

Advanced Power Electronics Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the
Six Months Ended June 30, 2021 and 2020
and Independent Auditors' Review Report

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INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Advanced Power Electronics Co., Ltd. and its subsidiaries (collectively, the “Group”) as of June 30, 2021 and 2020, the consolidated statements of comprehensive income for the three months and the six months ended June 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the six months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2021 and 2020, and of its consolidated financial performance for the three months ended June 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2021 and 2020 in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Chien-Liang Liu and Li-Wen Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China
August 3, 2021

Notice to Readers

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

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

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED BALANCE SHEET

(In Thousands of New Taiwan Dollars)

	June 30, 2021 (Reviewed)		December 31, 2020 (Audited)		June 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents (Note 6)	\$ 785,730	25	\$ 445,441	16	\$ 302,820	13
Financial assets at fair value through other comprehensive income (Note 7)	-	-	-	-	592	-
Financial assets at amortized cost (Note 8)	17,574	1	6,774	-	9,304	-
Notes receivable (Note 9)	13,708	-	18,610	1	30,711	1
Accounts receivable (Note 9)	876,028	28	799,910	29	670,216	29
Other receivables (Note 9)	45,626	2	41,212	2	34,896	2
Current tax assets (Note 4)	2,885	-	15	-	13	-
Inventories (Note 10)	534,316	17	721,698	26	788,517	34
Other current assets	12,853	-	22,050	1	17,147	1
Total current assets	<u>2,288,720</u>	<u>73</u>	<u>2,055,710</u>	<u>75</u>	<u>1,854,216</u>	<u>80</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income (Note 7)	63,979	2	62,491	2	41,084	2
Financial assets at amortized cost (Note 8)	194,909	6	-	-	206	-
Property, plant and equipment (Note 11)	432,438	14	359,000	13	240,219	10
Right-of-use assets (Note 12)	277	-	614	-	2,167	-
Other intangible assets, net	1,598	-	2,393	-	2,997	-
Deferred tax assets (Note 4)	36,154	1	44,086	2	41,197	2
Other non-current assets (Note 13)	130,086	4	218,091	8	145,503	6
Total non-current assets	<u>859,441</u>	<u>27</u>	<u>686,675</u>	<u>25</u>	<u>473,373</u>	<u>20</u>
TOTAL	<u>\$ 3,148,161</u>	<u>100</u>	<u>\$ 2,742,385</u>	<u>100</u>	<u>\$ 2,327,589</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 15)	\$ 261,860	8	\$ 280,000	10	\$ 175,000	8
Short-term bills payable (Note 15)	99,777	3	-	-	50,000	2
Notes payable	31,512	1	38,989	2	7,996	-
Accounts payable	515,961	17	575,711	21	486,290	21
Other payables (Note 16)	132,724	4	112,197	4	123,607	5
Current tax liabilities (Note 4)	83,995	3	21,582	1	17,047	1
Lease liabilities (Note 12)	281	-	621	-	1,903	-
Long-term borrowings - current portion (Note 15)	15,683	1	9,886	-	-	-
Other current liabilities	11,231	-	14,434	1	14,306	1
Total current liabilities	<u>1,153,024</u>	<u>37</u>	<u>1,053,420</u>	<u>39</u>	<u>876,149</u>	<u>38</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 15)	136,204	4	88,974	3	-	-
Lease liabilities (Note 12)	-	-	-	-	281	-
Total non-current liabilities	<u>136,204</u>	<u>4</u>	<u>88,974</u>	<u>3</u>	<u>281</u>	<u>-</u>
Total liabilities	<u>1,289,228</u>	<u>41</u>	<u>1,142,394</u>	<u>42</u>	<u>876,430</u>	<u>38</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT						
(Note 17)						
Common stock	<u>813,405</u>	<u>26</u>	<u>813,405</u>	<u>30</u>	<u>813,405</u>	<u>35</u>
Capital surplus	<u>337,976</u>	<u>11</u>	<u>333,480</u>	<u>12</u>	<u>329,046</u>	<u>14</u>
Retained earnings						
Legal reserve	60,021	2	60,021	2	60,021	3
Special reserve	79,758	2	79,758	3	79,758	3
Unappropriated earnings	<u>615,947</u>	<u>20</u>	<u>362,296</u>	<u>13</u>	<u>234,362</u>	<u>10</u>
Total retained earnings	<u>755,726</u>	<u>24</u>	<u>502,075</u>	<u>18</u>	<u>374,141</u>	<u>16</u>
Other equity interests	(<u>51,000</u>)	(<u>2</u>)	(<u>51,961</u>)	(<u>2</u>)	(<u>74,067</u>)	(<u>3</u>)
Total equity attributable to owners of the parent	<u>1,856,107</u>	<u>59</u>	<u>1,596,999</u>	<u>58</u>	<u>1,442,525</u>	<u>62</u>
NON-CONTROLLING INTERESTS						
	<u>2,826</u>	<u>-</u>	<u>2,992</u>	<u>-</u>	<u>8,634</u>	<u>-</u>
Total equity	<u>1,858,933</u>	<u>59</u>	<u>1,599,991</u>	<u>58</u>	<u>1,451,159</u>	<u>62</u>
TOTAL	<u>\$ 3,148,161</u>	<u>100</u>	<u>\$ 2,742,385</u>	<u>100</u>	<u>\$ 2,327,589</u>	<u>100</u>

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

Advanced Power Electronics Co., Ltd. and its subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES	\$ 1,030,723	100	\$ 774,447	100	\$ 2,059,500	100	\$ 1,320,510	100
OPERATING COSTS (Notes 10 and 18)	<u>728,093</u>	<u>71</u>	<u>646,419</u>	<u>84</u>	<u>1,533,088</u>	<u>75</u>	<u>1,113,781</u>	<u>85</u>
GROSS PROFIT FROM OPERATIONS	<u>302,630</u>	<u>29</u>	<u>128,028</u>	<u>16</u>	<u>526,412</u>	<u>25</u>	<u>206,729</u>	<u>15</u>
OPERATING EXPENSES (Notes 18 and 24)								
Selling and marketing expenses	23,129	2	20,766	3	45,969	2	39,822	3
General and administrative expenses	47,413	4	20,724	2	87,091	4	37,957	3
Research and development expenses	27,445	3	24,419	3	50,473	3	48,490	3
Expected credit reversal benefit	<u>-</u>	<u>-</u>	<u>(882)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,938)</u>	<u>-</u>
Total operating expenses	<u>97,987</u>	<u>9</u>	<u>65,027</u>	<u>8</u>	<u>183,533</u>	<u>9</u>	<u>122,331</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>204,643</u>	<u>20</u>	<u>63,001</u>	<u>8</u>	<u>342,879</u>	<u>16</u>	<u>84,398</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	832	-	754	-	1,348	-	1,630	-
Other income (Note 18)	93	-	3,077	-	2,235	-	7,763	-
Other gains and losses, net (Note 18)	(26,810)	(3)	(8,162)	(1)	(22,911)	(1)	(4,517)	-
Finance costs (Note 18)	(<u>971</u>)	<u>-</u>	(<u>668</u>)	<u>-</u>	(<u>2,495</u>)	<u>-</u>	(<u>1,780</u>)	<u>-</u>
Total non-operating income and expenses	(<u>26,856</u>)	(<u>3</u>)	(<u>4,999</u>)	(<u>1</u>)	(<u>21,823</u>)	(<u>1</u>)	<u>3,096</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	177,787	17	58,002	7	321,056	15	87,494	6
INCOME TAX EXPENSE (Notes 4 and 19)	<u>37,909</u>	<u>4</u>	<u>10,385</u>	<u>1</u>	<u>67,541</u>	<u>3</u>	<u>17,581</u>	<u>1</u>
NET PROFIT	<u>139,878</u>	<u>13</u>	<u>47,617</u>	<u>6</u>	<u>253,515</u>	<u>12</u>	<u>69,913</u>	<u>5</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Note 17)	(1,644)	-	9,868	1	1,872	-	6,642	1
Items that may be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of foreign operations	(<u>902</u>)	<u>-</u>	(<u>1,212</u>)	<u>-</u>	(<u>941</u>)	<u>-</u>	(<u>1,122</u>)	<u>-</u>
Other comprehensive income (loss) (after tax)	(<u>2,546</u>)	<u>-</u>	<u>8,656</u>	<u>1</u>	<u>931</u>	<u>-</u>	<u>5,520</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 137,332</u>	<u>13</u>	<u>\$ 56,273</u>	<u>7</u>	<u>\$ 254,446</u>	<u>12</u>	<u>\$ 75,433</u>	<u>6</u>
NET PROFIT ATTRIBUTABLE TO:								
Owners of the parent	\$ 139,425	13	\$ 46,668	6	\$ 253,651	12	\$ 70,338	5
Non-controlling interests	<u>453</u>	<u>-</u>	<u>949</u>	<u>-</u>	(<u>136</u>)	<u>-</u>	(<u>425</u>)	<u>-</u>
	<u>\$ 139,878</u>	<u>13</u>	<u>\$ 47,617</u>	<u>6</u>	<u>\$ 253,515</u>	<u>12</u>	<u>\$ 69,913</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the parent	\$ 136,899	13	\$ 55,435	7	\$ 254,612	12	\$ 76,029	6
Non-controlling interests	<u>433</u>	<u>-</u>	<u>838</u>	<u>-</u>	(<u>166</u>)	<u>-</u>	(<u>596</u>)	<u>-</u>
	<u>\$ 137,332</u>	<u>13</u>	<u>\$ 56,273</u>	<u>7</u>	<u>\$ 254,446</u>	<u>12</u>	<u>\$ 75,433</u>	<u>6</u>
EARNINGS PER SHARE (Note 20)								
Basic earnings per share	<u>\$ 1.71</u>		<u>\$ 0.57</u>		<u>\$ 3.12</u>		<u>\$ 0.86</u>	
Diluted earnings per share	<u>\$ 1.70</u>		<u>\$ 0.57</u>		<u>\$ 3.09</u>		<u>\$ 0.86</u>	

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

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Owners of the Parent						Other Equity Interests					
	Retained Earnings						Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Total	Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total						
BALANCE, JANUARY 1, 2020	\$ 813,405	\$ 328,700	\$ 54,508	\$ 75,463	\$ 214,502	\$ 344,473	(\$ 4,632)	(\$ 75,126)	(\$ 79,758)	\$ 1,406,820	\$ 9,230	\$ 1,416,050
Distribution of 2019 earnings												
Legal reserve	-	-	5,513	-	(5,513)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	4,295	(4,295)	-	-	-	-	-	-	-
Cash dividends -NT\$ 0.5 per share	-	-	-	-	(40,670)	(40,670)	-	-	-	(40,670)	-	(40,670)
Profit (Loss) for the six months ended June 30, 2020	-	-	-	-	70,338	70,338	-	-	-	70,338	(425)	69,913
Other comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	-	(951)	6,642	5,691	5,691	(171)	5,520
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	70,338	70,338	(951)	6,642	5,691	76,029	(596)	75,433
Compensation of employee share options	-	346	-	-	-	-	-	-	-	346	-	346
BALANCE, JUNE 30, 2020	\$ 813,405	\$ 329,046	\$ 60,021	\$ 79,758	\$ 234,362	\$ 374,141	(\$ 5,583)	(\$ 68,484)	(\$ 74,067)	\$ 1,442,525	\$ 8,634	\$ 1,451,159
BALANCE, JANUARY 1, 2021	\$ 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
Profit (Loss) for the six months ended June 30, 2021	-	-	-	-	253,651	253,651	-	-	-	253,651	(136)	253,515
Other comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	-	-	(911)	1,872	961	961	(30)	931
Total comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	253,651	253,651	(911)	1,872	961	254,612	(166)	254,446
Compensation of employee share options	-	4,496	-	-	-	-	-	-	-	4,496	-	4,496
BALANCE, JUNE 30, 2021	\$ 813,405	\$ 337,976	\$ 60,021	\$ 79,758	\$ 615,947	\$ 755,726	(\$ 7,096)	(\$ 43,904)	(\$ 51,000)	\$ 1,856,107	\$ 2,826	\$ 1,858,933

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

(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 321,056	\$ 87,494
Adjustments for:		
Depreciation expense	10,042	11,257
Amortization expense	1,670	1,533
Expected credit reversal benefit	-	(3,938)
Finance costs	2,495	1,780
Interest income	(1,348)	(1,630)
Dividend income	-	(3,462)
Compensation costs of employee share options	4,496	346
Loss on disposal of property, plant and equipment	788	321
Gain from reversal of market value and obsolete and slow-moving inventories	(60,120)	(1,422)
Unrealized loss on foreign currency exchange	22,406	5,581
Changes in operating assets and liabilities:		
Notes receivable	4,902	6,126
Accounts receivable	(93,641)	(154,236)
Other receivables	(3,858)	(6,919)
Inventories	247,384	36,402
Other current assets	9,197	23,534
Notes payable	(7,477)	25
Accounts payable	(50,305)	163,540
Other payables	20,984	6,959
Other current liabilities	(3,203)	9,182
Net cash inflows generated from operating activities	425,468	182,473
Interest received	792	1,728
Interest paid	(2,476)	(1,906)
Income taxes paid	(66)	(11,859)
Net cash generated from operating activities	<u>423,718</u>	<u>170,436</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from acquisition of financial assets at amortized cost	(208,027)	-

(Continued)

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2021	2020
Proceeds from disposal of financial assets at amortized cost	\$ -	\$ 14,027
Acquisition of property, plant and equipment	(82,333)	(10,735)
Decrease in refundable deposits	101,295	56
Payments for intangible assets	(232)	(135)
Decrease (Increase) in other non-current assets	(13,760)	27,138
Increase in prepayments for equipment	(2,084)	-
Other dividend received	<u>-</u>	<u>3,462</u>
Net cash generated from/ (used in) investing activities	(<u>205,141</u>)	<u>33,813</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	61,860	100,000
Decrease in short-term loans	(80,000)	(315,000)
Increase in short-term bills payable	99,777	40,000
Increase in long-term loans	57,970	-
Decrease in long-term loans	(4,943)	-
Decrease in guaranteed deposits received	-	(149)
Repayment of the principal portion of lease liabilities	(<u>340</u>)	(<u>2,145</u>)
Net cash generated from / (used in) financing activities	<u>134,324</u>	(<u>177,294</u>)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	(<u>12,612</u>)	(<u>2,929</u>)
NET INCREASE IN CASH AND CASH EQUIVALENTS	340,289	24,026
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>445,441</u>	<u>278,794</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>\$ 785,730</u></u>	<u><u>\$ 302,820</u></u>

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 SIX MONTHS ENDED JUNE 30, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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

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

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

2. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements on August 3, 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. The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC for application starting from 2022.

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

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 Interim Financial Reporting endorsed and issued into effect by the FSC. The consolidated financial statements do not include all the information which should be disclosed in the annual consolidated financial statements in accordance with the IFRSs endorsed and issued into effect by the FSC.

Basis of Preparation

The accompanying company only 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).

Basis of Consolidation

All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. Financial statements of subsidiaries are adequately adjusted to align their accounting policies with those of the Group transactions and balances, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing 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 3 and 4.

Other significant accounting policies

Except for the following description, the significant accounting policies adopted for the consolidated financial statements are the same as those adopted for the consolidated financial statements for the year ended December 31, 2020.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The interim-period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the profit before tax of the interim-period.

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

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

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

The same critical accounting judgments and key sources of estimation uncertainty have been followed when preparing these interim consolidated financial statements as those that were applied in the preparation of the consolidated financial statements for the year ended December 31, 2020.

6. CASH AND CASH EQUIVALENTS

	June 30, 2021	December 31, 2020	June 30, 2020
Cash on hand and revolving funds	\$ 82	\$ 82	\$ 123
Bank check and demand deposit	225,662	189,970	137,658
Cash equivalents (investments with the original expiration date within 3 months)			
Repurchase agreements collateralized by bonds	559,986	231,543	163,854
Bank time deposit	-	23,846	1,185
	<u>\$ 785,730</u>	<u>\$ 445,441</u>	<u>\$ 302,820</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI

	June 30, 2021	December 31, 2020	June 30, 2020
Current			
Domestic investments			
Listed stocks	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 592</u>
Non-current			
Domestic investments			
Listed stocks- private placement	\$ 38,402	\$ 36,530	\$ 15,206
Unlisted stocks	<u>8,311</u>	<u>8,311</u>	<u>8,219</u>
	<u>46,713</u>	<u>44,841</u>	<u>23,425</u>
Foreign investments			
Unlisted stocks	<u>17,266</u>	<u>17,650</u>	<u>17,659</u>
	<u>\$ 63,979</u>	<u>\$ 62,491</u>	<u>\$ 41,084</u>

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

	June 30, 2021	December 31, 2020	June 30, 2020
Current			
Domestic investments			
Bank time deposit (investments with the original expiration date over 3 months)	\$ <u>17,574</u>	\$ <u>6,774</u>	\$ <u>9,304</u>
Non-current			
Domestic investments			
Pledged deposit certificate	\$ <u>194,909</u>	\$ <u> -</u>	\$ <u> 206</u>

For information on financial assets at amortized cost, refer to Notes 13 and 25.

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

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Notes receivable</u>			
From operating	\$ 13,835	\$ 18,737	\$ 30,838
Less: Allowance for impairment loss	(<u>127</u>)	(<u>127</u>)	(<u>127</u>)
	<u>\$ 13,708</u>	<u>\$ 18,610</u>	<u>\$ 30,711</u>

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Accounts receivable</u>			
At amortized cost	\$ 883,499	\$ 807,402	\$ 678,141
Less: Allowance for impairment loss	(<u>7,471</u>)	(<u>7,492</u>)	(<u>7,925</u>)
	<u>\$ 876,028</u>	<u>\$ 799,910</u>	<u>\$ 670,216</u>
<u>Doubtful receivable</u>			
At amortized cost	\$ 1,434	\$ 1,434	\$ 1,434
Less: Allowance for impairment loss	(<u>1,434</u>)	(<u>1,434</u>)	(<u>1,434</u>)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Other receivable</u>			
Tax refund receivable	\$ 31,822	\$ 41,030	\$ 33,065
Earned revenue receivable	678	122	228
Others	<u>13,126</u>	<u>60</u>	<u>1,603</u>
	<u>\$ 45,626</u>	<u>\$ 41,212</u>	<u>\$ 34,896</u>

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:

June 30, 2021

	Not Past Due	Overdue			Total
		1 to 90 days	91 to 180 days	Over 180 days	
Gross carrying amount	\$ 822,122	\$ 59,225	\$ -	\$ 2,152	\$ 883,499
Loss allowance (Lifetime ECL)	-	(6,155)	-	(1,316)	(7,471)
Amortized cost	<u>\$ 822,122</u>	<u>\$ 53,070</u>	<u>\$ -</u>	<u>\$ 836</u>	<u>\$ 876,028</u>

December 31, 2020

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

June 30, 2020

	Not Past Due	Overdue			Total
		1 to 90 days	91 to 180 days	Over 180 days	
Gross carrying amount	\$ 610,260	\$ 65,227	\$ -	\$ 2,654	\$ 678,141
Loss allowance (Lifetime ECL)	(151)	(6,004)	-	(1,770)	(7,925)
Amortized cost	<u>\$ 610,109</u>	<u>\$ 59,223</u>	<u>\$ -</u>	<u>\$ 884</u>	<u>\$ 670,216</u>

Movements of allowance for accounts receivable were as follows:

	For the Six Months Ended June 30	
	2021	2020
Beginning balance	\$ 7,492	\$ 11,835
Less: Impairment losses reversed	-	(3,938)
Reclassification	-	58
Effect of exchange rate changes	(21)	(30)
Ending balance	<u>\$ 7,471</u>	<u>\$ 7,925</u>

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 Six Months Ended June 30	
	2021	2020
Beginning balance	\$ 1,434	\$ 1,492
Reclassification	-	(58)
Ending balance	<u>\$ 1,434</u>	<u>\$ 1,434</u>

10. INVENTORIES

	June 30, 2021	December 31, 2020	June 30, 2020
Raw materials	\$ 76,239	\$ 53,107	\$ 34,042
Work in process	365,425	489,774	511,397
Finished goods	<u>92,652</u>	<u>178,817</u>	<u>243,078</u>
	<u>\$ 534,316</u>	<u>\$ 721,698</u>	<u>\$ 788,517</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Cost of goods sold	\$ 755,476	\$ 650,218	\$ 1,593,208	\$ 1,115,203
Gain on reversal of inventories	(<u>27,383</u>)	(<u>3,799</u>)	(<u>60,120</u>)	(<u>1,422</u>)
	<u>\$ 728,093</u>	<u>\$ 646,419</u>	<u>\$ 1,533,088</u>	<u>\$ 1,113,781</u>

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Computer Communication Equipment	Office Equipment	Lease Improvement	Other Equipment	Total
Cost								
Balance, January 1, 2021	\$ 110,906	\$ 261,089	\$ 93,874	\$ 11,963	\$ 10,872	\$ 3,313	\$ 181,576	\$ 673,593
Additions	28,789	42,585	613	-	8,693	-	3,258	83,938
Disposals and retirements	-	-	(1,558)	(16)	(284)	(3,213)	-	(5,071)
Effect of exchange rate changes	-	-	(2)	(3)	(1)	(2)	(162)	(170)
Balance, June 30, 2021	<u>\$ 139,695</u>	<u>\$ 303,674</u>	<u>\$ 92,927</u>	<u>\$ 11,944</u>	<u>\$ 19,280</u>	<u>\$ 98</u>	<u>\$ 184,672</u>	<u>\$ 752,290</u>
Accumulated depreciation and impairment								
Balance, January 1, 2021	\$ -	\$ 36,620	\$ 81,083	\$ 10,838	\$ 10,611	\$ 2,586	\$ 172,855	\$ 314,593
Depreciation	-	2,714	1,617	308	546	14	4,506	9,705
Disposals and retirements	-	-	(1,558)	(16)	(209)	(2,500)	-	(4,283)
Effect of exchange rate changes	-	-	-	(3)	(1)	(2)	(157)	(163)
Balance, June 30, 2021	<u>\$ -</u>	<u>\$ 39,334</u>	<u>\$ 81,142</u>	<u>\$ 11,127</u>	<u>\$ 10,947</u>	<u>\$ 98</u>	<u>\$ 177,204</u>	<u>\$ 319,852</u>
Carrying amount, June 30, 2021	<u>\$ 139,695</u>	<u>\$ 264,340</u>	<u>\$ 11,785</u>	<u>\$ 817</u>	<u>\$ 8,333</u>	<u>\$ -</u>	<u>\$ 7,468</u>	<u>\$ 432,438</u>
Carrying amount, January 1, 2021 and December 31, 2020	<u>\$ 110,906</u>	<u>\$ 224,469</u>	<u>\$ 12,791</u>	<u>\$ 1,125</u>	<u>\$ 261</u>	<u>\$ 727</u>	<u>\$ 8,721</u>	<u>\$ 359,000</u>
Cost								
Balance, January 1, 2020	\$ 61,590	\$ 187,521	\$ 118,514	\$ 11,960	\$ 10,871	\$ 3,311	\$ 176,562	\$ 570,329
Additions	-	-	8,919	-	-	-	3,847	12,766
Disposals and retirements	-	-	-	-	-	-	(971)	(971)
Effect of exchange rate changes	-	-	-	(5)	(2)	(3)	(282)	(292)
Balance, June 30, 2020	<u>\$ 61,590</u>	<u>\$ 187,521</u>	<u>\$ 127,433</u>	<u>\$ 11,955</u>	<u>\$ 10,869</u>	<u>\$ 3,308</u>	<u>\$ 179,156</u>	<u>\$ 581,832</u>
Accumulated depreciation and impairment								
Balance, January 1, 2020	\$ -	\$ 32,654	\$ 111,048	\$ 9,928	\$ 10,404	\$ 2,212	\$ 167,132	\$ 333,378
Depreciation	-	1,923	1,810	492	107	186	4,600	9,118
Disposals and retirements	-	-	-	-	-	-	(650)	(650)
Effect of exchange rate changes	-	-	-	(5)	(2)	(3)	(223)	(233)
Balance, June 30, 2020	<u>\$ -</u>	<u>\$ 34,577</u>	<u>\$ 112,858</u>	<u>\$ 10,415</u>	<u>\$ 10,509</u>	<u>\$ 2,395</u>	<u>\$ 170,859</u>	<u>\$ 341,613</u>
Carrying amount, June 30, 2020	<u>\$ 61,590</u>	<u>\$ 152,944</u>	<u>\$ 14,575</u>	<u>\$ 1,540</u>	<u>\$ 360</u>	<u>\$ 913</u>	<u>\$ 8,297</u>	<u>\$ 240,219</u>

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 25.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2021	December 31, 2020	June 30, 2020
Carrying amounts			
Buildings	\$ -	\$ -	\$ 1,097
Transportation equipment	<u>277</u>	<u>614</u>	<u>1,070</u>
	<u>\$ 277</u>	<u>\$ 614</u>	<u>\$ 2,167</u>
	For the Three Months Ended June 30		For the Six Months Ended June 30
	2021	2020	2021 2020
Additions to right-of-use assets			\$ - \$ 358
Depreciation of right-of-use assets			
Buildings	\$ -	\$ 832	\$ - \$ 1,663
Transportation equipment	<u>139</u>	<u>228</u>	<u>337</u> <u>476</u>
	<u>\$ 139</u>	<u>\$ 1,060</u>	<u>\$ 337</u> <u>\$ 2,139</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the six months ended June 30, 2021 and 2020.

b. Lease liabilities

	June 30, 2021	December 31, 2020	June 30, 2020
Carrying amounts			
Current	<u>\$ 281</u>	<u>\$ 621</u>	<u>\$ 1,903</u>
Non-current	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 281</u>

Range of discount rate for lease liabilities were as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Buildings	-	1.19%	1.19%
Transportation equipment	1.19%	1.18% ~ 1.19%	1.18% ~ 1.19%

c. Other lease information

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Expenses related to short-term leases	\$ 528	\$ 607	\$ 1,472	\$ 1,253
Expenses related to low-value asset leases	\$ 34	\$ 17	\$ 56	\$ 56
Total cash outflow for leases			(\$ 1,870)	(\$ 3,471)

The Group leases certain parking space, which qualify as short-term leases, and certain office equipment, which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and, thus, no recognition of right-of-use assets and lease liabilities was made for such leases.

13. OTHER ASSETS

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Non-current</u>			
Long-term pre-payment for purchase	\$ 126,119	\$ 112,358	\$ 142,997
Pre-payment for equipment	3,055	3,520	972
Refundable deposits	912	102,213	1,534
	<u>\$ 130,086</u>	<u>\$ 218,091</u>	<u>\$ 145,503</u>

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. Subsequently, the agreement was amended in January, 2021, and changed to set a pledge of US\$6,996 thousand as a guarantee for capacity. Please refer to Notes 8 and 25.

14. SUBSIDIARY

a. The subsidiaries included in the consolidated financial statement:

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

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Remark
			June 30, 2021	December 31, 2020	June 30, 2020	
APEC	Future Technology Consulting (B.V.I.), Inc. (Future)	Investment	100%	100%	100%	Note 1
APEC	Perfect Prime Limited (Perfect)	Investment	100%	100%	100%	Note 1
APEC	Green Power Semiconductor Co., Ltd. (GPS)	Trading	87.96%	87.96%	73.08%	Note 1,2
Perfect	Shenzhen Fucheng Electronics Co., Ltd. (Fucheng)	Trading	100%	100%	100%	Note 1
GPS	OPC Microelectronics Co., Ltd. (OPC)	Manufacturing	100%	100%	100%	Note 1

Note 1: It is a non-significant subsidiary whose financial reports have not been reviewed by CPAs, but the management of the consolidated company believes that the financial reports of these subsidiaries have not been reviewed by CPAs and will not have a significant impact.

Note 2: 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 remains the same after the capital reduction.

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

15. BORROWINGS

a. Short-term borrowings

	June 30, 2021	December 31, 2020	June 30, 2020
Unsecured loans			
— bank loans	<u>\$ 261,860</u>	<u>\$ 280,000</u>	<u>\$ 175,000</u>

As of June 30, 2021, December 31, 2020 and June 30, 2020, the annual interest rate of bank revolving loans was 0.91% to 0.95%, 0.93% to 0.98% and 0.90% to 1.14%.

b. Short-term bills payable

	June 30, 2021	December 31, 2020	June 30, 2020
Commercial paper	\$ 100,000	\$ -	\$ 50,000
Less: discount on Commercial paper	(<u>223</u>)	<u>-</u>	<u>-</u>
	<u>\$ 99,777</u>	<u>\$ -</u>	<u>\$ 50,000</u>

As of June 30, 2021, and June 30, 2020, the annual interest rate of short-term bills payable was 0.948% and 0.98%.

c. Long-term borrowings

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Secured loans (Note 25)</u>			
— Mortgaged loans	\$ 151,887	\$ 98,860	\$ -
Less: Current portion	(<u>15,683</u>)	(<u>9,886</u>)	<u>-</u>
	<u>\$ 136,204</u>	<u>\$ 88,974</u>	<u>\$ -</u>

For Land and Buildings that have been pledged as collateral under the mortgaged loans. The mortgaged loans were due in December 2030 and June 2031. As of June 30, 2021, and December 31, 2020, the annual interest rate of mortgaged loans was 1%.

16. OTHER PAYABLES

	June 30, 2021	December 31, 2020	June 30, 2020
Payable for remunerations of employees and directors	\$ 73,811	\$ 23,683	\$ 16,797
Payable for salaries and rewards	22,614	44,722	24,372
Payables on equipment	1,847	2,790	2,035
Payable for Professional fee	875	1,300	875
Dividend Payable	840	1,627	41,502
Others	<u>32,737</u>	<u>38,075</u>	<u>38,026</u>
	<u>\$ 132,724</u>	<u>\$ 112,197</u>	<u>\$ 123,607</u>

17. EQUITY

a. Common stock

	June 30, 2021	December 31, 2020	June 30, 2020
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>81,341</u>	<u>81,341</u>	<u>81,341</u>
Shares issued	<u>\$ 813,405</u>	<u>\$ 813,405</u>	<u>\$ 813,405</u>

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

	June 30, 2021	December 31, 2020	June 30, 2020
<u>May be used to offset a deficit, distributed as cash Dividends, or transferred to share capital (1)</u>			
Additional paid-in capital	\$ 243,984	\$ 243,984	\$ 243,984
Treasury stock transactions	12,728	12,728	12,728
<u>May be used to offset a deficit only</u>			
Expired employee share option (2)	67,287	67,287	67,287
<u>May not be used for any purpose</u>			
Employee share option	6,368	1,872	1,674
Change in percentage of ownership interest in subsidiaries (3)	<u>7,609</u>	<u>7,609</u>	<u>3,373</u>
	<u>\$ 337,976</u>	<u>\$ 333,480</u>	<u>\$ 329,046</u>

- 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 18(f) on employee benefits expense.

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

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

The appropriations of earnings for 2020 and 2019 which have been proposed by the Board of Directors on March 9, 2021 and resolved in the shareholders' meeting on June 15, 2020, respectively, were as follows:

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

The Company will postpone the shareholders' meeting in accordance with the instructions of FSC. APEC's 2020 earnings appropriation and cash appropriation from the capital surplus are awaiting approval in the shareholders' meeting on July 30, 2021.

d. Other equity interests

Unrealized gains or loss on FVTOCI financial assets

	For the Six Months Ended June 30	
	2021	2020
Balance, January 1, 2021	(\$ 45,776)	(\$ 75,126)
Current period		
Unrealized gains or		
loss-equity instrument	<u>1,872</u>	<u>(6,642)</u>
Balance, June 30, 2021	<u>(\$ 43,904)</u>	<u>(\$ 68,484)</u>

18. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Dividend income	\$ -	\$ -	\$ -	\$ 3,462
Others	<u>93</u>	<u>3,077</u>	<u>2,235</u>	<u>4,301</u>
	<u>\$ 93</u>	<u>\$ 3,077</u>	<u>\$ 2,235</u>	<u>\$ 7,763</u>

b. Other gains and losses, net

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Loss on foreign exchange	(\$ 26,621)	(\$ 7,415)	(\$ 21,289)	(\$ 2,878)
Loss on disposal of property, plant and equipment, net	-	(321)	(788)	(321)
Others	<u>(189)</u>	<u>(426)</u>	<u>(834)</u>	<u>(1,318)</u>
	<u>(\$ 26,810)</u>	<u>(\$ 8,162)</u>	<u>(\$ 22,911)</u>	<u>(\$ 4,517)</u>

c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Bank loans	\$ 957	\$ 633	\$ 2,466	\$ 1,715
Lease liabilities	<u>1</u>	<u>7</u>	<u>2</u>	<u>17</u>
Others	<u>13</u>	<u>28</u>	<u>27</u>	<u>48</u>
	<u>\$ 971</u>	<u>\$ 668</u>	<u>\$ 2,495</u>	<u>\$ 1,780</u>

d. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Property, plant and equipment	\$ 4,927	\$ 4,534	\$ 9,705	\$ 9,118
Right-of-use assets	<u>139</u>	<u>1,060</u>	<u>337</u>	<u>2,139</u>
Intangible assets	<u>883</u>	<u>721</u>	<u>1,670</u>	<u>1,533</u>
	<u>\$ 5,949</u>	<u>\$ 6,315</u>	<u>\$ 11,712</u>	<u>\$ 12,790</u>

Depreciation expense
classified by function

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Operating cost	\$ 2,671	\$ 2,301	\$ 5,396	\$ 4,718
Operating expense	<u>2,395</u>	<u>3,293</u>	<u>4,646</u>	<u>6,539</u>
	<u>\$ 5,066</u>	<u>\$ 5,594</u>	<u>\$ 10,042</u>	<u>\$ 11,257</u>
Amortization expense classified by function				
Operating cost	\$ 112	\$ 115	\$ 224	\$ 235
Operating expense	<u>771</u>	<u>606</u>	<u>1,446</u>	<u>1,298</u>
	<u>\$ 883</u>	<u>\$ 721</u>	<u>\$ 1,670</u>	<u>\$ 1,533</u>

e. Employee benefits expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 72,943	\$ 48,101	\$ 141,511	\$ 91,790
Post-employment benefits				
Defined contribution plans	1,547	1,512	3,076	3,071
Share-based Payment	3,539	144	4,496	346
Other employee benefits	<u>979</u>	<u>998</u>	<u>2,018</u>	<u>1,996</u>
	<u>\$ 79,008</u>	<u>\$ 50,755</u>	<u>\$ 151,101</u>	<u>\$ 97,203</u>
Classified by function				
Operating cost	\$ 8,555	\$ 8,922	\$ 17,854	\$ 18,335
Operating expense	<u>70,453</u>	<u>41,833</u>	<u>133,247</u>	<u>78,868</u>
	<u>\$ 79,008</u>	<u>\$ 50,755</u>	<u>\$ 151,101</u>	<u>\$ 97,203</u>

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 three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, respectively, were as follows:

Estimated ratio

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Employees' compensation	12%	8%	12%	8%
Remuneration of directors	1.5%	1.5%	1.5%	1.5%

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Employees' compensation	<u>\$ 24,601</u>	<u>\$ 5,043</u>	<u>\$ 44,558</u>	<u>\$ 7,741</u>
Remuneration of directors	<u>\$ 3,075</u>	<u>\$ 946</u>	<u>\$ 5,570</u>	<u>\$ 1,452</u>

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.

The employees' compensation and remuneration of directors of 2020 and 2019 approved by the Board of Directors on March 9, 2021, and March 26, 2020, respectively, were as follows:

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020, and 2019.

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

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 Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Current income tax expense				
Current period	\$ 41,524	\$ 12,740	\$ 62,750	\$ 17,523
Prior years' adjustment	(3,141)	(742)	(3,141)	(742)
Deferred income tax expense				
Current period	(474)	(1,613)	7,932	800
Income tax expense recognized in profit or loss	<u>\$ 37,909</u>	<u>\$ 10,385</u>	<u>\$ 67,541</u>	<u>\$ 17,581</u>

The tax rate applicable to subsidiaries in Mainland China is 25%. Tax rates used by the group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. 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.	2019

20. EARNINGS PER SHARE

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

Net profit for the current year

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Profit attributable to owners of the parent	<u>\$ 139,425</u>	<u>\$ 46,668</u>	<u>\$ 253,651</u>	<u>\$ 70,338</u>

Common Shares Outstanding (in thousands)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Basic EPS				
Weighted average number of common shares	81,341	81,341	81,341	81,341
Effect of potential dilutive common shares:				
Employees' compensation	579	274	730	444
Employee share option	<u>264</u>	<u>-</u>	<u>147</u>	<u>-</u>
Diluted EPS				
Profit attributable to owners of the parent	<u>82,184</u>	<u>81,615</u>	<u>82,218</u>	<u>81,785</u>

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.

21. SHARE-BASED COMPENSATION EXPENSES

Employee share option plan of the Company

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

Information about employee share options was as follows:

	For the Six Months Ended June 30			
	2021		2020	
	No. of shares (in thousands)	Weighted- average exercise price	No. of shares (in thousands)	Weighted- average exercise price
Balance, beginning of Period	235	\$ 26.40	235	\$ 26.90
Options granted	<u>2,000</u>	<u>47.70</u>	<u>-</u>	<u>-</u>

	For the Six Months Ended June 30			
	2021		2020	
	No. of shares (in thousands)	Weighted- average exercise price	No. of shares (in thousands)	Weighted- average exercise price
Balance, end of period	2,235	45.46	235	26.90
Options exercisable, end of period	165		94	
Fair value per unit (\$)	\$ 18.63		\$ -	

Information about outstanding options was as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Range of exercise price (\$)	\$ 26.40~\$47.70	\$ 26.40	\$ 26.90
Weighted-average remaining contractual life (years)	2.86~5.69	3.36	3.86

Compensation cost recognized was \$4,496 thousand and \$346 thousand for the six months ended June 30, 2021, and 2020, respectively.

22. 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.

23. 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

June 30, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Equity instruments				
— Domestic listed stocks	\$ -	\$ 38,402	\$ -	\$ 38,402
— Domestic/Foreign unlisted stocks	-	-	25,577	25,577
total	<u>\$ -</u>	<u>\$ 38,402</u>	<u>\$ 25,577</u>	<u>\$ 63,979</u>

December 31, 2020

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

June 30, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTOCI</u>				
Equity instruments				
— Domestic listed stocks	\$ 592	\$ 15,206	\$ -	\$ 15,798
— Domestic/Foreign unlisted stocks	-	-	25,878	25,878
total	<u>\$ 592</u>	<u>\$ 15,206</u>	<u>\$ 25,878</u>	<u>\$ 41,676</u>

There was no transfer between the fair value measurements of Levels 1 and 2 for the six months ended June 30, 2021, and 2020.

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

<u>Type of financial instrument</u>	<u>Valuation technique and input value</u>
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

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Financial assets</u>			
Financial assets measured at amortized cost (Note1)	\$ 1,934,487	\$ 1,414,160	\$ 1,049,687
Financial assets at fair value through other comprehensive income-Equity instruments	63,979	62,491	41,676
<u>Financial liabilities</u>			
Financial liabilities measured at amortized cost (Note 2)	1,193,721	1,105,757	842,893

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 and long-term borrowings.

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 26.

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 \$65,972 thousand and increased by \$22,096 thousand for the six months ended June 30, 2021, and 2020, respectively.

b). Interest rate risk

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

	June 30,2021	December 31, 2020	June 30,2020
Fair value interest rate risk			
Financial assets	\$ 772,469	\$ 262,163	\$ 175,781
Financial liabilities	311,918	280,621	177,184

	June 30,2021	December 31, 2020	June 30,2020
Cash flow interest rate risk			
Financial assets	225,620	189,949	136,405
Financial liabilities	201,887	98,860	50,000

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 \$59 thousand and \$216 thousand for the six months ended June 30, 2021 and 2020, respectively, which was mainly attributable to the Group's exposure to interest rate changes on its variable-rate bank deposits and bank loans.

2). Credit risk

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

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

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

3). Liquidity risk

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

a). Liquidity and interest risk rate table

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

June 30, 2021

	Contractual Cash Flows or within a year	1-5 Years	More Than 5 Years
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 262,355	\$ -	\$ -
Long-term borrowings	17,110	66,894	75,204
Bills payable	100,000	-	-
Notes payable	31,512	-	-
Accounts payable	515,961	-	-
Other payables	132,724	-	-
Lease liabilities	282	-	-
	<u>\$ 1,059,944</u>	<u>\$ 66,894</u>	<u>\$ 75,204</u>

December 31, 2020

	Contractual Cash Flows or within a year	1-5 Years	More Than 5 Years
<u>Non-derivative financial liabilities</u>			
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	-	-
	<u>\$ 1,018,816</u>	<u>\$ 43,498</u>	<u>\$ 54,381</u>

June 30, 2020

	Contractual Cash Flows or within a year	1-5 Years	More Than 5 Years
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 175,485	\$ -	\$ -
Bills payable	50,000	-	-
Notes payable	7,996	-	-
Accounts payable	486,290	-	-

	Contractual Cash Flows or within a year	1-5 Years	More Than 5 Years
Other payables	123,607	-	-
Lease liabilities	1,913	282	-
	<u>\$ 845,291</u>	<u>\$ 282</u>	<u>\$ -</u>

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

	June 30,2021	December 31, 2020	June 30,2020
Unsecured loans (Renew by every year)			
— Used amount	\$ 361,860	\$ 280,000	\$ 225,000
— Unused amount	<u>508,140</u>	<u>410,000</u>	<u>405,000</u>
	<u>\$ 870,000</u>	<u>\$ 690,000</u>	<u>\$ 630,000</u>
Secured loans			
— Used amount	\$ 157,970	\$ 98,860	\$ -
— Unused amount	<u>180,000</u>	<u>181,140</u>	<u>180,000</u>
	<u>\$ 337,970</u>	<u>\$ 280,000</u>	<u>\$ 180,000</u>

24. 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:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 14,960	\$ 6,185	\$ 27,383	\$ 12,043
Post-employment benefits	<u>135</u>	<u>108</u>	<u>270</u>	<u>243</u>
	<u>\$ 15,095</u>	<u>\$ 6,293</u>	<u>\$ 27,653</u>	<u>\$ 12,286</u>

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.

25. PLEDGED ASSETS

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

	June 30,2021	December 31, 2020	June 30,2020
Pledged deposit certificate (Financial assets at amortized cost-Non-current)	\$ 194,909	\$ -	\$ 206

	June 30, 2021	December 31, 2020	June 30, 2020
Land	139,695	110,906	61,590
Buildings	<u>264,340</u>	<u>224,469</u>	<u>152,944</u>
	<u>\$ 598,944</u>	<u>\$ 335,375</u>	<u>\$ 214,740</u>

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 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:

June 30, 2021

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 62,107	27.860 (USD:NTD)	\$ 1,730,267
RMB	2,455	4.309 (RMB:NTD)	10,578
USD	187	6.466(USD:RMB)	5,210
USD	732	0.155 (RMB:USD)	<u>3,154</u>
			<u>\$ 1,749,209</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	14,387	27.860 (USD:NTD)	\$ 400,839
USD	997	6.466(USD:RMB)	27,776
RMB	270	4.309 (RMB:NTD)	<u>1,163</u>
			<u>\$ 429,778</u>

December 31, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 39,837	28.480 (USD:NTD)	\$ 1,134,565
RMB	3,300	4.377 (RMB:NTD)	<u>14,442</u>
			<u>\$ 1,149,007</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	\$ 15,078	28.480 (USD:NTD)	\$ 429,409
USD	1,047	6.507 (USD:RMB)	<u>6,813</u>
			<u>\$ 436,222</u>

June 30, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 28,722	29.630 (USD:NTD)	\$ 851,048
RMB	1,416	4.191 (RMB:NTD)	5,937
USD	1	7.070(USD:RMB)	30
RMB	722	0.141 (RMB:USD)	3,026
			<u>\$ 860,041</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	13,245	29.630 (USD:NTD)	\$ 392,457
RMB	136	4.191(RMB:NTD)	572
USD	847	7.070 (USD:RMB)	25,097
			<u>\$ 418,126</u>

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

For the Three Months Ended June 30				
	2021		2020	
Foreign Currency	Exchange rate	Net exchange profits or losses	Exchange rate	Net exchange profits or losses
USD	27.977(USD:NTD)	(\$ 26,687)	29.895(USD:NTD)	(\$ 7,417)
RMB	4.331(RMB:NTD)	88	4.212(RMB:NTD)	(3)
		(\$ 26,599)		(\$ 7,420)
For the Six Months Ended June 30				
	2021		2020	
Foreign Currency	Exchange rate	Net exchange profits or losses	Exchange rate	Net exchange profits or losses
USD	28.172(USD:NTD)	(\$ 21,303)	30.001(USD:NTD)	(\$ 2,828)
RMB	4.354(RMB:NTD)	17	4.261(RMB:NTD)	(93)
		(\$ 21,286)		(\$ 2,921)

27. ADDITIONAL DISCLOSURES

a. Information on significant transactions:

- 1) Financing extended to other parties: None.
- 2) Endorsements/guarantees provided to other parties: None.
- 3) Marketable securities held: Table 1 (attached) (excluding investments in subsidiaries and associates).
- 4) Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: None.

- 8) Receivables from related parties of at least NT\$100 million or 20% of the paid-in capital: None.
 - 9) Trading in derivative instruments: None.
 - 10) Others: Business relationships between the parent and the subsidiaries and significant intercompany transactions: Table 2 (attached).
- b. Information on investees: Table 3 (attached).
- c. Information on investment in Mainland China:
- 1) The names of investees in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 4 (attached).
 - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Table 5 (attached).
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- d. Information of major stockholders, the name, the number of stocks owned, and percentage of ownership of each stockholder with ownership of 5% or greater: Table 6 (attached).

28. 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.

TABLE 1

Advanced Power Electronics Co., Ltd. and its subsidiaries

MARKETABLE SECURITIES HELD
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2021				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	\$ 38,402	1	\$ 38,402	
	AXElite Co., Ltd.	-	Financial assets at fair value through other comprehensive income –Non-Current	497	8,311	6	8,311	
Future Technology Consulting (B.V.I.), Inc	<u>Stock</u> Seaward Electronics, Inc. (Cayman)	-	Financial assets at fair value through other comprehensive income –Non-Current	1,733	17,266	13	17,266	

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.

TABLE 2**Advanced Power Electronics Co., Ltd. and its subsidiaries****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2021**

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Company Name	Counter Party	Nature of Relationship (Note 3)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 4)	Percentage of Consolidated Net Revenue or Total Assets (Note 2)
0	APEC	OPC Microelectronics Co., Ltd.	(1)	Net revenue from sale of goods	\$ 12,406	Note 4	1
				Purchases	29,543	Note 4	1
				Receivables from related parties	2,632	Note 4	-
				Payables to related parties	1,163	Note 4	-
1	Green Power Semiconductor Co., Ltd.	OPC Microelectronics Co., Ltd.	(1)	Prepayments	19,014	Note 4	1
2	Future Technology Consulting (B.V.I), Inc.	Shenzhen Fucheng Electronics Co., Ltd.	(3)	Prepayments	2,964	Note 4	-
				Professional service fees	4,191	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.

TABLE 3

Advanced Power Electronics Co., Ltd. and its subsidiaries

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2021			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				June 30, 2021	December 31, 2020	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
APEC	Future Technology Consulting (B.V.I.), Inc.	British Virgin Islands	General investment	\$ 75,937	\$ 75,937	2,350	100	\$ 28,176	(\$ 4,691)	(\$ 4,691)	
	Perfect Prime Limited	Samoa	General investment	USD 2,350	USD 2,350	450	100	664	(575)	(575)	
	Green Power Semiconductor Co., Ltd.	Taiwan	Trading	USD 14,540	USD 450	6,861	87.96	20,649	(1,128)	(992)	

TABLE 4**Advanced Power Electronics Co., Ltd. and its subsidiaries****INVESTMENTS IN MAINLAND CHINA****FOR THE SIX MONTHS ENDED JUNE 30, 2021****(Amounts in Thousands of New Taiwan Dollars and US Dollars)**

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (US\$ in Thousands)	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (US\$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2021 (US\$ in Thousands)	Net Income (Losses) of the Investee Company (US\$ in Thousands)	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of June 30, 2021	Accumulated Inward Remittance of Earnings as of June 30, 2021	Note
					Outflow	Inflow							
Shenzhen Fucheng Electronics Co., Ltd.	Electronic parts and components manufacturing, home appliance wholesale, home appliance retail sale, product outlook design, information software service, other designs (electronic element design, integrated circuit design, semi-conductor design), other commercial service (electronic element, integrated circuit, semi-conductor, among other electronics testing service), electronic material wholesale, electronic material retail sale	\$ 12,258 USD 440	(2)A	\$ 12,258 USD 440	\$ -	\$ -	\$ 12,258 USD 440	(\$ 575) (USD 20)	100%	(\$ 575) (USD 20)	\$ 468 USD 17	\$ -	
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	(2,243)	100%	(2,243)	14,940	-	

Accumulated Investment in Mainland China as of June 30, 2021 (US\$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on Investment (Note 2)
\$ 76,024	\$ 76,024	\$ 1,113,664

Note 1: The investment types are as follows:

- 1). Direct investment in Mainland China.
- 2). Indirect investment in Mainland China through a subsidiary in a third place.
 - A. Reinvestment through Perfect Prime Limited
- 3). Others.

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

Note 3: The foreign currency assets and profits or losses listed herein are expressed, respectively, in New Taiwan Dollar at an end-of-term and mean exchange rates of US\$ 1=NT\$27.86 and US\$ 1=NT\$28.172 as of June 30, 2021.

TABLE 5

Advanced Power Electronics Co., Ltd. and its subsidiaries

**SIGNIFICANT INTERCOMPANY TRANSACTIONS AND RELATED INFORMATION ON INVESTEEES IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2021**

(Amounts in Thousands of New Taiwan Dollars and US Dollars)

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 Purchases	(\$ 12,406)	Note 1 Note 1	EOM 60 days	Equivalent to	\$ 2,632	0%	\$ -	
		29,543		EOM 60 days	Equivalent to	(1,163)	0%	-	

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
JUNE 30, 2021

Name of Major Stockholder	Shares	
	Number of Shares	Percentage of Ownership (%)
STCH Investment Inc., Cayman	6,193,247	7.61%