



Advanced Power Electronics Co., Ltd.
Annual Shareholders' Meeting Notice
(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)

Meeting Agenda

1. Reports Items

- (1). The 2021 Business Report
- (2). The 2021 Audit Committee Report
- (3). The distribution of the 2021 employees' and directors' compensation

2. 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

Attachment

Explanatory Notes:

To approve the issuance of employee restricted stock awards for year 2022

- (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 2022 Annual Shareholders' Meeting Agenda.

(5). The proposals have been proposed by the Board of Directors and the Audit Committee and will be submitted to the annual shareholders' meeting for resolution.

Explanatory Notes:

Proposal for a cash offering by private placement and issuance of new shares

(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 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). The proposals have been proposed by the Board of Directors and the Audit Committee and will be submitted to the annual shareholders' meeting for resolution.

Please refer to the MOPS website <http://mops.twse.com.tw/> for the related matters of Private Placements in accordance with the requirements of Article 43-6 of the "Securities and Exchange Act" or the website of the Company for the information.

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 accordance with 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