

**TWES:8261**



**富鼎先進電子股份有限公司**

**Advanced Power Electronics Co., Ltd.**

## **2021 Annual Report**

Printed on February 28, 2022

Taiwan Stock Exchange Observation Post System: [http:// mops.twse.com.tw](http://mops.twse.com.tw)

Annual report is available at <http://www.a-power.com.tw>

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<b>Listing of Foreign Securities</b>	<p>None</p>

**Disclaimer**

*Please note that this English annual report is not a word-for-word translation of the Chinese version.  
In the event of any variance, the Chinese text shall prevail.*

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# **1. Letter to Shareholders**

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# Letter to Shareholders

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## Business Report

Dear Shareholders:

Thank you for taking the time to participate in the 2022 APEC's Shareholders Meeting. The consolidated revenues for 2021 was NT\$4.204 billion, an increase of 34.48% year-over-year growth compared to 2020; the net profit was NT\$651 million, and earnings per share of NT\$8.03. The 2021 business plan implementation outcome and this year's business plan are described as follows:

### I. 2021 Business Outcome

#### (1) Business plan implementation outcome

In 2020, due to the COVID-19 pandemic, the global economy suffered from setbacks and shocks. However, appropriate pandemic-fighting measures in Taiwan have enabled business production to continue as usual; business has benefited from remote business opportunities, and strong demand, both corporate and personal, for digitization.

In 2021, the global economy rebounded steadily; terminal demand gradually began to recover. Applications for emerging technologies such as 5G, the Internet of Things, and AI have expanded the information and electronics industry, boosting production momentum for the domestic information and electronics supply chains. As a result, 2021 consolidated net operating income, gross operating profit, and net operating profit for the Company and its subsidiaries were NT\$4.204 billion, NT\$1.25 billion, and NT\$829 million respectively, for significant increases as compared with 2020.

The COVID-19 pandemic has accelerated digital transformation, and semiconductors have benefited from remote business opportunities, 5G, the Internet of Things, AI, automotive electronics, and other sources of demand. In addition, Taiwan has the advantage of robust semiconductor industry clusters, increasing Taiwan's importance in the global supply chain. As a result, the Company's and its subsidiaries' profits have increased significantly. Earnings per share reached NT\$8.03, the best operating result since the establishment of the Company and its subsidiaries.

#### (2) Budget implementation

The Company and its subsidiaries did not formulate external financial forecasts for 2021.

#### (3) Financial income, expenditure and profitability analysis

In Thousands of New Taiwan Dollars

Item		2021
Financial income and expenditure	Operating revenues	4,203,639
	Gross profit from operations	1,250,430
	Net profit	651,480
	Net profit attributable to owners of the parent	652,787

Item		2021
Profitability	Return on assets (%)	20.75
	Return on equity (%)	34.22
	Pre-tax income as a % of paid-in capital	97.89
	Net income margin (%)	15.50
	Earnings per share (NT\$)	8.03

#### **(4) Research and Development**

The Company and its subsidiaries have continued to develop Medium and low voltage power MOSFETs for core voltage synchronous used in personal computers, graphics card CPUs and GPUs; and secondary side synchronous used in power supply. And continued to develop 600V/650V high voltage technology platforms for the third-generation high voltage Power MOSFETs product lines which has been completed and entered the mass production stage, allowing the successful introduction of large power supply ODM manufacturing. Insulated Gate Bipolar Transistor (IGBT) products have completed 600V 15A IGBT reliability verification, and are being used in machine tools and air conditioner inverter markets. The development of the 600V 10A SiC SBD for silicon carbide (SiC) Schottky Barrier Diode is complete and has passed product reliability verification. Development for this series of products will continue in line with market demand for power supply.

## **II. Summary of the 2022 Business Plan**

### **(1) Management guideline**

The Company and its subsidiaries provide a full range of high, low, and medium voltage Power MOSFETs. We meet customer demand in a timely manner, and ensure that downstream customers can maintain production operations despite potential supply chain disruptions caused by trade wars and the COVID-19 pandemic. To meet customer demand in a timely manner and to promptly reflect the rising pressure of raw materials, the Company and its subsidiaries optimize the product mix, thereby enabling continuing expansion of operating scale and creating corporate profits.

### **(2) Sales volume basis and expectation**

The Power MOSFET and IGBT products of the Company and its subsidiaries are mainly used for switching, amplifying signals, voltage regulation, AC/DC (rectification) or DC/AC (inverting) conversion, which widely used in domains such as computers, 5G, the Internet of Things, AI, automotive electronics and other fields. The Company and its subsidiaries are expecting the annual sales volume in 2022 to reach 1.593 billion pieces.

### **(3) Key production and marketing policies**

Due to tight production capacity at 8-inch wafer foundries around the world, international IDMs have turned to IC and modular product development, resulting in tight supply and demand for power semiconductors. However, due to the tight production capacity of wafer manufacturing, packaging, and testing, overall demand for semiconductors has grown faster than expected. Through production capacity guarantee cooperation, the Company and its

subsidiaries have stabilized supply sources. The Company and its subsidiaries have also improved the service quality of digital sales to maintain and increase market share.

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

The Company and its subsidiaries seek to utilize the advantage of Taiwan's complete semiconductor industry clusters to reduce impacts and challenges for production, sales, and logistics brought about by the COVID-19 pandemic. Transforming this crisis into a turning point will be an important issue for the Company and its subsidiaries in 2022. In addition, the Company and its subsidiaries will keep alert to development trends in domestic and foreign policies, and changes in the laws and regulations. We will also collect relevant information as reference for management levels in their 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**

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1. Date of Incorporation
2. Company Milestones



## **Company Profile**

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### **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 2021".

#### **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**

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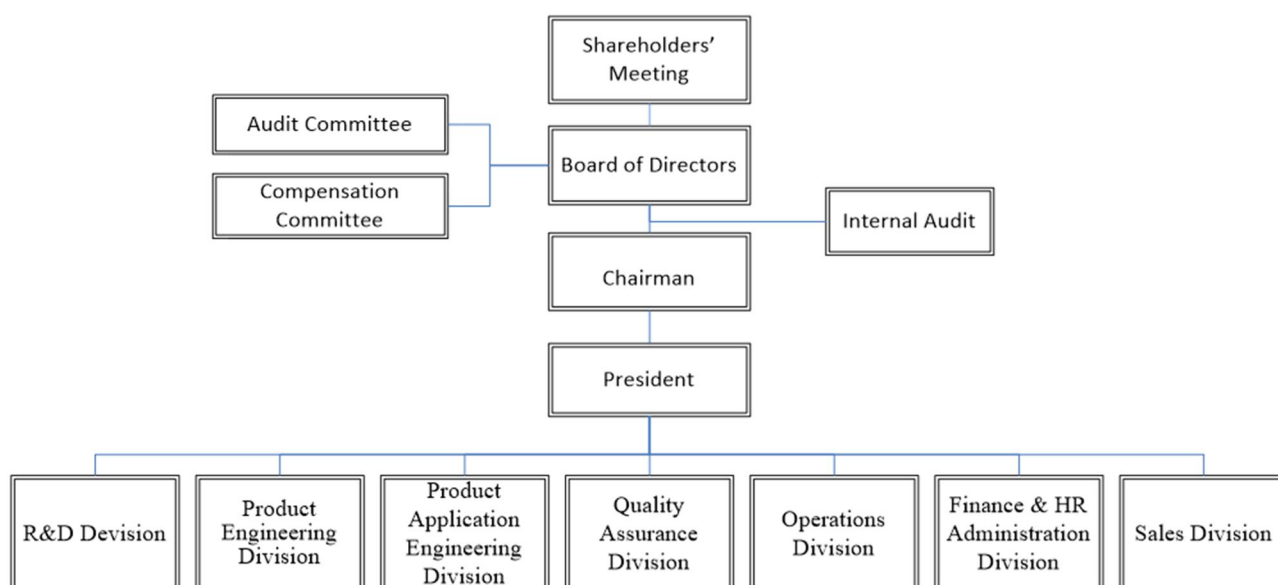
1. Organization Structure
2. Directors, President, Vice Presidents, Senior Directors and Department Heads
3. 2021 Compensation of Directors, President, Vice Presidents, and Other Management Officers
4. Corporate Governance
5. Certified Public Accountant (CPA) Professional Fees
6. Change of CPA
7. Audit Independence for the Most Recent Year
8. Shareholding Changes of Directors, Management, and Major Shareholders for the Most Recent Year and up to the Publication Date of This Annual Report
9. Relationship Among Top Ten Shareholders
10. Comprehensive Shareholding Information Relating to Company, Directors, Management, and Companies Affiliated through Direct and Indirect Investments

### 3. Corporate Governance Report

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#### 1. Organization Structure

##### 1.1 Organization 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 /Age	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/ 61~70	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	5,700,247	7.01	—	—	—	—
	R.O.C.	Representative: Chih-Cheng Chang	Male/ 51~60	June 15, 2020	3	Sept. 12, 2019	—	—	—	—	—	—	—	—
Director	R.O.C.	Shih-Chieh Tsai	Male/ 61~70	June 15, 2020	3	Jan. 17, 2014	—	—	—	—	—	—	—	—

As of February 13, 2022

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. CSO of Advanced Power Electronics Co., Ltd. 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 Co., Ltd. Representative of juridical person director, OPC Microelectronics Co., Ltd. Representative of juridical person director, Fuhong Investment Co., Ltd. Representative of juridical person director, Data Image Corp. Independent Director of Technology Unlimited Corp. Representative of juridical person chairman, St. John's star Venture Capital Co., Ltd. Director of Nccu Star Venture Capital Co., Ltd. Director of Ntust Star Venture Capital Co., Ltd.	—	—	—	—
—	—	—	—	—	—
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. Representative of juridical person director, St. John's star Venture Capital Co., Ltd. Director of Ample Electronics Technology Co., Ltd. Director of CASTEC International Corp. Director of Upturn Technology Education Co., Ltd. Director of IsCoolLab Co., Ltd. Director of Tai Sheng International Investment Ltd. Director of THAI HO GROUP. (Cayman) 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, Value Investment Corp. 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 Chiao Tung 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.	—	—	—	—

Title	Nationality/Country of Origin	Name	Gender /Age	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
							Shares	%	Shares	%	Shares	%	Shares	%
Director	R.O.C.	Ji-Yu Yang	Male/ 51~60	June 15, 2020	3	Jan. 17, 2014	—	—	—	—	—	—	—	—
Independent Director	R.O.C.	Ciou-Lin Chen	Male/ 51~60	June 15, 2020	3	Jan. 17, 2014	—	—	—	—	—	—	—	—
Independent Director	R.O.C.	Yong-Sheng Liu	Male/ 61~70	June 15, 2020	3	Jan. 17, 2014	—	—	—	—	—	—	—	—
Independent Director	R.O.C.	Pei-Jun Wu	Female/ 61~70	June 15, 2020	3	May 17, 2017	—	—	—	—	—	—	—	—

As of February 13, 2022

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 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 Novatek 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.	—	—	—	—
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. Independent director of Novatek Microelectronics Corp.	—	—	—	—
Master degree from Graduate School of Law, Keio University, Japan LL.B. from College of Law, Taiwan University Chairperson of Dept. of Financial Law, Mingchuan University	Associate Professor and Chairperson of Dept. of Financial Law, 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 February 13, 2022

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 February 13, 2022

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

**(2). Qualifications and independence criteria of directors****A. Professional qualifications and experience of directors**

Name	Professional Qualification and Experience
Chairman Fu-Chi Teng	Graduated from the Executives Program, Graduate School of Business Administration of National Chengchi University. He is the chairman and chief strategy officer of the Company, the Chairman of Future Technology Consulting, Inc. and representative of juridical person director of listed companies. He has more than five years of business and financial experience. And the work experience required for the Company's business, dedicated to the semiconductor industry for nearly 25 years, with professional leadership, marketing, operation management and strategic planning capabilities, leading the Company to become an industry leader and a sustainable business.
Director Chih-Cheng Chang	Graduated from National Chengchi University with a master's degree in Business Administration, he is currently the founder and Vice President of The CID Group., the representative of juridical person director of Tainet Communication System Corp., and representative of juridical person director of listed companies. He has more than five years of work experience in business, finance and corporate business, with global vision, professional judgment on global market competition and innovation leadership.
Director Shih-Chieh Tsai	Graduated from George Washington University with a master's degree in computer science, he is currently a partner of the CID Group, an independent director of Novatek Microelectronics Corp, and former general manager of Heidrick & Struggles Taiwan. He has more than five years of business and financial experience. And the work experience required by the company's business, specializing in market strategy and business promotion.
Director Ji-Yu Yang	Graduated from Chengchi University with a master's degree in Finance. He is a CPA of the R.O.C. and a U.S. Chartered Financial Analyst, is currently the director and chief financial officer of L LandMark Optoelectronics Corp., has more than five years of business, work experience and professional qualifications required for finance, accounting and corporate business, specializing in corporate finance and accounting affairs, and have rich experience in industry planning.

<b>Name</b>	<b>Professional Qualification and Experience</b>
Independent Director Ciou-Lin Chen	<p>Graduated from the Department of Electrical Engineering of National Taiwan University with a Ph.D., is the convener of the Company's Remuneration Committee and a member of the Audit Committee, an adjunct professor at the Graduate Institute of Electrical Engineering of National Taiwan University, director of GIO Optoelectronics Corp., and independent director of Bestec Power Electronics Co., Ltd. and senior consultant of Allis Electric Co., LTD, former professor of the Department of Electrical Engineering of National Taiwan University, deputy director of the Green Energy Institute of the Industrial Technology Research Institute.</p> <p>He has more than five years of professional qualifications for professors in colleges and universities, and has more than five years of work experience required for business. He is committed to the research of power integrated circuits and power electronics and provide professional advice on the Company's product development and sales.</p>
Independent Director Yong-Sheng Liu	<p>Graduated from the University of Miramar, California with a master's degree in business administration, is the convener of the Company's audit committee and a member of the compensation committee, an independent director of Rafael Microelectronics Inc. and Novatek Microelectronics Corp, and former CFO of Asia-Pacific Region, Applied Materials, Inc. with more than five years of work experience in business, finance, accounting and corporate business, specializing in corporate operations, financial planning and accounting professional affairs, with rich industry experience.</p>
Independent Director Pei-Jun Wu	<p>Graduated from Keio University with a Master of Law in Japan, she is a member of the Company's Audit Committee and Compensation Committee, an associate professor and Director of the Department of Financial Law, MingChuan University. She is the chairman of Songyang Investment Co., Ltd. and Chihyang Investment Co., Ltd., Independent directors of the Flexium Interconnect Inc., with more than five years of professional qualifications for professors in colleges and universities. She has more than five years of work experience required for legal affairs, finance and business, specializing in the fields of finance and law, assisting companies in legal professional consultation.</p>

#### B. Independence criteria of directors

<b>Name</b>	<b>Independence Criteria</b>	<b>Number of Other Public Companies in which the Individual is Concurrently Serving as an Independent Director</b>
Chairman Fu-Chi Teng	Not in contravention of Article 30 of the Company Act.	1
Director Chih-Cheng Chang	Not in contravention of Article 30 of the Company Act.	0
Director Shih-Chieh Tsai	Not in contravention of Article 30 of the Company Act.	1
Director Ji-Yu Yang	Not in contravention of Article 30 of the Company Act.	1
Independent Director Ciou-Lin Chen	<p>The directors have been met the following independence criteria during the two years prior to being elected or during the term of the office.</p> <p>Criteria 1: Not an employee of the Company or its affiliates.</p> <p>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</p>	1

Name	Independence Criteria	Number of Other Public Companies in which the Individual is Concurrently Serving as an Independent Director
Independent Director Yong-Sheng Liu	<p>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.</p> <p>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.</p>	2
Independent Director Pei-Jun Wu	<p>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.</p> <p>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.</p> <p>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.</p> <p>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).</p> <p>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.</p> <p>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.</p> <p>Criteria 10: Not a spouse or relative within second degree by affinity to other directors.</p> <p>Criteria 11: Not in contravention of Article 30 of the Company Act.</p> <p>Criteria 12: Not an institutional shareholder or its representative pursuant to Article 27 of the Company Act.</p>	1

### (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

The board of directors for this term is composed of seven directors. There are three independent directors, 14% of the directors were employees, independent directors accounting for 43% of the composition, The Company also pays attention to the gender of the board of directors, the proportion of female directors is 14%. With regard to the seniority of independent directors, the company's two independent directors have served for two consecutive terms, with a seniority of eight years; the other independent director has a seniority of five years. Their qualifications meet the independence requirements stipulated in the law, and they are familiar with the company's financial and operating conditions. The implementation is as follows:

Name	Title	Gender	Age		Term		Employees	Top five core competencies									
			51-60 years old	61-70 years old	Less than 3 years	3-9 years		More than 9 years	Finance	Electronic technology	Manufacturing	Business	Accounting	Law	Information Technology	Marketing	Risk Management
Fu-Chi Teng	Director	Male		✓				✓		✓	✓				✓	✓	✓
Chih-Cheng Chang	Director	Male	✓						✓	✓		✓	✓				✓
Shih-Chieh Tsai	Director	Male		✓						✓		✓			✓	✓	✓
Ji-Yu Yang	Director	Male	✓						✓		✓	✓	✓				✓
Ciou-Lin Chen	Independent Director	Male	✓			✓				✓	✓				✓	✓	✓
Yong-Sheng Liu	Independent Director	Male		✓		✓			✓		✓		✓		✓		✓
Pei-Jun Wu	Independent Director	Female		✓		✓			✓	✓		✓		✓			✓

#### (4). Execution status and goal of diversified board of directors

Management goals	Execution status
The director who is also an employee should not exceed one-third of the number of directors	Achieved
At least one female director	Achieved
Independent directors shall serve no more than three consecutive terms	Achieved

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

As of February 13, 2022

Title	Nationality	Name	Gender	Effective Date	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		
					Shares	%	Shares	%	Shares	%	
Chairman & CSO	R.O.C.	Fu-Chi Teng	Male	Jan. 11, 2022	1,940,102	2.39	—	—	—	—	
President	R.O.C.	Lin-Chung Huang	Male	Nov. 6, 2020	202,414	0.25	74,410	0.09	—	—	
Vice President of R&D Division	R.O.C.	Jau-Yan Lin	Male	Nov. 12, 2018	72,456	0.09	806	0.00	—	—	
Vice President of Product Engineering Division	R.O.C.	Meng-Hui Lin	Male	Nov. 12, 2018	151,000	0.19	7,058	0.01	—	—	
Vice President of Finance & HR Administration Division	R.O.C.	Mei-Ying Tan	Female	Nov. 12, 2000	106,246	0.13	—	—	—	—	
Vice President of Sales Division	R.O.C.	Chien-Hsueh Lin	Male	Jan. 1, 2021	—	—	—	—	—	—	

As of February 13, 2022

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	
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 Co., Ltd. Representative of juridical person director, OPC Microelectronics Co., Ltd. Representative of juridical person director, Fuhong Investment Co., Ltd. Representative of juridical person director, Data Image Corp. Independent Director of Technology Unlimited Corp. Representative of juridical person chairman, St. John's star Venture Capital Co., Ltd. Director of Nccu Star Venture Capital Co., Ltd. Director of Ntust Star Venture Capital Co., Ltd.	—	—	—	—
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. Representative of juridical person director, Fuhong Investment 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. Representative of juridical person chairman, Fuhong Investment 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. 2021 Compensation of Directors, President, Vice Presidents, and Other Management Officers

#### 3.1 Compensation of Directors (including Independent Directors)

As of December 31, 2021, Unit: NTS' 000

As of December 31, 2021, Unit: NT\$

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	Consolidat ed	Parent- only	Consolidat ed	Parent- only	Consolida ted	Parent- only	Consolidat ed	Parent- only	Consolidate d
Chairman	Future Technology Consulting, Inc. Representative: Fu-Chi Teng	0	0	0	0	3,457	3,457	35	45	0.53	0.54
Director	STCH Investment Inc. (Cayman) Representative: Chih-Cheng Chang	0	0	0	0	1,729	1,729	30	30	0.27	0.27
Director	Shih-Chieh Tsai	0	0	0	0	1,729	1,729	30	30	0.27	0.27
Director	Ji-Yu Yang	0	0	0	0	1,729	1,729	35	35	0.27	0.27
Independent Director	Ciou-Lin Chen	0	0	0	0	1,729	1,729	95	95	0.28	0.28
Independent Director	Yong-Sheng Liu	0	0	0	0	1,729	1,729	95	95	0.28	0.28
Independent Director	Pei-Jun Wu	0	0	0	0	1,729	1,729	90	90	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 April 13, 2022.

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, 2021, 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		Parent-only	Consolidated	
				Cash bonus	Stock bonus	Cash bonus	Stock bonus			
4,384	4,384	0	0	5,641	0	5,641	0	2.07	2.07	0
0	0	0	0	0	0	0	0	0.27	0.27	0
0	0	0	0	0	0	0	0	0.27	0.27	0
0	0	0	0	0	0	0	0	0.27	0.27	0
0	0	0	0	0	0	0	0	0.28	0.28	0
0	0	0	0	0	0	0	0	0.28	0.28	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, 2021, 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	17,706	17,706	540	540	5,505	5,525	28,205	0	28,205	0	7.96	7.96	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													

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 April 13, 2022.

Range of Compensation	Name of President and Vice President	
	Parent-only	Consolidated
Less than NT\$1,000,000	—	—
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	—	—
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	—	—
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	—	—
NT\$ 5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Chien-Hsueh Lin	Chien-Hsueh Lin
NT\$10,000,000(inclusive) ~ NT\$15,000,000 (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\$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	5	5

### 3.3 Manager and employee bonuses

As of December 31, 2021, Unit: NT\$'000

Title		Name	Stock bonus	Cash bonus	Total	As a % of net profit
Manager	Chairman & CSO	Fu-Chi Teng	0	33,846	33,846	5.18%
	President	Lin-Chung Huang				
	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				

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 April 13, 2022.

### 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	
	2020		2021		Parent-only	Consolidated
	Parent-only	Consolidated	Parent-only	Consolidated		
Directors	2.11%	2.12%	2.18%	2.19%	3.32%	3.30%
President and Vice President	10.86%	10.87%	7.96%	7.96%	(26.70%)	(26.77%)

#### (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 continuing to learn and other special contributions, 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 6 meetings (A) in fiscal year 2021, of which attendance is as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Future Technology Consulting, Inc. Representative: Fu-Chi Teng	6	0	100.00	
Director	STCH Investment Inc. (Cayman) Representative: Chih-Cheng Chang	6	0	100.00	
Director	Shih-Chieh Tsai	6	0	100.00	
Director	Ji-Yu Yang	6	0	100.00	
Independent Director	Ciou-Lin Chen	6	0	100.00	
Independent Director	Yong-Sheng Liu	6	0	100.00	
Independent Director	Pei-Jun Wu	5	1	83.33	

Other Matters of Importance:

- 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:
  - Pursuant to Article 14-3 of the Securities and Exchange Act:  
Not applicable. The Company has already established an audit committee.
  - 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.
- Any directors' avoidance of motions due to conflict of interest, director name, contents of motion, causes for avoidance, and voting should be specified:  
None.
- 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.
- 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.
  - 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 Compensation 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 conducts the board performance evaluation in accordance with the "Regulations Governing the Performance Evaluation of the Board of Directors" once a year, and at least once every three years by an external independent professional institution. The Company completed self-assessments of Board performance in 2021 and reported the results to the Board of Directors at the second meeting in 2022 for review and improvement.

Table 1. Board of Directors' Performance Evaluation Implementation Status

Evaluation Cycles	The Company conducts the board performance evaluation once a year.
Evaluation Period	From January 1, 2021 to December 31, 2021
Evaluation Scope	The scope includes the Board of Directors as a whole, the individual directors, the Compensation Committee, and the Audit Committee.
Evaluation Method	Methods include internal assessment of the Board and self-assessments by each board member.
Evaluation Aspects	<p>The Board of Directors are assessed on the following five aspects:</p> <ol style="list-style-type: none"> <li>1. Involvement in the Company's operation</li> <li>2. Enhancement of the quality of the board's decision-making</li> <li>3. Makeup and structure of the board</li> <li>4. Election of board members and continuing knowledge development</li> <li>5. Internal controls</li> </ol> <p>The individual directors are assessed on the following six aspects:</p> <ol style="list-style-type: none"> <li>1. Understanding of the Company's goals and mission</li> <li>2. Awareness of director's duties</li> <li>3. Involvement in the Company's operations</li> <li>4. Internal relationship and communication</li> <li>5. Director's professionalism and continuing knowledge development</li> <li>6. Internal controls</li> </ol> <p>The Compensation Committee and the Audit Committee are assessed on the following five aspects:</p> <ol style="list-style-type: none"> <li>1. Involvement in the Company's operation</li> <li>2. Awareness of the compensation committee and the audit committee's duties</li> <li>3. Enhancement of the quality of the compensation committee and the audit committee's decision-making</li> <li>4. Makeup of the compensation committee and the audit committee and election of its members</li> <li>5. Internal controls</li> </ol>

The Company completed self-assessments of Board performance in 2021 and reported the results to the Board of Directors at the second meeting in 2022 for review and improvement. The weighted average score for the overall performance of the board of directors is 4.54 out of 5. The weighted average score for the performance of the individual directors is 4.57 out of 5. As demonstrated, the overall board's operation has been effective. The weighted average score for the overall performance of the Compensation Committee and the Audit Committee's is 4.83 out of 5. As demonstrated, the Compensation Committee and the Audit Committee are consistent with corporate governance, and effectively enhancing the functions of the Board of Directors.

#### 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.

##### (1). Professional Qualification and Experience of Independent Directors:

Name	Professional Qualification and Experience
Independent Director Ciou-Lin Chen	Graduated from the Department of Electrical Engineering of National Taiwan University with a Ph.D., is the convener of the Company's Remuneration Committee and a member of the Audit Committee, an adjunct professor at the Graduate Institute of Electrical Engineering of National Taiwan University, director of GIO Optoelectronics Corp., and independent director of Bestec Power Electronics Co., Ltd. and senior consultant of Allis Electric Co., LTD, former professor of the Department of Electrical Engineering of National Taiwan University, deputy director of the Green Energy Institute of the Industrial Technology Research Institute. He has more than five years of professional qualifications for professors in colleges and universities, and has more than five years of work experience required for business. He is committed to the research of power integrated circuits and power electronics and provide professional advice on the Company's product development and sales.
Independent Director Yong-Sheng Liu	Graduated from the University of Miramar, California with a master's degree in business administration, is the convener of the Company's audit committee and a member of the compensation committee, an independent director of Rafael Microelectronics Inc. and Novatek Microelectronics Corp, and former CFO of Asia-Pacific Region, Applied Materials, Inc. with more than five years of work experience in business, finance, accounting and corporate business, specializing in corporate operations, financial planning and accounting professional affairs, with rich industry experience.
Independent Director Pei-Jun Wu	Graduated from Keio University with a Master of Law in Japan, she is a member of the Company's Audit Committee and Compensation Committee, an associate professor and Director of the Department of Financial Law, MingChuan University. She is the chairman of Songyang Investment Co., Ltd. and Chihyang Investment Co., Ltd., Independent directors of the Flexium Interconnect Inc., with more than five years of professional qualifications for professors in colleges and universities. She has more than five years of work experience required for legal affairs, finance and business, specializing in the fields of finance and law, assisting companies in legal professional consultation.

(2). The scope of duties of Independent Directors

The Audit Committee is responsible for reviewing the following:

- A. Review and discuss the adoption or amendment for the internal control system
- B. The assessment of the effectiveness of the internal control system
- C. 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
- D. Any matter that has a bearing on the personal interest of director
- E. Material asset or derivatives transactions
- F. Material monetary loans, endorsements or guarantees
- G. Offering, issuance or private placement of any equity-type securities
- H. Hiring or dismissal of an attesting CPA, or the compensation given thereto and performance, qualification and independence of CPAs
- I. Appointment or discharge of financial, accounting or internal auditing officers
- J. Financial reports
- K. Review and discuss the matters related to the annual profit distributions
- L. Review and discuss other material matters required by the Company or the competent authorities

The Audit Committee convened 4 meetings (A) in fiscal year 2021, of which attendance is as follows:

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

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	Objections or issues by the Audit Committee	Audit Committee's opinion	Company's response
1 <sup>st</sup> Session of the 9 <sup>th</sup> BOD in 2021 Mar. 9, 2021	Jan. 2021 internal audit report	None	Approved as proposed	Approved as proposed
	2020 financial statements	None		
	2020 earnings distribution	None		
	2020 statement of Internal Control System	None		
3 <sup>rd</sup> Session of the 9 <sup>th</sup> BOD in 2021 May. 6, 2021	Q1 2021 internal audit report	None	Approved as proposed	Approved as proposed
	The evaluation of the suitability and independence of appointed CPAs and the delegation compensation	None		
	Q1 2021 financial statements	None		
5 <sup>th</sup> Session of the 9 <sup>th</sup> BOD in 2021 Aug. 3, 2021	Q2 2021 internal audit report	None	Approved as proposed	Approved as proposed
	Q2 2021 financial statements	None		

Dates of Board meetings	Contents of motion	Objections or issues by the Audit Committee	Audit Committee's opinion	Company's response
6 <sup>th</sup> Session of the 9 <sup>th</sup> BOD in 2021 Nov. 2, 2021	Q3 2021 internal audit report	None	Approved as proposed	Approved as proposed
	2021 internal auditors' evaluation report	None		
	Q3 2021 financial statements	None		
	The delegation compensation of CPAs	None		

(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 a between Independent Directors and the Internal Audit Chief Officer and CPAs:

A.The Internal Audit Chief Officer delivers audit reports and follow-up reports to Independent Directors every month, and independent directors request the Internal Audit Chief Officer to supplement information and convene meetings as needed.

B.The Internal Audit Chief Officer should report to the independent directors on the Company's implementation of internal audit processes and performance of internal control at regular Audit Committee meetings and Board meetings or extraordinary meetings held as needed.

C.A meeting should be held at least once a year with Independent Directors and Internal Audit Chief Officer in attendance. Independent Directors should review the performance of the internal controls and discuss potential improvements related to internal controls to continuously enhance internal audit activities.

D.CPAs attend the Audit Committee or closed meetings with Independent Directors at least once a year. CPAs should report the results of their review of the Company's financial reports and internal controls directly to the independent directors and communicate any adjustment or regulatory amendments that may affect accounting methods.

E.Independent Directors, the Internal Audit Chief Officer and CPAs may convene extraordinary meetings held as needed.

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

Date	Communication methods	Information Communicated	Communication Results
December 22, 2021	Closed Meeting	Internal audit plan for 2022	Acknowledged
		Auditor's continuing training report in 2021	Acknowledged
		2021 internal audit report	Acknowledged

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

Date	Communication methods	Information Communicated	Communication Results
March 9, 2021	Meeting before Board meeting	Reviewed 2020 financial reports	Acknowledged
		Laws and regulation update and Corporate Governance 3.0	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) The Company reports changes in internal (directors, managers, and shareholders of more than 10% of shares outstanding) shareholding on a monthly basis. The Company's quarterly reports have disclosed the names of shareholders who hold more than 5% equity, the total amount and proportion of the shares they hold, and other relevant information.	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 (employees, managers, and directors) from exploiting non-public information to trade securities. The Company held regular training on preventing insider trading. Implementing of Rules and Procedures in 2021: A. Directors When dismissing directors, the Company provides directors' regulations and publicity manuals, and at any time explain to directors related regulations such as	None

Evaluation Criteria	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
			<p>communication insider trading and short-term trading.</p> <p>Every year when planning a director's training plan, arrange education and publicity courses to prevent insider trading and related laws and regulations. The courses completed in 2021 are available on the Company's official website under "Corporate Governance".</p> <p>B. Managers and employees</p> <p>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.</p> <p>In 2021, the Company held 0.5-hour TMS online training on preventing insider trading for newly employees. The course includes an introduction and the elements of insider trading, violations, and case study, etc. 16 people passed, and 100% of the training was completed.</p>	
<b>3. Board of Directors Composition and Responsibilities</b> (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. For the detail information please also see Page 16 "Diversified board of directors".	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?	✓		<p>(3) The Company conducts the board performance evaluation once a year by questionnaire of self-evaluation. The evaluation scope includes the Board of Directors as a whole, the individual directors, the Compensation Committee, and the Audit Committee in 2021. The results shall be used as a reference basis when selecting or nominating directors and shall base its determination of an individual director's remuneration on the evaluation results of his or her performance.</p> <p>The Board of Directors are assessed on the following five aspects:</p> <ol style="list-style-type: none"> <li>1. Involvement in the Company's operation</li> <li>2. Enhancement of the quality of the board's decision-making</li> <li>3. Makeup and structure of the board</li> </ol>	None

Evaluation Criteria	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
			<p>4. Election of board members and continuing knowledge development</p> <p>5. Internal controls</p> <p>The individual directors are assessed on the following six aspects:</p> <ol style="list-style-type: none"> <li>1. Understanding of the Company's goals and mission</li> <li>2. Awareness of director's duties</li> <li>3. Involvement in the Company's operations</li> <li>4. Internal relationship and communication</li> <li>5. Director's professionalism and continuing knowledge development</li> <li>6. Internal controls</li> </ol> <p>The Compensation Committee and the Audit Committee are assessed on the following five aspects:</p> <ol style="list-style-type: none"> <li>1. Involvement in the Company's operation</li> <li>2. Awareness of the compensation committee and the audit committee's duties</li> <li>3. Enhancement of the quality of the compensation committee and the audit committee's decision-making</li> <li>4. Makeup of the compensation committee and the audit committee and election of its members</li> <li>5. Internal controls</li> </ol> <p>The Company completed self-assessments of Board performance in 2021 and reported the results to the Board of Directors at the second meeting in 2022 for review and improvement. The weighted average score for the overall performance of the board of directors is 4.54 out of 5. The weighted average score for the performance of the individual directors is 4.57 out of 5. As demonstrated, the overall board's operation has been effective. The weighted average score for the overall performance of the Compensation Committee and the Audit Committee's is 4.83 out of 5. As demonstrated, the Compensation Committee and the Audit Committee are consistent with corporate governance, and effectively enhancing the functions of the Board of Directors.</p>	
(4) Does the Company regularly evaluate the independence of its CPAs?	✓		(4) The Audit Committee is authorized to evaluate the independence of the CPAs on annual basis. The evaluation results have been reported to the second Audit Committee meeting and the third Board meeting in 2022. Please refer to the following Table 1: The criteria of independence of the CPAs (page 36)	None
4. Has the Company allocated suitable and sufficient corporate governance staff and appointed a	✓		The Company has deployed Corporate Governance personnel, who are assumed by the staff of the Finance and Administrative	None

Evaluation Criteria	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
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.)?			Management Department, to handle the discussion and management of the Audit Committee, the Compensation Committee, the board of directors and the general shareholders meeting. Assisted directors in assuming their positions, furnished them with information required for business execution, and held seminars to facilitate interaction between lecturers and directors and to promote corporate governance-related matters in accordance with the law. In the future, it is planned to set up a Corporate Governance officer.	
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
(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	✓		(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,	None

Evaluation Criteria	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
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.)?)			<p>and shares benefits in accordance with the principles of labor law. Communicate and coordinate to establish a good labor-management relationship.</p> <p>(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.</p> <p>(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.</p> <p>(4) Rights of stakeholder: Stakeholders may communicate with the Company and make suggestions to safeguard their legitimate rights and interests.</p> <p>(5) Directors' training record: The directors have relevant professional knowledge and follow the relevant laws and regulations to study securities regulations and other courses, and meet the requirements of the training hours. Please refer to the following Table 2: Directors' Continuing Education Records for fiscal year 2021. (Page 36).</p> <p>(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.</p> <p>(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.</p> <p>(8) Insurance for directors: The Company has purchased liability insurance for directors to strengthen the protection of shareholders' rights and interests.</p>	

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

Item	Indicator	Status of Improvement
Improved	1.6	The Company was originally scheduled to be held the shareholders' meeting on May 31, 2021. Due to the Covid-19, the Company postponed the shareholders' meeting to July 30, 2021 in accordance with the instructions of FSC.
	1.9	The Company published and reported the English version of the meeting notice 30 days before the shareholders' meeting. (April 28, 2021).
	1.10	The Company published and reported the English version of the shareholders' meeting agenda and supplementary 30 days before the o shareholders' meeting. (April 28, 2021).
	1.11	The Company published and reported the English version of the 2020 annual report 7 days before the o shareholders' meeting. (May 20, 2021).
	3.2	The Company has simultaneously released major news in English.
	3.6	The Company published and reported the English version of interim financial report within two months after the filing the Chinese version of the interim financial report. (May 20, 2021, August 24, 2021, November 9, 2021).
	3.12	The dividend policy has been disclosed in the Company's annual report.
Priority measures to reinforce	4.4	The Company carried out ISO 14001 certification and is expected to obtain the certificate in the first quarter of 2022.

**Summary:**

In order to promote the Company's sustainable development blueprint and strengthen Corporate Governance, the Company plans to set up a "Sustainable Development Committee" in 2022 which is composed of Independent Directors and senior managers to strengthen the Company's constitution and the concept of sustainable development.

Table 1. The criteria of independence of the CPAs

Criteria	Result	Independence
1. The designated accountant takes into account the possible loss of the client to affect his/her auditing task.	No	Yes
2.The designated accountant has direct or indirect financial interest relationship with the Company.	No	Yes
3.The designated accountant has a financing or guarantee relationship with the Company or any director or supervisor of the Company.	No	Yes
4.The designated accountant has close business relationship with the Company.	No	Yes
5.The designated accountant has potential employment relationship with the Company.	No	Yes
6. The designated accountant has contingent fees related to his/her auditing task.	No	Yes
7. The designated accountant currently/ in the recent two years serves as a director, supervisor, or manager of the Company or plays a role having significant influence on the audit case.	No	Yes
8. The non-audit service that the firm of the designated accountant offered to the Company has direct influence on any important items of the audit case.	No	Yes
9. The designated accountant promotes or acts as an intermediate for the shares or other securities issued by the Company.	No	Yes
10. The designated accountant serves as the advocate of the Company or as the representative of the Company to mediate the dispute between the Company and any third party.	No	Yes
11. The designated accountant has kinship with any director, supervisor, or manager of the Company or the person having significant influence on the audit service.	No	Yes
12. The former partner of the designated accountant serves as a director, supervisor, or manager of the Company or in a position having significant influence on the audit case within one year after relieved of his/her office.	No	Yes
13. The designated accountant receives gift or present of great value from the Company or any director, supervisor, or manager of the Company.	No	Yes
14. The designated accountant accepts any inappropriate selection of accounting policies or inappropriate disclosure of financial statements made by the management of the Company.	No	Yes
15. The designated accountant has pressure to reduce inappropriately fees, in order to compel the Company to reduce the extent of work performed.	No	Yes

Table 2. Directors' Continuing Education Records for fiscal year 2021

Name	Training Period	Organizer	Course Name
Fu-Chi Teng Chairman	August 5, 2021	Taiwan Corporate Governance Association	Analysis of the top ten global risks
	September 23, 2021	Taiwan Corporate Governance Association	Legal matters that the board of directors supervises the company should know: be careful to touch the red line of concerted Action by mistake
Chih-Cheng Chang Director	August 9, 2021	Taiwan Securities Association	Global economic trends and investment strategies in the post-epidemic era
	September 16, 2021	Securities and Futures Institute	The value of information security in the post-epidemic era and the Sino-US trade war
	September 23, 2021	Taiwan Corporate Governance Association	Legal matters that the board of directors supervises the company should know: be careful to touch the red line of concerted Action by mistake
Shih-Chieh Tsai Director	October 29, 2021	Taiwan Corporate Governance Association	Trend and practice analysis of ESG
	October 29, 2021	Taiwan Corporate Governance Association	Think about how to build a highly effective board of directors and functional committees from the performance evaluation of the board of directors
Ji-Yu Yang Director	June 7, 2021	Accounting Research and Development Foundation	Investigation of "Fund Flow" in Financial Report Fraud Cases and Discussion of Related Legal Liability Cases
	June 22, 2021	Accounting Research and Development Foundation	Corporate Governance 3.0-A Comprehensive Analysis of the Blueprint for Sustainable Development
Ciou-Lin Chen Independent Director	September 1, 2021	Financial Supervisory Commission	Morning session of "The 13th Taipei Corporate Governance Forum"
	November 18, 2021	Taiwan Corporate Governance Association	Case analysis of hostile mergers and acquisitions, and anti-takeover measures
Yong-Sheng Liu Independent Director	September 8, 2021	Securities and Futures Institute	Directors and Supervisors (Independent) and Corporate Governance Executives Advanced Seminar- Foundry and advanced packaging technology and supply chain business opportunities
	October 4, 2021	Securities and Futures Institute	Cases study on Insider Trading
	October 4, 2021	Securities and Futures Institute	Case Analysis on the Protection of Trade Secrets
Pei-Jun Wu Independent Director	September 1, 2021	Financial Supervisory Commission	Morning session of "The 13th Taipei Corporate Governance Forum"
	September 1, 2021	Financial Supervisory Commission	Afternoon session of "The 13th Taipei Corporate Governance Forum"

#### 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

<b>Title</b>	<b>Name</b>	<b>Professional Qualification and Experience</b>	<b>Number of Other Public Companies in which the Individual is Concurrently Serving as an Independent Director</b>
Independent Director	Ciou-Lin Chen	Please refer to Page 14 for “Qualifications and independence criteria of directors”	1
Independent Director	Yong-Sheng Liu		2
Independent Director	Pei-Jun Wu		1

## 2. The Compensation Committee Operation

- (1) The Compensation Committee is currently comprised of 3 members.
- (2) Current Compensation Committee Member Terms: August 6, 2020, through June 14, 2023; the committee convened 2 meetings (A) in 2021, of which attendance is as follows:

<b>Title</b>	<b>Name</b>	<b>Attendance in Person (B)</b>	<b>Attendance by Proxy</b>	<b>Attendance Rate (%) (B/A)</b>	<b>Remarks</b>
Convener	Ciou-Lin Chen	2	0	100.00	
Member	Yong-Sheng Liu	2	0	100.00	
Member	Pei-Jun Wu	2	0	100.00	

## 3. 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:

<b>Dates of Compensation Committee Meetings</b>	<b>Contents of Motion</b>	<b>Resolutions of the Compensation Committee</b>	<b>The Company's Responses to the Compensation Committee's Recommendations</b>
1st Session of the 5th Compensation Committee in 2021 Mar. 9, 2021	Distribution of the Company's fiscal year 2020 compensation to employee and directors.	Approved by all members in attendance.	Reported to the Board for review and approval.
	Issuance of employee stock options for management team in 2021.		
	The Company's employee compensation ratio proposal.		
2nd Session of the 5th Compensation Committee in 2021 Nov. 2, 2021	The Company's year-end bonuses for management team in 2021.	Approved by all members in attendance.	Reported to the Board for review and approval.
	The Company's year 2022 salary increment to employee.		

#### 4.5 Corporate Governance Implementation Status and Deviations from the " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies"

Evaluation Criteria	Implementation Status			Deviations from " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
1.Has the Company established a ESG 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?	✓		The President serves as the convener of ESG unit, and the Investor Relations Department is a part-time unit for ESG. Implementation unit is formed by Human Resources Administration Department, Operations Division, Quality Assurance Division, and Sales Division. The board of directors provides guidance on environmental, social and corporate governance issues. Arrange twice meetings of a year to report the implementation results to the senior management and the board of directors. Please refer to "The Company's ESG execution status" (page 43) in this chapter of this annual report.	None
2. 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. Please refer to "The Company's ESG execution status" (page 43) in this chapter of this annual report.	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. The Company carried out ISO 14001 certification and is expected to obtain the certificate in the first quarter of 2022.	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	✓		The Company has incorporated the issue of greenhouse gas reduction into risk management, continuously assessed the potential risks and	None

Evaluation Criteria	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
potential risks and opportunities, and adopt measures to respond to climate-related issues?			opportunities of climate change, and proactively promoted energy conservation and carbon reduction, and water reduction and other waste management plans.	
(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?	✓		<p>Management:</p> <p>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 2026 in order to mitigate the impact of climate change.</p> <p>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 2022, and the target of reducing emissions by 1% in 2023 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.</p> <p>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.</p>	None
<p>4. Social Responsibilities</p> <p>(1) Does the Company formulate appropriate management policies and procedures in accordance with relevant regulations and international human rights conventions?</p>	✓		<p>The company complies with the current relevant laws and regulations, including the Labor Standards Law, Employment Service Law, Gender Work Equality Law, etc., and formulates human rights policies in compliance with "UN Universal Declaration of Human Rights", "The UN Human Rights Norms For Business", "International Labour Organization", 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.</p>	None

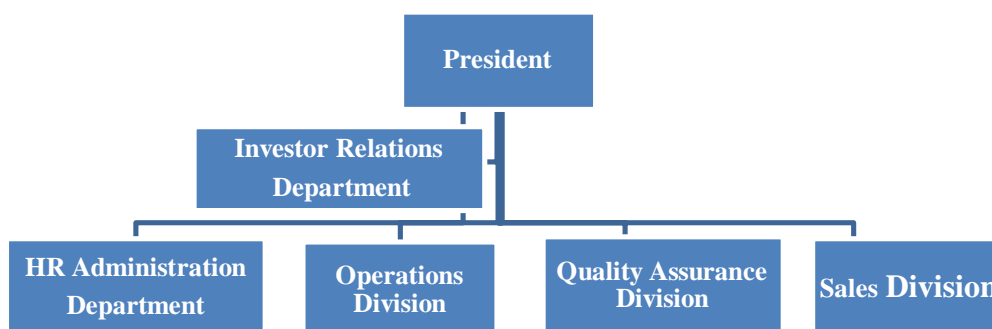
Evaluation Criteria	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
(2) Does the company formulate and implement reasonable employee benefits (including compensation, vacation, and other benefits), and appropriately reflect operating performance or results in employee compensation?	✓		<p>Formulate and implement reasonable employee welfare measures, including salary, vacation and other benefits, and appropriately reflect operating performance in employee compensation:</p> <p>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.</p> <p>B. Verification and evaluation: the results of the evaluation are used as the basis for promotion, bonuses and compensation.</p> <p>C. Bonus distribution: combined with the company's operating performance, annual net profit and employee appraisal.</p> <p>The Company attaches great importance to diversity and equality in the workplace, female employees account for 58% of the entire Company. And Women at the manager level or above account for 15% of the Company.</p>	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?	✓		<p>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.</p> <p>In response to Covid-19 pandemic, the Company provided Covid-19 insurance, Covid-19 care leave, and established the COVID-19 pandemic network, and provided consultation and care by special personnel.</p> <p>There were 3 occupational accidents among employees, the cause was a traffic accident on the way to and from get off work, and the number of occupational accidents accounted for 2% of the total number of employees.</p> <p>The Company conducts driving safety publicity for employees who suffer from occupational accidents.</p>	None

Evaluation Criteria	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
(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
(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?	✓		<p>The Company requires suppliers to fulfill their corporate social responsibilities and not to have negative impacts on the environment and society.</p> <ol style="list-style-type: none"> <li>1. All the supplier evaluations are handled in accordance with the company's "Supplier Control Procedures".</li> <li>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.</li> <li>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.).</li> </ol>	None
5. Does the company refer to internationally accepted reporting standards or guidelines for compiling reports on non-financial information, such as ESG reports? Did the previous release reports obtain a confirmation or assurance opinion from a third party verifier?		✓	The Company does not prepare a ESG Report.	As explained on the left.

Evaluation Criteria	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
6. If the Company has established the ESG principles based on "Sustainable Development 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 ESG 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\$770,000.	

#### 8. The Company's ESG execution status:

##### (1). ESG framework



##### (2). Principal Lines of ESG framework

- A. Investor Relations Department: Align with the trends of corporate governance, promote the functioning of the board of directors, and implement regulatory compliance.
- B. Human Resources Administration Department: Implement labor relations, employee health and safety, greenhouse gas emissions and waste management.
- C. Operations Division: Improve supply chain management, assess raw material procurement and the physical impact of climate change.
- D. Quality Assurance Division: Improve product quality and safety, and manage product life cycles.
- E. Sales Division: Protect customer privacy, customer welfare, and manage product life cycles.

##### (3). Risk assessments for sustainable development

Major Issues	Assessment Items	Risk Management Strategies and Measures
Environment	Environmental protection, climate change	The Company is a Fabless design company. It does not engage in production and manufacturing. Therefore, no manufacturing-related waste is generated.
		The Company is committed to energy conservation and carbon reduction. It conducts regular greenhouse gas

Major Issues	Assessment Items	Risk Management Strategies and Measures
		inspections every year and aims to reduce carbon dioxide emissions year on year.
Social	Workplace safety, employee recruitment and training	The Company complies with health and safety laws and regulations. It regularly conducts health and safety and fire safety training and education courses. It has set up a dedicated nursing room and offers childcare allowances and annual employee health allowances.
		Increase overall remuneration to attract, develop, and retain talents.
		Use TMS education and training management tools to encourage employees to continue pursuing education.
Corporate Governance	Socioeconomic and regulation Compliance	By establishing an organization for governance and implementing internal control mechanisms, the Company ensures that all personnel and operations of the Company effectively comply with relevant laws and regulations.

#### 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 2021, 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, the Employees' annual/vaccination leaves are better than the days specified in the Labor Standards Act. We have insurance such as Labor and health insurance, the group insurance and vaccine insurance. We have Health check, Employee's family health check discount 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 2020 and 2021 were as the following:

Scope of Inspection: Hsinchu and Taipei office

Period of Inspection: 2020 and 2021

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)	Water consumption (degrees)	Total weight of waste (t)
2020	519,747	2,600.38	1.38
2021	476,950	2,688.41	1.32

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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 2021, the overall carbon emissions decreased by 8.23% compared with 2020, and the per person carbon emissions decreased by 8.94%. It is estimated that in 2022, the average emission reduction per person will be reduced by 1%, and in 2023, the target of reducing emission by 1% will be achieved.

Year	Total Emission (kg)	Average number of employees	Carbon emissions per person
2020	519,747	127	4,092
2021	476,950	128	3,726

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). Succession Planning for Board Members and Key Management

A. Succession Planning for Board Members

The Company currently has a total of 7 directors (including 3 independent directors), all of whom have business, financial, accounting, or operational management expertise required for corporate business. In terms of board member planning, the Company has been operating the Company from the perspective of corporate governance and corporate succession for many years.

When evaluating the industry experience of directors, the Company considers whether they have (such as finance, electronic technology, manufacturing and asset management, etc.) and professional capabilities (accounting, law, information technology, marketing management and risk management).

The Company regularly conducts the internal performance evaluation of the board of directors, and the results of the performance evaluation are used as a reference basis when selecting or nominating directors.

B. Succession Planning for Key Management

To meet the cultivation and succession needs of future levels of management, the Company will implement the potential talents, the training mechanism of the succession of key management. In 2021, Mr. Lin-Chung Huang, the Executive Vice President, has been promoted to the position of President of the Company.

In addition, employees at the department level or above in the Company are considered key management-level employees and successor candidates. They shall continue to be trained and cultivated according to their abilities. In addition, based on the Company's development strategies, investment plans, and employee retirement

situation, key talents will be rotated across departments to achieve effective succession.

(5). Intellectual Property and Execution Status

In order to establish a competitive advantage in products, increase profits, and avoid losses caused by infringement, the company has formulated an intellectual property rights management system to effectively link R&D resources and business expansion needs to help the company make profits.

A. Management of Intellectual Property

- a. Strengthen intellectual property awareness: perform intellectual property training related to the Company's business.
- b. Intellectual property protection and loss control: apply for, obtain, maintain and use patents to protect intellectual property.
- c. Avoid intellectual property disputes and increase intellectual property defense: conduct company patent search, analysis and review from time to time to avoid patent infringement.
- d. Combining intellectual property with operations : to set up mid to long-term intellectual property goals and combine with operational strategies and development.
- e. Intellectual property strategy and revenue creation: combining with strategic considerations and close alignment with the business objectives, to drive the timely creation, management and use of intellectual property.

B. Intellectual property protection

- a. Patent: The Company established patent management measures to encourage technological research and development, so that patent application, use, protection, authorization, transfer, and education and training can be followed.
- b. Trademark: Registered trademarks in Taiwan, China, Korea and the United States. Contracts or trademark use agreements with distributors and suppliers to regulate the scope of trademark use.
- c. Trade secret:
  - The employment contract clearly stipulates the relevant confidentiality obligations.
  - The use of systems such as Web-ISO and Flowmaster for Documentation of R&D, production, and quality control. To record the acquisition, use, release and other related documents through above mentioned systems.
- d. Copyright: not use software without copyright, and prepare a software budget of NT\$650,000 in 2022 to protect copyright law.

C. Execution status

The Manager of HR Administration Department updates to the Board of Directors the status of the intellectual property management scheme on January 11, 2022. In terms of patent filings, the Company has accumulated 96 patent applications worldwide as of end of 2021. In terms of patent grants, the Company has obtained 75 patents worldwide accumulated as of end of 2021, including 37 invention patents received, 34 utility model patents received, 4 design patents and 17 patent applications in process. In terms of patent filings, the Company has 3 patent applications in 2021, obtained 1 patent and 2 in process.

## 4.9 Internal Control Systems

### (1). Statement of Internal Control System

#### Statement of Internal Control System

Date: February 24, 2022

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 2021.

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, 2021, 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 2021 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 February 24,2021, 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 the Most Recent Year and Up To the Publication Date of This Annual Report:**

None.

**4.11 Major Resolutions of Shareholders' Meetings and Board Meetings for the Most Recent Year and Up To the Publication Date of This Annual Report**

(1). Major Resolutions and Execution Status of 2021 General Shareholders' Meeting

The 2021 Annual General Shareholders' Meeting was held at Zhubei City, Hsinchu County on July 31, 2021. Major resolutions and execution Status are as follows:

A. The Company's 2020 business report and financial statements and the 2020 earnings distribution of the Company.

Status: For 2020 earnings distribution, cash dividend paid to the shareholders NT\$1.0 per share; September 18, 2021 is the ex-dividend date, October 6, 2021 is the dividend payment record date.

B. Amendments to the Rules and Procedures of Shareholders' Meeting

Status: Approved in accordance with the resolution and Disclosure on the Company website.

(2). Major Resolutions of Board Meetings

The Board of Directors convened 8 meetings (A) in fiscal year 2021 and up to the publication date of this annual report, of which major resolutions are as follows:

A. The 1st meeting of the 9th Board of Directors in 2021 on March 9, 2021

- The 2020 Internal Control Statement of the Company.
- The 2020 business report and financial statement of the Company.
- The 2020 earnings distribution of the Company.
- The 2020 earning distribution for compensation to directors and employee.
- The amendment to the Rules and Procedures of Shareholders' Meeting.
- The date and agenda of 2021 Annual General Shareholders' Meeting and proposals from the shareholders.
- The ratio of compensation to the Company's employees increased.
- To issue the 2020 employee stock option.
- Approved the Company's prepayment to supplier for foundry capacity assurance.

B. The 2nd meeting of the 9th Board of Directors in 2021 on March 25, 2021

- To purchase real estate plants for Taipei business use.

C. The 3rd meeting of the 9th Board of Directors in 2021 on May 6, 2021

- The change to the Company's CPA and the evaluation of the suitability and independence of appointed CPAs.
- The Company's consolidated financial report for the first quarter of 2021.
- The amendment to Rules and Procedures of Board of Directors' Meetings.
- Approved the Company's prepayment to supplier for package capacity assurance.

D. The 4th meeting of the 9th Board of Directors in 2021 on July 15, 2021

- Approved the Company's prepayment to supplier for capacity assurance.
- To Convene the Company's 2021 Annual General Shareholders' Meeting at 9am on Friday, July 30, 2021.

- Approved indirect investment through Taiwan subsidiary within NT\$ 60 million.
- E. The 5th meeting of the 9th Board of Directors in 2021 on August 3, 2021
  - The Company's consolidated financial report for the second quarter of 2021.
  - Approved to the ex-dividend base date for the cash dividends of 2020.
- F. The 6th meeting of the 9th Board of Directors in 2021 on November 2, 2021
  - The Company's consolidated financial report for the third quarter of 2021.
  - The delegation compensation of appointed CPAs.
  - The Company's 2022 Audit Plan.
- G. The 1st meeting of the 9th Board of Directors in 2022 on January 11, 2022
  - The Company's business operation plan (including budget) for year 2022.
  - The appointment Fu-Chi Teng as the CSO.
  - The date and agenda of 2022 Annual General Shareholders' Meeting and proposals from the shareholders.
- H. The 2nd meeting of the 9th Board of Directors in 2022 on February 24, 2022
  - The 2021 Internal Control Statement of the Company.
  - The 2021 earning distribution for compensation to directors and employee.
  - The 2021 business report and financial statement of the Company.
  - The 2021 earnings distribution of the Company.
  - Approved the Company's prepayment to supplier for capacity assurance.
  - To approve the issuance of employee restricted stock awards.
  - Proposal for a cash offering by private placement and issuance of new shares.
  - Add Matters for Discussion of the 2022 Annual General Shareholders' Meeting.

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

None.

**5. Certified Public Accountant, or CPA, Professional Fees**

Unit: NT\$'000

Accounting Firm	Name of CPA	Audit Period	Audit Fee	Non-audit Fee (Note)	Total	Remarks
Deloitte & Touche	Chien-Liang Liu	January 1 ~ December 31, 2021	2,950	10	2,960	
	Li-Wen Kuo					

Note: Salary checklist for full-time employees who are not in managerial positions.

**5.1 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.

**5.2 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

### 6.1 Former CPAs

Date of change	Approved by Board of Directors on May 6, 2021		
Reasons and Explanation of Changes	In order to maintain the independence of the CPAs and adhere to the rotation mechanism of the CPA firm, the engagement starting from 2021 Q1.		
State whether the Appointment is Terminated or Rejected by the Consignor or CPAs	Client \ Status	CPA	Consignor
	Appointment terminated automatically	Not applicable	Not applicable
	Appointment rejected (discontinued)	Not applicable	Not applicable
The Opinions other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions	Not applicable		
Is there any disagreement in opinion with the issuer	Yes	Accounting principle or practice	
		Disclosure of financial statements	
		Auditing scope or procedures	
		Others	
	No	✓	
	Explanation		
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Regulations Governing Information to be Published in Annual Reports of Public Companies)	None		

### 6.2 Successor CPAs

Accounting Firm	Deloitte & Touche
CPA	Chien-Liang Liu CPA and Li-Wen Kuo CPA
Date of Engagement	Approved by Board of Directors on May 6, 2021
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	Not applicable
Written Opinions from the Successor CPAs that are Different from the Former CPA's Opinions	Not applicable

### 6.3 The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Regulations Governing Information to be Published in Annual Reports of Public Companies:

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

Title	Name	2021		As of February 13, 2022	
		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	(493,000)	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
CSO	Fu-Chi Teng	0	0	0	0
President	Lin-Chung Huang	35,281	0	0	0
Vice President of R&D Division	Jau-Yan Lin	31,032	0	0	0
Vice President of Product Engineering Division	Meng-Hui Lin	31,032	0	0	0
Vice President of Finance & HR Administration Division	Mei-Ying Tan	(15,347)	0	0	0
Vice President of Sales Division	Chien-Hsueh Lin	0	0	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 February 13, 2022

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. (Cayman)	5,700,247	7.01	0	0.00	0	0.00	None	None	
STCH Investment Inc. (Cayman) 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	
Citibank (Taiwan) Trust Account -UBS Europe SE Investment Trust Fund	1,581,000	1.94	0	0.00	0	0.00	None	None	
Ko-Yu Yu	882,896	1.09	14,631	0.02	0	0.00	None	None	
Shou-Yan Liu	500,000	0.61	0	0.00	0	0.00	None	None	
Rong-Yao Chen	483,000	0.59	0	0.00	0	0.00	None	None	
Citibank (Taiwan) Trust Account -Berkeley Capital Securities Investment Trust Fund	452,983	0.56	0	0.00	0	0.00	None	None	
Jin-Yuan Lin	420,000	0.52	0	0.00	0	0.00	None	None	
Zheng-Xian Lin	300,000	0.37	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, 2021

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
Shenzhen Fucheng Electronics Corp. (Note 1)	Note 3	100.00	0	0.00	Note 3	100.00
Green Power Semiconductor Corp.	3,430,500	87.96	0	0.00	3,430,500	87.96
OPC Microelectronics Co., Ltd. (Note 2)	Note 3	100.00	0	0.00	Note 3	100.00
Fuhong Investment Co., Ltd.	3,000,000	100.00	0	0.00	3,000,000	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**

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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 February 13, 2022

Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks
	Shares (thousands)	Amount (NT\$'000)	Shares (thousands)	Amount (NT\$'000)	
10	200,000,000	2,000,000	81,340,493	813,404.93	No change in Authorized Share Capital and Capital Stock during 2021 and as of Feb. 13, 2022.

#### (2). Type of Share

As of February 13, 2022

Share Type	Authorized Capital			Remark
	Listed shares	Unissued shares	Total	
Common stock	81,340,493	118,659,507	200,000,000	

#### (3). Shelf-registration system: None.

### 1.2 Composition of Shareholders

As of February 13, 2022

Shareholder Structure	Government Agencies	Financial Institutions	Other Institutions	Individuals	Foreign Institutions & Individuals	Total
Number of Shareholders	0	0	266	42,214	68	42,548
Shareholding (shares)	0	0	4,870,164	67,526,726	8,943,603	81,340,493
Shareholding %	0	0	5.98	83.02	11.00	100.00

### 1.3 Shareholding Distribution

As of February 13, 2022

Shareholding Range (Unit: Share)	Number of Shareholders	Shareholding (shares)	Shareholding (%)
1 - 999	21,456	1,125,279	1.38
1,000 - 5,000	19,146	32,585,948	40.08
5,001 - 10,000	1,222	9,825,791	12.08
10,001 - 15,000	256	3,312,200	4.07
15,001 - 20,000	166	3,126,060	3.84
20,001 - 30,000	112	2,853,670	3.51



Shareholding Range (Unit: Share)	Number of Shareholders	Shareholding (shares)	Shareholding (%)
30,001 - 40,000	51	1,842,000	2.26
40,001 - 50,000	35	1,651,549	2.03
50,001 - 100,000	68	4,957,681	6.09
100,001 - 200,000	18	2,769,531	3.40
200,001 - 400,000	9	2,245,657	2.76
400,001 - 600,000	4	1,855,983	2.28
600,001 - 800,000	0	0	0
800,001 - 1,000,000	1	882,896	1.09
>1,000,001	4	12,306,248	15.13
Total	42,548	81,340,493	100.00

#### 1.4 Major Shareholders

As of February 13, 2022

Major Shareholder	Shareholding (shares)	Shareholding (%)
STCH Investment Inc. (Cayman)	5,700,247	7.01
Future Technology Consulting, Inc.	3,084,899	3.79
Fu-Chi Teng	1,940,102	2.39
Citibank (Taiwan) Trust Account -UBS Europe SE Investment Trust Fund	1,581,000	1.94
Ko-Yu Yu	882,896	1.09
Shou-Yan Liu	500,000	0.61
Rong-Yao Chen	483,000	0.59
Citibank (Taiwan) Trust Account -Berkeley Capital Securities Investment Trust Fund	452,983	0.56
Jin-Yuan Lin	420,000	0.52
Zheng-Xian Lin	300,000	0.37

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

Items \ Year			2020	2021	2022 (As of Feb. 28)
Market Price per Share (NT\$)	Highest		55.00	137.00	125.50
	Lowest		14.90	44.80	98.00
	Average		30.81	82.28	105.29
Net worth per share (NT\$)	Before earnings appropriation		19.63	27.12	—
	After earnings appropriation		18.63	Note 1	—
Earnings per share (NT\$)	Weighted average shares (thousand shares)		81,341	81,341	—
	Earnings per share		2.44	8.03	—
Dividends per share (NT\$)	Cash dividends		1.00	Note 1	—
	Stock dividends	Retained earnings	0	Note 1	—
		Capital surplus	0	Note 1	—
	Accumulated Undistributed Dividends		0	0	—
Return on Investment	Price/ Earnings Ratio (Note 2)		12.63	10.25	—
	Price/ Dividend Ratio (Note 3)		30.81	Note 1	—
	Cash Dividend Yield Rate% (Note 4)		3.25	Note 1	—

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

Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price)

## **1.6 Dividend Policy and Distribution of Earnings**

### **(1). Dividend policy under Articles of Incorporation**

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. Cash dividends, in particular, may not be below 10% of the total dividends distributed in a single year. The dividend payout proposed by the Board of Directors (BoD) has to be approved at the annual shareholders' meeting.

### **(2). Proposed dividend allocation for approval at annual shareholders' meeting**

The Board meeting convened on February 24, 2022, passed the proposal of dividend distribution as NT\$ 6 per share in cash; the proposal is not yet approved by the annual shareholders' meeting.

### **(3). 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.**

## **1.7 Impact of Stock Dividend Distribution on Business Performance and EPS**

None.

## **1.8 Employees' and Directors' Compensation**

### **(1). Earnings distribution plan according to the Company's Articles of Incorporation**

If the Company posts an annual profit, it shall set aside no less than 8% of the profit as employees' compensation and not more than 3% of the profit as compensation for directors. However, if the Company posts a loss, it shall first reserve a certain amount to offset the losses, then allocate the remainder for employee s' and directors' compensation.

### **(2). Accounting treatment for the deviation between the estimated and actual distribution amount of employees' and directors' compensation**

The Company accrues employee bonuses and directors' compensation proportionally from the pre-tax income before deducting employee bonuses and directors' compensation. Should there be a deviation between the actual distribution amount and the accrued amount in the annual financial reports after their publication date, the difference should be treated as changes in accounting estimates and adjusted in the following year.

### **(3). 2021 employees' and directors' compensation proposals adopted by the BoD**

#### **A. Employees' and directors' compensation paid in the form of cash or shares and differences/reasons/treatments of accrued numbers if any:**

The 2021 employee bonuses and directors' compensation approved by the BoD on February 24, 2022 totaled NT\$110,643,041 and NT\$13,830,380, respectively, in the form of cash. There is no difference between the actual distribution and the accrued amount in the 2021 financial reports.

B. Employee bonuses paid in the form of shares and as a percentage of total net income on a stand-alone basis and of total employee bonuses: None.

(4). Actual distribution of compensation to employees, and directors (including the number, sum, and price of shares distributed), and treatment of the discrepancy:

There is no difference between the actual distribution and the accrued amount.

## 1.9 Share Repurchase by the Company

None.

## 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 February 28, 2022

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	From May 10, 2018 to May 9, 2024	From March 9, 2021 to March 8, 2027
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	65,000	2,000,000
Subscription price per share of the unsubscribed shares	26.40	47.21
Proportion of the quantity of unsubscribed shares to total issued and outstanding shares (%)	0.08%	2.46%

Type	5th (2018) Employee Stock Options	6th (2020) Employee Stock Options
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). 5<sup>th</sup> (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	Note 2	620	0.76%	-	-	-	-	-	-	-	-
Employee	Resign	Note 2	1,120	1.38%	-	-	-	-	45	26.40	1,188	0.06%
	On-the-job	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 name, executed and unexecuted shares are not included.

### (2). 6<sup>th</sup> (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	47.21	22,660.8	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										
Employee	Employee	Yan-yuan Huang	570	0.70%	-	-	-	-	570	47.21	26,909.7	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.

## **5 Operational Highlights**

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

# Operational Highlights

## 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 2021	% of total
Low Voltage MOSFET	1,568,414	37.31
Middle Voltage MOSFET	1,566,814	37.27
High Voltage MOSFET	895,095	21.29
Others	173,316	4.13
Total	4,203,639	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 second-generation SGT process platform and the third-generation super-junction process platform to optimize AC/DC characteristics, to 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 applications of Consumer and Home appliance, and are equipped with new packaging technology to provide the best temperature and performance.

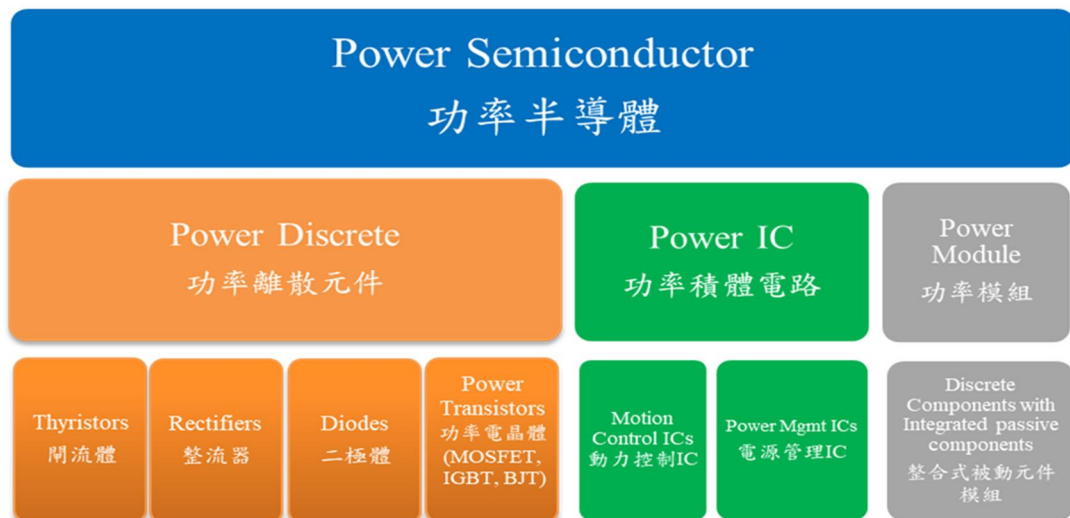
The demand in the third-generation semiconductor market is gradually increasing. The SiC SBD design and process development, and the product development of 600V 10A have been completed. At present, the component design of SiC MOSFET has been completed, and process development has been started.

## 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.

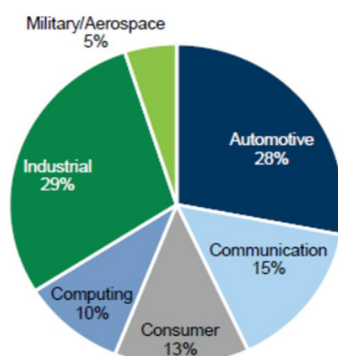
Power semiconductors can be categorized as follows :



Source : IEK Consulting, ITRI (2018/12)

The power semiconductor market can be broken down by power IC and power discretes (include MOSFET, IGBT, etc.), which are used for the purpose of controlling and processing high electrical currents and high voltages. Power devices are widely used in almost all electric and electronic systems, such as in automotive, consumer electronics, industrial automation, etc. In terms of application breakdown, around 29% is used in industrial, 28% in automotive, 15% in communication, 13% in consumer, 10% in computing, and 5% in military/aerospace.

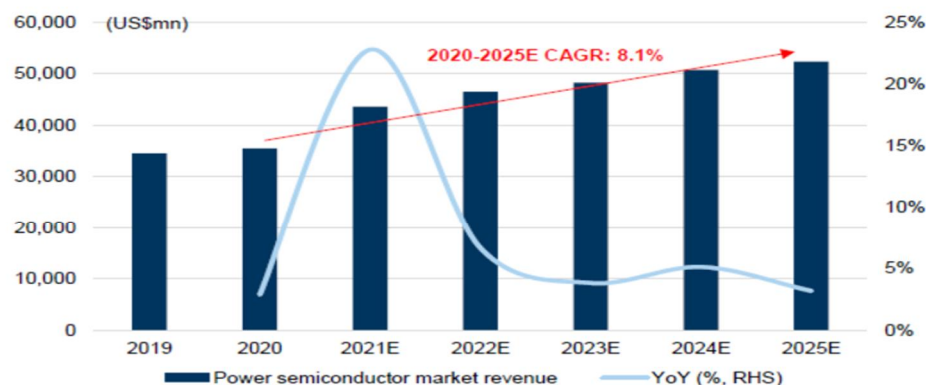
## Power semiconductor market breakdown by application



Source: Gartner, Data compiled by Goldman Sachs Global Investment Research

According to Gartner, the power semiconductor market is projected to grow at a steady pace, at an 8% 5-year CAGR with revenue to reach US\$52bn in 2025E from US\$36bn in 2020 driven by an ongoing industry upgrade cycle from rising 5G penetration, increasing demand for high performance computing (HPC), EV, IoT and smart devices, etc. The rising demand for higher data loads, faster speed and wider connectivity has led to an exponential increase in power requirements.

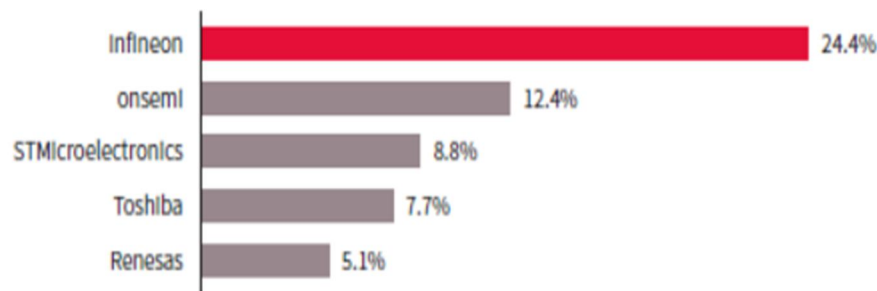
### Power semiconductor market to grow at 8.1% CAGR over 2020-2025E



Source: Gartner, Data compiled by Goldman Sachs Global Investment Research

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 annual report 2021, the world's top five power semiconductor manufacturers accounted for more than 58.4% of the market share in 2020. Among them, Infineon is the world's largest power discrete component manufacturer, with a market share of 24.4%.

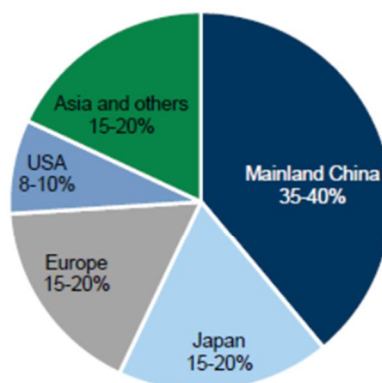
### Market share for MOSFETs in the 2020 calendar year



Source: Infineon Annual Report 2021

The first wave of the China localization trend was triggered by the US-China trade tensions back in the end of 2018. How to mitigate the supply chain disruption risks caused by potential US restrictions became a crucial topic among Chinese OEM/ODMs. In order to lower the supply chain concentration rate and reduce the dependency on overseas vendors, Chinese companies aggressively looked for domestic suppliers to partially replace the semiconductor devices. The second wave of the trend was pushed by Covid-19 during 2019-2020; the supply chain and transportation disruption also spurred the demand for localization. Lastly, the third wave in 2020-2021 was driven by the wafer supply shortage. Given the lack of wafer supply, many OEM/ODMs qualified new vendors in order to meet the demand growth. Moreover, the worldwide shortage also prompted global IDMs to prioritize their product portfolios towards more lucrative markets such as automotive, industrial, etc, with higher margins, thus providing more opportunities in the consumer segment for Taiwan players.

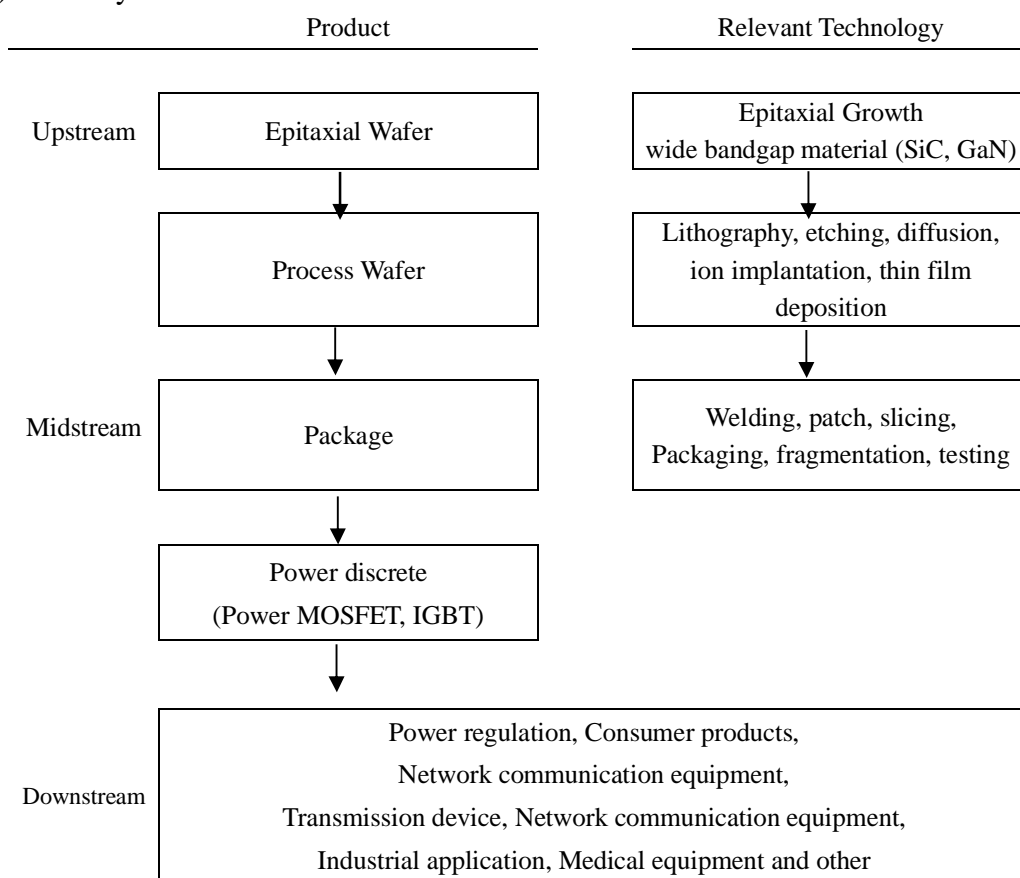
### Consumption breakdown of power semi by region



Source: IDC, Goldman Sachs Global Investment Research

According to the assessment conducted by the Goldman Sachs Global Investment Research, for medium and long term businesses in China are encourage to develop independent innovation in response to the US-China trade tensions, 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 US-China trade tensions, expecting to realize the possibility of "import substitution".

## (2). Industry value chain



## 1.3 Various Development Trends and Competitions of Products

### (1) Various Development Trends of Products

#### A. The rising trend of energy saving and ESG awareness towards power-efficient design

Given the rising trend of energy saving and ESG awareness these years, people have been seeking more efficient ways of generating, transmitting, storing, and using energy. We note that incremental demand in power semiconductors, with products designed to be more energy-efficient, has been gaining traction. The power semiconductor segment has been playing a crucial part in contributing to achieving global energy savings goals, by improving performance with reduced power loss when power transmitted and

distributed, in order to lower and save overall power usage across the widest application spectrum, e.g. electric vehicles (EV), data centers, telecom infrastructure and 5G/smart devices, etc. Therefore, we see the growing need for power-efficient products as one of the key elements that is helping to drive the demand for power semiconductor market.

#### B. New materials of the third-generation semiconductors

Manufacturing technologies and transistor architectures for power semiconductor components based on new materials are a key focus of our research and development activities. SiC, a compound of silicon and carbon, and GaN, a compound of gallium and nitrogen, enable higher power densities and low switching losses, both of which contribute towards improved efficiency of power electronic systems and therefore to reduced losses.

#### (2) Competitions of Products

In the development of global power semiconductors, major technologies have been dominated by global integrated devices makers (IDMs) such as Infineon, ON Semi, etc. which have complete wafer fabrication and packaging plants. The world's top five power semiconductor manufacturers accounted for more than 58.4% of the market share in 2020. The players in Taiwan are mainly focused in the low-voltage MOSFETs. Due to the limitation in capital, technologies and talents, the overall scale of the players is small, and the deployment of the industry is scattered. Under the impact of the US-China trade tensions, the China localization trend 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 of power semiconductors, China is actively making development simultaneously in various aspects including IDM, design and foundry.

The IDM model is more competitive. On the contrary, the players in Taiwan are mainly fabless, which do not have wafer capability and difficult to obtain stable wafer supply during wafer shortage. Supply chain management and wafer capacity allocation have a high impact on the company's growth. Therefore, in the face of market pressure, how to improve product technology levels, strengthen tacit cooperation between customers and strategic investment in the supply chain is an urgent issue in the face of industrial competition.

### 1.4 Research and Development

(1). Major R&D Expenditures for the Most Recent Year: NT\$119,407 thousand.

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

A. The 2<sup>nd</sup> generation of Low-Middle voltage Power MOSFET

- a. The 30V Power MOSFET solutions for core voltage synchronous rectification power supplies such as CPUs and GPUs of personal computers and graphics cards have passed the customer's performance verification.
- b. The 60V~100V Power MOSFET with synchronous rectification on the secondary side of the power supply has also been designed and passed the verification of the end customer.
- B. The 3<sup>rd</sup> generation of High voltage Power MOSFET  
The 600V/650V 3<sup>rd</sup> generation high-voltage process technology platform has been completed and entered the stage of mass production, and has been gradually designed into the power supply ODM manufacturers.
- C. Insulated Gate Bipolar Transistors (IGBT)  
The 600V 15A IGBT has been developed and the reliability verification has been completed, and will be promoted for the machine tool and air conditioner inverter markets.
- D. SiC Schottky Barrier Diode  
The 600V 10A SiC Schottky Barrier Diode has been developed and passed the product reliability verification, and a series of products will be developed according to the market demand of the power supply.

## **1.5 Corporate Development Plan**

### **(1). Short-term Corporate Development Plan**

#### **A. Marketing Strategy**

To build professional agents and strengthen channel functions, attach importance to after-sales service operations, provide customers with immediate product consulting services and solve customers' problems in technology use to increase product market penetration.

#### **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.

#### **C. R&D Strategy**

According to the customer's product demand plan, we will work together to develop new product specifications, in order to provide customers with green environmental protection, energy saving and carbon reduction power management solutions, shorten the time to market and enhance product functions.

#### **D. Financial Planning**

By means of diversified channels for funding in the capital market, to meet requirements of the Company's 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, provide opportunities close to market services and attract domestic and foreign industry leaders to become the Company and subsidiaries' strategic customers.

#### B. Production Strategy

By investing in key packaging equipment and prepaying capacity deposits, in addition to ensuring the production capacity of the Company and subsidiaries, it can also accelerate the development of advanced products, with a view to high-efficiency manufacturing advantages to become a professional power semiconductor leader.

#### C. Product Development Direction

Expand product lines and deepen technical capabilities through strategic investment and cooperation, with a view to developing products required for green environmental protection such as energy saving and low power consumption, enhancing the market competition and value of products of the Company and subsidiaries, and widening the gap with competitors .

## 2. Markets & Sales Overview

### 2.1 Market Analysis

#### (1). Sales regions:

Unit: NTS'000					
<b>Item \ Year</b>		<b>2020</b>		<b>2021</b>	
		<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
Domestic Sales	Taiwan	705,592	22.57	1,069,263	25.44
Export Sales	Asia	2,417,987	77.36	3,127,527	74.40
	Others	2,197	0.07	6,849	0.16
Net sales		3,125,776	100.00	4,203,639	100.00

The export ratio of the Company and subsidiaries was 74.56% in 2021, mainly in mainland China and South Korea.

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

##### A. Market share

The power semiconductors are used for the purpose of controlling and processing high electrical currents and high voltages. Power devices are widely used in almost all electric and electronic systems, such as in automotive, consumer electronics, industrial automation, etc. According to Gartner, the power semiconductor market is projected to grow at a steady pace, at an 8% 5-year CAGR with revenue to reach US\$52bn in 2025E from US\$36bn in 2020 driven by an ongoing industry upgrade cycle from rising 5G penetration, increasing demand for high performance computing (HPC), EV, IoT and smart devices, etc. With the revenue of the Company and subsidiaries accounting for less than 1% of the total global semiconductor sales in 2021, the ratio is still low.

#### B. Future market supply & demand and growth

Foreign competitors include IDM companies such as Infineon, ON Semi, and ST Micro. The Company and subsidiaries seek to utilize the advantage of Taiwan's complete semiconductor industry clusters to reduce impacts and challenges for production, sales, and logistics brought about by the COVID-19 pandemic. Transforming this crisis into a turning point will be an important issue for the Company and subsidiaries. Looking forward to Year 2022, the operating income and profit are expected to continue to grow under the advantages of cost and customization.

#### (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 70 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 improve production efficiency

Through production capacity guarantee cooperation and key packaging equipment investment, the Company and subsidiaries have stabilized supply sources. Taiwan has the advantage of robust semiconductor industry clusters to improve production efficiency. Therefore, when there is a shortage of wafer capacity, we can timely strive for production timeliness, so as not to delay business opportunities, thereby enhancing the competitiveness of the Company and subsidiaries.

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



In order to help customers shorten the product development time and enhance market competitiveness, the Company and subsidiaries provide a complete integrated development system and analog modules for simulation, verification, sample production, and verification circuit boards before product production. Under the shortage of global wafer capacity, it can grow together with customers and maintain a positive relationship.

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

A. Advantage factor

- a. In the development of global power semiconductors, major technologies have been dominated by global integrated devices makers (IDMs). Given the rising trend of energy saving and ESG awareness these years, 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 Company and subsidiaries strive for stable development in the marketing strategy of power semiconductor components. The long-term customers of the Company and subsidiaries are leading manufacturers with a good image and have stable cooperative relations with the Company and subsidiaries.
- d. In the face of the shortage of foundry capacity, the launch of new products has been accelerated according to customer needs, and the product quality and supply have been affirmed and trusted.
- 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 US-China trade tensions, how to seize the Chinese market and obtained greater profits under the China localization trend.

◆Responsive measures:

The Company and subsidiaries use the advantages of Taiwan's complete semiconductor industry to improve production efficiency. Therefore, when there is a shortage of capacity, we can timely strive for production timeliness, turn the crisis into a turning point, and serve customers closer to the market. A more flexible way to enrich product lines and increase profit margins.

- 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.

◆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 Stock Options 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. As a fabless design company, the capacity is easily limited by the foundry. When the market is booming, it is often faced with the dilemma of insufficient production capacity of the fab, which will affect the shipment to downstream manufacturers.

◆Responsive measures:

Through production capacity guarantee cooperation and key packaging equipment investment, the Company and subsidiaries have stabilized supply sources.

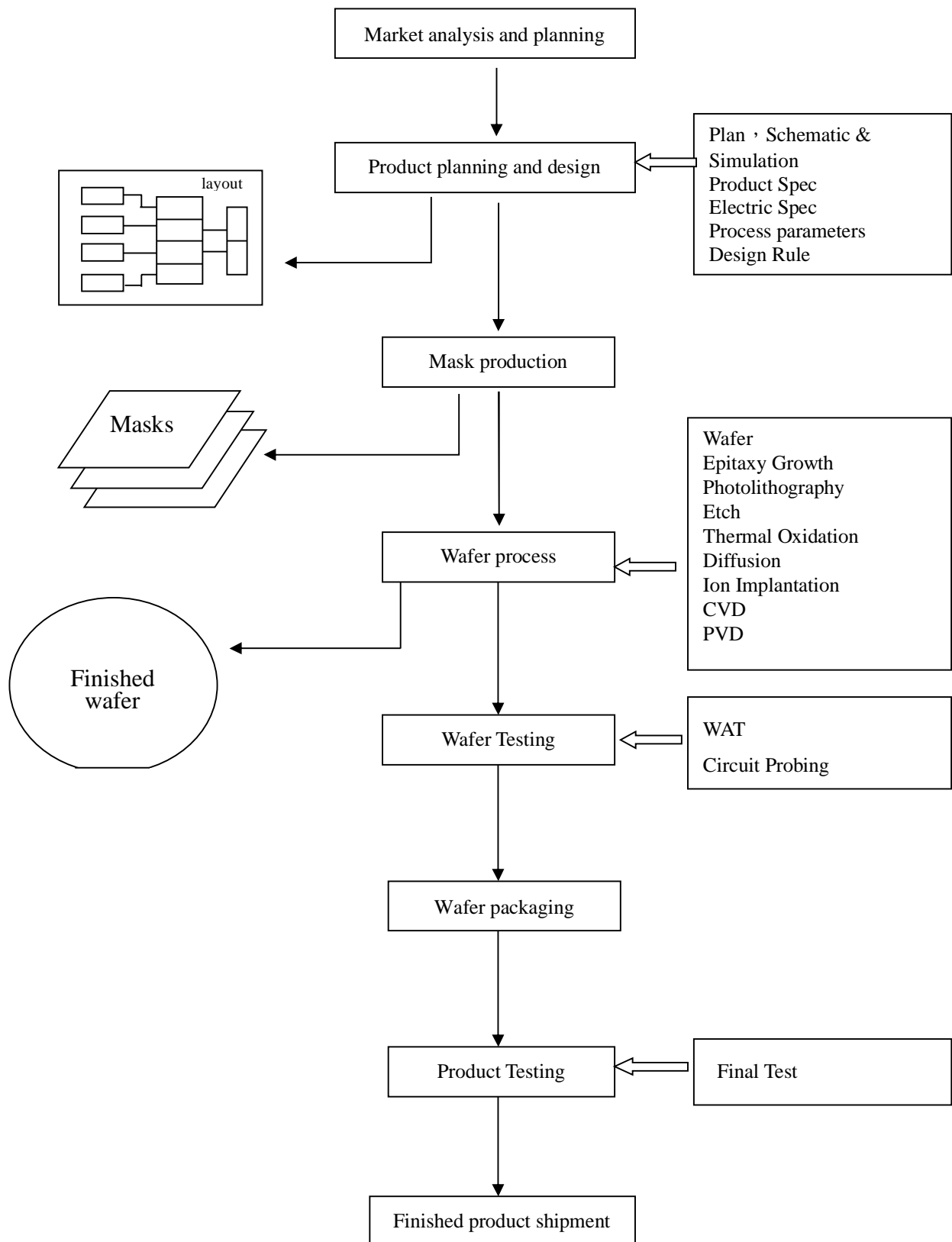
## 2.2 The key purposes and production process of the main products

### (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.

Main Products	Application
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	2020				2021			
	Name	Amount	Percentage of net annual purchase (%)	Relation with issuer	Name	Amount	Percentage of net annual purchase (%)	Relation with issuer
1	PN011	462,639	19.06	None	FN012	647,879	23.52	None
2	FN012	453,404	18.68	None	PN011	491,302	17.84	None
3	FN005	276,609	11.40	None	—	—	—	—
4	FN013	253,517	10.45	None	—	—	—	—
5	WE005	249,043	10.26	None	—	—	—	—
	Others	731,620	30.15		Others	1,615,213	58.64	
	Total	2,426,832	100.00		Total	2,754,394	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	2020				2021			
	Name	Amount	Percentage of net annual sales (%)	Relation with issuer	Name	Amount	Percentage of net annual sales (%)	Relation with issuer
1	F110044	443,189	14.18	None	T130044	512,014	12.18	None
2	T130044	387,321	12.39	None	F110044	436,208	10.38	None
	Others	2,295,266	73.43		Others	3,255,417	77.44	
	Total	3,125,776	100.00		Total	4,203,639	100.00	

Explanation of the increase or decrease:

The sales of the company and subsidiaries in 2021 increased compared with that in 2020. 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

Major Product	Year	2020		2021	
		Quantity	Amount	Quantity	Amount
Low Voltage MOSFET		831,000	946,621	941,466	1,160,922
Middle Voltage MOSFET		395,622	883,576	442,979	1,015,082
High Voltage MOSFET		151,569	668,376	148,184	668,851
Others		20,613	149,741	35,577	186,149
Total		1,398,804	2,648,314	1,568,206	3,031,004

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

Major Product	Year	2020				2021			
		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
		Qty	Amount	Qty	Amount	Qty	Amount	Qty	Amount
Low Voltage MOSFET		324,879	354,029	511,145	759,753	360,368	552,573	571,735	1,015,841
Middle Voltage MOSFET		71,253	175,328	330,083	1,006,628	91,773	253,669	359,740	1,313,145
High Voltage MOSFET		28,959	140,101	121,558	603,902	26,020	167,079	127,362	728,016
Others		18,981	36,134	26,508	49,901	25,899	95,942	10,277	77,374
Total		444,072	705,592	989,294	2,420,184	504,060	1,069,263	1,069,114	3,134,376

## 3. Human Resources

Unit: EA

Year		2020	2021	As of February 28, 2022
Employee	Manufacturing	43	43	43
	R&D	37	36	35
	Sales and Marketing	36	39	38
	General and Administrative	28	28	28
	Total	144	146	144
Average age		39.60	41.12	42.25
Average years of service		7.30	7.74	7.98
Education Distribution %	PhD Degree	0	0	0
	Master Degree	15.97	15.07	14.58
	College /University	83.34	82.88	83.34
	Senior High School	0.69	2.05	2.08
	Junior High School and below	0	0	0

#### **4. Environmental Protection Expenditure**

##### **Losses Related to Environmental Pollution for the Most Recent Year and Up To the Publication Date of this Annual Report**

The Company has taken into consideration any potential risks or breach of environmental regulations in formulating its environmental management system. The Company also closely monitors developments in the government's environmental policies or regulations to be able to design precautionary measures. It does not expect any substantial expenditure arising from environmental pollution.

#### **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 Laws and regulations, 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, Employee's family health check discount. f). Employee share ownership trust. g). Company retreat. h). The bonuses at the year-end, Dragon Boat Festival, Autumn Moon Festival, and Labor Day. i). Birthday money. j). Childcare allowance. k).Senior employee bonus. l). Covid-19 insurance, vaccine insurance. m). Covid-19 care leave, vaccination leave.

###### **(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 2021 :

Training Expenses (\$)	Training Hours (hour)	People Trained
35,828	370.6	297

(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 Company's major divisions are separated by functions. Each division is tasked with specific job responsibilities and this separation of functions has strengthened the Company's core competency.
- B. The Company's work rules clearly define the rights and obligations of management and employees. Its modern management approach has promoted cooperation among employees and benefited the Company.
- C. The Company's "Work Rules" include regulations on preventing sexual harassment in the workplace and promoting gender equality. The Company disseminates information on laws and procedures for filing complaints on sexual harassment on the intranet to serve as a guideline for employees.
- D. The Company and subsidiaries have a Code of Conduct that all directors and managers are expected to adhere to and advocate in accordance with the highest ethical standards.

(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.

(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\$6,268 thousand for labor pensions in 2021.

(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 for the Most Recent Year and Up To the Publication Date of this Annual Report**

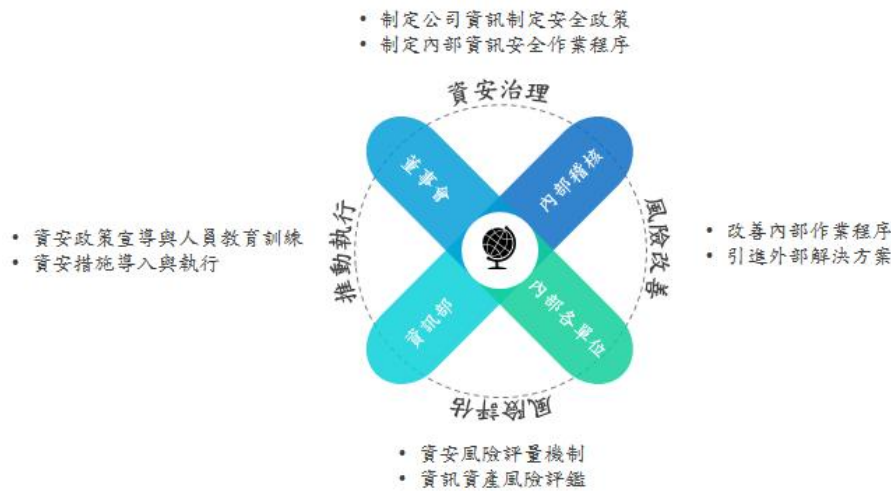
The Company maintains a harmonious management/employee relationship and there were no material disputes.

**6. Cyber Security Management**

**6.1 The Company's Cyber security management framework, Cyber security policies, management plan and investments in resources for cyber security**

**A. Cyber security management framework**

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



## B. Cyber Security Policy

a. The Cyber 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 Cyber security management equipment and implement Cyber security management measures.

(c) Employee training:

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

b. The management measures are described as follows:

(a) Regulations:

The company has established Cyber security regulations to strengthen the Cyber 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 Cyber audits, and ISO external audits are carried out on a regular basis every year to strengthen the management of the company's confidential information.

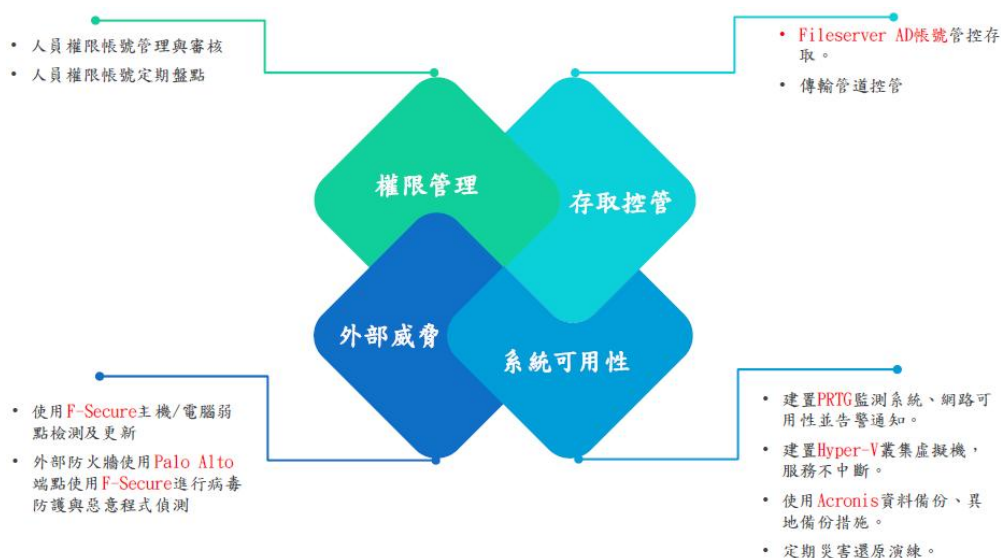
(b) Technology application:

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

(c) Employee training:

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

## C. Cyber Security Management Plan



## D. Investments in resources for cyber security

The Company uses current cases as information security publicity from time to time. In order to strengthen information security, an appropriate budget has been prepared to strengthen information technology and security protection in 2022, and the Cyber security management and implementation results are regularly reported to the board of directors every year. The report of the 9th session of the board of directors on January 11, 2022 was on record.

### 6.2 Losses Related to Cyber Security for the Most Recent Year and Up To the Publication Date of this Annual Report

None.

## 7. Major Contracts

Contract Types	Contract Party	Contract Period	Major Content	Restrictions
Long-term credit facility	Taipei Fubon Bank	Dec. 15, 2020 ~ Dec. 15, 2030	Office mortgage loan	None
Long-term credit facility	CTBC Bank	Jun. 7, 2021 ~ Jun. 7, 2031	Office mortgage loan	None
Procurement	Episil-Precision Inc.	May 5, 2018 ~ Dec. 31, 2024	Epitaxial wafer supply	None
Procurement	GEM Tech Ltd. Taiwan Branch. (Samoa)	Apr. 23, 2021 ~ Apr. 22, 2028	Package capacity supply assurance	None
Procurement	Mosel Vitelic Inc.	Jul. 1, 2021 ~ Jun. 30, 2024	Foundry capacity supply assurance	None
Procurement	Powerchip Semiconductor Manufacturing Corp.	Jan. 1, 2022 ~ Dec. 31, 2024	Foundry capacity supply assurance	None

## **6 Financial Information**

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1. Five-Year Financial Summary
2. Five-Year Financial Analysis
3. 2021 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)				
		2017	2018	2019	2020	2021
Current Assets		1,512,524	1,795,612	1,752,216	2,055,710	2,400,264
Property, Plant and Equipment		258,095	246,815	236,951	359,000	434,909
Intangible Assets		4,685	5,178	4,395	2,393	2,006
Other Assets		134,828	288,185	255,792	325,282	736,473
Total Assets		1,910,132	2,335,790	2,249,354	2,742,385	3,573,652
Current	Before appropriation	577,430	875,746	832,594	1,053,420	1,236,270
Liabilities	After appropriation	614,033	957,086	873,264	1,134,760	(Note 3)
Noncurrent Liabilities		149	293	710	88,974	129,954
Total	Before appropriation	577,579	876,039	833,304	1,142,394	1,366,224
Liabilities	After appropriation	614,182	957,379	873,974	1,223,734	(Note 3)
Equity attributable to owners of the parent company		1,303,389	1,437,067	1,406,820	1,596,999	2,205,760
Paid-in capital		813,405	813,405	813,405	813,405	813,405
Capital surplus		327,372	328,441	328,700	333,480	344,555
Retained	Before appropriation	197,862	370,684	344,473	502,075	1,073,522
earnings	After appropriation (Note 2)	161,259	289,344	303,803	420,735	(Note 3)
Other equity interests		(35,250)	(75,463)	(79,758)	(51,961)	(25,722)
Treasury stock		0	0	0	0	0
Non-controlling interest		29,164	22,684	9,230	2,992	1,668
Total equity	Before appropriation	1,332,553	1,459,751	1,416,050	1,599,991	2,207,428
	After appropriation (Note 2)	1,295,950	1,378,411	1,375,380	1,518,651	(Note 3)

Note 1: All financial data have been duly audited by independent auditors.

Note 2: The appropriation amount for the Year 2017 to 2020 has been approved at the AGM.

Note 3: The appropriation amount for 2021 still has to be approved at the AGM.

## (2). Parent-only Condensed Balance Sheet

Unit: NT\$'000

Item \ Year		Financial Summary for Most Recent 5 Years (Note 1)				
		2017	2018	2019	2020	2021
Current Assets		1,358,303	1,668,378	1,686,364	2,001,722	2,367,101
Property, Plant and Equipment		251,191	239,447	233,709	358,287	434,745
Intangible Assets		3,724	5,178	4,395	2,393	2,006
Other Assets		230,581	354,831	303,599	363,857	757,459
Total Assets		1,843,799	2,267,834	2,228,067	2,726,259	3,561,311
Current	Before appropriation	540,261	830,438	820,501	1,040,251	1,225,559
Liabilities	After appropriation	576,864	911,778	861,171	1,121,591	(Note 3)
Noncurrent Liabilities		149	329	746	89,009	129,992
Total	Before appropriation	540,410	830,767	821,247	1,129,260	1,355,551
Liabilities	After appropriation	577,013	912,107	861,917	1,210,600	(Note 3)
Paid-in capital		813,405	813,405	813,405	813,405	813,405
Capital surplus		327,372	328,441	328,700	333,480	344,555
Retained	Before appropriation	197,862	370,684	344,473	502,075	1,073,522
earnings	After appropriation (Note 2)	161,259	289,344	303,803	420,735	(Note 3)
Other equity interests		(39,767)	(35,250)	(75,463)	(79,758)	(51,961)
Treasury stock		0	0	0	0	0
Total	Before appropriation	1,303,389	1,437,067	1,406,820	1,596,999	2,205,760
equity	After appropriation (Note 2)	1,266,786	1,355,727	1,366,150	1,515,659	(Note 3)

Note 1: All financial data have been duly audited by independent auditors.

Note 2: The appropriation amount for the Year 2017 to 2020 has been approved at the AGM.

Note 3: The appropriation amount for 2021 still has to be approved at the AGM.

## (3). Condensed Statement of Comprehensive Income

Unit: NT\$'000

Item	Year	Financial Summary for Most Recent 5 Years (Note)				
		2017	2018	2019	2020	2021
Revenues		2,129,631	2,709,090	2,217,249	3,125,776	4,203,639
Gross Profit		338,317	499,729	342,563	511,843	1,250,430
Income from Operations		61,138	173,236	68,999	239,941	828,973
Non-operating Income and Expenses		(11,512)	14,001	(10,010)	(16,329)	(32,729)
Income Before Income Tax		49,626	187,237	58,989	223,612	796,244
Continuing operating income after tax		37,377	159,899	41,929	196,348	651,480
Net income		37,377	159,899	41,929	196,348	651,480
Other comprehensive income (after tax)		3,052	2,114	(4,549)	27,719	26,222
Comprehensive income		40,429	162,013	37,380	224,067	677,702
Profit attributable to owners of the parent company		39,210	166,169	55,129	198,348	652,787
Profit attributable to non-controlling interest		(1,833)	(6,270)	(13,200)	(2,000)	(1,307)
Comprehensive income attributable to owners of parent company		41,893	168,493	50,834	226,069	679,026
Comprehensive income attributable to non-controlling interest		(1,464)	(6,480)	(13,454)	(2,002)	(1,324)
EPS (NT\$)		0.48	2.04	0.68	2.44	8.03

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

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

Unit: NT\$'000

Item	Year	Financial Summary for Most Recent 5 Years (Note)				
		2017	2018	2019	2020	2021
Revenues		2,022,785	2,527,232	2,177,322	3,105,840	4,192,740
Gross profit		315,782	460,591	352,260	501,985	1,235,633
Income from Operations		87,740	208,540	130,007	259,508	852,107
Non-operating income and expenses		(37,144)	(15,421)	(57,577)	(33,896)	(54,556)
Income before income tax		50,596	193,119	72,430	225,612	797,551
Continuing operating income after tax		39,210	166,169	55,129	198,348	652,787
Net income		39,210	166,169	55,129	198,348	652,787
Other comprehensive income (after tax)		2,683	2,324	(4,295)	27,721	26,239
Comprehensive income		41,893	168,493	50,834	226,069	679,026
EPS (NT\$)		0.48	2.04	0.68	2.44	8.03

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

## 1.2 Independent Auditor's Names and Opinions for Recent 5 Years

Year	Accounting firm	Name of CPA	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
2021	Deloitte & Touche	Chien-Liang Liu, 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)				
		2017	2018	2019	2020	2021
Financial structure	Liabilities to assets ratio (%)	30.24	37.51	37.05	41.66	38.23
	Long-term fund to PP&E ratio (%)	516.36	591.55	597.91	470.46	537.44
Solvency	Current ratio (%)	261.94	205.04	210.45	195.15	194.15
	Quick ratio (%)	172.71	106.77	106.60	124.59	145.37
	Interest coverage ratio (%)	63.19	47.08	13.93	77.68	162.48
Operations	Accounts receivable turnover (Times)	3.91	4.37	3.78	4.48	4.56
	Average collection days	93	84	97	81	80
	Inventory turnover (Times)	4.10	3.56	2.34	3.38	4.47
	Accounts payable turnover (Times)	4.52	4.90	4.53	5.50	4.78
	Average days sales	89	103	156	108	82
	Property, plant and equipment turnover (Times)	8.16	10.73	9.17	10.49	10.59
	Total asset turnover (Times)	1.16	1.28	0.97	1.25	1.33
Profitability	Return on assets (%)	2.07	7.68	1.99	7.96	20.75
	Return on equity attributable to owners of the parent company (%)	2.82	11.45	2.92	13.02	34.22
	Pre-tax income as a % of paid-in capital	6.10	23.02	7.25	27.49	97.89
	Net income margin (%)	1.76	5.90	1.89	6.28	15.50
	EPS (NT\$)	0.48	2.04	0.68	2.44	8.03
Cash flow	Cash flow ratio (%)	(18.96)	(1.59)	(5.51)	39.19	68.31
	Cash flow adequacy ratio (%)	179.13	54.95	9.91	18.74	112.12
	Cash reinvestment rate (%)	(10.42)	(2.92)	(7.48)	19.02	33.42
Leverage	Operating leverage	3.02	1.87	2.82	1.57	1.32
	Financial leverage	1.01	1.02	1.07	1.01	1.01

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

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

1. Solvency: Interest coverage ratio increased, primarily due to Income before income tax increased in 2021.
2. Operations: Inventory turnover increased, Average days sales decreased, primarily due to revenues increased and inventory decreased because of customers demand Strong in 2021.
3. 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 2021.
4. 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 2021.



## 2.2 Parent-only Financial Analysis for Recent 5 Years

Item \ Year		Financial Summary for Most Recent 5 Years (Note)				
		2017	2018	2019	2020	2021
Financial structure	Liabilities to assets ratio (%)	29.31	36.63	36.86	41.42	38.06
	Long-term fund to PP&E ratio (%)	518.94	600.30	602.27	470.57	537.27
Solvency	Current ratio (%)	251.42	200.90	205.53	192.43	193.14
	Quick ratio (%)	166.72	103.95	102.10	122.54	142.61
	Interest coverage ratio (%)	151.14	76.20	17.94	79.97	164.97
Operations	Accounts receivable turnover (Times)	3.81	4.25	3.81	4.46	4.51
	Average collection days	96	86	96	82	81
	Inventory turnover (Times)	4.03	3.64	2.47	3.51	4.56
	Accounts payable turnover (Times)	4.31	4.64	4.44	5.47	4.78
	Average days sales	91	100	148	104	80
	Property, plant and equipment turnover (Times)	7.86	10.30	9.20	10.49	10.57
	Total asset turnover (Times)	1.12	1.23	0.97	1.25	1.33
Profitability	Return on assets (%)	2.19	8.18	2.60	8.10	20.89
	Return on equity attributable to owners of the parent company (%)	3.00	12.13	3.88	13.21	34.33
	Pre-tax income as a % of paid-in capital	6.22	23.74	8.90	27.74	98.05
	Net income margin (%)	1.94	6.58	2.53	6.39	15.57
	EPS (NT\$)	0.48	2.04	0.68	2.44	8.03
Cash flow	Cash flow ratio (%)	(7.20)	2.78	(6.59)	40.43	67.33
	Cash flow adequacy ratio (%)	215.81	85.09	26.30	35.33	132.19
	Cash reinvestment rate (%)	(6.17)	(0.79)	(8.05)	19.55	32.75
Leverage	Operating leverage	2.25	1.60	1.83	1.48	1.29
	Financial leverage	1.00	1.01	1.03	1.01	1.01

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

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

1. Solvency: Interest coverage ratio increased, primarily due to Income before income tax increased in 2021.
2. Operations: Inventory turnover increased, Average days sales decreased, primarily due to revenues increased and inventory decreased because of customers demand Strong in 2021.
3. 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 2021.
4. 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 2021.

**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. 2021 Audit Committee's Review Report**

#### **Advanced Power Electronics Co., Ltd. Audit Committee's Review Report**

February 24, 2022

The Board of Directors of Advanced Power Electronics Co., Ltd. (APEC) has prepared the APEC's 2021 Business Report, Financial Statements, and the Proposal for profit appropriation. The CPA Chien-Liang Liu 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**

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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

### 1.1 Consolidated balance sheet analysis:

Unit: NT\$'000

	2021	2020	YoY change	
			Amount	%
Current assets	2,400,264	2,055,710	344,554	16.76
Property, plant and equipment	434,909	359,000	75,909	21.14
Intangible assets	2,006	2,393	(387)	(16.17)
Other assets	736,473	325,282	411,191	126.41
<b>Total assets</b>	<b>3,573,652</b>	<b>2,742,385</b>	<b>831,267</b>	<b>30.31</b>
Current liabilities	1,236,270	1,053,420	182,850	17.36
Non-current liabilities	129,954	88,974	40,980	46.06
<b>Total liabilities</b>	<b>1,366,224</b>	<b>1,142,394</b>	<b>223,830</b>	<b>19.59</b>
Paid-in capital	813,405	813,405	0	0.00
Capital surplus	344,555	333,480	11,075	3.32
Retained earnings	1,073,522	502,075	571,447	113.82
Other equity	(25,722)	(51,961)	26,239	50.50
Equity attributable to owners of the parent	2,205,760	1,596,999	608,761	38.12
Non-controlling interests	1,668	2,992	(1,324)	(44.25)
<b>Total equity</b>	<b>2,207,428</b>	<b>1,599,991</b>	<b>607,437</b>	<b>37.97</b>

### 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 2021.
- (2). Other assets increased: primarily due to financial assets-non-current increased.
- (3). Current liabilities increased: primarily due to Long-term borrowings increased.
- (4). Retained earnings, equity attributable to owners of the parent increased: primarily due to net profit increased.
- (5). Other equity increased: primarily due to reversal of unrealized gain on financial assets at fair value through other comprehensive income.

### 1.3 Significant changes in the past two years' assets, liabilities and equity: None.

### 1.4 Preventive measures : Not applicable.

## 2. Financial Performance

### 2.1 Consolidated Statements of Comprehensive Income analysis

Unit: NT\$'000

	2021	2020	YoY change	
			Amount	%
Revenues	4,203,639	3,125,776	1,077,863	34.48
Gross profit	1,250,430	511,843	738,587	144.30
Income from operations	828,973	239,941	589,032	245.49
Non-operating income and expenses	(32,729)	(16,329)	(16,400)	100.43
Income before income tax	796,244	223,612	572,632	256.08
Net income	651,480	196,348	455,132	231.80
Total comprehensive income	677,702	224,067	453,635	202.46
Net profit attributable to Owners of the parent	652,787	198,348	454,439	229.11
EPS (NT \$)	8.03	2.44	5.59	229.10

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

- (1). Revenues increased: Revenues increased primarily due to the global economy rebounded steadily; terminal demand gradually began to recover.
- (2). Gross profit and income from operations increased: primarily due to promptly reflect the rising pressure of raw materials and optimize the product mix.
- (3). Non-operating income and expenses decreased: primarily due to foreign currency exchange losses and other losses arising from the appreciation of the New Taiwan dollar.
- (4). 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 its subsidiaries provide a full range of high, low, and middle voltage Power MOSFETs. We meet customer demand in a timely manner, and ensure that downstream customers can maintain production operations despite potential supply chain disruptions caused by trade wars and the COVID-19 pandemic. To meet customer demand in a timely manner and to promptly reflect the rising pressure of raw materials, the Company and its subsidiaries optimize the product mix, thereby enabling continuing expansion of operating scale and creating corporate profits. The Company and its subsidiaries are expecting the annual sales volume in 2022 to reach 1.593 billion pieces.

### 2.4 Effect of changes on future business and response actions: None.

### 3. Cash Flow

#### 3.1 Analysis of Consolidated Cash Flows for the Most Recent 2 Years

Unit: NT\$'000

	2021	2020	YoY change	
			Amount	%
Cash and cash equivalents at the beginning of the year	445,441	278,794	166,647	59.77
Net cash generated from operating activities	844,534	412,807	431,727	104.58
Net cash generated from/ (used in) investing activities	(535,614)	(162,781)	(372,833)	229.04
Net cash generated from / (used in) financing activities	(46,638)	(65,667)	19,029	(28.98)
Effect of exchange rate changes on cash and equivalents	(13,944)	(17,712)	3,768	(21.27)
Cash and cash equivalents at the end of the year	693,779	445,441	248,338	55.75

#### 3.2 Analysis for any variation plus and minus (+/-) 20%:

- (1). Net cash generated from operating activities increased: primarily due to revenues and net income increased.
- (2). Net cash generated from/ (used in) investing activities increased: primarily due to financial assets measured at amortized cost increased.
- (3). Net cash generated from / (used in) financing activities decreased: primarily due to short-term borrowings decreased.

#### 3.3 Source of Funding for Negative Cash Flow in 2022: Not applicable.

#### 3.4 Cash Flow Analysis for 2022:

Unit: NT\$'000

Cash balance, beginning of the year	Forecast net cash inflow from operations	Forecast cash outflow from investment and financing activities	Cash balance, end of the year	Source of funding for negative cash balance	
				Cash inflow from investment activities	Cash inflow from financing activities
693,779	604,613	536,081	762,311	-	-

#### 1. Cash Flow Analysis for 2022:

- (1) Projected cash inflow from operating activities: Expected to remain relatively stable.
- (2) Projected cash outflow from investment activities: For capital expenditure.
- (3) Projected cash inflow from financing activities: From cash dividend distribution.

2. Projected cash inflow from financing activities: From cash dividend distribution: Not applicable.

### 4. Major Capital Expenditures and Impact for the Most Recent Year

#### 4.1 Major Capital Expenditures and Source of Funding

The Company purchased the office in 2021, 20% of the funds paid for internal fund, and the 80% are covered by long-term secured bank loans.

#### 4.2 Expected Benefits



It is expected to save rental expenses and meet the needs of future business development.

## **5. Investment Policies and Key Reasons for Profit / Loss for the Most Recent Year; Improvement Plan and Future Investment Plan in the Coming Year**

The Company and its subsidiaries focus on making long-term and strategic investments. The objective is to strengthen and diversify its core business activities and expand into new fields to create synergies. The investment loss accounted for using equity method in 2021 is NT\$ 19,689 thousand as the operations of Chinese mainland market. For future investments, the Company will continue to make decisions based on prudent strategic assessments.

## **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	2021	2020
Interest Income, Net	(2,050)	(652)
Foreign Exchange Gains/(Loss)	(24,226)	(21,321)
Revenues	4,203,639	3,125,776
Income Before Income Tax	796,244	223,612
Interest Income, Net as % of Revenues	(0.05%)	(0.02%)
Interest Income, Net as % of Income Before Tax	(0.26%)	(0.29%)
Foreign Exchange Gains/(Loss) as % of Revenues	(0.58%)	(0.68%)
Foreign Exchange Gains/(Loss) as % of Income Before Tax	(3.04%)	(9.53%)

#### **A. Impact of interest rate fluctuations**

Interest rate fluctuations had a minimal impact on the Company's 2021 short-term bank borrowings, as interest rates remained low and stable. The interest income and expense only take insignificant part in the operating revenue. 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. Impact of exchange rate fluctuations**

Most of the Company and subsidiaries' sales are denominated in US dollars, and thus the movement of exchange rates impacts the income of the period. The exchange rate of US dollars was depreciated in 2021, and thus the gain/loss of the exchange had a relatively higher ratio to the net operating profit. To minimize the impact from foreign exchange rate fluctuations, the Company monitors the movement of exchange rates and the foreign exchange positions held while maintaining the balance between the foreign currency assets and liabilities.

#### **C. Impact of inflation**

The 2021 consumer price index (CPI) increased by 1.96% compared with that in 2020. The Company and its subsidiaries always pay attention to the fluctuation of market prices, and maintain a good interaction with suppliers and customers to avoid the adverse impact of inflation on the Company's profit and loss.

(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 US dollars receivables and payables, the natural off-set approach is taken. The sales are denominated in US dollars, and the imported goods are paid with US dollars. 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:**

(1). High-risk, High-leverage Financial Instruments : None.

(2). Loans, Debt Guarantees : The Company passed the Rules and Procedures on Lending and Making Endorsement/Guarantees to supervise its financing and endorsement activities. The Company and its subsidiaries are not conducted in Lending and Making Endorsement/Guarantees.

(3). Derivatives transaction : The Company conducts acquisition or disposal of assets in accordance with the Procedures for Acquisition or Disposal of Assets. The Company and its subsidiaries are not conducted derivatives transaction.

**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 SiC component for SPS applications	Optimize material of POWER MOSFET and SiC MOSFET	Research of material of POWER MOSFET	17,569
	Optimize semiconductor process parameters of POWER MOSFET and SiC MOSFET	Production method of POWER MOSFET	28,288
	Develop new package and optimize package structure of POWER MOSFET and SiC MOSFET	New package and package structure	25,103

<b>R&amp;D project</b>	<b>Plan description</b>	<b>Intellectual property rights</b>	<b>Projected Budget</b>
	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 (including Cyber Security Risks) and Industry Development, and Mitigating Measures**

The Covid-19 epidemic has rewritten the global situation and technology trends. The international situation, post-epidemic normalcy, environmental protection consensus, and policy support, especially electric self-driving cars, cloud services, and green energy power generation, will become the trend of future industrial development. The Company and subsidiaries will actively develop a new generation of low, middle, and high-voltage Power MOSFETs in line with the trend of industry development.

The Company and subsidiaries have always valued 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.

To promote the cyber security policies, implement the cyber security incident reporting and contingency measures, the Company and subsidiaries regularly evaluate the cyber security risks, implement the cyber security education and training, and formulate an audit mechanism for the implementation of the security maintenance plan, and strictly implement the security risk management.

#### **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 its subsidiaries have not plant facility expansion recently.

### **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 have cooperation with 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 customers under the principles of equality and co-benefit and the satisfactions of supplies and demands for both parties. Meanwhile, the Company and the subsidiaries strive to upgrade the quality and portfolio of products in the recent years, and diversify the customers portfolio. The Company is not subjected to the risks of sales concentration, as the Company maintains good relationships with long-term customers while gaining new customers 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**

None °

### **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**

None.

## **7. Others : None.**

## **8 Subsidiary Information and Other Special Notes**

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1. Affiliated Companies in 2021
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

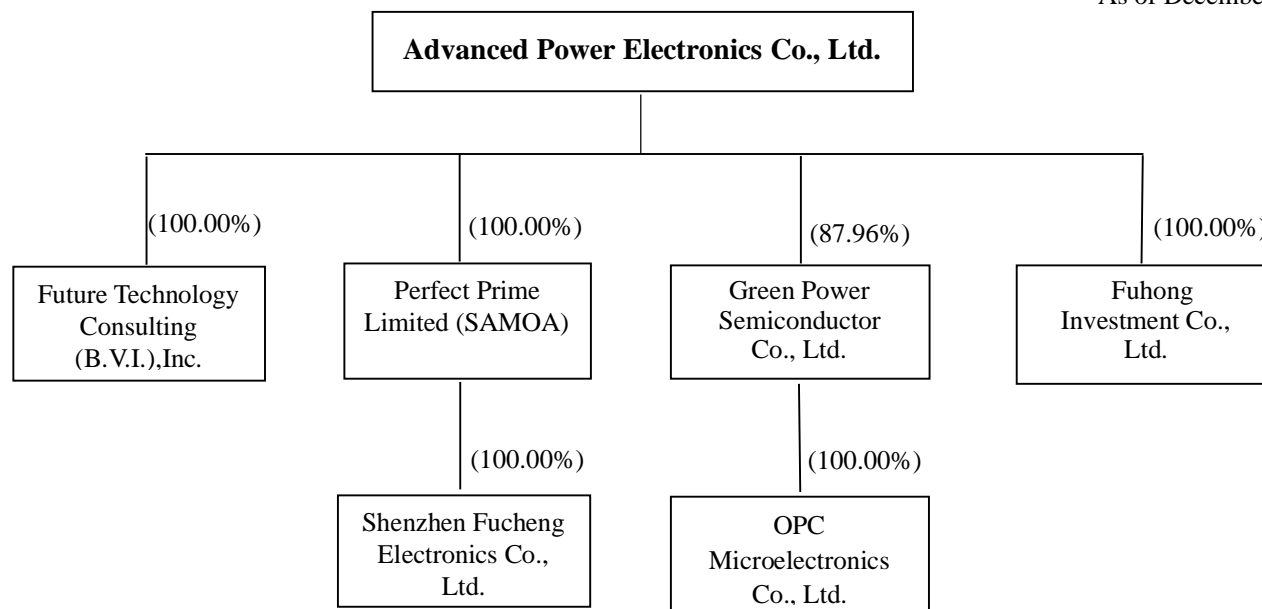
# Subsidiary Information and Other Special Notes

## 1. Affiliated Companies in 2021

### 1.1 Consolidated Operation Report of the Company and Affiliates

#### (1). Investment holding structure

As of December 31, 2021



#### (2). Affiliates Profiles

As of December 31, 2021; 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
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\$ 39,000	Trading business
Fuhong Investment Co., Ltd.	July 20, 2021	18F-3, No. 95, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City 221, Taiwan (R.O.C.)	NT\$ 30,000	Investments

<b>Affiliate Name</b>	<b>Date of Incorporation</b>	<b>Address</b>	<b>Paid-in Capital</b>	<b>Primary Business Operation</b>
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.
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 Company and its affiliates focus on the production and sales of Power MOSFETs, and mainly focus on investment holding and providing after-sales service to customers.

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

As of December 31, 2021

<b>Affiliate Name</b>	<b>Title</b>	<b>Name or Representative</b>	<b>Shares</b>	<b>%</b>
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
Green Power Semiconductor Co., Ltd.	Chairman	Representative of Advanced Power Electronics Co., Ltd.: Fu-Chi Teng	3,430,500	87.96
	Director	Representative of Advanced Power Electronics Co., Ltd.: Lin-Chung Huang	3,430,500	87.96
	Director	Representative of Advanced Power Electronics Co., Ltd.: Mei-Ying Tan	3,430,500	87.96
	Supervisor	Fneg-Chun Yeh	0	0.00
	President	Fu-Chi Teng	0	0.00

Affiliate Name	Title	Name or Representative	Shares	%
Fuhong Investment Co., Ltd.	Chairman	Representative of Advanced Power Electronics Co., Ltd.: Mei-Ying Tan	3,000,000	100.00
	Director	Representative of Advanced Power Electronics Co., Ltd.: Fu-Chi Teng	3,000,000	100.00
	Director	Representative of Advanced Power Electronics Co., Ltd.: Lin-Chung Huang	3,000,000	100.00
	Supervisor	Representative of Advanced Power Electronics Co., Ltd.: Fneg-Chun Yeh	3,000,000	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
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		
	Director	Representative of Green Power Semiconductor Co., Ltd.: Lin-Chung Huang		
	Supervisor	Representative of Green Power Semiconductor Co., Ltd.: Fneg-Chun Yeh		

(6). Affiliates' Operating Highlights

As of Dec 31, 2021; Unit: NT\$'000

Affiliate Names	Paid-in Capital	Total Asset	Total Liability	Total Equity	Total Revenues	Operating Income	Net Income	EPS, NT\$
Future Technology Consulting (B.V.I.), Inc.	75,426	24,464	192	24,272	0	(9,390)	(9,247)	0
Perfect Prime Limited (SAMOA)	14,540	251	0	251	0	(26)	(989)	0
Green Power Semiconductor Co., Ltd.	39,000	13,966	112	13,854	0	(1,831)	(10,858)	0



<b>Affiliate Names</b>	<b>Paid-in Capital</b>	<b>Total Asset</b>	<b>Total Liability</b>	<b>Total Equity</b>	<b>Total Revenues</b>	<b>Operating Income</b>	<b>Net Income</b>	<b>EPS, NT\$</b>
Fuhong Investment Co., Ltd.	30,000	30,169	71	30,098	0	(122)	98	0
Shenzhen Fucheng Electronics Co., Ltd.	12,179	1,230	1,148	82	8,331	(867)	(962)	0
OPC Microelectronics Co., Ltd.	63,766	46,873	39,674	7,199	70,267	(11,117)	(10,093)	0

**1.2 Consolidated Financial Report of the Company and Affiliates :** For more details, please refer to Attachment I.

**1.3 Affiliation Report :** None.

**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

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Advanced Power Electronics Co.,  
Ltd. and Subsidiaries

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

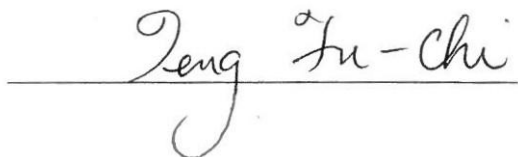
Address: 12F-1 and 12F-2, No. 5, Taiyuan 1st ST., Zhubei  
City, Hsinchu County, 30265, Taiwan, R.O.C.  
Telephone: 886-3-6215899

## 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, 2021 are all the same as those included in the consolidated financial statements of Advanced Power Electronics Co., Ltd. and its subsidiaries prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates is included in the consolidated financial statements of Advanced Power Electronics Co., Ltd. and its subsidiaries. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Advanced Power Electronics Co., Ltd.

A handwritten signature in cursive script, reading "Teng Fu-Chi", is written over a horizontal line.

Fu-Chi Teng

Chairman

February 24, 2022

## INDEPENDENT AUDITORS' REPORT

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

### Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China (ROC).

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

#### Validity of Revenue

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

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

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

#### **Other Matter**

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

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists and is related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche

Taipei, Taiwan

Republic of China

February 24, 2022

#### Notice to Readers

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

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



# Advanced Power Electronics Co., Ltd. and its subsidiaries

## CONSOLIDATED BALANCE SHEET

(In Thousands of New Taiwan Dollars)

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

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Note 4)	\$ 4,203,639	100	\$ 3,125,776	100
OPERATING COSTS (Notes 11 and 20)	<u>2,953,209</u>	<u>70</u>	<u>2,613,933</u>	<u>83</u>
GROSS PROFIT FROM OPERATIONS	<u>1,250,430</u>	<u>30</u>	<u>511,843</u>	<u>17</u>
OPERATING EXPENSES (Note 20)				
Selling and marketing expenses	99,362	2	88,914	3
General and administrative expenses	202,688	5	86,478	3
Research and development expenses	119,407	3	100,439	3
Expected credit reversal benefit	<u>-</u>	<u>-</u>	<u>( 3,929 )</u>	<u>-</u>
Total operating expenses	<u>421,457</u>	<u>10</u>	<u>271,902</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>828,973</u>	<u>20</u>	<u>239,941</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	2,881	-	2,264	-
Other income (Note 20)	4,234	-	7,642	-
Other gains and losses, net (Note 20)	( 34,908 )	( 1 )	( 23,294 )	( 1 )
Finance costs (Note 20)	<u>( 4,936 )</u>	<u>-</u>	<u>( 2,941 )</u>	<u>-</u>
Total non-operating income and expenses	<u>( 32,729 )</u>	<u>( 1 )</u>	<u>( 16,329 )</u>	<u>( 1 )</u>
PROFIT BEFORE INCOME TAX	796,244	19	223,612	7
INCOME TAX EXPENSE (Notes 4 and 21)	<u>144,764</u>	<u>4</u>	<u>27,264</u>	<u>1</u>
NET PROFIT	<u>651,480</u>	<u>15</u>	<u>196,348</u>	<u>6</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	27,208	1	29,274	1
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	<u>( 986 )</u>	<u>-</u>	<u>( 1,555 )</u>	<u>-</u>
Other comprehensive income (loss) (after tax)	<u>26,222</u>	<u>1</u>	<u>27,719</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 677,702</u>	<u>16</u>	<u>\$ 224,067</u>	<u>7</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	\$ 652,787	15	\$ 198,348	6
Non-controlling interests	<u>( 1,307 )</u>	<u>-</u>	<u>( 2,000 )</u>	<u>-</u>
	<u>\$ 651,480</u>	<u>15</u>	<u>\$ 196,348</u>	<u>6</u>

(Continued)

**Advanced Power Electronics Co., Ltd. and its subsidiaries**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

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

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

(In Thousands of New Taiwan Dollars)

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

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

**Advanced Power Electronics Co., Ltd. and its subsidiaries**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**(In Thousands of New Taiwan Dollars)**

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

(Continued)

**Advanced Power Electronics Co., Ltd. and its subsidiaries**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**(In Thousands of New Taiwan Dollars)**

	<b>2021</b>	<b>2020</b>
Proceeds from acquisition of financial assets at amortized cost	( 387,867)	-
Proceeds from disposal of financial assets at amortized cost	208	17,126
Acquisition of property, plant and equipment	( 94,041)	( 139,556)
Proceeds from disposal of property, plant and equipment	-	20
Increase in refundable deposits	-	( 100,623)
Decrease in refundable deposits	100,448	-
Payments for intangible assets	( 2,902)	( 1,212)
Decrease (Increase) in other non-current assets	( 124,626)	57,777
Increase in prepayments for equipment	-	( 503)
Other dividend received	<u>666</u>	<u>3,058</u>
Net cash generated from/ (used in) investing activities	( <u>535,614</u> )	( <u>162,781</u> )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	181,860	210,000
Decrease in short-term loans	( 191,860)	( 320,000)
Decrease in short-term bills payable	-	( 10,000)
Increase in long-term loans	57,970	98,860
Decrease in long-term loans	( 12,649)	-
Decrease in guaranteed deposits received	-	( 149)
Repayment of the principal portion of lease liabilities	( 619)	( 3,708)
Cash dividends paid	( <u>81,340</u> )	( <u>40,670</u> )
Net cash generated from / (used in) financing activities	( <u>46,638</u> )	( <u>65,667</u> )
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS</b>	( <u>13,944</u> )	( <u>17,712</u> )
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	248,338	166,647
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>445,441</u>	<u>278,794</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 693,779</u>	<u>\$ 445,441</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 YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. ORGANIZATION AND OPERATIONS

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

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

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

### 2. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

### 3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9-Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

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

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



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

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

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

##### **Basis of Preparation**

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

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

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

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

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

##### **Classification of Current and Non-current Assets and Liabilities**

###### **Current assets include:**

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

###### **Current liabilities include:**

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- c. Liabilities for which the Group does not have an unconditional right to defer settlement for

at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

### **Basis of Consolidation**

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

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

### **Foreign Currencies**

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

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

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

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

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

## **Inventories**

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

## **Property, Plant and Equipment**

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

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

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

## **Intangible Assets**

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

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

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

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

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

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but

only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

## **Financial Instruments**

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

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

### **a. Financial assets**

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

#### **1) Measurement category**

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

##### **a) Financial assets at FVTPL**

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

##### **b) Financial assets measured at amortized cost**

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

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

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

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

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

b) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

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

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

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

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

- a) Internal or external information shows that the debtor is unlikely to pay its creditors.
- b) Failure to meet the obligation associated with liabilities within the credit terms unless the Group has reasonable and corroborative information to support a more lagged

default criterion.

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

### 3) Derecognition of financial assets

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

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

### b. Financial liabilities

#### 1) Recognition

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

#### 2) Derecognition of financial liabilities

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

## **Revenue Recognition**

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

## **Leases**

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

### a. The Group as lessor

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

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

### b. The Group as lessee

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

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

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

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

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

### **Borrowing Costs**

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

### **Employee Benefits**

#### **a. Short-term employee benefits**

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

#### **b. Retirement benefits**

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

### **Share-based payment arrangements**

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

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

## **Income Tax**

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

### **a. Current taxes**

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

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

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

### **b. Deferred taxes**

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

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

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

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

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

### **c. Current and deferred tax for the year**

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



current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

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

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

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

### Write-down of inventory

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

## 6. CASH AND CASH EQUIVALENTS

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

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Non-current		
Domestic unlisted stocks	<u>\$ 27,500</u>	<u>\$ -</u>

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI

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

## 9. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

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

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

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

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Other receivable</u>		
Tax refund receivable	\$ 34,217	\$ 41,030
Earned revenue receivable	940	122
Others	<u>11,163</u>	<u>60</u>
	<u>\$ 46,320</u>	<u>\$ 41,212</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:

December 31, 2021

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

December 31, 2020

	<b>Not Past Due</b>	<b>Overdue</b>			<b>Total</b>
		<b>1 to 90 days</b>	<b>91 to 180 days</b>	<b>Over 180 days</b>	
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>

Movements of allowance for accounts receivable were as follows:

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 1,434	\$ 1,492
Reclassification	( - )	( 58)
Ending balance	<u>\$ 1,434</u>	<u>\$ 1,434</u>

## 11. INVENTORIES

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

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

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

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

## 12. PROPERTY, PLANT AND EQUIPMENT

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

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

### Buildings

Main buildings 50 years

Mechanical and electrical equipment 15 years

Machinery and Equipment 6 years

Computer Communication Equipment 3-7 years

Office Equipment 1-5 years

Lease Improvement 5 years

Other Equipment 1-5 years

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

## 13. LEASE ARRANGEMENTS

### a. Right-of-use assets

	December 31	
	2021	2020
Carrying amounts		
Transportation equipment	<u>\$ 1,861</u>	<u>\$ 614</u>
	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 1,914</u>	<u>\$ 358</u>

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Depreciation of right-of-use assets		
Buildings	\$ -	\$ 2,760
Transportation equipment	<u>667</u>	<u>932</u>
	<u>\$ 667</u>	<u>\$ 3,692</u>

b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Carrying amounts		
Current	<u>\$ 687</u>	<u>\$ 621</u>
Non-current	<u>\$ 1,229</u>	<u>\$ -</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Buildings	-	1.19%
Transportation equipment	0.92%~1.19%	1.18%~1.19%

c. Other lease information

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

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

## 14. OTHER ASSETS

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

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

## 15. SUBSIDIARY

a. The subsidiaries included in the consolidated financial statement:

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

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

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

Note 2: The subsidiary was established in July 2021.

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

## 16. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
Unsecured loans		
— bank loans	<u>\$ 270,000</u>	<u>\$ 280,000</u>

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

b. Long-term borrowings

	December 31	
	2021	2020
<u>Secured loans (Note 27)</u>		
— Mortgaged loans	\$ 144,181	\$ 98,860
Less: Current portion	( <u>15,456</u> )	( <u>9,886</u> )
	<u>\$ 128,725</u>	<u>\$ 88,974</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 December 31, 2021, and 2020, the annual interest rate of mortgaged loans was 0.99% to 1% and 1%, respectively.

## 17. OTHER PAYABLES

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

## 18. RETIREMENT BENEFIT PLANS

### Defined contribution plans

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

## 19. EQUITY

### a. Common stock

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

	December 31	
	2021	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
Expired employee share option	68,367	67,287
Treasury stock transactions	12,728	12,728
<u>May be used to offset a deficit only</u>		
Unclaimed dividend	9	-
<u>May not be used for any purpose</u>		
Employee share option	11,858	1,872
Change in percentage of ownership interest in subsidiaries (2)	<u>7,609</u>	<u>7,609</u>
	<u>\$ 344,555</u>	<u>\$ 333,480</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 in the transaction of equities recognized due to variation in the subsidiary's equities when the Company does not actually acquire or dispose of the subsidiary's employee share options or when the capital reserve of the subsidiary is recognized by the Company using the equity method.

c. Retained earnings and dividend policy

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

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

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

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

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

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

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

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

d. Other equity interests

Unrealized gains or loss on FVTOCI financial assets

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

## 20. NON-OPERATING INCOME AND EXPENSES

a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Dividend income	\$ 666	\$ 3,058
Others	<u>3,568</u>	<u>4,584</u>
	<u>\$ 4,234</u>	<u>\$ 7,642</u>

b. Other gains and losses, net

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

c. Finance costs

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

d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 19,841	\$ 18,295

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

e. Employee benefits expenses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 315,487	\$ 200,731
Post-employment benefits		
Defined contribution plans		
(Note 18)	6,308	6,110
Share-based Payment	11,066	544
Other employee benefits	<u>4,063</u>	<u>4,037</u>
	<u>\$ 336,924</u>	<u>\$ 211,422</u>
Classified by function		
Operating cost	\$ 36,387	\$ 36,988
Operating expense	<u>300,537</u>	<u>174,434</u>
	<u>\$ 336,924</u>	<u>\$ 211,422</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 years ended December 31, 2021 and 2020 were approved by the Board of Directors on February 24, 2022 and March 9, 2021, respectively, were as follows:

Estimated ratio

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Employees' compensation	12%	8%
Remuneration of directors	1.5%	1.5%

Amount

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

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

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

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

## 21. INCOME TAX

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

Components of tax expense Income tax were as follows:

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

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

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

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

b. Deferred tax assets and liabilities

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

For the Year Ended December 31, 2021

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

For the Year Ended December 31, 2020

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>			
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	<u>1,160</u>	<u>-</u>	<u>1,160</u>
	<u>\$ 41,997</u>	<u>\$ 2,089</u>	<u>\$ 44,086</u>

c. Unrecognized deferred tax assets items

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Loss carryforwards	<u>\$ 58,007</u>	<u>\$ 58,931</u>

d. Unrecognized Loss carryforwards

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

<b>Amount</b>	<b>Expiry Years</b>
<u>\$ 9,274</u>	<u>2026</u>

<u>Amount</u>	<u>Expiry Years</u>
17,586	2027
11,775	2028
15,053	2029
<u>4,319</u>	2030
<u>\$ 58,007</u>	

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:

	<u>Year</u>
APEC	2019
Green Power Semiconductor Co., Ltd.	2019

## 22. EARNINGS PER SHARE

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

Net profit for the current year

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

Common Shares Outstanding (in thousands)

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

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

## 23. SHARE-BASED COMPENSATION EXPENSES

### Employee share option plan of the Company

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

Information about employee share options was as follows:

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

Information about outstanding options was as follows:

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

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

## 24. CAPITAL MANAGEMENT

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

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

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

## 25. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments — Financial instruments not at fair value

The management of the Group believes that the book value of financial assets and

liabilities not at fair value does not show significant differences from the fair value.

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

1). Levels of fair value

December 31, 2021

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

December 31, 2020

	<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
– Foreign / Domestic unlisted stocks	-	-	25,961	25,961
total	\$ -	\$ 36,530	\$ 25,961	\$ 62,491

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

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

<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. As of December 31, 2021, and 2020, the liquidity discount rate was 20.03%~24.68% and 24.82%~27.49%, respectively.

c. Categories of financial instruments

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



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

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

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

d. Purpose and policy of financial risk management

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

f. Financial risk management

1). Market risk

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

a). Foreign currency risk

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

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

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/increased by

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

b). Interest rate risk

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

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

Sensitivity analysis

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

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

2). Credit risk

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

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

the exposure to credit risk according to the counterparty credit limits reviewed and approved by the corporate management on a yearly basis.

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

### 3). Liquidity risk

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

#### a). Liquidity and interest risk rate table

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

##### December 31, 2021

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

##### December 31, 2020

	<b>Contractual Cash Flows or within a year</b>	<b>1-5 Years</b>	<b>More Than 5 Years</b>
<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>

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

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

## 26. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 75,711	\$ 28,816
Post-employment benefits	<u>540</u>	<u>567</u>
	<u>\$ 76,251</u>	<u>\$ 29,383</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.

## 27. PLEDGED ASSETS

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

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

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

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

December 31, 2021

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

December 31, 2020

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 39,837	28.48 (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	28.48 (USD:NTD)	\$ 429,409
USD	1,047	6.507 (USD:RMB)	<u>6,813</u>
			<u>\$ 436,222</u>

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

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

## 29. ADDITIONAL DISCLOSURES

- a. Information on significant transactions:
  - 1) Financing extended to other parties: None.
  - 2) Endorsements/guarantees provided to other parties: None.
  - 3) Marketable securities held: Table 1 (attached) (excluding investments in subsidiaries and associates).
  - 4) Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of the paid-in capital: None.
  - 5) Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital: None.
  - 6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital: None.
  - 7) Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: None.
  - 8) Receivables from related parties of at least NT\$100 million or 20% of the paid-in capital: None.
  - 9) Trading in derivative instruments: None.
  - 10) Others: Business relationships between the parent and the subsidiaries and significant intercompany transactions: Table 2 (attached).
- b. Information on investees: Table 3 (attached).
- c. Information on investment in Mainland China:
  - 1) The names of investees in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 4 (attached).
  - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Table 5 (attached).
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
    - c) The amount of property transactions and the amount of the resultant gains or losses.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- d. Information of major stockholders, the name, the number of stocks owned, and percentage of ownership of each stockholder with ownership of 5% or greater: Table 6 (attached).

### 30. SEGMENT INFORMATION

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

#### a. Product information

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

#### b. Geographical information

The primary operation region of the Consolidated Company is Taiwan.

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

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

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

#### c. Information on major customers

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

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

**TABLE 1****Advanced Power Electronics Co., Ltd. and its subsidiaries****MARKETABLE SECURITIES HELD****FOR THE YEAR ENDED DECEMBER 31, 2021****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

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

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

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



**TABLE 2****Advanced Power Electronics Co., Ltd. and its subsidiaries****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

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

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

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

Note3: The transaction relationships with the counterparties are as follows.

(1) The parent company to the consolidated subsidiary.

(2) The consolidated subsidiary to another consolidated subsidiary.

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

**TABLE 3**

**Advanced Power Electronics Co., Ltd. and its subsidiaries**

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

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

**TABLE 4****Advanced Power Electronics Co., Ltd. and its subsidiaries****INVESTMENTS IN MAINLAND CHINA****FOR THE YEAR ENDED DECEMBER 31, 2021****(Amounts in Thousands of New Taiwan Dollars and US Dollars)**

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

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

Note 1: The investment types are as follows:

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

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

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

**TABLE 5**

**Advanced Power Electronics Co., Ltd. and its subsidiaries**

**SIGNIFICANT INTERCOMPANY TRANSACTIONS AND RELATED INFORMATION ON INVESTEEES IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

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

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

**TABLE 6**

**Advanced Power Electronics Co., Ltd.**  
**INFORMATION OF MAJOR STOCKHOLDERS**  
**DECEMBER 31, 2021**

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

## **Attachment II**

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Advanced Power Electronics  
Co.,Ltd.

Parent Company Only Financial  
Statements for the Years Ended  
December 31, 2021 and 2020 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

**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, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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, 2021 are stated as follows:

#### Validity of Revenue

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

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

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

#### **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, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche

Taipei, Taiwan

Republic of China

February 24, 2022

Notice to Readers

*The accompanying 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, 2021		December 31, 2020	
ASSETS	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents (Notes 4 and 6)	\$ 641,545	18	\$ 411,945	15
Financial assets at amortized cost (Notes 4 and 8)	35,499	1	-	-
Notes receivable (Note 9)	30,552	1	18,610	1
Accounts receivable (Notes 4 and 9)	980,783	27	797,766	29
Accounts receivable due from related parties (Note 25)	13,088	-	5,125	-
Other receivables (Note 9)	46,150	1	40,827	1
Inventories (Notes 4, 5 and 10)	598,627	17	699,746	26
Other current assets (Note 25)	20,857	1	27,703	1
Total current assets	<u>2,367,101</u>	<u>66</u>	<u>2,001,722</u>	<u>73</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss (Notes 4 and 7)	71,241	2	44,841	2
Financial assets measured at amortized cost (Notes 4 and 8)	345,121	10	-	-
Investments accounted for using equity method (Notes 4 and 11)	66,807	2	56,657	2
Property, plant and equipment (Notes 4 and 12)	434,745	12	358,287	13
Right-of-use assets (Notes 4 and 13)	1,861	-	614	-
Other intangible assets, net (Note 4)	2,006	-	2,393	-
Deferred tax assets (Notes 4 and 20)	34,043	1	44,086	2
Other non-current assets (Note 14)	238,386	7	217,659	8
Total non-current assets	<u>1,194,210</u>	<u>34</u>	<u>724,537</u>	<u>27</u>
<b>TOTAL</b>	<u>\$ 3,561,311</u>	<u>100</u>	<u>\$ 2,726,259</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 15)	\$ 270,000	8	\$ 280,000	10
Notes payable	37,328	1	38,989	1
Accounts payable	584,485	16	575,598	21
Other payables (Note 16)	193,792	6	99,784	4
Current tax liabilities (Note 4)	116,288	3	21,582	1
Lease liabilities (Notes 4 and 13)	687	-	621	-
Long-term borrowings - current portion (Note 15)	15,456	-	9,886	-
Other current liabilities	7,523	-	13,791	1
Total current liabilities	<u>1,225,559</u>	<u>34</u>	<u>1,040,251</u>	<u>38</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 15)	128,725	4	88,974	3
Lease liabilities (Notes 4 and 13)	1,229	-	-	-
Guarantee deposits	38	-	35	-
Total non-current liabilities	<u>129,992</u>	<u>4</u>	<u>89,009</u>	<u>3</u>
Total liabilities	<u>1,355,551</u>	<u>38</u>	<u>1,129,260</u>	<u>41</u>
<b>EQUITY (Note 18)</b>				
Common stock	813,405	23	813,405	30
Capital surplus	344,555	10	333,480	12
Retained earnings				
Legal reserve	79,848	2	60,021	2
Special reserve	51,961	2	79,758	3
Unappropriated earnings	941,713	26	362,296	14
Total retained earnings	<u>1,073,522</u>	<u>30</u>	<u>502,075</u>	<u>19</u>
Other equity interests	( 25,722 )	( 1 )	( 51,961 )	( 2 )
Total equity	<u>2,205,760</u>	<u>62</u>	<u>1,596,999</u>	<u>59</u>
<b>TOTAL</b>	<u>\$ 3,561,311</u>	<u>100</u>	<u>\$ 2,726,259</u>	<u>100</u>

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, 2021 AND 2020

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4 and 25)	\$ 4,192,740	100	\$ 3,105,840	100
OPERATING COSTS (Notes 9,19 and 25)	<u>2,957,107</u>	<u>71</u>	<u>2,603,855</u>	<u>84</u>
GROSS PROFIT FROM OPERATIONS	<u>1,235,633</u>	<u>29</u>	<u>501,985</u>	<u>16</u>
OPERATING EXPENSES (Note 19)				
Selling and marketing expenses	81,411	2	74,773	2
General and administrative expenses	194,127	5	79,583	3
Research and development expenses	107,988	2	93,859	3
Expected credit reversal benefit	<u>-</u>	<u>-</u>	<u>( 5,738 )</u>	<u>-</u>
Total operating expenses	<u>383,526</u>	<u>9</u>	<u>242,477</u>	<u>8</u>
PROFIT FROM OPERATIONS	<u>852,107</u>	<u>20</u>	<u>259,508</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	2,623	-	1,929	-
Other income (Note 19)	2,389	-	4,524	-
Other gains and losses, net (Note 19)	( 35,010 )	( 1 )	( 24,440 )	( 1 )
Finance costs (Note 19)	( 4,869 )	-	( 2,882 )	-
Share of profit of subsidiaries and associates accounted for using equity method	<u>( 19,689 )</u>	<u>-</u>	<u>( 13,027 )</u>	<u>-</u>
Total non-operating income and expenses	<u>( 54,556 )</u>	<u>( 1 )</u>	<u>( 33,896 )</u>	<u>( 1 )</u>
PROFIT BEFORE INCOME TAX	797,551	19	225,612	7
INCOME TAX EXPENSE (Notes 4 and 20)	<u>144,764</u>	<u>4</u>	<u>27,264</u>	<u>1</u>
NET PROFIT	<u>652,787</u>	<u>15</u>	<u>198,348</u>	<u>6</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	26,400	1	28,598	1

(Continued)

# Advanced Power Electronics Co., Ltd.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	2021		2020	
	Amount	%	Amount	%
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	808	-	676	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	( 852 )	-	( 1,865 )	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	( 117 )	-	312	-
Other comprehensive income (loss) (after tax)	<u>26,239</u>	<u>1</u>	<u>27,721</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 679,026</u>	<u>16</u>	<u>\$ 226,069</u>	<u>7</u>
EARNINGS PER SHARE (Note 21)				
Basic earnings per share	<u>\$ 8.03</u>		<u>\$ 2.44</u>	<u>-</u>
Diluted earnings per share	<u>\$ 7.87</u>		<u>\$ 2.42</u>	<u>-</u>

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, 2021 AND 2020**

(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, 2020	\$ 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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	( <u>1,553</u> )	<u>29,274</u>	<u>27,721</u>	<u>27,721</u>
Total comprehensive income (loss) for the year ended December 31, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,348</u>	<u>198,348</u>	( <u>1,553</u> )	<u>29,274</u>	<u>27,721</u>	<u>226,069</u>
Compensation cost of employee share options	-	544	-	-	-	-	-	-	-	544
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	( <u>76</u> )	( <u>76</u> )	<u>-</u>	<u>76</u>	<u>76</u>	<u>-</u>
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
Distribution of 2020 earnings										
Legal reserve	-	-	19,827	-	( 19,827 )	-	-	-	-	-
Reversal of special reserve	-	-	-	( 27,797 )	27,797	-	-	-	-	-
Cash dividends -NT\$ 1.0 per share	-	-	-	-	( 81,340 )	( 81,340 )	-	-	-	( 81,340 )
Unclaimed dividend	-	9	-	-	-	-	-	-	-	9
Profit for the year ended December 31, 2021	-	-	-	-	652,787	652,787	-	-	-	652,787
Other comprehensive income (loss) for the year ended December 31, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	( <u>969</u> )	<u>27,208</u>	<u>26,239</u>	<u>26,239</u>
Total comprehensive income (loss) for the year ended December 31, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>652,787</u>	<u>652,787</u>	( <u>969</u> )	<u>27,208</u>	<u>26,239</u>	<u>679,026</u>
Compensation cost of employee share options	<u>-</u>	<u>11,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,066</u>
BALANCE, DECEMBER 31, 2021	<u>\$ 813,405</u>	<u>\$ 344,555</u>	<u>\$ 79,848</u>	<u>\$ 51,961</u>	<u>\$ 941,713</u>	<u>\$ 1,073,522</u>	( <u>\$ 7,154</u> )	( <u>\$ 18,568</u> )	( <u>\$ 25,722</u> )	<u>\$ 2,205,760</u>

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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	\$ 797,551	\$ 225,612
Adjustments for:		
Depreciation expense	19,768	19,783
Amortization expense	3,352	3,214
Expected credit reversal benefit	-	( 5,738)
Finance costs	4,869	2,882
Interest income	( 2,623)	( 1,929)
Dividend income	( 448)	-
Compensation costs of employee share options	11,066	544
Share of loss of subsidiaries and associates accounted for using equity method	19,689	13,027
Loss (gain) on disposal of property, plant and equipment	1,222	( 20)
Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories	( 60,316)	14,523
Unrealized loss on foreign currency exchange	28,203	34,341
Changes in operating assets and liabilities:		
Notes receivable	( 11,942)	16,254
Accounts receivable	( 214,286)	( 316,740)
Other receivables	( 4,607)	( 12,999)
Inventories	161,435	70,370
Other current assets	6,846	36,444
Notes payable	( 1,661)	31,018
Accounts payable	21,752	266,102
Other payables	94,489	35,777
Other current liabilities	( 6,268)	9,048
Net cash inflows generated from operating activities	868,091	441,513
Interest received	1,907	1,999
Interest paid	( 4,799)	( 3,025)
Income taxes paid	( 40,015)	( 19,894)
Net cash generated from operating activities	<u>825,184</u>	<u>420,593</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from acquisition of financial assets at fair value through profit or loss	-	1,132

(Continued)



# Advanced Power Electronics Co., Ltd.

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

	2021	2020
Proceeds from acquisition of financial assets at amortized cost	( 385,057)	-
Cash outflow on acquisition of subsidiaries	( 30,000)	-
Acquisition of property, plant and equipment	( 93,844)	( 139,556)
Proceeds from disposal of property, plant and equipment	-	20
Increase in refundable deposits	-	( 100,636)
Decrease in refundable deposits	100,379	-
Payments for intangible assets	( 2,902)	( 1,212)
Decrease (Increase) in other non-current assets	( 124,626)	57,274
Other dividend received	<u>448</u>	<u>-</u>
Net cash generated from/ (used in) investing activities	( <u>535,602</u> )	( <u>182,978</u> )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	181,860	210,000
Decrease in short-term loans	( 191,860)	( 320,000)
Decrease in short-term bills payable	-	( 10,000)
Increase in long-term loans	57,970	98,860
Decrease in long-term loans	( 12,649)	-
Increase in guaranteed deposits received	3	-
Decrease in guaranteed deposits received	-	( 150)
Repayment of the principal portion of lease liabilities	( 619)	( 3,708)
Cash dividends paid	( <u>81,340</u> )	( <u>40,670</u> )
Net cash generated from / (used in) financing activities	( <u>46,635</u> )	( <u>65,668</u> )
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS</b>	( <u>13,347</u> )	( <u>17,281</u> )
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	229,600	154,666
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>411,945</u>	<u>257,279</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 641,545</u>	<u>\$ 411,945</u>

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, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. ORGANIZATION AND OPERATIONS

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

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

The 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 February 24, 2022.

### 3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

Application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the APEC’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 parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9-Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

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

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

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

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Current liabilities include:**

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

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

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

**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**

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

Land has an unlimited useful life and therefore is not depreciated. Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is

depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

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

### **Intangible Assets**

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

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

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

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

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

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

### **Financial Instruments**

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

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

acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

The 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 FVTPL, financial assets measured at amortized cost, and investments in equity instruments at FVTOCI.

a) Financial assets at FVTPL

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

b) Financial assets measured at amortized cost

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

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

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

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

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

b) Investments in equity instruments at FVTOCI

On initial recognition, the 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 Company has considered the economic implications of COVID-19 on critical accounting estimates such as cash flow estimation, growth rate, discount rate, and profitability. The

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

#### Write-down of inventory

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

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash on hand and revolving funds	\$ 60	\$ 60
Bank check and demand deposit	280,538	177,590
Cash equivalents (investments with the original expiration date within 3 months)		
Bank time deposit	-	7,879
Repurchase agreements collateralized by bonds	360,947	226,416
	<u>\$ 641,545</u>	<u>\$ 411,945</u>

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Non-current</u>		
Domestic listed stocks- private placement	\$ 55,937	\$ 36,530
Domestic unlisted stocks	15,304	8,311
	<u>\$ 71,241</u>	<u>\$ 44,841</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 Company's strategy of holding these investments for long-term purposes.

## 8. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	December 31	
	2021	2020
Current		
Investments with the original expiration date over 3 months		
Bank time deposit	\$ 27,680	\$ -
Repurchase agreements collateralized by bonds	<u>7,819</u>	<u>-</u>
	<u>\$ 35,499</u>	<u>\$ -</u>
Non-current		
Pledged deposit certificate	<u>\$ 345,121</u>	<u>\$ -</u>

Financial assets measured at amortized cost pledged as collateral are set out in Notes 14 and 26.

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

	December 31	
	2021	2020
<u>Notes receivable</u>		
From operating	\$ 30,679	\$ 18,737
Less: Allowance for impairment loss	( <u>127</u> )	( <u>127</u> )
	<u>\$ 30,552</u>	<u>\$ 18,610</u>
<u>Accounts receivable</u>		
At amortized cost	\$ 986,938	\$ 803,921
Less: Allowance for impairment loss	( <u>6,155</u> )	( <u>6,155</u> )
	<u>\$ 980,783</u>	<u>\$ 797,766</u>
<u>Doubtful receivable</u>		
At amortized cost	\$ 1,434	\$ 1,434
Less: Allowance for impairment loss	( <u>1,434</u> )	( <u>1,434</u> )
	<u>\$ -</u>	<u>\$ -</u>
<u>Other receivable</u>		
Tax refund receivable	\$ 34,217	\$ 40,714
Earned revenue receivable	770	53
Others	<u>11,163</u>	<u>60</u>
	<u>\$ 46,150</u>	<u>\$ 40,827</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 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, 2021

	<b>Not Past Due</b>	<b>Overdue</b>			<b>Total</b>
		<b>1 to 90 days</b>	<b>91 to 180 days</b>	<b>Over 180 days</b>	
Gross carrying amount	\$ 978,422	\$ 8,492	\$ 24	\$ -	\$ 986,938
Loss allowance (Lifetime ECL)	-	( 6,131)	( 24)	-	( 6,155)
Amortized cost	<u>\$ 978,422</u>	<u>\$ 2,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 980,783</u>

December 31, 2020

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

Movements of allowance for accounts receivable were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 6,155	\$ 11,835
Less: Impairment losses reversed	-	( 5,738)
Reclassification	-	58
Ending balance	<u>\$ 6,155</u>	<u>\$ 6,155</u>

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:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 1,434	\$ 1,492
Reclassification	( _____ )	( _____ 58 )
Ending balance	<u>\$ 1,434</u>	<u>\$ 1,434</u>

## 10. INVENTORIES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Raw materials	\$ 85,701	\$ 53,107
Work in process	352,541	467,828
Finished goods	<u>160,385</u>	<u>178,811</u>
	<u>\$ 598,627</u>	<u>\$ 699,746</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Cost of goods sold	\$ 3,017,423	\$ 2,589,332
Write-down (gain on reversal) of inventories	( _____ 60,316 )	<u>14,523</u>
	<u>\$ 2,957,107</u>	<u>\$ 2,603,855</u>

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

## 11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Investment in subsidiaries	<u>\$ 66,807</u>	<u>\$ 56,657</u>

	<b>Percentage of Ownership</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Future Technology Consulting (B.V.I.), Inc. (Future)	100%	100%
Perfect Prime Limited (Perfect)	100%	100%
Green Power Semiconductor Co., Ltd. (GPS)	87.96%	87.96%
Fuhong Investment Co., Ltd. (Fuhong)	100%	-

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 and July 2021 to make up for its deficits. The capital reduction ratio was 40% and 50%, respectively.

Fuhong was established in July 2021 to effectively utilize the Company's funds. The Company's investment amount is \$30,000 thousand, and the shareholding ratio is 100%.

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, 2021 and 2020 were based on the subsidiaries' financial statements which have been audited for the same years.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Computer Communication Equipment	Office Equipment	Lease Improvement	Other Equipment	Total
<b>Cost</b>								
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	-	-	-	5,707	137,652
Disposals and retirements	-	-	( 33,701 )	-	-	-	( 2,901 )	( 36,602 )
Reclassification from pre-payment for equipment	-	-	-	-	-	-	3,017	3,017
Balance, December 31, 2020	<u>\$ 110,906</u>	<u>\$ 261,089</u>	<u>\$ 93,874</u>	<u>\$ 11,761</u>	<u>\$ 10,780</u>	<u>\$ 3,213</u>	<u>\$ 171,116</u>	<u>\$ 662,739</u>
<b>Accumulated depreciation and impairment</b>								
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	<u>\$ -</u>	<u>\$ 36,620</u>	<u>\$ 81,083</u>	<u>\$ 10,636</u>	<u>\$ 10,519</u>	<u>\$ 2,486</u>	<u>\$ 163,108</u>	<u>\$ 304,452</u>
Carrying amount, 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>\$ 8,008</u>	<u>\$ 358,287</u>
<b>Cost</b>								
Balance, January 1, 2021	\$ 110,906	\$ 261,089	\$ 93,874	\$ 11,761	\$ 10,780	\$ 3,213	\$ 171,116	\$ 662,739
Additions	28,789	42,585	3,588	611	13,342	-	4,346	93,261
Disposals and retirements	-	-	( 2,765 )	-	( 284 )	( 3,213 )	( 45 )	( 6,307 )
Reclassification from pre-payment for equipment	-	-	-	-	2,548	-	972	3,520
Balance, December 31, 2021	<u>\$ 139,695</u>	<u>\$ 303,674</u>	<u>\$ 94,697</u>	<u>\$ 12,372</u>	<u>\$ 26,386</u>	<u>\$ -</u>	<u>\$ 176,389</u>	<u>\$ 753,213</u>
<b>Accumulated depreciation and impairment</b>								
Balance, January 1, 2021	\$ -	\$ 36,620	\$ 81,083	\$ 10,636	\$ 10,519	\$ 2,486	\$ 163,108	\$ 304,452
Depreciation	-	5,776	3,278	622	1,891	14	7,520	19,101
Disposals and retirements	-	-	( 2,331 )	-	( 209 )	( 2,500 )	( 45 )	( 5,085 )
Balance, December 31, 2021	<u>\$ -</u>	<u>\$ 42,396</u>	<u>\$ 82,030</u>	<u>\$ 11,258</u>	<u>\$ 12,201</u>	<u>\$ -</u>	<u>\$ 170,583</u>	<u>\$ 318,468</u>
Carrying amount, December 31, 2021	<u>\$ 139,695</u>	<u>\$ 261,278</u>	<u>\$ 12,667</u>	<u>\$ 1,114</u>	<u>\$ 14,185</u>	<u>\$ -</u>	<u>\$ 5,806</u>	<u>\$ 434,745</u>

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

### Buildings

Main buildings 50 years

Mechanical and electrical equipment 15 years

Machinery and Equipment 6 years

Computer Communication Equipment 3-7 years

Office Equipment 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 26.

## 13. LEASE ARRANGEMENTS

### a. Right-of-use assets

	December 31	
	2021	2020
Carrying amounts		
Transportation equipment	<u>\$ 1,861</u>	<u>\$ 614</u>
	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 1,914</u>	<u>\$ 358</u>

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Depreciation of right-of-use assets		
Buildings	\$ -	\$ 2,760
Transportation equipment	<u>667</u>	<u>932</u>
	<u>\$ 667</u>	<u>\$ 3,692</u>

b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Carrying amounts		
Current	<u>\$ 687</u>	<u>\$ 621</u>
Non-current	<u>\$ 1,229</u>	<u>\$ -</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Buildings	-	1.19%
Transportation equipment	0.92%~1.19%	1.18%~1.19%

c. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses related to short-term leases	<u>\$ 757</u>	<u>\$ 1,132</u>
Expenses related to low-value asset leases	<u>\$ 118</u>	<u>\$ 125</u>
Total cash outflow for leases	<u>\$ 1,499</u>	<u>\$ 4,990</u>

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.

## 14. OTHER ASSETS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Non-current		
Long-term pre-payment for purchase	\$ 236,984	\$ 112,358
Refundable deposits	1,402	101,781
Pre-payment for equipment	<u>-</u>	<u>3,520</u>
	<u>\$ 238,386</u>	<u>\$ 217,659</u>

The Company signed capacity guarantee contracts with suppliers, and prepaid long-term payment to ensure stable capacity. To retain the capacity, US deposit was required to be paid and will be refunded in accordance with the contract, refer to Notes 8 and 26.

## 15. BORROWINGS

### a. Short-term borrowings

	December 31	
	2021	2020
Unsecured loans		
— bank loans	<u>\$ 270,000</u>	<u>\$ 280,000</u>

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

### b. Long-term borrowings

	December 31	
	2021	2020
<u>Secured loans (Note 26)</u>		
— Mortgaged loans	\$ 144,181	\$ 98,860
Less: Current portion	( <u>15,456</u> )	( <u>9,886</u> )
	<u>\$ 128,725</u>	<u>\$ 88,974</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 December 31, 2021, and 2020, the annual interest rate of mortgaged loans was 0.99% to 1% and 1%, respectively.

## 16. OTHER PAYABLES

	December 31	
	2021	2020
Payable for remunerations of employees and directors	\$ 124,473	\$ 23,683
Payable for salaries and rewards	31,966	40,512
Payables on equipment	2,207	2,790
Payable for professional fee	1,150	1,150
Others	<u>33,996</u>	<u>31,649</u>
	<u>\$ 193,792</u>	<u>\$ 99,784</u>

## 17. 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.

## 18. EQUITY

### a. Common stock

	December 31	
	2021	2020
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Number of shares issued and fully paid (in thousands)	<u>81,341</u>	<u>81,341</u>
Shares issued	<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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<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
Expired employee share option	68,367	67,287
Treasury stock transactions	12,728	12,728
<u>May be used to offset a deficit only</u>		
Unclaimed dividend	9	-
<u>May not be used for any purpose</u>		
Employee share option	11,858	1,872
Change in percentage of ownership interest in subsidiaries (2)	<u>7,609</u>	<u>7,609</u>
	<u>\$ 344,555</u>	<u>\$ 333,480</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 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, 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. 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 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 appropriations of earnings for 2020 and 2019 which have been resolved in the shareholders' meeting on July 30, 2021 and June 15, 2020, respectively, were as follows:

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

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

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

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

d. Other equity interests

Unrealized gains or loss on FVTOCI financial assets

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance, January 1, 2021	(\$ 45,776)	(\$ 75,126)
Current period		
Unrealized gains or loss—equity instrument	26,400	28,598
Changes in other comprehensive income of associates accounted for using equity method	808	676
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal	-	76
Balance, December 31, 2021	(\$ 18,568)	(\$ 45,776)

## 20. NON-OPERATING INCOME AND EXPENSES

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Dividend income	\$ 448	\$ -
Rent income	218	201
Others	<u>1,723</u>	<u>4,323</u>
	<u>\$ 2,389</u>	<u>\$ 4,524</u>

### b. Other gains and losses, net

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Loss on foreign exchange	(\$ 24,374)	(\$ 22,860)
Gain on / (Loss on) disposal of property, plant and equipment, net	( 1,222 )	20
Others	( <u>9,414</u> )	( <u>1,600</u> )
	<u>( \$ 35,010 )</u>	<u>( \$ 24,440 )</u>

### c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Bank loans	\$ 4,864	\$ 2,857
Lease liabilities	<u>5</u>	<u>25</u>
	<u>\$ 4,869</u>	<u>\$ 2,882</u>

### d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 19,101	\$ 16,091
Right-of-use assets	667	3,692
Intangible assets	<u>3,352</u>	<u>3,214</u>
	<u>\$ 23,120</u>	<u>\$ 22,997</u>
Depreciation expense classified by function		
Operating cost	\$ 10,295	\$ 9,792
Operating expense	<u>9,473</u>	<u>9,991</u>
	<u>\$ 19,768</u>	<u>\$ 19,783</u>
Amortization expense classified by function		
Operating cost	\$ 415	\$ 519
Operating expense	<u>2,937</u>	<u>2,695</u>
	<u>\$ 3,352</u>	<u>\$ 3,214</u>

### e. Employee benefits expenses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits		
Salaries and rewards	\$277,193	\$171,747

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Labor and health insurance	12,673	10,814
Others	4,023	3,997
Post-employment benefits (Note 17)		
Defined contribution plans	6,308	6,110
Share-based Payment	11,066	544
	<u>\$311,263</u>	<u>\$193,212</u>
Classified by function		
Operating cost	\$ 36,387	\$ 36,988
Operating expense	<u>274,876</u>	<u>156,224</u>
	<u>\$311,263</u>	<u>\$193,212</u>

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, 2021 and 2020 were approved by the Board of Directors on February 24, 2022 and March 9, 2021, respectively, were as follows:

Estimated ratio

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Employees' compensation	12%	8%
Remuneration of directors	1.5%	1.5%

Amount

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

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the parent company only 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.

## 20. INCOME TAX

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

Components of tax expense Income tax were as follows:

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

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Income before tax	<u>\$ 797,551</u>	<u>\$ 225,612</u>
Income tax expense at the statutory rate	\$ 159,510	\$ 45,122
Nondeductible items in determining taxable income	1,891	1,537
Non-taxable income	( 90 )	-
Realized investment loss	( 6,000 )	( 8,000 )
Additional income tax on unappropriated earnings	2,873	233
Investment tax credits	( 10,790 )	( 11,394 )
Others	( 352 )	311
Prior years' other adjustments	( 2,278 )	( 545 )
Income tax expense recognized in profit or loss	<u>\$ 144,764</u>	<u>\$ 27,264</u>

### b. Deferred tax assets and liabilities

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

For the Year Ended December 31, 2021

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



For the Year Ended December 31, 2020

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Closing Balance</b>
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
	<u>\$ 41,997</u>	<u>\$ 2,089</u>	<u>\$ 44,086</u>

c. Income tax examination

The income tax returns through 2019 have been examined and cleared by the tax authorities.

## 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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Basic EPS		
Profit attributable to shareholders	\$ 652,787	\$ 198,348
Effect of potential dilutive common shares:		
Employees' compensation	-	-
Employee share option	<u>-</u>	<u>-</u>
Diluted EPS		
Profit attributable to shareholders	<u>\$ 652,787</u>	<u>\$ 198,348</u>

Common Shares Outstanding (in thousands)

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

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.

## 22. SHARE-BASED COMPENSATION EXPENSES

### Employee share option plan of the Company

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

Information about employee share options was as follows:

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

Information about outstanding options was as follows:

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

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

## 23 CAPITAL MANAGEMENT

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

The Company 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 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, 2021

	<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	\$ -	\$55,937	\$ -	\$ 55,937
– Foreign / Domestic unlisted stocks	-	-	15,304	15,304
total	<u>\$ -</u>	<u>\$55,937</u>	<u>\$ 15,304</u>	<u>\$ 71,241</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
– Foreign / Domestic unlisted stocks	-	-	8,311	8,311
total	<u>\$ -</u>	<u>\$ 36,530</u>	<u>\$ 8,311</u>	<u>\$ 44,841</u>

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

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

<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 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. As of December 31, 2021, and 2020, the liquidity discount rate was 20.03%~24.68% and 24.82%~27.49%, respectively.

### c. Categories of financial instruments

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets</u>		
Financial assets measured at amortized cost (Note 1)	\$ 2,094,140	\$ 1,376,054
Financial assets at FVTOCI -Equity instruments	71,241	44,841

	December 31	
	2021	2020
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost (Note 2)	1,229,824	1,093,266
Note1: The balances comprise cash and cash equivalents, bank time deposits, notes and accounts receivable, other receivables and refundable deposits.		
Note2: The balances comprise short-term borrowings, notes and accounts payable, other payables, long-term borrowings and guarantee deposits.		

d. Purpose and policy of financial risk management

Major financial instruments of the Company include equity and debt 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.

e. 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 27.

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/increased by \$70,768 thousand and \$35,722 thousand for the years ended December 31, 2021 and 2020, respectively.

b). Interest rate risk

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Financial assets	\$ 741,567	\$ 234,295
Financial liabilities	271,916	280,621
Cash flow interest rate risk		
Financial assets	280,489	177,569
Financial liabilities	144,181	98,860

Sensitivity analysis

The following sensitivity analysis is determined by the exposure to the interest rate risk of non-derivative instruments at the end of the reporting period. The rate of change adopted when the interest rate is reported inside the 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/decreased by 50 basis points (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), the net profits would have increased/decreased by \$682 thousand and \$394 thousand for the years ended December 31, 2021 and 2020, 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, 2021

	<b>Contractual Cash Flows or within a year</b>	<b>1-5 Years</b>	<b>More Than 5 Years</b>
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 270,611	\$ -	\$ -
Long-term borrowings	15,860	63,440	78,145
Notes payable	37,328	-	-
Accounts payable (related parties included)	584,485	-	-
Other payables	193,792	-	-
Lease liabilities	701	1,240	-
	<u>\$ 1,102,777</u>	<u>\$ 64,680</u>	<u>\$ 78,145</u>

##### December 31, 2020

	<b>Contractual Cash Flows or within a year</b>	<b>1-5 Years</b>	<b>More Than 5 Years</b>
<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 (related parties included)	575,598	-	-
Other payables	99,784	-	-
Lease liabilities	624	-	-
	<u>\$ 1,006,290</u>	<u>\$ 43,498</u>	<u>\$ 54,381</u>

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

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

## 25. 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

<b>Related Parties</b>	<b>Relationship with the Company</b>
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
Fuhong Investment Co., Ltd. (Fuhong)	Subsidiary

b. Operating revenues

<b>Line Items</b>	<b>Related Parties Categories/Name</b>	<b>For the Year Ended December 31</b>	
		<b>2021</b>	<b>2020</b>
Sales	Subsidiary	<u>\$ 29,549</u>	<u>\$ 19,609</u>

c. Purchases

<b>Related Parties Categories/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiary	<u>\$ 30,143</u>	<u>\$ 50,752</u>

d. Receivables from related parties (financing to related parties not included)

<b>Line Items</b>	<b>Related Parties Categories/Name</b>	<b>December 31</b>	
		<b>2021</b>	<b>2020</b>
Accounts receivable	Subsidiary	<u>\$ 13,088</u>	<u>\$ 5,125</u>

e. Pre-payment for purchase to related parties

Related Parties Categories/Name	December 31	
	2021	2020
Subsidiary/OPC	\$ 18,388	\$ 26,467

f. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 75,681	\$ 28,786
Post-employment benefits	540	567
	<u>\$ 76,221</u>	<u>\$ 29,353</u>

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.

## 26. PLEDGED ASSETS

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

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

## 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 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:

December 31, 2021

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 67,406	27.68(USD:NTD)	\$ 1,865,798
RMB	6,416	4.344(RMB:NTD)	<u>27,871</u>
			<u>\$ 1,893,669</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	17,280	27.68(USD:NTD)	<u>\$ 478,310</u>



December 31, 2020

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 39,656	28.48 (USD:NTD)	\$ 1,129,402
RMB	3,299	4.377 (RMB:NTD)	<u>14,438</u>
			<u>\$ 1,143,840</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	15,078	28.48(USD:NTD)	<u>\$ 429,409</u>

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

<b>For the Year Ended December 31</b>				
		<b>2021</b>		<b>2020</b>
<b>Foreign Currency</b>	<b>Exchange rate</b>	<b>Net exchange profits or losses</b>	<b>Exchange rate</b>	<b>Net exchange profits or losses</b>
USD	28.009 (USD:NTD)	(\$ 24,566)	29.549 (USD:NTD)	(\$ 23,256)
RMB	4.341 (RMB:NTD)	<u>150</u>	4.282 (RMB:NTD)	<u>349</u>
		<u>(\$ 24,416)</u>		<u>(\$ 22,907)</u>

## 28. 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.

b. Information on investees: Table 2 (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 3 (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 4 (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 5 (attached).

**TABLE 1****Advanced Power Electronics Co., Ltd.****MARKETABLE SECURITIES HELD****FOR THE YEAR ENDED DECEMBER 31, 2021**

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

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

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

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

**TABLE 2****Advanced Power Electronics Co., Ltd.**

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

**TABLE 3****Advanced Power Electronics Co., Ltd.****INVESTMENTS IN MAINLAND CHINA****FOR THE YEAR ENDED DECEMBER 31, 2021****(Amounts in Thousands of New Taiwan Dollars and US Dollars)**

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

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

Note 1: The investment types are as follows:

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

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

Note 3: The foreign currency assets and profits or losses listed herein are expressed, respectively, in New Taiwan Dollar at an end-of-term and mean exchange rates of US\$ 1=NT\$27.68 and US\$ 1=NT\$28.009 as of December 31, 2021.

**TABLE 4**

**Advanced Power Electronics Co., Ltd.**

**SIGNIFICANT INTERCOMPANY TRANSACTIONS AND RELATED INFORMATION ON INVESTEEES IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

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

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

**TABLE 5**

**Advanced Power Electronics Co., Ltd.**  
**INFORMATION OF MAJOR STOCKHOLDERS**  
**DECEMBER 31, 2021**

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