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富鼎先進電子股份有限公司
Advanced Power Electronics Co., Ltd.

2020 Annual Report

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Listing of Foreign Securities	None

Contents

1. Letter to Shareholders

Business Report

Dear Shareholders:

Thank you for taking the time to participate in the 2021 APEC's Shareholders Meeting. The consolidated revenues for 2020 was NT$3.125 billion, an increase of 40.98% year-over-year growth compared to 2019; the net profit was NT$196 million, and earnings per share of NT$2.44. The 2020 business plan implementation outcome and this year's business plan are described as follows:

I. 2020 Business Outcome

(1) Business plan implementation outcome

Driven by the continued tightening of semiconductor production capacity as a result of the Sino-US trade war and the need for remote office and teaching as a result of the COVID-19 pandemic, the consolidated net revenues, gross profit and operating profit of the Company and its subsidiaries in 2020 were NT$3.125 billion, NT$511 million and NT$239 million respectively, which were substantial increases compared with 2019.

In 2020, cities were locked down, factories were closed and transportation and logistics were unstable due to the COVID-19 pandemic. This resulted in the continuous extension of the production cycle. The demand for remote office and teaching has driven the strong market demand for consumer and computer peripheral products. Therefore, the market demand for power semiconductors such as Power MOSFETs has continued to increase. As a result, profits for the Company and its subsidiaries exceeded expectations.

(2) Budget implementation

The Company and its subsidiaries did not formulate external financial forecasts for 2020.

(3) Financial income, expenditure and profitability analysis

In Thousands of New Taiwan Dollars

Item		2020
Financial income and expenditure	Operating revenues	3,125,776
	Gross profit from operations	511,843
	Net profit	196,348
	Net profit attributable to owners of the parent	198,348
Profitability	Return on assets (%)	7.96
	Return on equity (%)	13.02
	Pre-tax income as a % of paid-in capital	27.49
	Net income margin (%)	6.28
	Earnings per share (NT$)	2.44

(4) Research and Development

APEC has continued to optimize the Figure of Merit (FOM) to develop new technology platforms and new packaging technology for Medium and low voltage Power MOSFETs product lines which provided personal computers, gaming notebook computers, power supplies, new-generation game consoles and battery management system the most appropriate solutions and the most effective performances. The development of the full range of high voltage Power MOSFET third-generation 600V/650V product lines is completed. The development of fourth-generation products is in progress to develop high-efficiency products for applications such as high-power power supplies and power chargers for the 5G era. Furthermore, customized solutions can be formulated according to different customer architectures.

II. Summary of the 2021 Business Plan

(1) Management guideline

Given the Sino-US trade war and post-pandemic era, the Company and its subsidiaries are continuing to strengthen their digital economy transformation in sales and production as well as zero-distance research and development to accelerate product innovation. Under the drastic changes in the industry, the Companies hope to improve competitiveness and expand the scale of operations to create corporate profits.

(2) Sales volume basis and expectation

The Power MOSFET and IGBT products of the Company and its subsidiaries are widely used in domains such as smart home appliances, gaming notebook computers, high-end graphics cards, power supplies, power tools and new-generation game consoles. The Company and its subsidiaries are expecting the annual sales volume in 2021 to reach 1.477 billion pieces.

(3) Key production and marketing policies

In terms of sales, the Company accelerates the digital transformation of the corporation and provides customers with zero-distance sales services in order to maintain and continue to increase market share. In terms of production, the Company and its subsidiaries are long-term partners with wafer and packaging and testing foundries. The pandemic has impacted transportation and increased logistics costs. Through cooperation, we can guarantee production capacity and thereby stabilize the supply source.

(4) The impacts of future Company development strategies, external competitive environment, legal environment and overall business environment

Prior to the COVID-19 pandemic in 2020, the industrial structure and economy had already been structurally transformed by the Sino-US trade war and the 5G digital economy transformation trend. The COVID-19 pandemic has brought about further significant changes in lifestyle and work style. However, remaining unaffected by the pandemic, production; shipping and derivative new business models in digital technology such as 5G have continued. In the post-pandemic era, it will increase sharply and subsequently accelerate the digital transformation and the global layout of enterprises. Using the experience of Taiwan's complete semiconductor industry chain and its cross-strait division of labor to improve product innovation capabilities and market strategy layout, and turning crisis into opportunities are important issues for the Company and its subsidiaries in 2021. In addition, the Company and its subsidiaries will stay tune to domestic and foreign policy development trends and changes in laws and regulations, and collect relevant information as reference for business-level decision-making.

Lastly, I would like to thank all our shareholders for your long-term support and encouragement. On behalf of Advanced Power Electronics Co., Ltd., I would like to extend my heartfelt gratitude to all our shareholders and wish you all health and success!

Fu-Chi Teng, Chairman of the Board

Lin-Chung Huang, President

Mei-Ying Tan, Accounting Officer

2. Company Profile

1. Date of Incorporation
2 .Company Milestones

Company Profile

1. Date of Incorporation

The Company was officially established on July 17, 1998.

2 .Company Milestones

2.1 Merger and Acquisitions, Strategic Investments in Affiliated Enterprises for the most recent year and up to the Publication Date of this Annual Report

(1) Merger and Acquisitions: None.

(2) Investments in Affiliated Enterprises: For more details, please also see Chapter 8 Section 1, " Affiliated Companies in 2020”.

2.2 Status of Corporate Reorganization for the most recent year and up to the Publication Date of this Annual Report

None.

2.3 Significant Shareholding Changes in Directors, Supervisors, or Shareholders with Greater than 10% Shareholding for the most recent year and up to the Publication Date of this Annual Report

For more details, please also see Chapter 3, Section 8, " Changes in shareholdings of directors, managers and major shareholders ".

2.4 Changes in Managerial Control for the most recent year and up to the Publication Date of this Annual Report

None.

2.5 Material Changes in Business Operation, or Service Offerings for the most recent year and up to the Publication Date of this Annual Report

None.

2.6 Other Matters of Material Significance that could Affect Shareholders' Interest for the most recent year and up to the Publication Date of this Annual Report

None.

3. Corporate Governance Report

1. Organization Structure
2. Directors, President, Vice Presidents, Senior Directors and Department Heads
3. 2020 Compensation of Directors, President, Vice Presidents, and Other Management Officers
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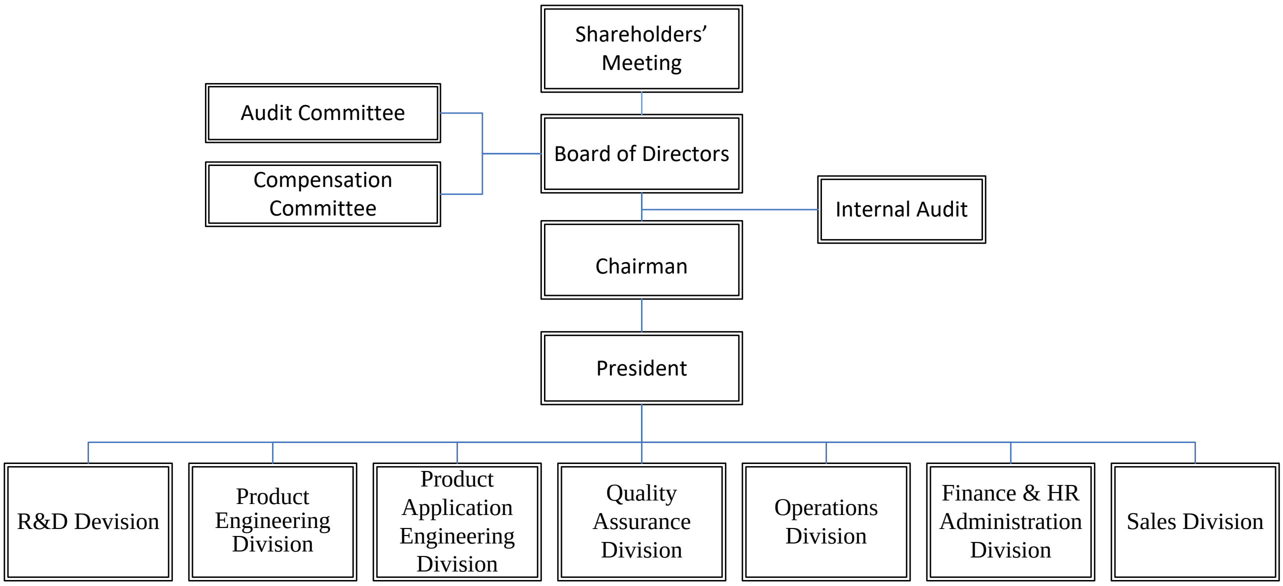
10. Comprehensive Shareholding Information Relating to Company, Directors, Management, and Companies Affiliated through Direct and Indirect Investments

3. Corporate Governance Report

1. Organization Structure

1.1Organization Chart



1.2 Principal Lines of Business

- Internal Audit: Audit the Company's system and the enforcement of internal regulations, procedures, and authorization with corrective actions offered.
- R&D Division: Responsible for design of device specification and mask layout , responsible for flow control of new product, responsible for development and improvement of device specification, responsible for improvement and control of C/P yield of device, responsible for process transfer to new fab, responsible for development and improvement of fab and responsible for fab process improvement base on C/P yield.
- Product Engineering Division: Responsible for development of product package, responsible for verification and measure of product specification, responsible for control of the yield of package factory, responsible for preparation of data sheet of product specification, responsible for support and exclusion the technical issues of data sheet of product specification and responsible for experiment, review and analysis of product reliability.
- Product Application Engineering Division: Responsible for sales strategy of product, responsible for development and evaluation of new application of product, responsible for design of demo-board and draw up the new application report, responsible for support of new product application and technical problem exclusion, responsible for support of new product design-in and product promotion, responsible for issue of product EOL and responsible for handling of customer complaints with Quality Assurance Division.
- Quality Assurance Division: Execution of various inspections (incoming materials, manufacturing process and finished products) in order to ensure that the product quality meets customer's requirements, responsible for evaluation and auditing the quality system of supplier and subcontractor, responsible for prevention and correction of defects related to

product quality and quality system, and management of improvement tracking and quality records and responsible for review of update of operation procedure related to ISO quality system.

- Operations Division: Responsible for Company's overall production plan and production scheduling operation, responsible for subcontractor management, responsible for material management and incoming and outgoing shipment operation, responsible for procurement management, responsible for bonded and export/import operation and responsible for evaluation and survey of supplier and subcontractor.
- Finance & HR Administration Division: Responsible for planning and enforcement of the Company's finance, and investment, responsible for capital planning and scheduling, responsible for accounting matters, budget preparation and control , responsible for cost accounting matter, responsible for management report analysis, responsible for tax planning and compliance, responsible for comprehensive management of such businesses of the Company as personnel, employee training, employee benefits and employee salary, responsible for general and administrative affairs coordination, responsible for environmental protection and workplace health promotion and responsible for plan and implement IT infrastructure and Network operation control.
- Sales Division: Responsible for product selling and customer service handling, responsible for annual sales plan, responsible for development of new customers, responsible for forecast, analysis and management of orders, responsible for the maintenance of sales forecast data, responsible for the maintenance of order data, responsible for shipping scheduling operations and responsible for collecting of accounts receivable.

2. Directors, President, Vice Presidents, Senior Directors and Department Heads

2.1 Directors

(1). Director Profile

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
							Shares	%	Shares	%	Shares	%	Shares	%
Chairman	R.O.C.	Future Technology Consulting, Inc.	—	June 15, 2020	3	June 8, 2000	3,084,899	3.79	3,084,899	3.79	—	—	—	—
	R.O.C.	Representative: Fu-Chi Teng	Male	June 15, 2020	3	June 8, 2000	—	—	1,940,102	2.39	—	—	—	—
Director	British Cayman Islands	STCH Investment Inc. (Cayman)	—	June 15, 2020	3	Jan. 17,2014	6,193,247	7.61	6,193,247	7.61	—	—	—	—
	R.O.C.	Representative: Chih-Cheng Chang	Male	June 15, 2020	3	Sept. 12,2019	—	—	—	—	—	—	—	—
Director	R.O.C.	Shih-Chieh Tsai	Male	June 15, 2020	3	Jan. 17,2014	—	—	—	—	—	—	—	—
Director	R.O.C.	Ji-Yu Yang	Male	June 15, 2020	3	Jan. 17,2014	—	—	—	—	—	—	—	—
Independent Director	R.O.C.	Ciou-Lin Chen	Male	June 15, 2020	3	Jan. 17,2014	—	—	—	—	—	—	—	—

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
							Shares	%	Shares	%	Shares	%	Shares	%
Independent Director	R.O.C.	Yong-Sheng Liu	Male	June 15, 2020	3	Jan. 17,2014	—	—	—	—	—	—	—	—
Independent Director	R.O.C.	Pei-Jun Wu	Female	June 15, 2020	3	May 17 ,2017	—	—	—	—	—	—	—	—

As of April 2, 2021

	Main working (education) experience	Concurrent positions in the Company and other companies	Officer or director is a spouse or consanguineous within two degree			Remark
			Title	Name	Relation	
	—	—	—	—	—	—
	Executives Program, Graduate School of Business Administration, National Chengchi University Chairman of Tainet Communication System Corp.	Chairman of Future Technology Consulting, Inc. Representative of juridical person director, Tainet Communication System Corp. Representative of juridical person director, Future Technology Consulting (B.V.I.), Inc. Representative of juridical person director, Perfect Prime Ltd. (SAMOA) Representative of juridical person chairman and general manager, Green Power Semiconductor Corp. Representative of juridical person director, OPC Microelectronics Co., Ltd. Representative of juridical person director, Data Image Corp. Independent Director of Technology Unlimited Corp.	—	—	—	
	—	—	—	—	—	—
	Master degree from Dept. of Business Administration, National Chengchi University Partners of The CID Group Independent director of Advanced Power Electronics Co., Ltd. Investment manager of Kuang-Hwa Investment Holding Co., Ltd.	Partners & Vice President of The CID Group Director of Tainet Communication System Corp. Representative of juridical person director, Net Publishing Co., Ltd. Representative of juridical person director, Easywell Biomedicals, Inc. Director of Ample Electronics Technology Co., Ltd. Director of CASTEC International Corp. Director of Upturn Technology Education Co., Ltd. Director of Tai Sheng International Investment Ltd. Representative of juridical person director, Entire Technology Co., Ltd. Representative of juridical person director, Entire Materials Co., Ltd. Representative of juridical person director, Entire Holding Group Ltd. Representative of juridical person director, Lian Rui Holding Group Ltd. Representative of juridical person director, Lian Chuang Holding Group Ltd. Representative of juridical person director, A-Wei Technology Corp. Representative of juridical person director, Chunghua Century Investment Corp. Representative of juridical person director, Hua Sheng International Investment Ltd.	—	—	—	—
	Master degree from Dept. of Computer Science, George Washington University B.S. in Computer Science, National Chiaotung University General Manager of Heidrick & Struggles Taiwan President of Accenture Taiwan	Partners of The CID Group Representative of juridical person director, Entire Holding Group Ltd. Independent director of Novatek Microelectronics Corp.	—	—	—	—
	Master degree from Dept. of Finance, National Chengchi University CPA of the R.O.C. U.S. Chartered Financial Analyst CFO of TaiHan Precision Technology Co., Ltd.	Director and CFO of LandMark Optoelectronics Corp. Independent director of Elite Advanced Laser Corp.	—	—	—	—
	Ph. D. in Electrical Engineering, NTU B.S. in Electrical Engineering, NTU Professor of Dept. of Electrical Engineering, NTU Deputy Director of Green Energy and Environment Research Laboratories, Industrial Technology Research Institute General Manager of Noveltek Semiconductor Corp.	Adjunct Professor of Graduate Institute of Electrical Engineering, National Taiwan University Independent director of Bestec Power Electronics Co., Ltd. independent director of GIO Optoelectronics Corp. Senior Consultant of ALLIS ELECTRIC CO., LTD.	—	—	—	—

Main working (education) experience	Concurrent positions in the Company and other companies	Officer or director is a spouse or consanguineous within two degree			Remark
		Title	Name	Relation	
Master of Business Administration, California Miramar University B.A. in Accounting, Tunghai University Global Vice President and CFO of Asia-Pacific Region, Applied Materials, Inc. Chairman of Applied Materials, Inc. Taiwan CFO and Vice President of Operations of Applied Materials, Inc. Taiwan CFO of Winstek Semiconductor Corp.	Independent director of Rafael Microelectronics Inc.	—	—	—	—
Master degree from Graduate School of Law, Keio University, Japan LL.B. from College of Law, Taiwan University Chairperson of Dept. of Finance, Mingchuan University	Associate Professor of Dept. of Finance, Mingchuan University Chairman of Songyang Investment Co., Ltd. Chairman of Chihyang Investment Co., Ltd. Independent director of Flexium Interconnect Inc.	—	—	—	—

Table 1: Major Shareholders of APEC's Institutional Shareholders

As of April 2, 2021

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	Percentage
Future Technology Consulting, Inc.	Fu-Chi Teng	76.36%
	Wei-Ling Hsieh	13.03%
	Wei-Chuan Hsieh	7.58%
	Yu-Hui Feng	3.03%
STCH Investment Inc. (Cayman)	Techlong International Investments, Limited	100.00%

Table 2: Principal shareholder of corporate shareholders with a juridical person as its major shareholder

As of April 2, 2021

Name	Major Shareholders	Percentage
Techlong International Investments, Limited	Chang, Ching-Yi	100.00%

(2). Qualifications and independence criteria of directors

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)												Number of Other Public Companies in which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Fu-Chi Teng			✓				✓		✓		✓	✓	✓	✓		1
Chih-Cheng Chang			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		0
Shih-Chieh Tsai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Ji-Yu Yang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Ciou-Lin Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Yong-Sheng Liu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Pei-Jun Wu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note：Please mark "✓" if applicable to the directors or supervisors during the two years prior to being elected or during the term of the office.

Criteria 1: Not an employee of the Company or its affiliates.

Criteria 2: Not a director or supervisor of the Company or any of its affiliates. This does not apply in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.

Criteria 3: Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in shareholdings.

Criteria 4: Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding specified in criteria 1 to 3.

Criteria 5: Neither a director, supervisor, or employee of an entity that directly and/or indirectly holds 5% or more of total number of issued shares of the Company, or rank among the top 5 shareholdings.

Criteria 6: Not a director, supervisor, officer, or shareholder holding 5% or more of the outstanding shares of any entity that has financial or business relations with the Company.

Criteria 7: Not a director, supervisor, or employee of a company or institution of which the chairman, president (or equivalent) himself/herself or his/her spouse also serves as the company's chairman, president (or equivalent).

Criteria 8: Not a director, supervisor, manager, or shareholder owning more than 5% of the outstanding shares of any company that has financial or business relations with the Company.

Criteria 9: Not a professional, owner, partner, director or supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past two years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

Criteria 10: Not a spouse or relative within second degree by affinity to other directors.

Criteria 11: Not in contravention of Article 30 of the Company Act.

Criteria 12: Not an institutional shareholder or its representative pursuant to Article 27 of the Company Act.

(3). Diversified board of directors

The nomination and selection for members of the company's board of directors is conducted in accordance with the provisions of the articles of association, and the nomination system is adopted. All candidates for directors are selected by the board of directors through qualification review and resolution, with their diversity; independence and professional expertise taken into consideration, and appointed by the shareholder meeting. In order to strengthen corporate governance and promote the sound development for the composition and structure of the board of directors, according to Article 20 of the company's Corporate Governance Best Practice Principles, the member diversity shall be taken into account for the composition of the board of directors, and appropriate diversification policy shall be formulated based on the company's operations, operation mode and development needs. The members of the board of directors shall possess the necessary knowledge, skills and quality to perform their duties. To achieve the goal of corporate governance, the board directors shall possess the following:

A. Ability to make operational judgments
B. Ability to perform accounting and financial analysis
C. Ability to conduct management administration
D. Ability to conduct crisis management
E. Industry knowledge
F. A global market perspective
G. Ability to lead
H. Ability to make policy decisions

Expertise / Board members	Top five core competencies								
	Finance	Electronic technology	Manufacturing	Business	Accounting	Law	Information Technology	Marketing	Risk Management
Fu-Chi Teng		✓	✓				✓	✓	✓
Chih-Cheng Chang	✓	✓		✓	✓				✓
Shih-Chieh Tsai		✓		✓			✓	✓	✓
Ji-Yu Yang	✓		✓	✓	✓				✓
Ciou-Lin Chen		✓	✓				✓	✓	✓
Yong-Sheng Liu	✓		✓		✓		✓		✓
Pei-Jun Wu	✓	✓		✓		✓			✓

The board of directors for this term is composed of seven directors. There are three independent directors, accounting for 43% of the composition. In terms of the directors' ages, four directors are over 60 years old and three between 50 and 59. The company also pays attention to the gender of the board of directors, and expects that there is at least one female director on the board of directors. At present, the proportion of female directors is 14%; in addition, 14% of the directors were employees. With regard to the seniority of independent directors, the company's two independent directors have served for two consecutive terms, with a seniority of seven years; the other independent director has a seniority of four years. Their qualifications meet the independence requirements stipulated in the law, and they are familiar with the company's financial and operating conditions.

Age	Gender	Nationality	Director	Independent Director
50~59	Male	R.O.C.	2	1
	Female		0	0
Over 60	Male	R.O.C.	2	1
	Female		0	1

2.2 Profiles of President, Vice Presidents, Directors and Department Heads

As of April 2, 2021

Title	Nationality	Name	Gender	Effective Date	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
					Shares	%	Shares	%	Shares	%
President	R.O.C.	Lin-Chung Huang	Male	Nov. 6, 2020	167,133	0.21	74,410	0.09	—	—
Vice President of R&D Division	R.O.C.	Jau-Yan Lin	Male	Nov. 12, 2018	41,424	0.05	1,337	0.00	—	—
Vice President of Product Engineering Division	R.O.C.	Meng-Hui Lin	Male	Nov. 12, 2018	119,968	0.15	7,058	0.01	—	—
Vice President of Finance & HR Administration Division	R.O.C.	Mei-Ying Tan	Female	Nov. 12, 2000	121,593	0.15	—	—	—	—
Vice President of Sales Division	R.O.C.	Chien-Hsueh Lin	Male	Jan. 1, 2021	—	—	—	—	—	—

As of April 2, 2021

	Main working (education) experience	Concurrent positions in the Company and other companies	Officers who are Spouses or within Two Degrees of Kinship			Remarks
			Title	Name	Relation	
	Master degree from Dept. of Electrical Engineering, National Sun Yat-sen University Supervisor of Advanced Power Electronics Co., Ltd.	Representative of juridical person director, Green Power Semiconductor Co., Ltd. Representative of juridical person director, OPC Microelectronics Co., Ltd.	—	—	—	—
	Master degree from Dept. of Materials and Optoelectronics, National Sun Yat-sen University Department Director of Hualon Microelectronics Corp.	. —	—	—	—	—
	Master degree from Dept. of Electrical Engineering, National Sun Yat-sen University Engineer of United Microelectronics Corp. Department Director of Hualon Microelectronics Corp.	—	—	—	—	—
	Master of Laws (LL.M.), School of Law, Soochow University B.A. in Accounting, Tamkang University Senior Auditor, BDO Taiwan	Representative of juridical person director, Seaward Electronics Corp. (Cayman) Representative of juridical person director and general manager, Shenzhen Fucheng Electronics Co., Ltd. Representative of juridical person director, Green Power Semiconductor Co., Ltd. Representative of juridical person director, OPC Microelectronics Co., Ltd.	—	—	—	—
	Master of Dept. of International Business, National Chengchi University Sales Manager of Epson Taiwan Technology & Trading Ltd. Product Director of Silicon Application Corp. Senior Sales Manager of AOS Taiwan	—	—	—	—	—

3. 2020 Compensation of Directors, President, Vice Presidents, and Other Management Officers

3.1 Compensation of Directors (including Independent Directors)

As of December 31, 2020, Unit: NT$' 000

Title	Name	Compensation to Directors								Total Compensation (A+B+C+D) to Net Income (%)	
		Base Compensation (A)		Pension / Severance (B)		Directors Compensation (C) (Note 1)		Professional Fee (D)			
		Parent-only	Consolidated	Parent-only	Consolidated	Parent-only	Consolidated	Parent-only	Consolidated	Parent-only	Consolidated
Chairman	Future Technology Consulting, Inc. Representative: Fu-Chi Teng	0	0	0	0	935	935	40	50	0.49	0.49
Director	STCH Investment Inc. (Cayman) Representative: Chih-Cheng Chang	0	0	0	0	467	467	35	35	0.25	0.25
Director	Shih-Chieh Tsai	0	0	0	0	467	467	35	35	0.25	0.25
Director	Ji-Yu Yang	0	0	0	0	467	467	40	40	0.26	0.26
Independent Director	Ciou-Lin Chen	0	0	0	0	467	467	100	100	0.29	0.29
Independent Director	Yong-Sheng Liu	0	0	0	0	467	467	100	100	0.29	0.29
Independent Director	Pei-Jun Wu	0	0	0	0	467	467	95	95	0.28	0.28

Note 1: The figures in the table is estimated amount and actual employees' and directors' compensations will be paid after the resolution of the shareholders' meeting May 31, 2021.

Note 2: According to the Company's Articles of Incorporation, directors' remuneration is determined based on their duties, risks and involvement. The Remuneration Committee reviews the compensation mechanism periodically.

Note 3: In addition to the above table, remuneration paid to directors for their services to all consolidated entities (such as consultants who are not employees): None.

As of December 31, 2020, Unit: NT$ '000

Compensation as an employee								A+B+C+D+E+F+G as a % of net profit		Compensation from investees other than subsidiaries
Performance-based salary (E)		Retirement pay of employees (F)		Earnings paid as bonus to employees (G) (Note 1)						
				Parent-only		Consolidated				
Parent-only	Consolidated	Parent-only	Consolidated	Cash bonus	Stock bonus	Cash bonus	Stock bonus	Parent-only	Consolidated	
2,954	2,954	0	0	665	0	665	0	2.32	2.32	0
0	0	0	0	0	0	0	0	0.25	0.25	0
0	0	0	0	0	0	0	0	0.25	0.25	0
0	0	0	0	0	0	0	0	0.26	0.26	0
0	0	0	0	0	0	0	0	0.29	0.29	0
0	0	0	0	0	0	0	0	0.29	0.29	0
0	0	0	0	0	0	0	0	0.28	0.28	0

3.2 Compensation of President and Vice President

As of December 31, 2020, Unit: NT$'000

Title	Name	Base Compensation (A)		Pension / Severance (B)		Bonuses and Allowances (C)		Employee Compensation (D) (Note)				A+B+C+D as a % of net profit		Compensation from investees other than subsidiaries
		Parent-only	Consolidated	Parent-only	Consolidated	Parent-only	Consolidated	Parent-only		Consolidated		Parent-only	Consolidated	
								Cash bonus	Stock bonus	Cash bonus	Stock bonus			
President	Lin-Chung Huang	15,049	15,049	567	567	2,610	2,630	3,324	0	3,324	0	10.86	10.87	0
Vice President of R&D Division	Jau-Yan Lin													
Vice President of Product Engineering Division	Meng-Hui Lin													
Vice President of Finance & HR Administration Division	Mei-Ying Tan													
Vice President of Sales Division	Chien-Hsueh Lin													
Vice President of Operations Division	Wen-Jun Chiu (dismissed)													

Note: The figures in the table is estimated amount and actual employees' and directors' compensations will be paid after the resolution of the shareholders' meeting May 31, 2021.

Compensation Range

Range of Compensation	Name of President and Vice President	
	Parent-only	Consolidated
Less than NT$1,000,000	Wen-Jun Chi	Wen-Jun Chi
NT$1,000,000 (inclusive) ~ NT$2,000,000 (exclusive)	—	—
NT$2,000,000 (inclusive) ~ NT$3,500,000 (exclusive)	Chien-Hsueh Lin	Chien-Hsueh Lin
NT$3,500,000 (inclusive) ~ NT$5,000,000 (exclusive)	Lin-Chung Huang, Jau-Yan Lin, Meng-Hui Lin, Mei-Ying Tan	Lin-Chung Huang, Jau-Yan Lin, Meng-Hui Lin, Mei-Ying Tan
NT$ 5,000,000 (inclusive) ~ NT$10,000,000 (exclusive)	—	—
NT$10,000,000(inclusive) ~ NT$15,000,000 (exclusive)	—	—
NT$15,000,000(inclusive) ~ NT$30,000,000 (exclusive)	—	—
NT$30,000,000(inclusive) ~ NT$50,000,000 (exclusive)	—	—
NT$50,000,000(inclusive) ~ NT$100,000,000 (exclusive)	—	—
Over NT$100,000,000	—	—
Total	6	6

3.3 Manager and employee bonuses

As of December 31, 2020, Unit: NT$'000

Title		Name	Stock bonus	Cash bonus	Total	As a % of net profit
Manager	President	Lin-Chung Huang	0	3,324	3,324	1.68%
	Vice President of R&D Division	Jau-Yan Lin				
	Vice President of Product Engineering Division	Meng-Hui Lin				
	Vice President of Finance & HR Administration Division	Mei-Ying Tan				
	Vice President of Sales Division	Chien-Hsueh Lin				
	Vice President of Operations Division	Wen-Jun Chiu (dismissed)				

Note: The figures in the table is estimated amount and actual employees' and directors' compensations will be paid after the resolution of the shareholders' meeting May 31, 2021.

3.4 Compensation of directors and management executives as a percentage of net income over the past two years and guiding principles

(1). Compensation of directors and management executives as a percentage of net income:

Type	As a % of net income				Ratio Variation	
	2019		2020			
	Parent-only	Consolidated	Parent-only	Consolidated	Parent-only	Consolidated
Directors	2.92%	2.92%	2.11%	2.12%	(27.74%)	(27.40%)
President and Vice President	37.59%	37.61%	10.86%	10.87%	(71.11%)	(71.10%)

(2). Remuneration policies, standards and package:

A. Compensation of directors

a. Directors' (including independent directors) remuneration and compensation

Directors' remuneration and compensation are paid according to the Company's Articles of Incorporation. Compensation paid to directors is pursuant to the ratio specified in the Company's Articles of Incorporation, when the company makes a profit.

b. Transportation allowances

Transportation allowances are paid based on attendance in board meetings and for services rendered as the chairman or a member of the Audit Committee or Remuneration Committee.

B. Compensation of President and Vice President

a. Compensation paid to the president and vice presidents comprises a fixed monthly salary, annual bonus and performance bonus.

b. Performance bonuses are determined based on the president's or the vice president's contribution to the Company and the results of an annual performance appraisal. The above-mentioned bonuses have been proposed by the Remuneration Committee for approval at the board meeting.

(3). Procedures for setting remuneration and performance bonuses:

A. In accordance with the Company’s Articles of Incorporation, the Company should distribute no less than 8% as employees’ compensation, and not more than 3% as Directors' compensation of the Company’s annual net income after deducting losses from previous years.
B. The above-mentioned Directors' and employees’ compensation have been proposed by the Remuneration Committee for approval at the board meeting.
C. Year-end bonuses are set based on the Company’s performance and the annual budget approved by the board and the chairman.

(4). Performance factor:

A. The performance evaluation of the directors is conducted on an annual basis, based on the "Regulations Governing the Performance Evaluation of the Board of Directors" and the evaluation result is submitted to its Board of Directors the following year for review and improvement, and to serve as a reference for the selection, nomination, and compensation of directors.
B. Compensation for directors, President and Vice President, is based on each individual's respective expertise and competencies, corporate performance, and financial status and linked to various KPI assessments, such as corporate performance, and personal performance as an additional reference point for changing compensation.
C. The Company shall review the compensation mechanism periodically, taking future operating risks, environmental conservation and corporate social responsibility into consideration.

4. Corporate Governance

4.1 Board of Directors attendance

The Board of Directors convened 7 meetings (A) in fiscal year 2020, of which attendance is as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (A/B)	Remarks
Chairman	Future Technology Consulting, Inc. Representative: Fu-Chi Teng	7	0	100.00	Re-election
Director	STCH Investment Inc. (Cayman) Representative: Chih-Cheng Chang	6	1	85.71	Re-election
Director	Shih-Chieh Tsai	7	0	100.00	Re-election
Director	Ji-Yu Yang	7	0	100.00	Re-election
Independent Director	Ciou-Lin Chen	6	1	85.71	Re-election
Independent Director	Yong-Sheng Liu	7	0	100.00	Re-election
Independent Director	Pei-Jun Wu	6	1	85.71	Re-election

Note: The 9th directors (including independent directors) were elected at the annual shareholders meeting on June 15, 2020.

Other Matters of Importance:

1. If any of the following circumstances occur, it is necessary to specify the dates of the board meetings, sessions, contents of motion, all independent directors' opinions, and the Company's responses:
   (1) Pursuant to Article 14-3 of the Securities and Exchange Act:
   Not applicable. The Company has already established an audit committee.
   (2) In addition to item (1), other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors.
   None.
2. Any directors' avoidance of motions due to conflict of interest, director name, contents of motion, causes for avoidance, and voting should be specified:

Date	Name of directors	Proposal	Reason for recusal	Participation in deliberation
2nd Session of the 9th BOD in 2020 August 8, 2020	Ciou-Lin Chen Yong-Sheng Liu Pei-Jun Wu	The appointment for the Company's Remuneration Committee	Personal interest	All three were excluded from the deliberations

3. Publicly-listed companies should disclose board self-evaluation (or peer-evaluation) information including cycle, period, scope, method, and content, and should fill in the attached Table 1, Information Regarding the Implementation of the Evaluation of the Board of Directors.

4. Measures have been taken to strengthen the functioning of the Board of Directors (e.g. establishment of the Audit Committee, increasing transparency) to assist the board in carrying out its various duties.

(1) The board of directors is composed of seven directors. There are three independent directors, accounting for one third of the composition. The Audit Committee and the Remuneration Committee, composed entirely of independent directors, assist the Board of Directors in carrying out supervisory tasks. The chairperson of each committee reports on their committee's operations to the board on a regular basis.

(2) Committed to upholding operational transparency, the Company regularly discloses resolutions by the Board of Directors on its official website and MOPS in a timely and consistent manner. In addition, the Company holds institutional investor conferences and has set up Chinese/English sections for Investor Relations, Corporate Governance, Corporate Social Responsibility and Stakeholder Engagement on its official website.

(3) The Company provides its directors and managers with annual liability insurance to cover risks as they carry out their duties and reviews the insurance coverage on an annual basis to make sure the amount and scope are sufficient to the need.

(4) The Chairman of the Board of Directors is not a member of the Company's management team to ensure a system of checks and balances.

(5) The Company passed the Rules and Procedures on Evaluating Board of Directors' Performance by Board meeting on November 6, 2020, under which the Company conducts an internal board performance evaluation every year and an evaluation by external professional organizations, experts at least once every three years. Board members completed a self-evaluation assessment in 2020 and submits a report to the board after annual performance evaluation on March 9, 2020.

Table 1. Information Regarding the Implementation of the Evaluation of the Board of Directors

Cycle (Note 1)	Period (Note 2)	Scope (Note 3)	Method (Note 4)	Content (Note 5)
Once a year	January 1, 2020 to December 31, 2020	1. The board as a whole 2. Individual directors 3. Functional committees (Audit Committee and Remuneration Committee)	1. Self-evaluation by individual directors 2. Self-evaluation by functional committees	1. Performance evaluation results of the board as a whole: With totaling 45 indexes, the average score in each aspect is between 4.36~4.63 points out of 5 points. The board of directors has the duty of guidance and supervision and in line with corporate governance. 2. Performance evaluation results of individual directors： With totaling 23 indexes, the average score in each aspect is between 4.43~4.67 points out of 5 points. The directors have positive evaluation on the effectiveness of each indicator. 3. Performance evaluation results of functional committee: With totaling 26 indexes, the average score in each aspect is between 4.67~4.95 points out of 5 points. The functional committee is consistent with corporate governance, and effectively enhancing the functions of the board of directors.

Note 1: Refers to the execution frequency of the board evaluation, for example: once a year

Note 2: Refers to the period covered by the Board evaluation, for example: evaluating board performance from January 1, 2020, to January 31, 2020.

Note 3: Evaluation scope includes the Board of Directors, individual Board members, and functional committees (Audit Committee and Remuneration Committee).

Note 4: Evaluation method includes internal self-evaluation, peer-evaluation, evaluation by external professional organizations, experts, and other appropriate method.

Note 5: The evaluation content includes, at minimum, the following items:

(1) Board of Directors performance evaluation: includes, at minimum, the degree of participation in the Company's operations, the quality of Board decisions, the composition and structure of the Board of Directors, the selection and continuous training of directors, and internal controls.

(2) Individual member performance evaluation: includes, at minimum, understanding of the Company's objectives and responsibilities, knowledge of director responsibilities, the degree of participation in the Company's operations, internal relationship management and communication, directors' professional and continuing education, and internal controls.

(3) Functional committee performance evaluation: the degree of participation in Company operations, knowledge of functional committee responsibilities, quality of functional committee decisions, functional committee composition and member selection, and internal controls.

4.2 Audit Committee attendance

The company has established an Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act, which is composed of all independent directors. The Audit Committee is responsible for reviewing the following:

1. Review and discuss the adoption or amendment for the internal control system
2. The assessment of the effectiveness of the internal control system
3. Review and discuss the adoption or amendment, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others
4. Any matter that has a bearing on the personal interest of director
5. Material asset or derivatives transactions
6. Material monetary loans, endorsements or guarantees
7. Offering, issuance or private placement of any equity-type securities
8. Hiring or dismissal of an attesting CPA, or the compensation given thereto and performance, qualification and independence of CPAs
9. Appointment or discharge of financial, accounting or internal auditing officers
10. Financial reports
11. Review and discuss the matters related to the annual profit distributions
12. Review and discuss other material matters required by the Company or the competent authorities

The Audit Committee convened 4 meetings (A) in fiscal year 2020, of which attendance is as follows:

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

Other Matters of Importance:

1. Any objections or issues raised by the Audit Committee against resolutions passed by the Board of Directors:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act

Dates of Board meetings	Contents of motion	Audit Committee's opinion	Company's response
1st Session of the 8th BOD in 2020 Mar. 26, 2020	Jan. 2020 internal audit report	Approved as proposed	Approved as proposed
	2019 financial statements		
	2019 earnings distribution		
	2019 statement of Internal Control System		
2nd Session of the 8th BOD in 2020 Apr. 30, 2020	Feb. 2020 internal audit report	Approved as proposed	Approved as proposed
	Q1 2020 financial statements		
2nd Session of the 9th BOD in 2020 Aug. 6, 2020	Jun. 2020 internal audit report	Approved as proposed	Approved as proposed
	Q2 2020 financial statements		
	Formulate the "procedures for buying back treasury stocks" and its internal control system		
4th Session of the 9th BOD in 2020 Nov. 6, 2020	Sep. 2020 internal audit report	Approved as proposed	Approved as proposed
	2020 internal auditors' evaluation report		
	Q3 2020 financial statements		
	The evaluation of the suitability and independence of appointed CPAs and the delegation compensation.		
	Internal audit plan for 2021		
	It is intended to issue the 2020 employee stock option		

(2) In addition to the items listed above, any resolution passed by over two-thirds of the Board of Directors, but not approved by the Audit Committee: None.

2. Any independent directors' avoidance of motions due to conflict of interest: None.

3.Communication between independent directors and the Internal Audit Chief Officer and CPAs about major financial/operational matters:

(1) Communication methods between Independent Directors, the Internal Audit Chief Officer and CPAs

A. Audit Committee: Regular meetings should be held at least once a quarter with special meetings to be held as necessary. During the meeting, the Company's Internal Audit Chief Officer should report on the Company's implementation of internal audit processes and performance of internal controls to the independent directors. When items related to financial reports need to be discussed, CPAs must attend the meeting to provide explanations about the financial reports and address questions raised by committee members.

B. Board and Auditor Meeting: The meeting should be held with special meetings to be held as necessary. Members should review the performance of the previous year's internal controls and discuss each department's internal control self-assessment results. Members should also exchange opinions on improvements related to internal controls in order to continuously improve internal audit activities.

(2) Summary of communications between Independent Directors and the Internal Audit Chief Officer:

Date	Communication methods	Information Communicated	Communication Results
March 26, 2020	Individual communication	Nov 2019 -Jan 2020 internal audit report and Q1 flow-up report	Acknowledged
April 30, 2020	Individual communication	Feb internal audit report and the 2019 statement of Internal Control	Acknowledged
August 6, 2020	Individual communication	March ~ June internal audit report and Q2 flow-up report	Acknowledged
November 3, 2020	Individual communication	2020 internal auditors’ evaluation report	Acknowledged
November 6, 2020	Individual communication	July~ Sept. internal audit report and Q3 flow-up report	Acknowledged
		Internal audit plan for 2021	Acknowledged
December 12, 2020	Individual communication	Oct. 2020 internal audit report	Acknowledged

(3) Summary of communications between Independent Directors and CPAs:

Date	Communication methods	Information Communicated	Communication Results
March 26, 2020	Special meeting	Reviewed 2019 financial reports	Acknowledged
		Updated laws and accounting policies	Acknowledged

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

Evaluation Criteria	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Explanation	
1. Does the Company establish and disclose the proper corporate governance framework based on the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	✓		The Company has established said Corporate Governance Best Practice Principles. The Company's principles are available on the Company's official website under "Corporate Governance" and market observation post system (MOPS).	None
2. Shareholding structure & shareholders' rights (1) Has the Company established an internal operating procedure to address shareholders' suggestions, doubts, disputes, and litigation, with proper implementation based on this procedure?	✓		(1) The Company has designated a shareholder service team to handle shareholder suggestions and disputes. Shareholder suggestions, inquiries, disputes, and litigation are handled based on relevant standard operating procedures.	None
(2) Is the Company fully aware of its major shareholders and the ultimate owners of those shares?	✓		(2) In compliance with SEC Article 25, the Company reports changes in insider (directors, managers, and shareholders of more than 10% of shares outstanding) shareholding on a monthly basis, which is published on the designated public information website.	None
(3) Does the Company adopt and execute the proper risk management and firewall system within its affiliates?	✓		(3) The Company's internal control system set up the Rules and Procedures on Conducting Transactions between Group Companies and Related Parties and the Rules and Procedures on Monitoring Subsidiaries as risk control mechanisms.	None
(4) Does the Company establish internal rules against insider trading?	✓		(4) The Company has established "Rules and Procedures on insider trading before disclosure", "Rules and Procedures on Handling Internal Material Information" and "Code of Ethics". The Company prevents insider trading by controlling key points in its operations, which prevents Company insiders from exploiting non-public information to trade securities. The Company's principles are available on the Company's official website under "Corporate Governance". Implementing of Rules and Procedures in 2020: A. Directors When dismissing directors, the Company provides directors' regulations and publicity manuals, and at any time explain to directors related regulations such as communication insider trading and short-term trading. Every year when planning a director's training plan, arrange education and	None

Evaluation Criteria	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Explanation	
			publicity courses to prevent insider trading and related laws and regulations. The courses completed in 2020 are available on the Company's official website under "Corporate Governance". B. Managers and employees When the manager takes up the position of insider, the company provides the relevant laws and regulations on the change of insider's equity. Provide education and advocacy in a timely manner within three months of employment. In 2020, the Company held training on preventing insider trading for all employees. 106 people passed, and 85% of the training was completed.	
3. Board of Directors Composition and Responsibilities (1) Does the Board of Directors develop and implement a policy to promote diversity in the composition of its members	✓		(1) Diversity of board members is stipulated in the Company's Code of Practice for Corporate Governance and fully implemented.	None
(2) Does the Company voluntarily establish other functional committees in addition to the Compensation Committee and the Audit Committee?		✓	(2) No, the future plans to set up other functional committees based on actual operational needs.	As explained in the left column.
(3) Does the Company establish and implement on an annual basis a set of assessments to measure the performance of the Board of Directors, report the performance evaluation results to the Board to Directors, and use it as a reference for the compensation of the Board of Directors?	✓		(3) On November 6, 2020, The Company passed the Rules and Procedures on Evaluating Board of Directors' Performance to enhance efficiency, under which the Company conducts an analysis and submits a report on proposed improvements to the board after annual performance evaluation and uses it as a reference for compensation and re-appointment. The Performance Evaluation of the board was completed through self-assessments by board members, which covered evaluations of the performance of the board, board members and functional committees. Both the board and committees performed well, with an average score 4.36~4.95, with 5 being the highest score.	None

Evaluation Criteria	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Explanation	
(4) Does the Company regularly evaluate the independence of its CPAs?	✓		(4) The Audit Committee is authorized to evaluate the independence of the CPAs according to the "Bulletin of Norm of Professional Ethics for Certified Public Accountants of the Republic of China" and "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" on an annual basis based on the following criteria and procedures: A. The CPAs' resumes. B. Independence assessment form in accordance with the "Bulletin of Norm of Professional Ethics for Certified Public Accountants of the Republic of China". C. The CPAs should provide the Company with a Declaration of Independence. The Company had evaluated the independence of the CPAs and reported the results to the Audit Committee on November 6, 2020.	None
4. Has the Company allocated suitable and sufficient corporate governance staff and appointed a manager of corporate governance responsible for corporate governance matters (including, but not limited to, furnishing information required for business execution by directors, assisting directors in complying with laws and regulations, handling matters related to board and shareholder meetings in accordance with the laws, producing minutes of board and shareholder meetings, etc.)?	✓		The Company has deployed Corporate Governance personnel, who are assumed by the staff of the Finance and Administrative Management Department, to handle the discussion and management of the functional committee, the board of directors and the general shareholders meeting and to promote corporate governance-related matters in accordance with the law. At present, Vic President with more than three years of experience in financial and accounting, stock affairs and administration work are the conveners to supervise the company's implementation results. In the future, it is planned to set up a Corporate Governance officer.	None
5. Has the Company established a communication channel and designated a website section for its stakeholders (including but not limited to shareholders, employees, customers, and suppliers) as well as to handle all CSR-related issues?	✓		Sections on investor relations, procurement and CSR have been set up on the Company's official website and integrated into one comprehensive stakeholders' section. Special personnel have been assigned to handle CSR related issues.	None
6. Does the Company appoint a professional shareholder service agency to handle shareholder meeting affairs?	✓		The Company has engaged the Transfer Agency and Registry Department of Yuanta Securities Co., Ltd. to manage its annual general meeting.	None
7. Information Disclosure (1) Does the Company have a corporate website to disclose all information regarding finances, the business, and corporate governance?	✓		(1) Disclosure of financial-related and corporate governance information is posted periodically on the Company's website.	None

Evaluation Criteria	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Explanation	
(2) Does the Company have other information disclosure channels (e.g. English website, designated personnel to handle information collection and disclosure, spokesperson system, investor conference webcasts, etc.)?	✓		(2) Aside from having a spokesperson, the Company has a dedicated department, the Investor Relations Division, to handle information disclosure. It also has an English website and a team working on gathering and releasing relevant Company information.	None
(3) Does the Company report its annual financial report within two months after the end of the fiscal year and announce the first, second, and third quarter financial reports and monthly operating updates before the prescribed deadlines?		✓	(3) The Company has not yet announced and filed its annual financial report within two months after the end of the fiscal year. The financial reports for the first, second, and third quarters were approved by the board of directors, and the operating conditions of each month were announced and declared before the specified deadline. The financial reports were announced 7 days before the specified deadline. The relevant information was also disclosed on the MOPS and Our Company website	As explained in the left column.
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices? (including but not limited to employee rights, employee care, investor relations, supplier relations, the rights of interested parties, directors and supervisors, the implementation of risk management policies and risk measurement standards, the implementation of customer policies, and the company Purchase of liability insurance for directors and supervisors, etc.)?	✓		(1) Employee rights: The Company has always adhered to the belief of labor-management integration, coexistence and co-prosperity, emphasizes rationalized, institutionalized, and humanized management, respects the wishes and needs of employees, and shares benefits in accordance with the principles of labor law. Communicate and coordinate to establish a good labor-management relationship. (2) Investor relations: In accordance with relevant regulations, the Company immediately announces important company information about finance, business, and insider shareholding changes in the MOPS. The Company's website also sets up an investor area to disclose the company's financial business information. The minutes of the shareholders' meetings of the company are recorded in accordance with the company law and relevant laws and regulations. The minutes of the shareholders' meetings have been published on the company's website and are permanently stored in the company. (3) Supplier relations: The Company establishes a long-term close relationship with suppliers based on the principle of win-win, and hopes to pursue mutual trust and mutual benefit together to pursue sustainable growth. (4) Rights of stakeholder: Stakeholders may communicate with the Company and make suggestions to safeguard their legitimate rights and interests. (5) Directors' training record: The directors have relevant professional knowledge and follow the relevant laws and	None

Evaluation Criteria	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Explanation	
			regulations to study securities regulations and other courses, and meet the requirements of the training hours. Please refer to the following Table 1: Directors' Continuing Education Records for fiscal year 2020. (6) Implementation of risk management policies and risk assessments: The Company has always carried out related risk management based on the principle of soundness, and has established a strict internal control system to prevent various risks. The internal audit unit regularly and irregularly checks the implementation of the internal control system, and also insures property insurance. (7) Implementation of customer relations policies: The Company maintains a stable and good relationship with customers and upholds the customer first policy to create company profits. (8) Insurance for directors: The Company has purchased liability insurance for directors to strengthen the protection of shareholders' rights and interests.	

9. Please explain items that have been already improved and priority measures to reinforce matters haven't been improved , in accordance to the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange.

(1) Indicator 2.9: Does the Company formulate succession plans for board members and important management levels, and disclose on the company's website or annual report?

Situation of Improvement:

The Company has formulated a succession plan for board members and important management, and disclosed it on the Company's website.

(2) Indicator 2.23: Has the company’s board of directors’ performance evaluation measures been approved by the board of directors, clearly stipulating that external evaluations should be carried out at least every three years, and the evaluation should be carried out within the time limit set by the measures, and the implementation status and evaluation results will be disclosed on the company’s website or annual report?

Situation of Improvement:

The Company passed the Rules and Procedures on Evaluating Board of Directors’ Performance, under which the Company conducts an analysis and submits a report at least every three years. The Performance Evaluation of the board was completed through self-assessments by board members have been reported to the Board of Directors on March 9, 2021.

(3) Indicator 2.27 : Does the Company formulate an intellectual property management plan linked to its operational goals, and disclose its implementation on the company's website or annual report, and report to the board of directors at least once a year?

Situation of Improvement:

The company has formulated an intellectual property management plan linked to its operational goals, and submitted it to the report of the board of directors on December 10, 2020, and disclosed it on the company's website.

(4) Indicator 2.28: Does the company have provisions for the appointment and removal of internal auditors, appraisal, and remuneration to be reported to the board of directors or signed by the audit supervisor to the chairman of the board of directors, and disclosed on the company's website?

Situation of Improvement:

The appointment and dismissal, evaluation, salary and remuneration of the Company's internal auditors have been submitted to the report of the board of directors on November 6, 2020 and disclosed on the company's website.

(5) Indicator 3.2: Does the company simultaneously release major news in English?

Situation of Improvement:

The Company has simultaneously released major news in English since the third quarter of 2020.

(6) Indicator 3.18: Does the company establish an English company website that contains information about finance, business and corporate governance?

Situation of Improvement:

The Company has gradually strengthened and completed the establishment.

http://www.a-power.com.tw/index.aspx?lang=eng&fn=index。

Table 1: Directors' Continuing Education Records for fiscal year 2020

Name	Training Period	Organizer	Course Name
Fu-Chi Teng Chairman	August 18, 2020	Taiwan Institute of Director	Enterprise transformation in the era of change
	August 24, 2020	Securities and Futures Institute	Directors and Supervisors (Independent) and Corporate Governance Executives Advanced Seminar-Practical Operations and Latest Interpretation Letters Analysis after the Enforcement of the Company Law
Chih-Cheng Chang Director	June 29, 2020	Securities and Futures Institute	Directors and supervisors (including independent) practice advanced seminar-legal issues that should be paid attention to by the directors and supervisors of public offering companies
	July 1,2020	Taiwan Securities Association	Commercial bribery and whistle blowing system and case analysis
	July 30, 2020	Taiwan Securities Association	Global economic investment strategies and trends
	August 24, 2020	Securities and Futures Institute	Directors and Supervisors (Independent) and Corporate Governance Executives Advanced Seminar-Practical Operations and Latest Interpretation Letters Analysis after the Enforcement of the Company Law
Shih-Chieh Tsai Director	November 4, 2020	Taiwan Corporate Governance Association	Corporate Fraud Detection and Prevention
	November 4, 2020	Taiwan Corporate Governance Association	Enterprise Risk Management and Internal Control
Ji-Yu Yang Director	September 17, 2020~ September 18, 2020	Accounting Research and Development Foundation	Continuing Training Course for Accounting Supervisors of the Issuer's Securities Firms and Stock Exchanges
Ciou-Lin Chen Independent Director	August 25, 2020	Taiwan Corporate Governance Association	Responsibilities of directors and supervisors for false financial reports
	October 20, 2020	Taiwan Corporate Governance Association	Board of directors’ performance and effectiveness evaluation
Yong-Sheng Liu Independent Director	September 16, 2020	Chinese Professional Management Association of Hsinchu	Corporate governance of intellectual property
	November 17, 2020	Securities and Futures Institute	The impact of the latest tax law changes on business operations and its response
	November 24, 2020	Taiwan Corporate Governance Association	Corporate Governance 3.0-Blueprint for Sustainable Development
Pei-Jun Wu Independent Director	July 22, 2020	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Workshop
	September 30, 2020	Securities and Futures Institute	Annual Prevention of Insider Trading and Insider Equity Trading Publicity Seminar in 2020

4.4 Compensation Committee Composition, Responsibilities and Operations

The Compensation Committee, composed entirely of independent directors, is bound by the Compensation Committee Charter. The committee is responsible for the following:

A. Establish a policy, system, standard and structure for directors' and managers' compensation and review them periodically.

B. Decide compensation of directors and managers and carry out periodic evaluations.

(1). Compensation Committee Member Profiles

Title	Criteria / Name	Over 5 years of work experience and the following professional qualification requirements			Independence Criteria (Note)										Number of Other Public Companies in which the Individual is Concurrently Serving as Compensation Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, CPA, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Ciou-Lin Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Yong-Sheng Liu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Pei-Jun Wu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note: "✓" denotes meeting the conditions specified below during their tenure or two years before assuming their posts:

Criteria 1: Not an employee of the Company or its affiliates.

Criteria 2: Not a director or supervisor of the Company or the Company's affiliates (unless the person is an independent director of the Company, the Company's parent company or any subsidiary of the Company).

Criteria 3: Not a shareholder whose total holdings, including those of his/her spouse and minor children, or shares held under others' names, reach or exceed 1 percent of the total outstanding shares of the Company or rank among the top 10 individual shareholders.

Criteria 4: Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a manager under subparagraph 1 or any of the persons in the preceding two subparagraphs.

Criteria 5: Neither a director, supervisor, or employee of an entity that directly and/or indirectly holds more than 5% of the Company's shares, nor one of the Company's top five shareholders, director, supervisor or employee of a corporate shareholder who appoints a representative as a director or supervisor of the company in accordance with Article 27, paragraph 1 or 2 of the Company Act.

Criteria 6: Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a person that also controls the same of the company.

Criteria 7: Not a director, supervisor, or employee of a company or institution of which the chairman, president (or equivalent) himself/herself or his/her spouse also serves as the company's chairman, president (or equivalent).

Criteria 8: Not a director, supervisor, manager, or shareholder owning more than 5% of the outstanding shares of any company that has financial or business relations with the Company.

Criteria9:Not a professional, owner, partner, director or supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past two years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

Criteria 10: Not in contravention of Article 30 of the Company Act.

(2) Compensation Committee Operation

A. The Compensation Committee is currently comprised of 3 members.

B. Current Compensation Committee Member Terms: August 6, 2020, through June 14, 2023; the committee convened 2meetings (A) in 2020, of which attendance is as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Ciou-Lin Chen	2	0	100.00	Re-appointment
Member	Yong-Sheng Liu	2	0	100.00	Re-appointment

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)	Remarks
Member	Pei-Jun Wu	2	0	100.00	Re-appointment

Note: The Company elected the 9th directors (including independent directors) at the general shareholders' meeting on June 15, 2020. The Compensation Committee is comprised of all independent directors and appointed by the board of directors.

Other Matters of Importance:

1. In circumstances where the Board of Directors declines to adopt, or make modifications based on, recommendations from the Compensation Committee: None.
2. In circumstances where resolutions of the Compensation Committee were objected to by members, or members had a reserved opinion, and were recorded or declared in writing: None.
3. Compensation Committee discussions and resolutions:

Dates of Compensation Committee Meetings	Contents of Motion	Resolutions of the Compensation Committee	The Company's Responses to the Compensation Committee's Recommendations
1st Session of the 4th Compensation Committee in 2020 Mar. 26, 2020	Distribution of the Company's fiscal year 2019 compensation to employee and directors.	Approved by all members in attendance.	Reported to the 2020 general shareholders' meeting.
1st Session of the 5th Compensation Committee in 2020 Nov. 6, 2020	The Company's year-end bonuses for management team in 2020.	Approved by all members in attendance.	Implemented according to the resolution.

4.5 Corporate Social Responsibility, (CSR)

Evaluation Criteria	Implementation Status			Deviations from the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Rationale
	Yes	No	Explanation	
1. Does the company follow principles of materiality in evaluating the risks of environmental, social, and corporate governance, and establish relevant policies or strategies?	✓		The Company has established the "CSR Best Practice Principles)," mainly including the implementation of the corporate governance, development of the sustainable environment, maintenance of the public benefits, enhancement of the disclosures of CSR information, and review of the effectiveness of the implementation of related CSR works.	None
2. Has the Company established a CSR unit (full- or part time), with a senior manager authorized by the Board of Directors to handle and report related activities to the Board of Directors?	✓		To internalize the CSR to the mindsets of the employees, the Investor Relation Department and the HR Administration Department have organized a task force to promote the concept, for the purpose of fulfilling the CSR during the daily course of operations. Regularly report the implementation results to the senior management and the board of directors.	None
3.Environment (1) Does the Company establish proper environmental management systems in line with its industry characteristics?	✓		The Company is a design company without foundry. All the production of wafers is outsourced. All the OEMs comply with the requirements of the environmental laws and regulations. However, the Company has established the management for the environmental safety, to actively implement the self-management of environment, safety, and health, as well as the pollution operations, to ensure the health and safety in the working environment, and the eco balance.	None
(2) Is the Company committed to improving the utilization efficiency of various resources and using recycled materials with a low environmental footprint?	✓		Continue to improve the energy savings plan, which include e-forms system, energy conservation, household waste reduction and recycling, etc.	None
(3) Does the Company evaluate the impact of climate change on the Company's current and future potential risks and opportunities, and adopt measures to respond to climate-related issues?	✓		The Company has incorporated the issue of greenhouse gas reduction into risk management, continuously assessed the potential risks and opportunities of climate change, and proactively promoted energy conservation and carbon reduction, and water reduction and other waste management plans.	None

Evaluation Criteria	Implementation Status			Deviations from the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Rationale
	Yes	No	Explanation	
(4) Does the company collect information on greenhouse gas emissions, water consumption, and total weight of waste in the past two years, and formulate policies on energy conservation and carbon reduction, greenhouse gas reduction, water usage reduction, or other waste management policies?	✓		Management: A. The Company has adopted a "5-Year Environmental Sustainability Development Strategy and Target Plan" and reach the goal of achieving an average growth rate of greenhouse gas emissions of no more than 5% in 2025 in order to mitigate the impact of climate change. B. Choose energy-saving products such as LED lighting, and continue to promote e-forms system. It is expected that the annual reduction of per capita emissions by 1% will be achieved in 2021, and the target of reducing emissions by 1% in 2022 will be achieved. In addition, water-saving management was promoted, and water-saving efficiency was set for a five-year period to achieve the goal of 1% annual water saving rate. C. To grasp the direction of the wastes, the Company carefully select the vendors for waste disposal and recycling, to reduce and recycle the wastes for reduction of environmental risks.	None
4. Social Responsibilities (1) Does the Company formulate appropriate management policies and procedures in accordance with relevant regulations and international human rights conventions?	✓		The company complies with the current relevant laws and regulations, including the Labor Standards Law, Employment Service Law, Gender Work Equality Law, etc., as well as international human rights conventions, through the promotion of the company’s internal working rules, and provides complaints channels to protect the rights and interests of colleagues, and make sure that every employee should be treated fairly and respected. And there have never been cases of child labor, forced labor, or human rights violations.	None

Evaluation Criteria	Implementation Status			Deviations from the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Rationale
	Yes	No	Explanation	
(2) Does the company formulate and implement reasonable employee benefits (including compensation, vacation, and other benefits), and appropriately reflect operating performance or results in employee compensation?	✓		Formulate and implement reasonable employee welfare measures, including salary, vacation and other benefits, and appropriately reflect operating performance in employee compensation: A. The board of directors has a salary and compensation committee, which is responsible for the policies, systems, standards and structure of salary and compensation. B. Verification and evaluation: the results of the evaluation are used as the basis for promotion, bonuses and compensation. C. Bonus distribution: combined with the company's operating performance, annual net profit and employee appraisal.	None
(3) Does the Company provide a safe and healthy working environment, and provide training on health and safety and health for its employees on a regular basis?	✓		The Company aims to provide a safe, healthy and comfortable working environment, promote health and safety management, so that colleagues can develop correct concepts and healthy minds and bodies. Regularly implement work environment measurement and employee safety and health education. In addition, the company has formulated the "Safety and Hygiene Work Code", and implements annual health inspections and employee health inspections for employees to ensure the safety and health of employees.	None
(4) Does the Company establish effective career development programs for its employees?	✓		The Company creates a good environment for the career development of employees, and establishes an effective career ability development training program, encourages employees to improve themselves, and participates in vocational training courses for different career abilities, so as to enhance their professional abilities and practice employees' careers. Development goals, and then achieve business goals.	None
(5) With respect to customer health and safety of products and services, customer privacy, marketing, and labeling, does the Company comply with relevant regulations and international standards, and formulate related consumer protection policies and appeal procedures?	✓		The Company has established customer complaint handling procedures and established a customer-oriented quality system in order to achieve a win-win situation for the company and customers. In addition, the Company values customer opinions. In addition to individual visits, a special area for interested parties is also set up on the Company's website to provide contacts and methods for questions, complaints or suggestions to protect customer rights.	None

Evaluation Criteria	Implementation Status			Deviations from the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Rationale
	Yes	No	Explanation	
(6) Does the Company have a supplier management policy that requires suppliers to comply with and implement relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights?	✓		The Company requires suppliers to fulfill their corporate social responsibilities and not to have negative impacts on the environment and society. 1. All the supplier evaluations are handled in accordance with the company's "Supplier Control Procedures". 2. Compliance with environmental protection regulations: The supplier must comply with the local government's relevant environmental protection regulations on air pollution prevention and control, water pollution prevention and control, waste and resource management, etc. 3. In addition to delivering sustainability concepts and goals to suppliers every year, the company also strengthens its cooperative relationship with suppliers that have been well evaluated (such as quality improvement, cost reduction, delivery assurance, sustainable performance, etc.).	None
5. Does the company refer to internationally accepted reporting standards or guidelines for compiling reports on non-financial information, such as CSR reports? Did the previous release reports obtain a confirmation or assurance opinion from a third party verifier?		✓	The Company does not prepare a CSR Report.	As explained on the left.
6. If the Company has established the CSR principles based on "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the Principles and their implementation: No discrepancy found.				
7. Other important information to facilitate better understanding of the Company's CSR practices: To be philanthropic with our employees, the "Guidelines for Donations to Welfare Organization" are established. The employees may decide the amount and the counterparties they want to contribute to, and the Company will join the contribution. The Company will contribute the same amounts as the donations of the employees to the public welfare organizations. The total amount of donations by the Company and our employees is about NT$250,000.				

4.6 Ethical Corporate Management

Evaluation Criteria	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEx Listed Companies" and Reasons
	Yes	No	Explanation	
1. Enactment of ethical corporate management policies and programs (1) Does the Company disclose its ethical corporate management policies and procedures in its official charter and material documents issued externally, as well as the commitment of the Board of Directors and management team to its implementation?	✓		The Company has enacted the " Ethical Management Best Practice Principles." Its formulation and amendments were approved by the Board of Directors. It clearly stipulates that the directors, managers and employees of the company should abide by laws and regulations and prevent dishonest behaviors in performing business.	None
(2) Has the Company established a mechanism to assess the risks of non-ethical conduct, regularly analyze and assess relatively high-risk non-ethical conduct and activities within its scope of business, and formulate policies to prevent unethical conduct, which at minimum covers measures to prevent the conduct mentioned in Article 7.2 of "the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEx Listed Companies"?	✓		In the " Ethical Management Best Practice Principles", the Company specifically regulates the handling procedures for various violations of integrity and the assessment mechanism of the risk of dishonest behaviors, analyzes and evaluates the business activities with higher risks of dishonest behaviors in the business scope, and in accordance with this Principles. Formulate the " Measures for Reporting Cases of Illegal, Unethical or Dishonest Behavior", set up reporting and appeal channels and accepting and appealing units, and the accepting unit must have no interest in the case in order to implement the prevention of untrustworthy behavior.	None
(3) Do the Company's measures to prevent high-risk unethical misconduct clearly specify operating procedures, conduct guidelines, disciplinary and appeal mechanisms for violations? Are they implemented and are regularly reviewed for amendment?	✓		In various internal control management regulations, the Company adopts preventive management measures mentioned in Article 7.2 of "the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEx Listed Companies" or other business activities that have a high-risk unethical misconduct regularly reviewed for amendment.	None
2. Implementation of ethical corporate management (1) Does the Company evaluate business partners' ethical records and clearly indicate ethical conduct clauses in business contracts?	✓		The Company evaluate business partners' ethical records and clearly indicate ethical conduct clauses in business contracts to avoid unethical misconduct activities and promote it gradually.	None
(2) Has the Company established a dedicated unit to promote ethical corporate management under the Board of Directors, and regularly (at least once a year) report to the Board of Directors on its ethical corporate management policy, measures to prevent unethical conduct, and monitor implementation?	✓		The Company is promoted by the Investor Relations Department of ethical corporate management in accordance with the " Ethical Management Best Practice Principle". Education and training held when new colleagues for registration, the integrity policy is promoted in routine executive meetings and business meetings, and multiple communication channels are established to strengthen policy promotion, and through internal audit mechanisms, regular checks are made for violations of integrity, effective supervision and prevention system.	None

Evaluation Criteria	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEx Listed Companies" and Reasons
	Yes	No	Explanation	
			Employees can also communicate with various management levels through channels. The Company's website has a platform for reporting violations. In 2020, there were zero valid cases of direct employee reports and external reports, and no major unethical behavior occurred.	
(3) Does the Company establish policies to prevent conflicts of interest, provide suitable channels to report such conflicts, and implement such policies?	✓		The Company has regulated the directors' proposals for their interests. If they are harmful to the company's interests, they should be evaded and must not participate in discussions and voting; company directors, managers, employees, and assignees must not use them to serve in the company. The position or influence of the company to obtain illegitimate benefits for oneself or others.	None
(4) Has the Company established an effective accounting system and internal control system to facilitate ethical corporate management? Does its internal audit team provide risk assessment results and formulate audit plans related to unethical conduct, and audit compliance of nonethical conduct measures, or does the Company engage external CPAs to implement such audits?	✓		The Company has established an internal control system and implemented it. The internal auditors formulate relevant audit plans based on the assessment results of the risk of unethical behavior, and prepare an audit report and submit it to the board of directors. In addition, the Company ensures the design and implementation of the system. The implementation is continuous and effective, and annual inspections and revisions are carried out to establish a good corporate governance and risk control mechanism as the basis for evaluating the effectiveness of the overall internal control system and issuing an internal control system statement.	None
(5) Does the Company regularly hold internal and external educational trainings on ethical corporate management?	✓		The Company organizes education and training in order to strengthen integrity and ethical standards. Education and training held when new colleagues for registration, publicity in routine executive meetings and business meetings, etc., courses on compliance with integrity management regulations, occupational safety and health management, and internal control systems, totaling 24 sessions, 312 Participants, including 6 courses, 72 person-times, promoted the specific practices of integrity management.	None
3. Reporting ethical violations (1) Has the Company formulated a concrete whistleblowing and incentive system, established a convenient whistleblowing channel, and assigned appropriate personnel to handle the cases of those who have reports raised against them?	✓		The Company establishes and announces an independent mailbox in accordance with the " Measures for Reporting Cases of Illegal, Unethical or Dishonest Behavior " for internal and external personnel to use. E-mail: audit@a-power.com.tw	None
(2) Has the Company established standard operating procedures for handling whistleblowing claims and, after a complete investigation, follow-up	✓		The Company has formulated the "Measures for Reporting Cases of Illegal, Unethical or Dishonest Behavior", and in accordance with relevant measures, subsequent review and	None

Evaluation Criteria	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEx Listed Companies" and Reasons
	Yes	No	Explanation	
measures and mechanisms related to maintaining confidentiality?			improvement measures will be reported to the board of directors. The identity and content of the whistleblowers are indeed confidential.	
(3) Does the Company provide proper whistleblower protection?	✓		The Company has established the Principles with objective, fair, confidential, and sensitive investigation procedures in order to protect whistleblowers from any improper treatment.	None
4. Enhancing information disclosure Does the Company disclose its established ethical corporate management policies and promotion results on its website and MOPS?	✓		The Company has disclosed the "Code of Integrity Management" and "Code of Ethical Conduct" on its official website and on MOPS. Please refer to the company's website: Corporate Governance for information on the effectiveness of promoting integrity management, education and training, and handling of complaints.	None
5. If the Company has established ethical corporate management policies based on the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies," please describe any discrepancies between the policies and their implementation: With no discrepancies.				
6. Other important information to facilitate a better understanding of the Company's ethical corporate management practices: The Company implements a regular review process for any amendments to the Ethical Corporate Management Best Practice Principles, which includes consistently monitoring developments in domestic and international ethical corporate management standards, and by encouraging directors, management, and employees to share their recommendations, in order to improve the overall performance of corporate business ethics.				

4.7 Access to Corporate Governance Rules and Procedures:

Please refer to the MOPS website http://mops.twse.com.tw/ for the corporate governance or the website of the Company for the corporate governance.

4.8 Other Important Information to Facilitate Better Understanding of the Company's Corporate Governance Practices:

Please refer to the MOPS website http://mops.twse.com.tw/ for the corporate governance or the website of the Company for the corporate governance.

(1). Fulfillment of CSR

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

A. Communication

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

B. Green Production

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

C. Environmental Management

The increasing environmental awareness results in that the companies having outstanding environment performance are better positioned in the international competitions. Due to this, the Company continuously requires the suppliers to comply with the ISO140001 environmental management system and OHSAS18001 occupational health and safety management system. It is expected to achieve the autonomous and continuous improvement via the systematic management, and thus to improve the environment and reduce the impacts to the environment.

D. Employee Benefits

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

Talents are the most important resources of the Company, as well as the critical keys for the future growth. Therefore, a good working environment is built for the comforts of the employees. The flextime is also introduced, so that the employees may arrange their works and private lives, to achieve the work-life balance better.

The Company always values the employee benefits very much. Except the bonuses at the year-end, dragon boat festival, mid-Autumn festival, Labor Days, the Employee Benefit Committee and the Trust of the Employees’ Shareholding are establishing to promote the harmonious relationship between the labor and the management and the best of the employees’ benefits.

(2). Development of Sustainable Environment

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

a. The risk of climate changes related regulations that the Company is exposed to:

The Company and subsidiaries are not the in the list of “First batch of source of emission to inspect and register the quality of greenhouse emissions” based on the

"Act of Reduction and Management for Greenhouse Gas Emission," and thus there is no risk of violation.

b. The substantial risks for the Company to be affected by the climate changes:

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

c. Opportunities provided by the climate changes:

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

d. The quantity of the greenhouse gas emission (direct/indirect):

The inspected quantity of the greenhouse gas emission of the Company is not externally certified, but only a self-management. The CO2 equivalents estimated by the statistics of the utility bills in 2019 and 2020 were as the following:

Scope of Inspection: Hsinchu and Taipei office

Period of Inspection: 2019 and 2020

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

Year	Total Emission (kg)	CO2 Equivalent (t)	Water consumption (degrees)	Total weight of waste (t)
2019	511,433	273	3,737.37	3.45016
2020	519,747	332	2,600.38	3.95016

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

a. The strategy to responding the climate changes or management of greenhouse of the Company:

The Company is a design company without foundry, and thus the greenhouse emission is indirect. The CO2 emission caused by the power consumption from air-conditioning and household water consumption are the major sources of greenhouse emission. The energy-saving and the emission reductions are mainly through the power saving. Besides, the strategy of the Company and subsidiaries are to consider the impact to the environment and carbon reduction from the beginning of design. The green design is applied. From the production of materials, transportation, production of products, transportation of products, product application until the post-disposal treatment shall be taken into account for their impacts to the environments. Besides, during the operation, the power shall be actually saved to achieve the goals of reducing the emission of greenhouse gas and decrease the use of resources, and thus minimize the impacts to the environment and ecologies. The energy-saving programs promoted by the Company and subsidiaries in the recent years include: turning off lights and power when not needed; walking the stairs instead of taking elevators. Also the light sources are replaced by LED gradually to reduce the power consumption and thus the CO2 emission. The Company is now digitizing the forms of approval, to decrease the use of paper, and move forward to the goal of paperless. Also, for the sustainable use of resources, the first priority of the management of wastes is to reducing wastes during the production, and then the re-use, and the last is the treatment or disposal. In addition, the company and subsidiaries continue to electronically sign-off forms to reduce paper usage and move towards the goal of paperless. To grasp the direction of the wastes, the Company and subsidiaries carefully select the vendors for waste disposal and recycling, to reduce and recycle the wastes for reduction of environmental risks. Promote water-saving management, reduce water consumption or water-saving efficiency of recycling, with the goal of 1% water saving rate per year.

b. The objectives of the greenhouse emission reduction:

The total annual emissions are positively correlated with the number of employees, and it is not easy to set reduction targets. Since the emission source mainly comes from the electricity required for air conditioning and office lighting, energy-saving solutions will be promoted and unnecessary waste will be reduced. The annual emissions are related to the office floor area and the number of users. The goal is to reduce the per capita emissions year by year. In 2020, the overall carbon emissions increased by 1.63% compared with 2019, and the per capita carbon emissions increased by 7.2%

Year	Total Emission (kg)	Average number of employees	Carbon emissions per capita
108	511,433	134	3,817
109	519,747	127	4,092

c. The budget and plan of the greenhouse emission reduction:

Advocate to turn off lights and power when not needed; energy-saving inspection from time to time, encourage to walk the stairs instead of taking elevators. Turn off the lights and air conditioning at the idled areas, and only basic power is retained, to reduce the usage of power and the emission of CO2.

d. The effects of reduction of CO2 emission brought to the clients or consumers by the products or services of the Company:

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

(3). Procedures for handling important internal information

In order to ensure that employees, managers and directors are aware of and follow the "procedures for handling important internal information", the company regularly issues relevant announcements and notices every year and incorporates it into the internal control system to reduce the risk of insider trading.

4.9 Internal Control Systems

(1). Statement of Internal Control System

Statement of Internal Control System

Date: March 9, 2021

Based on the results of self-assessments, Advanced Power Electronics Co., Ltd. states the following with regard to its internal control system during the year 2020.

1. Our board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and we take immediate remedial actions in response to any identified deficiencies.
3. We evaluate the design and operating effectiveness of our internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component contains certain elements which stated in the Regulations.
4. We have evaluated the design and operating effectiveness of our internal control system according the aforesaid Regulations.
5. Based on the results of evaluation, we believe that, on December 31, 2020, we have maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of our annual report for the year 2020 and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 2,32,171, and 174 of the Securities and Exchange Law.
7. This statement was approved by the board of directors in their meeting held on March 9,2021, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

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

(2). Auditor Review Report: None.

4.10 Any Penalties for Violations of Regulations or the Company's Internal Control Systems; Major Defects and the Status of Corrections of Internal Control Systems for Fiscal Year 2020 and Up To the Publication Date of This Annual Report:

None.

4.11 Major Resolutions of Shareholders' Meetings and Board Meetings for Fiscal Year 2020 and Up To the Publication Date of This Annual Report

(1). Major Resolutions and Execution Status of 2020 General Shareholders' Meeting

Dates of General Shareholders' Meeting	Contents of motion	Execution Status
June 15, 2020	1.The Company's 2019 business report and financial statements and the 2019 earnings distribution of the Company.	For 2019 earnings distribution, cash dividend paid to the shareholders NT$0.5 per share; September 23, 2020 is the ex-dividend date, October 8, 2020 is the dividend payment record date.
	2. The amendment to the Rules and Procedures of Shareholders' Meeting.	Disclosure on the Company website.
	3. To elect 7 directors of the Company's 9th term of directors (including 3 independent directors).	Reelected the Company's 8th term of directors as the Company's 9th term of directors (including 3 independent directors).
	4. The lift of restriction on the non-compete clauses for the Company's 9th term of directors.	Approved in accordance with the resolution.

(2). Major Resolutions of Board Meetings

The Board of Directors convened 9 meetings (A) in fiscal year 2020 and up to the publication date of this annual report, of which major resolutions are as follows:

Dates of Board meetings	Contents of motion
1st Session of the 8th BOD in 2020 Mar. 26, 2020	1. The 2019 Internal Control Statement of the Company. 2. The 2019 business report and financial statement of the Company. 3. The 2019 earnings distribution of the Company. 4. The 2019 earning distribution for compensation to directors and employee. 5. The proposal to elect 7 directors of the Company's 9th term of directors (including 3 independent directors). 6. The date and agenda of 2020 Annual General Meeting and proposals from the shareholders. 7. The amendment to the Rules and Procedures of Shareholders' Meeting. 8. The amendment to Rules and Procedures of Board of Directors' Meetings. 9. The amendment to Regulation for Audit Committee. 10. The amendment to Regulation for Compensation Committee. 11. The amendment to Code of Corporate Governance. 12. The amendment to CSR Best Practice Principles.
2nd Session of the 8th BOD in 2020	1. The Company's consolidated financial report for the first quarter of 2020. 2. The nominations and the review for the Company's slate of candidates for the

Dates of Board meetings	Contents of motion
Apr. 30, 2020	election of independent director of the 9th term of directors. 3. The lift of restriction on the non-compete clauses for the Company's 9th term of directors. 4. The Company buy back the company's shares and expects to transfer to employees, totaling 2,000,000 shares.
1st Session of the 9th BOD in 2020 June 15, 2020	1. Elect Mr. Fu-Chi Teng as the Chairman of the Company's 9th term of directors.
2nd Session of the 9th BOD in 2020 Aug. 6, 2020	1. The Company's consolidated financial report for the second quarter of 2020. 2. Approved to the ex-dividend base date for the cash dividends of 2019. 3. The appointment of members of the fifth remuneration committee of the company, and elected independent director Mr. Ciou-Lin Chen as the convener and chairman of the remuneration committee. 4. Formulate the Procedures for Buying Back Treasury Stocks and its internal control system
3rd Session of the 9th BOD in 2020 Oct. 8, 2020	1. To purchase real estate plants for Taipei business use.
4th Session of the 9th BOD in 2020 Nov.6, 2020	1. The Company's consolidated financial report for the third quarter of 2020. 2. The evaluation of the suitability and independence of appointed CPAs and the delegation compensation. 3. The appointment Lin-Chung Huang as the Company's President. 4. The Company's 2021 Audit Plan. 5. Adopted the Board Performance Evaluation Measures. 6. Approved the issuance of the Company’s employee stock options in 2020, with a total issuance of 2,000 units
5th Session of the 9th BOD in 2020 Dec. 10, 2020	1. The Company's business operation plan (including budget) for year 2021. 2. Approved the Company's prepayment to supplier. 3. Approved the revision of the Company's 2020 Employee Stock Option Issuance and Stock Subscription Measures. 4. The appointment Chien-Hsueh Lin as the Company's Vice President of Sales Division.
1st Session of the 9th BOD in 2021 Mar. 9, 2021	1. The 2020 Internal Control Statement of the Company. 2. The 2020 business report and financial statement of the Company. 3. The 2020 earnings distribution of the Company. 4. The 2020 earning distribution for compensation to directors and employee. 5. The amendment to the Rules and Procedures of Shareholders’ Meeting. 6. The date and agenda of 2021 Annual General Meeting and proposals from the shareholders. 7. The ratio of compensation to the Company's employees increased. 8. To issue the 2020 employee stock option.
2nd Session of the 9th BOD in 2021 Mar. 25, 2021	1. To purchase real estate plants for Taipei business use.

4.12 Major Dissenting Comments Among Directors Over Board Meeting Resolutions for Fiscal Year 2020 and Up To the Publication Date of This Annual Report:

None.

4.13 Resignation/Dismissal of Key Officers (including Chairman, President, Accounting Manager, Financial Manager, Internal Auditor, and R&D Manager) for Fiscal Year 2020 and Up To the Publication Date of This Annual Report:

Position	Name	Date of Appointment	Termination Date	Reason for Resignation or Dismissal
President	Fu-Chi Teng	October 15,2018	November 6, 2020	Job Transfer

5. Certified Public Accountant, or CPA, Professional Fees

Accounting Firm	Name of CPA	Audit Period	Remarks
Deloitte & Touche	Cheng-Ming Lee, Li-Wen Kuo	January 1 ~ December 31, 2020	None

Fee Range \ Fee Items		Audit Fee	Non-audit Fee	Total
1	Under NT$ 2,000,000	—	✓	—
2	NT$2,000,000 ~ NT$4,000,000	✓	—	✓
3	NT$4,000,000 ~ NT$6,000,000	—	—	—
4	NT$6,000,000 ~ NT$8,000,000	—	—	—
5	NT$8,000,000 ~ NT$10,000,000	—	—	—
6	Over NT$10,000,000	—	—	—

5.1 If non-audit fees paid to CPAs, their accounting firm and its affiliates are more than one-fourth of total audit fees, specify the amount of audit and non-audit fees, as well as the scope of non-audit services:

Unit: NT$'000

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Audit Period	Remarks
			System Design	Company Registration	Human Resource	Others	Total		
Deloitte & Touche	Cheng-Ming Lee, Li-Wen Kuo	2,950	—	—	10	80	90	January 1 ~ December 31, 2020	—

5.2 If the audit fees of the year in which the Company changes CPA firm is lower than that of the prior year, specify the amount of audit fee before and after, the fee reduction percentage, and the reasons:

None.

5.3 If the audit fee dropped year on year by more than 10%, specify the amount, percentage, and reasons for the reduction:

None.

6. Change of Certified Public Accountant

None.

7. Audit Independence for the Most Recent Year

None.

8. Shareholding Changes of Directors, Management, and Major Shareholders with Shareholding of 10% and more for the most recent year and up to the Publication Date of this Annual Report

8.1 Shareholding Changes of directors, managers and major shareholders

Unit: Share

Title	Name	2020		As of April 2 ,2021	
		Shares Increase (Decrease)	Pledged Shares Increase (Decrease)	Shares Increase (Decrease)	Pledged Shares Increase (Decrease)
Chairman	Future Technology Consulting, Inc. Representative: Fu-Chi Teng	0	0	0	0
Director	STCH Investment Inc. (Cayman) Representative: Tzu-Cheng Chang	0	0	0	0
Director	Shih-Chieh Tsai	0	0	0	0
Director	Ji-Yu Yang	0	0	0	0
Independent Director	Ciou-Lin Chen	0	0	0	0
Independent Director	Yong-Sheng Liu	0	0	0	0
Independent Director	Pei-Jun Wu	0	0	0	0
President	Lin-Chung Huang	0	0	0	0
Vice President of R&D Division	Jau-Yan Lin	0	0	0	0
Vice President of Product Engineering Division	Meng-Hui Lin	0	0	0	0
Vice President of Finance & HR Administration Division	Mei-Ying Tan	0	0	0	0
Vice President of Sales Division	Chien-Hsueh Lin (Succeeded on Jan. 1,2021)	Not applicable		0	0

Note: The related information is only disclosed when the insiders are at the position. From the date of resignation and discharge, the insiders' information of shareholding is not to be disclosed.

8.2 Stock Trade with Related Party

None.

8.3 Stock Pledge with Related Party

None.

9. Relationship among the Top Ten Shareholders

As of April 2,2021; Unit: Share; %

Name	Current Shareholding		Spouses' and Minors' Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
STCH Investment Inc.	6,193,247	7.61	0	0.00	0	0.00	None	None	
STCH Investment Inc. Representative: Ching-Yi Chang	0	0.00	0	0.00	0	0.00	None	None	
Future Technology Consulting, Inc.	3,084,899	3.79	0	0.00	0	0.00	Fu-Chi Teng	Chairman of the company	
Future Technology Consulting, Inc. Representative: Fu-Chi Teng	1,940,102	2.39	0	0.00	0	0.00	Future Technology Consulting, Inc.	Chairman of the company	
Fu-Chi Teng	1,940,102	2.39	0	0.00	0	0.00	Future Technology Consulting, Inc.	Chairman of the company	
TCB Bank Trust Account - Prudential Financial Satisfaction Securities Investment Trust Fund	1,032,000	1.27	0	0.00	0	0.00	None	None	
Megabank Trust Account -Prudential High Growth Securities Investment Trust	1,000,000	1.23	0	0.00	0	0.00	None	None	
Ko-Yu Yu	927,896	1.14	15,631	0.02	0	0.00	None	None	
Mei-ling Yu	750,000	0.92	0	0.00	0	0.00	None	None	
CTBC Bank Trust Account - APEC Employee Stock Ownership Trust Plan	730,513	0.90	0	0.00	0	0.00	None	None	
Zhi-Ming Zhu	700,000	0.86	0	0.00	0	0.00	None	None	
Jin-yuan Lin	650,000	0.80	0	0.00	0	0.00	None	None	

10. Comprehensive Shareholding Information Relating to Company, Directors, Management, and Companies Affiliated through Direct and Indirect Investment

As of December 31, 2020; Unit: Share; %

Affiliated Companies	Investments of the Company		Direct or Indirect Investments		Total Investments	
	Shares	%	Shares	%	Shares	%
Future Technology Consulting (B.V.I.), Inc.	2,350,000	100.00	0	0.00	2,350,000	100.00
Perfect Prime Limited (SAMOA)	450,000	100.00	0	0.00	450,000	100.00

Affiliated Companies	Investments of the Company		Direct or Indirect Investments		Total Investments	
	Shares	%	Shares	%	Shares	%
Shenzhen Fucheng Electronics. Corp. (Note1)	Note 3	100.00	0	0.00	Note 3	100.00
Green Power Semiconductor Corp.	6,861,000	87.96	0	0.00	6,861,000	87.96
OPC Microelectronics Co., Ltd. (Note 2)	Note 3	100.00	0	0.00	Note 3	100.00

Note 1: An indirect investment through Perfect Prime Limited (SAMOA).
Note 2: An indirect investment through Green Power Semiconductor Corp..
Note 3: Limited company is expressed in terms of capital contribution.

4 Capital Review

1. Capital and Shares
2. Corporate Bonds
3. Preferred Shares
4. Overseas Depository Receipts
5. Employee Stock Options
6. Employee Restricted Stock Shares
7. Shares Issuance for Mergers and Acquisitions
8. Funding Use Plan and Execution

Capital Review

1. Capital and Shares

1.1 Source of Capital

(1). Issued Shares

As of April 2, 2021

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares (thousands)	Amount (NT$'000)	Shares (thousands)	Amount (NT$'000)	Sources of Capital	Capital Paid-in by Assets Other than Cash	Other
Apr 2015	10.40	200,000	2,000,000	181,687.144	1,816,871.44	Cash	None	Note 1
Jul 2015	10 10.40	200,000	2,000,000	181,550.144	1,815,501.41	Cancelling new restricted employee stock and cash	None	Note 2
Jul 2015	10	200,000	2,000,000	81,622.215	816,222.15	Reduction of capital	None	Note 3
Nov 2015	10	200,000	2,000,000	81,571.862	815,718.62	Cancelling new restricted employee stock	None	Note 4
Apr 2016	22.7	200,000	2,000,000	81,580.842	815,808.42	Cash	None	Note 5
Jul 2016	10	200,000	2,000,000	81,564.657	815,646.57	Cancelling new restricted employee stock	None	Note 6
Nov 2016	10 21.7	200,000	2,000,000	81,304.149	813,041.49	Cancelling treasury stock and cash	None	Note 7
Mar 2017	10	200,000	2,000,000	81,282.569	812,825.69	Cancelling new restricted employee stock	None	Note 8
Oct 2017	10	200,000	2,000,000	81,290.988	812,909.88	Cash	None	Note 9
Mar 2018	10	200,000	2,000,000	81,340.493	813,404.93	Cash	None	Note 10

Note 1: Authorization No. 10401062770, April 17, 2015.
Note 2: Authorization No. 10401152190, April 23, 2015.
Note 3: Authorization No. 10401151180, July 27, 2015.
Note 4: Authorization No. 10401242750, November 20, 2015.
Note 5: Authorization No. 10501069870, April 15, 2016.
Note 6: Authorization No. 10501165550, July 25, 2016.
Note 7: Authorization No. 10501271520, November 24, 2016.
Note 8: Authorization No. 10601028570, March 2, 2017.
Note 9: Authorization No. 10601149510, October 30, 2017.
Note 10: Authorization No. 10701017590, March 9, 2018.

(2). Type of Share

As of April 2, 2021

Share Type	Authorized Capital					Remark
	Listed shares	Unlisted shares	Total	Unissued shares	Total	
Common stock	81,340,493	—	81,340,493	118,659,507	200,000,000	7,500,000 shares are reserved for employee stock option.

(3). Self-registration system: None.

1.2 Shareholder structure

As of April 2, 2021

Shareholder Structure / Amount	Government Agencies	Financial Institutions	Other Institutions	Individuals	Foreign Institutions & Individuals	Total
Number of Shareholders	0	1	255	34,100	42	34,398
Shareholding (shares)	0	25,000	8,773,900	64,109,070	8,432,523	81,340,493
Shareholding %	0	0.03	10.79	78.81	10.37	100.00

1.3 Shareholding Distribution

As of April 2, 2021

Shareholding Range (Unit: Share)	Number of Shareholders	Shareholding (shares)	Shareholding (%)
1 - 999	20,620	1,222,623	1.50
1,000 - 5,000	11,771	22,107,002	27.19
5,001 - 10,000	1,168	9,606,278	11.81
10,001 - 15,000	262	3,406,744	4.19
15,001 - 20,000	218	4,124,006	5.07
20,001 - 30,000	132	3,419,254	4.20
30,001 - 50,000	95	3,906,927	4.80
50,001 - 100,000	71	5,089,942	6.26
100,001 - 200,000	37	5,524,367	6.79
200,001 - 400,000	9	3,058,431	3.76
400,001 - 600,000	3	1,625,983	2.00
600,001 - 800,000	6	4,070,792	5.00
800,001 - 1,000,000	2	1,927,896	2.37
>1,000,001	4	12,250,248	15.06
Total	34,398	81,340,493	100.00

1.4 Major Shareholders

As of April 2, 2021

Shareholding / Major Shareholder	Shares	%
STCH Investment Inc.	6,193,247	7.61
Future Technology Consulting, Inc.	3,084,899	3.79
Fu-Chi Teng	1,940,102	2.39
TCB Bank Trust Account - Prudential Financial Satisfaction Securities Investment Trust Fund	1,032,000	1.27
Megabank Trust Account -Prudential High Growth Securities Investment Trust	1,000,000	1.23
Ko-Yu Yu	927,896	1.14
Mei-ling Yu	750,000	0.92
CTBC Bank Trust Account - APEC Employee Stock Ownership Trust Plan	730,513	0.90
Zhi-Ming Zhu	700,000	0.86
Jin-yuan Lin	650,000	0.80

1.5 Share Price, Net Value, Earnings, Dividends and Related Information in recent 2 years

Year / Items			2019	2020	2021 (As of Mar. 31)
Market Price per Share (NT$)	Highest		34.20	55.00	61.70
	Lowest		23.75	14.90	44.80
	Average		28.64	30.81	51.49
Net worth per share (NT$)	Before earnings appropriation		17.30	19.63	–
	After earnings appropriation		16.80	Note1	–
Earnings per share (NT$) (Note 2)	Adjusted weighted average outstanding shares (‘000 shares)		81,341	81,341	–
	Earnings per share		0.68	2.44	–
	Adjusted Diluted Earnings per share		0.68	Note 1	–
Dividends per share (NT$)	Cash dividends		0.50	Note 1	–
	Stock dividends	Retained earnings	0.00	Note 1	–
		Capital surplus	0.00	Note 1	–
	Accumulated Undistributed Dividends		0.00	0.00	–
Return on Investment	Price / Earnings Ratio (Note 3)		42.12	12.63	–
	Price / Dividend Ratio (Note 4)		57.28	Note 1	–
	Cash Dividend Yield Rate% (Note 5)		1.75%	Note 1	–

Note 1: The appropriation amount for 2020 has yet to be approved at the AGM.

Note 2: If the stock dividend is to be adjusted retroactively, please list the earnings per share before and after the adjustment.

Note 3: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 4: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 5: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price)

1.6 Dividend Policy and Discussion

(1). Dividend policy

A. In annual profit-making year, the Company should distribute no less than 8% of profit as employees' compensation, and not more than 3% of profit should be distributed as Directors' compensation. The Company should by a resolution adopted by a majority vote at a meeting of the Board of Directors, have the profit distributable as employees' compensation in the preceding paragraph distributed in the form of share or in cash; and report at the regular shareholders' meeting.

However, that if the Company has any accumulated losses, an amount to offset should be reserved in advance and the abovementioned compensations will be made from the remaining profits.

B. In accordance with the policy, the Company'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 the Company'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 Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders.

C. In light of the fact that the Company 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, the Company 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.

D. The company's dividends for the most recent five years have been distributed at no less than 40% of the net profit after tax for the current year, and cash dividends have been distributed for the most recent five years. For the dividend distribution over the years, please refer to the company's website for dividend distribution.

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

The Board meeting convened on March 9, 2021, passed the proposal of dividend distribution as NT$ 1 per share in cash; the proposal is not yet approved by the Shareholders' Meeting.

1.7 The impact on the company's business performance and earnings per share (EPS) for allotment of free shares proposed at the shareholder's meeting:

None.

1.8 Compensation for employees, directors, and supervisors

(1). Quantity or scope of compensation for employees, directors, and supervisors as prescribed under the articles of Incorporation:

For the policies on distribution of employees, directors, and supervisors, refer to Chapter 1.6 Dividend Policy and Discussion.

(2). The Compensation Basis for Employees, Directors, and Supervisors; Accounting Treatment for the Differences between Estimated and Actual amount of Compensation:

The Company distribute no less than 8% of profit as employees’ compensation, and not more than 3% of profit as Directors' compensation in 2020.After the year end, if there is a materially change in the proposed amounts before the annual financial statements are authorized for issue, the differences are recorded in current year. If there is a change in the proposed amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

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

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

On March 9, 2021, the Board of Directors resolved to pass the proposal of compensation to employees and directors for 2020; the proposal is not yet approved by the Shareholders’ Meeting. The proposal is to distribute as the following:

a. The proposed compensation to employees: NT$19,943,543 in cash; NT$3,739,414 to directors.

b. The proposed distributed share compensation to employees: 0 share.

c. The total amount of the proposed compensation to employees and directors for 2020 is identical to the accounted amount of recognized expenses.

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

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

There is no difference between the actual distribution and the approved sums

1.9 Share Repurchase by the Company

As of December 31, 2020

Instance	6^{th} round
Purpose	Share transfer to employee
Projected buyback period	April 30, 2020 ~ June 29, 2020
Price range (NTD)	18 ~ 30
Classification and executed volume (Shares)	0 Common shares
Executed amount (NTD)	0

Average purchase price per share (NTD)	0
Ratio of executed volume to the volume to be repurchased (%)	0%
Cancellation and transfer volume (Shares)	0
Cumulative holding (Shares)	0
Cumulative holding as a percentage of total issued shares (%)	0%

2. Corporate Bonds

None.

3. Preferred Shares

None.

4. Overseas Depository Receipts

None.

5. Employee Stock Options

5.1 Status of employee stock options that have yet to mature

As of April 20, 2021

Type	5th (2018) Employee Stock Options	6th (2020) Employee Stock Options
Date of effective registration	2018/05/02	2020/12/01
Date of issuance (placement)	2018/05/10	2021/03/09
Subscribable shares issued	2,000	2,000
Ratio of subscribable shares issued as part of the total issued and outstanding shares (Note)	2.46%	2.46%
Exercise period	6 years	6 years
Method for exercising the options	Issuance of new shares	Issuance of new shares
Restrictions on the options exercise period and exercise ratio (%)	Period granted & Proportion of exercisable options: After 2 years (from the 3rd year) 40% After 3 years (from the 4th year) 700% After 4 years (from the 5th year) 100% (Total)	Period granted & Proportion of exercisable options: After 2 years (from the 3rd year) 40% After 3 years (from the 4th year) 700% After 4 years (from the 5th year) 100% (Total)
Number of shares already obtained through exercise of options rights	0	0
Total value of shares obtained by exercising options	0	0
Number of unsubscribed shares	235,000	2,000,000

Type	5th (2018) Employee Stock Options	6th (2020) Employee Stock Options
Subscription price per share of the unsubscribed shares	26.40	47.70
Proportion of the quantity of unsubscribed shares to total issued and outstanding shares (%)	0.29%	2.46%
Impact on shareholders' equity	May 10, 2020, as two year after upon the granted date, such employee stock option may be exercised. As the shares to be subscribe only takes 2.46% of the total issued shares, the interests of shareholders shall not be affected substantially.	March 9, 2023, as two year after upon the granted date, such employee stock option may be exercised. As the shares to be subscribe only takes 2.46% of the total issued shares, the interests of shareholders shall not be affected substantially.

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

5.2 Names, acquisition, and subscription of managerial officers who have obtained employee stock options as well as employees who rank among the top ten in terms of the number of shares obtained via employee stock options

(1). 5th (2018) Employee Stock Options

Unit: NT$'000; thousand Shares

	Title	Name	Stock options obtained	Proportion of Subscribed shares acquired to the total issued and outstanding shares	Exercised				Not exercise			
					Subscription quantity	Subscription price (NT$)	Subscription amount	No. of subscribed shares and proportion thereof as part of issued shares	Subscription quantity	Subscription price (NT$)	Subscription amount	No. of subscribed shares and proportion thereof as part of issued shares
Managerial officer	Resign	Tzong-Shiann Wu Vrej Barkhordarian	620	0.76%	-	-	-	-	-	-	-	-
Employee	Resign	Chiao-Wen Chung Yan-Hao Chen Zong-Da Li Yu-Cheng Wang Zi-Min Chang Shu-Yu Zhou Jin-Long He	1,120	1.38%	-	-	-	-	215	26.40	5,676	0.26%
	On-the-job	Yan-Wang Chang Zhen-Hua Chien Xiao-Yan Huang										

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

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

(2). 6th (2020) Employee Stock Options

Unit: NT'000; thousand Shares

	Title	Name	Stock options obtained	Proportion of Subscribed shares acquired to the total issued and outstanding shares	Exercised				Not exercise			
					Subscription quantity	Subscription price (NT$)	Subscription amount	No. of subscribed shares and proportion thereof as part of issued shares	Subscription quantity	Subscription price (NT$)	Subscription amount	No. of subscribed shares and proportion thereof as part of issued shares
Managerial officer	Chairman	Fu-Chi Teng	480	0.59%	-	-	-	-	480	47.70	22,896	0.59%
	President	Lin-Chung Huang										
	Vice President	Jau-Yan Lin										
	Vice President	Meng-Hui Lin										
	Vice President	Mei-Ying Tan										
	Vice President	Chien-Hsueh Lin										

	Title	Name	Stock options obtained	Proportion of Subscribed shares acquired to the total issued and outstanding shares	Exercised				Not exercise			
					Subscription quantity	Subscription price (NT$)	Subscription amount	No. of subscribed shares and proportion thereof as part of issued shares	Subscription quantity	Subscription price (NT$)	Subscription amount	No. of subscribed shares and proportion thereof as part of issued shares
Employee	Employee	Yan-yuan Huang	570	0.70%	-	-	-	-	570	47.70	27,189	0.70%
	Employee	Qing-tian Zhao										
	Employee	Cai-lun Peng										
	Employee	Qing-xun Zheng										
	Employee	Jun-yuan Zheng										
	Employee	Feng-chun Ye										
	Employee	Wen-wen Zeng										
	Employee	Qi-feng Zeng										
	Employee	Yu-sheng Zeng										
	Employee	Xue-lin Lu										

6. Employee Restricted Stock Shares

None.

7. Shares Issuance for Mergers and Acquisitions

None.

8. Funding Use Plan and Execution

None, as the Company has not incurred any fund raising activity

5 Operational Highlights

1. Business Overview
2. Markets & Sales Overview
3. Human Resources
4. Environmental Protection Expenditure
5. Employee Relations
6. Major Contracts

Operational Hig hlights

1. Business Overview

1.1 Business Scope

(1). Business overview

A. Electronic Parts and Components Manufacturing.

B. Wholesale of Household Appliance.

C. Retail Sale of Household Appliance.

D. Product Appearance Designing.

E. Software Design Services.

F. Other Designing (Electronic component design、IC design、semi-conductor design).

G. Other Industry and Commerce Services Not Elsewhere Classified (Electronic component、IC、electronic test service).

H. Wholesale of Electronic Materials.

I. Retail Sale of Electronic Materials.

J. Any other business (other than those approved by the relevant authorities) not prohibited or restricted by law.

(2). Revenue Breakdown

Unit: NT$'000

Item	Revenue in 2020	% of total
Low Voltage MOSFET	1,113,782	35.63
Middle Voltage MOSFET	1,181,956	37.81
High Voltage MOSFET	744,003	23.80
Others	86,035	2.76
Total	3,125,776	100.00

(3). Main products

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

A. Low Voltage MOSFET

B. Middle Voltage MOSFET

C. High Voltage MOSFET

D. IGBT

(4). New products to be developed

According to the characteristic requirements in different application, develop high-efficiency middle and low voltage MOSFET that meet the application circuits of various products, suitable for personal computers and notebooks Computers, power supplies, new-generation game consoles, and brushless DC electric motors (BLDC) related products such as sweeping robots, wireless vacuum cleaners, drones, power tools, etc., and are equipped with new packaging technology to provide the best temperature and performance .

High Voltage MOSFET has completed the third generation of SC series 600V/650V and continues to develop 700V/800V/ 900V series. It has also completed the process technology evaluation and planning of the fourth-generation SD new technology platform, which meets the needs of high-power power supplies and power chargers in the new economic transition of the post-epidemic era and provide customized solutions based on customers' different architecture applications.

1.2 Industry Overview

(1). Industry status and development

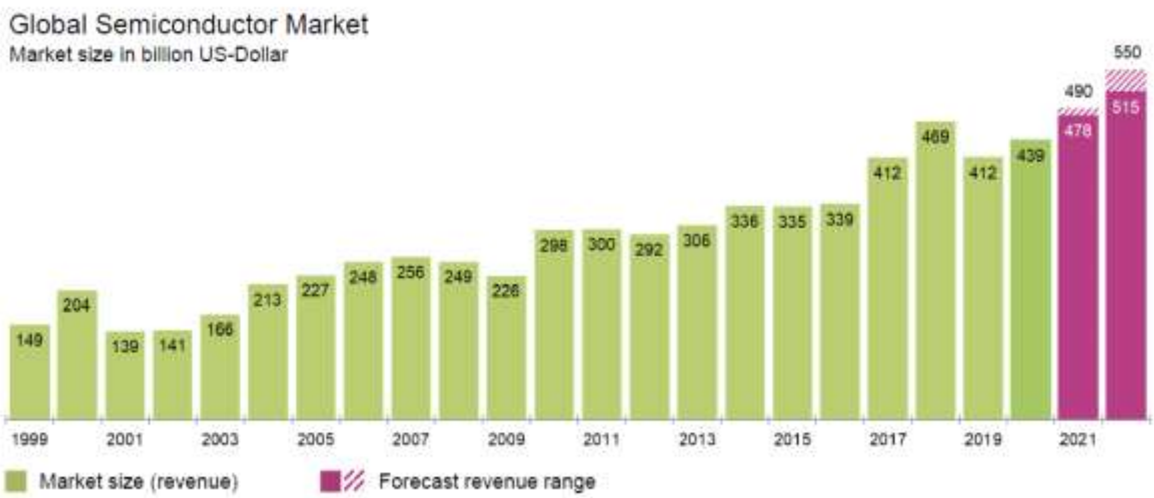
Power semiconductors can be divided into three categories, namely power discrete, power IC (Integrated Circuit) and power module. Among them, power discrete products comprise thyristors, rectifiers, diodes and power transistors. Power transistors mainly include power MOSFET (Metal Oxide Semiconductor Field Effect Transistors), IGBT (Insulated Gate Bipolar Transistors) and bipolar power Transistor. They are widely used in the computer, communications, automotive and consumer electronics industries, serving as the indispensable components for power conversion and power management.

Power semiconductors can be categorized as follows：

Source： IEK Consulting, ITRI (2018/12)

Power semiconductors are the core of power conversion and power management in electronic devices. They are mainly used to change the voltage and frequency of electronic devices, as well as to convert between DC and AC. Basically, power semiconductors can be found in circuit systems that require current, voltage and phase conversion. In general, power semiconductors can be divided into two categories: power discrete and power IC. Among various power discrete devices, power MOSFET and IGBT are the most important components.

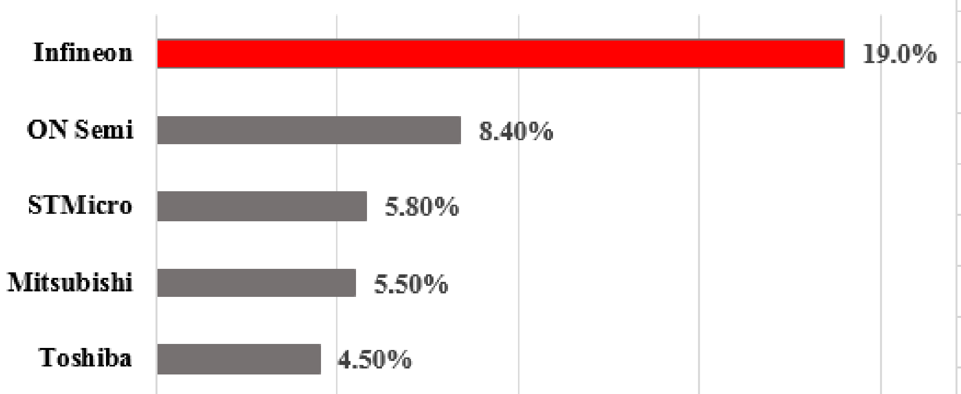
Power MOSFET is the most basic electronic component. It has the characteristics of high frequency, voltage drive, and good resistance to breakdown. It is used in various applications such as power supply, inverter, CPU and display card, communication systems, and automotive electronics, accounting for more than 50% of the applications of power discrete devices. According to the statistics of Infineon and other market research institutes, the total global semiconductor sales in 2019 was US$ 412 billion, a decline of 12.1% compared with 2018. However, the shutdown of factories caused by the global epidemic in 2020 has reduced the foundry capacity, while the implementation of quarantine measures as well as "work from home" has increased the need for consumer electronics, which further widens the gap between supply and demand. Starting from the second half of 2020, foundry capacity continued to show inadequacy, and components such as power supplies and drivers began to encounter supply shortage. Since the end of the third quarter of 2020, global semiconductors have entered the stage of passive restocking, leading to supply shortage around the world and the expectation of price increase. In addition to the new applications, such as base station power supply and fast charging, brought by the 5G technology, the development of electric cars also boosted the demand of power semiconductors dramatically. In the beginning of 2021, the earthquake in Japan and the winter storm in Texas, USA have severely impacted the foundry capacity, worsening the supply shortage and the soaring prices. This will drive the global semiconductor market to grow continuously at an average annual rate of more than 5% from 2020 to 2022. It is estimated that the total global semiconductor sales in 2022 will reach US$ 515 billion.



Source: From Infineon, WSTS for historical data. Forecast: of WSTS, Omdia, Gartner, IC Insights; last update 1 February 2021

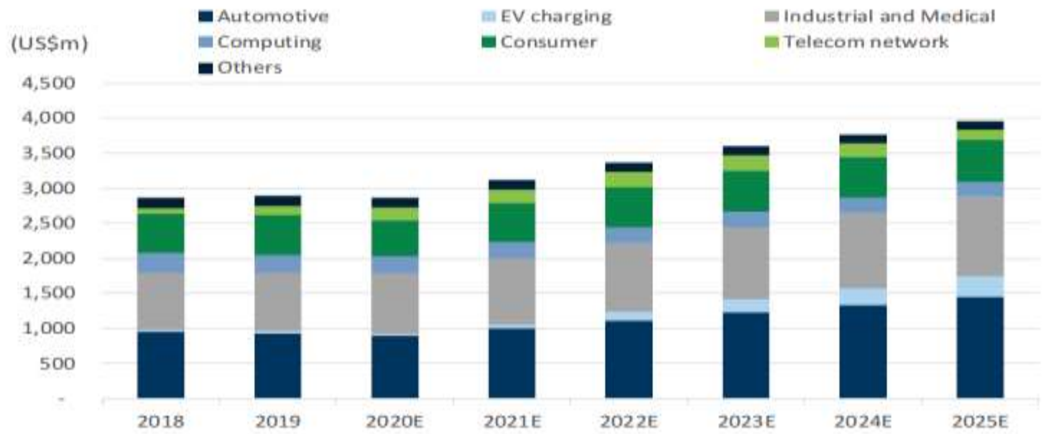
Most of the power discrete components in Europe, America and Japan are based on the IDM model, with complete wafer fabrication and packaging plants. Leading manufacturers such as Infineon and On Semi are all based on the IDM model. The power discrete industry is highly concentrated. According to data from Infineon and Omdia, the world's top five power semiconductor manufacturers accounted for more than 40% of the market share in 2019. Among them, Infineon is the world's largest power discrete component manufacturer, with a market share of 19%.

Power discretes and modules, 2019
total market in 2019: $21.0bn



Source: Based on or includes research from Omdia, "Power Semiconductor Market Share Database, September 2020

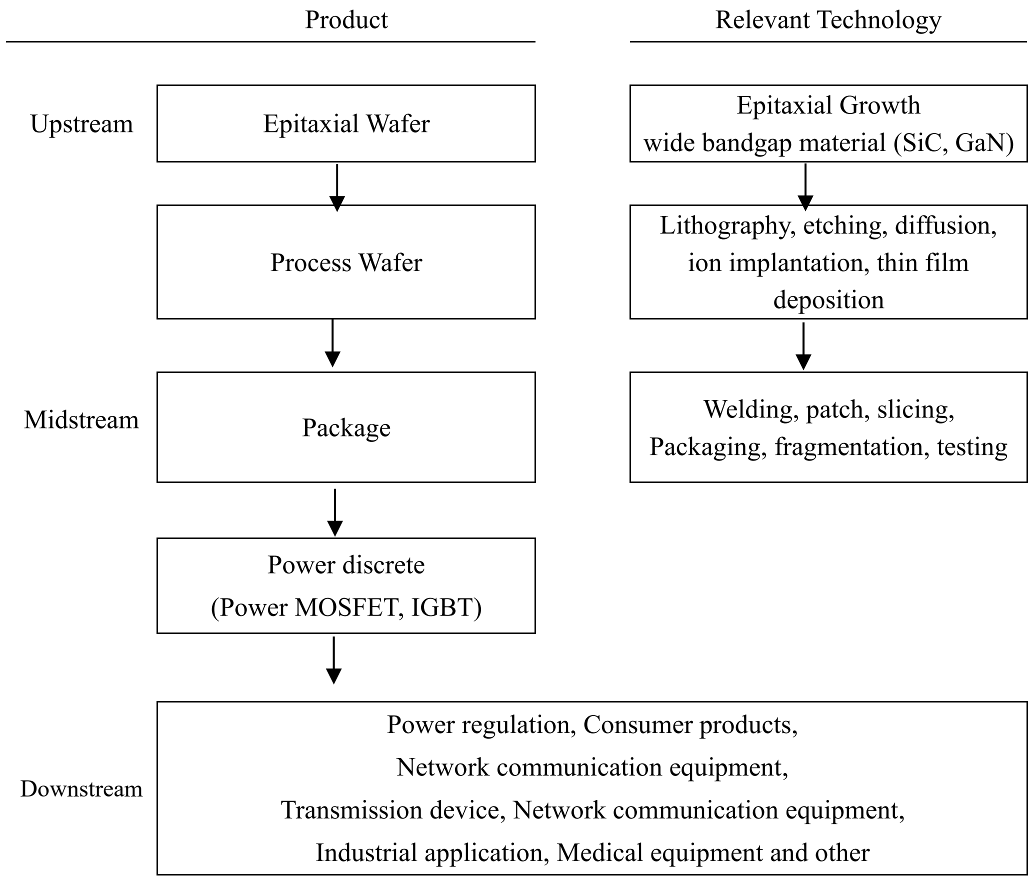
According to the assessment conducted by the Goldman Sachs Global Investment Research, driven by automotive, industrial/medical and consumer electronics applications in 2021, the power MOSFET market in China will grow by 9% compared with 2020, reaching US$ 3.1 billion. For medium and long term, businesses in China are encourage to develop independent innovation in response to the U.S.-China trade war, accelerating the course of product replacement and mitigating the impact of future risks. Driven by factors such as the demand derived from emerging technologies and the support of government policies, China is expected to grow at a rate of at least 5% or more every year. On the other hand, Taiwan's power semiconductor industry can provide advantages in both cost and customization when competing with international companies in the presence of the U.S.-China trade war, expecting to realize the possibility of "import substitution".



Source: Goldman Sachs Global Investment Research

(US$m)	2020E	2021E	2022E	2023E	2024E	2025E
Old China MOSFET TAM	2,884	3,051	3,189	3,353	3,560	3,730
New China MOSFET TAM	2,865	3,117	3,366	3,596	3,764	3,958
Revision %	-1%	2%	6%	7%	6%	6%
New China MOSFET TAM YoY		9%	8%	7%	5%	5%

(2). Industry value chain



1.3 Various Development Trends and Competitions of Products

(1) Various Development Trends of Products

A. Development of new energy systems driven by the industrialization of electric vehicles

The core of automotive electronics is power MOSFET. Regardless of the transmission control and braking in the engine or the driving system, steering control or inside the car, power MOSFET is required. In traditional cars, power-assisted steering, auxiliary brakes, and seat control systems, etc., all require motors; therefore, the number of built-in motors in traditional cars has grown rapidly, boosting the growth of the power MOSFET market. In addition to the semiconductors used by traditional vehicles, new-energy vehicles or alternative-fuel vehicles also comprises BMS (Battery Management System), EPS (Electric Power Steering), body control module gateway ECU, ADAS (Advanced Driver Assistance System), etc. The development of environmentally friendly new-energy vehicles such as electric cars is an urgent task for the government and businesses, with market demand growing year by year.

B. Development of third-generation semiconductors provides better performance advantages

To achieve better performance and reduce the size of devices, power semiconductors require higher standards of operating voltage and switching frequency. The substrate materials used in the future will be based on wide bandgap semiconductors such as

GaN and SiC. Compared with silicon-based semiconductors, the third-generation semiconductors represented by GaN MOSFET and SiC MOSFET have wider bandgap, higher breakdown field, higher thermal conductivity, higher electron saturation rate and higher radiation resistance, more appropriate for making high-temperature, high-frequency, radiation-resistant and high-power devices. The advantages of SiC MOSFET in terms of its performance will for sure turn SiC MOSFET into a next-generation technology.

(2) Competitions of Products

In the development of global power semiconductors, major technologies are still in the hands of international integrated device manufacturers (IDM). Leading companies with complete wafer fabrication and packaging plants, such as Infineon, On Semi, etc. are all based on the IDM model. The power discrete industry is highly concentrated. In 2019, the world's top five power semiconductor manufacturers accounted for more than 40% of the market share. In Taiwan, the manufactures are mainly focused in the low-voltage MOSFET power device market. Due to the limitation in capital, technologies and talents, the overall scale of the enterprises is small, and the deployment of the industry is scattered. Under the impact of the U.S.-China trade war, the de-American strategy has become a consensus in China’s semiconductor industry. To get rid of the long-term dependence on the technologies, product supply and patent licensing of the US semiconductor industry, China intends to implement the strategy of vertical integration that combines players from the upstream, midstream, and downstream of the industry, creating an independent and controllable semiconductor industry chain. In an effort to increase the self-sufficiency rate of power semiconductors, China is actively making development simultaneously in various aspects including IDM, design and foundry.

The global power semiconductor manufacturers are competitive since they adopt the IDM model. On the contrary, the manufacturers in Taiwan are mainly based on the fabless model, which suggest that companies do not have wafer fabrication capability, making them difficult to obtain stable wafer supply during wafer shortage. In addition, the design department of IDM-based manufacturers can perform parameter tests and iterative calculation processes in the wafer fabrication stage to better meet the schedule of product development. The Company provides comprehensive power solutions for new power requirements. Integrated devices (including the integration of MOSFET (Metal Oxide Semiconductor Field Effect Transistors) and protection diodes, the integration of drive circuits and power devices) can be optimized in various applications to achieve better performance. Under the pressure of business operation and market challenges, the Company steadily improves product technologies and reinforces the collaboration as well as the technical support with our customers, while developing emerging niche products and markets to continuously strengthen our operation performance.

1.4 Research and Development

(1). Major R&D Expenditures for the Most Recent Year: NT$100,439 thousand.

(2). Major R&D Achievements for the Most Recent Year

A. Low-Middle voltage N-Channel Power MOSFET

a. To provide new low-voltage trench N-Channel Power MOSFET solutions for computers and power supply secondary side synchronous rectifier and other related applications. And the design of the new generation for game consoles has provided.

b Provide a new series of low-voltage trench N-Channel Power MOSFET solutions for BLDC and other related applications such as brushless DC motors and DC Fans. Provide customized product solutions to meet the feature adjustments required by customers for different design architectures, and successfully use large-scale UAV designs with new TOLL packaging.

B. High Voltage Power MOSFET

Completed development of 600V/650V SC high voltage process technology platform. After 1,000 hours of reliability verifications are completed, the mass production phase begins. Provided Product design for power supply ODM manufacturers.

C. Insulated Gate Bipolar Transistors (IGBT)

Develop a design with built-in high-voltage Schottky diodes in the 600V/1200V IGBT technology in order to meet the needs of white goods such as refrigerators, microwave ovens and IH electronic pans and also provide cost-effective product solutions

D. SiC Schottky Diode

The development of a new process platform for SiC Schottky Diode has been completed. Relevant reliability verification will be started, and the initial evaluation and planning of SiC Power MOSFET will be carried out based on the technology of this process platform to provide product solutions for the future industrial and automotive markets

1.5 Corporate Development Plan

(1). Short-term Corporate Development Plan

A. Marketing Strategy

a. Enhance the market penetration of products

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

b. Provide real-time services

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

B. Production Strategy

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

C. Product Development Direction

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

D. Financial Planning

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

(2). Long-term Corporate Development Plan

A. Marketing Strategy

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

B. Production Strategy

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

C. Product Development Direction

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

2. Markets & Sales Overview

2.1 Market Analysis

(1). Sales regions:

Unit: NT$'000

Item \ Year		2019		2020	
		Amount	% of total	Amount	% of total
Domestic Sales	Taiwan	539,685	24.34	705,592	22.57
Export Sales	Asia	1,671,270	75.38	2,417,987	77.36
	Others	6,294	0.28	2,197	0.07
Net sales		2,217,249	100.00	3,125,776	100.00

The export ratio of the Company and subsidiaries was 77.43% in 2020, mainly in mainland China and South Korea.

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

A. Market share

Power semiconductor belongs to the semiconductor Industry, and for any product which requires a power supply and electricity. With the wide scope of application, it is an indispensable product for industries such as computers, communication, automobile, and consumer electronics. According to the report issued by Infineon and research agency, the annual global semiconductor sales volume is 412 billion U.S. dollars in 2019 and the annual global semiconductor sales volume is expected to 439 billion U.S. dollars in 2020. Therefore, the Company’s sales volume in 2020 accounted for the global power semiconductor market was still low.

B. Future market supply & demand and growth

The international competitors include Infineon, ON Semiconductor and ST Micro. The Company and subsidiaries will focus on the defined technology development for product lines, with the near-term objective of improving the technical specs of product lines to be comparative to the international majors, as well emphasizing various services (including technologies, complete supplies, quality, delivery and prices), seeking to increase the added values for clients’ products. With the focus on the R&D of the products, the Company and the subsidiaries have cultivated the power management relevant products, such as power MOSFETs and IGBTs for long time, with wide applications, from computers, communications, automobile industry to consumer electronics. We expect that revenues and profit of 2021 will grow gradually.

(3). Competitive niche

A. Strong management and R&D team

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

B. Possess independent R&D capability

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

C. Control foundry capacity and reduce production costs

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

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

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

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

A. Advantage factor

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

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

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

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

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

B Disadvantage factors and responsive measures

a. In the Sino-US trade war, under the trend of de-Americanization, they actively seized the Chinese market and obtained greater profits.

◆Responsive measures:

In order to maintain the competitive advantages of products, the company and subsidiaries are continuously upgrading their technology, using Taiwan's experience in having a complete semiconductor industry chain to enhance product innovation capabilities and market strategy layout, and to turn crisis into a turning point to close to the market and serve customers nearby.

b. It takes longer to cultivate professional and senior R&D personnel. In addition, the Company and subsidiaries have to pay higher labor costs to enhance R&D personnel's coherence to the Company and subsidiaries. The turnover of R&D personnel will also have an impact on the Company and subsidiaries.

◆Responsive measures:

The Company and subsidiaries do the best to value and train the R&D personnel and recruit R&D personnel. The R&D personnel can not only get profit feedback from employee bonuses and Employee Stock Ownership, but also have a good working environment and comprehensive job training, which is advantageous in the cultivation of professional R&D talents.

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

◆Responsive measures:

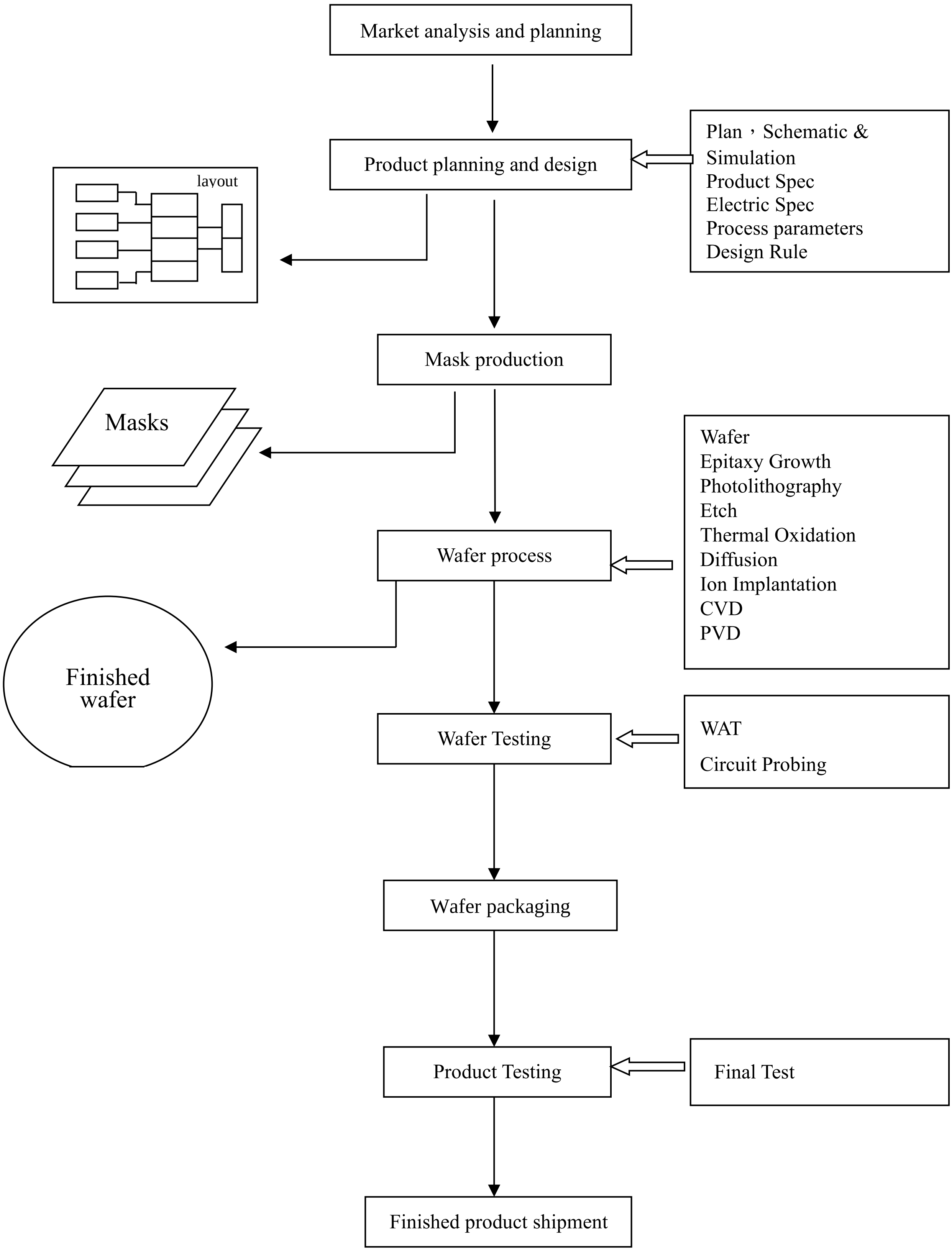
To strengthening strategic alliances and stabilize the long-term partnership with the Wafer foundry, or invest critical machinery and equipment of manufacturers by pre-payment to break production bottlenecks.

2.2 The key purposes and production process of the main products

(1). The application of main products

Main Products	Application
Low Voltage MOSFET	This is a power control component for information products, with characteristics of low conduction internal resistance, high switching speed, low gate charging capability, high withstand voltage and high current. This is power control systems for portable products such as notebooks, tablets, mobile phones and server systems used in cloud computing.
Middle and High Voltage MOSFET	This type of products has the characteristics of high withstand voltage, high current, low conduction internal resistance, and high capability to endure avalanche breakdown. They are applied to the low-watt switching power supplies and adapters, such as the charger for mobile phone batteries, and the adapter of notebooks and monitors. Furthermore, they are widely applied to the high-watt switching power supplies for PFC, Lighting, HID lights for care and servers, satisfying the demands for main switching power loads.
Insulated Gate Bipolar Transistor (IGBT)	It has the advantages of high switching speed, low switching loss, resistance to pulse current impact, reduced conduction voltage, high input impedance, voltage drive and low drive power, etc., and can be applied to electric vehicle motor inverters. The high-speed IGBT has high current drive and high withstand voltage capabilities, and through appropriate manufacturing processes, meets the requirements of rapid switching of components. It can be applied to power supplies for machine tools, electromagnetic heating and other home appliances.

(2) The Production process of the main products



2.3 Supply of major raw materials

Major raw materials	Suppliers	Condition of supply
Epitaxial Wafer	EPISIL	Good
Process Wafer	PSMC, Mosel Vitelic, HGrace	Good
Package Assembly	GEM、ASE-Weihai	Good

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

(1). Major Suppliers of the last two fiscal years

Unit: NT$'000

Item	2019				2020			
	Name	Amount	Percentage of net annual purchase (%)	Relation with issuer	Name	Amount	Percentage of net annual purchase (%)	Relation with issuer
1	FN012	352,869	18.94	None	PN011	462,639	19.06	None
2	FN013	292,697	15.71	None	FN012	453,404	18.68	None
3	PN011	242,143	13.00	None	FN005	276,609	11.40	None
4	FN005	216,259	11.61	None	FN013	253,517	10.45	None
5	—	—	—	—	WE005	249,043	10.26	None
	Others	759,089	40.74		Others	731,620	30.15	
	Total	1,863,057	100.00		Total	2,426,832	100.00	

Explanation of the increase or decrease:

The company and subsidiaries have maintained good relationships with major suppliers in the last two years. The supply and demand have remained stable, and there have been no major increases or decreases.

(2). Major Customers of the last two fiscal years

Unit: NT$'000

Item	2019				2020			
	Name	Amount	Percentage of net annual sales (%)	Relation with issuer	Name	Amount	Percentage of net annual sales (%)	Relation with issuer
1	T130044	254,493	11.48	None	F110044	443,189	14.18	None
2	—	—	—	—	T130044	387,321	12.39	None
	Others	1,962,756	88.52		Others	2,295,266	73.43	
	Total	2,217,249	100.00		Total	3,125,776	100.00	

Explanation of the increase or decrease:

The sales of the company and subsidiaries in 2020 increased compared with that in 2019. Due to the strong demand from end customers, there was no major increase or decrease in the structure of major customers.

2.5 Production/Sales quantities and values of the last two fiscal years:

Unit: thousand Piece (unit); NT$'000

Year / Quantity & Value / Major Product	2019		2020	
	Quantity	Amount	Quantity	Amount
Low Voltage MOSFET	504,927	647,783	831,000	946,621
Middle Voltage MOSFET	258,655	576,612	395,622	883,576
High Voltage MOSFET	148,667	574,775	151,569	668,376
Others	20,992	170,733	20,613	149,741
Total	933,241	1,969,903	1,398,804	2,648,314

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

2.6 Sales quantities and values of the last two fiscal years:

Unit: thousand Piece (unit); NT$'000

Quantity / Year / Major Product	2019				2020			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Qty	Amount	Qty	Amount	Qty	Amount	Qty	Amount
Low Voltage MOSFET	212,644	253,515	295,317	516,317	324,879	354,029	511,145	759,753
Middle Voltage MOSFET	50,800	128,264	206,479	622,830	71,253	175,328	330,083	1,006,628
High Voltage MOSFET	26,286	135,090	120,761	460,323	28,959	140,101	121,558	603,902
Others	11,336	22,816	9,543	78,094	18,981	36,134	26,508	49,901
Total	301,066	539,685	632,100	1,677,564	444,072	705,592	989,294	2,420,184

3. Human Resources

Unit: EA

Year		2019	2020	As of March 31, 2021
Employee	Manufacturing	43	43	42
	R&D	42	37	38
	Sales and Marketing	36	36	36
	General and Administrative	29	28	29
	Total	150	144	145
Average age		38.71	39.60	41.44
Average years of service		6.26	7.30	7.33
Education Distribution %	PhD Degree	0	0	0
	Master Degree	18.00	15.97	15.17
	College /University	81.33	83.33	83.44
	Senior High School	0.67	0.69	1.38
	Junior High School and below	0	0	0

4. Environmental Protection Expenditure

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

5. Labor Relations

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

(1). Employees’ welfare package

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

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

The benefit plans: a). Annual leaves are better than the days specified in the Labor Standards Act. b). Labor and health insurance, and the group insurance. c). Subsidies for wedding, funeral, and birth. d). Subsidies for training. e). Health check. f). Trust of employees’ shareholding. g). Company retreat. h). Subsidies for traveling. i). The bonuses at the year-end, Dragon Boat Festival, Autumn Moon Festival, and Labor Day. j). Birthday gift money. k.) Childcare allowance.

(2). Education and training

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

The training expenses of the company and subsidiaries for the year 109 were NT$39,667. There were 59 training classes, a total of 563 people trained, and a total of 269 hours of training hours.

(3). Code of employee's conducts and ethics

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

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

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

(4). Working environment and worker's safety protection

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

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

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

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

E. To contribute one's effort to the society, and sponsor the public welfare charity organizations, the Company and subsidiaries take philanthropic actions with our employees, the "Guidelines for Donations to Welfare Organization" are established.

The employees may decide the amount and the counterparties they want to contribute to, and the Company will join the contribution. The Company will contribute the same amounts as the donations of the employees to the public welfare organizations.

(5). Retirement plan

The Company and subsidiaries have established the retirement guidelines for employees, covering all the permanent employees. The “Labor Pension Act” has been enforced from July 1, 2005, is a defined contribution plan for retirement. The amount of labor pension borne by the employer pursuant to the Act shall not be less than six percent of the worker's monthly wage.

The Company and subsidiaries withheld NT$6,110 thousand for labor pensions in 2020.

(6). The Labor-Management Negotiation

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

5.2 Losses Related to Labor Disputes in 2020 and Up To the Publication Date of this Annual Report

The Company and the subsidiaries have not suffered from any material loss resulted from labor disputes.

6. Major Contracts

Contract Types	Contract Party	Contract Period	Key Content	Restrictions
SUPPLY ASSURANCE CONTRACT	Powerchip Semiconductor Manufacturing Corp.	Jan. 30, 2018 ~ Dec. 31, 2021	Wafer Supply	None
SUPPLY ASSURANCE CONTRACT	Episil-Precision Inc.	May 5, 2018 ~ Dec. 31, 2024	Epitaxial Wafer Supply	None
SUPPLY ASSURANCE CONTRACT	Powerchip Semiconductor Manufacturing Corp.	Dec 1, 2021~ Sep. 30, 2024	Wafer Supply	None

6 Financial Information

1. Five-Year Financial Summary
2. Five-Year Financial analysis
3. 2020 Audit Committee's Review Report
4. Consolidated Financial Statements and Independent Auditors' Report
5. Parent-only Financial Statements and Independent Auditors' Report
6. Occurrence of Financial Distress on the Company and Affiliates for the most recent year and up to the Publication Date of this Annual Report

Financial Information

1.Five-Year Financial Summary

1.1 Condensed Balance Sheet and Statement of Comprehensive Income

(1). Condensed Balance Sheet

Unit: NT$'000

Item / Year		Financial Summary for Most Recent 5 Years (Note 1)				
		2016	2017	2018	2019	2020
Current Assets		1,369,970	1,512,524	1,795,612	1,752,216	2,055,710
Property, Plant and Equipment		263,714	258,095	246,815	236,951	359,000
Intangible Assets		4,287	4,685	5,178	4,395	2,393
Other Assets		132,322	134,828	288,185	255,792	325,282
Total Assets		1,770,293	1,910,132	2,335,790	2,249,354	2,742,385
Current Liabilities	Before appropriation	453,837	577,430	875,746	832,594	1,053,420
	After appropriation	510,735	614,033	957,086	873,264	(Note 3)
Noncurrent Liabilities		484	149	293	710	88,974
Total Liabilities	Before appropriation	454,321	577,579	876,039	833,304	1,142,394
	After appropriation	511,219	614,182	957,379	873,974	(Note 3)
Equity attributable to owners of the parent company		1,311,971	1,303,389	1,437,067	1,406,820	1,596,999
Paid-in capital		812,826	813,405	813,405	813,405	813,405
Capital surplus		323,362	327,372	328,441	328,700	333,480
Retained earnings	Before appropriation	215,550	197,862	370,684	344,473	502,075
	After appropriation (Note 2)	158,652	161,259	289,344	303,803	(Note 3)
Other equity interests		(39,767)	(35,250)	(75,463)	(79,758)	(51,961)
Treasury stock		0	0	0	0	0
Non-controlling interest		4,001	29,164	22,684	9,230	2,992
Total equity	Before appropriation	1,315,972	1,332,553	1,459,751	1,416,050	1,599,991
	After appropriation (Note 2)	1,259,074	1,295,950	1,378,411	1,375,380	(Note 3)

Note 1: All financial data have been duly audited by independent auditors.
Note 2: The appropriation amount for the Year 2016 to 2019 has been approved at the AGM.
Note 3: The appropriation amount for 2020 still has to be approved at the AGM.

(2). Condensed Statement of Comprehensive Income

Unit: NT$'000

Item \ Year	Financial Summary for Most Recent 5 Years (Note)				
	2016	2017	2018	2019	2020
Revenues	1,715,438	2,129,631	2,709,090	2,217,249	3,125,776
Gross Profit	276,844	338,317	499,729	342,563	511,843
Income from Operations	27,281	61,138	173,236	68,999	239,941
Non-operating Income and Expenses	57,432	(11,512)	14,001	(10,010)	(16,329)
Income Before Income Tax	84,713	49,626	187,237	58,989	223,612
Continuing operating income after tax	70,741	37,377	159,899	41,929	196,348
Discontinued operation loss	0	0	0	0	0
Net income	70,741	37,377	159,899	41,929	196,348
Other comprehensive income (after tax)	(5,626)	3,052	2,114	(4,549)	27,719
Comprehensive income	65,115	40,429	162,013	37,380	224,067
Profit attributable to owners of the parent company	71,740	39,210	166,169	55,129	198,348
Profit attributable to non-controlling interest	(999)	(1,833)	(6,270)	(13,200)	(2,000)
Comprehensive income attributable to owners of parent company	66,114	41,893	168,493	50,834	226,069
Comprehensive income attributable to non-controlling interest	(999)	(1,464)	(6,480)	(13,454)	(2,002)
EPS (NT$)	0.88	0.48	2.04	0.68	2.44

Note: All financial data have been duly audited by independent auditors.

(3). Parent-only Condensed Balance Sheet

Unit: NT$'000

Item \ Year		Financial Summary for Most Recent 5 Years (Note 1)				
		2016	2017	2018	2019	2020
Current Assets		1,270,163	1,358,303	1,668,378	1,686,364	2,001,722
Property, Plant and Equipment		263,590	251,191	239,447	233,709	358,287
Intangible Assets		3,939	3,724	5,178	4,395	2,393
Other Assets		227,191	230,581	354,831	303,599	363,857
Total Assets		1,764,883	1,843,799	2,267,834	2,228,067	2,726,259
Current Liabilities	Before appropriation	452,428	540,261	830,438	820,501	1,040,251
	After appropriation	509,326	576,864	911,778	861,171	(Note 3)
Noncurrent Liabilities		484	149	329	746	89,009
Total Liabilities	Before appropriation	452,912	540,410	830,767	821,247	1,129,260
	After appropriation	509,810	577,013	912,107	861,917	(Note 3)
Equity attributable to owners of the parent company		1,311,971	1,303,389	1,437,067	1,406,820	1,596,999
Paid-in capital		812,826	813,405	813,405	813,405	813,405
Capital surplus		323,362	327,372	328,441	328,700	333,480
Retained earnings	Before appropriation	215,550	197,862	370,684	344,473	502,075
	After appropriation (Note 2)	158,652	161,259	289,344	303,803	(Note 3)
Other equity interests		(39,767)	(35,250)	(75,463)	(79,758)	(51,961)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before appropriation	1,311,971	1,303,389	1,437,067	1,406,820	1,596,999
	After appropriation (Note 2)	1,255,073	1,266,786	1,396,397	1,366,150	(Note 3)

Note 1: All financial data have been duly audited by independent auditors.
Note 2: The appropriation amount for the Year 2016 to 2019 has been approved at the AGM.
Note 3: The appropriation amount for 2020 still has to be approved at the AGM.

(4). Parent-only Condensed Statement of Comprehensive Income

Unit: NT$'000

Item \ Year	Financial Summary for Most Recent 5 Years (Note)				
	2016	2017	2018	2019	2020
Revenues	1,715,446	2,022,785	2,527,232	2,177,322	3,105,840
Gross profit	276,852	315,782	460,591	352,260	501,985
Income from Operations	44,175	87,740	208,540	130,007	259,508
Non-operating income and expenses	41,537	(37,144)	(15,421)	(57,577)	(33,896)
Income before income tax	85,712	50,596	193,119	72,430	225,612
Continuing operating income after tax	71,740	39,210	166,169	55,129	198,348
Discontinued operation loss	-	-	-	-	-
Net income	71,740	39,210	166,169	55,129	198,348
Other comprehensive income (after tax)	(5,626)	2,683	2,324	(4,295)	27,721
Comprehensive income	66,114	41,893	168,493	50,834	226,069
Profit attributable to owners of the parent company	71,740	39,210	166,169	55,129	198,348
Profit attributable to non-controlling interest	0	0	0	0	0
Comprehensive income attributable to owners of parent company	66,114	41,893	168,493	50,834	226,069
Comprehensive income attributable to non-controlling interest	0	0	0	0	0
EPS (NT$)	0.88	0.48	2.04	0.68	2.44

Note: All financial data have been duly audited by independent auditors.

1.2 Independent Auditor's Names and Opinions for Recent Five Years

Year	Accounting firm	Name of CPA	Opinion
2016	Deloitte & Touche	Wen-Chin Lin, Cheng-Ming Lee	An Unmodified Opinion
2017	Deloitte & Touche	Wen-Chin Lin, Cheng-Ming Lee	An Unmodified Opinion
2018	Deloitte & Touche	Wen-Chin Lin, Cheng-Ming Lee	An Unmodified Opinion
2019	Deloitte & Touche	Cheng-Ming Lee, Li-Wen Kuo	An Unmodified Opinion
2020	Deloitte & Touche	Cheng-Ming Lee, Li-Wen Kuo	An Unmodified Opinion

2 Five Years Financial Analysis

2.1 Consolidated Financial Analysis for Recent 5 Years

Item \ Year		Financial Summary for Most Recent 5 Years (Note)				
		2016	2017	2018	2019	2020
Financial structure	Liabilities to assets ratio (%)	25.66	30.24	37.51	37.05	41.66
	Long-term fund to PP&E ratio (%)	499.20	516.36	591.55	597.91	470.46
Solvency	Current ratio (%)	301.86	261.94	205.04	210.45	195.15
	Quick ratio (%)	204.21	172.71	106.77	106.60	124.59
	Interest coverage ratio (%)	42,357.50	63.19	47.08	13.93	77.68
Operations	Accounts receivable turnover (Times)	4.46	3.91	4.37	3.78	4.48
	Average collection days	82	93	84	97	81
	Inventory turnover (Times)	4.06	4.10	3.56	2.34	3.38
	Accounts payable turnover (Times)	4.97	4.52	4.90	4.53	5.50
	Average days sales	90	89	103	156	108
	Property, plant and equipment turnover (Times)	6.41	8.16	10.73	9.17	10.49
	Total asset turnover (Times)	1.01	1.16	1.28	0.97	1.25
Profitability	Return on assets (%)	4.17	2.07	7.68	1.99	7.96
	Return on equity attributable to owners of the parent company (%)	5.35	2.82	11.45	2.92	13.02
	Pre-tax income as a % of paid-in capital	10.42	6.10	23.02	7.25	27.49
	Net income margin (%)	4.12	1.76	5.90	1.89	6.28
	EPS (NT$)	0.88	0.48	2.04	0.68	2.44
Cash flow	Cash flow ratio (%)	(12.36)	(18.96)	(1.59)	(5.51)	39.19
	Cash flow adequacy ratio (%)	304.38	179.13	54.95	9.91	18.74
	Cash reinvestment rate (%)	(8.51)	(10.42)	(2.92)	(7.48)	19.02
Leverage	Operating leverage	4.57	3.02	1.87	2.82	1.57
	Financial leverage	1.00	1.01	1.02	1.07	1.01

Analysis for any variation plus and minus (+/-) 20% in recent 2 years:

1. Financial structure: Long-term fund to PP&E ratio decreased, primarily due to Property, plant and equipment increased in 2020.
2. Solvency: Interest coverage ratio increased, primarily due to Income before income tax increased in 2020.
3. Operations: Inventory turnover, Accounts payable turnover and Total asset turnover increased, Average days sales decreased, primarily due to revenues increased and inventory decreased because of customers demand strong in 2020.
4. Profitability: Return on assets, Return on equity attributable to owners of the parent company, Pre-tax income as a % of paid-in capital, Net income margin and EPS increased, primarily due to Net income increased in 2020.
5. Cash flow: Cash flow ratio, Cash flow adequacy ratio and Cash reinvestment rate increased, primarily due to Net income increased and Net cash generated from operating activities increased as well in 2020.
6. Leverage: Operating leverage decreased, primarily due to Income from Operations increased in 2020.

Note: All financial data have been duly audited by independent auditors.

2.2 Parent-only Financial Analysis for Recent 5 Years

Item	Year	Financial Summary for Most Recent 5 Years (Note)				
		2016	2017	2018	2019	2020
Financial structure	Liabilities to assets ratio (%)	25.66	29.31	36.63	36.86	41.42
	Long-term fund to PP&E ratio (%)	497.92	518.94	600.30	602.27	470.57
Solvency	Current ratio (%)	280.74	251.42	200.90	205.53	192.43
	Quick ratio (%)	186.32	166.72	103.95	102.10	122.54
	Interest coverage ratio (%)	42,857.00	151.14	76.20	17.94	79.97
Operations	Accounts receivable turnover (Times)	4.46	3.81	4.25	3.81	4.46
	Average collection days	82	96	86	96	82
	Inventory turnover (Times)	4.06	4.03	3.64	2.47	3.51
	Accounts payable turnover (Times)	4.95	4.31	4.64	4.44	5.47
	Average days sales	90	91	100	148	104
	Property, plant and equipment turnover (Times)	6.42	7.86	10.30	9.20	10.49
	Total asset turnover (Times)	1.01	1.12	1.23	0.97	1.25
Profitability	Return on assets (%)	4.24	2.19	8.18	2.60	8.10
	Return on equity attributable to owners of the parent company (%)	5.44	3.00	12.13	3.88	13.21
	Pre-tax income as a % of paid-in capital	10.54	6.22	23.74	8.90	27.74
	Net income margin (%)	4.18	1.94	6.58	2.53	6.39
	EPS (NT$)	0.88	0.48	2.04	0.68	2.44
Cash flow	Cash flow ratio (%)	(5.75)	(7.20)	2.78	(6.59)	40.43
	Cash flow adequacy ratio (%)	310.17	215.81	85.09	26.30	35.33
	Cash reinvestment rate (%)	(6.90)	(6.17)	(0.79)	(8.05)	19.55
Leverage	Operating leverage	3.20	2.25	1.60	1.83	1.48
	Financial leverage	1.00	1.00	1.01	1.03	1.01

Analysis for any variation plus and minus (+/-) 20% in recent 2 years:

1. Financial structure: Long-term fund to PP&E ratio decreased, primarily due to Property, plant and equipment increased in 2020.
2. Solvency: Interest coverage ratio increased, primarily due to Income before income tax increased in 2020; Quick ratio increased, primarily due to inventory decreased in 2020.
3. Operations: Inventory turnover, Accounts payable turnover and Total asset turnover increased, Average days sales decreased, primarily due to revenues increased and inventory decreased because of customers demand Strong in 2020.
4. Profitability: Return on assets, Return on equity attributable to owners of the parent company, Pre-tax income as a % of paid-in capital, Net income margin and EPS increased, primarily due to Net income increased in 2020.
5. Cash flow: Cash flow ratio, Cash flow adequacy ratio and Cash reinvestment rate increased, primarily due to Net income increased and Net cash generated from operating activities increased as well in 2020.

Note: All financial data have been duly audited by independent auditors.

Formulas for the above tables:

Financial structure

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

(2) Long-term fund to PP&E ratio = (Shareholders' equity + Long-term liabilities) / Net PP&E

Solvency

(1) Current ratio = Current assets / Current liabilities

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

(3) Interest coverage ratio = Income before interest and taxes / Interest expense

Operations

(1) Accounts receivable turnover = Net revenue / Average accounts receivable

(2) Average collection days = 365 / AR turnover

(3) Inventory turnover = COGS / Average inventory

(4) Accounts payable turnover = COGS / Average accounts payable

(5) Average days sales = 365 / Inventory turnover

(6) PP&E turnover = Net revenue / Average net PP&E

(7) Total asset turnover = Net revenue / Average total assets

Profitability

(1) Return on assets = [Net income + Interest expense x (1 – Tax rate)] / Average assets

(2) Return on equity = Net income / Average equity

(3) Net income margin = Net income / Net sales

(4) EPS = (Net income – Preferred stock dividends) / Weighted average outstanding shares

Cash flow

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

(2) Cash flow adequacy ratio = Net cash flow from operating activities for the past 5 years / (Capital expenditure + Increases in inventory + Cash dividends for the past 5 years)

(3) Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross PP&E + Long-term investments + Other assets + Working capital)

Leverage

(1) Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income

(2) Financial leverage = Operating income / (Operating income – Interest expense)

3. 2020 Audit Committee's Review Report

Advanced Power Electronics Co., Ltd.
Audit Committee’s Review Report

March 9, 2021

The Board of Directors of Advanced Power Electronics Co., Ltd. (APEC) has prepared the APEC’s 2020 Business Report, Financial Statements, and the Proposal for profit appropriation. The CPA Cheng-Ming Lee and Li-Wen Kuo from Deloitte & Touche were retained to audit APEC’s Financial Statements and have issued an audit report relating to the Financial Statements. The said Business Report, Financial Statements, and Proposal for profit appropriation have been reviewed and determined to be correct and accurate by the Audit Committee of APEC in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this Report.

Advanced Power Electronics Co., Ltd.

Chairman of the Audit Committee

4. Consolidated Financial Statements and Independent Auditors' Report

Refer to the attachment I.

5. Parent-only Financial Statements and Independent Auditors' Report

Refer to the attachment II.

6. Occurrence of Financial Distress on the Company and Affiliates for the most recent year and up to the Publication Date of this Annual Report

None.

7 Review and Analysis of Financial Position, Financial Performance, and Risk Management Results and Risk Management

1. Financial Position
2. Financial Performance
3. Cash Flow
4. Major Capital Expenditures and Impact for the most recent year
5. Investment Policies and Key Reasons for Profit / Loss for the most recent year; Improvement Plan and Future Investment Plan in the coming year
6. Analysis of Risk Management for the Most Recent Year and up to the Publication Date of This Annual Report
7. Others

Review and Analysis of Financial Position, Financial Performance, and Risk Management Results and Risk Management

1. Financial Position

Analysis of Consolidated Financial Position for the most recent 2 years

1.1 Consolidated balance sheet analysis

Unit: NT$'000

	2019	2020	YoY change	
			Amount	%
Current assets	2,055,710	1,752,216	303,494	17.32
Property, plant and equipment	359,000	236,951	122,049	51.51
Intangible assets	2,393	4,395	(2,002)	(45.55)
Other assets	325,282	255,792	69,490	27.17
Total assets	2,742,385	2,249,354	493,031	21.92
Current liabilities	1,053,420	832,594	220,826	26.52
Non-current liabilities	88,974	710	88,264	12,431.55
Total liabilities	1,142,394	833,304	309,090	37.09
Paid-in capital	813,405	813,405	0	0.00
Capital surplus	333,480	328,700	4,780	1.45
Retained earnings	502,075	344,473	157,602	45.75
Other equity	(51,961)	(79,758)	27,797	34.85
Equity attributable to owners of the parent	1,596,999	1,406,820	190,179	13.52
Non-controlling interests	2,992	9,230	(6,238)	(67.58)
Total equity	1,599,991	1,416,050	183,941	12.99

1.2 Analysis for any variation plus and minus (+/-) 20% and over NT$ 10 million:

(1). Property, plant and equipment increased: primarily due to acquisition of buildings in 2020.

(2). Other assets increased: primarily due to the increase of capacity refundable deposits in 2020.

(3). Current liabilities increased: primarily due to the increase of accounts payable in 2020.

(4). Non-current liabilities increased: primarily due to the increase of long-term borrowings in 2020.

(5). Retained earnings increased: primarily due to the increase of net profit in 2020.

(6). Other equity increased: primarily due to primarily due to the increase of unrealized gain on financial assets at fair value through other comprehensive income.

1.3 Preventive measures: None.

2. Financial Performance

Analysis of Consolidated Financial Performance for the most recent 2 years

2.1 Consolidated Statements of Comprehensive Income analysis

Unit: NT$'000

	2019	2020	YoY change	
			Amount	%
Revenues	3,125,776	2,217,249	908,527	40.98
Gross profit	511,843	342,563	169,280	49.42
Income from operations	239,941	68,999	170,942	247.75
Non-operating income and expenses	(16,329)	(10,010)	(6,319)	(63.13)
Income before income tax	223,612	58,989	164,623	279.07
Net income	196,348	41,929	154,419	368.29
Total comprehensive income	224,067	37,380	186,687	499.43
Net profit attributable to owners of the parent	198,348	55,129	143,219	259.79
EPS (NT $)	2.44	0.68	1.76	258.82

2.2 Analysis for any variation plus and minus (+/-) 20% and over NT$ 10 million:

(1). Revenues, gross profit and income from operations increased: Revenues increased by 40.98% primarily due to the strong demands in the markets. Gross profit and the income from operations increased as well.

(2). Income before income tax, net income, total comprehensive income, net profit attributable to owners of the parent and earnings per share increased: primarily due to Revenues and income from operations increased.

2.3 The sales forecast and the basis

The Company and the subsidiaries establish the annual sales target based on the industrial conditions and the past sales performances. The expected annual sales for 2021 are 1.477 billion pieces.

2.4 Effect of changes on future business and response actions:

Not applicable.

3. Cash Flow

Analysis of Consolidated Cash Flows for the most recent 2 years

3.1 Cash Flow Analysis

	2020	2019	Variance (+/-) %
Cash Flow Ratio (%)	39.19	(5.51)	811.25
Cash Flow Adequacy Ratio (%)	18.74	9.91	89.1
Cash Reinvestment Ratio (%)	19.02	(7.48)	354.28
Analysis for any variation plus and minus (+/-) 20%: Cash Flow Ratio, Cash Flow Adequacy Ratio and Cash Reinvestment Ratio increased in 2020 from 2019: primarily due to Revenues, net income grew significantly, and net cash generated from operating activities increased as well.			

3.2 Source of Funding for Negative Cash Flow in 2021: Not applicable.

3.3 Cash Flow Analysis for 2021: Not applicable.

4. Major Capital Expenditures and Impact for the most recent year

4.1 Major Capital Expenditures and Source of Funding

In order to meet the needs of corporate development and operation, the Company purchased the office in 2020 (7.8.9 of the 17th floor, No. 95, Section 1, Xintai 5th Road, Xizhi District, New Taipei City) for a total price of NT 123.57 million. 20% of the funds paid for internal fund, and the remaining 80% are covered by long-term secured bank loans.

4.2 Expected Benefits

(1). Capacity refundable deposits: to secure the capacities for sufficient supply.

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

5. Investment Policies and Key Reasons for Profit / Loss for the most recent year; Improvement Plan and Future Investment Plan in the coming year

5.1 Investment Policies

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

5.2 The main reasons for profit or loss and rectification plan

The investment loss accounted for using equity method in 2020 is NT$ 13,027 thousand decreased by 74%, primarily due to sales in the Chinese mainland market of OPC Microelectronics Co., Ltd. has gradually improved, and new customers have been successfully developed and losses have been reduced. The other reason is the related operational expenses for the local employees of Shenzhen Fucheng Electronics Co., Ltd.; this company has assisted the Company for accomplishing the product certification and promotions in the market of Southern China, and successfully expanded to the market. The Company is continuously committed to improving the efficiency of operations and effectively reducing expenses of the subsidiaries to turn losses into profits and capitalize on the profits of the Company.

5.3 Investment plans in 2021

The Company will continue evaluate the investment plan, takes long-term strategic sales layout requirements as the consideration of the investment strategy, and continues to strengthen the ability of sales channel services.

6. Analysis of Risk Management for the Most Recent Year and up to the Publication Date of This Annual Report

6.1 Impact of Interest Rates, Foreign Exchange Rates, Inflation, and Mitigating Measures:

(1). Impact on Company Profit and Loss

Unit: NT$'000

Items	2020	2019
Interest Income, Net	(652)	(1,472)
Foreign Exchange Gains/(Loss)	(21,321)	(7,176)
Revenues	3,125,776	2,217,249
Income Before Income Tax (D)	239,941	68,999
Interest Income, Net as % of Revenues	(0.02%)	(0.07%)
Interest Income, Net as % of Income Before Tax	(0.27%)	(2.13%)
Foreign Exchange Gains/(Loss) as % of Revenues	(0.68%)	(0.32%)
Foreign Exchange Gains/(Loss) as % of Income Before Tax	(8.89%)	(10.40%)

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

B. Most of the Company and subsidiaries' sales are quoted in USD, and thus the movement of exchange rates impacts the income of the period. From March 2020, the exchange rate of USD was depreciated by 6% in 2020, and thus the gain/loss of the exchange had a relatively higher ratio to the net operating profit. The Company and subsidiaries monitor the movement of exchange rates and the foreign exchange positions held while maintaining the balance between the foreign currency assets and liabilities, in order to reduce the exchange rate risks to the Company and subsidiaries.

C. In the most recent year and up to the Publication Date of this Annual Report, the Company and subsidiaries have not been materially affected due to inflations. Also the Company and subsidiaries always monitor the fluctuation of market prices, and keep good relationships with the suppliers and customers, for the purpose of avoiding the adverse impacts to the profit/loss of the Company by inflation.

(2). Mitigating Measures

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

6.2 Investment Policy for High-risk/High-leverage Financial Instruments, Loans, Debt Guarantees and Derivatives; Key Reasons for Related Gains / Losses, and Mitigating Measures:

Item	Implementation	Mitigating Measures
High-risk/High-leverage Financial Instruments	In the most recent year and up to the Publication Date of this Annual Report, the Company and subsidiaries have not conducted any high risk/ high leverage financial investment.	The Company and subsidiaries focus on the main business, and the funds are not applied to any high risk/ high leverage financial investment.
Loans	In the most recent year and up to the Publication Date of this Annual Report, the Company and subsidiaries have not conducted any loan of funds to others. Future Technology Consulting (B.V.I.), Inc. made the liquidation of loan to OPC Microelectronics Co., Ltd. before 2020.	For any loan of funds to others, the Company and subsidiaries proceed based on the “Operational Procedures for Loaning of Company Funds”, and report and announce as required by laws.
Debt Guarantees	In the most recent year and up to the Publication Date of this Annual Report, the Company and subsidiaries have not conducted any debt guarantees transaction.	For any debt guarantees transaction, the Company and subsidiaries will be pursuant to the “Endorsement and Guarantee Operating Procedure” and report and announce as required by laws.
Derivatives	In the most recent year and up to the Publication Date of this Annual Report, the Company and subsidiaries have not conducted any derivative transaction.	For any derivative transaction, the Company and subsidiaries will be pursuant to the “Operational Procedures for Acquisition and Disposal of Assets.” and report and announce as required by laws.

6.3 Future Research & Development Plan and Projected Budget

Unit: NT$’000

R&D project	Plan description	Intellectual property rights	Projected Budget
Development of high-speed super junction POWER MOSFET and	Optimize material of POWER MOSFET and SiC MOSFET	Research of material of POWER MOSFET	14,115

R&D project	Plan description	Intellectual property rights	Projected Budget
SiC component for SPS applications	Optimize semiconductor process parameters of POWER MOSFET and SiC MOSFET	Production method of POWER MOSFET	26,811
	Develop new package and optimize package structure of POWER MOSFET and SiC MOSFET	New package and package structure	25,103
	Optimize dynamic characteristics of POWER MOSFET and SiC MOSFET	Integrated circuit architecture of POWER MOSFET	33,531

The progresses of the said development are expected to complete the process platforms and start to produce commercially.

6.4 Impact from Domestic and International Material Regulatory Changes and Development, Mitigating Measures

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

6.5 Impacts from the Evolution of Technology and Industry Development, and Mitigating Measures

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

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

6.6 Impact of Corporate Image Changes on Crisis Management, Mitigating Measures

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

6.7 Expected Benefits and Risks from Mergers, Mitigating Measures

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

6.8 Expected Benefits and Risks from Plant Facility Expansion, Mitigating Measures

The Company and subsidiaries acquired a plant in Farglory U-TOWN Building for Taipei business use and expected to reduce the annual depreciation of right-of-use assets 3,325 thousand.

6.9 Concentration Risks from Supplying and Sourcing, Mitigating Measures

(1). Purchasing:

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

(2). Sales:

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

6.10 Impacts and Risks from Significant Changes in Shareholdings of Directors and Major Shareholders Holding More Than 10% of Shares Outstanding, and Mitigating Measures

As of the most recent year and up to the publication date of this annual report, there is no material transfer of the shares to impact the Company.

6.11 Impacts and Risks from Changes in Management Control, Mitigating Measures

None.

6.12 Significant Lawsuits and Material Non-Litigious Matters

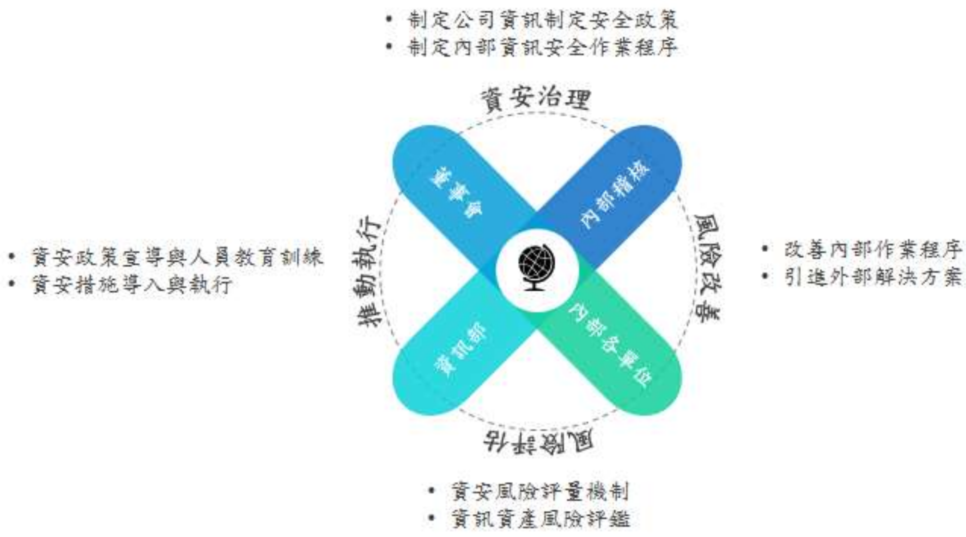
None.

6.13 Other Major Risks and Mitigating Measures

(1). Information security risk management framework and risk assessment analysis

A. Information security risk management framework

Adopt PDCA (Plan-Do-Check-Act) cyclic management to ensure the achievement of reliability targets and continuous improvement.



B. Information security policy and management plan

a. The information security management mechanism includes the following three aspects:

(a) Regulations:

Formulate the company's information security management system to standardize personnel operations.

(b) Application of technology:

Build information security management equipment and implement information security management measures.

(c) Employee training:

Conduct information security training to enhance the awareness of information security of all employees.

b. The management measures are described as follows:

(a) Regulations:

The company has established information security regulations to strengthen the information security management and the Company’s Employees shall be conducted in accordance with the regulations. The relevant systems are regularly reviewed every year whether they are in line with the changes in the operating environment and adjusted in time according to needs. Internal audits, accountant information audits, and ISO external audits are carried out on a regular basis every year to strengthen the management of the company's confidential information.

(b) Technology application:

In order to prevent various external information security threats, in addition to adopting a multi-layer network architecture design, the company has also built various information security protection systems to enhance the security of the overall information environment.

(c) Employee training:

The company implements information security education and training practical courses for new recruits and builds an online education training system (TMS) to improve employees’ information security knowledge and professional skills.

c. In order to improve information security management, the manager of the information department regularly reports to the board of directors on the results of information security implementation. The information security governance report and results were filed in the 5th term of the 9th session of the board of directors on December 10, 2020.

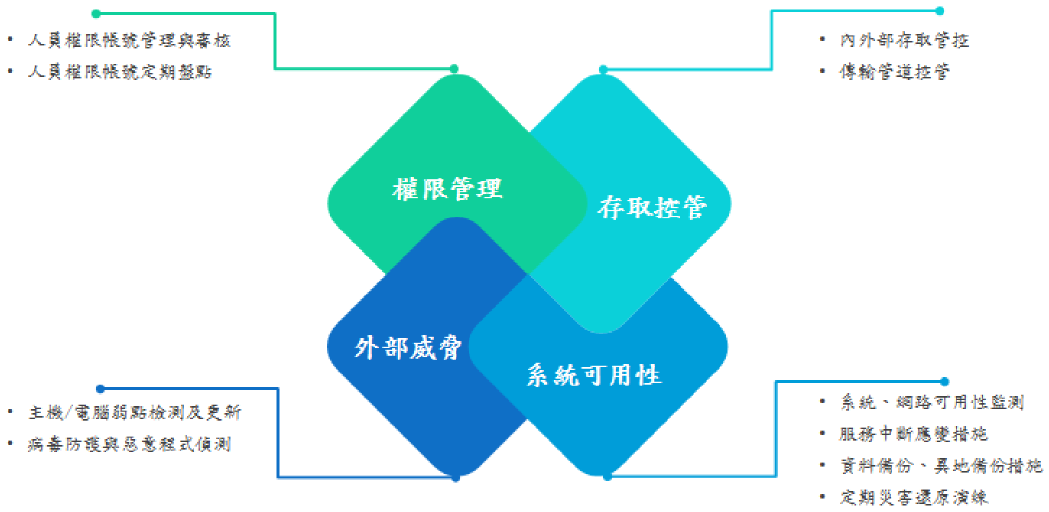
d. The operating assets such as servers, network equipment and other information equipment are signed on a regular basis every year for maintenance and spare parts contracts, and through security monitoring operations to avoid theft or malicious damage. In view of the fact that information security insurance is a new type of insurance, considering the comprehensive effects of insurance coverage, claim coverage, claim assessment, and qualification of forensic agencies, the company will not take out information security insurance temporarily after evaluation.

However, in response to the challenges faced by information security, such as APT advanced continuous attacks, DDos attacks, ransomware, social engineering, theft of funds and other information security issues, the following strategies have been adopted:

(a) In accordance with the company's information security policy, we pay attention to changes in the information environment every year and refer to technical literature and periodicals to formulate information security protection mechanisms and plans.

(b) Regularly perform security testing, information communication safety and health diagnosis, social security and information security incident rehearsal, strengthen the employees' awareness of information security crisis and information security handling personnel's responsiveness, so as to prevent in advance and effectively detect and prevent proliferation in the first time.

C. Information security management measures



7. Others： None.

8 Subsidiary Information and Other Special Notes

1. Affiliated Companies in 2020
2. Private Placement Securities in the most recent year and up to the Publication Date of this Annual Report
3. The Company's Shares Held or Disposed by Subsidiaries in the most recent year and up to the Publication Date of this Annual Report
4. Other Supplementary Information
5. Material Impact, pursuant to Article 36-3-2 of the Securities and Exchange Act, on Shareholders' Equity or Share Price in the most recent year and up to the Publication Date of this Annual Report

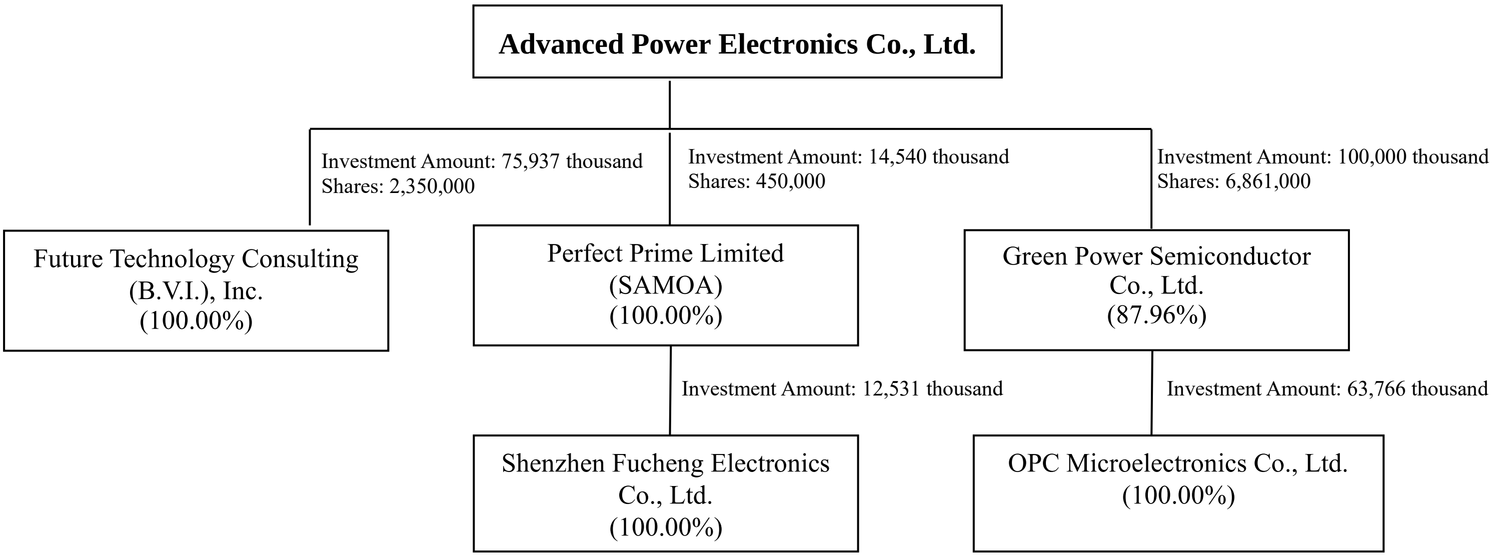
Subsidiary Information and Other Special Notes

1. Affiliated Companies in 2020

1.1 Consolidated Operation Report of the Company and Affiliates

(1). Investment holding structure

As of December 31, 2020



(2). Affiliates Profiles

As of December 31, 2020; Unit: $'000

Affiliate Name	Date of Incorporation	Address	Paid-in Capital	Primary Business Operation
Future Technology Consulting (B.V.I.), Inc.	April 29, 1999	Town, Tortla, British Virgin Islands	US$ 2,350	Investments
Perfect Prime Limited (SAMOA)	December 15, 2015	Off shore Chambers, P.O.Box 217, Apia, Samoa	US$ 450	Investments
Shenzhen Fucheng Electronics Co., Ltd.	April 15, 2016	Room 903-905, MeiLan Business Center, Crossing of XiXiang Avenue and QianJin Road, Baoan District, Shenzhen City	US$ 440	Electronic parts and components manufacturing, home appliance wholesale, home appliance retail sale, product outlook design, information software service, other designs (electronic element design, integrated circuit design, semi-conductor design), other commercial service (electronic element, integrated circuit, semi-conductor, among other electronics testing service), electronic material wholesale, electronic material retail sale.
Green Power Semiconductor Co., Ltd.	July 14, 2016	12F-1, No. 5, Tai Yuan First St., Zhubei City, Hsinchu County 30288, Taiwan (R.O.C.)	NT$ 78,000	Trading business

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

(3). Companies presumed to have a Relationship of Control and Subordination with The Company: None.

(4). Industries covered by Affiliates' Business Operation:

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

(5). Affiliates' Directors, Supervisors and Executives Names and Shareholdings

As of December 31, 2020; Unit: share

Affiliate Name	Title	Name or Representative	Shareholding #	%
Future Technology Consulting (B.V.I.), Inc.	Director	Representative of Advanced Power Electronics Co., Ltd.: Fu-Chi Teng	2,350,000	100.00
Perfect Prime Limited (SAMOA)	Director	Representative of Advanced Power Electronics Co., Ltd.: Fu-Chi Teng	450,000	100.00
Shenzhen Fucheng Electronics Co., Ltd.	Chairman	Representative of Perfect Prime Limited (SAMOA): Mei-Ying Tan	-	100.00
	Supervisor	Representative of Perfect Prime Limited (SAMOA) : Fneg-Chun Yeh		
	President	Mei-Ying Tan		0.00
Green Power Semiconductor Co., Ltd.	Chairman	Representative of Advanced Power Electronics Co., Ltd.: Fu-Chi Teng	6,861,000	87.96
	Director	Representative of Advanced Power Electronics Co., Ltd.: Lin-Chung Huang, Mei-Ying Tan		
	Supervisor	Fneg-Chun Yeh	0	0.00
	President	Fu-Chi Teng	0	0.00
OPC Microelectronics Co., Ltd.	Chairman	Representative of Green Power Semiconductor Co., Ltd.: Mei-Ying Tan	-	100.00
	Director	Representative of Green Power Semiconductor Co., Ltd.: Fu-Chi Teng, Lin-Chung Huang		
	Supervisor	Representative of Green Power Semiconductor Co., Ltd.: Fneg-Chun Yeh		

(6). Affiliates' Operating Highlights

As of Dec 31, 2020; Unit: NT$'000

Affiliate Names	Paid-in Capital	Total Asset	Total Liability	Total Equity	Total Revenues	Operating Income	Net Income	Earnings per Share, NT$
Future Technology Consulting (B.V.I.), Inc.	75,426	33,742	197	33,545	0	(8,997)	(5,471)	0
Perfect Prime Limited (SAMOA)	14,540	1,254	0	1,254	0	(28)	129	0
Shenzhen Fucheng Electronics Co., Ltd.	14,012	1,983	930	1,053	7,987	181	158	0
Green Power Semiconductor Co., Ltd.	78,000	26,417	1,566	24,851	69	(2,380)	(9,685)	0
OPC Microelectronics Co., Ltd.	63,766	61,698	44,267	17,431	88,920	(8,545)	(7,122)	0

1.2 Consolidated Financial Report of the Company and Affiliates

For more details, please refer to Attachment I.

2. Private Placement Securities in the most recent year and up to the Publication Date of this Annual Report

None.

3. The Company's Shares Held or Disposed by Subsidiaries in the most recent year and up to the Publication Date of this Annual Report

None.

4. Other Supplementary Information

None.

5. Material Impact, pursuant to Article 36-3-2 of the Securities and Exchange Act, on Shareholders' Equity or Share Price in the most recent year and up to the Publication Date of this Annual Report

None.

attachment I

Advanced Power Electronics Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019 and Independent Auditors' Report

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

REPRESENTATION LETTER

The entities that are required to be included in the 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, 2020 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

March 9, 2021

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 are stated as follows:

Evaluation of inventories

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

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

Other Matter

We have also audited the parent company only financial statements of Advanced Power Electronics Co., Ltd. as of and for the years ended December 31, 2020 and 2019 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, 2020 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 Cheng-Ming Lee and Li-Wen Kuo.

Deloitte & Touche

Taipei, Taiwan

Republic of China

March 9, 2021

<u>Notice to Readers</u>

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, 2020		December 31, 2019	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and Cash Equivalents (Notes 4 and 6)	$ 445,441	16	$ 278,794	12
Financial assets at fair value through other comprehensive income (Notes 4 and 7)	-	-	343	-
Financial assets at amortized cost (Notes 4 and 8)	6,774	-	23,678	1
Notes receivable (Note 9)	18,610	1	36,837	2
Accounts receivable (Notes 4 and 9)	799,910	29	519,413	23
Other receivables (Note 9)	41,212	2	28,075	1
Current tax assets	15	-	11	-
Inventories (Notes 4, 5 and 10)	721,698	26	824,384	37
Other current assets	22,050	1	40,681	2
Total current assets	2,055,710	75	1,752,216	78
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 4 and 7)	62,491	2	34,899	2
Financial assets at amortized cost (Notes 4 and 8)	-	-	206	-
Property, plant and equipment (Notes 4 and 11)	359,000	13	236,951	10
Right-of-use assets (Notes 4 and 12)	614	-	3,948	-
Other intangible assets, net (Note 4)	2,393	-	4,395	-
Deferred tax assets (Notes 4 and 20)	44,086	2	41,997	2
Other non-current assets (Note 13)	218,091	8	174,742	8
Total non-current assets	686,675	25	497,138	22
TOTAL	$ 2,742,385	100	$ 2,249,354	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	$ 280,000	10	$ 390,000	17
Short-term bills payable (Note 15)	-	-	10,000	1
Notes payable	38,989	2	7,971	-
Accounts payable	575,711	21	327,482	15
Other payables (Note 16)	112,197	4	76,484	3
Current tax liabilities (Note 4)	21,582	1	12,123	1
Lease liabilities (Notes 4 and 12)	621	-	3,410	-
Long-term borrowings - current portion (Note 15)	9,886	-	-	-
Other current liabilities	14,434	1	5,124	-
Total current liabilities	1,053,420	39	832,594	37
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 15)	88,974	3	-	-
Lease liabilities (Notes 4 and 12)	-	-	561	-
Guarantee deposits	-	-	149	-
Total non-current liabilities	88,974	3	710	-
Total liabilities	1,142,394	42	833,304	37
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 18)				
Common stock	813,405	30	813,405	36
Capital surplus	333,480	12	328,700	15
Retained earnings				
Legal reserve	60,021	2	54,508	2
Special reserve	79,758	3	75,463	3
Unappropriated earnings	362,296	13	214,502	10
Total retained earnings	502,075	18	344,473	15
Other equity interests	(51,961)	(2)	(79,758)	(3)
Total equity attributable to owners of the parent	1,596,999	58	1,406,820	63
NON-CONTROLLING INTERESTS	2,992	-	9,230	-
Total equity	1,599,991	58	1,416,050	63
TOTAL	$ 2,742,385	100	$ 2,249,354	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, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUES (Note 4)	$ 3,125,776	100	$ 2,217,249	100
OPERATING COSTS (Notes 10 and19)	2,613,933	83	1,874,686	85
GROSS PROFIT FROM OPERATIONS	511,843	17	342,563	15
OPERATING EXPENSES (Note 19)				
Selling and marketing expenses	88,914	3	109,053	5
General and administrative expenses	86,478	3	64,581	3
Research and development expenses	100,439	3	99,930	4
Expected credit reversal benefit	(3,929)	-	-	-
Total operating expenses	271,902	9	273,564	12
PROFIT FROM OPERATIONS	239,941	8	68,999	3
NON-OPERATING INCOME AND EXPENSES				
Interest income	2,264	-	3,089	-
Other income (Note 19)	7,642	-	3,966	-
Other gains and losses, net (Note 19)	(23,294)	(1)	(12,433)	-
Finance costs (Note 19)	(2,941)	-	(4,632)	-
Total non-operating income and expenses	(16,329)	(1)	(10,010)	-
PROFIT BEFORE INCOME TAX	223,612	7	58,989	3
INCOME TAX EXPENSE (Notes 4 and 20)	27,264	1	17,060	1
NET PROFIT	196,348	6	41,929	2
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	29,274	1	(2,542)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	(1,555)	-	(2,007)	-
Other comprehensive income (loss) (after tax)	27,719	1	(4,549)	-
TOTAL COMPREHENSIVE INCOME	$ 224,067	7	$ 37,380	2
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	$ 198,348	6	$ 55,129	3
Non-controlling interests	(2,000)	-	(13,200)	(1)
	$ 196,348	6	$ 41,929	2
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	$ 226,069	7	$ 50,834	2
Non-controlling interests	(2,002)	-	(13,454)	-
	$ 224,067	7	$ 37,380	2
EARNINGS PER SHARE (Note 21)				
Basic earnings per share	$ 2.44		$ 0.68	
Diluted earnings per share	$ 2.42		$ 0.67	

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, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent											
			Retained Earnings				Other Equity Interests					
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	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, 2019	$ 813,405	$ 328,441	$ 37,891	$ 35,250	$ 297,543	$ 370,684	($ 2,879)	($ 72,584)	($ 75,463)	$ 1,437,067	$ 22,684	$ 1,459,751
Distribution of 2018 earnings												
Legal reserve	-	-	16,617	-	(16,617)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	40,213	(40,213)	-	-	-	-	-	-	-
Cash dividends -NT$ 1.0 per share	-	-	-	-	(81,340)	(81,340)	-	-	-	(81,340)	-	(81,340)
Profit (Loss) for the year ended December 31, 2019	-	-	-	-	55,129	55,129	-	-	-	55,129	(13,200)	41,929
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	(1,753)	(2,542)	(4,295)	(4,295)	(254)	(4,549)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	55,129	55,129	(1,753)	(2,542)	(4,295)	50,834	(13,454)	37,380
Compensation of employee share options	-	259	-	-	-	-	-	-	-	259	-	259
BALANCE, DECEMBER 31, 2019	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 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

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, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	$ 223,612	$ 58,989
Adjustments for:		
Depreciation expense	21,987	23,822
Amortization expense	3,214	4,598
Expected credit reversal benefit	(3,929)	-
Finance costs	2,941	4,632
Interest income	(2,264)	(3,089)
Dividend income	(3,058)	-
Compensation costs of employee share options	544	259
Loss on disposal of property, plant and equipment	303	1,750
Loss on decline in market value and obsolete and slow-moving inventories	8,655	33,142
Amortization of long-term prepayments	-	16,667
Unrealized loss on foreign currency exchange	31,761	12,798
Changes in operating assets and liabilities:		
Notes receivable	18,227	3,979
Accounts receivable	(311,605)	21,183
Other receivables	(13,341)	2,808
Inventories	94,295	(83,433)
Other current assets	18,631	45,922
Notes payable	31,018	(21,209)
Accounts payable	267,903	(130,276)
Other payables	35,053	(16,788)
Other current liabilities	9,310	(3,637)
Net cash inflows generated from / (used in) operating activities	433,257	(27,883)
Interest received	2,468	2,834
Interest paid	(3,020)	(4,426)
Income taxes paid	(19,898)	(16,427)
Net cash generated from / (used in) operating activities	412,807	(45,902)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,132	-
Proceeds from acquisition of financial assets at amortized cost	-	(24,599)

(Continued)

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
Proceeds from disposal of financial assets at amortized cost	$ 17,126	$ -
Acquisition of property, plant and equipment	(139,556)	(13,813)
Proceeds from disposal of property, plant and equipment	20	2,996
Decrease (Increase) in refundable deposits	(100,623)	59
Payments for intangible assets	(1,212)	(3,815)
Decrease in other non-current assets	57,777	16,191
Decrease (Increase) in prepayments for equipment	(503)	1,682
Other dividend received	3,058	-
Net cash used in investing activities	(162,781)	(21,299)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	210,000	500,000
Decrease in short-term loans	(320,000)	(378,965)
Increase in short-term bills payable	-	10,000
Decrease in short-term bills payable	(10,000)	-
Increase in long-term loans	98,860	-
Decrease in guarantee deposits received	(149)	-
Repayment of the principal portion of lease liabilities	(3,708)	(4,333)
Cash dividends paid	(40,670)	(81,340)
Net cash generated from / (used in) financing activities	(65,667)	45,362
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	(17,712)	(6,097)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	166,647	(27,936)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	278,794	306,730
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 445,441	$ 278,794

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, 2020 AND 2019

(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 shares were approved by the ROC Taipei Exchange on April 9, 2004 and 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 shares were 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 Board of Directors approved the consolidated financial statements on March 9, 2021.

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. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers for application starting from 2021 and the IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC with effective date starting 2021.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	Effective for annual reporting periods beginning on or after January 1, 2021
Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”	Effective for annual reporting periods beginning on or after June 1, 2020

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

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
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 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 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts-Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 are 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" are 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" are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: 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 4: 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 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: 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.

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. It holds the asset primarily for the purpose of trading;

b. It expects to realize the asset within twelve months after the reporting period; or

c. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

a. It holds the liability primarily for the purpose of trading;

b. The liability is due to be settled within twelve months after the reporting period (liabilities for which long-term refinancing or re-arrangement of payment agreement is completed before the date shown on the balance sheet and before the financial report is approved and released also belong to current liabilities); or

c. The liability for which the repayment date cannot be extended unconditionally to more than twelve months after the end of the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do

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

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.

For the statements, percentage of ownership and scope of operation of each subsidiary, refer to Note 14 and Tables 4 and 5.

Foreign Currencies

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

Foreign currency transactions are recorded at the spot exchange rate on the date of the transaction. At the end of the reporting period, foreign currency monetary items are reported using the closing rate. Exchange differences in the period 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 fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

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

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

Inventories

Inventories include raw materials, in-process items, and finished products. Inventories are measured at the lower of cost or net realizable value. Inventories are assessed item by item, except those with similar characteristics which are assessed collectively. Net realizable value is the estimated selling price in the ordinary course of business less the estimated selling expenses. The weighted-average method is used in the calculation of cost.

Property, Plant and Equipment

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

Land has an unlimited useful life and therefore is not depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed on the same basis as other identical categories of property, plant and equipment at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

Other separately acquired intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the following estimated useful lives: Software and system design costs - 3 years or contract period. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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 tangible assets (property, plant and equipment), right-of-use assets and other intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. 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. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately 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.

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

a. Financial assets

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

1) Measurement category

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

a) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at 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 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	
	2020	**2019**
Cash on hand and revolving funds	$ 82	$ 124
Bank check and demand deposit	189,970	133,866
Cash equivalents (investments with the original expiration date within 3 months)		
Bank time deposit	23,846	9,594
Repurchase agreements collateralized by bonds	231,543	135,210
	$ 445,441	$ 278,794

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI

	December 31	
	2020	**2019**
Current		
Domestic investments		
Listed stocks	$ -	$ 343
Non-current		
Domestic investments		
Listed stocks- private placement	$ 36,530	$ 8,813
Unlisted stocks	8,311	8,219
	44,841	17,032
Foreign investments		
Unlisted stocks	17,650	17,867
	$ 62,491	$ 34,899

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.

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	2019
Current		
Domestic investments		
Bank time deposit (investments with the original expiration date over 3 months)	$ 6,774	$ 23,678
Non-current		
Domestic investments		
Pledged deposit certificate	$ -	$ 206

For information on financial assets at amortized cost, refer to Note 26.

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

	December 31	
	2020	2019
Notes receivable		
From operating	$ 18,737	$ 36,964
Less: Allowance for impairment loss	(127)	(127)
	$ 18,610	$ 36,837
Accounts receivable		
At amortized cost	$ 807,402	$ 531,248
Less: Allowance for impairment loss	(7,492)	(11,835)
	$ 799,910	$ 519,413
Doubtful receivable		
At amortized cost	$ 1,434	$ 1,492
Less: Allowance for impairment loss	(1,434)	(1,492)
	$ -	$ -
Other receivable		
Tax refund receivable	$ 41,030	$ 27,629
Earned revenue receivable	122	326
Others	60	120
	$ 41,212	$ 28,075

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, 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

December 31, 2019

		Overdue			
	Not Past Due	1 to 90 days	91 to 180 days	Over 180 days	Total
Gross carrying amount	$ 498,043	$ 29,402	$ -	$ 3,803	$ 531,248
Loss allowance (Lifetime ECL)	-	(11,835)	-	-	(11,835)
Amortized cost	$ 498,043	$ 17,567	$ -	$ 3,803	$ 519,413

Movements of allowance for accounts receivable were as follows:

	For the Year Ended December 31	
	2020	2019
Beginning balance	$ 11,835	$ 11,835
Less: Impairment losses reversed	(3,929)	-
Less: Write-off	(500)	-
Reclassification	58	-
Effect of exchange rate changes	28	-
Ending balance	$ 7,492	$ 11,835

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	
	2020	**2019**
Beginning balance	$ 1,492	$ 38,559
Less: Write-off	-	(37,067)
Reclassification	(58)	-
Ending balance	$ 1,434	$ 1,492

10. INVENTORIES

	December 31	
	2020	**2019**
Raw materials	$ 53,107	$ 20,653
Work in process	489,774	580,593
Finished goods	178,817	223,138
	$ 721,698	$ 824,384

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	
	2020	**2019**
Cost of goods sold	$ 2,605,278	$ 1,841,544
Write-down of inventories	8,655	33,142
	$ 2,613,933	$ 1,874,686

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Computer Communication Equipment	Office Equipment	Lease Improvement	Other Equipment	Total
Cost								
Balance, January 1, 2019	$ 61,590	$ 187,521	$ 116,334	$ 11,283	$ 10,784	$ 3,315	$ 171,053	$ 561,880
Additions	-	-	6,681	685	90	-	7,017	14,473
Disposals and retirements	-	-	(4,501)	-	-	-	(1,071)	(5,572)
Effect of exchange rate changes	-	-	-	(8)	(3)	(4)	(437)	(452)
Balance, December 31, 2019	$ 61,590	$ 187,521	$ 118,514	$ 11,960	$ 10,871	$ 3,311	$ 176,562	$ 570,329
Accumulated depreciation and impairment								
Balance, January 1, 2019	$ -	$ 28,808	$ 107,608	$ 8,769	$ 10,159	$ 1,661	$ 158,060	$ 315,065
Depreciation	-	3,846	3,440	1,167	248	555	10,210	19,466
Disposals and retirements	-	-	-	-	-	-	(826)	(826)
Effect of exchange rate changes	-	-	-	(8)	(3)	(4)	(312)	(327)
Balance, December 31, 2019	$ -	$ 32,654	$ 111,048	$ 9,928	$ 10,404	$ 2,212	$ 167,132	$ 333,378
Carrying amount, December 31, 2019	$ 61,590	$ 154,867	$ 7,466	$ 2,032	$ 467	$ 1,099	$ 9,430	$ 236,951
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	-	-	-	8,724	140,669
Disposals and retirements	-	-	(33,701)	-	-	-	(3,877)	(37,578)
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

	Land	Buildings	Machinery and Equipment	Computer Communication Equipment	Office Equipment	Lease Improvement	Other Equipment	Total
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

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

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

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 26.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amounts		
Buildings	$ -	$ 2,760
Transportation equipment	614	1,188
	$ 614	$ 3,948

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	$ 358	$ -
Depreciation of right-of-use assets		
Buildings	$ 2,760	$ 3,325
Transportation equipment	932	1,031
	$ 3,692	$ 4,356

b. Lease liabilities

	December 31	
	2020	2019
Carrying amounts		
Current	$ 621	$ 3,410
Non-current	$ -	$ 561

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Buildings	1.19%	1.19%
Transportation equipment	1.18%～1.19%	1.19%

c. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses related to short-term leases	$ 2,909	$ 3,050
Expenses related to low-value asset leases	$ 125	$ 83
Total cash outflow for leases	($ 6,767)	($ 7,537)

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.

13. OTHER ASSETS

	December 31	
	2020	2019
Non-current		
Long-term pre-payment for purchase	$ 112,358	$ 170,135
Refundable deposits	102,213	1,590
Pre-payment for equipment	3,520	3,017
	$ 218,091	$ 174,742

In order to ensure steady capacity, the Group signs a throughput guarantee contract with the manufacturer and pays for the purchases over the long-term prepayments in order to ensure fulfillment of the contract. In order to retain the capacity, US$6,996 thousand deposit was required to be paid and will be refunded in accordance with the contract. As of December 31, 2020, $100,636 thousand of 50% deposit has been paid, and the remaining 50% is expected to be paid in March 2021.

14. SUBSIDIARY

a. The subsidiaries included in the consolidated financial statement:

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

			Percentage of Ownership		
Investor	Subsidiary	Main Business and Products	December 31,2020	December 31,2019	Note
APEC	Future Technology Consulting (B.V.I.), Inc. (Future)	Investment	100%	100%	
APEC	Perfect Prime Limited (Perfect)	Investment	100%	100%	
APEC	Green Power Semiconductor Co., Ltd. (GPS)	Trading	87.96%	73.08%	Note
Perfect	Shenzhen Fucheng Electronics Co., Ltd. (Fucheng)	Trading	100%	100%	
GPS	OPC Microelectronics Co., Ltd. (OPC)	Manufacturing	100%	100%	

Note: 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 to make up for its deficits. The capital reduction ratio was 40% and the holding ratio of APEC remain the same after the capital reduction.

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

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
Secured loans (Note 26)		
—bank loans	$ -	$ 170,000
Unsecured loans		
—bank loans	280,000	220,000
	$ 280,000	$ 390,000

As of December 31, 2020 and December 31, 2019, the annual interest rate of bank revolving loans was 0.93% to 0.98% and 1.15% to 1.20%.

b. Short-term bills payable

	December 31	
	2020	2019
Commercial paper	$ -	$ 10,000

As of December 31, 2019, the annual interest rate of short-term bills payable was 1.20%.

c. Long-term borrowings

	December 31	
	2020	2019
Secured loans (Note 26)		
—Mortgaged loans	$ 98,860	$ -
Less: Current portion	(9,886)	-
	$ 88,974	$ -

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

16. OTHER PAYABLES

	December 31	
	2020	2019
Payable for salaries and rewards	$ 44,722	$ 35,060
Payable for remunerations of employees and directors	23,683	7,789
Payables on equipment	2,790	2,049
Dividend Payable	1,627	1,628
Payable for Professional fee	1,300	1,200
Others	38,075	28,758
	$ 112,197	$ 76,484

17. 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.

18. EQUITY

a. Common stock

	December 31	
	2020	2019
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	
	2020	2019
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
Treasury stock transactions	12,728	12,728
May be used to offset a deficit only		
Expired employee share option (2)	67,287	67,287
May not be used for any purpose		
Employee share option	1,872	1,328
Change in percentage of ownership interest in subsidiaries (3)	7,609	3,373
	$ 333,480	$ 328,700

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 to employee share options with no cash inflows and upon expiration of convertible bonds.

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

c. Retained earnings and dividend policy

In accordance with the policy, APEC's profits earned in a fiscal year shall 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 19(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.

APEC distributes and reverses special reserve in accordance with Rule No. 1010012865, Rule No. 1010047490, and "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" issued by the FSC.

The appropriations of earnings for 2019 and 2018 which have been resolved in the shareholders' meeting on June 15, 2020 and May 16, 2019, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		**Dividends Per Share ($) For the Year Ended December 31**	
	2019	**2018**	**2019**	**2018**
Legal capital reserve	$ 5,513	$ 16,617		
Special capital reserve	4,295	40,213		
Cash dividends to shareholders	40,670	81,340	$ 0.5	$ 1

The 2020 earnings distribution proposal stipulated on March 9, 2021 by the APEC's Board of Directors was as follows:

	Appropriation of Earnings	**Dividends Per Share ($)**
Legal capital reserve	$ 19,827	
Reversal from special reserve	27,797	
Cash dividends to shareholders	81,340	$ 1

APEC's 2020 earnings appropriations will be proposed by the Board of Directors and approved in the shareholders' meeting on May 31, 2021.

d. Other equity interests

Unrealized gains or loss on FVTOCI financial assets

	For the Year Ended December 31	
	2020	**2019**
Balance, January 1, 2020	($ 75,126)	($ 72,584)
Current period		

	For the Year Ended December 31	
	2020	2019
Unrealized gains or loss－equity instrument	29,274	(2,542)
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal	76	-
Balance, December 31, 2020	($ 45,776)	($ 75,126)

19. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Year Ended December 31	
	2020	2019
Dividend income	$ 3,058	$ -
Rent income	-	853
Others	4,584	3,113
	$ 7,642	$ 3,966

b. Other gains and losses, net

	For the Year Ended December 31	
	2020	2019
Loss on foreign exchange	($ 21,321)	($ 7,176)
Loss on disposal of property, plant and equipment, net	(303)	(1,750)
Others	(1,670)	(3,507)
	($ 23,294)	($ 12,433)

c. Finance costs

	For the Year Ended December 31	
	2020	2019
Bank loans	$ 2,857	$ 4,501
Lease liabilities	25	71
Others	59	60
	$ 2,941	$ 4,632

d. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	$ 18,295	$ 19,466
Right-of-use assets	3,692	4,356
Intangible assets	3,214	4,598
	$ 25,201	$ 28,420
Depreciation expense classified by function		
Operating cost	$ 9,792	$ 9,421
Operating expense	12,195	14,401
	$ 21,987	$ 23,822
Amortization expense classified by function		
Operating cost	$ 519	$ 592

	For the Year Ended December 31	
	2020	2019
Operating expense	2,695	4,006
	$ 3,214	$ 4,598

e. Employee benefits expenses

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	$ 200,731	$ 195,746
Post-employment benefits		
Defined contribution plans (Note 17)	6,110	6,479
Share-based Payment	544	259
Other employee benefits	4,037	4,184
	$ 211,422	$ 206,668
Classified by function		
Operating cost	$ 36,988	$ 41,410
Operating expense	174,434	165,258
	$ 211,422	$ 206,668

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, 2020 and 2019 were approved by the Board of Directors on March 9, 2021 and March 26, 2020, respectively, were as follows:

Estimated ratio

	For the Year Ended December 31	
	2020	2019
Employees' compensation	8%	8%
Remuneration of directors	1.5%	1.5%

Amount

	For the Year Ended December 31	
	2020	2019
	Paid in Cash	Paid in Cash
Employees' compensation	$ 19,944	$ 6,403
Remuneration of directors	3,739	1,201

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, 2019 and 2018.

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.

20. 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	
	2020	2019
Current income tax expense		
Current period	$ 29,665	$ 14,904
Additional income tax on unappropriated earnings	233	3,563
Prior years' adjustment	(545)	(240)
	29,353	18,227
Deferred income tax expense		
Current period	(2,089)	(1,167)
Income tax expense recognized in profit or loss	$ 27,264	$ 17,060

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	
	2020	2019
Income before tax	$ 223,612	$ 58,989
Income tax expense at the statutory rate	$ 43,185	$ 4,679
Nondeductible items in determining taxable income	1,537	7,181
Realized investment loss	(8,000)	-
Additional income tax on unappropriated earnings	233	3,563
Temporary differences	1,425	6,808
Investment tax credits	(11,394)	(7,915)
Loss carryforwards	512	2,984
Prior years' other adjustments	(545)	(240)
Others	311	-
Income tax expense recognized in profit or loss	$ 27,264	$ 17,060

b. Deferred tax assets and liabilities

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)	-

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Unrealized exchange losses	1,727	(324)	1,403
Financial assets	1,160	-	1,160
	$ 41,997	$ 2,089	$ 44,086

For the Year Ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax assets			
Loss on decline in market value and obsolete and slow-moving inventories	$ 17,238	$ 3,801	$ 21,039
Losses on investments recognized adopting the equity method	13,710	2,801	16,511
Allowance for losses	8,866	(7,306)	1,560
Unrealized exchange losses	-	1,727	1,727
Financial assets	1,160	-	1,160
	$ 40,974	$ 1,023	$ 41,997
Deferred tax liabilities			
Unrealized exchange gains	$ 144	($ 144)	$ -

c. Unrecognized deferred tax assets items

	December 31	
	2020	2019
Loss carryforwards	$ 58,931	$ 54,440

d. Unrecognized Loss carryforwards

As of December 31, 2020, the information of the prior years' loss carryforwards was as follows:

Amount	Expiry Years
$ 10,026	2026
17,586	2027
11,775	2028
15,053	2029
4,491	2030
$ 58,931	

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	2018
Green Power Semiconductor Co., Ltd.	2018

21. 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	
	2020	2019
Basic EPS		
Profit attributable to owners of the parent	$ 198,348	$ 55,129
Effect of potential dilutive common shares:		
Employees' compensation	-	-
Employee share option	-	-
Diluted EPS		
Profit attributable to owners of the parent	$ 198,348	$ 55,129

Common Shares Outstanding (in thousands)

	For the Year Ended December 31	
	2020	2019
Basic EPS		
Profit attributable to owners of the parent	81,341	81,341
Effect of potential dilutive common shares:		
Employees' compensation	461	337
Employee share option	22	-
Diluted EPS		
Profit attributable to owners of the parent	81,824	81,678

Since APEC has the discretion to settle the employees' compensation by cash or stock, APEC should presume that the entire amount of the compensation will be settled in stock and the potential stock dilution should be included in the weighted-average number of stock outstanding used in the calculation of diluted EPS, provided there is a dilutive effect. Such dilutive effect of the potential stock needs to be included in the calculation of diluted EPS until employees' compensation is approved in the following year.

22. SHARE-BASED COMPENSATION EXPENSES

Employee share option plan of the Company

Upon the completion of the registration of this issuance with the Financial Supervisory Commission (FSC) on May 2, 2018, qualified employees of the Group were granted 2,000 options. Each option entitles the holder to subscribe for 1,000 common shares of APEC. The outstanding options are valid for 6 years and exercisable at 40%, 30% and 30% after two, three and four anniversary 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 APEC, 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			
	2020		2019	
	No. of shares (in thousands)	Weighted-average exercise price	No. of shares (in thousands)	Weighted-average exercise price
Balance, beginning of Period	235	$ 26.9	485	$ 27.9
Options expired upon resignation	-	-	(250)	27.9
Balance, end of period	235	26.4	235	26.9
Options exercisable, end of period	94		-	

Information about outstanding options was as follows:

	December 31	
	2020	2019
Range of exercise price ($)	$ 26.4	$ 26.9
Weighted-average remaining contractual life (years)	3.36	4.36

Compensation cost recognized was $544 thousand and $259 thousand for the years ended December 31, 2020 and 2019, respectively.

23. 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.

24. 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, 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

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Equity instruments				
－Domestic listed stocks	$ 343	$ 8,813	$ -	$ 9,156
－Foreign / Domestic unlisted stocks	-	-	26,086	26,086
total	$ 343	$ 8,813	$ 26,086	$ 35,242

There was no transfer between the fair value measurements of Levels 1 and 2 for the years ended December 31, 2020 and 2019.

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.

c. Categories of financial instruments

	December 31	
	2020	2019
Financial assets		
Financial assets measured at amortized cost (Note1)	$ 1,414,160	$ 888,593
Financial assets at fair value through other comprehensive income-Equity instruments	62,491	35,242
Financial liabilities		
Financial liabilities measured at amortized cost (Note 2)	1,105,757	812,086

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, bills payable, 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 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 27.

Sensitivity analysis

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

The sensitivity analysis takes place when the exchange rate of 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 by$35,639 thousand and increased by $22,924 thousand for the years ended December 31, 2020 and 2019, 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	
	2020	**2019**
Fair value interest rate risk		
Financial assets	$ 262,163	$ 168,481
Financial liabilities	280,621	273,971
Cash flow interest rate risk		
Financial assets	189,949	134,057
Financial liabilities	98,860	130,000

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 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 $455 thousand and $20 thousand for the years ended December 31, 2020 and 2019, 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, 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

December 31, 2019

	Contractual Cash Flows or within a year	1-5 Years	More Than 5 Years
Non-derivative financial liabilities			
Short-term borrowings	$ 390,987	$ -	$ -
Short-term bills payable	10,005	-	-
Notes payable	7,971	-	-
Accounts payable	327,482	-	-
Other payables	76,484	-	-
Lease liabilities	3,433	564	-
	$ 816,362	$ 564	$ -

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	
	2020	2019
Unsecured loans (Renew by every year)		
－Used amount	$ 280,000	$ 230,000
－Unused amount	410,000	350,000
	$ 690,000	$ 580,000
Secured loans		
－Used amount	$ 98,860	$ 170,000
－Unused amount	181,140	10,000
	$ 280,000	$ 180,000

25. 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	
	2020	2019
Short-term employee benefits	$ 28,816	$ 21,765
Post-employment benefits	567	540
	$ 29,383	$ 22,305

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.

26. PLEDGED ASSETS

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

	December 31	
	2020	2019
Pledged deposit certificate (Financial assets at amortized cost-Non-current)	$ -	$ 206
Land	110,906	61,590
Buildings	224,469	154,867
	$ 335,375	$ 216,663

27. 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, 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

December 31, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Foreign currency assets			
Monetary items			
USD	$ 23,639	29.98 (USD:NTD)	$ 708,701
RMB	1,491	4.305 (RMB:NTD)	6,421
			$ 715,122

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Foreign currency assets			
Foreign currency liabilities			
Monetary items			
USD	8,361	29.98 (USD:NTD)	$ 250,679
USD	855	6.964 (RMB:NTD)	5,954
			$ 256,633

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

	For the Year Ended December 31			
	2020		2019	
Foreign Currency	Exchange rate	Net exchange profits or losses	Exchange rate	Net exchange profits or losses
USD	29.549 (USD:NTD)	($ 21,930)	30.912 (USD:NTD)	($ 7,177)
RMB	4.282 (RMB:NTD)	349	4.472 (RMB:NTD)	(31)
		($ 21,581)		($ 7,208)

28. ADDITIONAL DISCLOSURES

a. Information on significant transactions:

1) Financing extended to other parties: Table 1 (attached).

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

3) Marketable securities held: Table 2 (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 3 (attached).

b. Information on investees: Table 4 (attached).

c. Information on investment in Mainland China:

1) The names of investees in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 5 (attached).

2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Table 6 (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 7 (attached).

29. 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	
	2020	2019	2020	2019
Taiwan	$ 1,851,839	$ 1,410,258	$ 477,172	$ 415,204
China	1,157,698	670,808	713	3,242
Others	116,239	136,183	-	-
	$ 3,125,776	$ 2,217,249	$ 477,885	$ 418,446

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	
	2020	2019
Customer A	$ 443,188	$ 217,557
Customer B	387,321	254,493
	$ 830,509	$ 472,050

Advanced Power Electronics Co., Ltd. and its subsidiaries

FINANCING EXTENDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(Amounts in Thousands of New Taiwan Dollars and US Dollars)

No. (Note 1)	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2 and6)	Ending Balance (Note 6)	Amount Actually Drawn	Interest Rate	Nature for Financing (Note 3)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 4 and 6)	Financing Company's Total Financing Amount Limits (Note 5 and 6)	Note
													Item	Value			
1	Future Technology Consulting (B.V.I.), Inc.	OPC Microelectronics Co., Ltd.	Other receivables from related parties	Yes	$ 14,240 (USD 500)	$ -	$ -	-	2	$ -	Operating capital	$ -	-	$ -	$ 33,545 (USD 1,178)	$ 33,545 (USD 1,178)	

Note 1: Descriptions of the numeration field are as follows:
(1) Indicate 0 for the issuer.
(2) The companies invested in are numbered sequentially by the company starting from 1.
Note 2: Maximum balance of funds lent to others for the current year.
Note 3: Descriptions of the nature of loan are as follows:
(1) Indicate 1 if there is business interaction.
(2) Indicate 2 if there is the need for short-term financing.
Note 4: When there is the necessity for short-term financing, the ratio is restricted to 100% of the net worth shown in the financial statements inspected or approved by CPAs for recent terms of funding companies.
Note 5: The total limit of funds lent to others is restricted to 100% of the net worth shown in the financial statements inspected or approved by CPAs for recent terms of funding companies.
Note 6: The foreign currency value shown herein is indicated in NTD at an exchange rate of US$1=NT$28.48 as of December 31, 2020.

Advanced Power Electronics Co., Ltd. and its subsidiaries

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020				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	$ 36,530	1	$ 36,530	
	AXElite Co., Ltd.	-	Financial assets at fair value through other comprehensive income –Non-Current	497	8,311	6	8,311	
	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	17,650	13	17,650	

Note1: 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 4 and 5.

TABLE 3

Advanced Power Electronics Co., Ltd. and its subsidiaries

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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	$ 19,609	Note 4	1
				Purchases	50,752	Note 4	2
				Prepayments	25,891	Note 4	1
				Receivables from related parties	5,125	Note 4	-
1	Green Power Semiconductor Co., Ltd.	OPC Microelectronics Co., Ltd.	(1)	Prepayments	2,775	Note 4	-
2	Future Technology Consulting (B.V.I.), Inc.	Shenzhen Fucheng Electronics Co., Ltd.	(3)	Professional service fees	7,987	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 the parent company.
(3) The consolidated subsidiary to another consolidated subsidiary.

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

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, 2020
(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, 2020			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2020	December 31, 2019	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	$ 33,545	($ 5,471)	($ 5,471)	
	Perfect Prime Limited	Samoa	General investment	14,540 USD 450	14,540 USD 450	450	100	1,253	129	129	
	Green Power Semiconductor Co., Ltd.	Taiwan	Trading	100,000	100,000	6,861	87.96	21,859	(9,685)	(7,685)	

Advanced Power Electronics Co., Ltd. and its subsidiaries

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020 (US$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (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, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	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	$ 12,531 USD 440	(2)A	$ 12,531 USD 440	$ -	$ -	$ 12,531 USD 440	$ 158 USD 5	100%	$ 158 USD 5	$ 1,053 USD 37	$ -	
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	(7,122)	100%	(7,122)	17,431	-	

Accumulated Investment in Mainland China as of December 31, 2020 (US$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousands)	Upper Limit on Investment (Note2)
$ 76,297	$ 76,297	$ 958,199

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$28.48 and US$ 1=NT$29.549 as of December 31, 2020.

TABLE 6

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, 2020
(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	($ 19,609)	Note1	EOM 60 days	Equivalent to	$ 5,125	1%	$ -	
	Purchases	50,752	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 7

Advanced Power Electronics Co., Ltd.

INFORMATION OF MAJOR STOCKHOLDERS

DECEMBER 31, 2020

Name of Major Stockholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Prime Reliance Investment Ltd., B.V.I.	6,193,247	7.61%
STCH Investment Inc., Cayman	6,193,247	7.61%

attachment II

Advanced Power Electronics Co.,Ltd.

Parent Company Only Financial Statements for the Years Ended December 31, 2020 and 2019 and Independent Auditors' Report

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Telephone: 886-3-6215899

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying parent company only financial statements of Advanced Power Electronics Co., Ltd. (the "Company")，which comprise the parent company only balance sheets as of December 31, 2020 and 2019, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the accompanying parent company only financial position of the Company as of December 31, 2020 and 2019, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31,

2020. These matters were addressed in the context of our audit of the parent company only 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 parent company only financial statements for the year ended December 31, 2020 are stated as follows:

Evaluation of inventories

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

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

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the parent company only 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 parent company only financial statements for the year ended December 31, 2020 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 Cheng-Ming Lee and Li-Wen Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 9, 2021

Notice to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Taiwan, the Republic of China (ROC) and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally applied in the ROC.

For the convenience of readers, the independent auditors' report and the accompanying parent company only 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 parent company only financial statements shall prevail.

Advanced Power Electronics Co., Ltd.

PARENT COMPANY ONLY BALANCE SHEET
(In Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and Cash Equivalents (Notes 4 and 6)	$ 411,945	15	$ 257,279	12
Financial assets at fair value through other comprehensive income (Notes 4 and 7)	-	-	343	-
Notes receivable (Note 8)	18,610	1	34,864	2
Accounts receivable (Notes 4 and 8)	797,766	29	511,898	23
Accounts receivable due from related parties (Note 24)	5,125	-	5,296	-
Other receivables (Note 8)	40,827	1	27,898	1
Inventories (Notes 4, 5 and 9)	699,746	26	784,639	35
Other current assets (Notes 13 and 24)	27,703	1	64,147	3
Total current assets	2,001,722	73	1,686,364	76
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 4 and 7)	44,841	2	17,032	1
Investments accounted for using equity method (Notes 4 and 10)	56,657	2	66,325	3
Property, plant and equipment (Notes 4 and 11)	358,287	13	233,709	10
Right-of-use assets (Notes 4 and 12)	614	-	3,948	-
Other intangible assets, net (Note 4)	2,393	-	4,395	-
Deferred tax assets (Notes 4 and 19)	44,086	2	41,997	2
Other non-current assets (Note 13)	217,659	8	174,297	8
Total non-current assets	724,537	27	541,703	24
TOTAL	$ 2,726,259	100	$ 2,228,067	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 14)	$ 280,000	10	$ 390,000	18
Short-term bills payable (Note 14)	-	-	10,000	-
Notes payable	38,989	1	7,971	-
Accounts payable	575,598	21	328,240	15
Accounts payable due to related parties (Note 24)	-	-	939	-
Other payables (Note 15)	99,784	4	63,075	3
Current tax liabilities (Note 4)	21,582	1	12,123	1
Lease liabilities (Notes 4 and 12)	621	-	3,410	-
Long-term borrowings - current portion (Note 14)	9,886	-	-	-
Other current liabilities	13,791	1	4,743	-
Total current liabilities	1,040,251	38	820,501	37
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 14)	88,974	3	-	-
Lease liabilities (Notes 4 and 12)	-	-	561	-
Guarantee deposits	35	-	185	-
Total non-current liabilities	89,009	3	746	-
Total liabilities	1,129,260	41	821,247	37
EQUITY (Note 17)				
Common stock	813,405	30	813,405	37
Capital surplus	333,480	12	328,700	15
Retained earnings				
Legal reserve	60,021	2	54,508	2
Special reserve	79,758	3	75,463	3
Unappropriated earnings	362,296	14	214,502	10
Total retained earnings	502,075	19	344,473	15
Other equity interests	(51,961)	(2)	(79,758)	(4)
Total equity	1,596,999	59	1,406,820	63
TOTAL	$ 2,726,259	100	$ 2,228,067	100

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

Advanced Power Electronics Co., Ltd.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4 and 24)	$ 3,105,840	100	$ 2,177,322	100
OPERATING COSTS (Notes 9,18 and 24)	2,603,855	84	1,825,062	84
GROSS PROFIT FROM OPERATIONS	501,985	16	352,260	16
OPERATING EXPENSES (Note 18)				
Selling and marketing expenses	74,773	2	72,726	3
General and administrative expenses	79,583	3	52,808	2
Research and development expenses	93,859	3	96,719	5
Expected credit reversal benefit	(5,738)	-	-	-
Total operating expenses	242,477	8	222,253	10
PROFIT FROM OPERATIONS	259,508	8	130,007	6
NON-OPERATING INCOME AND EXPENSES				
Interest income	1,929	-	2,624	-
Other income (Note 18)	4,524	-	3,408	-
Other gains and losses, net (Note 18)	(24,440)	(1)	(9,423)	(1)
Finance costs (Note 18)	(2,882)	-	(4,346)	-
Share of profit of subsidiaries and associates accounted for using equity method	(13,027)	-	(49,840)	(2)
Total non-operating income and expenses	(33,896)	(1)	(57,577)	(3)
PROFIT BEFORE INCOME TAX	225,612	7	72,430	3
INCOME TAX EXPENSE (Notes 4 and 19)	27,264	1	17,301	1
NET PROFIT	198,348	6	55,129	2
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	28,598	1	(3,502)	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	676	-	960	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	(1,865)	-	(1,062)	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	312	-	(691)	-
Other comprehensive income (loss) (after tax)	27,721	1	(4,295)	-
TOTAL COMPREHENSIVE INCOME	$ 226,069	7	$ 50,834	2
EARNINGS PER SHARE (Note 20)				
Basic earnings per share	$ 2.44		$ 0.68	
Diluted earnings per share	$ 2.42		$ 0.67	

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

Advanced Power Electronics Co., Ltd. and its subsidiaries

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

			Retained Earnings				Other Equity Interests			
	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 Equity
BALANCE, JANUARY 1, 2019	$ 813,405	$ 328,441	$ 37,891	$ 35,250	$ 297,543	$ 370,684	($ 2,879)	($ 72,584)	($ 75,463)	$ 1,437,067
Distribution of 2018 earnings										
Legal reserve	-	-	16,617	-	(16,617)	-	-	-	-	-
Reversal of special reserve	-	-	-	40,213	(40,213)	-	-	-	-	-
Cash dividends -NT$ 1.0 per share	-	-	-	-	(81,340)	(81,340)	-	-	-	(81,340)
Profit for the year ended December 31, 2019	-	-	-	-	55,129	55,129	-	-	-	55,129
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	(1,753)	(2,542)	(4,295)	(4,295)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	55,129	55,129	(1,753)	(2,542)	(4,295)	50,834
Compensation of employee share options	-	259	-	-	-	-	-	-	-	259
BALANCE, DECEMBER 31, 2019	813,405	328,700	54,508	75,463	214,502	344,473	(4,632)	(75,126)	(79,758)	1,406,820
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)
Changes in ownership interests in subsidiaries	-	4,236	-	-	-	-	-	-	-	4,236
Profit for the year ended December 31, 2020	-	-	-	-	198,348	198,348	-	-	-	198,348
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	(1,553)	29,274	27,721	27,721
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	198,348	198,348	(1,553)	29,274	27,721	226,069
Compensation of employee share options	-	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

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

Advanced Power Electronics Co., Ltd.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	$ 225,612	$ 72,430
Adjustments for:		
Depreciation expense	19,783	20,066
Amortization expense	3,214	4,598
Expected credit reversal benefit	(5,738)	-
Finance costs	2,882	4,346
Interest income	(1,929)	(2,624)
Compensation costs of employee share options	544	259
Share of loss of subsidiaries and associates accounted for using equity method	13,027	49,840
Gain on disposal of property, plant and equipment	(20)	-
Loss on decline in market value and obsolete and slow-moving inventories	14,523	19,008
Unrealized loss on foreign currency exchange	34,341	13,078
Changes in operating assets and liabilities:		
Notes receivable	16,254	891
Accounts receivable	(316,740)	2,553
Other receivables	(12,999)	2,727
Inventories	70,370	(107,831)
Other current assets	36,444	45,213
Notes payable	31,018	(21,209)
Accounts payable	266,102	(121,561)
Other payables	35,777	(12,591)
Other current liabilities	9,048	(2,531)
Net cash inflows generated from / (used in) operating activities	441,513	(33,338)
Interest received	1,999	2,568
Interest paid	(3,025)	(4,186)
Income taxes paid	(19,894)	(19,105)
Net cash generated from / (used in) operating activities	420,593	(54,061)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,132	-
Acquisition of investments accounted for using equity method	-	(10,916)

(Continued)

	2020	2019
Acquisition of property, plant and equipment	($ 139,556)	($ 9,312)
Proceeds from disposal of property, plant and equipment	20	-
Increase in refundable deposits	(100,636)	-
Payments for intangible assets	(1,212)	(3,815)
Decrease in other non-current assets	57,274	13,174
Net cash used in investing activities	(182,978)	(10,869)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	210,000	500,000
Decrease in short-term loans	(320,000)	(360,000)
Increase in short-term bills payable	-	10,000
Decrease in short-term bills payable	(10,000)	-
Increase in long-term loans	98,860	-
Decrease in guarantee deposits received	(150)	-
Repayment of the principal portion of lease liabilities	(3,708)	(4,333)
Cash dividends paid	(40,670)	(81,340)
Net cash generated from / (used in) financing activities	(65,668)	64,327
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	(17,281)	(5,981)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	154,666	(6,584)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	257,279	263,863
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 411,945	$ 257,279

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

Advanced Power Electronics Co., Ltd.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(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 shares were approved by the ROC Taipei Exchange on April 9, 2004 and 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 shares were shifted to be listed on the Taiwan Stock Exchange (TWSE).

The parent company only financial statements are presented in New Taiwan dollars (NTD), which is APEC's functional currency.

2. APPROVAL OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

The Board of Directors approved the parent company only financial statements on March 9, 2021.

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 APEC's accounting policies.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers for application starting from 2021 and the IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC with effective date starting 2021.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	Effective for annual reporting periods beginning on or after January 1, 2021
Amendment to IFRS 16 "Covid-19 - Related Rent Concessions"	Effective for annual reporting periods beginning on or after June 1, 2020

As of the date the parent company only financial statements were authorized for issue, the APEC is continuously assessing the possible impact that the application of other standards and interpretations will have on the APEC'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, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
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 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 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts-Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 are 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" are 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" are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: 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 4: 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 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: 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.

As of the date the parent company only financial statements were authorized for issue, the APEC is continuously assessing the possible impact that the application of other standards and interpretations will have on the APEC'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 parent company only 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 parent company only 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).

When preparing the parent company only financial statements, the Company accounts for subsidiaries by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to owners of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the parent company only financial statements.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

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

Current liabilities include:

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

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

Foreign Currencies

In preparing the parent company only financial statements, 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.
Foreign currency transactions are recorded at the spot exchange rate on the date of the transaction. At the end of the reporting period, foreign currency monetary items are reported using the closing rate. Exchange differences in the period 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 fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.
Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.
When preparing the parent company only financial statements, the assets and liabilities of foreign operations are translated to NTD using the exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated at the average exchange rate for the period. Exchange differences arising are recognized in other comprehensive income.

Inventories

Inventories include raw materials, in-process items, and finished products. Inventories are measured at the lower of cost or net realizable value. Inventories are assessed item by item, except those with similar characteristics which are assessed collectively. Net realizable value is the estimated selling price in the ordinary course of business less the estimated selling expenses. The weighted-average method is used in the calculation of cost.

Investments Accounted for Using Equity Method

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment in a subsidiary is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company’s share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company’s share of the change in other equity of the subsidiary.

Changes in the Company’s ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company’s share of losses of a subsidiary exceeds its interest in that subsidiary, the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company’s share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company’s share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent’s company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent’s company financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

Property, Plant and Equipment

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

Land has an unlimited useful life and therefore is not depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed on the same basis as other identical categories of property, plant and equipment at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

Other separately acquired intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the following estimated useful lives: Software and system design costs - 3 years or contract period. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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 Company reviews the carrying amounts of its tangible assets (property, plant and equipment), right-of-use assets and other intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. 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. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized in the parent company only balance sheets when the Company becomes a party to the contractual provisions of the instruments.

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

a. Financial assets

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

1) Measurement category

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

a) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at 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 Company 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 Company'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 Company 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 Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

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 Company has reasonable and corroborative information to support a more lagged default criterion.

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

Leases

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

a. The Company 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 Company as lessee

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

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

<u>Write-down of inventory</u>

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	
	2020	**2019**
Cash on hand and revolving funds	$ 60	$ 60
Bank check and demand deposit	177,590	122,009
Cash equivalents (investments with the original expiration date within 3 months)		
Bank time deposit	7,879	-
Repurchase agreements collateralized by bonds	226,416	135,210
	$ 411,945	$ 257,279

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI

	December 31	
	2020	**2019**
Current		
Domestic investments		
Listed stocks	$ -	$ 343
Non-current		
Domestic investments		
Listed stocks- private placement	$ 36,530	$ 8,813
Unlisted stocks	8,311	8,219
	$ 44,841	$ 17,032

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 Company's strategy of holding these investments for long-term purposes.

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

	December 31	
	2020	**2019**
Notes receivable		
From operating	$ 18,737	$ 34,991
Less: Allowance for impairment loss	(127)	(127)
	$ 18,610	$ 34,864
Accounts receivable		
At amortized cost	$ 803,921	$ 523,733
Less: Allowance for impairment loss	(6,155)	(11,835)
	$ 797,766	$ 511,898

	December 31	
	2020	2019
Doubtful receivable		
At amortized cost	$ 1,434	$ 1,492
Less: Allowance for impairment loss	(1,434)	(1,492)
	$ -	$ -
Other receivable		
Tax refund receivable	$ 40,714	$ 27,629
Earned revenue receivable	53	123
Others	60	146
	$ 40,827	$ 27,898

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 Company evaluates the prospective customers' credit quality through an external credit rating system and set the credit limit for a specific customer.

The Company 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 Company'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 Company 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 Company 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, 2020

	Not Past Due	Overdue 1 to 90 days	Overdue 91 to 180 days	Overdue Over 180 days	Total
Gross carrying amount	$ 730,546	$ 73,375	$ -	$ -	$ 803,921
Loss allowance (Lifetime ECL)	(2)	(6,153)	-	-	(6,155)
Amortized cost	$ 730,544	$ 67,222	$ -	$ -	$ 797,766

December 31, 2019

	Not Past Due	Overdue 1 to 90 days	Overdue 91 to 180 days	Overdue Over 180 days	Total
Gross carrying amount	$ 495,131	$ 28,602	$ -	$ -	$ 523,733
Loss allowance (Lifetime ECL)	-	(11,835)	-	-	(11,835)
Amortized cost	$ 495,131	$ 16,767	$ -	$ -	$ 511,898

Movements of allowance for accounts receivable were as follows:

	For the Year Ended December 31	
	2020	2019
Beginning balance	$ 11,835	$ 11,835
Less: Impairment losses reversed	(5,738)	-
Reclassification	58	-
Ending balance	$ 6,155	$ 11,835

b. Doubtful receivable

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

Movements of allowance for doubtful receivable were as follows:

	For the Year Ended December 31	
	2020	2019
Beginning balance	$ 1,492	$ 38,559
Less: Write-off	-	(37,067)
Reclassification	(58)	-
Ending balance	$ 1,434	$ 1,492

9. INVENTORIES

	December 31	
	2020	2019
Raw materials	$ 53,107	$ 20,653
Work in process	467,828	542,298
Finished goods	178,811	221,688
	$ 699,746	$ 784,639

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

	For the Year Ended December 31	
	2020	2019
Cost of goods sold	$ 2,589,332	$ 1,806,054
Write-down of inventories	14,523	19,008
	$ 2,603,855	$ 1,825,062

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	For the Year Ended December 31	
	2020	2019
Investment in subsidiaries	$ 56,657	$ 66,325

	Percentage of Ownership	
	December 31,2020	December 31,2019
Future Technology Consulting (B.V.I.), Inc. (Future)	100%	100%

	For the Year Ended December 31	
	2020	**2019**
Perfect Prime Limited (Perfect)	100%	100%
Green Power Semiconductor Co., Ltd. (GPS)	87.96%	73.08%

The Company 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 to make up for its deficits. The capital reduction ratio was 40% and the holding ratio of the Company remain the same after the capital reduction. ◦

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were based on the subsidiaries' financial statements which have been audited for the same years.

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Computer Communication Equipment	Office Equipment	Lease Improvement	Other Equipment	Total
Cost								
Balance, January 1, 2019	$ 61,590	$ 187,521	$ 116,334	$ 11,076	$ 10,690	$ 3,213	$ 158,989	$ 549,413
Additions	-	-	2,180	685	90	-	7,017	9,972
Disposals and retirements	-	-	-	-	-	-	(713)	(713)
Balance, December 31, 2019	$ 61,590	$ 187,521	$ 118,514	$ 11,761	$ 10,780	$ 3,213	$ 165,293	$ 558,672
Accumulated depreciation and impairment								
Balance, January 1, 2019	$ -	$ 28,808	$ 107,608	$ 8,562	$ 10,065	$ 1,620	$ 153,303	$ 309,966
Depreciation	-	3,846	3,440	1,167	248	494	6,515	15,710
Disposals and retirements	-	-	-	-	-	-	(713)	(713)
Balance, December 31, 2019	$ -	$ 32,654	$ 111,048	$ 9,729	$ 10,313	$ 2,114	$ 159,105	$ 324,963
Carrying amount, December 31, 2019	$ 61,590	$ 154,867	$ 7,466	$ 2,032	$ 467	$ 1,099	$ 6,188	$ 233,709
Cost								
Balance, January 1, 2020	$ 61,590	$ 187,521	$ 118,514	$ 11,761	$ 10,780	$ 3,213	$ 165,293	$ 558,672
Additions	49,316	73,568	9,061	-	-	-	8,724	140,669
Disposals and retirements	-	-	(33,701)	-	-	-	(2,901)	(36,602)
Balance, December 31, 2020	$ 110,906	$ 261,089	$ 93,874	$ 11,761	$ 10,780	$ 3,213	$ 171,116	$ 662,739
Accumulated depreciation and impairment								
Balance, January 1, 2020	$ -	$ 32,654	$ 111,048	$ 9,729	$ 10,313	$ 2,114	$ 159,105	$ 324,963
Depreciation	-	3,966	3,736	907	206	372	6,904	16,091
Disposals and retirements	-	-	(33,701)	-	-	-	(2,901)	(36,602)
Balance, December 31, 2020	$ -	$ 36,620	$ 81,083	$ 10,636	$ 10,519	$ 2,486	$ 163,108	$ 304,452
Carrying amount, December 31, 2020	$ 110,906	$ 224,469	$ 12,791	$ 1,125	$ 261	$ 727	$ 8,008	$ 358,287

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

Buildings	
Primary buildings	50 years
Mechanical and electrical equipment	15 years
Machinery and Equipment	6 years
Computer Communication Equipment	3-7 years
Office Equipment	5 years
Lease Improvement	5 years
Other Equipment	2-5 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 25.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amounts		
Buildings	$ -	$ 2,760
Transportation equipment	614	1,188
	$ 614	$ 3,948

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	$ 358	$ -
Depreciation of right-of-use assets		
Buildings	$ 2,760	$ 3,325
Transportation equipment	932	1,031
	$ 3,692	$ 4,356

b. Lease liabilities

	December 31	
	2020	2019
Carrying amounts		
Current	$ 621	$ 3,410
Non-current	$ -	$ 561

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Buildings	1.19%	1.19%
Transportation equipment	1.18%～1.19%	1.19%

c. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses related to short-term leases	$ 1,132	$ 581
Expenses related to low-value asset leases	$ 125	$ 83
Total cash outflow for leases	($ 4,990)	($ 5,068)

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

13. OTHER ASSETS

	December 31	
	2020	2019
Current		
Pre-payment for purchase	$ 26,467	$ 62,879
Others	1,236	1,268
	$ 27,703	$ 64,147

	December 31	
	2020	2019
Non-current		
Long-term pre-payment for purchase	$ 112,358	$ 170,135
Refundable deposits	101,781	1,145
Pre-payment for equipment	3,520	3,017
	$ 217,659	$ 174,297

In order to ensure steady capacity, the Company signs a throughput guarantee contract with the manufacturer and pays for the purchases over the long-term prepayments in order to ensure fulfillment of the contract. In order to retain the capacity, US$6,996 thousand deposit was required to be paid and will be refunded in accordance with the contract. As of December 31, 2020, $100,636 thousand of 50% deposit has been paid, and the remaining 50% is expected to be paid in March 2021.

14. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
Secured loans (Note 25)		
—bank loans	$ -	$ 170,000
Unsecured loans		
—bank loans	280,000	220,000
	$ 280,000	$ 390,000

As of December 31, 2020 and December 31, 2019, the annual interest rate of bank revolving loans was 0.93% to 0.98% and 1.15% to 1.20%.

b. Short-term bills payable

	December 31	
	2020	2019
Commercial paper	$ -	$ 10,000

As of December 31, 2019, the annual interest rate of short-term bills payable was 1.20%.

c. Long-term borrowings

	December 31	
	2020	2019
Secured loans (Note 25)		
—Mortgaged loans	$ 98,860	$ -
Less: Current portion	(9,886)	-
	$ 88,974	$ -

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

15. OTHER PAYABLES

	December 31	
Current	**2020**	**2019**
Payable for salaries and rewards	$ 40,512	$ 30,794
Payable for remunerations of employees and directors	23,683	7,789
Payables on equipment	2,790	1,676
Payable for Professional fee	1,150	1,200
Others	31,649	21,616
	$ 99,784	$ 63,075

16. RETIREMENT BENEFIT PLANS

Defined contribution plans

The Company 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.

17. EQUITY

a. Common stock

	December 31	
	2020	**2019**
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	
	2020	**2019**
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
Treasury stock transactions	12,728	12,728
May be used to offset a deficit only		
Expired employee share option (2)	67,287	67,287
May not be used for any purpose		
Employee share option	1,872	1,328
Change in percentage of ownership interest in subsidiaries (3)	7,609	3,373
	$ 333,480	$ 328,700

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 to employee share options with no cash inflows and upon expiration of convertible bonds.

3). Such capital surplus is the adjustment made in the transaction of equities recognized due to variation in the subsidiary's equities when the Company does not actually acquire or dispose of the subsidiary's 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, Company'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 Company'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 Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and after amendment, refer to Note 18(f) on employee benefits expense.

In light of the fact that the Company 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, the Company 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 Company distributes and reverses special reserve in accordance with Rule No. 1010012865, Rule No. 1010047490, and "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" issued by the FSC.

The appropriations of earnings for 2019 and 2018 which have been resolved in the shareholders' meeting on June 15, 2020 and May 16, 2019, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share ($) For the Year Ended December 31	
	2019	2018	2019	2018
Legal capital reserve	$ 5,513	$ 16,617		
Special capital reserve	4,295	40,213		
Cash dividends to shareholders	40,670	81,340	$ 0.5	$ 1

The 2020 earnings distribution proposal stipulated on March 9, 2021 by the Company's Board of Directors was as follows:

	Appropriation of Earnings	Dividends Per Share ($)
Legal capital reserve	$ 19,827	
Reversal from special reserve	27,797	
Cash dividends to shareholders	81,340	$ 1

The Company's 2020 earnings appropriations will be proposed by the Board of Directors and approved in the shareholders' meeting on May 31, 2021.

d. Other equity interests

Unrealized gains or loss on FVTOCI financial assets

	For the Year Ended December 31	
	2020	2019
Balance, January 1, 2020	($ 75,126)	($ 72,584)
Current period		
Unrealized gains or loss－equity instrument	28,598	(3,502)
Changes in other comprehensive income of associates accounted for using equity method	676	960
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal	76	-
Balance, December 31, 2020	($ 45,776)	($ 75,126)

18. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Year Ended December 31	
	2020	2019
Rent income	$ 201	$ 1,055
Others	4,323	2,353
	$ 4,524	$ 3,408

b. Other gains and losses, net

	For the Year Ended December 31	
	2020	2019
Loss on foreign exchange	($ 22,860)	($ 6,500)
Loss on disposal of property, plant and equipment, net	20	-
Others	(1,600)	(2,923)
	($ 24,440)	($ 9,423)

c. Finance costs

	For the Year Ended December 31	
	2020	2019
Bank loans	$ 2,857	$ 4,275
Lease liabilities	25	71
	$ 2,882	$ 4,346

d. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	$ 16,091	$ 15,710
Right-of-use assets	3,692	4,356
Intangible assets	3,214	4,598
	$ 22,997	$ 24,664
Depreciation expense classified by function		
Operating cost	$ 9,792	$ 9,421
Operating expense	9,991	10,645
	$ 19,783	$ 20,066
Amortization expense classified by function		
Operating cost	$ 519	$ 592
Operating expense	2,695	4,006
	$ 3,214	$ 4,598

e. Employee benefits expenses

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits		
Salaries and rewards	$171,747	$147,894
Labor and health insurance	10,814	11,383
Others	3,997	4,180
Post-employment benefits		
Defined contribution plans (Note 16)	6,110	6,472
Share-based Payment	544	259
	$193,212	$170,188
Classified by function		
Operating cost	$ 36,988	$ 41,410
Operating expense	156,224	128,778
	$193,212	$170,188

f. Employees' compensation and remuneration of directors

The Company 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, 2020 and 2019 were approved by the Board of Directors on March 9, 2021 and March 26, 2020, respectively, were as follows:

Estimated ratio

	For the Year Ended December 31	
	2020	2019
Employees' compensation	8%	8%
Remuneration of directors	1.5%	1.5%

Amount

	For the Year Ended December 31	
	2020	2019
	Paid in Cash	Paid in Cash
Employees' compensation	$ 19,944	$ 6,403
Remuneration of directors	3,739	1,201

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 parent company only financial statements for the years ended December 31, 2019 and 2018.

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.

19. 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	
	2020	2019
Current income tax expense		
Current period	$ 29,665	$ 14,904
Additional income tax on unappropriated earnings	233	3,563
Prior years' adjustment	(545)	1
	29,353	18,468
Deferred income tax expense		
Current period	(2,089)	(1,167)
Income tax expense recognized in profit or loss	$ 27,264	$ 17,301

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	
	2020	2019
Income before tax	$225,612	$ 72,430
Income tax expense at the statutory rate	$ 45,122	$ 14,486
Nondeductible items in determining taxable income	1,537	7,166
Realized investment loss	(8,000)	-
Additional income tax on unappropriated earnings	233	3,563
Investment tax credits	(11,394)	(7,915)
Prior years' other adjustments	(545)	1
Others	311	-

	For the Year Ended December 31	
	2020	2019
Income tax expense recognized in profit or loss	$ 27,264	$ 17,301

b. Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities were as follows:

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

For the Year Ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax assets			
Loss on decline in market value and obsolete and slow-moving inventories	$ 17,238	$ 3,801	$ 21,039
Losses on investments recognized adopting the equity method	13,710	2,801	16,511
Allowance for losses	8,866	(7,306)	1,560
Unrealized exchange losses	-	1,727	1,727
Financial assets	1,160	-	1,160
	$ 40,974	$ 1,023	$ 41,997
Deferred tax liabilities			
Unrealized exchange gains	$ 144	($ 144)	$ -

c. Unrecognized Loss carryforwards

The income tax returns through 2018 have been examined and cleared by the tax authorities.

20. 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	
	2020	2019
Basic EPS		
Profit attributable to shareholders	$ 198,348	$ 55,129

	For the Year Ended December 31	
	2020	2019
Effect of potential dilutive common shares:		
Employees' compensation	-	-
Employee share option	-	-
Diluted EPS		
Profit attributable to shareholders	$ 198,348	$ 55,129

Common Shares Outstanding (in thousands)

	For the Year Ended December 31	
	2020	2019
Basic EPS		
Profit attributable to shareholders	81,341	81,341
Effect of potential dilutive common shares:		
Employees' compensation	461	337
Employee share option	22	-
Diluted EPS		
Profit attributable to shareholders	81,824	81,678

Since the Company has the discretion to settle the employees' compensation by cash or stock, the Company should presume that the entire amount of the compensation will be settled in stock and the potential stock dilution should be included in the weighted-average number of stock outstanding used in the calculation of diluted EPS, provided there is a dilutive effect. Such dilutive effect of the potential stock needs to be included in the calculation of diluted EPS until employees' compensation is approved in the following year.

21. SHARE-BASED COMPENSATION EXPENSES

Employee share option plan of the Company

Upon the completion of the registration of this issuance with the Financial Supervisory Commission (FSC) on May 2, 2018, qualified employees of the Company were granted 2,000 options. Each option entitles the holder to subscribe for 1,000 common shares of the Company. The outstanding options are valid for 6 years and exercisable at 40%, 30% and 30% after two, three and four anniversary 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, 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			
	2020		2019	
	No. of shares (in thousands)	Weighted-average exercise price	No. of shares (in thousands)	Weighted-average exercise price
Balance, beginning of Period	235	$ 26.9	485	$ 27.9
Options expired upon resignation	-	-	(250)	27.9
Balance, end of period	235	26.4	235	26.9
Options exercisable, end of period	94		-	

Information about outstanding options was as follows:

	December 31	
	2020	**2019**
Range of exercise price ($)	$ 26.4	$ 26.9
Weighted-average remaining contractual life (years)	3.36	4.36

Compensation cost recognized was $544 thousand and $259 thousand for the years ended December 31, 2020 and 2019, respectively.

22. CAPITAL MANAGEMENT

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

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

23. FINANCIAL INSTRUMENTS

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

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

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

1). Levels of fair value

December 31, 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	-	-	8,311	8,311
total	$ -	$ 36,530	$ 8,311	$ 44,841

December 31, 2019

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTOCI				
Equity instruments				
－Domestic listed stocks	$ 343	$ 8,813	$ -	$ 9,156
－Foreign / Domestic unlisted stocks	-	-	8,219	8,219
total	$ 343	$ 8,813	$ 8,219	$ 17,375

There was no transfer between the fair value measurements of Levels 1 and 2 for the years ended December 31, 2020 and 2019.

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

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

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

The significant and unobservable input parameter for assessing the unlisted stocks held by the Company mainly relates to liquidity discount rate. The evaluation of fair value of unlisted stocks is mainly referenced to the same type of companies or the listed companies through the market approach.

c. Categories of financial instruments

	December 31	
	2020	**2019**
Financial assets		
Financial assets measured at amortized cost (Note1)	$ 1,376,054	$ 838,380
Financial assets at fair value through other comprehensive income-Equity instruments	44,841	17,375
Financial liabilities		
Financial liabilities measured at amortized cost (Note 2)	1,093,266	800,410

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

f. Financial risk management

1). Market risk

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

a). Foreign currency risk

Most of the Company's revenues and expenditures are denominated in foreign

currencies. Consequently, the Company is exposed to foreign currency risk.
For the book value of monetary assets and liabilities in non-functional currencies at the end of the reporting period, refer to Note 26.

Sensitivity analysis
The Company is impacted mainly by the fluctuating US and RMB exchange rates.
The sensitivity analysis takes place when the exchange rate of NT dollar (functional currency) versus each of relevant foreign currencies increases or reduces by 5%. The 5% is the sensitivity ratio adopted by the Company internally in the report of the exchange rate risk to the primary management and also represents the reasonable and possible range of changes in the assessment of foreign currency exchange rates performed by the management. The sensitivity analysis only includes the monetary items of circulating foreign currencies and the conversion at the end of the year is adjusted by 5% of variation in the exchange rate. Sensitivity analysis associated with the foreign currency exchange rate risk mainly covers monetary items in foreign currencies 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 by$35,722 thousand and increased by $22,807 thousand for the years ended December 31, 2020 and 2019, 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	
	2020	**2019**
Fair value interest rate risk		
Financial assets	$234,295	$135,210
Financial liabilities	280,621	273,971
Cash flow interest rate risk		
Financial assets	177,569	121,993
Financial liabilities	98,860	130,000

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 Company 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 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 $394 thousand and $40 thousand for the years ended December 31, 2020 and 2019, respectively, which was mainly attributable to the Company’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 Company. As of the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation approximates the carrying amount of the respective recognized.

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

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

3). Liquidity risk

The Company manages and maintains 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 Company also monitors its bank credit facilities to ensure that the Company 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 Company's financial liabilities with agreed-upon repayment periods, which are based on the date the Company may be required to pay the first repayment and financial liabilities.

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	$ -	$ -

	Contractual Cash Flows or within a year	1-5 Years	More Than 5 Years
Long-term borrowings	10,875	43,498	54,381
Notes payable	38,989	-	-
Accounts payable (related parties included)	575,598	-	-
Other payables	99,784	-	-
Lease liabilities	624	-	-
	$ 1,006,290	$ 43,498	$ 54,381

December 31, 2019

	Contractual Cash Flows or within a year	1-5 Years	More Than 5 Years
Non-derivative financial liabilities			
Short-term borrowings	$ 390,987	$ -	$ -
Short-term bills payable	10,010	-	-
Notes payable	7,971	-	-
Accounts payable (related parties included)	329,179	-	-
Other payables	63,075	-	-
Lease liabilities	3,433	564	-
	$ 804,655	$ 564	$ -

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

b). Financing facilities

	December 31	
	2020	2019
Unsecured loans (Renew by every year)		
—Used amount	$ 280,000	$ 230,000
—Unused amount	410,000	350,000
	$ 690,000	$ 580,000
Secured loans		
—Used amount	$ 98,860	$ 170,000
—Unused amount	181,140	10,000
	$ 280,000	$ 180,000

24. RELATED PARTY TRANSACTIONS

In addition to those disclosed in other notes, detail of transactions between the Company and related parties are disclosed below.

a. Related party name and nature of relationship

Related Parties	Relationship with the Company
Future Technology Consulting (B.V.I.), Inc. (Future)	Subsidiary
Perfect Prime Limited (Perfect)	Subsidiary
Shenzhen Fucheng Electronics Co., Ltd. (Fucheng)	Subsidiary
Green Power Semiconductor Co., Ltd. (GPS)	Subsidiary
OPC Microelectronics Co., Ltd. (OPC)	Subsidiary

b. Operating revenues

Line Items	Related Parties Categories/Name	For the Year Ended December 31	
		2020	**2019**
Sales	Subsidiary	$ 19,609	$ 21,532

c. Purchases

Related Parties Categories/Name	For the Year Ended December 31	
	2020	**2019**
Subsidiary	$ 50,752	$ 59,267

d. Receivables from related parties (financing to related parties not included)

Line Items	Related Parties Categories/Name	December 31	
		2020	**2019**
Accounts receivable	Subsidiary	$ 5,125	$ 5,296

e. Payables to related parties (financing from related parties not included)

Line Items	Related Parties Categories/Name	December 31	
		2020	**2019**
Accounts payable	Subsidiary	$ -	$ 939

f. Pre-payment for purchase to related parties

Related Parties Categories/Name	December 31	
	2020	**2019**
Subsidiary/OPC	$ 26,467	$ 44,143

g. Operating expense- Research and development expenses

Related Parties Categories/Name	For the Year Ended December 31	
	2020	**2019**
Subsidiary	$ -	$ 4,270

h. Compensation of key management personnel

	December 31	
	2020	**2019**
Short-term employee benefits	$ 28,786	$ 21,753
Post-employment benefits	567	540
	$ 29,353	$ 22,293

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

25. PLEDGED ASSETS

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

	December 31	
	2020	2019
Land	$110,906	$ 61,590
Buildings	224,469	154,867
	$335,375	$216,457

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

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

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Foreign currency assets			
Monetary items			
USD	$ 39,656	28.48 (USD:NTD)	$ 1,129,402
RMB	3,299	4.377 (RMB:NTD)	14,438
			$ 1,143,840
Foreign currency liabilities			
Monetary items			
USD	15,078	28.48(USD:NTD)	$ 429,409

December 31, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Foreign currency assets			
Monetary items			
USD	$ 23,382	29.98 (USD:NTD)	$ 701,002
RMB	1,490	4.305 (RMB:NTD)	6,417
			$ 707,419
Foreign currency liabilities			
Monetary items			
USD	8,361	29.98 (USD:NTD)	$ 250,679
RMB	140	4.305 (RMB:NTD)	603
			$ 251,282

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

	For the Year Ended December 31			
	2020		2019	
Foreign Currency	Exchange rate	Net exchange profits or losses	Exchange rate	Net exchange profits or losses
USD	29.549 (USD:NTD)	($ 23,256)	30.912 (USD:NTD)	($ 6,500)
RMB	4.282 (RMB:NTD)	349	4.472 (RMB:NTD)	(31)
		($ 22,907)		($ 6,531)

27. ADDITIONAL DISCLOSURES

a. Information on significant transactions:

1) Financing extended to other parties: Table 1 (attached).

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

3) Marketable securities held: Table 2 (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.

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).

<u>**TABLE 1**</u>

Advanced Power Electronics Co., Ltd.

FINANCING EXTENDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(Amounts in Thousands of New Taiwan Dollars and US Dollars)

No. (Note 1)	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2 and6)	Ending Balance (Note 6)	Amount Actually Drawn	Interest Rate	Nature for Financing (Note 3)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 4 and 6)	Financing Company's Total Financing Amount Limits (Note 5 and 6)	Note
													Item	Value			
1	Future Technology Consulting (B.V.I.), Inc.	OPC Microelectronics Co., Ltd.	Other receivables from related parties	Yes	$ 14,240 (USD 500)	$ -	$ -	-	2	$ -	Operating capital	$ -	-	$ -	$ 33,545 (USD 1,178)	$ 33,545 (USD 1,178)	

Note 1: Descriptions of the numeration field are as follows:
(1) Indicate 0 for the issuer.
(2) The companies invested in are numbered sequentially by the company starting from 1.
Note 2: Maximum balance of funds lent to others for the current year.
Note 3: Descriptions of the nature of loan are as follows:
(1) Indicate 1 if there is business interaction.
(2) Indicate 2 if there is the need for short-term financing.
Note 4: When there is the necessity for short-term financing, the ratio is restricted to 100% of the net worth shown in the financial statements inspected or approved by CPAs for recent terms of funding companies.
Note 5: The total limit of funds lent to others is restricted to 100% of the net worth shown in the financial statements inspected or approved by CPAs for recent terms of funding companies.
Note 6: The foreign currency value shown herein is indicated in NTD at an exchange rate of US$1=NT$28.48 as of December 31, 2020.

<u>**TABLE 2**</u>

Advanced Power Electronics Co., Ltd.

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020				Note
				Shares/Units Note (In Thousands)	Carrying Value	Percentage of Ownership (%)	Fair Value	
APEC	<u>Stock</u>							
	Advanced Microelectronic Products, Inc.	-	Financial assets at fair value through other comprehensive income –Non-Current	5,708	$ 36,530	1	$ 36,530	
	AXElite Co., Ltd.	-	Financial assets at fair value through other comprehensive income –Non-Current	497	8,311	6	8,311	
	<u>Stock</u>							
Future Technology Consulting (B.V.I.), Inc.	Seaward Electronics, Inc. (Cayman)	-	Financial assets at fair value through other comprehensive income –Non-Current	1,733	17,650	13	17,650	

Note1: 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.

Advanced Power Electronics Co., Ltd.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2020	December 31, 2019	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	$ 33,545	($ 5,471)	($ 5,471)	
	Perfect Prime Limited	Samoa	General investment	14,540 USD 450	14,540 USD 450	450	100	1,253	129	129	
	Green Power Semiconductor Co., Ltd.	Taiwan	Trading	100,000	100,000	6,861	87.96	21,859	(9,685)	(7,685)	

TABLE 4

Advanced Power Electronics Co., Ltd.

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020 (US$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (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, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	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	$ 12,531 USD 440	(2)A	$ 12,531 USD 440	$ -	$ -	$ 12,531 USD 440	$ 158 USD 5	100%	$ 158 USD 5	$ 1,053 USD 37	$ -	
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	(7,122)	100%	(7,122)	17,431	-	

Accumulated Investment in Mainland China as of December 31, 2020 (US$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousands)	Upper Limit on Investment (Note2)
$ 76,297	$ 76,297	$ 958,199

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$28.48 and US$ 1=NT$29.549 as of December 31, 2020.

TABLE 5

Advanced Power Electronics Co., Ltd.

SIGNIFICANT INTERCOMPANY TRANSACTIONS AND RELATED INFORMATION ON INVESTEES IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(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	($ 19,609)	Note1	EOM 60 days	Equivalent to	$ 5,125	1%	$ -	
	Purchases	50,752	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, 2020

Name of Major Stockholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Prime Reliance Investment Ltd., B.V.I.	6,193,247	7.61%
STCH Investment Inc., Cayman	6,193,247	7.61%