December 31, 2020	$ 110,906	$ 224,469	$ 12,791	$ 1,125	$ 261	$ 727	$ 8,721	$ 359,000
Cost								
Balance, January 1, 2021	$ 110,906	$ 261,089	$ 93,874	$ 11,963	$ 10,872	$ 3,313	$ 181,576	$ 673,593
Additions	28,789	42,585	3,785	611	13,342	-	4,346	93,458
Disposals and retirements	-	-	(2,765)	(16)	(284)	(3,213)	(45)	(6,323)
Reclassification from pr-payment for equipment	-	-	-	-	2,548	-	972	3,520
Effect of exchange rate changes	-	-	-	(2)	(1)	(1)	(79)	(83)
Balance, December 31, 2021	$ 139,695	$ 303,674	$ 94,894	$ 12,556	$ 26,477	$ 99	$ 186,770	$ 764,165
Accumulated depreciation and impairment								
Balance, January 1, 2021	$ -	$ 36,620	$ 81,083	$ 10,838	$ 10,611	$ 2,586	$ 172,855	$ 314,593
Depreciation	-	5,776	3,311	622	1,891	14	8,227	19,841
Disposals and retirements	-	-	(2,331)	(16)	(209)	(2,500)	(45)	(5,101)
Effect of exchange rate changes	-	-	-	(2)	(1)	(1)	(73)	(77)
Balance, December 31, 2021	$ -	$ 42,396	$ 82,063	$ 11,442	$ 12,292	$ 99	$ 180,964	$ 329,256
Carrying amount, December 31, 2021	$ 139,695	$ 261,278	$ 12,831	$ 1,114	$ 14,185	$ -	$ 5,806	$ 434,909

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

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

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 27.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	**2020**
Carrying amounts		
Transportation equipment	$ 1,861	$ 614

	For the Year Ended December 31	
	2021	**2020**
Additions to right-of-use assets	$ 1,914	$ 358

	For the Year Ended December 31	
	2021	**2020**
Depreciation of right-of-use assets		
Buildings	$ -	$ 2,760
Transportation equipment	667	932
	$ 667	$ 3,692

b. Lease liabilities

	December 31	
	2021	**2020**
Carrying amounts		
Current	$ 687	$ 621
Non-current	$ 1,229	$ -

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	**2020**
Buildings	-	1.19%
Transportation equipment	0.92%~1.19%	1.18%~1.19%

c. Other lease information

	For the Year Ended December 31	
	2021	**2020**
Expenses related to short-term leases	$ 2,520	$ 2,909
Expenses related to low-value asset leases	$ 118	$ 125
Total cash outflow for leases	$ 3,262	$ 6,767

The Group leases certain parking space and office equipment which qualify as short-term leases and low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and leases liabilities for these leases.

14. OTHER ASSETS

	December 31	
	2021	**2020**
Non-current		
Long-term pre-payment for purchase	$ 236,984	$ 112,358
Refundable deposits	1,761	102,213
Pre-payment for equipment	-	3,520
	$ 238,745	$ 218,091

The Group signed capacity guarantee contracts with suppliers, and prepaid long-term payment to ensure stable capacity. To retain the capacity, US deposit was required to be paid and will be refunded in accordance with the contract, refer to Notes 9 and 27.

15. SUBSIDIARY

a. The subsidiaries included in the consolidated financial statement:

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

Investor	Subsidiary	Main Business and Products	Percentage of Ownership December 31,2021	Percentage of Ownership December 31,2020	Remark
APEC	Future Technology Consulting (B.V.I.), Inc. (Future)	Investment	100%	100%	
APEC	Perfect Prime Limited (Perfect)	Investment	100%	100%	
APEC	Green Power Semiconductor Co., Ltd. (GPS)	Trading	87.96%	87.96%	Note 1
APEC	Fuhong Investment Co., Ltd. (Fuhong)	Investment	100%	100%	Note 2
Perfect	Shenzhen Fucheng Electronics Co., Ltd.（Fucheng）	Trading	100%	100%	
GPS	OPC Microelectronics Co., Ltd. (OPC)	Manufacturing	100%	100%	

Note 1: APEC received shares of GPS as a donation in October 2020 and the holding ratio increase to 87.96%. GPS reduced its capital in December 2020 and July 2021 to make up for its deficits. The capital reduction ratio was 40% and 50%. The holding ratio of APEC remains the same after the capital reduction.

Note 2: The subsidiary was established in July 2021.

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

16. BORROWINGS

a. Short-term borrowings

	December 31 2021	December 31 2020
Unsecured loans		
－bank loans	$ 270,000	$ 280,000

As of December 31, 2021, and 2020, the annual interest rate of bank revolving loans was 0.90% to 0.93% and 0.93% to 0.98%, respectively.

b. Long-term borrowings

	December 31 2021	December 31 2020
Secured loans (Note 27)		
－Mortgaged loans	$ 144,181	$ 98,860
Less: Current portion	(15,456)	(9,886)
	$ 128,725	$ 88,974

For Land and Buildings that have been pledged as collateral under the mortgaged loans. The mortgaged loans were due in December 2030 and June 2031. As of December 31, 2021, and 2020, the annual interest rate of mortgaged loans was 0.99% to 1% and 1%, respectively.

17. OTHER PAYABLES

	December 31	
	2021	2020
Payable for remunerations of employees and directors	$ 124,473	$ 23,683
Payable for salaries and rewards	34,209	44,722
Payables on equipment	2,207	2,790
Payable for professional fee	1,251	1,300
Dividend payable	831	840
Others	40,750	38,862
	$ 203,721	$ 112,197

18. RETIREMENT BENEFIT PLANS

Defined contribution plans

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

19. EQUITY

a. Common stock

	December 31	
	2021	2020
Number of shares authorized (in thousands)	200,000	200,000
Shares authorized	$ 2,000,000	$ 2,000,000
Number of shares issued and fully paid (in thousands)	81,341	81,341
Shares issued	$ 813,405	$ 813,405

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

b. Capital surplus

	December 31	
	2021	2020
May be used to offset a deficit, distributed as cash Dividends, or transferred to share capital (1)		
Additional paid-in capital	$ 243,984	$ 243,984
Expired employee share option	68,367	67,287
Treasury stock transactions	12,728	12,728
May be used to offset a deficit only		
Unclaimed dividend	9	-
May not be used for any purpose		
Employee share option	11,858	1,872
Change in percentage of ownership interest in subsidiaries (2)	7,609	7,609
	$ 344,555	$ 333,480

1).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).

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

c. Retained earnings and dividend policy

In accordance with the policy, APEC's profits earned in a fiscal year shall be first utilized for paying taxes, offsetting losses of previous years, and setting aside as legal reserve 10% of the remaining profit pursuant to laws and regulations, unless the legal reserve has reached APEC's total paid-up capital. The remaining profits shall be set aside for special reserve in accordance with laws and regulations, or business requirements and then any remaining profit together with any undistributed retained earnings shall be used by the APEC'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 after amendment, refer to Note 20(f) on employee benefits expense.

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

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

The appropriations of earnings for 2020 and 2019 which have been resolved in the shareholders' meeting on July 30, 2021 and June 15, 2020, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share ($)**	
	2020	**2019**	**2020**	**2019**
Legal capital reserve	$ 19,827	$ 5,513		
Special capital reserve (reversal)	(27,797)	4,295		
Cash dividends to shareholders	81,340	40,670	$ 1	$ 0.5

The 2021 earnings distribution proposal stipulated on February 24, 2022 by the APEC's Board of Directors was as follows:

	Appropriation of Earnings	Dividends Per Share ($)
Legal capital reserve	$ 65,279	
Reversal from special reserve	26,239	
Cash dividends to shareholders	488,043	$ 6

APEC's 2021 earnings appropriations will be proposed by the Board of Directors and approved in the shareholders' meeting on April 13, 2022.

d. Other equity interests

Unrealized gains or loss on FVTOCI financial assets

	For the Year Ended December 31 2021	2020
Balance, January 1, 2021	($ 45,776)	($ 75,126)
Current period		
Unrealized gains or loss－equity instrument	27,208	29,274
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal	-	76
Balance, December 31, 2021	($ 18,568)	($ 45,776)

20. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Year Ended December 31 2021	2020
Dividend income	$ 666	$ 3,058
Others	3,568	4,584
	$ 4,234	$ 7,642

b. Other gains and losses, net

	For the Year Ended December 31 2021	2020
Loss on foreign exchange	($ 24,226)	($ 21,321)
Loss on disposal of property, plant and equipment, net	(1,222)	(303)
Others	(9,460)	(1,670)
	($ 34,908)	($ 23,294)

c. Finance costs

	For the Year Ended December 31 2021	2020
Bank loans	$ 4,864	$ 2,857
Lease liabilities	5	25
Others	67	59
	$ 4,936	$ 2,941

d. Depreciation and amortization

	For the Year Ended December 31 2021	2020
Property, plant and equipment	$ 19,841	$ 18,295

	For the Year Ended December 31	
	2021	**2020**
Right-of-use assets	667	3,692
Intangible assets	3,352	3,214
	$ 23,860	$ 25,201
Depreciation expense classified by function		
Operating cost	$ 10,295	$ 9,792
Operating expense	10,213	12,195
	$ 20,508	$ 21,987
Amortization expense classified by function		
Operating cost	$ 415	$ 519
Operating expense	2,937	2,695
	$ 3,352	$ 3,214

e. Employee benefits expenses

	For the Year Ended December 31	
	2021	**2020**
Short-term employee benefits	$ 315,487	$ 200,731
Post-employment benefits		
Defined contribution plans (Note 18)	6,308	6,110
Share-based Payment	11,066	544
Other employee benefits	4,063	4,037
	$ 336,924	$ 211,422
Classified by function		
Operating cost	$ 36,387	$ 36,988
Operating expense	300,537	174,434
	$ 336,924	$ 211,422

f. Employees' compensation and remuneration of directors

The APEC accrued employees' compensation and remuneration of directors at rates of no less than 8% and no higher than 3%, 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, 2021 and 2020 were approved by the Board of Directors on February 24, 2022 and March 9, 2021, respectively, were as follows:

Estimated ratio

	For the Year Ended December 31	
	2021	**2020**
Employees' compensation	12%	8%
Remuneration of directors	1.5%	1.5%

Amount

	For the Year Ended December 31	
	2021	2020
	Paid in Cash	Paid in Cash
Employees' compensation	$ 110,643	$ 19,944
Remuneration of directors	13,830	3,739

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

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, 2020 and 2019.

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

21. INCOME TAX

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

Components of tax expense Income tax were as follows:

	For the Year Ended December 31	
	2021	2020
Current income tax expense		
Current period	$ 134,126	$ 29,665
Additional income tax on unappropriated earnings	2,873	233
Prior years' adjustment	(2,278)	(545)
	134,721	29,353
Deferred income tax expense		
Current period	10,043	(2,089)
Income tax expense recognized in profit or loss	$ 144,764	$ 27,264

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

	For the Year Ended December 31	
	2021	2020
Income before tax	$ 796,244	$ 223,612
Income tax expense at the statutory rate	$ 159,510	$ 43,185
Nondeductible items in determining taxable income	1,891	1,537
Non-taxable income	(90)	-
Realized investment loss	(6,000)	(8,000)
Additional income tax on unappropriated earnings	2,873	233
Temporary differences	-	1,425

	For the Year Ended December 31	
	2021	2020
Investment tax credits	(10,790)	(11,394)
Loss carryforwards	-	512
Others	(352)	311
Prior years' other adjustments	(2,278)	(545)
Income tax expense recognized in profit or loss	$ 144,764	$ 27,264

b. Deferred tax assets and liabilities

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

For the Year Ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax assets			
Loss on decline in market value and obsolete and slow-moving inventories	$ 23,944	($ 12,063)	$ 11,881
Losses on investments recognized adopting the equity method	17,579	2,048	19,627
Unrealized exchange losses	1,403	(28)	1,375
Financial assets	1,160	-	1,160
	$ 44,086	($ 10,043)	$ 34,043

For the Year Ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax assets			
Loss on decline in market value and obsolete and slow-moving inventories	$ 21,039	$ 2,905	$ 23,944
Losses on investments recognized adopting the equity method	16,511	1,068	17,579
Allowance for losses	1,560	(1,560)	-
Unrealized exchange losses	1,727	(324)	1,403
Financial assets	1,160	-	1,160
	$ 41,997	$ 2,089	$ 44,086

c. Unrecognized deferred tax assets items

	December 31	
	2021	2020
Loss carryforwards	$ 58,007	$ 58,931

d. Unrecognized Loss carryforwards

As of December 31, 2021, the information of the prior years' loss carryforwards was as follows:

Amount	Expiry Years
$ 9,274	2026

Amount	Expiry Years
17,586	2027
11,775	2028
15,053	2029
4,319	2030
$ 58,007	

e. Income tax examination

The latest years for which the income tax returns of the entities in the Group have been examined and cleared by the tax authorities were as follows:

	Year
APEC	2019
Green Power Semiconductor Co., Ltd.	2019

22. EARNINGS PER SHARE

Earnings and weighted average shares of common stock used to calculate earnings per share were as follows:

Net profit for the current year

	For the Year Ended December 31	
	2021	2020
Basic EPS		
Profit attributable to owners of the parent	$ 652,787	$ 198,348
Effect of potential dilutive common shares:		
Employees' compensation	-	-
Employee share option	-	-
Diluted EPS		
Profit attributable to owners of the parent	$ 652,787	$ 198,348

Common Shares Outstanding (in thousands)

	For the Year Ended December 31	
	2021	2020
Basic EPS		
Profit attributable to owners of the parent	81,341	81,341
Effect of potential dilutive common shares:		
Employees' compensation	1,045	461
Employee share option	547	22
Diluted EPS		
Profit attributable to owners of the parent	82,933	81,824

Since the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus 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 the following year.

23. SHARE-BASED COMPENSATION EXPENSES

Employee share option plan of the Company

The qualified employees of the Group were granted 2,000 options in March 2021 and May 2018, respectively. Each option entitles the holder to subscribe for 1,000 common shares of the Company's. The outstanding options are valid for 6 years and exercisable at 40%, 30% and 30% after two, three and four anniversaries from the grant date. The exercise price was based on the closing price at the grant date. After the option is issued, in case of variation to the common shares of the Company's, the exercise price will be adjusted according to the specified formula.

Information about employee share options was as follows:

	For the Year Ended December 31			
	2021		2020	
	No. of shares (In thousands)	Weighted-average exercise price	No. of shares (In thousands)	Weighted-average exercise price
Balance, beginning of Period	235	$ 26.40	235	$ 26.90
Options granted	2,000	47.21		
Options expired upon resignation	(170)	26.40	-	-
Balance, end of period	2,065	46.55	235	26.40
Options exercisable, end of period	46		94	
Fair value per unit ($)	$ 18.63		$ -	

Information about outstanding options was as follows:

	December 31	
	2021	2020
Range of exercise price ($)	$26.40~$47.21	$26.40
Weighted-average remaining contractual life (years)	2.36~5.19	3.36

Compensation cost recognized was $11,066 thousand and $544 thousand for the years ended December 31, 2021 and 2020, respectively.

24. CAPITAL MANAGEMENT

The Group manages capital to ensure that under the premise of continuous operation, by optimizing the balance of debts and equities so that rewards for shareholders may be maximized. In other words, the Group manages its capital for the sake of ensuring that necessary financial resources and operational plans are available to support required operating funds, capital expenditure, costs of research and development, pay-off of debts, and expenditure on dividends, among others, in the 12 months that follow.

The Group's capital structure consists of the Group's equities (that is, capital stock, capital reserve, retained earnings, and other equity items) belonging to the Group.

The Group does not need to follow other external capital requirements.

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments－Financial instruments not at fair value

The management of the Group believes that the book value of financial assets and liabilities not at fair value does not show significant differences from the fair value.

b. Fair value of financial instruments – Fair value of financial instruments that are measured at fair value on a recurring basis

1). Levels of fair value

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
– Domestic unlisted stocks	$ -	$ -	$ 27,500	$ 27,500
Financial assets at FVTOCI				
Equity instruments				
– Domestic listed stocks	$ -	$ 55,937	$ -	$ 55,937
– Foreign / Domestic unlisted stocks	-	-	33,266	33,266
total	$ -	$ 55,937	$ 33,266	$ 89,203

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Equity instruments				
– Domestic listed stocks	$ -	$ 36,530	$ -	$ 36,530
– Foreign / Domestic unlisted stocks	-	-	25,961	25,961
total	$ -	$ 36,530	$ 25,961	$ 62,491

There was no transfer between the fair value measurements of Levels 1 and 2 for the years ended December 31, 2021 and 2020.

2). Valuation techniques and inputs applied for Level 2 fair value measurement

Type of financial instrument	Valuation technique and input value
Domestic listed stocks -private placement	Fair value of financial assets evaluated according to the observable share price at end of term and taking into consideration data of absence of liquidity discounts.

3). Valuation techniques and inputs applied for Level 3 fair value measurement

The significant and unobservable input parameter for assessing the unlisted stocks held by the Group mainly relates to liquidity discount rate. The evaluation of fair value of unlisted stocks is mainly referenced to the same type of companies or the listed companies through the market approach. As of December 31, 2021, and 2020, the liquidity discount rate was 20.03%~24.68% and 24.82%~27.49%, respectively.

c. Categories of financial instruments

	December 31	
	2021	2020
Financial assets		
Financial assets at FVTPL	$ 27,500	$ -
Financial assets measured at amortized cost (Note1)	2,143,504	1,414,160

	December 31	
	2021	**2020**
Financial assets at FVTOCI -Equity instruments	89,203	62,491
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost (Note 2)	1,239,784	1,105,757

Note1: The balances comprise cash and cash equivalents, bank time deposits, notes and accounts receivable, other receivables and refundable deposits.

Note2: The balances comprise short-term borrowings, notes and accounts payable, other payables, long-term borrowings and guarantee deposits.

d. Purpose and policy of financial risk management

Major financial instruments of the Group include equity and debt investments, cash and cash equivalents, accounts receivable and accounts payable. The Finance Department of the Group provides services to respective operating units and centrally coordinates operations for entering domestic and international financial markets. Such risks include market risk (exchange rate risk and interest rate risk), credit risk, and liquidity risk.

f. Financial risk management

1). Market risk

The Group is exposed to the financial market risks, primarily changes in foreign currency exchange rates and interest rates.

a). Foreign currency risk

Most of the Group’s revenues and expenditures are denominated in foreign currencies. Consequently, the Group is exposed to foreign currency risk.

For the book value of monetary assets and liabilities in non-functional currencies at the end of the reporting period (including monetary items valued in non-functional currencies already eliminated upon consolidation), refer to Note 28.

<u>Sensitivity analysis</u>

The Group is impacted mainly by the fluctuating US and RMB exchange rates.

The sensitivity analysis takes place when the exchange rate of NT dollar (functional currency) versus each of relevant foreign currencies increases or reduces by 5%. The 5% is the sensitivity ratio adopted by the Group internally in the report of the exchange rate risk to the primary management and also represents the reasonable and possible range of changes in the assessment of foreign currency exchange rates performed by the management. The sensitivity analysis only includes the monetary items of circulating foreign currencies and the conversion at the end of the year is adjusted by 5% of variation in the exchange rate. Sensitivity analysis associated with the foreign currency exchange rate risk mainly covers monetary items in foreign currencies at the end of the reporting period. When 5% of appreciation/depreciation in NT dollar versus each of the currencies, the net profits would have decreased/increased by

$69,706 thousand and $35,639 thousand for the years ended December 31, 2021 and 2020, respectively.

b). Interest rate risk

The book value of financial assets and liabilities exposed to the interest rate risk at the end of the reporting period were as follows:

	December 31	
	2021	**2020**
Fair value interest rate risk		
Financial assets	$ 750,893	$ 262,163
Financial liabilities	271,916	280,621
Cash flow interest rate risk		
Financial assets	332,691	189,949
Financial liabilities	144,181	98,860

Sensitivity analysis

The following sensitivity analysis is determined by the exposure to the interest rate risk of non-derivative instruments at the end of the reporting period. The rate of change adopted when the interest rate is reported inside the Group to the primary management is based on an increase or a decrease by 50 basis points in interest rate. This also represents the evaluation by the management of the reasonable and possible range of changes in the interest rate.

If the interest rate had increased/decreased by 50 basis points (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), the net profits would have increased/decreased by $943 thousand and $455 thousand for the years ended December 31, 2021 and 2020, respectively, which was mainly attributable to the Group’s exposure to interest rate changes on its variable-rate bank deposits and bank loans.

2). Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As of the end of the reporting period, the Group’s maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation approximates the carrying amount of the respective recognized.

The policy adopted by the Group is to only engage in transactions with parties with outstanding credit ratings and whenever necessary, sufficient collaterals are secured in order to minimize risks associated with financial losses as a result of delinquency. The Group only engages itself in transactions with enterprises with a rating equivalent to an investment grade and above. Such information is to be provided by an independent rating institution. If such information is not available, the Group will use other publicly available financial information and mutual transaction records to rate primary customers. The Group constantly monitors exposure to credit risk and the credit ratings of counterparties and decentralize the total transaction value among respective qualified customers according to their credit rating and controls the exposure to credit risk according to the counterparty credit limits reviewed and approved by the corporate management on a yearly basis.

The Group has an enormous base of customers that is not inter-related and hence credit risk is not highly concentrated. The Group is not associated with major exposure to the credit risk versus any single counterparty or any group of counterparties with similar properties. When counterparties are affiliated with one another, the Group defines them as counterparties with similar properties.

3). Liquidity risk

The Group manages and maintains sufficient level of cash and cash equivalents ensure the requirements of paying estimated operating expenditures and reduce the impacts brought about by fluctuations in cash flows. The Group also monitors its bank credit facilities to ensure that the Group fully complies with the provisions and financial covenants of loan contracts.

a). Liquidity and interest risk rate table

The following table shows the remaining contractual maturity analysis of the Group’s financial liabilities with agreed-upon repayment periods, which are based on the date the Group may be required to pay the first repayment and financial liabilities.

December 31, 2021

	Contractual Cash Flows or within a year	**1-5 Years**	**More Than 5 Years**
Non-derivative financial liabilities			
Short-term borrowings	$ 270,611	$ -	$ -
Long-term borrowings	15,860	63,440	78,145
Notes payable	37,328	-	-
Accounts payable	584,554	-	-
Other payables	203,721	-	-
Lease liabilities	701	1,240	-
	$ 1,112,775	$ 64,680	$ 78,145

December 31, 2020

	Contractual Cash Flows or within a year	**1-5 Years**	**More Than 5 Years**
Non-derivative financial liabilities			
Short-term borrowings	$ 280,420	$ -	$ -
Long-term borrowings	10,875	43,498	54,381
Notes payable	38,989	-	-
Accounts payable	575,711	-	-
Other payables	112,197	-	-
Lease liabilities	624	-	-
	$ 1,018,816	$ 43,498	$ 54,381

The Group has sufficient liquidity to fund its business requirements for the next twelve months. After having taken into consideration the Group's financial status, the management believes that it is quite impossible for the bank to exercise its right by demanding that the Group to pay off the above borrowings immediately.

b). Financing facilities

	December 31	
	2021	**2020**
Unsecured loans		
(Renew by every year)		
—Used amount	$ 270,000	$ 280,000
—Unused amount	470,000	410,000
	$ 740,000	$ 690,000
Secured loans		
—Used amount	$ 156,830	$ 98,860
—Unused amount	181,140	181,140
	$ 337,970	$ 280,000

26. RELATED PARTY TRANSACTIONS

Intercompany balances and transactions between APEC and its subsidiaries, which are related parties of APEC, have been eliminated upon consolidation; therefore those items are not disclosed in this note.

Compensation of key management personnel:

	December 31	
	2021	**2020**
Short-term employee benefits	$ 75,711	$ 28,816
Post-employment benefits	540	567
	$ 76,251	$ 29,383

The compensation to directors and other key management personnel were determined by the Compensation Committee of APEC in accordance with the individual performance and the market trends.

27. PLEDGED ASSETS

The following assets are provided to be the collaterals for bank borrowings, guarantee for capacity and customs declaration:

	December 31	
	2021	**2020**
Pledged deposit certificate (Financial assets measured at amortized cost-Non-current)	$345,121	$ -
Land	139,695	110,906
Buildings	261,278	224,469
	$746,094	$ 335,375

28. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The following information was summarized according to the foreign currencies other than the functional currency of the Group. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2021

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Foreign currency assets			
Monetary items			
USD	$ 67,515	27.68(USD:NTD)	$ 1,868,815
RMB	6,425	4.344(RMB:NTD)	27,910
			$ 1,896,725
Foreign currency liabilities			
Monetary items			
USD	17,280	27.68(USD:NTD)	$ 478,310
USD	878	6.372(USD:RMB)	24,303
			$ 502,613

December 31, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Foreign currency assets			
Monetary items			
USD	$ 39,837	28.48 (USD:NTD)	$ 1,134,565
RMB	3,300	4.377 (RMB:NTD)	14,442
			$ 1,149,007
Foreign currency liabilities			
Monetary items			
USD	15,078	28.48 (USD:NTD)	$ 429,409
USD	1,047	6.507 (USD:RMB)	6,813
			$ 436,222

Net foreign exchange gains (losses) by each significant foreign currency were as follows:

	For the Year Ended December 31			
	2021		2020	
Foreign Currency	Exchange rate	Net exchange profits or losses	Exchange rate	Net exchange profits or losses
USD	28.009 (USD:NTD)	($ 24,489)	29.549 (USD:NTD)	($ 21,930)
RMB	4.341 (RMB:NTD)	221	4.282 (RMB:NTD)	349
		($ 24,268)		($ 21,581)

29. ADDITIONAL DISCLOSURES

a. Information on significant transactions:

1) Financing extended to other parties: None.

2) Endorsements/guarantees provided to other parties: None.

3) Marketable securities held: Table 1 (attached) (excluding investments in subsidiaries and associates).

4) Marketable securities acquired and disposed of at costs or prices of at least $300 million or 20% of the paid-in capital: None.

5) Acquisition of individual real estate at costs of at least $300 million or 20% of the paid-in capital: None.

6) Disposal of individual real estate at prices of at least $300 million or 20% of the paid-in capital: None.

7) Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: None.

8) Receivables from related parties of at least NT$100 million or 20% of the paid-in capital: None.

9) Trading in derivative instruments: None.

10) Others: Business relationships between the parent and the subsidiaries and significant intercompany transactions: Table 2 (attached).

b. Information on investees: Table 3 (attached).

c. Information on investment in Mainland China:

1) The names of investees in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 4 (attached).

2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Table 5 (attached).

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

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.

d. Information of major stockholders, the name, the number of stocks owned, and percentage of ownership of each stockholder with ownership of 5% or greater: Table 6 (attached).

30. SEGMENT INFORMATION

The information provided to primary operation decision makers for distribution of resources and evaluation of segment performance focuses on each type of the products or labor delivered or provided. The Group mainly deals with the design, testing, and trading, among others, of electronic elements, such as integrated circuits and semi-conductors. The primary operation decision makers of the Group look at the Group as a single department as a whole; information about profits or losses, assets, and liabilities is consistent with that shown in the consolidated financial statement. Please refer to the consolidated balance sheet or the consolidated comprehensive income statement for details.

a. Product information

The Group's revenue of major products is the sale of power semi-conductors.

b. Geographical information

The primary operation region of the Consolidated Company is Taiwan.

The Group's net operating revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Net Revenue from External Customers		Noncurrent Assets	
	For the Year Ended December 31		December 31	
	2021	2020	2021	2020
Taiwan	$ 2,539,030	$ 1,851,839	$ 675,596	$ 477,172
China	1,529,991	1,157,698	164	713
Others	134,618	116,239	-	-
	$ 4,203,639	$ 3,125,776	$ 675,760	$ 477,885

Non-current assets do not include financial instruments and deferred income tax assets.

c. Information on major customers

Single customers who contributed 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2021	2020
Customer A	$ 512,014	$ 443,188
Customer B	436,208	387,321
	$ 948,222	$ 830,509

TABLE 1

Advanced Power Electronics Co., Ltd. and its subsidiaries

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units Note (In Thousands)	Carrying Value	Percentage of Ownership (%)	Fair Value	
APEC	Stock							
	Advanced Microelectronic Products, Inc.	-	Financial assets at fair value through other comprehensive income –Non-Current	5,708	$ 55,937	1	$ 55,937	
	AXElite Co., Ltd.	-	Financial assets at fair value through other comprehensive income –Non-Current	497	15,304	6	15,304	
	Stock							
Future Technology Consulting (B.V.I.), Inc.	Seaward Electronics, Inc. (Cayman)	-	Financial assets at fair value through other comprehensive income –Non-Current	1,733	17,962	13	17,962	
	Stock							
Fuhong Investment Co., Ltd.	Great Giant Fibre Garment Co., Ltd.	-	Financial assets at fair value through profit or loss –Non-Current	261	27,500	-	27,500	

Note 1: Securities indicated herein refer to the stocks, bonds, beneficiary certificates and securities derived from the above items within the scope of Financial Reporting Standard 9 "Financial Instruments."

Note 2: For related information on investing in subsidiaries, refer to Table 3 and 4.

TABLE 2

Advanced Power Electronics Co., Ltd. and its subsidiaries

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Company Name	Counter Party	Nature of Relationship (Note 3)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 4)	Percentage of Consolidated Net Revenue or Total Assets (Note 2)
0	APEC	OPC Microelectronics Co., Ltd.	(1)	Net revenue from sale of goods	$ 29,549	Note 4	1
				Purchases	30,143	Note 4	1
				Receivables from related parties	13,088	Note 4	-
				Prepayments	18,388	Note 4	1
1	Future Technology Consulting (B.V.I.), Inc.	Shenzhen Fucheng Electronics Co., Ltd.	(2)	Professional service fees	8,331	Note 4	-

Note 1: This table only shows one-way transaction information. The above transactions have been written off when the consolidated financial statement was prepared.

Note 2: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note3: The transaction relationships with the counterparties are as follows.
(1) The parent company to the consolidated subsidiary.
(2) The consolidated subsidiary to another consolidated subsidiary.

Note 4: Transaction terms are similar to those for ordinary customers.

TABLE 3

Advanced Power Electronics Co., Ltd. and its subsidiaries

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2021	December 31, 2020	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
APEC	Future Technology Consulting (B.V.I.), Inc.	British Virgin Islands	General investment	$ 75,937 USD 2,350	$ 75,937 USD 2,350	2,350	100	$ 24,273	($ 9,247)	($ 9,247)	
	Perfect Prime Limited	Samoa	General investment	14,540 USD 450	14,540 USD 450	450	100	250	(989)	(989)	
	Green Power Semiconductor Co., Ltd.	Taiwan	Trading	100,000	100,000	3,431	87.96	12,186	(10,858)	(9,551)	
	Fuhong Investment Co., Ltd.	Taiwan	General investment	30,000	-	3,000	100	30,098	98	98	

TABLE 4

Advanced Power Electronics Co., Ltd. and its subsidiaries

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in Thousands of New Taiwan Dollars and US Dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capita (US$ in Thousands)	Method of Investment (Note1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (US$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021 (US$ in Thousands)	Net Income (Losses) of the Investee Company (US$ in Thousands)	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021	Note
					Outflow	Inflow							
Shenzhen Fucheng Electronics Co., Ltd.	Electronic parts and components manufacturing, home appliance wholesale, home appliance retail sale, product outlook design, information software service, other designs (electronic element design, integrated circuit design, semi-conductor design), other commercial service (electronic element, integrated circuit, semi-conductor, among other electronics testing service), electronic material wholesale, electronic material retail sale	$ 12,179 USD 440	(2)A	$ 12,179 USD 440	$ -	$ -	$ 12,179 USD 440	($ 962) (USD 34)	100%	($ 962) (USD 34)	$ 82 USD 3	$ -	
OPC Microelectronics Co., Ltd.	Integrated circuit, software design, development, and technical service; electronic products, instruments and meters, telecommunication equipment, computer and auxiliary equipment wholesale, commissioning and imports and exports business	63,766	(1)	63,766	-	-	63,766	(10,093)	100%	(10,093)	7,199	-	

Accumulated Investment in Mainland China as of December 31, 2021 (US$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousands)	Upper Limit on Investment (Note2)
$ 75,945	$ 75,945	$ 1,323,456

Note 1: The investment types are as follows:
1). Direct investment in Mainland China.
2). Indirect investment in Mainland China through a subsidiary in a third place.
A. Reinvestment through Perfect Prime Limited
3). Others.

Note 2:60% of the limit required by the “Review Principles for Investments or Technical Collaborations in Mainland China” of the Investment Board, Ministry of Economic Affairs.

Note 3:The foreign currency assets and profits or losses listed herein are expressed, respectively, in New Taiwan Dollar at an end-of-term and mean exchange rates of US$ 1=NT$27.680 and US$ 1=NT$28.009 as of December 31, 2021.

TABLE 5

Advanced Power Electronics Co., Ltd. and its subsidiaries

SIGNIFICANT INTERCOMPANY TRANSACTIONS AND RELATED INFORMATION ON INVESTEES IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Type of transaction	Purchases (Sales)	Price	Transaction Term		Notes and accounts receivable (payable)		Unrealized profits and losses	Note
		Amount		Payment term	Compared to ordinary transactions	Amount	%		
OPC Microelectronics Co., Ltd.	Sales	($ 29,549)	Note1	EOM 60 days	Equivalent to	$ 13,088	1%	$ -	
	Purchases	30,143	Note1	EOM 60 days	Equivalent to	-	-	-	

Note 1: Transactions between the Company and the related party are done according to the transaction price agreed upon between the parties.

TABLE 6

Advanced Power Electronics Co., Ltd.

INFORMATION OF MAJOR STOCKHOLDERS

DECEMBER 31, 2021

Name of Major Stockholder	Shares	
	Number of Shares	Percentage of Ownership (%)
STCH Investment Inc., Cayman	5,700,247	7.01%