

TWSE:8261



Advanced Power Electronics Co., Ltd.

**2022 Annual Shareholders' Meeting
Meeting Agenda
(Translation)**

April 13, 2022

Note to Readers:

If there is any discrepancy between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese version shall prevail.

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1. Call Meeting to Order

2. Meeting Agenda

Advanced Power Electronics Co., Ltd.
2022 Annual Shareholders' Meeting
Meeting Agenda
(Summary Translation)

Time: 9:00 a.m., Wednesday, April 13, 2022

Place: 2F, Park III at No. 3, Tai Yuan First Road, Zhubei City, Hsinchu County

(Conference Room of Tai Yuen Hi-Tech Industrial Park III)

(2022 Annual Shareholders' Meeting held by means of physical shareholders meeting)

1. Chairman's Address

2. Reports Items

(1). The 2021 Business Report

(2). The 2021 Audit Committee Report

(3). The distribution of the 2021 employees' and directors' compensation

3. Proposed Resolutions

(1). To approve the 2021 Business Report and Financial Statements

(2). To approve the proposal for the distribution of the 2021 retained earnings

(3). To approve the issuance of employee restricted stock awards for year 2022

(4). Proposal for a cash offering by private placement and issuance of new shares

(5). Special motions

4. Meeting Adjourned

Reports Items

1. The 2021 Business Report

The 2021 Business Report is attached hereto as Attachment I.

2. The 2021 Audit Committee Report

(1) The 2021 Audit Committee Report is attached hereto as Attachment II.

(2) The Communication between the Audit Committee and Internal Audit Chief Officer is attached hereto as Attachment III.

3. The distribution of the 2021 employees' and directors' compensation

Explanatory Notes:

(1) Article 22 of the Company's Articles of Incorporation promulgate that if the Company has profits in a fiscal year, it shall distribute no less than 8% of the profits as employees' compensation and not more than 3% of the profits as directors' compensation.

(2) The 2021 employees' and directors' compensations are NT\$110,643,041 and NT\$13,830,380, respectively, which was approved by the Board and the total amounts were distributed in cash.

Proposed Resolutions

1. To approve the 2021 Business Report and Financial Statements (Proposed by the Board of Directors)

Explanatory Notes:

- (1). The Company's 2021 Financial Statements, including Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows, were audited by independent auditors, Chien-Liang Liu and Li-Wen Kuo, of Deloitte & Touche.
- (2). 2021 Business Report, and Independent Auditors' Report, the aforementioned Financial Statements are attached hereto as Attachments I, IV and V.

Resolution:

2. To approve the proposal for the distribution of the 2021 retained earnings (Proposed by the Board of Directors)

Explanatory Notes:

- (1). The Company's 2021 Earnings Distribution Table was approved by the meeting of the board of directors on February 24, 2022.
- (2). The Company's 2021 net income was NT\$652,787,718 (please see Attachment VI for the 2021 Earnings Distribution Table).
- (3). It is proposed that cash dividends from retained earnings paid to shareholders of NT\$488,042,958. Common stockholders will receive cash dividends of NT\$ 6 per share. The dividend will be paid in cash with calculation rounded down to the nearest one NTD (any amount below one NTD will be discarded). The remaining fraction will be incorporated into other income of the Company.
- (4). It is proposed that the board of directors be authorized to set a record date for distribution after shareholders' meeting. Should the Company's capital position change before record date of ex-cash dividend, requiring adjustments in the cash distribution ratio, it is proposed that the board of directors be authorized to manage the change in the cash distribution ratio and to proceed on the relevant matters.

Resolution:

**3. To approve the issuance of employee restricted stock awards for year 2022
(Proposed by the Board of Directors)**

Explanatory Notes:

- (1). To attract and retain talents, to motivate employees, and to foster the best interests of the Company and its shareholders with those of the Company's employees, it is proposed to approve the issuance of the employee restricted stock awards ("RSAs") for year 2022 (this "Issuance") in accordance with Article 267 of the Company Act and the Regulations Governing the Offering and Issuance of Securities by Securities Issuers (the "Regulations") released by the Financial Supervisory Commission R.O.C.
- (2). Terms of the proposed Restricted Stock Awards are as below:
 - A. Total Number of the Restricted Shares to be Issued: The total number of Restricted Shares to be issued hereunder shall be 1,000,000 shares with a par value of NT\$ 10 per share and the total amount shall be NT\$ 10,000,000. The Restricted Stock Awards (RSAs) will be granted one or more times over a period of one year from the date of receipt of the notice of effective registration of the competent authority.
 - B. Major terms and conditions of the RSAs:
 - a. Issue Price: The Restricted Shares shall be issued at NT\$ 0 per share, and grants will be made free of charge.
 - b. Vesting conditions: An employee's continuous employment with the Company through the vesting dates; no breach by the employee of any terms of any agreement with the Company to which the employee is subject, including, without limitation, the employee's employment terms and conditions or any other employment-related agreement, any non-competition or confidentiality agreements; no violation by the employee of employee handbook; and, the achievement by the employee of the employee's individual performance goals, and the Company's achievement of operational objectives during the applicable Performance Period. The maximum percentage of granted RSAs that may be vested each year shall be as follows: one-year anniversary of the grant: 30%; two-year anniversary of the grant: 30%; and three-year anniversary of the grant: 40%.
 - c. Class of the shares to be issued: The Company's common shares.
 - d. Measures to be taken where employees fail to meet the vesting conditions or in the event of inheritance: All unvested RSAs will be forfeited and canceled

by the Company without consideration in accordance with these Rules. For exceptional events, the Company will take measures as set forth in the Employee Restricted Stock Awards Rules.

C. Eligibility and the number of shares employees may be granted:

- a. Full-time employees of the Company are eligible participants of the RSAs.
- b. The Chairman shall determine the employees who are to be granted the RSAs and the number of Restricted Shares to be granted after taking into consideration factors including but not limited to seniority, position, job performance and overall contribution or special achievements of the employees, and any other management-related factors, and then submit his determination to the Board for approval. However, the Compensation Committee must first give approval for an employee who is also a managerial officer or a director who is also an employee.
- c. The accumulative number of shares granted to each employee shall comply with the Regulations.

D. The reason why it is necessary to issue RSAs for employees:

To attract and retain talents, to motivate employees, and to foster the best interests of the Company and its shareholders with those of the Company's employees.

E. Estimated expenses, dilution of the Company's EPS and other matters that may affect the shareholders' interests:

- a. The total expenses are preliminarily estimated at approximately NT\$ 105,000 thousand based on the maximum of 1,000,000 common shares to be granted as RSAs, the closing price (the date before BOD meeting) of NT\$105.0 per share on February 23, 2022. The expenses are preliminarily estimated at approximately NT\$ 25,520 thousand, NT\$48,125 thousand, NT\$23,188 thousand and NT\$8,167 thousand from 2022 to 2025 respectively, assuming that the RSAs will be issued at the end of August 2022.
- b. Dilution of the Company's EPS and other matters that may affect the shareholders' interests: Based on the Company's outstanding shares, the potential impact from above mentioned expenses to the Company's EPS is preliminarily estimated at approximately NT\$0.31, NT\$0.59, NT\$0.29, and NT\$0.10 from 2022 to 2025 respectively. The potential dilution of the Company's EPS is minimal; therefore, there is no material impact on shareholders' interest.

F. Restricted Rights of unvested RSAs:

- a. Except for inheritance, employees are prohibited from and shall not sell, pledge, transfer, give to another person, create any encumbrance on, or in any other way dispose of any unvested RSAs.
 - b. Rights to attend the Company's shareholder's meeting, submit proposals, or speak and vote at the meeting attributed to ownership of stock with respect to any unvested RSAs will be the same as those of the common shares of the Company but shall be subject to and performed in accordance with the trust agreement.
 - c. Rights to dividends, interest, capital reserve, and share subscription warrants attributed to ownership of stock with respect to any unvested RSAs will be the same as those of the common shares of the Company and shall be subject to and performed in accordance with the trust agreement.
 - d. If any Shares vest on a date that falls during a period in which the Company is prohibited from altering the Company's shareholders' roster, including but not limited to, for reasons pertaining to the Company's issuance of bonus or cash dividends, or conducting a rights offering, convening shareholder's meeting pursuant to paragraph 3 of Article 165 of the Company Act, the release of the restrictions on such RSAs shall be in accordance with the trust agreement and applicable laws and regulations.
- G. Other important stipulations: Granted RSAs will be deposited in a stock trust custody account.

(3). Any other matters that need to be specified:

- A. If any revision or adjustment has to be made due to any instruction of the competent authority or amendment to the laws and regulations, it is proposed that the Annual Shareholders' Meeting authorize the Board of Directors or the person authorized by the Board of Directors to handle all relevant matters regarding the granting of the RSAs.
- B. With respect to the issuance of RSAs, the relevant restrictions, important agreements and any other matters not set forth herein shall be dealt with in accordance with the applicable laws and regulations and the issuance rules set by the Company.

(4). The Employee Restricted Stock Awards Rules for Year 2022: the Company hereby set forth the Draft of the Employee Restricted Stock Awards Rules for Year 2022, please refer to Attachment VII.

Resolution:

4. Proposal for a cash offering by private placement and issuance of new shares (Proposed by the Board of Directors)

Explanatory Notes:

(1). For long-term strategic development and competitiveness enhancement, it is proposed to, in accordance with the requirements of Article 43-6 of the “Securities and Exchange Act” and the “Directions for Public Companies Conducting Private Placements of Securities”, with the total number of issued common shares to be no more than 35 million shares and depending on the capital market conditions, submit the proposal to the shareholders’ meeting for approval and to authorize the board of directors to, to issue common shares for capital injection in cash through private placement.

(2). Related matters in accordance with the requirements of Article 43-6 of the “Securities and Exchange Act” and the “Directions for Public Companies Conducting Private Placements of Securities” are explained as follows:

A. Basis and rationality of private placement pricing:

a. The reference price of private placement should not be lower than 80% of the higher price calculated based on the following two benchmarks before the price determination date.

(a). The simple average closing price of the common shares for either the 1,3 or 5 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction.

(b). The simple average closing price of the common shares for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction.

b. The actual price determination date and the actual private placement price will be determined by the board of directors pursuant to the scope of percentage adopted by the resolution of the shareholders meeting and according to the above pricing requirements and based on the market condition.

B. The criteria and purpose to select specific parties:

There is no specific candidate at this stage. The counterparties for private placement will be limited to the specific parties provided under Article 43-6 of the Securities and Exchange Act and Article 3 of the “Directions for Public Companies Conducting Private Placements of Securities”, and those who are relevant to strengthen the technology, or business required for the Company’s operations as strategic investors.

The related matters to decide the selected subscriber are submitted to the

shareholders' meeting to authorize the board of directors to handle such matters at its discretion.

C. The necessity and expected benefits of subscribers as strategic investors:

a. The necessity:

It is necessary to strengthen the company's business cooperation, and it is expected to strengthen the company's technology of operations as well as development of market.

b. The expected benefits:

The Company will select the parties to enhance technologies, reduce costs, stabilize the key supply chain and expand the market of the Company through industrial vertical integration, horizontal integration or joint research and development of goods or markets with the help of subscribers' own experience, technologies, knowledge, brands or channels.

D. Necessary reasons for private placement:

a. Reasons for not taking public offering:

In terms of the effectiveness, feasibility and issuance cost, private placement is more appropriate than the public offering in considering the current market. The 3-year lockup restriction of private placement shall reinforce the long-term partnership between the Company and the strategic investors. Thus, the Company shall issue common shares in accordance with the private placement related legislations.

b. Amount limit of the private placement:

The total amount of common shares to be privately placed shall be no more than 35 million shares with par value of NT\$10 and such amount shall be issued at once within one year from the resolution date of the shareholders' meeting.

c. Purpose of the funds and expected benefits from such:

(a). Purpose of the funds: replenishing working capital and repaying bank loans.

(b). Expected benefits: In addition to expanding the Company's future operational scale, effectively reducing operating risks, and ensuring financing efficiency, the implementation of this plan is expected to strengthen the Company's competitiveness and enhance its operational efficiency, which will positively affect the Company's operational stability and increase shareholder equity.

d. According to rule of Directions for Public Companies Conducting Private

Placements of Securities, if there is a significant change in managerial control within the 1 year period immediately preceding the day on which the board of directors resolves on the private placement, or if there will be a significant change in managerial control after the introduction of strategic investor through private placement, the company shall engage a securities underwriter to provide an assessment opinion on the necessity and reasonableness for conducting the private placement. The Company has engaged President Securities Co. to issue the assessment opinion regarding the necessity and reasonableness for conducting the private placement.

- (3). The rights and obligations of the newly issued shares are the same as the original issued shares. In addition, in accordance with the Securities and Exchange Act, the shares of the Company's private offering shall not be transferred within three years from the date of delivery, except under the conditions stipulated in Article 43-8 of the Securities and Exchange Act.

After three years from the delivery date thereof, the Company proposes that the Shareholders Meeting authorize the Board of Directors to apply to the Taiwan Stock Exchange Corporation based on the current situation for the issuance of a letter of approval on meeting the criteria for listing, and to make the subsequent filing with the competent authority for supplemental public issuance, as well as the application for listing transactions and related matters.

- (4). The content of private placement except for the percentage of private placement pricing, actual issued price and fundraising amount, including conditions for issuance, items of the plan, estimated schedule, estimated potential benefits, the investment agreement of negotiation, discussion, signing and modification and all other matters relating to the issuing plan are proposed to be authorized to the chairman to adjust, stipulate, and handle according to market conditions in the extraordinary shareholders meeting. It is also proposed to authorize the Board of Directors to handle the situations with full authority in case the amendment of the indication from the competent authorities or changes based on operation evaluation or needs from objective environment in the future.
- (5). For the assessment opinion regarding the necessity and reasonableness of conducting the private placement issued by President Securities Co., please refer to Attachment VIII.

Resolution:

Special motions

Meeting Adjourned

ATTACHMENTS

Advanced Power Electronics Co., Ltd.

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

**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

Communication between the Audit Committee and the Internal Audit Chief Officer

I. Regular :

The audit chief officer reports the audit matters every quarter.

II. Ad hoc :

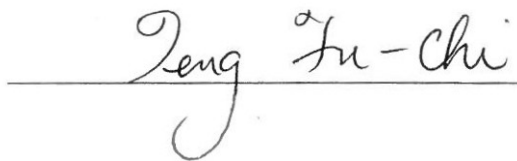
- (1) The committee chairman will arrange a discussion about audit matters with the audit chief officer and audit personnel.
- (2) When instructions are given by independent directors during Audit Committee meeting, the audit chief officer must submit a report regarding actions taken afterwards.

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



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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. 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

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	%
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents (Notes 4 and 6)	\$ 693,779	19	\$ 445,441	16
Financial assets at amortized cost (Notes 4 and 9)	44,825	1	6,774	-
Notes receivable (Note 10)	30,552	1	18,610	1
Accounts receivable (Notes 4 and 10)	981,146	28	799,910	29
Other receivables (Note 10)	46,320	1	41,212	2
Current tax assets (Note 4)	12	-	15	-
Inventories (Notes 4, 5 and 11)	599,180	17	721,698	26
Other current assets	4,450	-	22,050	1
Total current assets	<u>2,400,264</u>	<u>67</u>	<u>2,055,710</u>	<u>75</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Notes 4 and 7)	27,500	1	-	-
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	89,203	2	62,491	2
Financial assets measured at amortized cost (Notes 4 and 9)	345,121	10	-	-
Property, plant and equipment (Notes 4 and 12)	434,909	12	359,000	13
Right-of-use assets (Notes 4 and 13)	1,861	-	614	-
Other intangible assets, net (Note 4)	2,006	-	2,393	-
Deferred tax assets (Notes 4 and 21)	34,043	1	44,086	2
Other non-current assets (Note 14)	238,745	7	218,091	8
Total non-current assets	<u>1,173,388</u>	<u>33</u>	<u>686,675</u>	<u>25</u>
TOTAL	<u>\$ 3,573,652</u>	<u>100</u>	<u>\$ 2,742,385</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 270,000	8	\$ 280,000	10
Notes payable	37,328	1	38,989	2
Accounts payable	584,554	16	575,711	21
Other payables (Note 17)	203,721	6	112,197	4
Current tax liabilities (Note 4)	116,288	3	21,582	1
Lease liabilities (Notes 4 and 13)	687	-	621	-
Long-term borrowings - current portion (Note 16)	15,456	-	9,886	-
Other current liabilities	8,236	-	14,434	1
Total current liabilities	<u>1,236,270</u>	<u>34</u>	<u>1,053,420</u>	<u>39</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 16)	128,725	4	88,974	3
Lease liabilities (Notes 4 and 13)	1,229	-	-	-
Total non-current liabilities	<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>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 19)				
Common stock	813,405	23	813,405	30
Capital surplus	344,555	10	333,480	12
Retained earnings				
Legal reserve	79,848	2	60,021	2
Special reserve	51,961	2	79,758	3
Unappropriated earnings	941,713	26	362,296	13
Total retained earnings	<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	<u>2,205,760</u>	<u>62</u>	<u>1,596,999</u>	<u>58</u>
NON-CONTROLLING INTERESTS				
	1,668	-	2,992	-
Total equity	<u>2,207,428</u>	<u>62</u>	<u>1,599,991</u>	<u>58</u>
TOTAL	<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)	<u>(34,908)</u>	<u>(1)</u>	<u>(23,294)</u>	<u>(1)</u>
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)**

	2021		2020	
	Amount	%	Amount	%
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	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)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 796,244	\$ 223,612
Adjustments for:		
Depreciation expense	20,508	21,987
Amortization expense	3,352	3,214
Expected credit reversal benefit	-	(3,929)
Finance costs	4,936	2,941
Interest income	(2,881)	(2,264)
Dividend income	(666)	(3,058)
Compensation costs of employee share options	11,066	544
Loss on disposal of property, plant and equipment	1,222	303
Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories	(77,198)	8,655
Unrealized loss on foreign currency exchange	28,333	31,761
Changes in operating assets and liabilities:		
Notes receivable	(11,942)	18,227
Accounts receivable	(204,526)	(311,605)
Other receivables	(4,290)	(13,341)
Inventories	199,536	94,295
Other current assets	17,600	18,631
Notes payable	(1,661)	31,018
Accounts payable	21,709	267,903
Other payables	92,771	35,053
Other current liabilities	(6,198)	9,310
Net cash inflows generated from operating activities	887,915	433,257
Interest received	2,063	2,468
Interest paid	(5,432)	(3,020)
Income taxes paid	(40,012)	(19,898)
Net cash generated from operating activities	<u>844,534</u>	<u>412,807</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from acquisition of financial assets at fair value through profit or loss	(27,500)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	1,132
		(Continued)
Proceeds from acquisition of financial assets at amortized cost	(387,867)	-

Advanced Power Electronics Co., Ltd. and its subsidiaries

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

	2021	2020
Proceeds from 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>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	181,860	210,000
Decrease in short-term loans	(191,860)	(320,000)
Decrease in short-term bills payable	-	(10,000)
Increase in long-term loans	57,970	98,860
Decrease in long-term loans	(12,649)	-
Decrease in guaranteed deposits received	-	(149)
Repayment of the principal portion of lease liabilities	(619)	(3,708)
Cash dividends paid	(<u>81,340</u>)	(<u>40,670</u>)
Net cash generated from / (used in) financing activities	(<u>46,638</u>)	(<u>65,667</u>)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	(<u>13,944</u>)	(<u>17,712</u>)
NET INCREASE IN CASH AND CASH EQUIVALENTS	248,338	166,647
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>445,441</u>	<u>278,794</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 693,779</u>	<u>\$ 445,441</u>

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

(Concluded)

Deloitte.

勤業眾信

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying 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

Advanced Power Electronics Co., Ltd.

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

	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
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>
NON-CURRENT ASSETS				
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>
TOTAL	<u>\$ 3,561,311</u>	<u>100</u>	<u>\$ 2,726,259</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
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>
NON-CURRENT LIABILITIES				
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>
EQUITY (Note 18)				
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>
TOTAL	<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			Total Equity
	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	
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	-	-	-	-	-	-	(1,553)	29,274	27,721	27,721
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	198,348	198,348	(1,553)	29,274	27,721	226,069
Compensation cost of employee share options	-	544	-	-	-	-	-	-	-	544
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(76)	(76)	-	76	76	-
BALANCE, DECEMBER 31, 2020	813,405	333,480	60,021	79,758	362,296	502,075	(6,185)	(45,776)	(51,961)	1,596,999
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	-	-	-	-	-	-	(969)	27,208	26,239	26,239
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	652,787	652,787	(969)	27,208	26,239	679,026
Compensation cost of employee share options	-	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

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
CASH FLOWS FROM OPERATING ACTIVITIES		
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>
CASH FLOWS FROM INVESTING ACTIVITIES		
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>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	181,860	210,000
Decrease in short-term loans	(191,860)	(320,000)
Decrease in short-term bills payable	-	(10,000)
Increase in long-term loans	57,970	98,860
Decrease in long-term loans	(12,649)	-
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>)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS		
	(<u>13,347</u>)	(<u>17,281</u>)
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	229,600	154,666
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		
	<u>411,945</u>	<u>257,279</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
	<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.

2021 Earnings Distribution Table



Unit: NT\$

Item	Amount
Unappropriated retained earnings as of December 31, 2020	288,924,802
Net income of 2021	652,787,718
Legal reserve appropriation (10%)	(65,278,772)
Reversal of special reserve appropriation	26,237,630
Retained earnings available for distribution	902,671,378
Appropriation:	
Cash dividends (\$ 6)	488,042,958
Balance of unappropriated retained earnings	414,628,420

Fu-Chi Teng, Chairman of the Board

Lin-Chung Huang, President

Mei-Ying Tan, Accounting Officer

Advanced Power Electronics Co., Ltd. Employee Restricted Stock Awards Rules for Year 2022

Article 1: Purpose

To attract and retain talents, to motivate employees, and to foster the best interests of Advanced Power Electronics Co., Ltd. (hereinafter "Company") and its shareholders with those of the Company's employees, the following these Employee Restricted Stock Awards Rules (these "Rules") for Year 2022 are stipulated in accordance with Article 267 of the Company Act and the Regulations Governing the Offering and Issuance of Securities by Securities Issuers (the "Regulations") released by the Financial Supervisory Commission R.O.C.

Article 2: Issuance Period

The Restricted Stock Awards (RSAs) will be granted one or more times over a period of one year from the date of receipt of the notice of effective registration of the competent authority. The Board of Directors may determine, or may authorize Chairman to determine, the actual issuance date and relevant matters.

Article 3: Eligibility and the number of shares employees may be granted

3.1 Full-time employees of the Company are eligible participants of the RSAs.

3.2 The Chairman shall determine the employees who are to be granted the RSAs and the number of Restricted Shares to be granted after taking into consideration factors including but not limited to seniority, position, job performance and overall contribution or special achievements of the employees, and any other management-related factors, and then submit his determination to the Board for approval. However, the Compensation Committee must first give approval for an employee who is also a managerial officer or a director who is also an employee.

3.3 The accumulative number of shares an employee can subscribe for by exercising the employee stock options granted to him/her under Article 56-1, paragraph 1 of the Regulations, in combination with the accumulative number of Restricted Shares granted to such employee, shall not exceed 0.3% of the total issued shares of the Company. And the above in combination with the accumulative number of shares such employee can subscribe for by exercising the stock options granted under Article 56, paragraph 1 of the Regulations, shall not exceed 1% of the total issued shares of the Company.

Article 4: Total Number of the Restricted Shares to be Issued

The total number of Restricted Shares to be issued hereunder shall be 1,000,000 shares with a par value of NT\$ 10 per share and the total amount shall be NT\$ 10,000,000.

Article 5: Terms and Conditions of the RSAs

5.1 Issue Price:

The Restricted Shares shall be issued at NT\$ 0 per share, and grants will be made free of charge.

5.2 Vesting conditions:

An employee's continuous employment with the Company through the vesting dates; no breach by the employee of any terms of any agreement with the Company to which the employee is subject, including, without limitation, the employee's employment terms and conditions or any other employment-related agreement, any non-competition or confidentiality agreements; no violation by the employee of employee handbook; and, the achievement by the employee of the employee's individual performance goals, and the Company's achievement of operational objectives during the applicable Performance Period. The maximum percentage of granted RSAs that may be vested each year shall be as follows: one-year anniversary of the grant: 30%; two-year anniversary of the grant: 30%; and three-year anniversary of the grant: 40%.

5.3 Class of the shares to be issued: The Company's common shares.

5.4 Measures to be taken where employees fail to meet the vesting conditions or in the event of

inheritance:

5.4.1 All unvested RSAs will be forfeited and canceled by the Company without consideration in accordance with these Rules.

5.4.2 Methods to Handle the Unvested RSAs:

A. Voluntary Separation, separation with a severance, or retirement: Any unvested RSAs will be forfeited on the effective date of separation due to a voluntary separation, separation with a severance, or retirement of such executives. The Company will reclaim the RSAs granted to them and cancel the same at no extra cost to the Company.

B. Disability or Death Caused by Work Injury or Death:

a. In the event that an employee is physically disabled and cannot continue his/her employment because of work injury, all RSAs held by him/her shall be vested upon his/her termination.

b. In the event that an employee dies because of work injury or not, all RSAs held by him/her shall be vested upon his/her death. The heir(s) of such employee may apply to the Company for inheriting part of such RSAs or the interest arising out of the disposition of such RSAs after completing the statutory and necessary procedures pursuant to the applicable laws and regulations and provide relevant certificates with the Company.

C. Leave Without Pay:

All the rights and obligations in connection with the unvested RSAs will not be affected as a result of executives taking extended leave without pay. However, the actual number of shares that may be vested will not only be calculated according to the vesting conditions set forth in Paragraph 2 of this Article but also be prorated based on the number of months of their service during the year prior to the applicable vesting day. If such employees are on leave without pay on any vesting day, it shall be deemed that they fail to meet the vesting conditions, and the Company will reclaim the RSAs granted to them and cancel the same at no extra cost to the Company.

Article 6: Restricted Rights of unvested RSAs:

6.1 Except for inheritance, employees are prohibited from and shall not sell, pledge, transfer, give to another person, create any encumbrance on, or in any other way dispose of any unvested RSAs.

6.2 Rights to attend the Company's shareholder's meeting, submit proposals, or speak and vote at the meeting attributed to ownership of stock with respect to any unvested RSAs will be the same as those of the common shares of the Company but shall be subject to and performed in accordance with the trust agreement.

6.3 Rights to dividends, interest, capital reserve, and share subscription warrants attributed to ownership of stock with respect to any unvested RSAs will be the same as those of the common shares of the Company and shall be subject to and performed in accordance with the trust agreement.

6.4 If any Shares vest on a date that falls during a period in which the Company is prohibited from altering the Company's shareholders' roster, including but not limited to, for reasons pertaining to the Company's issuance of bonus or cash dividends, or conducting a rights offering, convening shareholder's meeting pursuant to paragraph 3 of Article 165 of the Company Act, the release of the restrictions on such RSAs set forth in this Article 6 shall be in accordance with the trust agreement and applicable laws and regulations.

Article 7: Tax

Any tax matters incurred in connection with the RSAs under these Rules shall be handled under the then-current laws and regulations of the R.O.C.

Article 8: Miscellaneous

8.1 All Shares under each RSAs under these Rules shall be deposited in a trust/custody governed by the trust agreement immediately after the granting of the RSAs and execution of Company-required documentation. The employee shall have no right to request and shall not request that

- the trustee(s) release unvested RSAs held in the trust account for any reason or in any method.
- 8.2 During the period when the granted RSAs are deposited in a trust/custody account, each employee must enter into an agreement authorizing the Company to, among others, negotiate, execute, modify, extend, rescind, and terminate the trust/custody agreement with the trustee/custodian, and give instructions to deliver, use, and dispose of any of the properties under the trust/custody, on their behalf, with full power and authority.
- 8.3 Signing of Contracts and Confidentiality
- 8.3.1 Those employees who have been granted the RSAs shall sign the “Agreement of Restricted Stock Awards” and complete all the trust/custody management process upon receipt of the notification from the Company. Any employees who do not complete such signing of relevant documents will be considered to forfeit the RSAs.
- 8.3.2 Those employees who receive the RSAs and the related rights through these Rules shall comply with these Rules and the “Agreement of Restricted Stock Awards”. In the event of any breach thereof, they will be deemed to fail to fulfill the vesting conditions. They shall comply with the confidentiality clauses as well. Except as required by laws and regulations or by any competent authority, they are not allowed to inquire any other about or disclose to any other any information about the number of the RSAs granted to them and any relevant matters, nor may they inform any other of any relevant content of these Rules or any of their rights or interest under these Rules. In the event of any breach thereof, the Company is entitled to reclaim their unvested RSAs and cancel the same at no extra cost to the Company.
- 8.4 Before these Rules may be implemented, it shall be approved by the majority votes in a meeting of the Board of Directors in which two-thirds or more directors are present and shall become effective after effective registration with the competent authority. If any amendment hereto is necessary due to any change of any laws or regulations or any requirement of the competent authority, Chairman is authorized to make any necessary amendment hereto and submit the revised Rules to the Board of Directors for acknowledgement, before the RSAs may be granted.
- 8.5 Any other matters not set forth in these Rules shall be dealt with in accordance with the applicable laws and regulations.

Advanced Power Electronics Co., Ltd.

Assessment on the Necessity and Reasonableness of Private Placement in 2022

1. Introduction

Advanced Power Electronics Co., Ltd. (hereinafter referred to as APEC or the Company) is planning to issue common shares for capital injection in cash through private placement in accordance with the Article 43-6 of Securities and Exchange Act. The BOD has resolved the private placement proposal (hereinafter referred to as the private placement) such as the criteria and purpose to select specific parties, the necessary reasons for private placement and the purpose of the funds and expected benefits on February 24, 2022. The total amount of common shares to be privately placed shall be no more than 35 million shares and such amount shall be issued at once or in two times within one year from the resolution date of the shareholders' meeting.

In accordance with the “Directions for Public Companies Conducting Private Placements of Securities” that if there is significant change in managerial control within the 1 year period immediately preceding the day on which the BOD resolves on the private placement, or if there will be a significant change in managerial control after the introduction of strategic investors through private placement, the Company shall engage a securities underwriter to provide an assessment on the necessity and reasonableness for conducting the private placement. The total amount of private placement shares is 35 million shares (calculated based on full issuance) shall take 30.08% of the new capital, thus it is possible that there will be significant change of managerial control after strategic partners are in place. Therefore, the Company has engaged President Securities Co. to issue the assessment opinion regarding the necessity and reasonableness for conducting the private placement.

2. The assessment opinion of President Securities Co.

(1) Legislative assessment

The Company has net profit after tax and no accumulated losses in the most recent year. However, because the counterparties for private placement will be limited to the strategic investors, it complies with the provisions of Article 3, Paragraph 2 of the “Directions for Public Companies Conducting Private Placements of Securities”. In according to the BOD meeting as of February 24, 2022, the reference price of private placement should not be lower than 80% of the higher price calculated based on the following two benchmarks before the price determination date and the counterparties for private placement will be limited to the specific parties provided under Article 43-6 of the Securities and Exchange Act and the “Directions for Public Companies Conducting Private Placements of Securities”, and those who are relevant to strengthen the technology, or business required for the Company’s operations as strategic investors. The Private Placement Proposal is submitted to shareholder’s meeting for approval. Related matters are also listed in the

Shareholder's Meeting Agenda. It is confirmed that the Company has handled the matter in a legally appropriate manner.

(2) Company Profile

The Company was officially established on July 17, 1998. As of the date of the assessment opinion, the Company's paid-in capital was NT\$ 813,404,930. The Company is mainly engaged in the design of electronic elements, integrated circuits, semi-conductors, and the testing service. The main products of the Company are Low Voltage MOSFET, Middle Voltage MOSFET, High Voltage MOSFET and other related products.

(3) Necessity and reasonableness assessment

A. Necessity assessment

In considering the continuous business and development, the Company will select the parties to enhance technologies and expand the market of the Company through industrial vertical integration, horizontal integration or joint research and development of goods or markets with the help of subscribers' own experience, technologies, knowledge, brands or channels. The purpose of the private placement is replenishing working capital and repaying bank loans that effectively enhance the overall shareholders' equity and can further improve the Company's financial structure and reduce the debt ratio. In terms of the effectiveness, feasibility and issuance cost, private placement is more appropriate than the public offering in considering the current market. Thus, the Company shall issue common shares in accordance with the private placement related legislations.

According to the Company Act and the Securities and Exchange Act, the public offering is limit to the original shareholders, employees or unspecified investors. The Company is not able to select specific investors who are beneficial to its future operation and development through cash capital increase. It is necessary for the Company's continuous business and development to conduct the private placement.

Overall, the Company will select the parties to enhance technologies and expand the market and the private placement is replenishing working capital and repaying bank loans that effectively enhance the overall shareholders' equity and can further improve the Company's financial structure. Thus, it is necessary for the Company to conduct the private placement.

B. Reasonableness assessment

After reviewing the related materials and information regarding the proposed private placement such as BOD discussion as of February 24, 2022, proposed content of private placement, pricing methods, selection methods of specific parties, it is confirmed that the Company has complied with the Securities and Exchanges Act and other related regulations. It is confirmed that the Company has handled the matter in a legally appropriate manner.

The type of securities issued by the Company is Common shares, which is more receptive in considering the current market. The 3-year lockup restriction of private placement shall reinforce the long-term partnership between the Company and the strategic investors. Thus, it

is reasonable for the Company shall issue Common shares in accordance with the private placement related legislations.

By conducting private placement, the company is expecting to replenish working capital and repay bank loans to improve the financial structures, lowering interest expenses, increase operation competitiveness and increase flexibility of funds usage. In addition to expanding the Company's future operational scale, effectively reducing operating risks, and ensuring financing efficiency, the implementation of this plan is expected to strengthen the Company's competitiveness and enhance its operational efficiency, which will positively affect the Company's operational stability and increase shareholder equity. Thus, it is positive for improving shareholder's equity. The proposed anticipated benefits are deemed reasonable.

Overall, after evaluating the issuance procedures, types of securities, purpose of the funds and expected benefits of the private placement, it is reasonable for the Company to conduct the private placement.

C. Selection of specific parties for private placement, feasibility and necessity assessment

a. Selection of specific parties

There is no specific candidate at this stage. The counterparties for private placement will be limited to the specific parties provided under Article 43-6 of the Securities and Exchange Act and the "Directions for Public Companies Conducting Private Placements of Securities", and those who are relevant to strengthen the technology, or business required for the Company's operations as strategic investors. All candidates shall be selected and decided in according to the legislation. The selection process is thus deemed appropriate.

b. Feasibility and necessity assessment

In considering the continuous business and development, it is necessary to strengthen the company's business cooperation, and it is expected to strengthen the company's technology of operations as well as development of market. The Company will select the parties to enhance technologies, reduce costs, stabilize the key supply chain and expand the market of the Company through industrial vertical integration, horizontal integration or joint research and development of goods or markets with the help of subscribers' own experience, technologies, knowledge, brands or channels. In addition to expanding the Company's future operational scale, effectively reducing operating risks, and ensuring financing efficiency, the implementation of this plan is expected to strengthen the Company's competitiveness and enhance its operational efficiency, which will positively affect the Company's operational stability and increase shareholder equity. Due to the above mentioned anticipated benefits, it is quite necessary to conduct the private placement as BOD proposed.

D. Impact to the sales, to the finance and for the shareholder's equity

a. Assessment on the potential private placement partners and significant changes in managerial control

There is no change in the BOD in the last year (from February 25, 2021 to February 24,

2022). Thus, there is no concern regarding matters mentioned in Article 4, Paragraph 3 of Directions for Public Companies Conducting Private Placements of Securities, if there is a significant change in managerial control within the 1 year period immediately preceding the day on which the board of directors resolves on the private placement.

b. Any significant managerial changes after private placement with strategic partners

The Company shall conduct the private placement after the shareholder's meeting (April 13, 2022). The Company has no particular potential candidate for the private placement at the moment, so it is not able to assess whether there will be any significant change of managerial control after private placement. The outstanding share of Company is 81.341 million shares, the total amount of private placement shares is 35 million shares (calculated based on full issuance) shall take 30.08% of the new capital, thus it is possible that there will be significant change of managerial control after strategic partners are in place. The Company will handle information disclosure in accordance with relevant regulations to ensure shareholders' rights and interests.

Possible impact to the sales, finance and shareholder's equity as a result to the significant change in managerial control:

I. Impact to the sales:

The Company is mainly engaged in the design of electronic elements, integrated circuits, semi-conductors, and the testing service. The main products of the Company are Low Voltage MOSFET, Middle Voltage MOSFET, High Voltage MOSFET and other related products. The Company considers the continuous business and development to select the parties who can directly or indirectly benefit the Company's future operations with long-term cooperative relationship through this private placement. In conclusion, it is regarded as a positive move to conduct the private placement shall be able to expand the operation and increase profitability.

II. Impact to the finance

The total amount of common shares to be privately placed shall be no more than 35 million shares. The reference price of private placement should not be lower than 80% of the higher price calculated based on the following two benchmarks before the price determination date: the simple average closing price of the common shares for either the 1, 3 or 5 business days before the price determination date or the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction. The injected fund from the private placement shall be used to replenish working capital and repay bank loans to improve the financial structures, lowering interest expenses, increase operation competitiveness. Thus, it is believed that the private placement shall bring positive effect for the company finance situation.

III. Impact for the shareholder's equity

The Company considers the continuous business and development to select the parties

who can directly or indirectly benefit the Company's future operations to enhance technologies, reduce costs, stabilize the key supply chain and expand the market. The implementation of this private placement is expected to strengthen the Company's competitiveness and enhance its operational efficiency; therefore, it is regarded as positive to improve the shareholder's equity.

E. Conclusion of assessment opinion

In conclusion, the injected fund from the private placement shall be used to replenish working capital and repay bank loans to improve the financial structures, lowering interest expenses, increase operation competitiveness, improving the flexibility of fund utilization. By conducting private placement, the Company is expecting to obtain stable funds to increase operation competitiveness and improve shareholder's equity.

After considering the Company's current operating conditions and the feasibility of raising funds, it is indeed necessary and reasonable for the Company to conduct cash offering by private placement. After reviewing the related materials and information regarding the proposed private placement such as BOD discussion, selection methods of specific parties, fund usage and anticipated benefits, the impact to the sales, finance and impact for the shareholder's equity, it is confirmed that the Company has complied with the Securities and Exchanges Act and other related regulations. It is confirmed that it is necessary and reasonable for the Company to conduct a private placement.

3.Disclaimer

- (1) The purpose of this assessment report is only for the shareholder's meeting (April 13, 2022) to discuss the private placement proposal.
- (2) The assessment report is prepared based on the related materials regarding the proposed private placement such as BOD discussion as of February 24, 2022 and financial information provided by the Company and the announcements on the MOPS. The underwriter shall take no responsibilities for any impact on the Company in case of future content changes of the private placement plan.

Securities underwriter: President Securities Co.

Representative: Lin, Kuan-Chen

March 7, 2022

APPENDIXES

**Advanced Power Electronics Co., Ltd.
Rules and Procedures of Shareholders' Meeting**

Article 1 Applicable principles

The rules and Procedures of shareholders' Meeting, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in the Rules and Procedures.

Article 2 Convening a shareholders' meeting and notification

1. Except where prescribed by laws and regulations, the Board of Directors shall convene shareholders' meetings.
2. All shareholders shall be notified 30 days in advance of an annual general meeting. Those shareholders who hold less than 1,000 shares of registered stock may be notified 30 days in advance by means of posting a public announcement on the Market Observation Post System website. All shareholders shall be notified 15 days in advance when an extraordinary general meeting is convened. Those shareholders who hold less than 1,000 shares of registered stock may be notified 15 days in advance by means of posting a public announcement on the Market Observation Post System website. The time and method of the public announcement mentioned in the foregoing paragraph, the main items stated in the meeting handbook, and other compliance requirements shall in all cases be as prescribed by the "Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Handbooks of Public Companies."
3. The subject of the meeting shall be explicitly stated in notices and public announcements. When the relevant parties grant their consent, notification may be performed using electronics means.
4. The election or dismissal of directors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, or any other issues prohibited by law from being proposed as special motions in the shareholders meeting shall be stated as the causes of convention and shall not be proposed as special motions in the meeting.
5. Where re-election of all directors as well as their inauguration date is stated in the notice of the reasons for convening the shareholders meeting, after the completion of the re-election in said meeting such inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting.

Article 3 Handling of proposals made before the shareholders' meeting

1. Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of the Company may propose to the Company a proposal in written for

discussion at the Meeting, but only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. The board of directors shall not include a proposal into the agenda if the proposal falls under any clause set forth in Company Act Article 172-1, Paragraph 4. Provided a shareholder proposal for urging the corporation to promote public interests or fulfill its social responsibilities may still be included in the agenda by the board of directors. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.

2. Prior to the date on which share transfer registration is suspended before the convention of the Meeting, the Company shall give a public notice announcing, the place and the period for shareholders to submit proposals for discussions at the Meeting; and the period for accepting such proposals shall not be less than ten (10) days.
3. The number of words of a proposal to be submitted by a shareholder shall be limited to no more than three hundred (300) words, and any proposal containing more than 300 words shall not be included in the agenda of the Meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the Meeting where his proposal is to be discussed and shall take part in the discussion of such proposal.
4. The Company shall, prior to preparing and delivering the Meeting notice, inform the proposal submitting shareholders of the results of the proposal, and shall list in the Meeting notice the proposals conforming to the requirements set out in this rule. With regard to the proposals submitted by shareholders but not included in the agenda of the Meeting, the cause for exclusion of such proposals and explanation shall be made by the board of directors at the Meeting to be convened.

Article 4 The exercise of voting rights and attendance by proxy

1. For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.
2. A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to the Company before five days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.
3. After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company before two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

Article 5 Location and time of meeting

The Meeting shall be held at the premises of Company or at a place that is both convenient for shareholders to attend and suitable for holding the Meeting. The Meeting shall start not earlier than 9:00 a.m. or later than 3:00 p.m.

Article 6 Registration of shareholders for attendance

1. The Company shall specify in the shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for

attendance, and other matters for attention. The time during which shareholder attendance registrations will be accepted shall be at least 30 minutes prior to the time the meeting commences.

2. Shareholders and their proxies shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification.
3. The Company shall set up a registration desk for the registration of the shareholders or proxies to the meeting by presenting the attendance sign-in cards.
4. This Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.
5. When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

Article 7 Chairman, personnel attending in a non-voting capacity

1. The Chairman shall serve as chairman of a shareholders' meeting convened by the Board. If the Chairman has taken leave of absence or cannot attend for some reason, the Chairman shall designate one director to act in his stead. If the Chairman has not designated anyone to act as chairman, the directors shall jointly elect one from among themselves to serve as meeting chairman.
2. If a shareholders' meeting has been convened by a person with convening powers other than the Board of Directors, the convener shall serve as the chairman. If there are two or more conveners, they shall jointly elect one from among themselves to serve as the chairman.
3. The company may designate commissioned lawyers, certified public accountants, or other relevant personnel to attend the shareholders' meeting in a non-voting capacity.

Article 8 Audio or video recording of shareholders' meeting

The Company, beginning from the time it accepts shareholder attendance registrations, shall make an audio or video recording of the entire proceedings of the shareholders' meeting, and shall preserve the recording for at least one year. If, however, a shareholder initiates a lawsuit in accordance with Article 189 of the Company Act, such a recording shall be preserved until the conclusion of the lawsuit.

Article 9 Calculation of number of shares present, holding of meeting

1. The calculation of attendance to shareholders' meeting of the Company shall be based on the quantity of shares being represented. The number of shares present shall include the quantity of shares represented by the shareholders present as stated in the attendance book and sign-in cards and the quantity of shares represented through electronic voting. There shall be no double counting of the shares for shareholders present in the meeting but elect to exercise their voting rights through electronic voting.
2. The chairman shall call the Meeting to order at the time scheduled for the Meeting provided that the number of shares represented by the shareholders present at the Meeting reaches the specified quorum. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chairman may announce a postponement, provided that no more than two such postponements, for a

combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chairman shall declare the meeting adjourned.

3. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within one month.
4. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chairman may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

Article 10 Discussion of proposals

1. The Board shall determine the agenda of a shareholders' meeting if it has convened that meeting. Votes shall be cast on each separate proposal in the agenda. The meeting shall proceed in accordance with the agenda. The agenda may not be changed without a resolution of the shareholders' meeting.
2. If a shareholders' meeting has been convened by some person with convening powers other than the Board, the regulations of the foregoing paragraph shall still apply.
3. The chairman may not arbitrarily announce adjournment in the absence of a resolution to that effect before the conclusion of deliberation of items (including special motions) on the agenda determined as prescribed in the two foregoing paragraphs. If the chairman announces adjournment in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders selecting a person to serve as chairman and continue the meeting with the consent of shareholders representing a majority of voting rights present.
4. The chairman must provide opportunities for adequate explanations and discussion in connection with proposals, revised proposals and special motions submitted by shareholders. The chairman may announce an end of discussion and put the motion to a vote when he considers it has reached the extent for making a resolution.

Article 11 Speaking

1. Before speaking, an attending shareholder or proxy shall first fill out a speaking slip specifying therein the major points of his or her speech, his or her shareholder account number (or attendance pass number), and account name. The chairman shall determine speaking order.
2. An attending shareholder or proxy who only submits a speaking slip but fails to actually speak shall be deemed to have not spoken. If the content of a shareholder's speech is inconsistent with that stated on his or her speaking slip, the content actually spoken shall take precedence.
3. Except with the consent of the chairman, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chairman may terminate the speech.
4. Other shareholders may not interfere with a speaking shareholder or proxy without obtaining the consent of the chairman and the speaking shareholder or proxy. The

chairman shall stop anyone who violates this rule.

5. When a government or juristic shareholder sends two or more representatives to attend the shareholders' meeting, the shareholder may designate only one person to speak on each occasion.
6. The chairman may personally respond, or designate another relevant person to do so, after a shareholder has spoken.

Article 12 Calculation of number of voting shares, recusal system

1. Votes at shareholders' meetings shall be calculated on the basis of number of shares.
2. When votes are taken on resolutions, the number of shares held by shareholders without voting rights shall not be included in the total number of issued shares.
3. A shareholder may not vote on a matter, and may not appoint another shareholder to exercise his or her voting rights, if the shareholder's conflict of interest with regard the motion may be detrimental to the company's interests.
4. In the foregoing paragraph, the number of voting rights that may not be exercised shall not be calculated among the total voting rights of the shareholders in attendance.
5. With the exception of trust enterprises and agents of stock affairs approved by the competent authority in charge of securities, a single person acting as the proxy for two or more shareholders may exercise voting rights not exceeding 3% of the voting rights of total issued shares. Any excess voting rights shall not be counted.

Article 13 Voting on resolutions

1. A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.
2. When the Company holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.
3. A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before two days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.
4. After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before two business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and

by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

5. Except as otherwise provided in the Company Act and in the Company's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chairman or a person designated by the chairman shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.
6. When there is an amendment or an alternative to a proposal, the chairman shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.
7. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chairman, provided that all monitoring personnel shall be shareholders of the Company.
8. Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

Article 14 Matters concerning elections

1. The proposal for the election of directors in the shareholders meeting shall be processed in compliance with the Directors Election Regulations of the Company and the result of which shall be announced on the scene immediately, including the names of those elected as directors and the numbers of votes with which they were elected.
2. In the process of aforementioned proposal for election, the monitoring personnel shall keep the ballots cast on the site together, affix their signatures or seals to the package, and forward the package to the Company for retention of at least one year, or as long as the conclusion of legal action instituted pursuant to Article 189 of the Company Act, where applicable.

Article 15 Meeting minutes and signing

1. The deliberation conducted at a shareholders' meeting shall be recorded in the meeting minutes. The chairman shall sign or affix his or her seal to the minutes. The minutes shall be issued to all shareholders within 20 days after the shareholders' meeting. The production and distribution of minutes may be performed using electronic means.
2. The release of the minutes of meeting on record as aforementioned may be announced by the Company through posting at MOPS.
3. The minutes shall record the year, month, day, and place of the meeting, the name of the chairman, the resolution method, a summary of deliberation, and the results of deliberation (including the number of voting rights) , and disclose the number of voting rights won by each candidate in the event of an election of directors. The minutes of shareholders' meetings must be preserved for as long as the company is in existence.

Article 16 Public announcements

1. The company shall, on the day of the shareholders' meeting, compile a statistical table

in prescribed format of the number of shares obtained by solicitors and by consigned agents on the day of the shareholders' meeting. This table shall be clearly displayed in the meeting venue.

2. If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 17 Maintenance of order

1. Personnel in charge of running a shareholders' meeting shall wear identification badges or armbands.
2. The chairman may ask disciplinary or security personnel to help maintain order at a meeting. Such personnel shall wear identification badges or armbands bearing the words "disciplinary personnel" when maintaining order at a meeting.
3. The meeting premises shall be equipped with loudspeaker equipment. The chairman may stop any shareholder speaking with loudspeaker equipment other than that arranged for by the Company.
4. The chairman may instruct disciplinary or security personnel to ask that any shareholder who violates the meeting rules of procedure and fails to heed a warning from the chairman, or impedes the progress of the meeting and fails to heed a call for restraint, to leave the premises.

Article 18 Intermission, resumption

1. The chairman may announce an intermission at an appropriate time during a shareholders' meeting. The chairman may also temporarily suspend a shareholders' meeting in the event of Force Majeure, and, if the circumstances permit, shall announce the time at which the meeting will resume.
2. If the meeting premises can no longer be used for the shareholders' meeting before the conclusion of deliberation of motions on the agenda (including special motions), the shareholders may make a resolution to seek another venue and continue the meeting.
3. In accordance with Article 182 of the Company Act, a shareholders' meeting may make a resolution to postpone the meeting until or resume the meeting at some other time within 5 days.

Article 19 Supplementary provisions

These Rules and Procedures shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

These Rules and Procedures adopted by the shareholders' meeting on June 18, 2002, and the first Amendment on June 10, 2003, the second Amendment on June 15, 2012, the third Amendment on May 16, 2019, the fourth Amendment on June 15, 2020, the fifth Amendment on July 30, 2021.

Advanced Power Electronics Co., Ltd.

The Articles of Incorporation

- Chapter I
General Provisions
- Article 1 The Company shall be incorporated as a company, under the Company Act of the Republic of China. The name of the Company shall be 富鼎先進電子股份有限公司, which shall be written in English as “Advanced Power Electronics Corp.” (hereinafter referred to as “the Company”).
- Article 2 The scope of business of the Company shall be:
1. CC01080 Electronic Parts and Components Manufacturing.
 2. F113020 Wholesale of Household Appliance.
 3. F213010 Retail Sale of Household Appliance.
 4. I501010 Product Appearance Designing.
 5. I301010 Software Design Services.
 6. I599990 Other Designing (Electronic component design、IC design、semi-conductor design).
 7. IZ99990 Other Industry and Commerce Services Not Elsewhere Classified (Electronic component、IC、electronic test service).
 8. F119010 Wholesale of Electronic Materials.
 9. F219010 Retail Sale of Electronic Materials.
 10. ZZ99999 Any other business (other than those approved by the relevant authorities) not prohibited or restricted by law.
- Article 3 The Company shall have its registered head office in Hsinchu County and shall, where necessary and with a resolution to do so by the Board of Directors, set up branch offices either within or outside the territory of the Republic of China.
- Article 4 The total amount of the Company’s reinvestment shall not be subject to the restriction as provided in Article 13 of the Company Act. Any matters regarding the reinvestment shall be resolved in accordance with the resolutions of the Board of Directors if there are any business needs.
- Article 4-1 The Corporation may provide endorsement and guarantee and act as a guarantor. Unless otherwise provided by the relevant laws, rules and regulations, the Company may handle endorsement and guaranty affairs in accordance with the Operation Procedures for the Endorsement and Guaranty of the Company.
- Chapter II
Shares
- Article 5 The total registered capital stock of the Company shall be Two Billion New Taiwan Dollars (NT\$2,000,000,000), divided into Two Hundred million (200,000,000) shares with a par value of Ten New Taiwan Dollars (NT\$10) per share. Any unissued shares shall be issued as common shares or preferred shares, where necessary, upon the approval of the Board.
Seven million fifty hundred thousand shares of the above total capital stock of the Company shall be retained for the issuance of employee stock options.
- Article 5-1 For issuance of employee stock options where the price is less than the closing price of the Company shares on the date of issuance, or where the price of the

treasury stocks to be transferred to the employees is less than the average price of the repurchased shares, shareholders representing the majority of the issued shares shall be present and approval by at least 2/3 of the presenting shareholders shall be required.

Article 6 The share certificates of the Company shall bear the shareholders' names, be signed or sealed by the Chairman and at least three other directors, and legalized by Competent Authority or its certified issuance registration agency before they are issued. When issuing new shares, the Company may print a share certificate in respect of the full number of shares to be issued at that time. Shares issued by the Company may also be exempt from printing of share certificates, and the Company shall arrange for such shares to be recorded by a centralized securities custodian institution.

Article 7 Registration of share transfers shall be suspended for a 60-day period immediately prior to a regular meeting of the shareholders; for a 30-day period immediately prior to a special meeting of the shareholders; and for a 5-day period immediately prior to the record date for distribution of dividend, bonuses or other benefits.

Article 8 Any affair with regard to the shares of the Company shall be handled in accordance with the Guidelines for Handling Stock Affairs by a Public Issuing Company promulgated by the competent regulatory authority.

Chapter III Shareholders' Meeting

Article 9 Shareholders' meetings shall be of two types: regular meeting and special meeting.

The regular meeting of shareholders shall be convened within six months after close of each fiscal year, unless otherwise approved by the competent authority for good cause shown. Special meetings shall be convened when necessary in accordance with the relevant laws, rules and regulations.

Article 9-1 The shareholders holding one percent (1%) or more of the total number of outstanding shares of the company may propose to the company a proposal for discussion upon written or email at a regular shareholders' meeting, provided that only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. Any affair shall be handled in accordance with the Company Act and relevant regulations.

Article 9-2 When the company plans to cancel the public offering of shares, a resolution of the shareholders meeting shall be submitted.

Article 10 A shareholder is entitled to appoint a proxy to attend and vote on behalf of the shareholder at a shareholders' meeting by completing and submitting to the Company a form prescribed by the Company stating the scope of authorization. Unless otherwise provided by Article 177 of The Company Act, measures concerning use of proxy shall be governed by Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies Regulations promulgated by the competent regulatory authority.

Article 11 Unless otherwise provided by the related laws and regulations, shareholders of

- the Company shall be entitled to one vote for each share held at the shareholders' meeting.
- Article 12 Unless otherwise provided by the relevant laws, rules and regulations, shareholders' meetings may be held if attended by shareholders in person or by proxy representing more than one half of the total issued and outstanding capital stock of the Company, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting.
- Article 13 Where a shareholders' meeting is convened by the Board of Directors, the chairman of the Board of Directors shall act as the chairman of the shareholders' meeting. In the event that the chairman is to be on leave of absence, one of the directors appointed by the chairman, or, where there is no appointment, a director elected among all the directors, may act on behalf of the chairman. Where a shareholders' meeting is convened by a person with authority other than the Board of Directors, such convener shall act as the chairman of the shareholders' meeting. Where there are two (2) or more conveners, the chairman of the meeting shall be elected amongst such conveners.
- Article 14 Resolutions at a shareholders' meeting shall be recorded in a meeting minute signed by or affixed with the personal seal of the chairman. The meeting minute shall be distributed to all the shareholders of the Company by public announcement made through the MOPS within 20 days after the shareholders' meeting.
- Chapter IV Directors, Audit Committee and Managerial Officers
- Article 15 There shall be 5 to 7 Directors of the Company. Among the directors, there shall be no less than 3 independent directors. The election of Directors and independent Directors is adopted by candidate nomination system. The tenure of the offices of the Directors shall be 3 years and the Directors shall be eligible for re-elections. The ratio of the total share held by all directors shall comply with the requirements of the governing agency of securities. The Company may purchase liability insurance for directors with respect to their liabilities resulting from exercising their duties during their terms of occupancy.
- Article 15-1 The Board of Directors' meeting shall be convened the Chairman of the Board of Directors, upon written notice mailed to all the other Directors, at least seven days, unless in case of urgent circumstances, prior to the date of the meeting, specifying the date and place of the meeting and its agenda. The notice of the Board meetings may be made and delivered by email or facsimile. The independent directors shall together constitute the Audit Committee. The Audit Committee shall exercise their powers and other relevant matters in accordance with the relevant laws, regulations of the Securities and Exchange Act.
- Article 16 If one third of the offices of the Directors become vacant, the Board shall convene a special meeting of the shareholders within 60 days to re-elect and re-appoint Directors to fill the vacancies. The tenure of offices so filled shall be the balance of the term of the relevant offices.
- Article 17 The Chairman shall be elected respectively from amongst the Directors by a simple majority of the Directors present at the Board meetings attended by at least

two thirds of all the Directors. The Chairman shall have the right to execute in the name and on behalf of the Company.

In his/her absence or unable to exercise his/her powers, any one of the Directors shall be acting for him/her according to Article 208 of the Company Law.

Article 18 Except as otherwise provided in the relevant laws or this Articles of Incorporation, any resolution of a Board of Directors' meeting shall be adopted at a meeting which at least general majority of the directors attend and at which meeting a general majority of the directors present vote in favor of such resolution.

Article 18-1 In case any of the directors cannot attend the meeting for any cause whatsoever, he/she may designate the other directors to act on his/her behalf and such agent shall present the proxy setting forth the vested power of the purpose of the meeting each time. However, each agent shall only accept one appointment from the directors.

Article 19 Regardless gain or loss of the financial status of the Company, the remuneration and compensation of the directors shall be determined by the Board of Directors based on the participation and the contribution of each director in the business operation of the Company without exceeding the Company's highest level.

Article 20 The Company shall have one (1) president and several executive vice presidents whose appointment, dismissal and remuneration shall be by Article 29 of Company Act hereof.

Chapter V Accounting

Article 21 At the end of each fiscal year, the Board of Directors shall prepare the related reports and proposals to be submitted to the Audit Committee 30 days prior to the regular shareholders' meeting for acknowledgement. The reports resolved by the Board of Directors shall be submitted to the regular shareholders' meeting for acceptance.

Article 22 In annual profit-making year, the Company should distribute no less than 8% of profit as employees' compensation, and not more than 3% of profit should be distributed as Directors' compensation. The Company should by a resolution adopted by a majority vote at a meeting of the Board of Directors, have the profit distributable as employees' compensation in the preceding paragraph distributed in the form of share or in cash; and report at the regular shareholders' meeting. However, that if the Company has any accumulated losses, an amount to offset should be reserved in advance and the abovementioned compensations will be made from the remaining profits.

Article 23 After the Company has paid all taxes due at the end of each fiscal year, the Company shall make up its accumulated losses and set aside ten percent (10 %) earning as a statutory revenue reserve before distribution of earnings, except when the accumulated amount of such legal reserve equals to the Company's total authorized capital.

The Company may also set aside or reverse special reserve(s) according to the relevant laws, rules and regulations.

The total amount of the remaining amount, along with the accumulated retained earnings from the previous year, the Board of Directors may prepare a proposal

to distribute such profit, and submit to the shareholders' meeting for approval.

In consideration of the growth period of the Company and in conjunction with capital needs in future and long-term financial planning in addition to satisfaction to shareholders with respect to the needs of cash flow, it has been decided that cash dividend for distribution to shareholders as shareholder's dividend under the abovementioned shall not be lower than 10% of the total dividend. However, the type and ratio of the distribution can be adjusted according to the resolution of the regular shareholders' meeting, depending on the actual profit and capital status of the year.

Chapter VI

Supplementary Provisions

Article 24

The internal organization of the Corporation and the detailed procedures of business operation shall be determined by the Board of Directors.

Article 25

In regard to all matters not provided for in these Articles of Incorporation, the Company Act and the relevant laws, rules and regulations shall govern.

Article 26

These Articles of Incorporation are agreed to and signed on July 6, 1998 by all the promoters of the Corporation, and the first Amendment was approved by the shareholders' meeting on July 31, 1998, the second Amendment on September 21, 1998, the third Amendment on June 30, 1999, the fourth Amendment on September 17, 1999, the fifth Amendment on November 3, 1999, the sixth Amendment on June 8, 2000, the seventh Amendment on June 18, 2002, and the eighth Amendment on June 10, 2003, the ninth Amendment on June 16, 2004, the tenth Amendment on June 16, 2005, the eleventh Amendment on June 6, 2006, the twelfth Amendment on June 6, 2008, the thirteenth Amendment on June 10, 2009, the fourteenth Amendment on June 17, 2010, the fifteenth Amendment on June 9, 2011, the sixteenth Amendment on June 15, 2012, the seventeenth Amendment on June 20, 2013, the eighteenth Amendment on January 17, 2014, the nineteenth Amendment on May 14, 2014, the twentieth Amendment on May 19, 2016, and the twenty-first Amendment on May 16, 2019.

Advanced Power Electronics Co., Ltd.**Shareholdings of All Directors**

Record Date: February 13, 2022

Title	Name	Shares
Chairman	Future Technology Consulting, Inc. Representative: Fu-Chi Teng	3,084,899
Director	STCH Investment Inc. (Cayman) Representative: Chih-Cheng Chang	5,700,247
Director	Ji-Yu Yang	0
Director	Shih-Chieh Tsai	0
Independent Director	Yong-Sheng Liu	0
Independent Director	Ciou-Lin Chen	0
Independent Director	Pei-Jun Wu	0
	Total	8,785,146

Notes:

1. Total shares issued as of 2/13/2022: 81,340,493 common shares.
2. According to Article 26 of the Securities and Exchange Act and Article 2, Paragraph 1, Subparagraph 7 and Paragraph 2 of the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies: the minimum number of shares that shall be held by all directors of the Company is 6,507,239.