

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO

Commission file number 001-34717

Alpha and Omega Semiconductor Limited

(Exact name of Registrant as Specified in its Charter)



Bermuda
(State or Other Jurisdiction of Incorporation or Organization)

77-0553536
(I.R.S. Employer Identification Number)

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda
(Address of Principal Registered
Offices including Zip Code)

(408) 830-9742
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Shares, \$0.002 par value per share

Trading Symbol(s)
AOSL

Name of each exchange on which registered
The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Smaller reporting company	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>	(Do not check if a smaller reporting company)	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting shares held by non-affiliates of the registrant as of December 31, 2020 was approximately \$487 million based on the closing price of the registrant's common share as reported on the NASDAQ Global Select Market on December 31, 2020 (the last business day of the registrant's most recently completed second fiscal quarter). The common shares of the registrant held by each executive officer and director and certain affiliated shareholders who beneficially owned 10% or more of the outstanding common stock of the registrant have been excluded in such calculation as such persons and entities may be deemed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

There were 26,353,091 shares of the registrant's common shares outstanding as of July 31, 2021.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the registrant's 2021 Annual General Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K to the extent stated herein. The Definitive Proxy Statement is expected to be filed within 120 days of the registrant's fiscal year ended June 30, 2021.

Alpha and Omega Semiconductor Limited
Form 10-K
For the Year Ended June 30, 2021
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PART I

Item 1. Business

Forward Looking Statements

This Annual Report on Form 10-K and the documents incorporated herein by reference contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the “safe harbor” created by those sections. Forward-looking statements are based on our management’s beliefs and assumptions and on information currently available to our management. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “intend,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “project,” “predict,” “potential” and similar expressions intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance, time frames or achievements to be materially different from any future results, performance, time frames or achievements expressed or implied by the forward-looking statements. We discuss many of these risks, uncertainties and other factors in this Annual Report on Form 10-K in greater detail in Item 1A. “Risk Factors.” Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this filing. You should read this Annual Report on Form 10-K in its entirety and with the understanding that our actual future results may be materially different from what we expect. We hereby qualify our forward-looking statements by these cautionary statements. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

Overview

We are a designer, developer and global supplier of a broad portfolio of power semiconductors. Our portfolio of power semiconductors includes approximately 2,400 products, and has grown significantly with the introduction of over 160 new products in the fiscal year ended June 30, 2021, and over 160 and 200 new products in the fiscal year ended June 30, 2020 and 2019, respectively. Our teams of scientists and engineers have developed extensive intellectual properties and technical knowledge that encompass major aspects of power semiconductors, which we believe enables us to introduce and develop innovative products to address the increasingly complex power requirements of advanced electronics. We have an extensive patent portfolio that consists of 863 patents and 58 patent applications in the United States as of June 30, 2021. We also have a total of 898 foreign patents, which primarily were based on our research and development efforts through June 30, 2021. We differentiate ourselves by integrating our expertise in technology, design, and advanced packaging to optimize product performance and cost. Our portfolio of products targets high-volume applications, including portable computers, graphics cards, flat panel TVs, home appliances, smart phones, battery packs, consumer and industrial motor controls and power supplies for TVs, computers, servers and telecommunications equipment.

During the fiscal year ended June 30, 2021, we continued our diversification strategy by developing new silicon and packaging platforms to expand our serviceable available market, or SAM and offer higher performance products. Our metal-oxide-semiconductor field-effect transistors, or MOSFET, portfolio expanded significantly across a full range of voltage applications. We also developed new technologies and products designed to penetrate into markets beyond our MOSFET computing base, including the consumer, communications and industrial markets, Insulated Gate Bipolar Transistors, or IGBTs for the home appliance market, as well as power ICs for the next generation computing applications.

Our business model leverages global resources, including research and development and manufacturing in the United States and Asia. Our sales and technical support teams are localized in several growing markets. We operate an 8-inch wafer fabrication facility located in Hillsboro, Oregon (the “Oregon fab”), which is critical for us to accelerate proprietary technology development, new product introduction and improve our financial performance. To meet the market demand for the more mature high volume products, we also utilize the wafer manufacturing capacity of selected third party foundries. For assembly and test, we primarily rely upon our in-house facilities in China. In addition, we utilize subcontracting partners for industry standard packages. We believe our in-house packaging and testing capability provides us with a competitive advantage in proprietary packaging technology, product quality, costs and sales cycle time.

On March 29, 2016, we entered into a joint venture contract (the “JV Agreement”) with two investment funds affiliated with the municipalities of Chongqing (the “Chongqing Funds”), pursuant to which we and Chongqing Funds formed a joint venture, (the “JV Company”), for the purpose of constructing a power semiconductor assembly and test facility and a 12-inch wafer fabrication facility in the Liangjiang New Area of Chongqing, China (the “JV Transaction”). As of June 30, 2021, we own 51%, and the Chongqing Funds own 49%, of the equity interest in the JV Company. During the fiscal year 2021, the

additional capacity at the JV Company contributed significantly to meeting the increasing demand for our products. The JV Company has reached its targeted production of assembly and testing and is currently ramping up its Phase I of the 12-inch wafer fabrication. While the JV Company is our consolidated subsidiary for purpose of financial reporting, it operates as an independent and separate legal entity. As a result, the JV Company's assets and liabilities are generally segregated from our company's assets and liabilities. For example, the JV Company incurs debt through its own financing and bank loan agreements, and we are not parties to these agreements and do not provide any guarantee or security for the JV Company's debt, nor do we have direct access to any cash proceeds borrowed from such loan agreements.

We were incorporated in Bermuda on September 27, 2000 as an exempted limited liability company. The address of our registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of our U.S. office is Alpha and Omega Semiconductor Incorporated, 475 Oakmead Parkway, Sunnyvale, CA 94085. Telephone number of our U.S. office is (408) 830-9742. We have incorporated various wholly-owned subsidiaries in different jurisdictions, and a subsidiary (the JV Company) in which we have a controlling interest. Please refer to Exhibit 21.1 to this Form 10-K for a complete list of our subsidiaries.

Our industry

Semiconductors are electronic devices that perform a variety of functions, such as converting or controlling signals, processing data and delivering or managing power. With advances in semiconductor technology, the functionality and performance of semiconductors have generally increased over time, while size and cost have generally decreased. These advances have led to a proliferation of more complex semiconductors being used in a wide variety of consumer, computing, communications and industrial markets and have contributed to the growth of the semiconductor industry.

Analog semiconductors

The semiconductor industry is segmented into analog and digital. Analog semiconductors process light, sound, motion, radio waves and electrical currents and voltages. In contrast, digital semiconductors process binary signals represented by a sequence of ones and zeros.

As a result of these fundamental differences, the analog semiconductor industry is distinct from the digital semiconductor industry in terms of the complexity of design and the length of product cycle. Improper interactions between analog circuit elements can potentially render an electronic system inoperable. Experienced engineers engaged in the design process are necessary because computer-aided design cannot fully model the behavior of analog circuitry. Therefore, experienced analog engineers with requisite knowledge are in great demand but short supply worldwide. In addition, analog semiconductors tend to have a longer product life cycle because original design manufacturers, or ODMs and original equipment manufacturers, or OEMs typically design the analog portions of a system to span multiple generations of their products. Once designed into an application, the analog portion is rarely modified because even a slight change to the analog portion can cause unexpected interactions with other components, resulting in system instability.

Power semiconductors

Power semiconductors are a subset of the analog semiconductor sector with their own set of characteristics unique to system power architecture and function. Power semiconductors transfer, manage and switch electricity to deliver the appropriate amount of voltage or current to a broad range of electronic systems and also protect electronic systems from damage resulting from excessive or inadvertent electrical charges.

Power semiconductors can be either discrete devices, which typically comprise only a few transistors or diodes, or ICs, which incorporate a greater number of transistors. The function of power discrete devices is power delivery by switching, transferring or converting electricity. Power transistors comprise the largest portion of the power discrete device market. Power ICs, sometimes referred to as power management ICs, perform power delivery and power management functions, such as controlling and regulating voltage and current and controlling power discrete devices.

The growth of the power semiconductor market in recent years has several key drivers. The proliferation of computer and consumer electronics, such as notebooks, tablets, smart phones, flat panel displays and portable media players created the need for sophisticated power management to improve power efficiency and extend battery life. The evolution of these products is characterized by increased functionality, thinner or smaller form factors and decreasing prices. Our Power IC and low voltage (5V-40V) MOSFET products address this market. In the area of AC-DC power supplies for electronic equipment, data centers and servers, the market is characterized by a continuous demand for energy conservation through higher efficiency, which is driving the need for our medium voltage (40V-400V) and high voltage (500V-1000V) MOSFET products. The increased

application of power semiconductors to control motors in white goods and industrial applications, is driving demand for Insulated Gate Bipolar Transistors, or IGBTs. IGBTs are also being used in renewable energy and automotive applications.

The evolution toward smaller form factors and complex power requirements in the low voltage areas has driven further integration in power semiconductors, resulting in power ICs that incorporate the functionalities of both power management and power delivery in a single device. Power ICs can be implemented by incorporating all necessary power functions either on one piece of silicon or multiple silicon chips encapsulated into a single device. Additionally, the advancement in semiconductor packaging technology enables increased power density and shrinking form factors.

Power semiconductor suppliers develop and manufacture their products using various approaches which tend to fall across a wide spectrum of balancing cost savings with proprietary technology advantages. At one end of the spectrum are integrated design manufacturers, or IDMs, which own and operate the equipment used in the manufacturing process and design and manufacture products at their in-house facilities. IDMs exercise full control over the implementation of process technologies and have maximum flexibility in setting priorities for their production and delivery schedules. At the other end of the spectrum are completely-outsourced fabless semiconductor companies, which rely entirely on off-the-shelf technologies and processes provided by their manufacturing partners. These companies seek to reduce or eliminate fixed costs by outsourcing both product manufacturing and development of process technologies to third parties. Our model seeks to achieve the best balance between technological advancement and cost effectiveness by using a dedicated in-house technology research and development team to drive rapid new product developments, while utilizing both in-house and third-party foundry capacity for our products. This is particularly important in the development of power semiconductor products due to the unique nature of their technology. While digital technologies are highly standardized in leading foundries, power semiconductor technologies tend to be more unique as they seek to accommodate a wider range of voltage applications. Accordingly, third-party foundries, which are primarily designed and established for digital technologies, may have limited capabilities when it comes to the development of new power semiconductor technologies.

Our strategies

Our strategy is to advance our position as a leading designer, developer and global supplier of a broad portfolio of power semiconductors. To accomplish this, we have adopted a strategy that allows us to accelerate the development of our proprietary technology at our in-house fabrication facilities, bring new products to market faster, and improve our financial performance in the long run. This model also provides quicker response to our customer demands, enhances relationships with strategic customers, and provides flexibility in capacity management and geographic diversification of our wafer supply chain. Our in-house manufacturing capability allows us to retain a higher level of control over the development and application of our proprietary process technology, thereby reducing certain operational risks and costs associated with utilizing third-party foundries. We recently commenced a plan to enhance the manufacturing capability and capacity of our Oregon fab by investing in new equipment and expanding our factory facilities, which we expect will have a positive impact on our future new product development and revenue, particularly during the period of global shortage of capacity.

Although our largest end-market is the personal computing ("PC") market, we have successfully diversified our business by expanding into other markets, including the consumer, communications, power supply and industrial markets. While we have made progress in our diversification and expansion into additional applications, we continue to support and grow our PC business by expanding bill-of-material content, gaining market share, and acquiring new customers.

We plan to further expand the breadth of our product portfolio to increase our total bill-of-materials within an electronic system and to address the power requirements of additional electronic systems. Our product portfolio currently consists of approximately 2,400 products and we have introduced over 160 new products in this past fiscal year. We will continue to leverage our expertise to further increase our product lines, including higher performance power ICs, IGBTs and high, medium and low voltage MOSFETs, in order to broaden our addressable market and improve our margin profile. We are also in the process of developing a digital power controller and smart power stage product lines based on the technology that we licensed from STMicro. We believe that our increased product offerings will allow us to penetrate new end-market applications and provide us with an important competitive advantage. OEMs and ODMs generally prefer to limit their supplier base to a smaller set of vendors capable of providing a comprehensive menu of products across multiple electronic platforms.

Leverage our power semiconductor expertise to drive new technology platforms

We believe that the ever-increasing demand for power efficiency in power semiconductors requires expertise in and a deep understanding of the interrelationship among device physics, process technologies, design and packaging. We also believe that engineers with experience and understanding of these multiple disciplines are in great demand but short supply. Within this context, we believe that we are well positioned to be a leader in providing total power management solutions

because of our extensive pool of experienced scientists and engineers and our strong IP portfolio. Accordingly, we intend to leverage our expertise to increase the number of power discrete technology platforms and power IC designs, including future digital power controller products that are currently under development, to expand our product offerings and deliver complete power solutions for our targeted applications. In addition, our ability to develop new technology is enhanced by the operation of our own manufacturing facilities in Oregon and Chongqing.

Increase direct relationships and product penetration with OEM and ODM customers

We have developed direct relationships with key OEMs who are responsible for branding, designing and marketing a broad array of electronic products, as well as ODMs who have traditionally been responsible for manufacturing these products. While OEMs typically focus their design efforts on their flagship products, as the industry has evolved, ODMs are increasingly responsible for designing portions, or entire systems, of the products they manufacture for the OEMs. In addition, several ODMs are beginning to design, manufacture and brand their own proprietary products which they sell directly to consumers. We intend to strengthen our existing relationships and form new ones with both OEMs and ODMs by aligning our product development efforts with their product requirements, increasing the number of our products used within their systems, and leveraging our relationships to penetrate their other products. In addition, we are refocusing our research and development efforts to respond more directly to market demand by designing and developing new products based on feedback from our customers, which also allows us to reduce time-to-market and sales cycles.

Leverage global business model for cost-effective growth

We intend to continue to leverage our global resources and regional strengths. We will continue to deploy marketing, sales and technical support teams in close proximity to our end customers. We plan to further expand and align our technical marketing and application support teams along with our sales team to better understand and address the needs of our end customers and their end-market applications, in particular for those with the new technology platforms developed in this past year and in the future. This will assist us in identifying and defining new technology trends and products and to help us gain additional design wins. In addition, we have made significant progress in the past fiscal year towards the completion of the manufacturing facilities and commencement of production at the JV Company. We expect the JV Company will, in the long term, reduce the cost of manufacturing our products and accelerate the development of new products, while allowing us to gain valuable access to new customers in China.

Our products

To serve the large and diverse analog market for power semiconductors, we have created a broad product portfolio consisting of two major categories: power discretes and power ICs.

Our power discretes products consist primarily of low, medium and high voltage power MOSFETs. Our low voltage MOSFET series is based on our proprietary silicon and package technologies, with deep application know-how in various markets. We have precisely defined technology platforms to address different requirements from various applications. Our medium voltage MOSFETs provide optimized performance with high efficiency, high robustness and high reliability, and are widely used in applications such as TV backlighting, telecom power supplies, and industrial applications. We expanded our high voltage 600V and 700V MOSFET portfolio based on our aMOS technology platform to address robust consumer and industrial applications. Our high-voltage portfolio includes our proprietary insulated-gate bipolar transistor ("IGBT") technology, which we provide highly robust and easy-to-use solutions for industrial motor control and white goods applications. We have also released our first 1200V SiC (Silicon carbide) product based on our new AlphaSiC platform, designed to address high efficiency, high density industrial applications such as solar inverters, UPS, and battery management systems.

Our power ICs deliver power as well as control and regulate the power management variables, such as the flow of current and level of voltage. Our DrMOS family of products continued to grow as we paired our latest high performance MOSFET silicon with our latest Driver IC technologies. We continued to expand our EZBuck power IC family with products that feature lower on-resistance, less power consumption, smaller footprint and thermally enhanced packages. While we derive the majority of our revenue from the sales of power discretes products, sales of power ICs continued to gain traction during the past years. Our Type C smart load switch product line has also expanded as it offers reverse blocking capability, designed to protect applications against high voltage exposure.

The following table lists our product families and the principal end uses of our products:

Product Family	Description	Product Categories within Product Type	Typical Application
Power Discretes	Low on-resistance switch used for routing current and switching voltages in power control circuits High power switches used for power circuits	DC-DC for CPU/GPU DC-AC conversion AC-DC conversion Load switching Motor control Battery protection Power factor correction	Smart phone chargers, battery packs, notebooks, desktop and servers, data centers, base stations, graphics card, game boxes, TVs, AC adapters, power supplies, motor control, power tools, E-vehicles, white goods and industrial motor drives, UPS systems, solar inverters and industrial welding
Power ICs	Integrated devices used for power management and power delivery Analog power devices used for circuit protection and signal switching	DC-DC Buck conversion DC-DC Boost conversion Smart load switching DrMOS power stage Transient voltage protection Analog switch Electromagnetic interference filter	Flat panel displays, TVs, Notebooks, graphic cards, servers, DVD/Blu-Ray players, set-top boxes, and networking equipment Notebooks, desktop PCs, tablets, flat panel displays, TVs, smart phones, and portable electronic devices

Power discrete products

Power discretes are used across a wide voltage and current spectrum, requiring them to operate efficiently and reliably under harsh conditions. Due to this wide applicability across diverse end-market applications, we market general purpose MOSFETs that are used in multiple applications as well as MOSFETs targeted for specific applications.

Our current power discrete product line includes industry standard trench MOSFETs, SRFETs, XSFET, electrostatic discharge, protected MOSFETs, high and mid-voltage MOSFETs and IGBTs.

Power IC products

In addition to the traditional monolithic or single chip design, we employ a multi-chip approach for the majority of our power ICs. This multi-chip technique leverages our proprietary MOSFET and advanced packaging technologies to offer integrated solutions to our customers. This allows us to update product portfolios by interchanging only the MOSFETs without changing the power management IC, thereby reducing the time required for new product introduction and providing optimal solutions to our customers. We believe that our power IC products improve our competitive position by enabling us to provide higher power density solutions to our end customers than some of our competitors.

The incorporation of both power delivery and power management functions tends to make power ICs more application specific because these two functions have to be properly matched to a particular end product. We have local technical marketing and applications engineers who closely collaborate with our end customers to help ensure that power IC specifications are properly defined at the beginning of the design stage.

New Product Introduction

We introduced several new products based on our proprietary technology platform and continue to expand our product families.

During the fourth quarter of fiscal year of 2021, we introduced a series of single-channel Transient Voltage Suppressor (TVS) for high-speed line protection using the best-in-class low capacitance TVS platform. The new products are well suited for Electrostatic Discharge (ESD) protection of Type-C connectors in mobiles, laptops, televisions, and other electronic devices. We also announced a new series of Smart Power Stages (SPS) targeting multiphase VR regulators powering high-performance GPU and CPU in desktop Add-In Graphics Cards (AICs), gaming laptops, servers, data storage, artificial intelligence, and networking equipment. In addition, we introduced a new family of application-specific EZBuck™ regulators. The AOZ2263VQI-01 and AOZ2263VQI-02 are offered in a QFN 4 x 4 package and offer the industry's most compact footprint to support VCCIO rails in Intel Rocket Lake platforms used in desktop computing systems.

During the third quarter of fiscal year of 2021, we released a new family of active AC-DC bridge rectifiers. Aptly trademarked AlphaZBL™ for “zero bridge loss,” this new family of products virtually eliminates the bridge rectifier losses in AC-DC power supplies and adaptors. Typical end applications include high power 100W and above adaptors used for high-end laptops and televisions as well as power supplies for Desktops, Game consoles, Servers, and Telecom. We also released the new AEC-Q101 qualified 1200V silicon carbide (SiC) αSiC MOSFETs in optimized TO-247-4L package. Ideal for the high efficiency and reliability requirements of electric vehicle (EV) on-board chargers, motor drive inverters, and off-board charging stations, these 1200V SiC MOSFETs provide the industry-leading lowest on-resistance available for an automotive qualified TO-247-4L with a standard gate drive of 15V. We introduced a new family of application-specific EZBuck™ regulators. The AOZ2264VQI and AOZ2369VQI are offered in a QFN 4 x 4 and QFN 5 x 5 package, respectively, and offer the industry’s most compact footprint to support VCCIN_AUX rails in Intel Tiger Lake platforms used in notebook and desktop computing systems. Moreover, we announced a new Type-C Power Delivery (PD) high voltage source protection switch capable up to 28V absolute maximum voltage. The AOZ1374 is a smart protection switch in a small thermally enhanced 3mm x 3mm DFN package. AOS’s prowess in high-performance ICs combined with AOS’s state of the art high SOA MOSFETs using advanced co-packaging techniques. AOZ1374 supports a slew of protection features, including true reverse blocking in a small solution footprint with an industry-leading on-resistance of 36mOhm.

During the second quarter of fiscal year of 2021, we released AOTL66518 and AOB66518L, a 150V MOSFET with low on-resistance and a high Safe Operating Area (SOA) capability designed for demanding applications in Telcom Hot Swap. Also, we announced the release of a Fast Switching 600V αMOS5™ Super Junction MOSFETs in SMD-type TOLL Package. αMOSS is AOS’s latest generation of high voltage MOSFET, designed to meet the high efficiency and high-density needs for Quick Charger, Adapter, PC Power, Server, Industrial Power, Telecom, and Hyperscale Datacenter applications.

During the first quarter of fiscal year of 2021, we introduced a series of Transient Voltage Suppressors for high-speed line protection using the best-in-class low capacitance TVS platform. The new products are well suited for Electrostatic Discharge (ESD) protection for laptops, televisions, and other electronic devices. In addition, we announced a new series of DrMOS targeting multiphase VR regulators powering high-performance GPU and memory in desktop Add-In Graphics Cards (AICs) and gaming notebooks. The AOZ531xQI series uses AOS latest generation of Gen Alpha MOSFET technology to provide benchmark performance in a 5mm x 5mm QFN package. The series comprises of three DC current levels for multiphase voltage regulator optimization. Also, we announced the release of, AONS32310, a 30V MOSFET with low on-resistance and a high Safe Operating Area (SOA) capability which is ideally suited for demanding applications such as hot swap and effuse. Moreover, we announced the release of RigidCSP™ for battery management. The new package technology is ideal for applications such as smartphones, tablets, and ultra-thin notebooks.

Distributors and customers

We have established direct relationships with key OEMs, including Dell Inc., Hewlett-Packard Company, LG Electronics, Inc. and Samsung Group, most of whom we serve through our distributors and ODMs. In addition, based on our historical design win activities, our power semiconductors are also incorporated into products sold to many other leading OEMs.

Through our distributors, we provide products to ODMs who traditionally are contract manufacturers for OEMs. As the industry has evolved, ODMs are increasingly responsible for designing portions, or entire systems, of the products they manufacture for the OEMs. In addition, several ODMs are beginning to design, manufacture and brand their own proprietary products, which they sell directly to consumers. Our ODM customers include Compal Electronics, Inc., Foxconn, Quanta Computer Incorporated, Pegatron, Wistron Corporation and AOC International.

In order to take advantage of the expertise of end-customer fulfillment logistics and shorter payment cycles, we sell most of our products through distributors. In general, under our agreements with distributors, they have limited rights to return unsold merchandise, subject to time and volume limitations. As of June 30, 2021, 2020 and 2019, our two largest distributors were WPG Holdings Limited, or WPG, and Promate Electronic Co. Ltd., or Promate. Sales to WPG and Promate accounted for 35.4% and 28.7% of our revenue, respectively, for the fiscal year ended June 30, 2021, 35.5% and 29.3% of our revenue, respectively, for the fiscal year ended June 30, 2020, and 36.4% and 28.8% of our revenue, respectively, for fiscal year ended June 30, 2019, respectively.

Sales and marketing

Our marketing division is responsible for identifying high growth markets and applications where we believe our technology can be effectively deployed. We believe that the technical background of our marketing team, including application engineers, helps us better define new products and identify potential end customers and geographic and product market opportunities. For example, as part of our market diversification strategy, we have deployed and plan to recruit more, field application engineers, or FAEs, for our new product offerings, who provide real-time and local response to our end customers’ needs. FAEs work with our end customers to understand their requirements and resolve technical problems. FAEs also strive

to anticipate future customer needs and facilitate the design-in of our products into the end products of our customers. We believe this strategy increases our share of revenue opportunities within the applications we currently serve, as well as in new end-market applications.

Our sales team consists of sales personnel, field application engineers, customer service representatives and customer quality engineers who are responsible for key accounts. We strategically position our team near our end customers through our offices in Taipei, Hong Kong, Shenzhen, Shanghai, Qingdao, Tokyo, Seoul, Heilbronn, and Sunnyvale, California, complemented by our applications centers in Sunnyvale and Shanghai. In addition, our distributors and sales representatives assist us in our sales and marketing efforts by identifying potential customers, creating additional demand and promoting our products, in which case we may pay a sales commission.

Our sales cycle varies depending on the types of products and can range from six to eighteen months. In general, our traditional power discrete products in PC and TV applications progress more rapidly through the customer's design and marketing processes, and therefore they generally have a shorter sales cycle. In contrast, our newer Power IC and IGBT products, used mostly in the power supply, home appliance and industrial applications, require a more extended design and marketing timeline and thus have a longer sales cycle. Typically, our sales cycle for all products comprises of the following steps:

- identification of a customer design opportunity;
- qualification of the design opportunity by our FAEs through comparison of the power requirements against our product portfolio;
- provision of a product sample to the end customer to be included in the customer's pre-production model with the goal of being included in the final bill of materials; and
- placement by the customer, or through its distributor, of a full production order as the end customer increases to full volume production.

Competition

The power semiconductor industry is characterized by fragmentation with many competitors. We compete with different power semiconductor suppliers, depending on the type of product lines and geographical area. Our key competitors in power discretes and power ICs are primarily headquartered in the United States, Japan, Europe, China and Taiwan. Our major competitors in power discretes include Infineon Technologies AG, MagnaChip Semiconductor Corporation, ON Semiconductor Corp., STMicroelectronics N.V., Toshiba Corporation, Diodes Incorporated and Vishay Intertechnology, Inc. Our major competitors for our power ICs include Global Mixed-mode Technology Inc., Monolithic Power Systems, Inc., ON Semiconductor Corp., Richtek Technology Corp., Semtech Corporation, Texas Instruments Inc. and Vishay Intertechnology, Inc.

Our ability to compete depends on a number of factors, including:

- our success in expanding and diversifying our serviceable markets, and our ability to develop technologies and product solutions for these markets;
- our capability to quickly develop and introduce proprietary technology and best-in-class products;
- the performance and cost-effectiveness of our products relative to that of our competitors;
- our ability and capacity to manufacture, package and deliver products in large volume on a timely basis at a competitive price;
- our success in utilizing new and proprietary technologies to offer products and features previously not available in the marketplace;
- our ability to recruit and retain analog semiconductor designers and application engineers; and
- our ability to protect our intellectual property.

Some of our competitors have longer operating histories, more brand recognition, and significantly greater financial, technical, research and development, sales and marketing, manufacturing and other resources. However, we believe that we can compete effectively through our integrated and innovative technology platform and design capabilities, including our strong

and extensive patent portfolio, strategic global business model, expanding suites of new products, diversified and broad customer base, and excellent on-the-ground support and quick time to market for our products.

Seasonality

As we provide power semiconductors used in consumer electronic products, our business is subject to seasonality. Our sales seasonality is affected by a number of factors, including global and regional economic conditions as well as the PC market conditions, revenue generated from new products, changes in distributor ordering patterns in response to channel inventory adjustments and end customer demand for our products and fluctuations in consumer purchase patterns prior to major holiday seasons. Our normal seasonality has been affected significantly by the COVID-19 pandemic, which has resulted in changes in consumer behavior and industry trends. Given the uncertainty of the global economic conditions resulting from the pandemic, it is difficult for us to predict to what extent our sales seasonality may change in the future.

Backlog

Our sales are made primarily pursuant to standard purchase orders from distributors and direct customers. The amount of backlog to be shipped during any period depends on various factors, and all orders are subject to cancellation or modification, usually with no penalty to customers. The quantities actually purchased by customers, as well as shipment schedules, are frequently revised to reflect changes in both the customers' requirements and in manufacturing availability. Therefore, our backlog at any point in time is not a reliable indicator of our future revenue.

Research and development

Because we view technology as a competitive advantage, we invest significant time and capital in research and development to address the technology intensive needs of our end customers. Our research and development expenditures for the fiscal years of 2021, 2020 and 2019 were \$63.0 million, \$51.3 million and \$46.4 million, respectively. Our research and development expenditures primarily consist of salaries, bonuses, benefits, share-based compensation expense, expenses associated with new product prototypes, travel expenses, fees for engineering services provided by outside contractors and consultants, amortization of software and design tools, depreciation of equipment and overhead costs. We continue to invest in developing new technologies and products utilizing our own fabrication and packaging facilities as it is critical to our long-term success. We also evaluate appropriate investment levels and stay focused on new product introductions to improve our competitiveness. We have research and development teams in Silicon Valley (Sunnyvale, California), Oregon, Taipei, Taiwan, and China. We believe that these diverse research and development teams enable us to develop leading edge technology platforms and new products. Our areas of research and development focus include:

Packaging technologies: Consumer demand for smaller and more compact electronic devices with higher power density is driving the need for advanced packaging technology. Our group of dedicated packaging engineers focuses on smaller form factors, and higher power output with efficient heat dissipation and cost-effectiveness. We have invested resources to develop and enhance our proprietary packaging technologies, including the establishment of our in-house packaging and testing facilities. We believe that our efforts to develop innovative packaging technologies will continue to provide new and cost-effective solutions with higher power density to our customers. During the fiscal year ended June 30, 2021, we continued our diversification strategies by developing new silicon and packaging platforms to expand our SAM and offer higher performance products.

Process technology and device physics: We focus on specialized process technology in the manufacturing of our products, including vertical DMOS, Shielded Gate Trench, Trench field stop IGBTs, charge-balance high voltage MOSFETs, Schottky Diode and BCDMOS processes. Our process engineers work closely with our design team to deploy and implement our proprietary manufacturing processes at our Oregon fab, and more recently, at the 12 inch fab at the JV Company as well as the third-party foundries that fabricate our wafers. To improve our process technology, we continue to develop and enhance our expertise in device physics in order to better understand the physical characteristics of materials and the interactions among these materials during the manufacturing process.

New products and new technology platforms: We also invest significantly in the development of new technology platforms and introduction of new products. Because power management affects all electronic systems, we believe that developing a wide portfolio of products enables us to target new applications in addition to expanding our share of power management needs served within existing applications.

As a technology company, we will continue our significant investment in research and development in our low voltage, medium voltage, and high voltage power discretes, IGBT and power modules and power ICs by developing new technology platforms and new products that allow for better product performance, more efficient packages and higher levels of integration.

Operations

The manufacture of our products is divided into two major steps: wafer fabrication and packaging and testing.

Wafer fabrication

Our Oregon fab allows us to accelerate the development of our technology and products, as well as to provide better service to our customers. We allocate our wafer production between our in-house facility and third-party foundries, although in the past three years, we have gradually reduced our reliance on third-party foundries and increased allocation of capacity to our Oregon fab and at our JV Company. Currently our main third-party foundry is Shanghai Hua Hong Grace Electronic Company Limited, ("HHGrace"), or formerly HHNEC, located in Shanghai. HHGrace has been manufacturing wafers for us since 2002. HHGrace manufactured 11.5%, 12.7% and 14.1% of the wafers used in our products for the fiscal years ended June 30, 2021, 2020 and 2019, respectively.

On March 29, 2016, we entered into the JV agreement with two investment funds affiliated with the municipalities of Chongqing for the purpose of constructing a power semiconductor packaging, testing and 12-inch wafer fabrication facility in the Liangjiang New Area of Chongqing. During the fiscal year 2021, the additional capacity at the JV Company contributed significantly to meeting the increasing demand for our products. The JV Company has reached its targeted production of assembly and testing. We believe the JV Company will increase and diversify our customer base, particularly in China, and accelerate the development of proprietary process technology.

Packaging and testing

Completed wafers from the foundries are sent to our in-house packaging and testing facilities or to our subcontractors, where the wafers are cut into individual die, soldered to lead frames, wired to terminals and then encapsulated in protective packaging. After packaging, all devices are tested in accordance with our specifications and substandard or defective devices are rejected. We have established quality assurance procedures that are intended to control quality throughout the manufacturing process, including qualifying new parts for production at each packaging facility, conducting root cause analysis, testing for lots with process defects and implementing containment and preventive actions. The final tested products are then shipped to our distributors or customers.

Our in-house and wholly-owned packaging and testing facilities are located in Shanghai, China which handle most of our packaging and testing requirements for our products. In addition, the JV Company handles a portion of our packaging and testing requirement. We continuously increase the outsourcing portion of our packaging and testing requirements to other contract manufacturers to improve our ability to respond to changes in market demand. Our facilities have the combined capacity to package and test over 600 million parts per month and have available floor space for new package introductions. We believe our ability to package and test our products internally represents a strategic advantage as it protects our proprietary packaging technology, increases the rate of new package introductions, reduces operating expenses and ultimately improves our profit margins.

Quality assurance

Our quality assurance practices aim to consistently provide our end customers with products that are reliable, durable and free of defects. We strive to do so through design for manufacturing, and continuous improvement in our product design and manufacturing and close collaboration with our manufacturing partners. Our manufacturing operations in China and our manufacturing facility in Oregon are certified to the ISO9001 and IATF16949:2016. These Quality Management System certifications are in recognition of our quality assurance standards. Both ISO9001 and IATF16949:2016 are sets of criteria and procedures established by International Organization of Standardization for developing a fundamental quality management system and focusing on continuous improvement, defect prevention and the reduction of variation and waste. Our products are also in compliance with Restrictions on the use of Hazardous Substances, or RoHS 3.0.

We maintain a supplier management and process engineering team in Shanghai that works with our third-party foundries and packaging and testing subcontractors to monitor the quality of our products, which is designed to ensure that manufacturing of our products is in strict compliance with our process controls, monitoring procedures and product requirements. We also conduct periodic reviews and annual audits to ensure supplier performance. For example, we examine the results of statistical process control systems, implement preventive maintenance, verify the status of quality improvement projects and review delivery time metrics. In addition, we rate and rank each of our suppliers every quarter based on factors such as their quality and performance. Our facility in Oregon integrates manufacturing process controls through our manufacturing execution system, coupled with wafer process controls that include monitoring procedures, preventative maintenance, statistical process control, and testing to ensure that finished wafers delivered will meet and exceed quality and reliability requirements. All materials used to manufacture wafers are controlled through a strict qualification process.

Our manufacturing processes use many raw materials, including silicon wafers, gold, copper, molding compound, petroleum and plastic materials and various chemicals and gases. We obtain our raw materials and supplies from a large number of sources. Although supplies for raw materials used by us are currently adequate, shortages could occur in various essential materials due to interruption of supply or increased demand in the industry.

Intellectual property rights

Intellectual property is a critical component of our business strategy, and we intend to continue to invest in the growth, maintenance and protection of our intellectual property portfolio. We own significant intellectual property in many aspects of power semiconductor technology, including device physics and structure, wafer processes, circuit designs, packaging, modules and subassemblies. We have also entered into intellectual property licensing agreements with other companies, including On Semiconductor Corp. and Giant Semiconductor Corporation, to use selected third-party technology for the development of our products, although we do not believe our business is dependent to any significant degree on any individual third-party license agreement. We have a license agreement with STMicroelectronics International N.V. (“STMicro”), pursuant to which STMicro granted us a world-wide, royalty-free and fully-paid license to use its technologies to develop, market and distribute certain digital multi-phase controller products, which have been offered previously by STMicro. This license agreement allows us to develop a new digital power business that will design and offer a full suite of advance digital power controller products.

While we focus our patent efforts in the United States, we file corresponding foreign patent applications in other jurisdictions, such as China and Taiwan, when filing is justified by cost and strategic importance. The patents are increasingly important to remain competitive in our industry, and a strong patent portfolio will facilitate the entry of our products into new markets. As of June 30, 2021, we had 863 patents issued in the United States, of which 856 were based on our research and development efforts and 7 were acquired, and these patents are set to expire between 2022 and 2040. We also had a total of 898 foreign patents, including 421 Chinese patents, 438 Taiwanese patents, 21 Korean patents, 4 Hong Kong patents, 4 Philippine patents, 8 Japanese patents, 1 Europe patent and 1 India patent as of June 30, 2021. Substantially all of our foreign patents were based on our research and development efforts. These foreign patents will expire in the years between 2023 and 2039. In addition, as of June 30, 2021, we had a total of 205 patent applications, of which 58 patents were pending in the United States, 82 patents were pending in China, 44 patents were pending in Taiwan and 21 patents were pending in other countries.

As our technologies are deployed in new applications and as we diversify our product portfolio based on new technology platforms, we may be subject to new potential infringement claims. Patent litigation, if and when instituted against us, could result in substantial costs and a diversion of our management's attention and resources. However, we are committed to vigorously defending and protecting our investment in our intellectual property. Therefore, the strength of our intellectual property program, including the breadth and depth of our portfolio, will be critical to our success in the new markets we intend to pursue.

In addition to patent protection, we also rely on a combination of trademark, copyright (including mask work protection), trade secret laws, contractual provisions and similar laws in other jurisdictions. We also enter into confidentiality and invention assignment agreements with our employees, consultants, suppliers, distributors and customers and seek to control access to, and distribution of, our proprietary information.

Human Capital Resources

As of June 30, 2021, we had 3,939 employees, of whom 656 were located in the United States, 3,145 were located in China, and 138 were located in other parts of the world. None of our employees is represented by a collective bargaining agreement. Notwithstanding our global footprint and various geographical locations, we have created an integrated workforce where employees worldwide work and collaborate as a team to advance our common business objectives, while retaining local and regional practices and cultures.

We are committed to provide a working environment in which our employees can realize fully their talents and develop successful careers. As our strength is in our people, we invest significantly in our employees by providing a wide range of training and development opportunities, including mentoring, coaching, attendance at external seminars and professional conferences, and regular in-house training sessions on specific topics. We train our managers to become good stewards for our employees, balancing the need of quality of life and performance results. We believe that these efforts contributed to the growth of our employee, as more than 50% of our managerial positions are promotions of existing employees within our companies.

We also keep our employees engaged and informed by providing periodic all staff communications, and semi-annual performance reviews to ensure that efforts and results are aligned with our business and strategic corporate objectives. We value feedback from our employees and have an open door policy in our engagement with employees, and we encourage

employees to have regular conversations with their managers to share feedback and express concerns. We also solicit employee feedback informally through regular employee interactions. In addition, we conduct employee satisfaction surveys at certain locations to help management identify areas that may require improvement. As part of AOS tradition, we also organize social events, including annual appreciation picnics, when possible given Covid-19 conditions, and holiday parties, inviting both employees and their families to join. We believe these efforts enable us to build a strong and solid group of loyal employees who form the core of our human capital resource.

We are committed to provide an environment where employees from all walks of life are treated with respect, care and dignity. To recruit new talent, we reach out to a broad range of sources, including employee referrals, on-line advertising, recruitment agencies, and other social medias to seek out the best qualified candidates regardless of their backgrounds. We are also focused on ensuring a diverse workforce, including our management team. Our Nominating and Corporate Governance Committee leads the effort in recruiting qualified directors to serve on our Board, and we are in compliance with California's gender diversity laws, as well as recent laws requiring a minimum number of directors from underrepresented communities. Our employees appreciate and value the strength of our people oriented culture and the benefits the workplace diversity brings.

We offer competitive compensation and benefits packages for our employees that include a combination of base salary, annual bonus, discretionary bonus for outstanding achievements, employee share purchase plan, time-based and performance based long term equity compensation. Our equity related compensation programs are designed to motivate and incentivize our employees and align their rewards to financial and other business performance goals, while increasing our shareholder value. We adhere strictly to the Company's Code of Business Conduct and Ethics and other policies, and ensure that our employment practices respect human rights and comply with national, state and local regulatory requirements at all locations where we conduct business. In addition, we have engaged nationally, recognized outside compensation consulting firms to independently evaluate the appropriateness and effectiveness of compensation for our executives and other officers and to provide benchmarks for executive compensation as compared to peer companies.

The health and safety of our employees are paramount to our companies. At each of our major locations, we have formed site safety committees that conduct regular meetings to assess and improve effectiveness of our safety policies and guidelines, to monitor safety incidents and to oversee the implementation of corrective actions. During the pandemic in 2020 and 2021, our COVID-19 prevention committees at factory sites in China took swift and decisive actions to prevent work-place contagion and to ensure the health and safety of our employees. These actions included providing employees with Personal Protective Equipment ("PPE"), strict visitor controls, frequent sanitization of shuttle buses, temperature checking prior to boarding the shuttles, and temperature checking at the factory entrances, and regular self-audits. As a result of these plans, we had zero COVID-19 cases at our facilities in China. At our U.S. facilities, the COVID-19 prevention committees met regularly to update and enhance prevention measures in accordance to federal, state and county health orders, which allowed us to continue our operations without significant disruptions. In addition, to support remote-working arrangements, we provided office workers with technology resources and in some cases a monthly stipend to set up home offices. To protect our employees and their families against COVID-19 virus, we also implemented and sponsored bi-weekly on-site COVID-19 testing since January 2021 for essential employees who were authorized to work in our Sunnyvale lab facilities.

Environmental matters

The semiconductor production process, including the semiconductor wafer manufacturing and packaging process, generates air emissions, liquid wastes, waste water and other industrial wastes. We have installed various types of pollution control equipment for the treatment of air emissions and liquid waste and equipment for recycling and treatment of water in our packaging and testing facilities in China and wafer manufacturing facility in Oregon, USA. Waste generated at our manufacturing facilities, including but not limited to acid waste, alkaline waste, flammable waste, toxic waste, oxide waste and self-igniting waste, is collected and sorted for proper disposal. Our operations in China are subject to regulation and periodic monitoring by China's State Environmental Protection Bureau, as well as local environmental protection authorities, including those under the Shanghai Municipal Government, which may in some cases establish stricter standards than those imposed by the State Environmental Protection Bureau. Our operation in Oregon is subject to Oregon Department of Environmental Regulations, Federal Environmental Protection Agency laws and regulations, and local jurisdictional regulations. We believe that we have been in material compliance with applicable environmental regulations and standards and have not had a material or adverse effect on our results of operations from complying with these regulations.

We have implemented an ISO 14001 environmental management system in our manufacturing facilities in China and Oregon. We also require our subcontractors, including foundries and assembly houses, to meet ISO14001 standards. We believe that we have adopted pollution control measures for the effective maintenance of environmental protection standards consistent with the requirements applicable to the semiconductor industry in China and the U.S.

Our products sold in worldwide are subject to RoHS in Electrical and Electronic Equipment, which requires that the products do not contain more than agreed levels of lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyl and polybrominated diphenyl ether flame retardants. Our manufacturing facilities in China also obtained QC080000 certification, which is an IECQ Certificate of Conformity Hazardous Substance Process Management for European Directive

2002/95/EC requirements and a Certificate of Green Partner for Sony Green Partner Program. We avoid using these restricted materials to the extent possible when we design our products.

We are also subject to SEC rules that require diligence, disclosure and reporting on whether certain minerals and metals, known as conflict minerals, used in our products originate from the Democratic Republic of Congo and adjoining countries. As of June 30, 2021, 2020 and 2019, we were in compliance with the related conflict minerals rule.

Export Control

We are subject to export and import control laws, trade regulations and other trade requirements that limit which products we sell and where and to whom we sell our products. Because we are committed to complying with all applicable export control laws, regulations, and requirements, we have reviewed and revised our processes and procedures to ensure that our shipments to our customers remain compliant with applicable export laws. As part of the enhanced process, we have also conducted extensive risk assessment on export control compliance and implemented training programs for our employees.

Executive Officers

The following table lists the names, ages and positions of our executive officers as of August 15, 2021. There are no family relationships between any executive officer, except that Mr. Stephen C. Chang is a son of Dr. Mike F. Chang.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mike F. Chang, Ph.D.	76	Chairman of the Board and Chief Executive Officer
Stephen C. Chang	44	President
Yifan Liang	57	Chief Financial Officer and Corporate Secretary
Wenjun Li, Ph.D.	52	Chief Operating Officer
Bing Xue, Ph.D.	57	Executive Vice President of Worldwide Sales and Business Development

Mike F. Chang, Ph.D., is the founder of our company and has served as our Chairman of the Board and Chief Executive Officer since the incorporation of our company. Dr. Chang has extensive experience in both technology development and business operations in the power semiconductor industry. Prior to establishing our company, Dr. Chang served as the Executive Vice President at Siliconix Incorporated, a subsidiary of Vishay Intertechnology Inc., a global manufacturer and supplier of discrete and other power semiconductors, or Siliconix, from 1998 to 2000. Dr. Chang also held various management positions at Siliconix from 1987 to 1998. Earlier in his career, Dr. Chang focused on product research and development in various management positions at General Electric Company from 1974 to 1987. Dr. Chang received his B.S. in electrical engineering from National Cheng Kung University, Taiwan, and M.S. and Ph.D. in electrical engineering from the University of Missouri.

Stephen C. Chang has been serving as our President since January 2021. Prior to that, Mr. Chang served in various management positions including Executive Vice President of Product Line Management, Senior VP of Marketing, VP of the MOSFET Product Line, and Senior Director of Product Marketing. Mr. Chang has over 20 years of industry experience and leads our Product Line Marketing with various managerial responsibilities, including new product development, product lifecycle management, business development, and business strategy. Mr. Chang received his B.A. in Electrical Engineering from University of California, Berkeley and M.B.A. from Santa Clara University.

Yifan Liang has been serving as our Chief Financial Officer since August 2014 and Corporate Secretary since November 2013. Mr. Liang served as our Interim Chief Financial Officer from November 2013 to August 2014, our Chief Accounting Officer since October 2006, and our Assistant Corporate Secretary from November 2009 to November 2013. Mr. Liang joined our company in August 2004 as our Corporate Controller. Prior to joining us, Mr. Liang held various positions at PricewaterhouseCoopers LLP, or PwC, from 1995 to 2004, including Audit Manager in PwC's San Jose office. Mr. Liang received his B.S. in management information system from the People's University of China and M.A. in finance and accounting from the University of Alabama.

Wenjun. Li, Ph.D., has served as our Chief Operating Officer since August 2021. Prior to that, Dr. Li served in various management positions in our Company since 2012, including Executive Vice President of World-Wide Manufacturing, Senior Vice President of World-Wide Manufacturing, Vice President of Front-End Operation, the director of Process Integration and Senior Manager of Process Integration. Dr. Li holds a B.S. in Chemistry and a M.S. in Chemical Engineering from Taiyuan

University of Technology, and a Ph.D. in Microelectronics & Solid-State Electronics from the Research Institute of Micro-Nanometer Technology at Shanghai Jiao Tong University.

Bing Xue, Ph.D., has been serving as our Executive Vice President of Worldwide Sales and Business Development since January 2021. Prior to that, Dr. Xue held various managerial positions in our company since 2003, including Senior Vice President of Global Sales, Vice President of Global Sales, Vice President of Worldwide Manufacturing, and General Manager of China Operation. Prior to joining us, Dr. Xue served as the Director of Engineering in Dowlake Microsystem from 2001 to 2003. Dr. Xue received his B.S. in Physics from Xiamen University, and Ph.D. in Physical Chemistry from University of Pennsylvania.

Available Information

Our filing documents and information with the Securities and Exchange Commission (the "SEC") are available free of charge electronically through our Internet website, www.aosmd.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. In addition, the SEC maintains a website (www.sec.gov) that contains reports, proxy statements, and other information that we file electronically.

Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock. Any of the following risks and uncertainties may be exacerbated by the impacts of the COVID-19 pandemic and related events.

Risk Factor Summary

- Risks Related to Our Business
 - Our business operations and financial performance may be adversely affected by the COVID-19 pandemic and related events.
 - The decline of personal computing (“PC”) markets may have a material adverse effect on our results of operations.
 - Our strategy of diversification into different market segments may not succeed according to our expectations.
 - Our operating results may fluctuate from period to period due to many factors, which may make it difficult to predict our future performance.
 - Geopolitical and economic conflicts between United States and China may adversely affect our business
 - We are subject to risks associated with operating a fabrication facility in China through our joint venture company
 - Our revenue may fluctuate significantly from period to period due to ordering patterns from our distributors and seasonality.
 - We may not be able to introduce or develop new and enhanced products that meet or are compatible with our customer's product requirements in a timely manner.
 - We may not win sufficient designs, or our design wins may not generate sufficient revenue for us to maintain or expand our business.
 - Our success depends upon the ability of our OEM end customers to successfully sell products incorporating our products.
 - The operation of our Oregon fab subjects us to additional risks and the need for additional capital expenditures which may negatively impact our results of operations.
 - We may not be able to successfully develop our digital power business.
 - Defects and poor performance in our products could result in loss of customers, decreased revenue, unexpected expenses and loss of market share.
 - If we do not forecast demand for our products accurately, we may experience product shortages, delays in product shipment, excess product inventory, or difficulties in planning expenses, which will adversely affect our business and financial condition.
 - We face intense competition and may not be able to compete effectively which could reduce our revenue and market share.
 - Our reliance on third-party semiconductor foundries to manufacture our products subjects us to risks.
 - Our operation of two wholly-owned packaging and testing facilities are subject to risks that could adversely affect our business and financial results.
 - Our reliance on distributors to sell a substantial portion of our products subjects us to a number of risks.
 - We have made and may continue to make strategic acquisitions of other companies, assets or businesses and these acquisitions introduce significant risks and uncertainties.
 - If we are unable to obtain raw materials in a timely manner or if the price of raw materials increases significantly, production time and product costs could increase, which may adversely affect our business.
 - We may not be able to accurately estimate provisions at fiscal period end for price adjustment and stock rotation rights under our agreements with distributors, and our failure to do so may impact our operating results.

- We depend on the continuing services of our senior management team and other key personnel, and if we lose a member of our senior management or are unable to successfully retain, recruit and train key personnel, our ability to develop and market our products could be harmed.
- Failure to protect our patents and our other proprietary information could harm our business and competitive position.
- Intellectual property disputes could result in lengthy and costly arbitration, litigation or licensing expenses or prevent us from selling our products.
- The current government investigation and evolving export control regulations may adversely affect our financial performance and business operations.
- We may be adversely affected by any disruption in our information technology systems.
- Global or regional economic, political and social conditions could adversely affect our business and operating results.
- Our business operations could be significantly harmed by natural disasters or global epidemics.
- Our insurance may not cover all losses, including losses resulting from business disruption or product liability claims.
- Our international operations subject our company to risks not faced by companies without international operations.
- If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud.
- We are subject to the risk of increased income taxes and changes in existing tax rules.
- Our debt agreements include financial covenants that may limit our ability to pursue business and financial opportunities and subject us to risk of default.
- The imposition of U.S. corporate income tax on our Bermuda parent and non-U.S. subsidiaries could adversely affect our results of operations.
- We may be classified as a passive foreign investment company (“PFIC”), which could result in adverse U.S. federal income tax consequences for U.S. holders.
- The average selling prices of products in our markets have historically decreased rapidly and will likely do so in the future, which could harm our revenue and gross margins.
- We may be adversely affected by the cyclicity of the semiconductor industry.
- Risks Related to Doing Business in China
 - China's economic, political and social conditions, as well as government policies, could affect our business and growth.
 - Changes in China's laws, legal protections or government policies on foreign investment in China may harm our business.
 - The continuing potential for new or additional tariffs on imported goods from China could adversely affect our business operations.
 - Substantial uncertainties exist with respect to the interpretation and implementation of PRC Foreign Investment Law and how it may impact us.
 - Limitations on our ability to transfer funds to our China subsidiaries could adversely affect our ability to expand our operations, make investments that could benefit our businesses and otherwise fund and conduct our business.
 - China's currency exchange control and government restrictions on investment repatriation may impact our ability to transfer funds outside of China.
 - The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.
 - Our results of operations may be negatively impacted by fluctuations in foreign currency exchange rates between U.S. dollar and Chinese Yuan, or RMB.
 - PRC labor laws may adversely affect our results of operations.
 - Relations between Taiwan and China could negatively affect our business, financial condition and operating results and, therefore, the market value of our common shares.
- Risks Related to Our Corporate Structure and Our Common Shares

- Our share price may be volatile and you may be unable to sell your shares at or above the purchase price, if at all.
- If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our common shares or if our operating results do not meet their expectations, the trading price of our common shares could decline.
- Anti-takeover provisions in our bye-laws could make an acquisition of us more difficult and may prevent attempts by our shareholders to replace or remove our current management.
- We are a Bermuda company and the rights of shareholders under Bermuda law may be different from U.S. laws.

Risks Related to Our Business

Our business operations and financial performance may be adversely affected by the COVID-19 pandemic and related events.

We are subject to risks related to the global COVID-19 pandemic, which has significantly impacted all aspects of economic activities around the world and in our industry. Numerous governmental jurisdictions, including the States of California, Oregon and Texas and countries throughout the Asia Pacific region, have imposed “stay-at-home” orders, quarantines, travel bans and similar governmental orders and restrictions to control the spread of COVID-19. Such orders or restrictions have resulted in business closures, work stoppages, slowdowns and delays in commercial activities, unprecedented and widespread unemployment, disruptions to ports and other shipping infrastructure, border closures, and other travel or health-related restrictions, thereby negatively impacting our customers, suppliers, distributors, employees, offices, and the entire semiconductor ecosystem.

As a result of the COVID-19 pandemic and changing consumer behavior due to various restrictions imposed by government authorities, we have experienced shifting market trends, including an increasing demand in the markets for notebooks, PCs and gaming devices and decreasing demand for mobile phone and industrial related products. While we have recently benefited from the increased demand of PC related products, there is no guarantee that this trend will continue, and such demand might discontinue as government authorities relax COVID-19 related restrictions. In addition, the recent global shortage of semiconductor manufacturing capacity has provided us with additional sales opportunities, and we were able to leverage our in-house facilities to meet customer demand and generate additional revenue. However, we cannot guarantee that such trend will continue and that we will be able to take advantage of the increasing demand, nor can we guarantee that we can secure adequate capacity to support the growing demand. Furthermore, as the COVID-19 pandemic continues and the global economic downturn and high unemployment persist, consumer spending may slow down substantially, in which case we may experience a significant decline of customer orders for our products, including those designed for PC-related applications, and such decline would adversely affect our financial conditions and results of operations. While we are implementing measures to enhance our marketing and sales opportunities, there is no guarantee that such measures will succeed and be sufficient to mitigate the rapidly shifting market demand. Furthermore, we are experiencing and may continue to experience supply chain challenges in our manufacturing activities as a result of various “stay-at-home” orders. Our JV Company has slowed ramp-up activities, which may cause delay and disruption to our timeline to reach full production for the 12” fabrication facility in Chongqing, China.

In addition to the impact on our financial performance and manufacturing process, we are subject to the following risks resulting from the COVID-19 pandemic and related events:

- economic conditions in the U.S. and globally resulting from the COVID-19 pandemic may make it more difficult for us, and the JV Company to obtain credit and secure debt financing on terms favorable to us, or at all, and we may not be able to comply with financial covenants in our existing credit agreements or service our existing debt if we do not generate sufficient cash flow from our operations;
- we may encounter difficulties and disruptions in communication and coordination among our employees, partners, customers and others, which may reduce our productivity and interfere with our ability to serve our customers;
- widespread COVID-19 disease could damage the health of our employees and management team, which may disrupt our business operations;
- the value of our common shares may decline significantly as a result of factors outside of our control, such as stock market volatility, which could cause our shareholders to lose their investment.

Since the start of the second quarter of 2021, there have been increasing availability and administration of vaccines against COVID-19, as well as an easing of restrictions on social, business, travel, and government activities and functions, and a gradual resumption of economic activities and consumer spending in our industries. On the other hand, infection rates continue to fluctuate in various regions and new strains of the virus remain a risk. In addition, there are ongoing global impacts resulting from the pandemic, including disruption of the product supply chains, shortages of semiconductor components, and delays in shipments, product development, and product launches. The full extent of the future impact of the COVID-19 pandemic on our operational and financial performance is uncertain and will depend on many factors outside the Company's control, including, without limitation, the timing, extent, trajectory and duration of the pandemic; the availability, distribution and effectiveness of vaccines; the spread of new variants of COVID-19; the continued and renewed imposition of protective public safety measures, the implementation by government authorities to restrict economic activities; and the impact of the pandemic on the global economy and demand for consumer products.

The decline of personal computing ("PC") markets may have a material adverse effect on our results of operations.

A significant amount of our revenue is derived from sales of products in the PC markets such as notebooks, motherboards and notebook battery packs. Our revenue from the PC markets accounted for approximately 42.5%, 41.1% and 45.9% of our total revenue for the years ended June 30, 2021, 2020 and 2019, respectively. The increasing popularity of smaller, mobile computing devices such as tablets and smart phones with touch interfaces is rapidly changing the PC markets both in the United States and abroad. In the past, we experienced a significant reduction in the demand for our products due to the declining PC markets, which had negatively impacted our revenue, profitability and gross margin. While we recently experienced resurgence of demand in the PC market as a result of the COVID-19 pandemic and related events, there is no assurance that such trend will continue or that the decline of PC market will not occur again, and if it does, we may not be able to implement measures successfully to mitigate or reduce the negative impact on our financial conditions and results of operations.

Our strategy of diversification into different market segments may not succeed according to our expectations and may expose us to new risks and place significant strains on our management, operational, financial and other resources.

As part of the growth strategy to diversify our product portfolio and in response to the rapid decline of the PC markets, we have been developing new technologies and products designed to penetrate into other markets and applications, including merchant power supplies, flat panel TVs, smart phones, tablets, gaming consoles, lighting, datacom, telecommunications, home appliances and industrial motor controls. However, there is no guarantee that these diversification efforts will be successful. As a new entrant to some of these markets, we may face intense competition from existing and more established providers and encounter other unexpected difficulties, any of which may hinder or delay our efforts to achieve success. In addition, our new products may have long design and sales cycles, therefore if our diversification efforts fail to keep pace with the declining PC markets, we may not be able to alleviate its negative impact on our results of operations.

Our diversification into different market segments may place a significant strain on our management, operational, financial and other resources. To manage this diversification effectively, we will need to take various actions, including:

- enhancing management information systems, including forecasting procedures;
- further developing our operating, administrative, financial and accounting systems and controls;
- managing our working capital and sources of financing;
- maintaining close coordination among our engineering, accounting, finance, marketing, sales and operations organizations;
- retaining, training and managing our employee base;
- enhancing human resource operations and improving employee hiring and training programs;
- realigning our business structure to more effectively allocate and utilize our internal resources;
- improving and sustaining our supply chain capability; and
- managing both our direct and distribution sales channels in a cost-efficient and competitive manner.

Our failure to execute any of the above actions successfully or timely may have an adverse effect on our business and financial results.

Our operating results may fluctuate from period to period due to many factors, which may make it difficult to predict our future performance.

Our periodic operating results may fluctuate as a result of a number of factors, many of which are beyond our control. These factors include, among others:

- a deterioration in general demand for electronic products, particularly the PC market, as a result of global or regional financial crises and associated macro-economic slowdowns, and/or the cyclicity of the semiconductor industry;
- a deterioration in business conditions at our distributors and /or end customers;
- adverse general economic conditions in the countries where our products are sold or used;
- the emergence and growth of markets for products we are currently developing;
- our ability to successfully develop, introduce and sell new or enhanced products in a timely manner and the rate at which our new products replace declining orders for our older products;
- the anticipation, announcement or introduction of new or enhanced products by us or our competitors;
- changes in the selling prices of our products and in the relative mix in the unit shipments of our products, which have different average selling prices and profit margins;
- the amount and timing of operating costs and capital expenditures, including expenses related to the maintenance and expansion of our business operations and infrastructure;
- the announcement of significant acquisitions, disposition or partnership arrangements;
- the ramp-up progress and operation of the JV Company, and announcement of significant transactions involving the JV Company;
- changes in the utilization of our in-house manufacturing capacity;
- supply and demand dynamics and the resulting price pressure on the products we sell;
- the unpredictable volume and timing of orders, deferrals, cancellations and reductions for our products, which may depend on factors such as our end customers' sales outlook, purchasing patterns and inventory adjustments based on general economic conditions or other factors;
- changes in laws and regulations affecting our business operations;
- changes in costs associated with manufacturing of our products, including pricing of wafer, raw materials and assembly services;
- announcement of significant share repurchase programs;
- our concentration of sales in consumer applications and changes in consumer purchasing patterns and confidence; and
- the adoption of new industry standards or changes in our regulatory environment.

Any one or a combination of the above factors and other risk factors described in this section may cause our operating results to fluctuate from period to period, making it difficult to predict our future performance. Therefore, comparing our operating results on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance.

Geopolitical and economic conflicts between United States and China may adversely affect our business

Geopolitical conflicts and tensions between the United States and China have threatened and destabilized trading relationships and economic activities between the two countries. Because we have significant operations in both countries, such conflicts and tensions may negatively impact our business. At various times during recent years, the United States and China have had disagreements over political and economic issues, including but not limited to, the recent imposition of tariffs by the U.S. on goods imported from China and to the U.S. government's efforts to restrict transfer and sharing of technologies, including semiconductor technologies, between the two countries. In addition, the U.S. government may enact new and more restrictive export control regulations that may reduce our ability to ship and sell products to certain customers in China and Asia and increase our cost to implement additional measures to comply with such new regulations. In addition, disagreements between the United States and China with respect to their political, military or economic policies toward Taiwan may contribute to further controversies. These controversies and

trade frictions could have a material adverse effect on our business by, among other things, making it more difficult for us to coordinate our operations between the United States and China causing a reduction in the demand for our products by customers in the United States or China and reducing our profitability due to increasing cost of compliance.

The continuing political and economic conflicts between U.S. and China have resulted in and may continue to cause retaliatory policies from both countries, including a recent executive order issued by the U.S. President eliminating the preferential trade status of Hong Kong in response to China's action to impose new security measures and regulation on Hong Kong. The order will make it more costly and difficult for U.S. companies to export goods or conduct businesses in Hong Kong. While we historically have not relied on the preferential trade status to operate in Hong Kong, there is no guarantee that additional policies, rules or regulations will not be implemented by either the U.S. or China that will negatively impact our ability to maintain our sales and other functions and operations in Hong Kong. We also cannot predict what new and additional retaliatory policies and regulations may be implemented by the Chinese government in response to U.S. actions, and such policies and regulations may adversely affect our business operations in China and other Asian countries, including our manufacturing and sales and marketing activities.

We are subject to risks associated with operating a fabrication facility in China through our joint venture company

In March 2016, we entered into a joint venture contract (the "JV Agreement") with two investment funds owned by the municipalities of Chongqing, China (the "Chongqing Funds"), pursuant to which we and the Chongqing Funds formed a joint venture (the "JV Company") for the purpose of constructing a power semiconductor packaging/testing and wafer fabrication facility. While we believe the JV Transaction will enhance our ability to accelerate growth and improve our profitability, there is no guarantee that it will succeed as we initially expected. We may encounter unanticipated difficulties and obstacles that may delay the JV Company's operation, expansion, and financing, some of which are outside of our control.

We may not fully realize the anticipated benefits of the project, such as cost savings, improvement in working capital, increased gross margin, revenue and profitability, enhanced market share for our products; and increased diversification of our products and customers. The establishment and operation of a new manufacturing facility such as the JV Company involve significant risks and challenges, including, but are not limited to, the following:

- Inability to gain or sustain sufficient new customers and market shares to offset the additional costs of building and operating a new facility;
- Lack of sufficient control over the operation and finances of the joint venture;
- Insufficient personnel with requisite expertise and experiences to operate a 12-inch fabrication facility;
- High cost and unexpected expenses relating to upgrading and improving the packaging and testing and fabrication facilities;
- Inability to maximize the advantages of operating two wafer fabrication facilities;
- Failure of Chongqing Funds to meet their obligations under the JV Agreement;
- Difficulties in protecting and enforcing our intellectual property rights;
- Difficulties in maintaining international communications and coordination between our locations in the U.S. and China;
- Inability to take advantage of the expected tax savings;
- Changes or uncertainties in economic, legal, regulatory, social and political conditions in China;
- Labor disputes and difficulties in recruiting new employees;
- Additional costs and complexity with compliance of local and state regulations of Chongqing; and
- New or tighter U.S. restrictions on the transfer of technology or know-how to the JV Company, and political and economic tension between U.S. and China that may result in additional limitation on our ability to operate the JV Company.

In addition, we may be subject to the risk of under-utilization of the facilities at the JV Company. The operation of the JV Company's facilities, including the assembly and testing facilities and the fab, requires significant fixed cost. In order to manage the capacity of the wafer fabrication facility efficiently, we must perform a forecast of long-term market demand and general economic conditions for our products. Because market conditions may vary significantly and unexpectedly, our forecasts may change significantly at any time, and we may not be able to make timely adjustments to our fabrication capacity in response to these changes. If our forecast is incorrect or if we are not able to fully utilize the capacities of the facilities at the JV Company, our results of operations will be adversely affected.

In order to fund its capital expenditures and cost of operations, the JV Company has incurred a significant amount of indebtedness from third-party lenders under several loan and lease financing agreements. Some of the indebtedness is secured by substantially all of the assets of the JV Company. As of June 30, 2021, the total amount of debt outstanding at the JV Company was \$141.1 million. The JV Company is required to make interest payments to service such debt. If the JV Company is not able to generate sufficient cash flow to make interest or principal payments when due, the JV Company may be in default under these loan agreements, which would have an adverse effect on our business operations and financial conditions. In addition, the JV Company requires additional funding to continue executing its business strategies and to refinance its existing indebtedness, and it is currently pursuing various financing options. There is no guarantee that the JV Company will be able to obtain financing on favorable terms, or at all, and any failure by the JV Company to obtain financing may negatively impact our operations. Furthermore, if the JV Company enters into and completes an equity financing, our equity interest will be diluted, which may result in the loss of our control over the JV Company's operations, which in turn may adversely affect our ability to access manufacturing capacity and other operational benefits that the JV Company provides to us.

Any of the foregoing risks could materially reduce the expected return of our investment in the JV Transaction and adversely affect our business operations, our financial performance and the trading price of our shares.

Our revenue may fluctuate significantly from period to period due to ordering patterns from our distributors and seasonality.

Demand for our products from our end customers fluctuates depending on their sales outlooks and market and economic conditions. Accordingly, our distributors place purchase orders with us based on their forecasts of end customer demand. Because these forecasts may not be accurate, channel inventory held at our distributors may fluctuate significantly due to the difference between the forecasts and actual demand. As a result, distributors adjust their purchase orders placed with us in response to changing channel inventory levels, as well as their assessment of the latest market demand trends. A significant decrease in our distributors' channel inventory in one period may lead to a significant rebuilding of channel inventory in subsequent periods, or vice versa, which may cause our quarterly revenue and operating results to fluctuate significantly.

In addition, because our power semiconductors are used in consumer electronics products, our revenue is subject to seasonality. Our sales seasonality is affected by a number of factors, including global and regional economic conditions as well as the PC market conditions, revenue generated from new products, changes in distributor ordering patterns in response to channel inventory adjustments and end customer demand for our products and fluctuations in consumer purchase patterns prior to major holiday seasons. In recent year, broad fluctuations in the semiconductor markets and the global economic conditions, in particular the decline of the PC market conditions, have had a more significant impact on our results of operations, than seasonality, and have made it difficult to assess the impact of seasonal factors on our business. Our normal seasonality cycle has also been impacted by the COVID-19 pandemic and related events, making it more difficult to predict and determine a more consistent seasonality trend. See "Risk Factors- Our business operation and financial performance may be adversely affected by the COVID-19 pandemic and related events."

If we are unable to introduce or develop new and enhanced products that meet or are compatible with our customer's product requirements in a timely manner, it may harm our business, financial position and operating results.

Our success depends upon our ability to develop and introduce new and enhanced products that meet or are compatible with our customer's specifications, performance standards and other product requirements in a timely manner. The development of new and enhanced products involves highly complex processes, and at times we have experienced delays in the introduction of new products. Successful product development and introduction of new products depends on a number of factors, including the accurate product specification; timely completion of design; achievement of manufacturing yields; timely response to changes in customers' product requirements; quality and cost-effective production; and effective marketing. Since many of our products are designed for specific applications, we must frequently develop new and enhanced products jointly with our customers. In the past, we have encountered product compatibility issues with a major OEM that has negatively impacted our financial results, and although we have resolved fully such issues with the OEM, there is no guarantee that the same compatibility issues will not occur in the future with other OEMs. If we are unable to develop or acquire new products that meet or are compatible with our customer's specification and other product requirements in a timely manner, we may lose revenue or market share with our customers, which could have a material adverse effect on our business, financial position and operating results.

We may not win sufficient designs, or our design wins may not generate sufficient revenue for us to maintain or expand our business.

We invest significant resources to compete with other power semiconductor companies to win competitive bids for our products in selection processes, known as “design wins.” Our effort to obtain design wins may detract from or delay the completion of other important development projects, impair our relationships with existing end customers and negatively impact sales of products under development. In addition, we cannot be assured that these efforts would result in a design win, that our product would be incorporated into an end customer’s initial product design, or that any such design win would lead to production orders and generate sufficient revenue. Furthermore, even after we have qualified our products with a customer and made sales, subsequent changes to our products, manufacturing processes or suppliers may require a new qualification process, which may result in delay and excess inventory. If we cannot achieve sufficient design wins in the future, or if we fail to generate production orders following design wins, our ability to grow our business and improve our financial results will be harmed.

Our success depends upon the ability of our OEM end customers to successfully sell products incorporating our products.

The consumer end markets, in particular the PC market, in which our products are used are highly competitive. Our OEM end customers may not successfully sell their products for a variety of reasons, including:

- general global and regional economic conditions;
- late introduction or lack of market acceptance of their products;
- lack of competitive pricing;
- shortage of component supplies;
- excess inventory in the sales channels into which our end customers sell their products;
- changes in the supply chain; and
- changes as a result of regulatory restrictions applicable to China-exported products.

Our success depends on the ability of our OEM end customers to sell their products incorporating our products. In addition, we have expanded our business model to include more OEMs in our direct customer base. The failure of our OEM end customers to achieve or maintain commercial success for any reason could harm our business, results of operations, and financial condition and prospects.

The operation of our Oregon fab subjects us to additional risks and the need for additional capital expenditures which may negatively impact our results of operations.

The operation of the Oregon fab requires significant fixed manufacturing cost. In order to manage the capacity of the wafer fabrication facility efficiently, we must perform a forecast of long-term market demand and general economic conditions for our products. Because market conditions may vary significantly and unexpectedly, our forecast may change significantly at any time, and we may not be able to make timely adjustments to our fabrication capacity in response to these changes. During periods of continued decline in market demand, in particular the decline of the PC market, we may not be able to absorb the excess inventory and additional costs associated with operating the facility at higher capacity, which may adversely affect our operating results. Similarly, during periods of unexpected increase in customer demand, we may not be able to ramp up production quickly to meet these demands, which may lead to the loss of significant revenue opportunities. The manufacturing processes of a fabrication facility are complex and subject to interruptions. We may experience production difficulties, including lower manufacturing yields or products that do not meet our or our customers’ specifications, and problems in ramping production and installing new equipment. These difficulties could result in delivery delays, quality problems and lost revenue opportunities. Any significant quality problems could also damage our reputation with our customers and distract us from the development of new and enhanced product which may have a significant negative impact on our financial results.

In addition, semiconductor manufacturing has historically required an upgrading of process technology from time to time to remain competitive, as new and enhanced semiconductor processes are developed which permit smaller, more efficient and more powerful semiconductor devices. Accordingly, we may have to incur substantial capital expenditures and install significant production capacity at our in-house fabrication facility to support new technologies and increased production volume, which may cause delay in our ability to deliver new products or negatively impact our results of operations. For example, we recently commenced a plan to enhance the manufacturing capability and capacity of our

Oregon fab by investing in new equipment and expanding our factory facilities, which we expect will have a positive impact on our future new product development and revenue, particularly during the period of global shortage of capacity. While we expect such investment will enable us to accommodate increasing customer demand and generate additional revenue, there is no guarantee that we will be able to do so, and our investment may not produce the return that we expected, which may adversely affect our business and results of operations.

We may not be able to successfully develop our digital power business.

In September 2017, we entered into a license agreement with STMicro, which allows us to develop and market certain digital power multi-phase controller products and enter into a new market, primarily in the computer server market. We are in the process of developing this new digital power business and expect to incur significant costs to develop this business, including costs relating to the hiring and compensation of qualified engineers and technical staff; development of marketing and sales infrastructure, particularly in the computer server market; and other research and development and management activities. We do not expect this new business to generate sufficient revenue to offset our costs in the short term, and there is no guarantee that our attempt to develop a profitable digital business will ultimately succeed. The success of our digital power business depends on a number of factors, including the following:

- competition from other companies with greater resources and experiences and more established reputations in the digital power market;
- the availability of and our ability to recruit and attract qualified personnel;
- our lack of experience and reputation in the digital power market;
- difficulties in designing products acceptable to customers;
- legal and regulatory restrictions; and
- inadequate sales and marketing capability.

Any one of these factors may negatively impact our ability to create a successful digital power business, which would adversely affect our financial condition and results of operations.

Defects and poor performance in our products could result in loss of customers, decreased revenue, unexpected expenses and loss of market share, and we may face warranty and product liability claims arising from defective products.

Our products are complex and must meet stringent quality requirements. Products as complex as ours may contain undetected errors or defects, especially when first introduced or when new versions are released. Errors, defects or poor performance can arise due to design flaws, defects in raw materials or components or manufacturing anomalies, which can affect both the quality and the yield of the product. It can also be potentially dangerous as defective power components, or improper use of our products by customers, may lead to power overloads, which could result in explosion or fire. Any actual or perceived errors, defects or poor performance in our products could result in the replacement or recall of our products, shipment delays, rejection of our products, damage to our reputation, lost revenue, diversion of our engineering personnel from our product development efforts in order to address or remedy any defects and increases in customer service and support costs, all of which could have a material adverse effect on our business and operations.

Furthermore, as our products are typically sold at prices much lower than the cost of the equipment or other devices incorporating our products, any defective, inefficient or poorly performing products, or improper use by customers of power components, may give rise to warranty and product liability claims against us that exceed any revenue or profit we receive from the affected products. We could incur significant costs and liabilities if we are sued and if damages are awarded against us. There is no guarantee that our insurance policies will be available or adequate to protect against such claims. Costs or payments we may make in connection with warranty and product liability claims or product recalls may adversely affect our financial condition and results of operations.

If we do not forecast demand for our products accurately, we may experience product shortages, delays in product shipment, excess product inventory, or difficulties in planning expenses, which will adversely affect our business and financial condition.

We manufacture our products according to our estimates of customer demand. This process requires us to make numerous forecasts and assumptions relating to the demand of our end customers, channel inventory, and general market conditions. Because we sell most of our products to distributors, who in turn sell to our end customers, we have limited visibility as to end customer demand. Furthermore, we do not have long-term purchase commitments from our

distributors or end customers, and our sales are generally made by purchase orders that may be cancelled, changed or deferred without notice to us or penalty. As a result, it is difficult to forecast future customer demand to plan our operations.

The utilization of our manufacturing facilities and the provisions for inventory write-downs are important factors in our profitability. If we overestimate demand for our products, or if purchase orders are canceled or shipments delayed, we may have excess inventory, which may result in adjustments to our production plans. These adjustments to our productions may affect the utilization of our own wafer fabrication and packaging facilities. If we cannot sell certain portions of the excess inventory, it will affect our provisions for inventory write-downs. Our inventory write-down provisions are subject to adjustment based on events that may not be known at the time the provisions are made, and such adjustments could be material and impact our financial results negatively.

If we underestimate demand, we may not have sufficient inventory to meet end-customer demand, and we may lose market share and damage relationships with our distributors and end customers and we may have to forego potential revenue opportunities. Obtaining additional supply in the face of product shortages may be costly or impossible, particularly in the short term, which could prevent us from fulfilling orders in a timely manner or at all.

In addition, we plan our operating expenses, including research and development expenses, hiring needs and inventory investments, based in part on our estimates of customer demand and future revenue. If customer demand or revenue for a particular period is lower than we expect, we may not be able to proportionately reduce our fixed operating expenses for that period, which would harm our operating results.

We face intense competition and may not be able to compete effectively which could reduce our revenue and market share.

The power semiconductor industry is highly competitive and fragmented. If we do not compete successfully against current or potential competitors, our market share and revenue may decline. Our main competitors are primarily headquartered in the United States, Japan, Taiwan and Europe. Our major competitors for our power discretes include Infineon Technologies AG, MagnaChip Semiconductor Corporation, ON Semiconductor Corp., STMicroelectronics N.V., Toshiba Corporation, Diodes Incorporated and Vishay Intertechnology, Inc. Our major competitors for our power ICs include Global Mixed-mode Technology Inc., Monolithic Power Systems, Inc., ON Semiconductor Corp., Richtek Technology Corp., Semtech Corporation, Texas Instruments Inc. and Vishay Intertechnology, Inc.

We expect to face competition in the future from our competitors, other manufacturers, designers of semiconductors and start-up semiconductor design companies. Many of our competitors have competitive advantages over us, including:

- significantly greater financial, technical, research and development, sales and marketing and other resources, enabling them to invest substantially more resources than us to respond to the adoption of new or emerging technologies or changes in customer requirements;
- greater brand recognition and longer operating histories;
- larger customer bases and longer, more established relationships with distributors or existing or potential end customers, which may provide them with greater reliability and information regarding future trends and requirements that may not be available to us;
- the ability to provide greater incentives to end customers through rebates, and marketing development funds or similar programs;
- more product lines, enabling them to bundle their products to offer a broader product portfolio or to integrate power management functionality into other products that we do not sell;
- greater ability and more resources to influence and participate in the regulatory and legislative process for more favorable laws and regulations; and
- captive manufacturing facilities, providing them with guaranteed access to manufacturing facilities in times of global semiconductor shortages.

In addition, the semiconductor industry has experienced increased consolidation over the past several years that may adversely affect our competitive position. Consolidation among our competitors could lead to a less favorable competitive landscape, capabilities and market share, which could harm our business and results of operations.

If we are unable to compete effectively for any of the foregoing or other reasons, our business, results of operations, and financial condition and prospects will be harmed.

Our reliance on third-party semiconductor foundries to manufacture our products subject us to risks.

The allocation of our wafer production between in-house facility and third-party foundries may fluctuate from time to time. We expect to continue to rely in part on third party foundries to meet our wafer requirements. Although we use several independent foundries, our primary third-party foundry is HHGrace, which manufactured 11.5%, 12.7% and 14.1% of the wafers used in our products for the fiscal years ended June 30, 2021, 2020 and 2019, respectively.

If any third-party foundry does not provide competitive pricing or is not able to meet our required capacity for any reason, we may not be able to obtain the required capacity to manufacture our products timely or efficiently. From time to time, third party suppliers may extend lead-times, limit supplies or increase prices due to capacity constraints or other factors, and we may experience a shortage of capacity on an industry-wide basis that may last for an extended period of time. There are no assurances that we will be able to maintain sufficient capacity to meet the full demand from our customers, and failure to do so will adversely affect our results of operations. If we cannot maintain sufficient capacity or control pricing with our existing third-party foundries, we may need to increase our own manufacturing capacity, and there is no assurance that we can ramp up the production of the Oregon fab timely to meet the increased demand. If not, we may need to seek alternative foundries, which may not be available on commercially reasonable terms, or at all. In addition, the process for qualifying a new foundry is time consuming, difficult and may not be successful, particularly if we cannot integrate our proprietary process technology with the process used by the new foundry. Using a foundry with which we have no established relationship could expose us to potentially unfavorable pricing, unsatisfactory quality or insufficient capacity allocation.

In addition, even though we have been transferring more new product developments to our Oregon fab and we expect to increase gradually the utilization of capacity at our JV Company as it ramps up production, we still rely on third-party foundries to effectively implement certain of our proprietary technology and processes and also require their cooperation in developing new fabrication processes. Any failure to do so may impair our ability to introduce new products and on time delivery of wafers for our existing products. In order to maintain our profit margins and to meet our customer demand, we need to achieve acceptable production yields and timely delivery of silicon wafers. As is common in the semiconductor industry, we have experienced, and may experience from time to time, difficulties in achieving acceptable production yields and timely delivery from third-party foundry vendors. Minute impurities in a silicon wafer can cause a substantial number of wafers to be rejected or cause numerous die on a wafer to be defective. Low yields often occur during the production of new products, the migration of processes to smaller geometries or the installation and start up of new process technologies.

We face a number of other significant risks associated with outsourcing fabrication, including:

- limited control over delivery schedules, quality assurance and control and production costs;
- discretion of foundries to reduce deliveries to us on short notice, allocate capacity to other customers that may be larger or have long-term customer or preferential arrangements with foundries that we use;
- unavailability of, or potential delays in obtaining access to, key process technologies;
- limited warranties on wafers or products supplied to us;
- damage to equipment and facilities, power outages, equipment or materials shortages that could limit manufacturing yields and capacity at the foundries;
- potential unauthorized disclosure or misappropriation of intellectual property, including use of our technology by the foundries to make products for our competitors;
- financial difficulties and insolvency of foundries; and
- acquisition of foundries by third parties.

Any of the foregoing risks could delay shipment of our products, result in higher expenses and reduced revenue, damage our relationships with customers and otherwise adversely affect our business and operating results.

Our operation of two wholly-owned packaging and testing facilities are subject to risks that could adversely affect our business and financial results.

We have two wholly-owned packaging and testing facilities located in Shanghai, China that handle most of our packaging and testing requirements. The operation of high-volume packaging and testing facilities and implementation of our advanced packaging technology are complex and demand a high degree of precision and may require modification

to improve yields and product performance. We have committed substantial resources to ensure that our packaging and testing facilities operate efficiently and successfully, including the acquisition of equipment and raw materials, and training and management of a large number of technical personnel and employees. Due to the fixed costs associated with operating our own packaging and testing facilities, if we are unable to utilize our in-house facilities at a desirable level of production, our gross margin and results of operations may be adversely affected. For example, a significant decline in our market share or sales orders may negatively impact our factory utilization and reduce our ability to achieve profitability.

In addition, the operation of our packaging and testing facilities is subject to a number of risks, including the following:

- unavailability of equipment, whether new or previously owned, at acceptable terms and prices;
- facility equipment failure, power outages or other disruptions;
- shortage of raw materials, including packaging substrates, copper, gold and molding compound;
- failure to maintain quality assurance and remedy defects and impurities;
- changes in the packaging requirements of customers; and
- our limited experience in operating a high-volume packaging and testing facility.

Any of the foregoing risks could adversely affect our capacity to package and test our products, which could delay shipment of our products, result in higher expenses, reduce revenue, damage our relationships with customers and otherwise adversely affect our business, results of operations, financial condition and prospects.

Our reliance on distributors to sell a substantial portion of our products subjects us to a number of risks.

We sell a substantial portion of our products to distributors, who in turn sell to our end customers. Our distributors typically offer power semiconductor products from several different companies, including our direct competitors. The distributors assume collection risk and provide logistical services to end customers, including stocking our products. Two distributors, WPG and Promate, collectively accounted for 64.1%, 64.8% and 65.2% of our revenue for the fiscal years ended June 30, 2021, 2020 and 2019, respectively. Our agreements with Promate and WPG were renewed in July 2017 and are automatically renewed for each one-year period continuously unless terminated earlier pursuant to the provisions in the agreements. We believe that our success will continue to depend upon these distributors. Our reliance on distributors subjects us to a number of risks, including:

- write-downs in inventories associated with stock rotation rights and increases in provisions for price adjustments granted to certain distributors;
- potential reduction or discontinuation of sales of our products by distributors;
- failure to devote resources necessary to sell our products at the prices, in the volumes and within the time frames that we expect;
- focusing their sales efforts on products of our competitors;
- dependence upon the continued viability and financial resources of these distributors, some of which are small organizations with limited working capital and all of which depend on general economic conditions and conditions within the semiconductor industry;
- dependence on the timeliness and accuracy of shipment forecasts and resale reports from our distributors;
- management of relationships with distributors, which can deteriorate as a result of conflicts with efforts to sell directly to our end customers; and
- our agreements with distributors which are generally terminable by either party on short notice.

If any significant distributor becomes unable or unwilling to promote and sell our products, or if we are not able to renew our contracts with the distributors on acceptable terms, we may not be able to find a replacement distributor on reasonable terms or at all and our business could be harmed.

We have made and may continue to make strategic acquisitions of other companies, assets or businesses and these acquisitions introduce significant risks and uncertainties.

In order to position ourselves to take advantage of growth opportunities, we have made, and may continue to make, strategic acquisitions, mergers and alliances that involve significant risks and uncertainties. Successful acquisitions and alliances in the semiconductor industry are difficult to accomplish because they require, among other things, efficient integration and aligning of product offerings and manufacturing operations and coordination of sales and marketing and research and development efforts. The difficulties of integration and alignment may be increased by the necessity of coordinating geographically separated organizations, the complexity of the technologies being integrated and aligned and the necessity of integrating personnel with disparate business backgrounds and combining different corporate cultures. Furthermore, there is no guarantee that we will be able to identify a viable target for strategic acquisition, and we may incur significant costs and resources in such effort that may not result in a successful acquisition.

In addition, we may also issue equity securities to pay for future acquisitions or alliances, which could be dilutive to existing shareholders. We may also incur debt or assume contingent liabilities in connection with acquisitions and alliances, which could impose restrictions on our business operations and harm our operating results.

If we are unable to obtain raw materials in a timely manner or if the price of raw materials increases significantly, production time and product costs could increase, which may adversely affect our business.

Our fabrication and packaging processes depend on raw materials such as silicon wafers, gold, copper, molding compound, petroleum and plastic materials and various chemicals and gases. From time to time, suppliers may extend lead times, limit supplies or increase prices due to capacity constraints or other factors. If the prices of these raw materials rise significantly, we may be unable to pass on the increased cost to our customers. Our results of operations could be adversely affected if we are unable to obtain adequate supplies of raw materials in a timely manner or at reasonable price. In addition, from time to time, we may need to reject raw materials because they do not meet our specifications or the sourcing of such materials do not comply with our conflict mineral policies, resulting in potential delays or declines in output. Furthermore, problems with our raw materials may give rise to compatibility or performance issues in our products, which could lead to an increase in customer returns or product warranty claims. Errors or defects may arise from raw materials supplied by third parties that are beyond our detection or control, which could lead to additional customer returns or product warranty claims that may adversely affect our business and results of operations.

We may not be able to accurately estimate provisions at fiscal period end for price adjustment and stock rotation rights under our agreements with distributors, and our failure to do so may impact our operating results.

We sell a majority of our products to distributors under arrangements allowing price adjustments and returns under stock rotation programs, subject to certain limitations. As a result, we are required to estimate allowances for price adjustments and stock rotation for our products as inventory at distributors at each reporting period end. Our ability to reliably estimate these allowances enables us to recognize revenue upon delivery of goods to distributors instead of upon resale of goods by distributors to end customers.

We estimate the allowance for price adjustment based on factors such as distributor inventory levels, pre-approved future distributor selling prices, distributor margins and demand for our products. Our estimated allowances for price adjustments, which we offset against accounts receivable from distributors, were \$12.4 million and \$30.1 million at June 30, 2021 and 2020, respectively.

Our accruals for stock rotation are estimated based on historical returns and individual distributor agreement, and stock rotation rights, which are recorded as accrued liabilities on our consolidated balance sheets, are contractually capped based on the terms of each individual distributor agreement. Our estimated liabilities for stock rotation at June 30, 2021 and 2020 were \$3.9 million and \$3.4 million, respectively.

Our estimates for these allowances and accruals may be inaccurate. If we subsequently determine that any allowance and accrual based on our estimates is insufficient, we may be required to increase the size of our allowances and accrual in future periods, which would adversely affect our results of operations and financial condition.

We depend on the continuing services of our senior management team and other key personnel, and if we lose a member of our senior management or are unable to successfully retain, recruit and train key personnel, our ability to develop and market our products could be harmed.

Our success depends upon the continuing services of members of our senior management team and various engineering and other technical personnel. In particular, our engineers and other sales and technical personnel are

critical to our future technological and product innovations. Our industry is characterized by high demand and intense competition for talent and the pool of qualified candidates is limited. We have entered into employment agreements with certain senior executives, but we do not have employment agreements with most of our employees. Many of these employees could leave our company with little or no prior notice and would be free to work for a competitor. If one or more of our senior executives or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all and other senior management may be required to divert attention from other aspects of our business. In addition, we do not have “key person” life insurance policies covering any member of our management team or other key personnel. The loss of any of these individuals or our inability to attract or retain qualified personnel, including engineers and others, could adversely affect our product introductions, overall business growth prospects, results of operations and financial condition.

Failure to protect our patents and our other proprietary information could harm our business and competitive position.

Our success depends, in part, on our ability to protect our intellectual property. We rely on a combination of patent, copyright (including mask work protection), trademark and trade secret laws, as well as nondisclosure agreements, license agreements and other methods to protect our intellectual property rights, which may not be sufficient to protect our intellectual property. As of June 30, 2021, we owned 863 issued U.S. patents expiring between 2022 and 2040 and had 58 pending patent applications with the United States Patent and Trademark Office. In addition, we own additional patents and have filed patent applications in several jurisdictions outside of the U.S., including China, Taiwan, Japan and Korea.

Our patents and patent applications may not provide meaningful protection from our competitors, and there is no guarantee that patents will be issued from our patent applications. The status of any patent or patent application involves complex legal and factual determinations and the breadth of a claim is uncertain. In addition, our efforts to protect our intellectual property may not succeed due to difficulties and risks associated with:

- policing any unauthorized use of or misappropriation of our intellectual property, which is often difficult and costly and could enable third parties to benefit from our technologies without paying us;
- others independently developing similar proprietary information and techniques, gaining authorized or unauthorized access to our intellectual property rights, disclosing such technology or designing around our patents;
- the possibility that any patent or registered trademark owned by us may not be enforceable or may be invalidated, circumvented or otherwise challenged in one or more countries and the rights granted there under may not provide competitive advantages to us;
- uncertainty as to whether patents will be issued from any of our pending or future patent applications with the scope of the claims sought by us, if at all; and
- intellectual property laws and confidentiality laws may not adequately protect our intellectual property rights, including, for example, in China where enforcement of China intellectual property-related laws have historically been less effective, primarily because of difficulties in enforcement and low damage awards.

We also rely on customary contractual protection with our customers, suppliers, distributors, employees and consultants, and we implement security measures to protect our trade secrets. We cannot assure you that these contractual protections and security measures will not be breached, that we will have adequate remedies for any such breach or that our suppliers, employees, distributors or consultants will not assert rights to intellectual property arising out of such contracts.

In addition, we have a number of third-party patent and intellectual property license agreements, one of which requires us to make ongoing royalty payments. In the future, we may need to obtain additional licenses, renew existing license agreements or otherwise replace existing technology. We are unable to predict whether these license agreements can be obtained or renewed or the technology can be replaced on acceptable terms, or at all.

Intellectual property disputes could result in lengthy and costly arbitration, litigation or licensing expenses or prevent us from selling our products.

As is typical in the semiconductor industry, we or our customers may receive claims of infringement from time to time or otherwise become aware of potentially relevant patents or other intellectual property rights held by other parties that may cover some of our technology, products and services or those of our end customers. The semiconductor

industry is characterized by vigorous protection and pursuit of intellectual property rights which has resulted in protracted and expensive arbitration and litigation for many companies. Patent litigation has increased in recent years due to increased assertions made by intellectual property licensing entities or non-practicing entities and increasing competition and overlap of product functionality in our markets.

Any litigation or arbitration regarding patents or other intellectual property could be costly and time consuming and could divert our management and key personnel from our business operations. We have in the past and may from time to time in the future become involved in litigation that requires our management to commit significant resources and time. In addition, as part of our strategy to diversify our serviceable markets, we launched several key product families and technologies to enable high efficiency power conversion solutions and we plan to develop and commercialize new products in other power semiconductor markets. Our entry into the commercial markets for high-voltage power semiconductors and other markets as a result of our diversification strategy may subject us to additional and increased risk of disputes or litigation relating to these products.

Because of the complexity of the technology involved and the uncertainty of litigation generally, any intellectual property arbitration or litigation involves significant risks. Any claim of intellectual property infringement against us may require us to:

- incur substantial legal and personnel expenses to defend the claims or to negotiate for a settlement of claims;
- pay substantial damages or settlement to the party claiming infringement;
- refrain from further development or sale of our products;
- attempt to develop non-infringing technology, which may be expensive and time consuming, if possible at all;
- enter into costly royalty or license agreements that might not be available on commercially reasonable terms or at all;
- cross-license our technology with a competitor to resolve an infringement claim, which could weaken our ability to compete with that competitor; and
- indemnify our distributors, end customers, licensees and others from the costs of and damages of infringement claims by our distributors, end customers, licensees and others, which could result in substantial expenses for us and damage our business relationships with them.

Any intellectual property claim or litigation could harm our business, results of operations, financial condition and prospects.

The current government investigation and evolving export control regulations may adversely affect our financial performance and business operations.

The U.S. Department of Justice commenced an investigation into the Company's compliance with export control regulations relating to its business transactions with Huawei and its affiliates ("Huawei"), which were added to the "Entity List" by the Department of Commerce ("DOC") in May 2019. In connection with this investigation, DOC requested the Company to suspend shipments of its products to Huawei, and the Company complied with such request. The Company has not shipped any product to Huawei since December 31, 2019. The Company is currently working with DOC to resolve this issue and requested DOC to grant permission to reinstate shipments to Huawei. To date DOC has not provided us with any timeline or schedule under which DOC will respond to our request. There is no guarantee that DOC will agree to permit us to resume shipment to Huawei on a timely basis, or at all. The DOC's decision may be influenced by factors beyond our control, such as shifting political dynamics and the macro-economic relationship between the U.S. and China and changes in export control regulations. Our inability to continue such shipment may negatively impact our revenue and financial performance, particularly if we are not able to acquire new customers to offset the loss of shipments to Huawei.

The ongoing government investigations into our export control compliance also subject us to a number of financial and business risks. We expect to incur significant costs and expenses, including legal fees, in connection with our effort to respond to the government investigation, as well as additional legal fees for defending securities class actions resulting from public disclosure of the government investigation. Such additional costs will adversely affect our profitability. While the Company has purchased a D&O insurance policy which may reimburse a portion of such fees and expenses, there is no guarantee that such policy will be sufficient to reduce our costs or that reimbursement can be obtained on a timely basis or at all. Furthermore, the management has diverted its resources and time in response to the investigation, and might not be able to fully engage with the core operation and objectives of our business activities. Finally, while we

are fully cooperating with the government in the investigation, we are not able to predict its timing and outcome. In the event that the government decides to bring enforcement action against us, it will result in a material adverse effect on our business operations, our financial conditions and our reputation.

We also expect that the U.S. export control regulations to evolve and change in response to the political and economic tension between the U.S. and China, including potential new export control regulations that may impose additional restrictions on our ability to continue to do business with certain customers in China and Asia. If such changes occur, we may be required to reduce shipments to certain Asian customers, adjust our business practices and incur additional costs to implement new export control compliance procedures, policies and programs, each of which will adversely affect our financial conditions and results of operations.

We may be adversely affected by any disruption in our information technology systems.

Our operations are dependent upon our information technology systems, which encompass all of our major business functions across offices internationally. We rely upon such information technology systems to manage and replenish inventory, complete and track customer orders, coordinate sales activities across all of our products and services, maintain vital data and information, perform financial and accounting tasks and manage and perform various administrative and human resources functions. A substantial disruption in our information technology systems for any extended time period (arising from, for example, system capacity limits from unexpected increases in our volume of business, outages or delays in our service) could result in delays in receiving inventory and supplies or filling customer orders and adversely affect our customer service and relationships. Our systems might be damaged or interrupted by natural or man-made events or by computer viruses, physical or electronic break-ins, cyber-attacks and similar disruptions affecting the global Internet. In addition, recent widespread ransomware attacks and cybersecurity breaches in the U.S. and elsewhere have affected many companies, including the cybersecurity incident involving SolarWinds Orion in December 2020. In the past, we also experienced ransomware attacks on our information technology system. While these attacks did not have a material adverse effect on our business operation, they caused temporary disruptions and interfered with our operations. While we have implemented additional measures to enhance our security protocol to protect our system and intend to do so in response to any threats, there is no guarantee that future attacks would be thwarted or prevented. Furthermore, despite our efforts to investigate, improve and remediate the capability and performance of our information technology system, we may not be able to discover all weaknesses, breaches and vulnerabilities, and failure to do so may expose us to higher risk of data loss and adversely affect our business operations and results of operations.

Global or regional economic, political and social conditions could adversely affect our business and operating results.

External factors such as potential terrorist attacks, acts of war, financial crises, such as the global or regional economic recession, or geopolitical and social turmoil in those parts of the world that serve as markets for our products could have significant adverse effect on our business and operating results in ways that cannot presently be predicted. Any future economic downturn or recession in the global economy in general and, in particular, on the economies in China, Taiwan and other countries where we market and sell our products, will have an adverse effect on our results of operations.

Our business operations could be significantly harmed by natural disasters or global epidemics.

We have research and development facilities located in Taiwan and the Silicon Valley in Northern California. Historically, these regions have been vulnerable to natural disasters and other risks, such as earthquakes, fires and floods, which may disrupt the local economy and pose physical risks to our property. We also have sales offices located in Taiwan and Japan where similar natural disasters and other risks may disrupt the local economy and pose physical risks to our operations. We are not currently covered by insurance against business disruption caused by earthquakes. In addition, we currently do not have redundant, multiple site capacity in the event of a natural disaster or other catastrophic event. In the event of such an occurrence, our business would suffer.

Our business could be adversely affected by natural disasters such as epidemics, outbreaks or other health crisis. An outbreak of avian flu or H1N1 flu in the human population, or another similar health crisis, such as the recent COVID-19 pandemic, could adversely affect the economies and financial markets of many countries, particularly in Asia. Moreover, any related disruptions to transportation or the free movement of persons could hamper our operations and force us to close our offices temporarily.

The occurrence of any of the foregoing or other natural or man-made disasters could cause damage or disruption to us, our employees, operations, distribution channels, markets and customers, which could result in significant delays in deliveries or substantial shortages of our products and adversely affect our business results of operations, financial condition or prospects.

Our insurance may not cover all losses, including losses resulting from business disruption or product liability claims.

We have limited product liability, business disruption or other business insurance coverage for our operations. In addition, we do not have any business insurance coverage for our operations to cover losses that may be caused by litigation or natural disasters. Any occurrence of uncovered loss could harm our business, results of operations, financial condition and prospects.

Our international operations subject our company to risks not faced by companies without international operations.

We have adopted a global business model under which we maintain significant operations and facilities through our subsidiaries located in the U.S., China, Taiwan and Hong Kong. Our main research and development center is located in Silicon Valley, and our manufacturing and supply chain is located in China. We also have sales offices and customers throughout Asia, the U.S. and elsewhere in the world. Our international operations may subject us to the following risks:

- economic and political instability, including trade tension between the U.S. and China;
- costs and delays associated with transportations and communications;
- coordination of operations through multiple jurisdictions and time zones;
- fluctuations in foreign currency exchange rates;
- trade restrictions, changes in laws and regulations relating to, amongst other things, import and export tariffs, taxation, environmental regulations, land use rights and property; and
- the laws of, including tax laws, and the policies of the U.S. toward, countries in which we operate.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud.

Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may decline to issue an opinion as to the effectiveness of our internal control over financial reporting, or may issue a report that is qualified or adverse. During the course of the initial evaluation of internal control over financial reporting, we or our independent registered public accounting firm may identify control deficiencies that we may not be able to remediate prior to the date of our first assessment of internal control over financial reporting. Our failure to achieve and maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of our financial statements or prevent fraud, which in turn could harm our business and negatively impact the trading price of our shares.

We are subject to the risk of increased income taxes and changes in existing tax rules.

We conduct our business in multiple jurisdictions, including Hong Kong, Macau, the U.S., China, Taiwan, South Korea, Japan and Germany. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in various taxing jurisdictions. Any of these jurisdictions may assert that we have unpaid taxes. Our effective tax rate was 6.5%, (1.9)% and (9.4)% for the fiscal years ended June 30, 2021, 2020 and 2019, respectively. Any tax rate changes in the tax jurisdictions in which we operate could result in adjustments to our deferred tax assets, if applicable, which would affect our effective tax rate and results of operations. We base our tax position upon the anticipated nature and conduct of our business and upon our understanding of the tax laws of the various countries in which we have assets or conduct activities. However, our tax position is subject to review and possible challenge by tax authorities and to possible changes in law, which may have a retroactive effect. In particular, various proposals over the years have been made to change certain U.S. tax laws relating to foreign entities with U.S. connections. In addition, the U.S. government has proposed various other changes to the U.S. international tax system, certain of which could adversely impact foreign-based multinational corporate groups, and increased enforcement of U.S. international tax laws. It is possible that these or other changes in the U.S. tax laws, foreign tax laws, or proposed actions by international bodies such as the Organization of Economic Cooperation and Development (OECD) could

significantly increase our U.S. or foreign income tax liability in the future, including as described further below in this risk factor.

In December 2017, the European Union (“EU”) identified certain jurisdictions (including Bermuda and Cayman Islands) which it considered had a tax system that facilitated offshore structuring by attracting profits without commensurate economic activity. In order to avoid EU “blacklisting”, both Bermuda and Cayman Islands introduced new legislation in December 2018, which came into force on January 1, 2019. These new laws require Bermuda and Cayman companies carrying on one or more “relevant activity” (including: banking, insurance, fund management, financing, leasing, headquarters, shipping, distribution and service center, intellectual property or holding company) to maintain a substantial economic presence in Bermuda and Cayman Islands in order to comply with the economic substance requirements. Effective from December 31, 2019, we have structured our activities to comply with the new law. However, there is no experience yet as to how the Bermuda and Cayman Islands authorities will interpret and enforce these new rules. The legislation remains subject to further clarification and, accordingly, there is no guarantee that we will be deemed to be compliant. Furthermore, this legislation may require us to make additional changes to the activities we carry on in Bermuda or Cayman Islands, which could increase our costs either directly in those locations or indirectly as a result of increased costs related to moving our operations to other jurisdictions. As a result, we are not able to determine the impact on our operations and net income as of the current period.

In addition, our subsidiaries provide products and services to, and may from time to time undertake certain significant transactions with, us and other subsidiaries in different jurisdictions. We have adopted transfer pricing arrangements for transactions among our subsidiaries. Related party transactions are generally subject to close review by tax authorities, including requirements that transactions be priced at arm's length and be adequately documented. If any tax authorities were successful in challenging our transfer pricing policies or other tax judgments, our income tax expense may be adversely affected and we could also be subject to interest and penalty charges which may harm our business, financial condition and operating results.

Further, the U.S. Congress, the EU, the OECD, and other government agencies in jurisdictions where we and our affiliates do business have had an extended focus on issues related to the taxation of multinational corporations. One example is the OECD’s initiative in the area of “base erosion and profit shifting,” or “BEPS”. Many countries have implemented or begun to implement legislation and other guidance to align their international tax rules with the OECD’s BEPS recommendations. In addition, the OECD has been working on an extension of the BEPS project, being referred to as “BEPS 2.0”, which focuses on two “pillars” of reform. Pillar 1 is focused on global profit allocation and changing where large multinational corporations pay taxes, and pillar 2 includes a global minimum tax rate. The OECD published detailed blueprints of its proposals for pillar 1 and pillar 2 on October 14, 2020. In June 2021, Finance Ministers from the Group of Seven (G7) nations reached an accord on the principles of pillar 2, backing the creation of a global minimum corporate tax rate of at least 15%. Following the G7 announcement, the OECD/G20 Inclusive Framework announced on July 1, 2021 broad agreement on the two pillars, and released a proposal, which has been endorsed by over 130 jurisdictions, for a global minimum tax rate of at least 15% for large multinational corporations on a jurisdiction-by-jurisdiction basis. The OECD/G20 Inclusive Framework will work towards an agreement and the release of an implementation plan, which will contemplate bringing pillar 2 into law in 2022 with an effective date in 2023. As a result of the focus on the taxation of multinational corporations, the tax laws in the countries in which we and our affiliates do business could change on a prospective or retroactive basis, and any such changes could adversely affect us.

Our debt agreements include financial covenants that may limit our ability to pursue business and financial opportunities and subject us to risk of default.

We have entered into various debt agreements with certain financial institutions, which generally require us to maintain certain financial covenants that has the effect of limiting our ability to take certain actions, including actions to incur debt, pay dividends, repurchase stock, make certain investments and capital expenditures. As we continue to grow our business and expand our operations, we expect to incur additional indebtedness, including loan agreement or equipment leases, in order to fund such capital expenditures. These restrictions may limit our ability to pursue business and financial opportunities that are available or beneficial to us in response to changing and competitive economic environment, which may have an adverse effect on our financial conditions. In addition, a breach of any of these financial covenants, if not waived by the lenders, could trigger an event of default under the debt agreements, which may result in the acceleration of our indebtedness or the loss of our collateral used to secure such indebtedness.

The imposition of U.S. corporate income tax on our Bermuda parent and non-U.S. subsidiaries could adversely affect our results of operations.

We believe that our Bermuda parent and non-U.S. subsidiaries each operate in a manner that they would not be subject to U.S. corporate income tax because they are not engaged in a trade or business in the United States. Nevertheless, there is a risk that the U.S. Internal Revenue Service may assert that our Bermuda parent and non-U.S. subsidiaries are engaged in a trade or business in the United States. If our Bermuda parent and non-U.S. subsidiaries were characterized as being so engaged, we would be subject to U.S. tax at the regular corporate rates on our income that is effectively connected with U.S. trade or business, plus an additional 30% “branch profits” tax on the dividend equivalent amount, which is generally effectively connected income with certain adjustments, deemed withdrawn from the United States. Any such tax could materially and adversely affect our results of operations.

We may be classified as a passive foreign investment company (“PFIC”), which could result in adverse U.S. federal income tax consequences for U.S. holders.

Based on the current and anticipated valuation of our assets and the composition of our income and assets, we do not expect to be considered a PFIC, for U.S. federal income tax purposes for the foreseeable future. However, we must make a separate determination for each taxable year as to whether we are a PFIC after the close of each taxable year and we cannot assure you that we will not be a PFIC for our 2021 taxable year or any future taxable year. Under current law, a non-U.S. corporation will be considered a PFIC for any taxable year if either (1) at least 75% of its gross income is passive income or (2) at least 50% of the value of its assets, generally based on an average of the quarterly values of the assets during a taxable year, is attributable to assets that produce or are held for the production of passive income. PFIC status depends on the composition of our assets and income and the value of our assets, including, among others, a pro rata portion of the income and assets of each subsidiary in which we own, directly or indirectly, at least 25% by value of the subsidiary's equity interests, from time to time. Because we currently hold and expect to continue to hold a substantial amount of cash or cash equivalents, and because the calculation of the value of our assets may be based in part on the value of our common shares, which may fluctuate considerably given that market prices of technology companies historically often have been volatile, we may be a PFIC for any taxable year. If we were treated as a PFIC for any taxable year during which a U.S. holder held common shares, certain adverse U.S. federal income tax consequences could apply for such U.S. holder.

The average selling prices of products in our markets have historically decreased rapidly and will likely do so in the future, which could harm our revenue and gross margins.

As is typical in the semiconductor industry, the average selling price of a particular product has historically declined significantly over the life of the product. In the past, we have reduced the average selling prices of our products in anticipation of future competitive pricing pressures, new product introductions by us or our competitors and other factors. We expect that we will have to similarly reduce prices in the future for older generations of products. Reductions in our average selling prices to one customer could also impact our average selling prices to all customers. A decline in average selling prices would harm our gross margins for a particular product. If not offset by sales of other products with higher gross margins, our overall gross margins may be adversely affected. Our business, results of operations, financial condition and prospects will suffer if we are unable to offset any reductions in our average selling prices by increasing our sales volumes, reducing our costs and developing new or enhanced products on a timely basis, with higher selling prices or gross margins.

We may be adversely affected by the cyclical nature of the semiconductor industry.

Our industry is highly cyclical and is characterized by constant and rapid technological change such as the introduction of smart phones and tablets that contributed to the decline in the PC market, product obsolescence and price erosion, evolving standards, uncertain product life cycles and wide fluctuations in product supply and demand. The industry has, from time to time, experienced significant and sometimes prolonged, downturns, which were often connected with or in anticipation of, maturing product cycles and declines in general economic conditions. These downturns have been characterized by diminished product demand, production overcapacity, high inventory levels and accelerated erosion of average selling prices. Any future downturns, in particular the PC markets or in any other markets in which we sell our products, may reduce our revenue and result in us having excess inventory. By contrast, any upturn in the semiconductor industry could result in increased competition for access to limited third-party foundry and packaging and testing capacity, which could prevent us from benefiting from such an upturn or reduce our profit margins.

Risks Related to Doing Business in China

China's economic, political and social conditions, as well as government policies, could affect our business and growth.

Our financial results have been, and are expected to continue to be, affected by the economy in China. If China's economy is slowing down, it may negatively affect our business operation and financial results. The China economy differs from the economies of most developed countries in many respects, including:

- higher level of government involvement;
- early stage of development of a market-oriented economy;
- rapid growth rate;
- higher level of control over foreign currency exchange; and
- less efficient allocation of resources.

The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the China government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of corporate governance in business enterprises, the China government continues to retain significant control over the business and productive assets in China. Any changes in China's government policy or China's political, economic and social conditions, or in relevant laws and regulations, may adversely affect our current or future business, results of operations or financial condition. These changes in government policy may be implemented through various means, including changes in laws and regulations, implementation of anti-inflationary measures, change of basic interest rate, changes in the tax rate or taxation system and the imposition of additional restrictions on currency conversion and imports. Furthermore, given China's largely export-driven economy, any changes in the economies of China's principal trading partners and other export-oriented nations may adversely affect our business, results of operations, financial condition and prospects.

Our ability to successfully expand our business operations in China depends on a number of factors, including macroeconomic and other market conditions, and credit availability from lending institutions. In response to the recent global and Chinese economic recession, the China government has promulgated several measures aimed at expanding credit and stimulating economic growth. We cannot assure you that the various macroeconomic measures, monetary policies and economic stimulus package adopted by the China government to guide economic growth will be effective in maintaining or sustaining the growth rate of the Chinese economy. If measures adopted by the China government fail to achieve further growth in the Chinese economy, it may adversely affect our growth, business strategies and operating results. In addition, changes in political and social conditions of China may adversely affect our ability to conduct our business in the region. For example, geopolitical disputes and increased tensions between China and its neighboring countries in which we conduct business could make it more difficult for us to coordinate and manage our international operations in such countries.

Changes in China's laws, legal protections or government policies on foreign investment in China may harm our business.

Our business and corporate transactions, including our operations through the JV Company, are subject to laws and regulations applicable to foreign investment in China as well as laws and regulations applicable to foreign-invested enterprises. These laws and regulations frequently change, and their interpretation and enforcement involves uncertainties that could limit the legal protections available to us. Regulations and rules on foreign investments in China impose restrictions on the means that a foreign investor like us may apply to facilitate corporate transactions we may undertake. In addition, the Chinese legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. If any of our past operations are deemed to be non-compliant with Chinese law, we may be subject to penalties and our business and operations may be adversely affected. For instance, under Special Administrative Measures (Negative List) for Foreign Investment Access, some industries are categorized as sectors which are restricted or prohibited for foreign investment. As the Negative List is updated every year, there can be no assurance that the China government will not change its policies in a manner that would render part or all of our business to fall within the restricted or prohibited categories. If we cannot obtain approval from relevant authorities to engage in businesses which become prohibited or restricted for foreign investors, we may be forced to sell or restructure a business which has become restricted or prohibited for foreign investment. Furthermore, the China government has broad discretion in dealing with violations of laws and regulations, including levying fines, revoking business and other licenses and requiring actions necessary for compliance. In particular, licenses and permits

issued or granted to us by relevant governmental bodies may be revoked at a later time by higher regulatory bodies. If we are forced to adjust our corporate structure or business as a result of changes in government policy on foreign investment or changes in the interpretation and application of existing or new laws, our business, financial condition, results of operations and prospects may be harmed. Moreover, uncertainties in the Chinese legal system may impede our ability to enforce contracts with our business partners, customers and suppliers, or otherwise pursue claims in litigation to recover damages or loss of property, which could adversely affect our business and operations.

The continuing potential for new or additional tariffs on imported goods from China could adversely affect our business operations.

The United States entered into what is described as the “Phase 1” trade agreement with China on January 15, 2020. Pursuant to that agreement, which took effect on February 14, 2021, the U.S. cut by half the tariff rate it imposed on \$120 billion in Chinese exports to the US, including electronics and apparel, from 15% to 7.5%. The Phase I agreement also delayed implementation of U.S. tariffs of 25% on \$250 billion of Chinese goods. In addition, the agreement suspended indefinitely certain other tariffs that were scheduled to go into effect on December 15, 2020, on nearly \$160 billion worth of Chinese goods, including cellphones, laptop computers, toys and clothing. These goods, absent exemptions, may include products and applications, including consumer electronics, that incorporate our power discrete and power IC products. In response to the U.S. decision to levy extraordinary tariffs, China has imposed tariffs on certain American products, some of which are being reduced as part of the Phase I agreement. China may take additional actions if additional U.S. tariffs are reduced or imposed. On May 8, 2020, the two countries reaffirmed their Phase I trade agreement notwithstanding the COVID-19 pandemic. Potential discussions between the Chinese and U.S. governments on a second phase agreement have not yet been planned. The ultimate level of tariffs, the ultimate scope of them, and whether or how any proposed additional tariffs will impact our business is uncertain. We believe that the imposition of additional tariffs by the U.S. government on products incorporating our power semiconductors could deter our customers from purchasing our products originating from China. If so, this would reduce demand for our power semiconductor products or result in pricing adjustments that would lower our gross margin, which could have a material adverse effect on our business and results of operations.

Substantial uncertainties exist with respect to the interpretation and implementation of PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

On March 15, 2019, the National People’s Congress of the PRC promulgated the Foreign Investment Law, which took effect on January 1, 2020, and replaced the existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies a PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The Foreign Investment Law establishes the basic framework for the access, promotion, protection and administration of foreign investments in China in view of investment protection and fair competition. For example, treatment of foreign investors on a national level will be no less favorable than the treatment received by domestic investors unless such investments fall within a “negative list”. On June 30, 2019, the National Development and Reform Commission (the “NDRC”) and the Ministry of Commerce of the PRC (the “MOC”) published the Special Administrative Measures for Market Access of Foreign Investment (Negative List), which identifies specific sectors where foreign investors will be subject to special administrative measures.

Since the Foreign Investment Law was newly enacted, uncertainties still exist in relation to its interpretation and implementation. For example, the Foreign Investment Law provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within a five-year transition period, which means that we may be required to adjust the structure and corporate governance of certain of our China subsidiaries in such transition period. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance and business operations.

In addition, under the newly enacted Foreign Investment Law, foreign investors or the foreign invested enterprise should report investment information on the principle of necessity. Any company found to be non-compliant with such investment information reporting obligation might be potentially subject to fines or administrative liabilities.

Limitations on our ability to transfer funds to our China subsidiaries could adversely affect our ability to expand our operations, make investments that could benefit our businesses and otherwise fund and conduct our business.

The transfer of funds from us to our China subsidiaries, either as a shareholder loan or as an increase in registered capital, is subject to registration with or approval by the China's governmental authorities, including the State Administration of Foreign Exchange, or SAFE, or the relevant examination and approval authority. Our subsidiaries may also experience difficulties in converting our capital contributions made in foreign currencies into RMB due to changes in the China's foreign exchange control policies. Therefore, it may be difficult to change capital expenditure plans once the relevant funds have been remitted from us to our China subsidiaries. These limitations and the difficulties our China subsidiaries may experience on the free flow of funds between us and our China subsidiaries could restrict our ability to act in response to changing market situations in a timely manner.

China's currency exchange control and government restrictions on investment repatriation may impact our ability to transfer funds outside of China.

A significant portion of our business is conducted in China where the currency is the Renminbi. Regulations in China permit foreign owned entities to freely convert the Renminbi into foreign currency for transactions that fall under the "current account," which includes trade related receipts and payments, interest and dividends. Accordingly, our Chinese subsidiaries may use Renminbi to purchase foreign exchange for settlement of such "current account" transactions without pre-approval. However, pursuant to applicable regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In calculating accumulated profits, foreign investment enterprises in China are required to allocate at least 10% of their accumulated profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises.

Other transactions that involve conversion of Renminbi into foreign currency are classified as "capital account" transactions; examples of "capital account" transactions include repatriations of investment by or loans to foreign owners, or direct equity investments in a foreign entity by a China domiciled entity. "Capital account" transactions require prior approval from, or registration with China's State Administration of Foreign Exchange (SAFE) or its provincial branch to convert a remittance into a foreign currency, such as U.S. dollars, and transmit the foreign currency outside of China.

As a result of these and other restrictions under PRC laws and regulations, our China subsidiaries are restricted in their ability to transfer a portion of their net assets to the parent; such restricted portion amounted to approximately \$209.9 million, or 50.4% of our total consolidated net assets attribute to the Company as of June 30, 2021. We have no assurance that the relevant Chinese governmental authorities in the future will not limit further or eliminate the ability of our China subsidiaries to purchase foreign currencies and transfer such funds to us to meet our liquidity or other business needs. Any inability to access funds in China, if and when needed for use by the Company outside of China, could have a material and adverse effect on our liquidity and our business.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in August 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex, including requirements in some instances that the Ministry of Commerce ("MOC") be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law requires that the MOC shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by the MOC that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOC, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. On July 1, 2015, the National Security Law of China took effect, which provided that China would establish rules and mechanisms to conduct national security review of foreign investments in China that may impact national security. China's Foreign Investment Law, which became effective in January 2020, reiterates that China will establish a security review system for foreign investments. On December 19, 2020, the NDRC and the MOC jointly issued the Measures for the Security Review of Foreign Investments (the "New FISR Measures"), which was made according to the National Security Law and the Foreign

Investment Law of China and became effective on January 18, 2021. The New FISR Measures further expand the scope of national security review on foreign investment compared to the existing rules, while leaving substantial room for interpretation and speculation. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOC or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Our results of operations may be negatively impacted by fluctuations in foreign currency exchange rates between U.S. dollar and Chinese Yuan, or RMB.

While U.S. dollars is our main functional currency and our revenue and a significant portion of our operating expenses are denominated in U.S. dollars, we are required to maintain local currencies, primarily the RMB, in our cash balances in connection with the funding of our overseas operations. As a result, our costs and operating expenses may be exposed to adverse movements in foreign currency exchange rates between the U.S. dollar and RMB. We also do not utilize any financial instruments to hedge or reduce potential losses due to the fluctuation of foreign currency exchange rates. In general, any appreciation of U.S. dollars against a weaker RMB could reduce the value of our cash and cash equivalent balance, which could increase our operating expenses and negatively affect our cash flow, income and profitability. The value of RMB against the U.S. dollars may fluctuate and is affected by many factors outside of our control, including changes in political and economic conditions, implementation of new monetary policies by the Chinese government and changes in banking regulations, and there is no guarantee that we will be able to mitigate or recoup any losses due to a significant fluctuation in the U.S. dollar/RMB exchange rates.

PRC labor laws may adversely affect our results of operations.

The PRC government promulgated the Labor Contract Law of the PRC, effective on January 1, 2008, as amended, to govern the establishment of employment relationships between employers and employees, and the conclusion, performance, termination of and the amendment to employment contracts. The Labor Contract Law imposes greater liabilities on employers and significantly affects the cost of an employer's decision to reduce its workforce. Further, it requires that certain termination decisions be based upon seniority and not merit. In the event our subsidiaries decide to significantly change or decrease their workforce in China, the Labor Contract Law could adversely affect their ability to effect such changes in a manner that is most advantageous to our business or in a timely and cost-effective manner, thus materially and adversely affecting our financial condition and results of operations.

In recent years, compensation in various industries in China has increased and may continue to increase in the future. In order to attract and retain skilled personnel, we may need to increase the compensation of our employees. Compensation may, also, increase as inflationary pressure increases in China. In addition, under the Regulations on Paid Annual Leave for Employees, which became effective on January 1, 2008, employees who have served more than one year for a specific employer are entitled to a paid vacation ranging from 5 to 15 days, depending on length of service. Employees who waive such vacation time at the request of employers must be compensated for three times their normal salaries for each waived vacation day. This mandated paid-vacation regulation, coupled with the trend of increasing compensation, may result in increase in our employee-related costs and expenses and decrease in our profit margins.

Relations between Taiwan and China could negatively affect our business, financial condition and operating results and, therefore, the market value of our common shares.

Taiwan has a unique international political status. China does not recognize the sovereignty of Taiwan. Although significant economic and cultural relations have been established during recent years between Taiwan and China, relations have often been strained. A substantial number of our key customers and some of our essential sales and engineering personnel are located in Taiwan, and we have a large number of operational personnel and employees located in China. Therefore, factors affecting military, political or economic relationship between China and Taiwan could have an adverse effect on our business, financial condition and operating results.

Risks Related to Our Corporate Structure and Our Common Shares

Our share price may be volatile and you may be unable to sell your shares at or above the purchase price, if at all.

Limited trading volumes and liquidity of our common shares on the NASDAQ Global Select Market may limit the ability of shareholders to purchase or sell our common shares in the amounts and at the times they wish. In addition, the

financial markets in the United States and other countries have experienced significant price and volume fluctuations, and market prices of technology companies have been and continue to be extremely volatile. The trading price of our common shares on The NASDAQ Global Select Market ranged from a low of \$10.19 to high of \$40.37 from July 1, 2020 to June 30, 2021. At July 31, 2021, the trading price of our common shares was \$25.99. Volatility in the price of our shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results.

The market price for our common shares may be volatile and subject to wide fluctuations in response to factors, including:

- actual or anticipated fluctuations in our operating results;
- general economic, industry, regional and global market conditions, including the economic conditions of specific market segments for our products, including the PC markets;
- our failure to meet analysts' expectations, including expectation regarding our revenue, gross margin and operating expenses;
- changes in financial estimates and outlook by securities research analysts;
- our ability to increase our gross margin;
- announcements by us or our competitors of new products, acquisitions, strategic partnerships, joint ventures or capital commitments;
- announcements of technological or competitive developments;
- announcement of acquisition, partnership and major corporate transactions;
- regulatory developments in our target markets affecting us, our customers or our competitors;
- our ability to enter into new market segments, gain market share, diversify our customer base and successfully secure manufacturing capacity;
- announcements regarding intellectual property disputes or litigation involving us or our competitors;
- changes in the estimation of the future size and growth rate of our markets;
- announcement of significant legal proceedings, litigation or government investigation;
- additions or departures of key personnel;
- repurchase of shares under our repurchase program;
- announcement of sales of our securities by us or by our major shareholders;
- general economic or political conditions in China and other countries in Asia; and
- other factors.

In the past, securities class action litigation has often been brought against a company following periods of volatility in such company's share price. This type of litigation could result in substantial costs and divert our management's attention and resources which could negatively impact our business and financial conditions. See Item 3. Legal Proceeding.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our common shares or if our operating results do not meet their expectations, the trading price of our common shares could decline.

The market price of our common shares is influenced by the research and reports that industry or securities analysts publish about us or our business. There is no guarantee that these analysts will understand our business and results, or that their reports will be accurate or correctly predict our operating results or prospects. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause the market price of our common shares or its trading volume to decline. Moreover, if one or more of the analysts who cover our company downgrade our common shares or if our operating results or prospects do not meet their expectations, the market price of our common shares could decline significantly.

Anti-takeover provisions in our bye-laws could make an acquisition of us more difficult and may prevent attempts by our shareholders to replace or remove our current management.

Certain provisions in our bye-laws may delay or prevent an acquisition of us or a change in our management. In addition, by making it more difficult for shareholders to replace members of our board of directors, these provisions also may frustrate or prevent any attempts by our shareholders to replace or remove our current management because our board of directors is responsible for appointing the members of our management team. These provisions include:

- the ability of our board of directors to determine the rights, preferences and privileges of our preferred shares and to issue the preferred shares without shareholder approval;
- advance notice requirements for election to our board of directors and for proposing matters that can be acted upon at shareholder meetings; and
- the requirement to remove directors by a resolution passed by at least two-thirds of the votes cast by the shareholders having a right to attend and vote at the shareholder meeting.

These provisions could make it more difficult for a third-party to acquire us, even if the third-party's offer may be considered beneficial by many shareholders. As a result, shareholders may be limited in their ability to obtain a premium for their shares.

We are a Bermuda company and the rights of shareholders under Bermuda law may be different from U.S. laws.

We are a Bermuda limited liability exempted company. As a result, the rights of holders of our common shares will be governed by Bermuda law and our memorandum of association and bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions, including the U.S. For example, some of our directors are not residents of the United States, and a substantial portion of our assets are located outside the United States. As a result, it may be difficult for investors to effect service of process on those persons in the U.S. or to enforce in the U.S. judgments obtained in U.S. courts against us or those persons based on civil liability provisions of the U.S. securities laws. It is doubtful whether courts in Bermuda will enforce judgments obtained in other jurisdictions, including the U.S., against us or our directors or officers under the securities laws of those jurisdictions or entertain actions in Bermuda against us or our directors or officers under the securities laws of other jurisdictions.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of July 31, 2021, our primary U.S. facility, which houses our research and design function, as well as elements of marketing and administration, is located in Sunnyvale, California. We conduct our manufacturing, research and development, sales and marketing and administration in Asia and North America. We lease all properties used in our business except the wafer fabrication facility in Oregon acquired in January 2012 and wafer fabrication facility in Chongqing, China. The following table sets forth the location, size and primary use of our principal properties that are material to our business operations:

<u>Location</u>	<u>Square Footage</u>	<u>Primary Use</u>
475 Oakmead Parkway Sunnyvale, California, USA 94085	57,000	Research and development, marketing, sales and administration
3131 Northeast Brookwood Parkway Hillsboro, Oregon, USA 97124	245,000	Wafer fabrication facility
Building 8/9, No. 91, Lane 109, Rongkang Road, Songjiang District, Shanghai, China 201614	206,179	Packaging and testing, manufacturing support
Building B1, Dongkai Industrial Park, Songjiang Export Process Zone, Area B, Songjiang, Shanghai, China 201614	250,198	Packaging and testing, manufacturing support
No.288, Yuefu Road, Beibei District, Chongqing, China 400714	2,459,002	Wafer fabrication facility and assembly and testing facility (land size 2,459,002, building size 991,913)

We believe that our current facilities are adequate and that additional space will be available on commercially reasonable terms for the foreseeable future.

Item 3. Legal Proceedings

As previously disclosed, U.S. Department of Justice (“DOJ”) commenced an investigation into the Company’s compliance with export control regulations relating to its business transactions with Huawei and its affiliates (“Huawei”), which were added to the “Entity List” by the Department of Commerce (“DOC”) in May 2019. The Company is cooperating fully with federal authorities in the investigation. The Company has continued to respond to inquiries and requests from DOJ for documents and information relating to the investigation, and the matter is currently pending at DOJ, and DOJ has not provided the Company with any specific timeline or indication as to when the investigation will be concluded or resolved. In connection with this investigation, DOC previously requested the Company to suspend shipments of its products to Huawei. The Company complied with such request, and the Company has not shipped any product to Huawei after December 31, 2019. The Company continues to work with DOC to resolve this issue and requested DOC to grant permission to reinstate the Company’s shipments to Huawei. As part of this process and in response to DOC’s request, the Company provided certain documents and materials relating to the Company’s supply chain and shipment process to DOC, and DOC is currently reviewing this matter. DOC has not informed the Company of any specific timeline or schedule under which DOC will provide a response to the Company’s request. See “Risk Factor-The current government investigation and evolving export control regulations may adversely affect our financial performance and business operations” and footnote 13 to the consolidated financial statements of the Company.

On March 19, 2020, Darryl Gray, a stockholder of the Company (the “Plaintiff”), filed a putative class action complaint in the United States District Court for the Southern District of New York (the “Gray Action”), alleging that the Company and its management members made material misstatements or omissions regarding the Company’s business and operations, including its export control practices relating to business transactions with Huawei and its affiliates. The Gray Action asserts claims under Section 10(b) of the Exchange Act against the Company, its Chief Executive Officer and Chief Financial Officer (collectively, the Defendants’), as well as claims under Section 20(a) of the Exchange Act against the Chief Executive Officer and Chief Financial Officer. Among other remedies, the Gray Action seeks to recover compensatory and other damages as well as attorney’s fees and costs.

On May 18, 2020, Plaintiff moved for an order appointing him as Lead Plaintiff pursuant to Section 21D of the Exchange Act and approving Glancy Prongay & Murray LLP as Lead Counsel for the putative class (the “Motion”). On July 1, 2020, the Court entered an order granting the Motion and requiring that: (i) Lead Plaintiff file an amended complaint or designate the current complaint as operative within sixty days; (ii) Defendants answer the complaint or otherwise move within sixty days of such filing or designation; (iii) Lead Plaintiff file an opposition, if any, within 45 days; and (iv) Defendants file a reply, if any, forty-five days thereafter. On August 28, 2020, Plaintiff filed an amended complaint asserting the same claims against the Defendants, and adding the Company’s Executive Vice President of Product Line as a defendant on both claims. On October 27, 2020, the Defendants moved to dismiss the action in its entirety. Plaintiff filed his opposition on December 11, 2020 and Defendants filed their reply brief on January 25, 2021. The Company believes the claims in the Gray Action are without merit and intends to vigorously defend this litigation.

We have in the past, and may from time to time in the future, become involved in legal proceedings arising from the normal course of business activities. The semiconductor industry is characterized by frequent claims and litigation, including claims regarding patent and other intellectual property rights as well as improper hiring practices. Irrespective of the validity of such claims, we could incur significant costs in the defense thereof or could suffer adverse effects on its operations.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common shares have traded on the NASDAQ Global Select Market since April 29, 2010 under the symbol AOSL. As of July 31, 2021, there were approximately 145 holders of record of our common shares, not including those shares held in a street or nominee name.

Dividend Policy

We have never declared or paid cash dividends on our common shares. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our common share in the foreseeable future. Any future determination to declare dividends will be made at the discretion of our board of directors and will depend on our financial condition, operating results, capital requirements, general business conditions and other factors that our board of directors may deem relevant.

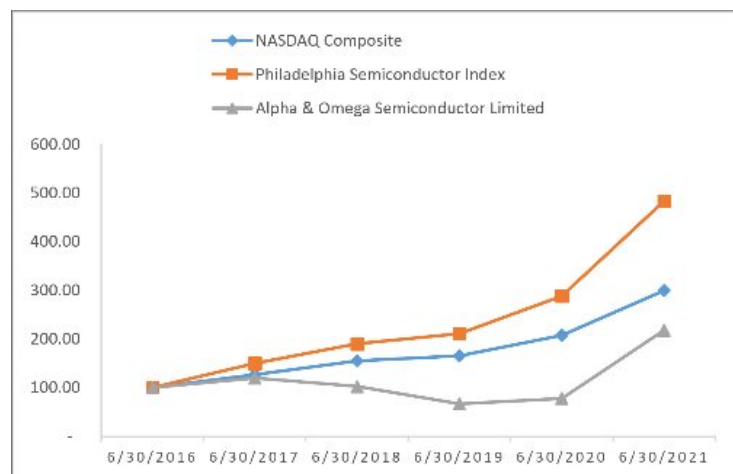
Securities Authorized for Issuance Under Equity Compensation Plans

See Item 12 of Part III of this report regarding information about securities authorized for issuance under our equity compensation plans.

Share Performance Graph

The following graph compares the total cumulative shareholder return on our common shares with the total cumulative return of the NASDAQ Composite Index and the Philadelphia Semiconductor Index for the last five fiscal year ended June 30, 2021, assuming an investment of \$100 at the beginning of such period and the reinvestment of any dividends.

The comparisons in the graph below are required by the SEC and are not intended to forecast or be indicative of possible future performance of our common shares.



The above Stock Performance Graph and related information shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that the Company specifically incorporates it by reference into such filing.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In September 2017, the Board of Directors approved a repurchase program (the “Repurchase Program”) that allowed the Company to repurchase its common shares from the open market pursuant to a pre-established Rule 10b5-1 trading plan or through privately negotiated transactions up to an aggregate of \$30.0 million. The amount and timing of any repurchases under the Repurchase Program depend on a number of factors, including but not limited to, the trading price, volume and availability of the Company's common shares. There is no guarantee that such repurchases under the Repurchase Program will enhance the value of our shares. Shares repurchased under this program are accounted for as treasury shares and the total cost of shares repurchased is recorded as a reduction of shareholders' equity. During the fourth quarter of fiscal year 2021, the Company did not repurchase any shares under the Repurchase Program. As of June 30, 2021, we had \$13.4 million available under this repurchase program.

Item 6. Selected Financial Data

We have derived the selected consolidated statements of operations data for the fiscal years ended June 30, 2021, 2020 and 2019 and selected consolidated balance sheet data as of June 30, 2021 and 2020 from our audited consolidated financial statements and related notes included elsewhere in this report. We have derived the selected consolidated statements of operations data for the fiscal years ended June 30, 2018 and 2017 and selected consolidated balance sheets as of June 30, 2019, 2018 and 2017 from consolidated financial statements not included in this report. The information set forth below is not necessarily indicative of results of future operations, and should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K.

	Year Ended June 30,				
	2021	2020	2019	2018	2017
(in thousands, except per share data)					
Consolidated Statements of Operations:					
Revenue	\$ 656,902	\$ 464,909	\$ 450,920	\$ 421,553	\$ 383,337
Cost of goods sold	452,359	362,178	335,542	309,625	291,516
Gross profit	204,543	102,731	115,378	111,928	91,821
Operating expenses:					
Research and development	62,953	51,252	46,431	37,344	29,835
Selling, general and administrative	77,514	64,816	75,967	66,164	48,842
Impairment of privately-held investment	—	600	—	—	—
Total operating expenses	140,467	116,668	122,398	103,508	78,677
Operating income (loss)	64,076	(13,937)	(7,020)	8,420	13,144
Interest expense and other income (loss), net	(3,852)	(3,972)	(6,362)	(2,764)	(232)
Income (loss) before income taxes	60,224	(17,909)	(13,382)	5,656	12,912
Income tax expense	3,935	348	1,256	708	3,652
Net income (loss) including noncontrolling interest	56,289	(18,257)	(14,638)	4,948	9,260
Net loss attributable to noncontrolling interest	(1,827)	(11,661)	(16,499)	(9,315)	(4,569)
Net income (loss) attributable to Alpha and Omega Semiconductor Limited	\$ 58,116	\$ (6,596)	\$ 1,861	\$ 14,263	\$ 13,829
Basic	\$ 2.25	\$ (0.27)	\$ 0.08	\$ 0.60	\$ 0.59
Diluted	\$ 2.13	\$ (0.27)	\$ 0.08	\$ 0.57	\$ 0.56
Weighted average number of common share attributable to Alpha and Omega Semiconductor Limited used to compute net income (loss) per share:					
Basic	25,786	24,840	24,063	23,901	23,526
Diluted	27,272	24,840	24,698	24,844	24,826

	As of June 30,				
	2021	2020	2019	2018	2017
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 202,412	\$ 158,536	\$ 121,893	\$ 131,535	\$ 115,708
Working capital	\$ 174,092	\$ 126,275	\$ 117,334	\$ 130,532	\$ 130,566
Total assets	\$ 918,573	\$ 792,939	\$ 739,394	\$ 667,049	\$ 398,408
Current portion of bank borrowings	\$ 58,030	\$ 30,114	\$ 26,609	\$ 3,811	\$ —
Current portion of finance leases	\$ 16,724	\$ 15,258	\$ 11,355	\$ 4,491	\$ 828
Current portion of operating leases	\$ 5,679	\$ 4,159	\$ —	\$ —	\$ —
Bank borrowings - long term	\$ 77,990	\$ 99,775	\$ 59,380	\$ 26,786	\$ —
Finance leases - long term	\$ 12,698	\$ 26,842	\$ 43,381	\$ 56,791	\$ 866
Operating leases - long term	\$ 30,440	\$ 30,254	\$ —	\$ —	\$ —
Total Alpha and Omega Semiconductor Limited shareholders' equity	\$ 373,205	\$ 293,689	\$ 291,024	\$ 278,594	\$ 270,770

Item 7. **Management's Discussion and Analysis of Financial Condition and Results of Operations**

You should read the following discussion of the financial condition and results of our operations in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this annual report. Our consolidated financial statements contained in this annual report are prepared in accordance with U.S. GAAP.

Overview

We are a designer, developer and global supplier of a broad portfolio of power semiconductors. Our portfolio of power semiconductors includes approximately 2,400 products, and has grown significantly with the introduction of over 160 new products in the fiscal year ended June 30, 2021 and 2020, respectively, and 200 new products in the fiscal year ended June 30, 2019, respectively. Our teams of scientists and engineers have developed extensive intellectual properties and technical knowledge that encompass major aspects of power semiconductors, which we believe enables us to introduce and develop innovative products to address the increasingly complex power requirements of advanced electronics. We have an extensive patent portfolio that consists of 863 patents and 58 patent applications in the United States as of June 30, 2021. We also have a total of 898 foreign patents, which primarily were based on our research and development efforts through June 30, 2021. We differentiate ourselves by integrating our expertise in technology, design and advanced manufacturing and packaging to optimize product performance and cost. Our portfolio of products targets high-volume applications, including personal computers, graphic cards, game consoles, flat panel TVs, home appliances, smart phones, battery packs, consumer and industrial motor controls and power supplies for TVs, computers, servers and telecommunications equipment.

Our business model leverages global resources, including research and development and manufacturing in the United States and Asia. Our sales and technical support teams are localized in several growing markets. We operate an 8-inch wafer fabrication facility located in Hillsboro, Oregon, or the Oregon fab, which is critical for us to accelerate proprietary technology development, new product introduction and improve our financial performance. To meet the market demand for the more mature high volume products, we also utilize the wafer manufacturing capacity of selected third party foundries. For assembly and test, we primarily rely upon our in-house facilities in China. In addition, we utilize subcontracting partners for industry standard packages. We believe our in-house packaging and testing capability provides us with a competitive advantage in proprietary packaging technology, product quality, cost and sales cycle time.

We operate a power semiconductor packaging, testing and wafer fabrication facility in the Liangjiang New Area of Chongqing, China through our joint venture (the "JV Company") with two investment funds owned by the Municipality of Chongqing (the "Chongqing Funds"). We currently own 51%, and the Chongqing Funds own 49%, of the equity interest in the JV Company. The Company's consolidated financial statements for the fiscal years ended June 30, 2021, 2020 and 2019 reflect net losses attributable to the non-controlling interest in the JV Company of \$1.8 million, \$11.7 million and \$16.5 million, respectively. While the JV Company is our consolidated subsidiary for purpose of financial reporting, it operates as an independent and separate legal entity. As a result, the JV Company's assets and liabilities are segregated from our company's assets and liabilities. For example, the JV Company incurs debt through its own financing and bank loan agreements, and our parent company and other subsidiaries are not parties to these agreements and do not provide any guarantee or security for the JV Company's debt, nor do we have direct access to any cash proceeds borrowed from such loan agreements. As part of our strategic plan, we formed the JV Company to fulfill growing customer demand. During the fiscal year 2021, the additional capacity at the JV Company contributed significantly to meeting the increasing demand for our products. The JV Company has reached its targeted production of assembly and testing, and is expected to ramp up its Phase I target run rate of the 12-inch wafer fabrication in the quarter ending September 30, 2021. But our goal may be affected by various factors, including the impact of the global COVID-19 pandemic and related economic downturn, intensified geopolitical tensions between China and U.S., logistical difficulties, the JV Company's ability to obtain financing and other risk factors beyond our control. We will continue to monitor and evaluate market conditions closely during this period and react quickly to the changing environment as necessary to achieve an optimal production level at the JV Company. In addition, the JV Company is currently pursuing various financing options to fund its future expansion and repay its debt obligations, and there is no guarantee that the JV Company will be able obtain such financing with favorable terms, or at all. We expect the joint venture to provide important capacity to support our future growth, enhance our market positions in China, and drive improvements in capital expenditures.

During the fiscal year ended June 30, 2021, we continued our diversification program by developing new silicon and packaging platforms to expand our serviceable available market, or SAM and offer higher performance products. Our metal-oxide-semiconductor field-effect transistors, or MOSFET, and power IC product portfolio expanded significantly. Our high performance products and deepened customer relationships with our OEM and ODM customers have contributed to the achievement of our record high revenue of \$656.9 million for the fiscal year 2021, a 41.3% growth compared to the last fiscal year.

Impact of COVID-19 Pandemic to our Business

Our business operations have been impacted by the global COVID-19 pandemic and the resulting economic downturn. Numerous governmental jurisdictions, including the States of California, Oregon and Texas in the U.S. and countries throughout the Asia Pacific region have imposed "stay-at-home" orders, quarantines, travel bans and similar governmental orders and restrictions to control the spread of COVID-19. Such orders and restrictions have resulted in business closures, work stoppages, slowdowns and delays in commercial activities, unprecedented and widespread unemployment, disruptions to ports and other shipping infrastructure, border closures, and other travel or health-related restrictions, thereby negatively impacting our customers, suppliers, distributors, employees, offices, and the entire semiconductor ecosystem.

As a result of the COVID-19 pandemic and changing consumer behaviors due to various government restrictions, including "stay-at-home" orders, we have experienced shifting market trends, including an increasing demand in markets for notebooks, PCs, gaming devices and other products. While we have recently benefited from the increasing demand for PC related products, there is no guarantee that this trend will continue, and such increasing demand may discontinue or decline if government authorities relax or terminate COVID-19 related restrictions and consumer behaviors change in response to the reopening of certain economic activities. In an effort to protect the health and safety of our employees and to comply with various government and regulatory guidelines, we took proactive actions to adopt policies and protocols at our locations around the world, including social distancing guidelines, working from home, limiting the number of employees attending meetings, reducing the number of people in our sites at any one time, and suspending employee travel, and these measures may result in difficulties and logistical challenges in our business operations.

Since the start of the second quarter of 2021, there have been increasing availability and administration of vaccines against COVID-19, as well as an easing of restrictions on social, business, travel, and government activities and functions, and a gradual resumption of economic activities and consumer spending in our industries. On the other hand, infection rates continue to fluctuate in various regions and new strains of the virus remain a risk. In addition, there are ongoing global impacts resulting from the pandemic, including disruption of the product supply chains, shortages of semiconductor components, and delays in shipments, product development, and product launches. The full extent of the future impact of the COVID-19 pandemic on our operational and financial performance is uncertain and will depend on many factors outside the Company's control, including, without limitation, the timing, extent, trajectory and duration of the pandemic; the availability, distribution and effectiveness of vaccines; the spread of new variants of COVID-19; the continued and renewed imposition of protective public safety measures; and the impact of the pandemic on the global economy and demand for consumer products. Although we are unable to predict the full impact and duration of the COVID-19 pandemic on our business, we are actively managing our business operations and financial expenditures in response to continued uncertainty.

Other Factors affecting our performance

In addition to the COVID-19 pandemic and related events as described above, our performance is affected by several key factors, including the following:

The global, regional economic and PC market conditions: Because our products primarily serve consumer electronic applications, any significant change in global and regional economic conditions could materially affect our revenue and results of operations. For example, because a significant amount of our revenue is derived from sales of products in the personal computing ("PC") markets, such as notebooks, motherboards and notebook battery packs, a substantial decline or downturn in the PC market could have a material adverse effect on our revenue and results of operations. The PC markets have experienced a modest global decline in recent years due to continued growth of demand in tablets and smart phones, worldwide economic conditions and the industry inventory correction which had and may continue to have a material impact on the demand for our products. However, we recently have experienced a significant increase of demand in PC market due to the impact of the COVID-19 pandemic and resulting shift in market trend and consumer behaviors. We cannot predict whether and how long this trend will continue due to the uncertainty and unpredictability of COVID-19 pandemic. A decline of the PC market may have a negative impact on our revenue, factory utilization, gross margin, our ability to resell excess inventory, and other performance measures. We have executed and continue to execute strategies to diversify our product portfolio, penetrate other market segments, including the consumer, communications and industrial markets, and improve gross margins and profit by implementing cost control measures. While making efforts to reduce our reliance on the computing market, we continue to support our computing business and capitalize on the opportunities in this market with a more focused and competitive PC product strategy to gain market share.

Manufacturing costs: Our gross margin is affected by a number of factors including our manufacturing costs, utilization of our manufacturing facilities, the product mixes of our sales, pricing of wafers from third party foundries and pricing of semiconductor raw materials. Capacity utilization affects our gross margin because we have certain fixed costs associated with our packaging and testing facilities at our Oregon fab and our Chongqing fabrication facility operated by the JV Company. We expect that in the long term our JV Company will reduce our cost of manufacturing. If we are unable to utilize our manufacturing facilities at a desired level, our gross margin may be adversely affected. In addition, from time to time, we may experience wafer capacity constraints, particularly at third party foundries, that may prevent us from meeting fully the demand

of our customers. For example, the recent global shortage of semiconductor manufacturing capacity has provided us with both challenges and opportunities in the market, and highlighted the importance of maintaining sufficient and independent in-house manufacturing capabilities to meet increasing customer demands. While we can mitigate these constraints by increasing and re-allocating capacity at our own fab, we may not be able to do so quickly or at sufficient level, which could adversely affect our financial conditions and results of operations. In addition, we recently commenced a plan to enhance the manufacturing capability and capacity of our Oregon fab by investing in new equipment and expanding our factory facilities, which we expect will have a positive impact on our future new product development and revenue, particularly during the period of global shortage of capacity.

Erosion and fluctuation of average selling price: Erosion of average selling prices of established products is typical in our industry. Consistent with this historical trend, we expect our average selling prices of existing products to decline in the future. However, in the normal course of business, we seek to offset the effect of declining average selling price by introducing new and higher value products, expanding existing products for new applications and new customers and reducing the manufacturing cost of existing products. These strategies may cause the average selling price of our products to fluctuate significantly from time to time, thereby affecting our financial performance and profitability.

Product introductions and customers' product requirements: Our success depends on our ability to introduce products on a timely basis that meet or are compatible with our customers' specifications and performance requirements. Both factors, timeliness of product introductions and conformance to customers' requirements, are equally important in securing design wins with our customers. As we accelerate the development of new technology platforms, we expect to increase the pace at which we introduce new products and seek and acquire design wins. If we were to fail to introduce new products on a timely basis that meet customers' specifications and performance requirements, particularly those products with major OEM customers, and continue to expand our serviceable markets, then we would lose market share and our financial performance would be adversely affected. We believe that the JV Transaction will increase and diversify our customer base, particularly in China, in the long term. However, the ramp-activities and production schedule of our JV Company have been impacted by the COVID-19 pandemic and related events, as discussed above. Even if we are able to ramp up the operation of the JV Company timely, we may not be successful in acquiring or maintaining a sufficient number of new customers to offset additional costs due to various factors, including but are not limited to, competition from other semiconductor companies in the region, our lack of history and prior relationships with customers as a new entrant, difficulties in executing our joint venture strategies and the general economic conditions in Chongqing and China.

Distributor ordering patterns, customer demand and seasonality: Our distributors place purchase orders with us based on their forecasts of end customer demand, and this demand may vary significantly depending on the sales outlook and market and economic conditions of end customers. Because these forecasts may not be accurate, channel inventory held at our distributors may fluctuate significantly, which in turn may prompt distributors to make significant adjustments to their purchase orders placed with us. As a result, our revenue and operating results may fluctuate significantly from quarter to quarter. In addition, because our products are used in consumer electronics products, our revenue is subject to seasonality. Our sales seasonality is affected by numerous factors, including global and regional economic conditions as well as the PC market conditions, revenue generated from new products, changes in distributor ordering patterns in response to channel inventory adjustments and end customer demand for our products and fluctuations in consumer purchase patterns prior to major holiday seasons. In recent periods, broad fluctuations in the semiconductor markets and the global and regional economic conditions, in particular the decline of the PC market conditions, have had a more significant impact on our results of operations than seasonality. Furthermore, our revenue may be impacted by the level of demand from our major customers due to factors outside of our control. If these major customers experience significant decline in the demand of their products, encounter difficulties or defects in their products, or otherwise fail to execute their sales and marketing strategies successfully, it may adversely affect our revenue and results of operations.

Regulatory Matters: As previously disclosed, the U.S. Department of Justice ("DOJ") commenced an investigation into our compliance with export control regulations relating to business transactions with Huawei and its affiliates ("Huawei"), which were added to the "Entity List" by the Department of Commerce ("DOC") in May 2019. We continue to cooperate fully with federal authorities in the investigation. The Company has continued to respond to inquiries and requests from DOJ for documents and information relating to the investigation, and the matter is currently pending at DOJ. However, DOJ and DOC have not provided us any clear or definitive response regarding the timeline of the investigation and potential resolutions or outcome. In the meantime, we continue incur significant costs and expenses, including legal and professional fees, in connection with the government investigation, which may reduce our profitability and operating margin.

Principal line items of statements of operations

The following describes the principal line items set forth in our consolidated statements of operations:

Revenue

We generate revenue primarily from the sale of power semiconductors, consisting of power discretes and power ICs. Historically, a majority of our revenue has been derived from power discrete products. Because our products typically have three-year to five-year life cycles, the rate of new product introduction is an important driver of revenue growth over time. We believe that expanding the breadth of our product portfolio is important to our business prospects, because it provides us with an opportunity to increase our total bill-of-materials within an electronic system and to address the power requirements of additional electronic systems. In addition, a small percentage of our total revenue is generated by providing packaging and testing services to third parties through one of our subsidiaries.

Our product revenue is reported net of the effect of the estimated stock rotation returns and price adjustments that we expect to provide to our distributors. Stock rotation returns are governed by contract and are limited to a specified percentage of the monetary value of products purchased by the distributor during a specified period. At our discretion or upon our direct negotiations with the original design manufacturers ("ODMs") or original equipment manufacturers ("OEMs"), we may elect to grant special pricing that is below the prices at which we sold our products to the distributors. In these situations, we will grant price adjustments to the distributors reflecting such special pricing. We estimate the price adjustments for inventory at the distributors based on factors such as distributor inventory levels, pre-approved future distributor selling prices, distributor margins and demand for our products.

Cost of goods sold

Our cost of goods sold primarily consists of costs associated with semiconductor wafers, packaging and testing, personnel, including share-based compensation expense, overhead attributable to manufacturing, operations and procurement, and costs associated with yield improvements, capacity utilization, warranty and valuation of inventories. As the volume of sales increases, we expect cost of goods sold to increase. We continued to ramp up the 12-inch fab at the JV Company to meet the increasing demand on our products. While our utilization rates cannot be immune to the market conditions, our goal is to make them less vulnerable to market fluctuations. We believe our market diversification strategy and product growth will drive higher volume of manufacturing which will improve our factory utilization rates and gross margin in the long run.

Operating expenses

Our operating expenses consist of research and development, selling, general and administrative expenses and impairment of long-lived assets. We expect our operating expenses as a percentage of revenue to fluctuate from period to period as we continue to exercise cost control measures in response to the declining PC market as well as align our operating expenses to the revenue level.

Research and development expenses. Our research and development expenses consist primarily of salaries, bonuses, benefits, share-based compensation expense, expenses associated with new product prototypes, travel expenses, fees for engineering services provided by outside contractors and consultants, amortization of software and design tools, depreciation of equipment and overhead costs. We continue to invest in developing new technologies and products utilizing our own fabrication and packaging facilities as it is critical to our long-term success. We also evaluate appropriate investment levels and stay focused on new product introductions to improve our competitiveness. We expect that our research and development expenses will fluctuate from time to time.

Selling, general and administrative expenses. Our selling, general and administrative expenses consist primarily of salaries, bonuses, benefits, share-based compensation expense, product promotion costs, occupancy costs, travel expenses, expenses related to sales and marketing activities, amortization of software, depreciation of equipment, maintenance costs and other expenses for general and administrative functions as well as costs for outside professional services, including legal, audit and accounting services. We expect our selling, general and administrative expenses to fluctuate in the near future as we continue to exercise cost control measures.

Income tax expense

We are subject to income taxes in various jurisdictions. Significant judgment and estimates are required in determining our worldwide income tax expense. The calculation of tax liabilities involves dealing with uncertainties in the application of complex tax regulations of different jurisdictions globally. We establish accruals for potential liabilities and contingencies based on a more likely than not threshold to the recognition and de-recognition of uncertain tax positions. If the recognition threshold is met, the applicable accounting guidance permits us to recognize a tax benefit measured at the largest amount of tax benefit that is more likely than not to be realized upon settlement with a taxing authority. If the actual tax outcome of such exposures is different from the amounts that were initially recorded, the differences will impact the income tax and deferred tax

provisions in the period in which such determination is made. Changes in the location of taxable income (loss) could result in significant changes in our income tax expense.

We record a valuation allowance against deferred tax assets if it is more likely than not that a portion of the deferred tax assets will not be realized, based on historical profitability and our estimate of future taxable income in a particular jurisdiction. Our judgments regarding future taxable income may change due to changes in market conditions, changes in tax laws, tax planning strategies or other factors. If our assumptions and consequently our estimates change in the future, the deferred tax assets may increase or decrease, resulting in corresponding changes in income tax expense. Our effective tax rate is highly dependent upon the geographic distribution of our worldwide profits or losses, the tax laws and regulations in each geographical region where we have operations, the availability of tax credits and carry-forwards and the effectiveness of our tax planning strategies.

U.S. Tax Cuts and Jobs Act, Enacted December 22, 2017

On December 22, 2017, the United States enacted tax reform legislation through the Tax Cuts and Jobs Act (“the Tax Act”), which significantly changes the existing U.S. tax laws, including, but not limited to, (1) a reduction in the corporate tax rate from 35% to 21%, (2) a shift from a worldwide tax system to a territorial system, (3) eliminating the corporate alternative minimum tax (AMT) and changing how existing AMT credits can be realized, (4) bonus depreciation that will allow for full expensing of qualified property, (5) creating a new limitation on deductible interest expense and (6) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017.

The Company is not currently subject to the Base Erosion and Anti-Abuse (BEAT) tax, which is a tax imposed on certain entities who make payments to their non U.S. affiliates, where such payments reduce the U.S. tax base. The BEAT tax is imposed at a rate of 10% on Adjusted Taxable Income, excluding certain payments to foreign related entities. It is an incremental tax over and above the corporate income tax and is recorded as a period cost. It is possible that this tax could be applicable in future periods, which would cause an increase to the effective tax rate and cash taxes.

U.S. Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), Enacted March 27, 2020

On March 27, 2020, the United States enacted the CARES Act, which made the changes to existing U.S. tax laws, including, but not limited to, (1) allowing U.S. federal net operating losses originated in the 2018, 2019 or 2020 tax years to be carried back five years to recover taxes paid based upon taxable income in the prior five years, (2) eliminated the 80% of taxable income limitation on net operating losses for the 2018, 2019 and 2020 tax years (the 80% limitation will be reinstated for tax years after 2020), (3) accelerating the refund of prior year alternative minimum tax credits, (4) modifying the bonus depreciation for qualified improvement property and (5) modifying the limitation on deductible interest expense.

As a result of the ability to carryback net operating losses from the June 2018 and June 2019 years to the June 2015 to June 2017 tax years, net operating losses which were previously tax-effected using the current 21% U.S. federal tax rate were revalued to the U.S. tax rates in effect for the June 2015 to June 2017 tax years due to the ability of receiving tax refunds for the taxes paid in these years. Accordingly, we reported a discrete tax benefit of \$1.1 million in the third quarter of fiscal year 2020 related to the re-measurement of the net operating losses that could be realized via the new net operating loss carryback provisions.

“U.S. Consolidated Appropriations Act, 2021” (“CAA 2021”), Enacted December 27, 2020

On December 27, 2020, the United States enacted the Consolidated Appropriations Act, 2021, which made changes to existing U.S. tax laws. There was no material impact of the tax law changes included in the Consolidated Appropriations Act, 2021 to the Company.

“The American Rescue Plan Act of, 2021”, Enacted March 11, 2021

On March 11, 2021, the United States enacted the American Rescue Plan Act of 2021, which made changes to existing U.S. tax laws. There was no material impact of the tax law changes included in the American Rescue Plan Act of 2021 to the Company.

Operating results

The following tables set forth our results of operations and as a percentage of revenue for the fiscal years ended June 30, 2021, 2020 and 2019. Our historical results of operations are not necessarily indicative of the results for any future period.

	Year Ended June 30,					
	(in thousands)			(% of revenue)		
	2021	2020	2019	2021	2020	2019
Revenue	\$ 656,902	\$ 464,909	\$ 450,920	100.0 %	100.0 %	100.0 %
Cost of goods sold (1)	452,359	362,178	335,542	68.9 %	77.9 %	74.4 %
Gross profit	204,543	102,731	115,378	31.1 %	22.1 %	25.6 %
Operating expenses:						
Research and development (1)	62,953	51,252	46,431	9.6 %	11.0 %	10.3 %
(1) Selling, general and administrative	77,514	64,816	75,967	11.8 %	13.9 %	16.8 %
Impairment of privately-held investment	—	600	—	— %	0.1 %	— %
Total operating expenses	140,467	116,668	122,398	21.4 %	25.0 %	27.1 %
Operating income (loss)	64,076	(13,937)	(7,020)	9.7 %	(2.9) %	(1.5) %
Interest expense and other income (loss), net	(3,852)	(3,972)	(6,362)	(0.6) %	(0.9) %	(1.4) %
Net income (loss) before income taxes	60,224	(17,909)	(13,382)	9.1 %	(3.8) %	(2.9) %
Income tax expense	3,935	348	1,256	0.6 %	0.1 %	0.3 %
Net income (loss) including noncontrolling interest	56,289	(18,257)	(14,638)	8.5 %	(3.9) %	(3.2) %
Net loss attributable to noncontrolling interest	(1,827)	(11,661)	(16,499)	(0.3) %	(2.5) %	(3.7) %
Net income (loss) attributable to Alpha and Omega Semiconductor Limited	\$ 58,116	\$ (6,596)	\$ 1,861	8.8 %	(1.4) %	0.5 %

(1) Includes share-based compensation expense as follows:

	Year Ended June 30,					
	(in thousands)			(% of revenue)		
	2021	2020	2019	2021	2020	2019
Cost of goods sold	\$ 1,756	\$ 1,530	\$ 1,963	0.3 %	0.3 %	0.4 %
Research and development	5,352	2,895	2,453	0.8 %	0.6 %	0.5 %
Selling, general and administrative	8,216	6,029	8,761	1.3 %	1.3 %	1.9 %
	\$ 15,324	\$ 10,454	\$ 13,177	2.4 %	2.2 %	2.8 %

Revenue

The following is a summary of revenue by product type:

	Year Ended June 30,			Change			
	2021	2020	2019	2021	2020	2019	2018
	(in thousands)			(in thousands)	(in percentage)	(in thousands)	(in percentage)
Power discrete	\$ 482,718	\$ 391,941	\$ 371,837	\$ 90,777	23.2 %	\$ 20,104	5.4 %
Power IC	161,726	66,360	70,215	95,366	143.7 %	(3,855)	(5.5) %
Packaging and testing services	12,458	6,608	8,868	5,850	88.5 %	(2,260)	(25.5) %
	\$ 656,902	\$ 464,909	\$ 450,920	\$ 191,993	41.3 %	\$ 13,989	3.1 %

Fiscal 2021 vs 2020

Total revenue was \$656.9 million for fiscal year 2021, an increase of \$192.0 million, or 41.3%, as compared to \$464.9 million for fiscal year 2020. The increase was primarily due to an increase of \$90.8 million in sales of power discrete products and an increase of \$95.4 million in sales of power IC products. The increase in power discrete and power IC product sales was primarily due to a 23.0% increase in unit shipments and a 14.5% increase in average selling price due to a shift in product mix as compared to last fiscal year. The increase in revenue of packaging and testing services for the fiscal year 2021 as compared to last fiscal year was primarily due to increased demand. During fiscal year 2021, we accelerated the development of new technology platforms which allowed us to introduce 41 medium and high voltage MOSFET products, targeting primarily the power supply and communication marketing, and 11 module products primarily for the consumer markets, as well as 22 low voltage MOSFET products primarily for the computing and communication markets. In addition, we introduced 84 Power IC new products for computing applications, power supply, communication and consumer markets.

Fiscal 2020 vs 2019

Total revenue was \$464.9 million for fiscal year 2020, an increase of \$14.0 million, or 3.1%, as compared to \$450.9 million for fiscal year 2019. The increase was primarily due to an increase of \$20.1 million in sales of power discrete products, partially offset by a decrease of \$3.9 million in sales of power IC products. The net increase in product sales was primarily due to a 6.0% increase in average selling price as compared to last fiscal year due to a shift in product mix, partially offset by a 2.3% decrease in unit shipments. The decrease in revenue of packaging and testing services for fiscal year 2020 as compared to last fiscal year was primarily due to the fluctuation of demand on these services externally.

Cost of goods sold and gross profit

	Year Ended June 30,			Change			
	2021	2020	2019	2021		2020	
	(in thousands)			(in thousands)	(in percentage)	(in thousands)	(in percentage)
Cost of goods sold	\$ 452,359	\$ 362,178	\$ 335,542	\$ 90,181	24.9 %	\$ 26,636	7.9 %
Percentage of revenue	68.9 %	77.9 %	74.4 %				
Gross profit	\$ 204,543	\$ 102,731	\$ 115,378	\$ 101,812	99.1 %	\$ (12,647)	(11.0) %
Percentage of revenue	31.1 %	22.1 %	25.6 %				

Fiscal 2021 vs 2020

Cost of goods sold was \$452.4 million for fiscal year 2021, an increase of \$90.2 million, or 24.9%, as compared to \$362.2 million for fiscal year 2020. The increase was primarily due to 41.3% increase in revenue. Gross margin increased by 9.0 percentage points to 31.1% for the fiscal year 2021, as compared to 22.1% for the fiscal year 2020. Our JV Company continued its ramp during the fiscal year 2021, which resulted in an increase in the capacity utilization and contributed to the increase in gross margin. We expect our gross margin to continue to fluctuate in the future as a result of variations in our product mix, ramp up costs related to the JV Company, factory utilization, semiconductor wafer and raw material pricing, manufacturing labor cost and general economic and PC market conditions.

Fiscal 2020 vs 2019

Cost of goods sold was \$362.2 million for fiscal year 2020, an increase of \$26.6 million, or 7.9%, as compared to \$335.5 million for fiscal year 2019. The increase was primarily due to limited mass production in our JV Company and the 3.1% increase of revenue. Gross margin decreased by 3.5 percentage points to 22.1% for fiscal year 2020, as compared to 25.6% for fiscal year 2019. The decrease in gross margin was primarily the result of low capacity utilization due to the limited mass production in our Chongqing joint venture during the fiscal year 2020.

Research and development expenses

	Year Ended June 30,			Change			
	2021	2020	2019	2021		2020	
	(in thousands)			(in thousands)	(in percentage)	(in thousands)	(in percentage)
Research and development	\$ 62,953	\$ 51,252	\$ 46,431	\$ 11,701	22.8 %	\$ 4,821	10.4 %

Fiscal 2021 vs 2020

Research and development expenses were \$63.0 million for fiscal year 2021, an increase of \$11.7 million, or 22.8%, as compared to \$51.3 million for fiscal year 2020. The increase was primarily attributable to a \$4.0 million increase in employee compensation and benefit expense mainly due to higher bonus accrual, a \$4.2 million increase in product prototyping engineering expense as a result of increased engineering activities, a \$2.5 million increase in share-based compensation expense due to higher stock awards price, and a \$0.5 million increase in facility expenses as a result of higher office rental expenses and higher utility costs. We continue to evaluate and invest resources in developing new technologies and products utilizing our own fabrication and packaging facilities. We believe the investment in research and development are important to meet our strategic objectives.

Fiscal 2020 vs 2019

Research and development expenses were \$51.3 million for fiscal year 2020, an increase of \$4.8 million, or 10.4%, as compared to \$46.4 million for fiscal year 2019. The increase was primarily attributable to a \$1.4 million increase in employee compensation and benefit expense mainly due to annual merit increase, partially offset by lower bonus accrual, a \$2.1 million increase in professional fees, a \$0.9 million increase in depreciation expenses, and a \$0.4 million increase in share-based compensation expense due to more grants in stock awards.

Selling, general and administrative expenses

	Year Ended June 30,			Change			
	2021	2020	2019	2021		2020	
	(in thousands)			(in thousands)	(in percentage)	(in thousands)	(in percentage)
Selling, general and administrative	\$ 77,514	\$ 64,816	\$ 75,967	\$ 12,698	19.6 %	\$ (11,151)	(14.7) %

Fiscal 2021 vs 2020

Selling, general and administrative expenses were \$77.5 million for fiscal year 2021, an increase of \$12.7 million, or 19.6%, as compared to \$64.8 million for fiscal year 2020. The increase was primarily attributable to a \$13.2 million increase in employee compensation and benefits expenses, mainly due to increased headcount, higher bonus expenses and increased employee insurance expenses, as well as \$2.2 million increase in share-based compensation expense due to higher stock rewards price. The increase was partially offset by a \$1.9 million decrease in legal expense related to the government investigation, and a \$0.9 million decrease in business travel expenses as a result of the COVID-19 pandemic.

Fiscal 2020 vs 2019

Selling, general and administrative expenses were \$64.8 million for fiscal year 2020, a decrease of \$11.2 million, or 14.7%, as compared to \$76.0 million for fiscal year 2019. The decrease was primarily due to a \$14.9 million reduction in pre-production costs as a result of the commencement of limited mass production at the 12-inch fab facility at the JV Company, and a \$2.7 million decrease in share-based compensation expense. The net decrease was partially offset by a \$1.0 million increase in depreciation expenses and a \$5.4 million increase in legal expenses primarily due to the government investigation.

Impairment of privately-held investment

	Year Ended June 30,			Change			
	2021	2020	2019	2021		2020	
	(in thousands)			(in thousands)	(in percentage)	(in thousands)	(in percentage)
Impairment of privately-held investment	\$ —	\$ 600	\$ —	\$ (600)	100.0 %	\$ 600	100.0 %

During the fiscal year 2020, we recorded an other-than-temporary impairment charge for our investment of \$0.6 million in a privately-held start-up company. As of June 30, 2021 and 2020, we have a remaining \$0.1 million of privately-held investment.

Interest expense and other income (loss), net

	Year Ended June 30,			Change			
	2021	2020	2019	2021		2020	
	(in thousands)			(in thousands)	(in percentage)	(in thousands)	(in percentage)
Interest expense and other income (loss), net	\$ (3,852)	\$ (3,972)	\$ (6,362)	\$ 120	(3.0) %	\$ 2,390	(37.6) %

Interest expense was primarily related to bank borrowings. Interest expense increased by \$3.6 million in fiscal year 2021 as compared to the last fiscal year was primarily due to an increase in bank borrowings as well as less interest refund from the Chinese government in the JV Company. Interest expense decreased by \$4.0 million in fiscal year 2020 as compared to the fiscal year 2019 was primarily due to \$6.1 million of interest refund from the Chinese government in the JV Company, partially offset by higher interest expense as a result of an increase in bank borrowings.

Interest income and others were primarily related to interest earned from cash and cash equivalents, as well as foreign exchange gains (losses). Interest income and others, net increased by \$3.7 million in fiscal year 2021 as compared to the last fiscal year was primarily due to higher foreign currency exchange gains as a result of the appreciation of RMB against USD. Interest income and others, net decreased by \$1.6 million in fiscal year 2020 as compared to the fiscal year 2019 was primarily due to higher foreign currency exchange losses as a result of the depreciation of USD against RMB.

Income tax expense

	Year Ended June 30,			Change			
	2021	2020	2019	2021		2020	
	(in thousands)			(in thousands)	(in percentage)	(in thousands)	(in percentage)
Income tax expense	\$ 3,935	\$ 348	\$ 1,256	\$ 3,587	1,030.7 %	\$ (908)	(72.3) %

Fiscal 2021 vs 2020

Income tax expense for fiscal years 2021 and 2020 was \$3.9 million and \$0.3 million, respectively. Income tax expense increased by \$3.6 million, or 1,030.7% in fiscal year 2021 as compared to fiscal year 2020, primarily due to an approximate \$80 million increase in pretax book income in fiscal 2021 (in which we reported a pretax book income of \$60.2 million) vs. fiscal 2020 (in which we reported pretax book loss of \$17.9 million). Excluding discrete income tax items, the effective tax rate for the current fiscal year was 7.1%, compared to (9.6%) for the prior fiscal year. The changes in the effective tax rate and tax expense between the fiscal years resulted primarily from changes in the mix of earnings in various geographic jurisdictions between the current fiscal year and prior fiscal year.

Fiscal 2020 vs 2019

Income tax expense for fiscal years 2020 and 2019 was \$0.3 million and \$1.3 million, respectively. Income tax expense decreased by \$0.9 million, or 72.3% in fiscal year 2020 as compared to fiscal year 2019 primarily due to a \$1.1 million tax

benefit in fiscal year 2020 from re-measuring the tax benefit of our U.S. net operating losses that could be carried back to the fiscal 2015, 2016 and 2017 years following the enactment of the CARES Act in March 2020, partially offset by decreased research credits generated in fiscal year 2020 vs. fiscal year 2019 and changes in the mix of earnings in various geographic jurisdictions between the respective periods in fiscal year 2020 compared to fiscal year 2019. Excluding the discrete income tax items, the effective tax rate for the current fiscal year was (9.6%), compared to (14.6%) for the last fiscal year. The changes in the effective tax rate and tax expense between the fiscal years resulted primarily from changes in the mix of earnings in various geographic jurisdictions between the current fiscal year and prior fiscal year and decreased research credits generated in fiscal year 2020.

Liquidity and Capital Resources

Our principal need for liquidity and capital resources is to maintain sufficient working capital to support our operations and to invest adequate capital expenditures to grow our business. To date, we finance our operations and capital expenditures primarily through funds generated from operations and borrowings under our term loans, financing lease and other debt agreements.

On August 18, 2021, Jireh entered into a term loan agreement with a financial institution (the "Bank") in an amount up to \$45.0 million for the purpose of expanding and upgrading our fabrication facility located in Oregon. The obligation under the loan agreement is secured by substantially all assets of Jireh and guaranteed by the Company. The agreement has a 5.5 year term and matures on February 16, 2027. Jireh will make consecutive quarterly payments of principal and interest. The loan accrues interest based on adjusted LIBOR plus the applicable margin based on the outstanding balance of the loan. This agreement contains customary restrictive covenants and includes certain financial covenants that require the Company to maintain.

In October 2019, the Company's subsidiary in China entered into a line of credit facility with Bank of Communications Limited in China. This line of credit was scheduled to mature on February 14, 2021 and is based on the China Base Rate multiplied by 1.05, or 4.99% on October 31, 2019. The purpose of the credit facility is to provide short-term borrowings. The Company could borrow up to approximately RMB 60.0 million or \$8.5 million based on the currency exchange rate between the RMB and the U.S. Dollar on October 31, 2019. In October 2020, this line of credit was renewed with the same terms and a maturity date of April 21, 2022. As of June 30, 2021, there was no outstanding balance under the loan.

On November 16, 2018, the Company's subsidiary in China entered into a line of credit facility with Industrial and Commercial Bank of China, which expired on September 30, 2019. The purpose of the credit facility was to provide short-term borrowings. The Company could borrow up to approximately RMB 72.0 million or \$10.3 million based on currency exchange rate between RMB and U.S. Dollar on November 16, 2018. In December 2020, this line of credit was renewed with the same terms and a maturity date of December 31, 2021. As of June 30, 2021, there was no outstanding balance under the line of credit.

On August 9, 2019, one of the Company's wholly-owned subsidiaries (the "Borrower") entered into a factoring agreement with the Hongkong and Shanghai Banking Corporation Limited ("HSBC"), whereby the Borrower assigns certain of its accounts receivable with recourse. This factoring agreement allows the Borrower to borrow up to 70% of the net amount of its eligible accounts receivable of the Borrower with a maximum amount of \$30.0 million. The interest rate is based on one month London Interbank Offered Rate ("LIBOR") plus 1.75% per annum. The Company is the guarantor for this agreement. The Company is accounting for this transaction as a secured borrowing under the Transfers and Servicing of Financial Assets guidance. In addition, any cash held in the restricted bank account controlled by HSBC has a legal right of offset against the borrowing. This agreement, with certain financial covenants required, has no expiration date. The Borrower was in compliance with these covenants as of June 30, 2021. During the fiscal year ended June 30, 2021, the Company borrowed \$56.7 million and repaid it in full. As of June 30, 2021, there was no outstanding balance and the Company had unused credit of approximately \$30.0 million. On August 11, 2021, the Borrower signed an agreement with HSBC to decrease the borrowing maximum amount to \$8.0 million with certain financial covenants required. Other terms remain the same.

On May 1, 2018, Jireh Semiconductor Incorporated ("Jireh"), a wholly-owned subsidiary of the Company, entered into a loan agreement with a financial institution (the "Bank") that provided a term loan in an amount of \$17.8 million. The obligation under the loan agreement is secured by certain real estate assets of Jireh and guaranteed by the Company. The loan has a five-year term and matures on June 1, 2023. Beginning June 1, 2018, Jireh made consecutive monthly payments of principal and interest to the Bank. The outstanding principal shall accrue interest at a fixed rate of 5.04% per annum on the basis of a 360-day year. The loan agreement contains customary restrictive covenants and includes certain financial covenants that require the

Company to maintain, on a consolidated basis, specified financial ratios. The Company was in compliance with these covenants as of June 30, 2021. As of June 30, 2021, the outstanding balance of the term loan was \$15.1 million.

On August 15, 2017, Jireh entered into a credit agreement with the Bank that provided a term loan in an amount up to \$30.0 million for the purpose of purchasing certain equipment for our fabrication facility located in Oregon. The obligation under the credit agreement is secured by substantially all assets of Jireh and guaranteed by the Company. The credit agreement has a five-year term and matures on August 15, 2022. In January 2018 and July 2018, Jireh drew down on the loan in the amount of \$13.2 million and \$16.7 million, respectively. Beginning in October 2018, Jireh is required to pay to the Bank on each payment date, the outstanding principal amount of the loan in monthly installments. The loan accrues interest based on an adjusted London Interbank Offered Rate ("LIBOR") as defined in the credit agreement, plus specified applicable margin in the range of 1.75% to 2.25%, based on the outstanding balance of the loan. The credit agreement contains customary restrictive covenants and includes certain financial covenants that require the Company to maintain, on a consolidated basis, specified financial ratios and fixed charge coverage ratio. The Company was in compliance with these covenants as of June 30, 2021. As of June 30, 2021, the outstanding balance of the term loan was \$9.3 million.

In September 2017, the Board of Directors approved a repurchase program (the "Repurchase Program") that allowed us to repurchase our common shares from the open market pursuant to a pre-established Rule 10b5-1 trading plan or through privately negotiated transactions up to an aggregate of \$30.0 million. The amount and timing of any repurchases under the Repurchase Program depend on a number of factors, including but not limited to, the trading price, volume, availability of our common shares and the amount of available cash reserve. Shares repurchased under this program are accounted for as treasury shares and the total cost of shares repurchased is recorded as a reduction of shareholders' equity. During fiscal year 2021 and 2020, we did not repurchase any shares pursuant to the repurchase program. During fiscal years 2019, we repurchased an aggregate of 111,509 shares, from the open market for a total cost of approximately \$1.5 million, excluding fees and related expenses, at an average price of \$13.43 per share. As of June 30, 2021, the Company had repurchased an aggregate of 6,784,648 shares for a total cost of \$67.3 million, at an average price of \$9.92 per share, excluding fees and related expenses, since inception of the program. No repurchased shares have been retired. Of the 6,784,648 repurchased shares, 159,645 shares with a weighted average repurchase price of \$10.15 per share, were reissued at an average price of \$5.24 per share for option exercises and vested restricted stock units ("RSU"). As of June 30, 2021, \$13.4 million remain available under the share repurchase program.

The Chinese government imposes certain currency exchange controls on cash transfers out of China. Regulations in China permit foreign owned entities to freely convert the Renminbi into foreign currency for transactions that fall under the "current account," which includes trade related receipts and payments, interests, and dividend payments. Accordingly, subject to the review and verification of the underlying transaction documents and supporting documents by the account banks in China, our Chinese subsidiaries may use Renminbi to purchase foreign exchange currency for settlement of such "current account" transactions without the pre-approval from China's State Administration of Foreign Exchange (SAFE) or its provincial branch. Pursuant to applicable regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In calculating accumulated profits, foreign-invested enterprises in China are required to allocate at least 10% of their profits each year, if any, to fund the equity reserve account unless the reserve has reached 50% of the registered capital of the enterprises. While SAFE approval is not statutorily required for eligible dividend payments to the foreign parent, in practice, before making the dividend payment, the account bank may seek SAFE's opinion with respect to a dividend payment if the payment involves a relatively large amount, which may delay the dividend payment depending on the then overall status of cross-border payments and receipts of China.

Transactions that involve conversion of Renminbi into foreign currency in relation to foreign direct investments and provision of debt financings in China are classified as "capital account" transactions. Examples of "capital account" transactions include repatriations of investments by foreign owners and repayments of loan principal to foreign lenders. "Capital account" transactions require prior approval from SAFE or its provincial branch or an account bank delegated by SAFE to convert a remittance into a foreign currency, such as U.S. dollars, and transmit the foreign currency outside of China. As a result of this and other restrictions under PRC laws and regulations, our China subsidiaries are restricted in their ability to transfer a portion of their net assets to us, and such restriction may adversely affect our ability to generate sufficient liquidity to fund our operations or other expenditures. As of June 30, 2021 and 2020, such restricted portion amounted to approximately \$209.9 million and \$209.8 million, or 50.4% and 61.4%, of our total consolidated net assets attributable to the Company, respectively. The increase of restricted net assets was primarily from the JV Company in China.

We believe that our current cash and cash equivalents and cash flows from operations will be sufficient to meet our anticipated cash needs, including working capital and capital expenditures, for at least the next twelve months. In addition, we recently commenced an investment plan to expand the manufacturing capacity and upgrade the operational capabilities of our

Oregon fab. We intend to fund the costs by a combination of cash reserve, bank loans and equipment leases. In the long-term, we may require additional capital due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our cash is insufficient to meet our needs, we may seek to raise capital through equity or debt financing. The sale of additional equity securities could result in dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and may include operating and financial covenants that would restrict our operations. We cannot be certain that any financing will be available in the amounts we need or on terms acceptable to us, if at all.

JV Company Financing Transactions

From time to time the JV Company has entered into financing and loan agreements with banks and other third parties to fund capital expenditures and other operational expenses in connection with the constructions and ramp-up of the manufacturing facility in Chongqing. The JV Company incurs debt through its own financing agreements, and our parent company and other subsidiaries are not parties to these agreements and do not provide any guarantee or security for JV Company's debt, nor do we have direct access to any cash proceeds borrowed from such loan agreements. The JV Company is currently pursuing additional financing transactions to fund its operations and ramp-up activities, and to refinance its existing debt. There is no guarantee that the JV Company will be able to secure financing on favorable terms, or at all. In addition, any equity financing by the JV Company may dilute our equity ownership in the JV Company, which may adversely affect our ability to maintain control over the JV Company.

On May 9, 2018 (the "Effective Date"), the JV Company entered into a lease finance agreement and a security agreement (the "Agreements") with YinHai Leasing Company and China Import/Export Bank (the "Lenders"). Pursuant to the Agreements, the Lenders agree to provide an aggregate of RMB 400.0 million, or \$62.8 million based on the currency exchange rate between RMB and U.S. Dollar on the Effective Date, of financing to the JV Company (the "Lease Financing"). In exchange for the Lease Financing, the JV Company agrees to transfer title of its assembly and testing equipment to the Lenders, and the Lenders lease such equipment to the JV Company under a five-year lease arrangement, pursuant to which the JV Company makes quarterly lease payments to the Lenders consisting of principal and interest based on a repayment schedule mutually agreed by the parties. The interest under the Lease Financing is accrued based on the China Base Rate multiplied by 1.15, or 5.4625% on the Effective Date. Under the Agreements, at the end of the five-year lease term, the Lenders agree to sell such equipment back to the JV Company for a nominal amount (RMB 1). The JV Company's obligations under the Lease Financing are secured by the land and building owned by the JV Company (the "Collateral"). The proceeds from the Lease Financing will be used primarily for the acquisition and installation of the 12-inch fabrication equipment and other expenses of the JV Company relating to the completion of the fabrication facility located in Chongqing. The Agreements contain customary representation, warranties and covenants, including restrictions on the transfer of the Collateral. The Agreements also contain customary events of default, including but are not limited to, failure to make payments and breach of material terms under the Agreements. On June 28, 2020, the parties entered into a modification to this agreement as a result of a change in the bank reference rate, pursuant to which the interest rate was changed to be the five-year loan prime rate in China plus 0.8125%, or 5.4625%. Other terms of this agreement remain the same. As of June 30, 2021, the outstanding balance of the Lease Financing of 190.0 million RMB (equivalent of \$29.4 million based on the currency exchange rate as of June 30, 2021) was recorded under short-term and long-term finance lease liabilities.

On November 29 and December 4, 2018, the JV Company entered into two, one-year loan agreements with China Merchant Bank and Chongqing LiangJiang New District China Merchants Group Limited/Export Company in China to provide loans for RMB 80 million and RMB 20 million, respectively, or \$14.5 million in total based on the currency exchange rate between RMB and U.S. Dollar on December 31, 2018, at varying interest rates. On January 20, 2020, the JV Company renewed the loan agreements with the same terms. Interest payments are due monthly and quarterly with the entire principal due not later than January 21, 2021. As of June 30, 2021, these two loans were expired and there was no outstanding balance under the loans.

On March 12, 2019, the JV Company entered into a loan agreement with The Export-Import Bank of China in the aggregate principal amount of RMB 200 million (approximately \$29.8 million based on currency exchange rate between RMB and U.S. Dollar on March 31, 2019). The loan will mature on February 20, 2025. The JV Company drew down RMB 190 million and RMB 10 million in March 2019 and December 2019, respectively. The loan withdraw window expired on February 28, 2020. The interest is accrued based on the China Base Rate multiplied by 1.1, or 5.39%. The loan requires quarterly interest payments. The principal payments are required to be paid every 6 months over the term of loan commencing in October 2019. This loan is secured by the buildings and certain equipment owned by the JV Company. As a condition of the loan arrangements, 14 million RMB (approximately \$2.0 million) of cash is held as restricted cash by the JV Company as a compensating balance at the JV Company's bank until the principal is paid. On June 24, 2020, a modification of this loan was signed as a result of a change in the bank reference rate, pursuant to which the interest rate was changed to be based on the five-year loan prime rate in China plus 0.74%, or 5.39%. Other terms of this loan remain the same. As of June 30, 2021, the

outstanding balance of the loan was 184 million RMB (equivalent of \$28.5 million based on the currency exchange rate as of June 30, 2021).

In December 2019, the JV Company entered into a loan agreement with China Development Bank in the amount of \$24.0 million. The obligation under the loan agreement is secured by certain assets of the JV Company. Beginning December 18, 2020, the JV Company will make consecutive semi-annual payments of principal until December 8, 2024. The interest is accrued based on the LIBOR rate plus 2.8%. The interest is required to be paid on March 21 and September 21 each year. As of June 30, 2021, the outstanding balance of the loan was \$19.2 million.

On April 15, 2020, the JV Company entered into a one-year loan agreement with China Everbright Bank in China to borrow a maximum of RMB 100 million (approximately \$14.3 million based on the currency exchange rate between RMB and U.S. Dollar on April 15, 2020), in the amount in RMB or USD. Interest payments were due on the 20th of each month, and the entire principal was due on April 16, 2021. The loan consisted of RMB 20 million for working capital borrowing in Chinese yuan and RMB 80 million for borrowing in US dollars that was collateralized by eligible accounts receivable. As of June 30, 2021, this loan was expired and there was no outstanding balance under the loan.

On April 26, 2020, the JV Company entered into a loan agreement with China Development Bank, Agricultural Bank of China, China Merchants Bank and Chongqing Rural Commercial Bank (collectively, "the Banks") in the aggregate principal amount of RMB 250 million (approximately \$35.7 million based on the currency exchange rate between RMB and U.S. Dollar on April 26, 2020). The obligation under the loan agreement is secured by certain assets of the JV Company. Beginning December 18, 2020, the JV Company is required to make consecutive semi-annual payments of principal until December 8, 2024. Interest payment is due on March 20, June 20, September 20 and December 20 of each year based on China one-year loan prime rate ("LPR") plus 1.3%. The JV Company drew down RMB 250 million (approximately \$35.3 million based on the currency exchange rate between RMB and U.S. Dollar on June 30, 2020) in April 2020. As of June 30, 2021, the outstanding balance of the loan was \$34.1 million.

On November 13, 2020, the JV Company entered into a one-year loan agreement with China Merchant Bank in China. The JV Company can borrow up to Chinese Renminbi ("RMB") 50.0 million, or \$7.6 million, based on the currency exchange rate between RMB and U.S. Dollar on November 13, 2020. The loan's interest rates are based on the China one-year loan prime rate ("LPR") plus 1.4% per annum. Interest payments are due quarterly with the entire principal due not later than November 19, 2021. During the three months ended December 31, 2020, the JV Company borrowed RMB 50.0 million at an interest rate of 5.25% per annum. As of June 30, 2021, the outstanding balance of this loan was \$7.7 million.

On June 29, 2021, the JV Company entered into a one-year loan agreement with China Citic Bank in China to borrow a maximum of \$7.7 million. Interest payments are due on the 20th of each quarter starting September 20, 2021, and the entire principal is due on June 29, 2022. As of June 30, 2021, the outstanding balance of this loan was \$7.7 million at an interest rate of 3.49% per annum.

On April 19, 2021, the JV Company entered into a loan agreement with China Everbright Bank in China to borrow a maximum of Chinese Renminbi ("RMB") 100 million. The borrowing can be in RMB or U.S. Dollar ("USD"). The loan consists of RMB 50 million for working capital borrowings in Chinese yuan and RMB 50 million for borrowing in USD. The loan is collateralized by eligible accounts receivable. On April 19, 2021, the JV Company borrowed RMB 50.0 million, or \$7.7 million based on the currency exchange rate between RMB and USD on April 19, 2021, at an interest rate of 5.1% annum. The interest payments are due quarterly with the entire principal due no later than May 19, 2022. On June 16, 2021 and June 24, 2021, the JV Company also borrowed \$4.2 million and \$3.5 million at interest rate of 2.7% per annum, with principal due on August 18, 2021 and September 9, 2021, respectively. As of June 30, 2021, the total outstanding balance of these loans was \$15.4 million.

Cash, cash equivalents and restricted cash

As of June 30, 2021 and 2020, we had \$204.8 million and \$162.7 million of cash, cash equivalents and restricted cash, respectively. Our cash, cash equivalents and restricted cash primarily consisted of cash on hand, restricted cash and short-term bank deposits with original maturities of three months or less. Of the \$204.8 million and \$162.7 million cash and cash equivalents, \$134.6 million and \$120.3 million, respectively, were deposited with financial institutions outside the United States.

The following table shows our cash flows from operating, investing and financing activities for the periods indicated:

	Year Ended June 30,		
	2021	2020	2019
	(in thousands)		
Net cash provided by operating activities	\$ 128,744	\$ 62,315	\$ 31,421
Net cash used in investing activities	(72,539)	(60,849)	(112,435)
Net cash provided by (used in) financing activities	(18,991)	37,651	75,099
Effect of exchange rate changes on cash, cash equivalents and restricted cash	4,895	(708)	(1,514)
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ 42,109	\$ 38,409	\$ (7,429)

Cash flows from operating activities

Net cash provided by operating activities of \$128.7 million for fiscal year 2021 resulted primarily from net income of \$56.3 million, non-cash charges of \$70.0 million and net change in assets and liabilities providing net cash of \$2.5 million. The non-cash charges of \$70.0 million included depreciation and amortization expenses of \$52.7 million, share-based compensation expense of \$15.3 million, loss on disposal of property and equipment of \$0.4 million, and net deferred income taxes of \$1.6 million. The net change in assets and liabilities providing net cash of \$2.5 million was primarily due to \$48.5 million increase in accrued and other liabilities and \$1.7 million increase in income taxes payable, partially offset by \$22.5 million increase in accounts receivable due to timing of billings and collection of payments, \$18.8 million increase in inventories, \$5.8 million increase in other current and long-term assets primarily due to decrease in advance payments to suppliers, and \$0.5 million decrease in accounts payable primarily due to timing of payments.

Net cash provided by operating activities of \$62.3 million for fiscal year 2020 resulted primarily from net loss of \$18.3 million, non-cash charges of \$56.1 million and net change in assets and liabilities providing net cash of \$24.4 million. The non-cash charges of \$56.1 million included depreciation and amortization expenses of \$45.1 million, share-based compensation expense of \$10.5 million, impairment of our investment in a privately-held start-up company of \$0.6 million, gain on disposal of property and equipment of \$0.1 million, and net deferred income taxes of \$0.1 million. The net change in assets and liabilities providing net cash of \$24.4 million was primarily due to \$27.3 million decrease in other current and long-term assets primarily due to increase in advance payments to suppliers, \$11.0 million decrease in accounts receivable due to timing of billings and collection of payments, and \$11.0 million increase in accrued and other liabilities, partially offset by \$22.8 million increase in inventories, \$1.8 million decrease in accounts payable primarily due to timing of payments, and \$0.3 million decrease in income taxes payable.

Net cash provided by operating activities of \$31.4 million for fiscal year 2019 resulted primarily from net loss of \$14.6 million, non-cash charges of \$44.8 million and net change in assets and liabilities providing net cash of \$1.3 million. The non-cash charges of \$44.8 million included depreciation and amortization expenses of \$32.0 million, share-based compensation expense of \$13.2 million, and net deferred income taxes of \$0.5 million. The net change in assets and liabilities providing net cash of \$1.3 million was primarily due to \$9.6 million increase in accrued and other liabilities, \$9.2 million decrease in accounts receivable due to timing of billings and collection of payments, \$6.4 million increase in accounts payable primarily due to timing of payments, partially offset by \$21.5 million increase in inventories, \$1.9 million increase in other current and long-term assets primarily due to increase in advance payments to suppliers, and \$0.6 million decrease in income taxes payable.

Cash flows from investing activities

Net cash used in investing activities of \$72.5 million for the fiscal year 2021 was primarily attributable to \$72.7 million purchases of property and equipment, including \$50.0 million purchases in JV Company, which was partially offset by \$0.1 million government grant related to equipment in the JV Company.

Net cash used in investing activities of \$60.8 million for the fiscal year 2020 was primarily attributable to \$62.4 million purchases of property and equipment, including \$20.0 million purchases in JV Company, which was partially offset by \$1.3 million government grant related to equipment in the JV Company and \$0.3 million of proceeds from sale of property and equipment.

Net cash used in investing activities of \$112.4 million for the fiscal year 2019 was primarily attributable to \$112.1 million purchases of property and equipment, including \$76.0 million purchases in JV Company, and \$0.4 million purchases of intangible assets.

Cash flows from financing activities

Net cash used in financing activities of \$19.0 million for the fiscal year 2021 was primarily attributable to \$6.9 million in common shares acquired to settle withholding tax related to vesting of restricted stock units, \$16.5 million in payments of capital lease obligations, and \$66.6 million in repayments of borrowings, partially offset by \$65.9 million of proceeds from borrowings and \$5.1 million of proceeds from exercises of share options and issuance of shares under the ESPP.

Net cash provided by financing activities of \$37.7 million for the fiscal year 2020 was primarily attributable to \$96.2 million of proceeds from borrowings, and \$3.4 million of proceeds from exercises of share options and issuance of shares under the ESPP, partially offset by \$1.5 million in common shares acquired to settle withholding tax related to vesting of restricted stock units, \$11.0 million in payments of capital lease obligations, and \$49.4 million in repayments of borrowings.

Net cash provided by financing activities of \$75.1 million for the fiscal year 2019 was primarily attributable to \$24.0 million proceeds from investment by Chongqing Funds, \$77.9 million of proceeds from borrowings, and \$3.0 million of proceeds from exercises of share options and issuance of shares under the ESPP, partially offset by \$2.0 million in common shares acquired to settle withholding tax related to vesting of restricted stock units, \$1.5 million for repurchase of our common shares under the repurchase program, \$4.4 million in payments of capital lease obligations, and \$21.9 million in repayments of borrowings.

Contractual Obligations

Our contractual obligations as of June 30, 2021 are as follows:

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in thousands)				
Bank borrowings	\$ 136,964	\$ 58,467	\$ 62,780	\$ 15,717	\$ —
Finance leases	31,058	18,006	13,052	—	—
Operating leases	44,348	7,221	10,768	7,509	18,850
Capital commitments with respect to property and equipment	90,009	90,009	—	—	—
Purchase commitments with respect to inventories and others	81,755	81,755	—	—	—
Total contractual obligations	<u>\$ 384,134</u>	<u>\$ 255,458</u>	<u>\$ 86,600</u>	<u>\$ 23,226</u>	<u>\$ 18,850</u>

As of June 30, 2021, we had recorded liabilities of \$1.2 million for uncertain tax positions and \$0.1 million for potential interest and penalties, which are not included in the above table because we are unable to reliably estimate the amount of payments in individual years that would be made in connection with these uncertain tax positions.

Commitments

See Note 13 of the Notes to the Consolidated Financial Statements contained in this Annual Report on Form 10-K for a description of commitments.

Off-Balance Sheet Arrangements

As of June 30, 2021, we had no material off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. To the extent there are material differences between these estimates and actual results, our consolidated financial statements will be affected. On an ongoing basis, we evaluate the estimates, judgments and assumptions including those related to stock rotation returns, price adjustments, allowance for doubtful accounts, valuation of inventories, warranty accrual, income taxes, leases, share-based compensation, recoverability of and useful lives for property, plant and equipment and intangible assets, as well as economic implications of the COVID-19 pandemic.

Revenue recognition

We determine revenue recognition through the following steps: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when, or as, a performance obligation is satisfied. We recognize revenue at a point in time when product is shipped to the customer, net of estimated stock rotation returns and price adjustments to certain distributors. We present revenue net of sales taxes and any similar assessments. Our standard payment terms range from 30 to 90 days.

We sell our products primarily to distributors, who in turn sell our products globally to various end customers. Our revenue is net of the effect of the variable consideration relating to estimated stock rotation returns and price adjustments that we expect to provide to certain distributors. Stock rotation returns are governed by contract and are limited to a specified percentage of the monetary value of the products purchased by distributors during a specified period. We estimate provision for stock rotation returns based on historical returns and individual distributor agreements. We also provide special pricing to certain distributors primarily based on volume, to encourage resale of our products. We estimate the expected price adjustments at the time the revenue is recognized based on distributor inventory levels, pre-approved future distributor selling prices, distributor margins and demand for our products. If actual stock rotation returns or price adjustments differ from our estimates, adjustments may be recorded in the period when such actual information is known. Allowance for price adjustments is recorded against accounts receivable and provision for stock rotation is recorded in accrued liabilities on the consolidated balance sheets.

Our performance obligations relate to contracts with a duration of less than one year. We elected to apply the practical expedient provided in ASC 606, "Revenue from Contracts with Customers". Therefore, we are not required to disclose the aggregate amount of transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

We recognize the incremental direct costs of obtaining a contract, which consist of sales commissions, when control over the products they relate to transfers to the customer. Applying the practical expedient, we recognize commissions as expense when incurred, as the amortization period of the commission asset we would have otherwise recognized is less than one year.

Packaging and testing services revenue is recognized at a point in time upon shipment of serviced products to the customer.

Valuation of inventories

We carry inventories at the lower of cost (determined on a first-in, first-out basis) or net realizable value. Cost primarily consists of semiconductor wafers and raw materials, labor, depreciation expenses and other manufacturing expenses and overhead, and packaging and testing fees paid to third parties if subcontractors are used. Valuation of inventories are based on our periodic review of inventory quantities on hand as compared with our sales forecasts, historical usage, aging of inventories, production yield levels and current product selling prices. If actual market conditions are less favorable than those forecasted by us, additional future inventory write-downs may be required that could adversely affect our operating results. Adjustments to inventory, once established are not reversed until the related inventory has been sold or scrapped. If actual market conditions are more favorable than expected and the products that have previously been written down are sold, our gross margin would be favorably impacted.

Product warranty

We provide a standard one-year warranty for the products from the date of purchase by the end customers. We accrue for estimated warranty costs at the time revenue is recognized. Our warranty obligation is affected by product failure rates, labor and material costs for replacing defective parts, related freight costs for failed parts and other quality assurance costs. We monitor our product returns for warranty claims and maintain warranty reserve based on our historical experiences and

anticipated warranty claims known at the time of estimation. If actual warranty costs differ significantly from our estimates, revisions to the estimated warranty accrual would be required and any such adjustments could be material.

Accounting for income taxes

We are subject to income taxes in a number of jurisdictions. We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of tax credits, benefits and deductions, and in the calculation of certain tax assets and liabilities which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes, as well as interest and penalties related to uncertain tax positions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. We establish accruals for certain tax contingencies based on estimates of whether additional taxes may be due. While the final tax outcome of these matters may differ from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As a result, significant changes to these estimates may result in an increase or decrease to our tax provision in a subsequent period.

Significant management judgment is also required in determining whether deferred tax assets will be realized in full or in part. When it is more likely than not that all or some portion of specific deferred tax assets such as net operating losses or foreign tax credit carryforwards will not be realized, a valuation allowance must be established for the amount of the deferred tax assets that cannot be realized. We consider all available positive and negative evidence on a jurisdiction-by-jurisdiction basis when assessing whether it is more likely than not that deferred tax assets are recoverable. We consider evidence such as our past operating results, the existence of cumulative losses in recent years and our forecast of future taxable income. We will maintain a partial valuation allowance equal to the state research and development credit carryforwards until sufficient positive evidence exists to support reversal of the valuation allowance.

We have not provided for withholding taxes on the undistributed earnings of our foreign subsidiaries because we intend to reinvest such earnings indefinitely. As of June 30, 2021, the cumulative amount of undistributed earnings of our foreign subsidiaries considered permanently reinvested was \$179.2 million. The determination of the unrecognized deferred tax liability on these earnings is not practicable. Should we decide to remit this income to the Bermuda parent company in a future period, our provision for income taxes may increase materially in that period.

The Financial Accounting Standards Board ("FASB") has issued guidance which clarifies the accounting for income taxes by prescribing a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely to be realized upon ultimate settlement. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax law and regulations in a multitude of jurisdictions. Although the guidance on the accounting for uncertainty in income taxes prescribes the use of a recognition and measurement model, the determination of whether an uncertain tax position has met those thresholds will continue to require significant judgment by management. If the ultimate resolution of tax uncertainties is different from what is currently estimated, a material impact on income tax expense could result.

Our provision for income taxes is subject to volatility and could be adversely impacted by changes in earnings or tax laws and regulations in various jurisdictions. We are subject to the continuous examination of our income tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There can be no assurance that the outcomes from these continuous examinations will not have an adverse effect on our operating results and financial condition. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the impact of changes to reserves, as well as the related net interest and penalties.

Share-based compensation expense

We maintain an equity-settled, share-based compensation plan to grant restricted share units and stock options. We recognize share-based compensation expense based on the estimated fair value of the awards, using the accelerated attribution method. The fair value of restricted share units is based on the fair value of the Company's common share on the date of grant. For restricted stock awards subject to market conditions, the fair value of each restricted stock award is estimated at the date of grant using the Monte-Carlo pricing model. Share-based compensation expense is significant to the consolidated financial

statements and is calculated using our best estimates, which involve inherent uncertainties and the application of management's judgment. The Black-Scholes option valuation model requires the input of subjective assumptions, including the expected term and stock price volatility. In addition, judgment is also required in estimating the number of stock-based awards that are expected to be forfeited. Forfeitures are estimated based on historical experience at the time of grant. Changes in estimated forfeitures are recognized in the period of change and impact the amount of stock compensation expenses to be recognized in future periods, which could be material if actual results differ significantly from estimates.

Estimated Useful Lives for Property, Plant and Equipment and Intangible Assets

Property, plant and equipment are recorded at cost and are depreciated using the straight-line method over estimated useful lives of the assets. Patents and exclusive technology rights purchased from third parties are amortized on a straight-line basis over their estimated useful lives of three to seven years. Trade name and customer relationships acquired in a business combination are recognized at fair values at the acquisition date and amortized on a straight-line basis over their estimated economic lives of three years and four years, respectively.

Recently Issued Accounting Pronouncements

See Note 1 of the Notes to the consolidated financial statements under Item 15 in this Annual Report on Form 10-K for a full description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on results of operations and financial condition.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Foreign currency risk

We and our principal subsidiaries use U.S. dollars as our functional currency because most of the transactions are conducted and settled in U.S. dollars. All of our revenue and a significant portion of our operating expenses are denominated in U.S. dollars. The functional currency for our in-house packaging and testing facilities in China is U.S. dollars and a significant portion of our capital expenditures are denominated in U.S. dollars. However, foreign currencies are required to fund our overseas operations, primarily in Taiwan and China. Operating expenses of overseas operations are denominated in their respective local currencies. In order to minimize exposure to foreign currencies, we maintained cash and cash equivalent balances in foreign currencies, including Chinese Yuan (“RMB”) as operating funds for our foreign operating expenses. For our subsidiaries which use the local currency as the functional currency, including the JV Company, the results and financial position are translated into U.S. dollar using exchange rates at balance sheet dates for assets and liabilities and using average exchange rates for income and expenses items. The resulting translation differences are presented as a separate component of accumulated other comprehensive income (loss) and noncontrolling interest in the consolidated statements of equity. Our management believes that our exposure to foreign currency translation risk is not significant based on a 10% sensitivity analysis in foreign currencies due to the fact that the net assets denominated in foreign currencies pertaining to foreign operations, principally in Taiwan and China, are not significant to our consolidated net assets.

Interest rate risk

Our interest-bearing assets comprise mainly interest-bearing short-term bank balances. We manage our interest rate risk by placing such balances in instruments with various short-term maturities. Borrowings expose us to interest rate risk. Borrowings are drawn down after due consideration of market conditions and expectation of future interest rate movements. As of June 30, 2021, we had \$136.0 million outstanding under our loan with the Bank and \$29.4 million outstanding under our capital leases, which were subject to fluctuations in interest rates. For the year ended June 30, 2021, a hypothetical 10% increase in the interest rate could result in \$0.7 million additional annual interest expense. The hypothetical assumptions made above will be different from what actually occurs in the future. Furthermore, the computations do not anticipate actions that may be taken by our management should the hypothetical market changes actually occur over time. As a result, actual impacts on our results of operations in the future will differ from those quantified above.

Commodity Price Risk

We are subject to risk from fluctuating market prices of certain commodity raw materials, particularly gold, that are used in our manufacturing process and incorporated into our end products. Supplies for such commodities may from time-to-time become restricted, or general market factors and conditions may affect the pricing of such commodities. Over the past few years, the price of gold increased significantly and certain of our supply chain partners assess surcharges to compensate for the rising commodity prices. We have been converting some of our products to use copper wires instead of gold wires. Our results of operations may be materially and adversely affected if we have difficulty obtaining these raw materials, the quality of available raw materials deteriorates, or there are significant price changes for these raw materials. For periods in which the prices of these raw materials are rising, we may be unable to pass on the increased cost to our customers which would result in decreased margins for the products in which they are used and could have a material adverse effect on our net earnings. We also may need to record losses for adverse purchase commitments for these materials in periods of declining prices. We do not enter into formal hedging arrangements to mitigate against commodity risk. We estimate that a 10% increase or decrease in the costs of raw materials subject to commodity price risk, such as gold, would decrease or increase our current year's net earnings by \$0.6 million, assuming that such changes in our costs have no impact on the selling prices of our products and that we have no pending commitments to purchase metals at fixed prices.

Item 8. Financial Statements and Supplementary Data

See Part IV, Item 15 "Exhibits and Financial Statement Schedules" for our consolidated financial statements and the notes and schedules thereto filed as part of this annual report.

Selected Quarterly Consolidated Financial Data

The following tables present our unaudited consolidated financial information for each of the eight quarters in the period ended June 30, 2021. Net income (loss) per share for the four quarters of each fiscal year may not sum to the total for the fiscal year because of difference in the number of shares outstanding during each period. The operating results for any quarter should not be relied upon as necessarily indicative of results for any future period. We expect our quarterly operating results to fluctuate in future periods due to a variety of reasons, including those discussed in Item 1A. "Risk Factors."

	Quarter Ended			
	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
	(in thousands, except per share data)			
Revenue	\$ 177,309	\$ 169,212	\$ 158,830	\$ 151,551
Gross profit	\$ 60,580	\$ 52,691	\$ 48,749	\$ 42,523
Operating income	\$ 22,363	\$ 17,796	\$ 13,590	\$ 10,327
Net loss including noncontrolling interest	\$ 20,015	\$ 14,967	\$ 12,540	\$ 8,767
Net income (loss) attributable to noncontrolling interest	\$ 476	\$ (1,133)	\$ (363)	\$ (807)
Net income attributable to Alpha and Omega Semiconductor Limited	\$ 19,539	\$ 16,100	\$ 12,903	\$ 9,574
Net income per common share attributable to Alpha and Omega Semiconductor Limited				
Basic	\$ 0.74	\$ 0.62	\$ 0.50	\$ 0.38
Diluted	\$ 0.71	\$ 0.58	\$ 0.47	\$ 0.36

	Quarter Ended			
	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
	(in thousands, except per share data)			
Revenue	\$ 122,395	\$ 106,852	\$ 117,860	\$ 117,802
Gross profit	\$ 28,934	\$ 22,459	\$ 24,406	\$ 26,932
Operating loss	\$ (1,327)	\$ (8,619)	\$ (3,370)	\$ (621)
Net loss including noncontrolling interest	\$ (1,940)	\$ (9,886)	\$ (4,573)	\$ (1,858)
Net loss attributable to noncontrolling interest	\$ (1,835)	\$ (3,391)	\$ (3,568)	\$ (2,867)
Net income (loss) attributable to Alpha and Omega Semiconductor Limited	\$ (105)	\$ (6,495)	\$ (1,005)	\$ 1,009
Net income (loss) per common share attributable to Alpha and Omega Semiconductor Limited				
Basic	\$ 0.00	\$ (0.26)	\$ (0.04)	\$ 0.04
Diluted	\$ 0.00	\$ (0.26)	\$ (0.04)	\$ 0.04

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the "Exchange Act")), as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of June 30, 2021 have been designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management, including our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Our management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), as amended from time to time. Based on the assessment, our management has concluded that our internal control over financial reporting was effective as of June 30, 2021 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP.

The effectiveness of the Company's internal control over financial reporting as of June 30, 2021 has been audited by BDO, USA LLP, an independent registered public accounting firm, as stated in their report, included on the following page.

Limitation on the Effectiveness of Controls

While our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance that their respective objectives will be met, we do not expect that our disclosure controls and procedures or our internal control over financial reporting are or will be capable of preventing or detecting all errors and all fraud. Any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2021 that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
Alpha and Omega Semiconductor Limited
Sunnyvale, California

Opinion on Internal Control over Financial Reporting

We have audited Alpha and Omega Semiconductor Limited (a Bermuda corporation) (the “Company’s”) internal control over financial reporting as of June 30, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the “COSO criteria”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated balance sheets of the Company as of June 30, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity, and cash flows for each of the three years in the period ended June 30, 2021, and the related notes and schedules and our report dated August 30, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

San Jose, California

August 30, 2021

Item 9B. Other Information

None

PART III

Certain information required by Part III is omitted from this Annual Report on Form 10-K because we intend to file our definitive proxy statement for our next annual general meeting of shareholders, pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended (the "2021 Proxy Statement"), no later than 120 days after the end of fiscal year 2021, and certain information to be included in the 2021 Proxy Statement is incorporated herein by reference.

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item concerning our directors, executive officers, Section 16 compliance and corporate governance matters is contained in part under the caption "Business - Executive Officers" in Part I of this report, and the remainder is incorporated by reference to the information set forth in the sections titled "Election of Directors" and "Delinquent Section 16(a) Reports" in the 2021 Proxy Statement.

Item 11. Executive Compensation

The information required by this item regarding executive compensation is incorporated by reference from the information set forth under the captions "Compensation of Non-Employee Directors" and "Executive Compensation," in the 2021 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item regarding security ownership of certain beneficial owners and management is incorporated by reference to the information set forth in the section titled "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in the 2021 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item regarding related party transactions and director independence is incorporated by reference from the information set forth under the captions "Board of Directors and Committees of the Board", and "Related Party Transactions" in the 2021 Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by this item regarding principal accountant fees and services is incorporated by reference from the information set forth under the caption "Principal Accounting Fees and Services" in the 2021 Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this annual report:

(1) Consolidated Financial Statements. The index to the consolidated financial statements is below.

<u>Item</u>	<u>Page</u>
Report of Independent Registered Public Accounting Firm	71
Consolidated Balance Sheets	73
Consolidated Statements of Operations	74
Consolidated Statements of Comprehensive Income (Loss)	75
Consolidated Statements of Equity	76
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Notes to the Consolidated Financial Statements	79

(2) Financial Statement Schedules.

Schedule I - Condensed Financial Information of Registrant	112
Schedule II - Valuation and Qualifying accounts	117

(b) Exhibits

The exhibits listed on the accompanying Index to Exhibits in Item 15(b) below are filed as part of, or hereby incorporated by reference into, this Annual Report on Form 10-K.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
Alpha and Omega Semiconductor Limited
Sunnyvale, California

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Alpha and Omega Semiconductor Limited (a Bermuda Corporation) (the "Company") as of June 30, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2021, and the related notes and schedules (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2021, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of June 30, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated August 30, 2021 expressed an unqualified opinion thereon.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its accounting method for accounting for leases in fiscal year 2020 due to the adoption of Topic 842: *Leases*, using a modified retrospective approach.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Inventories

As described in Note 1 to the consolidated financial statements, the Company's consolidated inventories balance, which is stated at lower of cost (determined on a first-in, first-out basis) or net realizable value, was \$154.3 million as of June 30, 2021. The valuation of inventories is made based on the Company's periodic review of inventory quantities on hand as compared with sales forecasts, historical usage, aging of inventories, production yield levels and current product selling prices.

We identified the valuation of inventories as a critical audit matter due to the significant judgment and estimates required by Management. Determining whether a decline in value has occurred requires Management's complex judgments related to (i) sales forecasts based on historical sales and expected future orders, and (ii) obsolescence of certain products based on changes in technology and demand. Auditing these judgments is especially challenging and involved subjective auditor judgment due to fluctuations in sales trends and evolving customer demands.

The primary procedures we performed to address this critical audit matter included:

- Evaluating the completeness and accuracy of data used in the determination of the valuation of inventories by testing the completeness of the inventories analyzed, the inputs used in the analysis, and recalculating the estimated valuation of inventories based on management's stated methodology.
- Analyzing the reasonableness of the methodology management uses to estimate the valuation of inventories by evaluating quantitative and qualitative factors considered by management in estimating the inventory reserve.
- Evaluating the reasonableness of Management's assumptions related to future demand by (i) performing retrospective review of the Company's prior year estimates to actual results, (ii) evaluating the reasonableness of sales forecasts by comparing to current backlog and historical sales data used in the analysis, and (iii) considering additional facts and circumstances that could impact the determination of the valuation of inventories including, assessing changes in macroeconomic conditions.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2018.

San Jose, California

August 30, 2021

ALPHA AND OMEGA SEMICONDUCTOR LIMITED
CONSOLIDATED BALANCE SHEETS
(in thousands, except par value per share)

	June 30,	
	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 202,412	\$ 158,536
Restricted cash	233	2,190
Accounts receivable, net	35,789	13,272
Inventories	154,293	135,528
Other current assets	14,595	8,807
Total current assets	407,322	318,333
Property, plant and equipment, net	436,977	412,340
Operating lease right-of-use assets, net	34,660	32,948
Intangible assets, net	13,410	16,770
Deferred income tax assets	5,167	4,766
Restricted cash - long-term	2,168	1,978
Other long-term assets	18,869	5,804
Total assets	\$ 918,573	\$ 792,939
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 80,699	\$ 86,181
Accrued liabilities	69,494	54,986
Income taxes payable	2,604	1,360
Short-term debt	58,030	30,114
Finance lease liabilities	16,724	15,258
Operating lease liabilities	5,679	4,159
Total current liabilities	233,230	192,058
Long-term debt	77,990	99,775
Income taxes payable - long-term	1,319	903
Deferred income tax liabilities	2,448	496
Finance lease liabilities - long-term	12,698	26,842
Operating lease liabilities - long-term	30,440	30,254
Other long-term liabilities	44,123	10,723
Total liabilities	402,248	361,051
Commitments and contingencies (Note 13)		
Equity:		
Preferred shares, par value \$0.002 per share:		
Authorized: 10,000 shares; issued and outstanding: none at June 30, 2021 and 2020	—	—
Common shares, par value \$0.002 per share:		
Authorized: 100,000 shares; issued and outstanding: 32,975 shares and 26,350 shares, respectively at June 30, 2021 and 31,944 shares and 25,305 shares, respectively at June 30, 2020	66	64
Treasury shares at cost; 6,625 shares at June 30, 2021 and 6,639 shares at June 30, 2020	(66,064)	(66,184)
Additional paid-in capital	259,993	246,103
Accumulated other comprehensive income (loss)	2,315	(5,127)
Retained earnings	176,895	118,833
Total Alpha and Omega Semiconductor Limited shareholders' equity	373,205	293,689
Noncontrolling interest	143,120	138,199
Total equity	516,325	431,888
Total liabilities and equity	\$ 918,573	\$ 792,939

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

ALPHA AND OMEGA SEMICONDUCTOR LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year Ended June 30,		
	2021	2020	2019
Revenue	\$ 656,902	\$ 464,909	\$ 450,920
Cost of goods sold	452,359	362,178	335,542
Gross profit	<u>204,543</u>	<u>102,731</u>	<u>115,378</u>
Operating expenses:			
Research and development	62,953	51,252	46,431
Selling, general and administrative	77,514	64,816	75,967
Impairment of privately-held investment	—	600	—
Total operating expenses	<u>140,467</u>	<u>116,668</u>	<u>122,398</u>
Operating income (loss)	64,076	(13,937)	(7,020)
Interest expense and other income (loss), net	(3,852)	(3,972)	(6,362)
Net income (loss) before income taxes	60,224	(17,909)	(13,382)
Income tax expense	3,935	348	1,256
Net income (loss) including noncontrolling interest	56,289	(18,257)	(14,638)
Net loss attributable to noncontrolling interest	(1,827)	(11,661)	(16,499)
Net income (loss) attributable to Alpha and Omega Semiconductor Limited	<u>\$ 58,116</u>	<u>\$ (6,596)</u>	<u>\$ 1,861</u>
Net income (loss) per common share attributable to Alpha and Omega Semiconductor Limited			
Basic	\$ 2.25	\$ (0.27)	\$ 0.08
Diluted	\$ 2.13	\$ (0.27)	\$ 0.08
Weighted average number of common share attributable to Alpha and Omega Semiconductor Limited used to compute net income (loss) per share:			
Basic	25,786	24,840	24,063
Diluted	27,272	24,840	24,698

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

ALPHA AND OMEGA SEMICONDUCTOR LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Year ended June 30,		
	2021	2020	2019
Net income (loss) including noncontrolling interest	\$ 56,289	\$ (18,257)	\$ (14,638)
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustment	14,190	(4,839)	(5,937)
Comprehensive income (loss)	70,479	(23,096)	(20,575)
Noncontrolling interest	4,921	(14,066)	(19,303)
Comprehensive income (loss) attributable to Alpha and Omega Semiconductor Limited	<u>\$ 65,558</u>	<u>\$ (9,030)</u>	<u>\$ (1,272)</u>

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

ALPHA AND OMEGA SEMICONDUCTOR LIMITED
CONSOLIDATED STATEMENTS OF EQUITY
(in thousands)

	Preferred Shares		Common Shares		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (loss)	Retained Earnings	Total AOS Shareholders' Equity	Noncontrolling Interest	Total Equity
	Shares	Amount	Shares	Amount	Shares	Amount						
Balance, June 30, 2018	—	\$ —	30,400	\$ 61	(6,540)	\$ (64,790)	\$ 220,244	\$ 440	\$ 122,639	\$ 278,594	\$ 147,568	\$ 426,162
Exercise of common stock options and release of RSUs	—	—	616	1	—	—	109	—	—	110	—	110
Reissuance of treasury stock upon exercise of common stock options and release of RSUs	—	—	—	—	6	51	—	—	(51)	—	—	—
Withholding tax on restricted stock units	—	—	(182)	—	—	—	(2,028)	—	—	(2,028)	—	(2,028)
Issuance of common shares under Employee Stock Purchase Plan	—	—	329	—	—	—	2,908	—	—	2,908	—	2,908
Repurchase of common shares under share repurchase program	—	—	—	—	(112)	(1,501)	—	—	—	(1,501)	—	(1,501)
Share-based compensation expense	—	—	—	—	—	—	13,177	—	—	13,177	—	13,177
Net income (loss) including noncontrolling interest	—	—	—	—	—	—	—	—	1,861	1,861	(16,499)	(14,638)
Impact on retained earnings related to ASC 606 adoption	—	—	—	—	—	—	—	—	1,036	1,036	—	1,036
Foreign currency translation adjustment	—	—	—	—	—	—	—	(3,133)	—	(3,133)	(2,804)	(5,937)
Contributions by noncontrolling interest	—	—	—	—	—	—	—	—	—	—	24,000	24,000
Balance, June 30, 2019	—	—	31,163	62	(6,646)	(66,240)	234,410	(2,693)	125,485	291,024	152,265	443,289
Exercise of common stock options and release of RSUs	—	—	562	1	—	—	24	—	—	25	—	25
Reissuance of treasury stock upon exercise of common stock options and release of RSUs	—	—	—	—	7	56	—	—	(56)	—	—	—
Withholding tax on restricted stock units	—	—	(181)	—	—	—	(1,509)	—	—	(1,509)	—	(1,509)
Issuance of common shares under Employee Stock Purchase Plan	—	—	400	1	—	—	3,324	—	—	3,325	—	3,325
Share-based compensation expense	—	—	—	—	—	—	9,854	—	—	9,854	—	9,854
Net loss including noncontrolling interest	—	—	—	—	—	—	—	—	(6,596)	(6,596)	(11,661)	(18,257)
Foreign currency translation adjustment	—	—	—	—	—	—	—	(2,434)	—	(2,434)	(2,405)	(4,839)
Balance, June 30, 2020	—	—	31,944	64	(6,639)	(66,184)	246,103	(5,127)	118,833	293,689	138,199	431,888
Exercise of common stock options and release of RSUs	—	—	857	1	—	—	1,698	—	—	1,699	—	1,699
Reissuance of treasury stock upon exercise of common stock options and release of RSUs	—	—	—	—	14	120	—	—	(54)	66	—	66
Withholding tax on restricted stock units	—	—	(225)	—	—	—	(6,924)	—	—	(6,924)	—	(6,924)
Issuance of common shares under Employee Stock Purchase Plan	—	—	399	1	—	—	3,326	—	—	3,327	—	3,327
Share-based compensation expense	—	—	—	—	—	—	12,190	—	—	12,190	—	12,190
Restricted stock units settlement in connection with service	—	—	—	—	—	—	3,600	—	—	3,600	—	3,600
Net income (loss) including noncontrolling interest	—	—	—	—	—	—	—	—	58,116	58,116	(1,827)	56,289
Foreign currency translation adjustment	—	—	—	—	—	—	—	7,442	—	7,442	6,748	14,190
Balance, June 30, 2021	—	\$ —	32,975	\$ 66	(6,625)	\$ (66,064)	\$ 259,993	\$ 2,315	\$ 176,895	\$ 373,205	\$ 143,120	\$ 516,325

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

ALPHA AND OMEGA SEMICONDUCTOR LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended June 30,		
	2021	2020	2019
Cash flows from operating activities			
Net income (loss) including noncontrolling interest	\$ 56,289	\$ (18,257)	\$ (14,638)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	52,685	45,090	32,038
Share-based compensation expense	15,324	10,454	13,177
Deferred income taxes, net	1,551	85	(452)
(Gain) loss on disposal of property and equipment	426	(102)	21
Impairment of privately-held investment	—	600	—
Changes in assets and liabilities:			
Accounts receivable	(22,517)	11,024	9,237
Inventories	(18,765)	(22,793)	(21,461)
Other current and long-term assets	(5,843)	27,306	(1,887)
Accounts payable	(528)	(1,777)	6,410
Income taxes payable	1,660	(270)	(601)
Accrued and other liabilities	48,462	10,955	9,577
Net cash provided by operating activities	<u>128,744</u>	<u>62,315</u>	<u>31,421</u>
Cash flows from investing activities			
Purchases of property and equipment excluding JV Company	(22,715)	(42,389)	(36,002)
Purchases of property and equipment in JV Company	(49,985)	(20,009)	(76,049)
Purchases of intangible assets	—	—	(405)
Proceeds from sale of property and equipment	42	295	21
Government grant related to equipment in JV Company	119	1,254	—
Net cash used in investing activities	<u>(72,539)</u>	<u>(60,849)</u>	<u>(112,435)</u>
Cash flows from financing activities			
Proceeds from investment by noncontrolling interest	—	—	24,000
Withholding tax on restricted stock units	(6,924)	(1,509)	(2,028)
Proceeds from exercise of stock options and ESPP	5,092	3,350	3,018
Payments for repurchase of common shares	—	—	(1,501)
Proceeds from borrowings	65,876	96,232	77,949
Repayments of borrowings	(66,584)	(49,394)	(21,947)
Principal payments on capital leases	(16,451)	(11,028)	(4,392)
Net cash provided by (used in) financing activities	<u>(18,991)</u>	<u>37,651</u>	<u>75,099</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	<u>4,895</u>	<u>(708)</u>	<u>(1,514)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>42,109</u>	<u>38,409</u>	<u>(7,429)</u>
Cash, cash equivalents and restricted cash at beginning of year	<u>162,704</u>	<u>124,295</u>	<u>131,724</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 204,813</u>	<u>\$ 162,704</u>	<u>\$ 124,295</u>

ALPHA AND OMEGA SEMICONDUCTOR LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended June 30,		
	2021	2020	2019
Supplemental disclosures of cash flow information:			
Cash paid for interest	\$ 5,641	\$ 2,223	\$ 6,582
Cash paid for income taxes	\$ 970	\$ 2,258	\$ 1,841
Supplemental disclosures of non-cash investing and financing information:			
Property and equipment purchased but not yet paid	\$ 20,204	\$ 17,370	\$ 44,799
Reissuance of treasury stock	\$ 120	\$ 56	\$ 51

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

ALPHA AND OMEGA SEMICONDUCTOR LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. The Company and Significant Accounting Policies

The Company

Alpha and Omega Semiconductor Limited and its subsidiaries (the "Company", "AOS", "we" or "us") design, develop and supply a broad range of power semiconductors. The Company's portfolio of products targets high-volume applications, including personal computers, graphic cards, flat panel TVs, home appliances, smart phones, battery packs, quick chargers, home appliances, consumer and industrial motor controls and power supplies for TVs, computers, servers and telecommunications equipment. The Company conducts its operations primarily in the United States of America ("USA"), Hong Kong, China, and South Korea.

Basis of Preparation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and a subsidiary in which it has a controlling interest after elimination of inter-company balances and transactions. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Joint Venture

On March 29, 2016, the Company entered into a joint venture contract (the "JV Agreement") with two investment funds owned by the Municipality of Chongqing (the "Chongqing Funds"), pursuant to which the Company and the Chongqing Funds formed a joint venture, (the "JV Company"), for the purpose of constructing and operating a power semiconductor packaging, testing and 12-inch wafer fabrication facility in the Liangjiang New Area of Chongqing, China (the "JV Transaction"). As of June 30, 2021, the Company owns 51%, and the Chongqing Funds own 49%, of the equity interest in the JV Company. The Joint Venture is accounted under the provisions of the consolidation guidance since the Company has controlling financial interest. If both parties agree that the termination of the JV Company is the best interest of each party or the JV Company is bankrupt or insolvent where either party may terminate early, after paying the debts of the JV Company, the remaining assets of the JV Company shall be paid to the Chongqing Funds to cover the principal of its total paid-in contributions plus interest at 10% simple annual rate prior to distributing the balance of the JV Company's assets to the Company. The JV Company has reached its targeted production of assembly and testing.

Certain Significant Risks and Uncertainties Related to Outbreak of Coronavirus Disease 2019 ("COVID-19")

The COVID-19 pandemic has had and continues to have a negative impact on business and economic activities across the globe. As a result of the COVID-19 pandemic and the global economic downturn and changing consumer behaviors due to various restrictions imposed by governments, the Company has experienced shifting market trends, including an increasing demand in the markets for notebooks, PCs, gaming devices and other products. While the Company has recently benefited from the increasing demand of PC related products, there is no guarantee that this trend will continue, and such increasing demand may discontinue or decline as government authorities relax COVID-19 related restrictions and consumer behaviors change. Furthermore, as the COVID-19 pandemic continues and global economic downturn and high unemployment persists, consumer spending may slow down substantially, in which case the Company may experience a significant decline of customer orders for its products, including those designed for PC-related applications, and such decline will adversely affect its financial conditions and results of operations. The extent to which the COVID-19 pandemic may impact the Company's business will depend on future developments which are uncertain, such as the duration of the outbreak, travel restrictions, governmental mandates issued to mitigate the spread of the disease, business closures, economic disruptions, and the effectiveness of actions taken to contain and treat the virus. Accordingly, the COVID-19 pandemic may have a negative impact on the Company's sales and results of operations, the size and duration of which is difficult to predict.

Risks and Uncertainties

The Company is subject to certain risks and uncertainties. The Company believes changes in any of the following areas could have a material adverse effect on the Company's future financial position or results of operations or cash flows: new product development, including market receptiveness, operation of in-house manufacturing facilities, operation of the JV Company, litigation or claims against the Company based on intellectual property, patent, product regulatory or other factors,

competition from other products, general economic conditions, the ability to attract and retain qualified employees, the ability to successfully operate joint venture and ultimately to sustain profitable operations, risks associated with doing business in China, and ability to diversify products and develop digital business; the general state of the U.S., China and world economies; the highly cyclical nature of the industries the Company serves; the loss of any of its larger customers; restrictions on the Company's ability to sell to foreign customers due to trade laws, regulations and requirements; disruptions of the supply chain of components needed for our products; ability to obtain additional financing; inability to meet certain debt covenants; fundamental changes in the technology underlying the Company's products; successful and timely completion of product design efforts; and new product design introductions by competitors. Additional risks and uncertainties that the Company is unaware of, or that the Company currently believes are not material, may also become important factors that adversely affect its business.

The semiconductor industry is characterized by rapid technological change, competition, competitive pricing pressures and cyclical market patterns. The Company's financial results are affected by a wide variety of factors, including general economic conditions specific to the semiconductor industry and the Company's particular market, such as the PC markets, the timely implementation of new products, new manufacturing process technology and the ability to safeguard patents and intellectual property in a rapidly evolving market. In addition, the semiconductor market has historically been cyclical and subject to significant economic downturns. As a result, the Company may experience significant period-to-period fluctuations in operating results due to the factors mentioned above or other factors.

The Company's business model allocates its wafer manufacturing requirements to both in-house capacity and selected third-party foundries. The Company also deploys and implements its proprietary power discrete processes and equipment at third-party foundries to maximize the performance and quality of its products.

The Company's revenue may be impacted by its ability to utilize wafer production and packaging and testing capacity from its in-house facilities and obtain adequate wafer supplies from third-party foundries. Currently the Company's main third-party foundry is Shanghai Hua Hong Grace Electronic Company Limited, or HHGrace, located in Shanghai, China. HHGrace has been manufacturing wafers for the Company since 2002. HHGrace manufactured approximately 11.5%, 12.7% and 14.1% of the wafers used in the Company's products for the fiscal years ended June 30, 2021, 2020 and 2019, respectively. Although the Company believes that its volume of production allows the Company to secure favorable pricing and priority in allocation of capacity in its third-party foundries, if the foundries' capacities are constrained due to market demands, HHGrace, together with other foundries from which the Company purchases wafers, may not be willing or able to satisfy all of the Company's manufacturing requirements on a timely basis and/or at favorable prices. The Company is also subject to the risks of service disruptions and raw material shortages by its foundries. Such disruptions, shortages and price increases could harm the Company's operating results. In addition, manufacturing facilities' capacity affects the Company's gross margin because the Company has certain fixed costs associated with its Oregon fab and the JV Company, as well as in-house packaging and testing facilities. If the Company fails to utilize its manufacturing facilities' capacity at a desirable level, its financial condition and results of operations will be adversely affected.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires the Company to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. To the extent there are material differences between these estimates and actual results, the Company's condensed consolidated financial statements will be affected. On an ongoing basis, the Company evaluates the estimates, judgments and assumptions including those related to stock rotation returns, price adjustments, allowance for doubtful accounts, inventory reserves, warranty accrual, income taxes, leases, share-based compensation, recoverability of and useful lives for property, plant and equipment and intangible assets, as well as the economic implications of the COVID-19 pandemic.

Foreign Currency Transactions and Translation

Most of the Company's principal subsidiaries use U.S. dollars as their functional currency because their transactions are primarily conducted and settled in U.S. dollars. All of their revenues and a significant portion of their operating expenses are denominated in U.S. dollars. The functional currencies for the Company's in-house packaging and testing facilities in China are U.S. dollars, and a majority of their capital expenditures are denominated in U.S. dollars. Foreign currency transactions are translated into the functional currencies using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses, resulting from the settlement of such transactions and from the re-measurement of monetary assets and liabilities denominated in foreign currencies using exchange rates at balance sheet date and non-monetary assets and liabilities using historical exchange rates, are recognized in the consolidated statements of operations.

For the Company's subsidiaries which use the local currency as their functional currency, including the JV Company, their results and financial position are translated into U.S. dollars using exchange rates at balance sheet dates for assets and liabilities

and using average exchange rates for income and expenses items. The resulting translation differences are presented as a separate component of accumulated other comprehensive income (loss) and noncontrolling interest in the consolidated statements of equity.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents primarily consist of cash on hand and short-term bank deposits with original maturities of three months or less. Cash equivalents are highly liquid investments with stated maturities of three months or less as of the dates of purchase. The carrying amounts reported for cash and cash equivalents are considered to approximate fair values based upon their short maturities.

Cash and cash equivalents are maintained with reputable major financial institutions. If, due to current economic conditions or other factors, one or more of the financial institutions with which the Company maintains deposits fails, the Company's cash and cash equivalents may be at risk. Deposits with these banks may exceed the amount of insurance provided on such deposits; however, these deposits typically may be redeemed upon demand and, therefore, bear minimal risk.

As a condition of the loan arrangements, the Company is required to keep a compensating balance at the issuing bank (see Note 5). In addition, the Company maintains restricted cash in connection with cash balances temporarily restricted for regular business operations, including the possibility of a dispute with a vendor. These balances have been excluded from the Company's cash and cash equivalents balance and are classified as restricted cash in the Company's consolidated balance sheets. As of June 30, 2021 and 2020, the amount of restricted cash was \$2.4 million and \$4.2 million, respectively.

Accounts Receivable, net

The allowance for doubtful accounts is based on assessment of the collectability of accounts receivable from customers. The Company reviews the allowance by considering factors such as historical collection experience, credit quality, age of the accounts receivable balances and current economic conditions that may affect a customer's ability to pay. The Company writes off a receivable and charges against its recorded allowance when it has exhausted its collection efforts without success.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair Value of Financial Instruments

The fair value of cash equivalents is based on observable market prices and have been categorized in Level 1 in the fair value hierarchy. Cash equivalents consist primarily of short-term bank deposits. The carrying values of financial instruments such as cash and cash equivalents, accounts receivable and accounts payable approximate their carrying values due to their short-term maturities. The carrying value of the company's debt is considered a reasonable estimate of fair value which is estimated by considering the current rates available to the Company for debt of the same remaining maturities, structure and terms of the debts.

Inventories

The Company carries inventories at the lower of cost (determined on a first-in, first-out basis) or net realizable value. Cost includes semiconductor wafer and raw materials, labor, depreciation expenses and other manufacturing expenses and overhead, and packaging and testing fees paid to third parties if subcontractors are used. Valuation of inventories are based on the Company's periodic review of inventory quantities on hand as compared with its sales forecasts, historical usage, aging of

inventories, production yield levels and current product selling prices. If actual market conditions are less favorable than those forecasted by management, additional future inventory write-downs may be required that could adversely affect the Company's operating results. Adjustments to inventory once established are not reversed until the related inventory has been sold or scrapped.

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items and the costs incurred to make the assets ready for their intended use.

Depreciation is provided for on a straight-line basis over the estimated useful lives of the related assets as follows:

Building	20 to 30 years
Manufacturing machinery and equipment	8 to 15 years
Equipment and tooling	5 years
Computer hardware and software	3 to 5 years
Office furniture and equipment	5 years
Leasehold and building improvements	2 to 20 years
Land use rights	50 years

There is no private land ownership in China. Individuals and companies are permitted to acquire land use rights for a specific purpose. In March 2017, the JV Company received the necessary land use right certificate from the PRC government. The land use rights will expire on November 30, 2066.

Equipment and construction in progress represent equipment received but the necessary installation has not been fully performed or building construction and leasehold improvements have been started but not yet completed. Equipment and construction in progress are stated at cost and transferred to respective asset class when fully completed and ready for their intended use.

Internal-use software development costs are capitalized to the extent that the costs are directly associated with the development of identifiable and unique software products controlled by the Company that will probably generate economic benefits beyond one year. Costs incurred during the application development stage are required to be capitalized. The application development stage is characterized by software design and configuration activities, coding, testing and installation. Training costs and maintenance are expensed as incurred, while upgrades and enhancements are capitalized if it is probable that such expenditures will result in additional functionality. Costs include employee costs incurred and fees paid to outside consultants for the software development and implementation. Internally developed software is amortized over its estimated useful life of three to five years starting from the date when it is ready for its intended use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized as selling, general and administrative expenses in the consolidated statements of operations. Costs of maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Government Grants

The Company occasionally receives government grants that provide financial assistance for certain eligible expenditures in China. These grants include reimbursements on interest expense on bank borrowings, payroll tax credits, credit for property, plant and equipment in a particular geographical location, employment credits, , as well as business expansion credits. Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to it, and that the grant will be received. The Company records such grants either as a reduction of the related expense, a reduction of the cost of the related asset, or as other income depending upon the nature of the grant. As a result of such grants, during the fiscal year ended June 30, 2021, the Company reduced interest expense by \$3.0 million, property, plant and equipment by \$0.1 million, and operating expenses by \$3.7 million. During the fiscal year ended June 30, 2020, the Company reduced interest expense by \$6.1 million, property, plant and equipment by \$1.3 million, and operating expenses by \$4.7 million. During the fiscal year ended June 30, 2019, the Company reduced interest expenses by \$0.3 million.

Long-lived Assets

The Company evaluates its long-lived assets for impairment whenever events or changes indicate that the carrying amount of such assets may not be recoverable. Due to the COVID-19 pandemic, the Company assessed the changes in circumstances that occurred during the March and June 2020 quarters. These factors included continued operating losses, a decrease in the Company's share price in February and March of 2020, which reduced its market capitalization, expectation of lower business growth for the coming quarters, increased and prolonged economic and regulatory uncertainty in the global economies, and the expectation of higher supply chain costs and increased competition. Therefore, the Company performed a recoverability test by comparing the sum of the estimated undiscounted future cash flows of its long-lived assets to their carrying amount as of June 30, 2020. Some of the more significant assumptions used in the estimated future cash flows involve net sales, cost of goods sold, operating expenses, working capital, capital expenditures, income tax rates, long-term growth rates that appropriately reflect the risks inherent in the future cash flow stream and terminal value. The Company selected the assumptions used in the financial forecasts by referencing to historical data, supplemented by current and anticipated market conditions, estimated product growth rates and management's plans. These estimated future cash flows were consistent with those the Company uses in its internal planning. The result of the recoverability test indicated that the sum of the expected future cash flows (undiscounted and without interest charges) was greater than the carrying amount of the long-lived assets. Therefore, the Company concluded that the carrying amount of the long-lived assets is recoverable. There was no impairment of long-lived assets for fiscal years 2021, 2020 and 2019.

Revenue Recognition

The Company determines revenue recognition through the following steps: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when, or as, a performance obligation is satisfied. The Company recognizes product revenue at a point in time when product is shipped to the customer, net of estimated stock rotation returns and price adjustments that it expects to provide to certain distributors. The Company presents revenue net of sales taxes and any similar assessments. Our standard payment terms range from 30 to 90 days.

The Company sells its products primarily to distributors, who in turn sell the products globally to various end customers. The Company allows stock rotation returns from certain distributors. Stock rotation returns are governed by contract and are limited to a specified percentage of the monetary value of products purchased by distributors during a specified period. The Company records an allowance for stock rotation returns based on historical returns and individual distributor agreements. The Company also provides special pricing to certain distributors, primarily based on volume, to encourage resale of the Company's products. Allowance for price adjustments is recorded against accounts receivable and the provision for stock rotation rights is included in accrued liabilities on the consolidated balance sheets.

The Company's performance obligations relate to contracts with a duration of less than one year. The Company elected to apply the practical expedient provided in ASC 606, "Revenue from Contracts with Customers". Therefore, the Company is not required to disclose the aggregate amount of transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Company recognizes the incremental direct costs of obtaining a contract, which consist of sales commissions, when control over the products they relate to transfers to the customer. Applying the practical expedient, the Company recognizes commissions as expense when incurred, as the amortization period of the commission asset the Company would have otherwise recognized is less than one year.

Packaging and testing services revenue is recognized at a point in time upon shipment of serviced products to the customer.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, current operating lease liabilities and long-term operating lease liabilities on the Company's consolidated balance sheets. Finance leases are included in property, plant and equipment, finance lease liabilities and long-term finance leases liabilities on the consolidated balance sheets.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The Company uses an estimate of its incremental borrowing rate based on the information available at the lease commencement date. The operating lease ROU assets also include any lease payments made and exclude lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such options. Operating lease expense is generally

recognized on a straight-line basis over the lease term. Variable lease payments are expensed as incurred and are not included within the operating lease ROU asset and lease liability calculation. The Company does not record leases on the consolidated balance sheet with a term of one year or less. The Company elected to combine its lease and non-lease components as a single lease component for all asset classes.

Product Warranty

The Company provides a standard one-year warranty for the products from the date of purchase by the end customers. The Company accrues for estimated warranty costs at the time revenue is recognized. The Company's warranty obligation is affected by product failure rates, labor and material costs for replacing defective parts, related freight costs for failed parts and other quality assurance costs. The Company monitors its product returns for warranty claims and maintains warranty reserves based on historical experiences and anticipated warranty claims known at the time of estimation.

Shipping and Handling Costs

Shipping and handling costs are included in cost of goods sold.

Research and Development

Research and development costs are expensed as incurred.

Provision for Income Taxes

Income tax expense or benefit is based on income or loss before taxes. Deferred tax assets and liabilities are recognized principally for the expected tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts.

The Company is subject to income taxes in a number of jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company establishes accruals for certain tax contingencies based on estimates of whether additional taxes may be due. While the final tax outcome of these matters may differ from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Significant management judgment is also required in determining whether deferred tax assets will be realized in full or in part. When it is more likely than not that all or some portion of specific deferred tax assets such as net operating losses or research and experimentation tax credit carryforwards will not be realized, a valuation allowance must be established for the amount of the deferred tax assets that cannot be realized. The Company considers all available positive and negative evidence on a jurisdiction-by-jurisdiction basis when assessing whether it is more likely than not that deferred tax assets are recoverable. The Company considers evidence such as our past operating results, the existence of cumulative losses in recent years and our forecast of future taxable income.

The Financial Accounting Standards Board, or FASB, issued guidance which clarifies the accounting for income taxes by prescribing a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely to be realized upon ultimate settlement. Although the guidance on the accounting for uncertainty in income taxes prescribes the use of a recognition and measurement model, the determination of whether an uncertain tax position has met those thresholds will continue to require significant judgment by management. If the ultimate resolution of tax uncertainties is different from what is currently estimated, a material impact on income tax expense could result.

The Company's provision for income taxes is subject to volatility and could be adversely impacted by changes in earnings or tax laws and regulations in various jurisdictions. The Company is subject to the continuous examination of our income tax returns by the Internal Revenue Service and other tax authorities. The Company regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. To the extent that the final tax outcome of these matters is different from the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the impact of changes to reserves, as well as the related net interest and penalties.

Share-based Compensation Expense

The Company maintains an equity-settled, share-based compensation plan to grant restricted share units and stock options. The Company recognizes expense related to share-based compensation awards that are ultimately expected to vest based on estimated fair values on the date of grant. The fair value of restricted share units is based on the fair value of the Company's common share on the date of grant. For restricted stock awards subject to market conditions, the fair value of each restricted stock award is estimated at the date of grant using the Monte-Carlo pricing model. The fair value of stock options is estimated on the date of grant using the Black-Scholes option valuation model. Share-based compensation expense is recognized on the accelerated attribution basis over the requisite service period of the award, which generally equals the vesting period.

The Employee Share Purchase Plan (the "ESPP") is accounted for at fair value on the date of grant using the Black-Scholes option valuation model.

Advertising

Advertising expenditures are expensed as incurred. Advertising expense was \$0.4 million, \$0.7 million and \$0.6 million in the fiscal years ended June 30, 2021, 2020, and 2019, respectively.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The Company's accumulated other comprehensive income (loss) consists of cumulative foreign currency translation adjustments.

Recent Accounting Pronouncements

Recently Issued Accounting Standards not yet adopted

In August 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity, which, among other things, provides guidance on how to account for contracts on an entity’s own equity. This ASU simplifies the accounting for certain financial instruments with characteristics of liabilities and equity. Specifically, the ASU eliminated the need for the Company to assess whether a contract on the entity’s own equity (1) permits settlement in unregistered shares, (2) whether counterparty rights rank higher than shareholder’s rights, and (3) whether collateral is required. In addition, the ASU requires incremental disclosure related to contracts on the entity’s own equity and clarifies the treatment of certain financial instruments accounted for under this ASU on earnings per share. For public business entities, the ASU is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. The Company does not expect the adoption of this guidance will have a material impact on its consolidated financial position, results of operations or cash flows.

In January 2020, the FASB issued ASU No. 2020-01, “Investments - Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) - Clarifying the Interactions between Topic 321, Topic 323, and Topic 815.” The ASU is based on a consensus of the Emerging Issues Task Force and is expected to increase comparability in accounting for these transactions. ASU 2016-01 made targeted improvements to accounting for financial instruments, including providing an entity the ability to measure certain equity securities without a readily determinable fair value at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Among other topics, the amendments clarify that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting. For public business entities, the amendments in the ASU are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company does not expect the adoption of this guidance will have a material impact on its consolidated financial position, results of operations or cash flows.

In December 2019, the FASB issued ASU No. 2019-12 “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (“ASU 2019-12”) by removing certain exceptions to the general principles. The amendments will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption of the amendments is permitted. Depending on the amendment, adoption may be applied on a retrospective, modified retrospective or prospective basis. The Company is currently evaluating the impacts of adoption of the new guidance to its consolidated financial statements.

Recently Adopted Accounting Standards

In August 2018, the FASB issued ASU 2018-15 “Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract” (“ASU 2018-15”). These amendments align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by these amendments. ASU 2018-15 had no material impact on the Company’s consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement (“ASU 2018-13”). ASU 2018-13 amends existing fair value measurement disclosure requirements by adding, changing, or removing certain disclosures. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. ASU 2018-13 had no material impact on the Company’s consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments - Credit Losses (Topic 326). Topic 326 adds to U.S. GAAP the current expected credit loss (“CECL”) model, a measurement model based on expected losses rather than incurred losses. Under this new standard, an entity recognizes its estimate of expected credit losses as an allowance. The new standard is also intended to reduce the complexity of U.S. GAAP by decreasing the number of credit loss models that entities use to account for debt instruments. The new guidance significantly changes the accounting for credit losses. The Company adopted

ASU 2016-13 using the modified-retrospective approach in the first quarter of fiscal 2021 with no impact to its consolidated financial statements.

The adoption of Topic 326 did not significantly change the Company's approach to the valuation of trade receivables. The Company determines whether there is an expected loss on its accounts receivable by reviewing all available data, including its customers' latest available financial statements, their credit standing and historical collection experience, as well as current and future market and economic conditions. As of June 30, 2021, the allowance for credit losses on the Company's trade receivables remained immaterial.

2. Net Income (loss) Per Common Share Attributable to Alpha and Omega Semiconductor Limited

Basic net income (loss) per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per share is computed using the weighted-average number of common shares outstanding, plus potential shares of common stock during the period. Potential shares of common stock include dilutive shares attributable to the assumed exercise of share options, ESPP shares and vesting of RSUs using the treasury stock method and contingent issuances of common shares related to convertible preferred shares, if dilutive. Under the treasury stock method, potential common shares outstanding are not included in the computation of diluted net income per share if their effect is anti-dilutive.

The following table presents the calculation of basic and diluted net income (loss) per share attributable to common shareholders:

	Year Ended June 30,		
	2021	2020	2019
	(in thousands, except per share data)		
Numerator:			
Net income (loss) attributable to Alpha and Omega Semiconductor Limited	\$ 58,116	\$ (6,596)	\$ 1,861
Denominator:			
Basic:			
Weighted average number of common shares used to compute basic net income per share	25,786	24,840	24,063
Diluted:			
Weighted average number of common shares used to compute basic net income per share	25,786	24,840	24,063
Effect of potentially dilutive securities:			
Stock options, RSUs and ESPP shares	1,486	—	635
Weighted average number of common shares used to compute diluted net income per share	27,272	24,840	24,698
Net income (loss) per share attributable to Alpha and Omega Semiconductor Limited:			
Basic	\$ 2.25	\$ (0.27)	\$ 0.08
Diluted	\$ 2.13	\$ (0.27)	\$ 0.08

The following potential dilutive securities were excluded from the computation of diluted net income (loss) per share as their effect would have been anti-dilutive:

	Year Ended June 30,		
	2021	2020	2019
	(in thousands)		
Employee stock options and RSUs	193	2,028	593
ESPP	71	834	512
Total potential dilutive securities	264	2,862	1,105

3. Concentration of Credit Risk and Significant Customers

The Company manages its credit risk associated with exposure to distributors and direct customers on outstanding accounts receivable through the application of credit approvals, credit ratings and other monitoring procedures. In some instances, the Company also obtains letters of credit from certain customers.

Credit sales, which are mainly on credit terms of 30 to 60 days, are only made to customers who meet the Company's credit standards, while sales to new customers or customers with low credit ratings are usually made on an advance payment basis. The Company considers its financial assets to be of good credit quality because its key distributors and direct customers have long-standing business relationships with the Company and the Company has not experienced any significant bad debt write-offs of accounts receivable in the past. The Company closely monitors the aging of accounts receivable from its distributors and direct customers, and regularly reviews their financial positions, where available.

In the past, the Company shipped its product indirectly to Huawei and its affiliates (collectively, "Huawei") through distributors. Typically, the Company sold its products to distributors who then sold to original design manufacturers ("ODMs") that incorporated our products into end applications that were then shipped to Huawei. While distributor point of sale reports summarize distributor sales to ODMs, the Company must make certain assumptions and estimates in order to determine the amount of revenues attributed to indirect shipment to Huawei. During the fiscal year ended June 30, 2019, the estimated revenues attributed to indirect shipment to Huawei were approximately 2% of total revenues. During the period from May 2019 to December 2019, estimated revenues earned by the Company from shipments indirectly made to Huawei were in the range of \$11 million to \$13 million. See Note 13.

Summarized below are individual customers whose revenue or accounts receivable balances were 10% or higher than the respective total consolidated amounts:

Percentage of revenue	Year Ended June 30,		
	2021	2020	2019
Customer A	28.7 %	29.3 %	28.8 %
Customer B	35.4 %	35.5 %	36.4 %

Percentage of accounts receivable	June 30,	
	2021	2020
Customer A	12.4 %	*
Customer B	22.1 %	*
Customer C	21.9 %	29.8 %
Customer D	*	10.9 %
Customer E	*	20.1 %
Customer F	*	10.4 %
Customer G	*	10.3 %

* Less than 10%

4. Balance Sheet Components

Accounts receivable, net

	June 30,	
	2021	2020
	(in thousands)	
Accounts receivable	\$ 48,234	\$ 43,394
Less: Allowance for price adjustments	(12,415)	(30,092)
Less: Allowance for doubtful accounts	(30)	(30)
Accounts receivable, net	<u>\$ 35,789</u>	<u>\$ 13,272</u>

Inventories

	June 30,	
	2021	2020
	(in thousands)	
Raw materials	\$ 68,900	\$ 55,377
Work in-process	68,824	61,863
Finished goods	16,569	18,288
	<u>\$ 154,293</u>	<u>\$ 135,528</u>

Other current assets

	June 30,	
	2021	2020
	(in thousands)	
VAT receivable	\$ 1,539	\$ 1,639
Other prepaid expenses	1,465	1,900
Prepaid insurance	2,615	1,520
Prepaid maintenance	1,670	587
Prepayments to supplier	2,540	938
Prepaid income tax	2,221	1,991
Interest receivable	2,207	—
Customs deposit	270	163
Other receivables	68	69
	<u>\$ 14,595</u>	<u>\$ 8,807</u>

Property, plant and equipment, net

	June 30,	
	2021	2020
	(in thousands)	
Land	\$ 4,877	\$ 4,877
Building	71,454	58,875
Manufacturing machinery and equipment	515,320	447,079
Equipment and tooling	27,017	25,398
Computer equipment and software	41,518	38,779
Office furniture and equipment	3,814	3,529
Leasehold improvements	74,733	68,224
Land use rights	9,319	8,502
	748,052	655,263
Less: accumulated depreciation	(348,749)	(291,515)
	399,303	363,748
Equipment and construction in progress	37,674	48,592
Property, plant and equipment, net	\$ 436,977	\$ 412,340

Total depreciation expense was \$49.3 million, \$43.9 million and \$31.9 million for fiscal year 2021, 2020 and 2019, respectively.

The gross amount of computer software recorded under capital leases was \$13.7 million and \$13.7 million and the related accumulated depreciation was \$11.9 million and \$10.1 million, respectively, at June 30, 2021 and 2020.

The Company capitalized \$0.3 million, \$1.0 million and \$0.8 million of software development costs during the fiscal year 2021, 2020 and 2019, respectively. Amortization of capitalized software development costs was \$0.5 million in fiscal year 2021, 0.5 million in fiscal year 2020 and \$0.5 million in fiscal year 2019. Unamortized capitalized software development costs in each of the periods presented at June 30, 2021 and 2020 were \$1.2 million and \$1.4 million, respectively.

There is no private land ownership in China. Individuals and companies are permitted to acquire land use rights for specific purpose. In March 2017, the JV Company received the necessary land use right certificate from the PRC government. The land use rights will expire on November 30, 2066.

Other long-term assets

	June 30,	
	2021	2020
	(in thousands)	
Prepayments for property and equipment	\$ 14,882	\$ 2,242
Investments in privately held companies	100	100
Customs deposit	1,120	1,662
Other long-term deposits	927	850
Office leases deposits	1,100	766
Other	740	184
	\$ 18,869	\$ 5,804

Intangible assets, net

	June 30,	
	2021	2020
	(in thousands)	
Patents and technology rights	\$ 18,037	\$ 18,037
Trade name	268	268
Customer relationships	1,150	1,150
	19,455	19,455
Less: accumulated amortization	(6,314)	(2,954)
	13,141	16,501
Goodwill	269	269
Intangible assets, net	\$ 13,410	\$ 16,770

The Company is amortizing intangible assets of patents and technology rights related to a license agreement with STMicroelectronics International N.V. Amortization expense for intangible assets was \$3.4 million, \$0.1 million and \$0.1 million for the years ended June 30, 2021, 2020 and 2019, respectively. The estimated useful lives for patents and technology rights and trade name were five years and ten years, respectively. Customer relationships are fully amortized.

Estimated future minimum amortization expense of intangible assets is as follows (in thousands):

Year ending June 30,		
2022	\$	3,360
2023		3,286
2024		3,249
2025		3,246
	\$	13,141

	June 30,	
	2021	2020
	(in thousands)	
Accrued compensation and benefits	\$ 32,756	\$ 19,968
Warranty accrual	2,795	709
Stock rotation accrual	3,917	3,358
Accrued professional fees	3,017	5,868
Accrued inventory	1,138	775
Accrued facilities related expenses	2,536	1,831
Accrued property, plant and equipment	8,688	11,039
Other accrued expenses	6,793	8,017
Customer deposit	7,139	2,813
ESPP payable	715	608
Accrued liabilities	\$ 69,494	\$ 54,986

The activity in the warranty accrual, included in accrued liabilities is as follows:

	Year Ended June 30,		
	2021	2020	2019
	(in thousands)		
Beginning balance	\$ 709	\$ 623	\$ 535
Addition	2,443	895	236
Utilization	(357)	(809)	(148)
Ending balance	\$ 2,795	\$ 709	\$ 623

The activity in the stock rotation accrual, included in accrued liabilities is as follows:

	Year Ended June 30,		
	2021	2020	2019
	(in thousands)		
Beginning balance	\$ 3,358	\$ 1,921	\$ 1,750
Addition	4,742	9,441	5,267
Utilization	(4,183)	(8,004)	(5,096)
Ending balance	\$ 3,917	\$ 3,358	\$ 1,921

Other long-term liabilities

	June 30,	
	2021	2020
	(in thousands)	
Deferred payroll taxes	\$ 1,219	\$ —
Customer deposits *	42,000	8,000
Computer software liabilities	—	1,897
Other	904	826
Other long-term liabilities	\$ 44,123	\$ 10,723

* Customer deposit from our customer A and customer B for securing future shipment from the Company.

5. Bank borrowings

Short-term borrowing

On June 29, 2021, the JV Company entered into a one-year loan agreement with China Citic Bank in China to borrow a maximum of \$7.7 million. Interest payments are due on the 20th of each quarter starting September 20, 2021, and the entire principal is due on June 29, 2022. As of June 30, 2021, the outstanding balance of this loan was \$7.7 million at an interest rate of 3.49% per annum.

On April 19, 2021, the JV Company entered into a loan agreement with China Everbright Bank in China to borrow a maximum of Chinese Renminbi ("RMB") 100 million. The borrowing can be in RMB or U.S. Dollar ("USD"). The loan consists of RMB 50 million for working capital borrowings in Chinese yuan and RMB 50 million for borrowing in USD. The loan is collateralized by eligible accounts receivable. On April 19, 2021, the JV Company borrowed RMB 50.0 million, or \$7.7 million based on the currency exchange rate between RMB and USD on April 19, 2021, at an interest rate of 5.1% annum. The interest payments are due quarterly with the entire principal due no later than May 19, 2022. On June 16, 2021 and June 24, 2021, the JV Company also borrowed \$4.2 million and \$3.5 million at interest rate of 2.7% per annum, with principal due on August 18, 2021 and September 9, 2021, respectively. As of June 30, 2021, the total outstanding balance of these loans was \$15.4 million.

On November 13, 2020, the JV Company entered into a one-year loan agreement with China Merchant Bank in China. The JV Company can borrow up to Chinese Renminbi ("RMB") 50.0 million, or \$7.6 million, based on the currency exchange rate between RMB and U.S. Dollar on November 13, 2020. The loan's interest rates are based on the China one-year loan prime rate ("LPR") plus 1.4% per annum. Interest payments are due quarterly with the entire principal due not later than November 19, 2021. During the three months ended December 31, 2020, the JV Company borrowed RMB 50.0 million at an interest rate of 5.25% per annum. As of June 30, 2021, the outstanding balance of this loan was \$7.7 million.

On April 15, 2020, the JV Company entered into a one-year loan agreement with China Everbright Bank in China to borrow a maximum of RMB 100 million (approximately \$14.3 million based on the currency exchange rate between RMB and U.S. Dollar on April 15, 2020), in the amount in RMB or USD. Interest payments were due on the 20th of each month, and the entire principal was due on April 16, 2021. The loan consisted of RMB 20 million for working capital borrowing in Chinese yuan and RMB 80 million for borrowing in US dollars that was collateralized by eligible accounts receivable. As of June 30, 2021, this loan was expired and there was no outstanding balance under the loan.

In October 2019, the Company's subsidiary in China entered into a line of credit facility with Bank of Communications Limited in China. This line of credit was scheduled to mature on February 14, 2021 and is based on the China Base Rate multiplied by 1.05, or 4.99% on October 31, 2019. The purpose of the credit facility is to provide short-term borrowings. The Company could borrow up to approximately RMB 60.0 million or \$8.5 million based on the currency exchange rate between the RMB and the U.S. Dollar on October 31, 2019. In October 2020, this line of credit was renewed with the same terms and a maturity date of April 21, 2022. As of June 30, 2021, there was no outstanding balance under the loan.

On November 29 and December 4, 2018, the JV Company entered into two, one-year loan agreements with China Merchant Bank and Chongqing LiangJiang New District China Merchants Group Limited Company in China to provide loans for RMB 80 million and RMB 20 million, respectively, or \$14.5 million in total based on the currency exchange rate between RMB and U.S. Dollar on December 31, 2018, at varying interest rates. On January 20, 2020, the JV Company renewed the loan agreements with the same terms. Interest payments are due monthly and quarterly with the entire principal due not later than January 21, 2021. As of June 30, 2021, these two loans were expired and there was no outstanding balance under the loans.

On November 16, 2018, the Company's subsidiary in China entered into a line of credit facility with Industrial and Commercial Bank of China, which expired on September 30, 2019. The purpose of the credit facility was to provide short-term borrowings. The Company could borrow up to approximately RMB 72.0 million or \$10.3 million based on currency exchange rate between RMB and U.S. Dollar on November 16, 2018. In December 2020, this line of credit was renewed with the same terms and a maturity date of December 31, 2021. As of June 30, 2021, there was no outstanding balance under the line of credit.

Accounts Receivable Factoring Agreement

On August 9, 2019, one of the Company's wholly-owned subsidiaries (the "Borrower") entered into a factoring agreement with the Hongkong and Shanghai Banking Corporation Limited ("HSBC"), whereby the Borrower assigns certain of its accounts receivable with recourse. This factoring agreement allows the Borrower to borrow up to 70% of the net amount of its eligible accounts receivable of the Borrower with a maximum amount of \$30.0 million. The interest rate is based on one month London Interbank Offered Rate ("LIBOR") plus 1.75% per annum. The Company is the guarantor for this agreement. The Company is accounting for this transaction as a secured borrowing under the Transfers and Servicing of Financial Assets guidance. In addition, any cash held in the restricted bank account controlled by HSBC has a legal right of offset against the borrowing. This agreement, with certain financial covenants required, has no expiration date. The Borrower was in compliance with these covenants as of June 30, 2021. During the fiscal year ended June 30, 2021 and 2020, the Company borrowed \$56.7 million and \$20.0 million, respectively, and repaid it in full. As of June 30, 2021, there was no outstanding balance and the Company had unused credit of approximately \$30.0 million. On August 11, 2021, the Borrower signed an agreement with HSBC to decrease the borrowing maximum amount to \$8.0 million with certain financial covenants required. Other terms remain the same.

Credit Facilities

On May 9, 2018 (the "Effective Date"), the JV Company entered into a lease finance agreement and a security agreement (the "Agreements") with YinHai Leasing Company and China Import/Export Bank (the "Lenders"). Pursuant to the Agreements, the Lenders agree to provide an aggregate of RMB 400.0 million, or \$62.8 million based on the currency exchange rate between RMB and U.S. Dollar on the Effective Date, of financing to the JV Company (the "Lease Financing"). In exchange for the Lease Financing, the JV Company agrees to transfer title of its assembly and testing equipment to the Lenders, and the Lenders lease such equipment to the JV Company under a five-year lease arrangement, pursuant to which the JV Company makes quarterly lease payments to the Lenders consisting of principal and interest based on a repayment schedule mutually agreed by the parties. The interest under the Lease Financing is accrued based on the China Base Rate multiplied by 1.15, or 5.4625% on the Effective Date. Under the Agreements, at the end of the five-year lease term, the Lenders agree to sell such equipment back to the JV Company for a nominal amount (RMB 1). The JV Company's obligations under the Lease Financing are secured by the land and building owned by the JV Company (the "Collateral"). The proceeds from the Lease Financing will be used primarily for the acquisition and installation of the 12-inch fabrication equipment and other expenses of the JV Company relating to the completion of the fabrication facility located in Chongqing. The Agreements contain customary representation, warranties and covenants, including restrictions on the transfer of the Collateral. The Agreements also contain customary events of default, including but are not limited to, failure to make payments and breach of material terms under the Agreements. On June 28, 2020, the parties entered into a modification to this agreement as a result of a change in the bank reference rate, pursuant to which the interest rate was changed to be the five-year loan prime rate in China plus 0.8125%, or 5.4625%. Other terms of this agreement remain the same. As of June 30, 2021, the outstanding balance of the Lease Financing of 190.0 million RMB (equivalent of \$29.4 million based on the currency exchange rate as of June 30, 2021) was recorded under short-term and long-term finance lease liabilities.

See future minimum lease payment table for finance lease liabilities in Note 6.

Long-term debt

On April 26, 2020, the JV Company entered into a loan agreement with China Development Bank, Agricultural Bank of China, China Merchants Bank and Chongqing Rural Commercial Bank (collectively, "the Banks") in the aggregate principal amount of RMB 250 million (approximately \$35.7 million based on the currency exchange rate between RMB and U.S. Dollar on April 26, 2020). The obligation under the loan agreement is secured by certain assets of the JV Company with a carrying value of \$114.0 million as of June 30, 2021. Beginning December 18, 2020, the JV Company is required to make consecutive semi-annual payments of principal until December 8, 2024. Interest payment is due on March 20, June 20, September 20 and December 20 of each year based on China one-year loan prime rate ("LPR") plus 1.3%. The JV Company drew down RMB 250 million (approximately \$35.3 million based on the currency exchange rate between RMB and U.S. Dollar on June 30, 2020) in April 2020. As of June 30, 2021, the outstanding balance of the loan was \$34.1 million.

In December 2019, the JV Company entered into a loan agreement with China Development Bank in the amount of \$24.0 million. The obligation under the loan agreement is secured by certain assets of the JV Company with a carrying value of \$114.0 million as of June 30, 2021. Beginning December 18, 2020, the JV Company will make consecutive semi-annual payments of principal until December 8, 2024. The interest is accrued based on the LIBOR rate plus 2.8%. The interest is required to be paid on March 21 and September 21 each year. As of June 30, 2021, the outstanding balance of the loan was \$19.2 million.

On March 12, 2019, the JV Company entered into a loan agreement with The Export-Import Bank of China in the aggregate principal amount of RMB 200 million (approximately \$29.8 million based on currency exchange rate between RMB

and U.S. Dollar on March 31, 2019). The loan will mature on February 20, 2025. The JV Company drew down RMB 190 million and RMB 10 million in March 2019 and December 2019, respectively. The loan withdraw window expired on February 28, 2020. The interest is accrued based on the China Base Rate multiplied by 1.1, or 5.39%. The loan requires quarterly interest payments. The principal payments are required to be paid every 6 months over the term of loan commencing in October 2019. This loan is secured by the buildings and certain equipment owned by the JV Company with a carrying value of \$89.1 million as of June 30, 2021. As a condition of the loan arrangements, 14 million RMB (approximately \$2.0 million) of cash is held as restricted cash by the JV Company as a compensating balance at the JV Company's bank until the principal is paid. On June 24, 2020, a modification of this loan was signed as a result of a change in the bank reference rate, pursuant to which the interest rate was changed to be based on the five-year loan prime rate in China plus 0.74%, or 5.39%. Other terms of this loan remain the same. As of June 30, 2021, the outstanding balance of the loan was 184 million RMB (equivalent of \$28.5 million based on the currency exchange rate as of June 30, 2021).

On May 1, 2018, Jireh Semiconductor Incorporated ("Jireh"), a wholly-owned subsidiary of the Company, entered into a loan agreement with a financial institution (the "Bank") that provided a term loan in an amount of \$17.8 million. The obligation under the loan agreement is secured by certain real estate assets of Jireh and guaranteed by the Company. The loan has a five-year term and matures on June 1, 2023. Beginning June 1, 2018, Jireh made consecutive monthly payments of principal and interest to the Bank. The outstanding principal shall accrue interest at a fixed rate of 5.04% per annum on the basis of a 360-day year. The loan agreement contains customary restrictive covenants and includes certain financial covenants that require the Company to maintain, on a consolidated basis, specified financial ratios. The Company was in compliance with these covenants as of June 30, 2021. As of June 30, 2021, the outstanding balance of the term loan was \$15.1 million.

On August 15, 2017, Jireh entered into a credit agreement with the Bank that provided a term loan in an amount up to \$30.0 million for the purpose of purchasing certain equipment for the fabrication facility located in Oregon. The obligation under the credit agreement is secured by substantially all assets of Jireh and guaranteed by the Company. The credit agreement has a five-year term and matures on August 15, 2022. In January 2018 and July 2018, Jireh drew down on the loan in the amount of \$13.2 million and \$16.7 million, respectively. Beginning in October 2018, Jireh is required to pay to the Bank on each payment date, the outstanding principal amount of the loan in monthly installments. The loan accrues interest based on an adjusted London Interbank Offered Rate ("LIBOR") as defined in the credit agreement, plus specified applicable margin in the range of 1.75% to 2.25%, based on the outstanding balance of the loan. The credit agreement contains customary restrictive covenants and includes certain financial covenants that require the Company to maintain, on a consolidated basis, specified financial ratios and fixed charge coverage ratio. The Company was in compliance with these covenants as of June 30, 2021. As of June 30, 2021, the outstanding balance of the term loan was \$9.3 million.

On August 18, 2021, Jireh entered into a term loan agreement with a financial institution (the "Bank") in an amount up to \$45.0 million for the purpose of expanding and upgrading the Company's fabrication facility located in Oregon. The obligation under the loan agreement substantially all assets of Jireh and guaranteed by the Company. The agreement has a 5.5 year term and matures on February 16, 2027. Jireh will make consecutive quarterly payments of principal and interest. The loan accrues interest based on adjusted LIBOR plus the applicable margin based on the outstanding balance of the loan. This agreement contains customary restrictive covenants and includes certain financial covenants that require the Company to maintain.

At June 30, 2021, maturities of short-term debt and long-term debt were as follows (in thousands):

Year ending June 30,				
	2022		\$	58,467
	2023			38,443
	2024			24,337
	2025			15,717
	Total principal of debt			136,964
	Less: debt issuance costs			(944)
	Total principal of debt, less debt issuance costs		\$	136,020

	Short-term Debt		Long-term Debt		Total	
Principal amount	\$	58,467	\$	78,497	\$	136,964
Less: debt issuance costs		(437)		(507)		(944)
Total debt, less debt issuance costs	\$	58,030	\$	77,990	\$	136,020

6. Leases

The Company evaluates contracts for lease accounting at contract inception and assesses lease classification at the lease commencement date. Operating leases are included in operating lease right-of-use ("ROU") assets, operating lease liabilities and operating lease liabilities - long-term on the Company's consolidated balance sheets. Finance leases are included in property, plant and equipment, finance lease liabilities and finance lease liabilities-long-term on the consolidated balance sheets. The Company recognizes a ROU asset and corresponding lease obligation liability at the lease commencement date where the lease obligation liability is measured at the present value of the minimum lease payments. As most of the leases do not provide an implicit rate, the Company uses its incremental borrowing rate at lease commencement. The Company uses an interest rate commensurate with the interest rate to borrow on a collateralized basis over a similar term with an amount equal to the lease payments. Operating leases are primarily related to offices, research and development facilities, sales and marketing facilities, and manufacturing facilities. In addition, long-term supply agreements to lease gas tank equipment and purchase industrial gases are accounted for as operating leases. Lease agreements frequently include renewal provisions and require the Company to pay real estate taxes, insurance and maintenance costs. For operating leases, the amortization of the ROU asset and the accretion of its lease obligation liability result in a single straight-line expense recognized over the lease term. The finance lease is related to the RMB 400.0 million of lease financing of the JV Company with YinHai Leasing Company and The Export-Import Bank of China. See Note 5 - Bank Borrowings for details. The Company does not record leases on the consolidated balance sheet with a term of one year or less.

The components of the Company's operating and finance lease expenses are as follows for the years presented (in thousands):

	Fiscal Year Ended June 30, 2021		Fiscal Year Ended June 30, 2020	
Operating leases:				
Fixed rent expense	\$	6,760	\$	6,077
Variable rent expense		815		797
Finance lease:				
Amortization of equipment		2,200		2,839
Interest		2,168		2,783
Short-term leases:				
Short-term lease expenses		221		306
Total lease expenses	\$	12,164	\$	12,802

Supplemental balance sheet information related to the Company's operating and finance leases is as follows (in thousands, except lease term and discount rate):

	June 30, 2021	June 30, 2020
Operating Leases:		
ROU assets associated with operating leases	\$ 34,660	\$ 32,948
Finance Lease:		
Property, plant and equipment, gross	\$ 114,404	\$ 104,374
Accumulated depreciation	(96,470)	(86,540)
Property, plant and equipment, net	\$ 17,934	\$ 17,834
Weighted average remaining lease term (in years)		
Operating leases	8.44	9.57
Finance lease	1.72	2.72
Weighted average discount rate		
Operating leases	4.67 %	4.45 %
Finance lease	5.46 %	5.46 %

Supplemental cash flow information related to the Company's operating and finance lease is as follows (in thousands):

	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020
Cash paid from amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 6,496	\$ 5,241
Operating cash flows from finance lease	\$ 2,168	\$ 2,783
Financing cash flows from finance lease	\$ 16,451	\$ 11,028
Non-cash investing and financing information:		
Operating lease right-of-use assets obtained in exchange for lease obligations	\$ 5,585	\$ 17,288

Future minimum lease payments are as follows as of June 30, 2021 (in thousands):

	Operating Leases	Finance Leases
2022	\$ 7,221	\$ 18,006
2023	6,048	13,052
2024	4,720	—
2025	3,766	—
2026	3,743	—
Thereafter	18,850	—
Total minimum lease payments	44,348	31,058
Less amount representing interest	(8,229)	(1,636)
Total lease liabilities	\$ 36,119	\$ 29,422

7. Shareholders' Equity

Common Shares

The Company's Bye-laws, as amended, authorized the Company to issue 100,000,000 common shares with par value of \$0.002. Each common share is entitled to one vote. The holders of common shares are also entitled to receive dividends whenever funds are legally available and when and if declared by the board of directors. No dividends had been declared as of June 30, 2021.

In September 2017, the Board of Directors approved a repurchase program (the "Repurchase Program") that allowed the Company to repurchase its common shares from the open market pursuant to a pre-established Rule 10b5-1 trading plan or through privately negotiated transactions up to an aggregate of \$30.0 million. The amount and timing of any repurchases under the Repurchase Program depend on a number of factors, including but not limited to, the trading price, volume and availability of the Company's common shares. Shares repurchased under this program are accounted for as treasury shares and the total cost of shares repurchased is recorded as a reduction of shareholders' equity. From time to time, treasury shares may be reissued as part of the Company's stock-based compensation programs. Gains on re-issuance of treasury stock are credited to additional paid-in capital; losses are charged to additional paid-in capital to offset the net gains, if any, from previous sales or re-issuance of treasury stock. Any remaining balance of the losses is charged to retained earnings.

During fiscal year 2021 and 2020, the Company did not repurchase any shares pursuant to the repurchase program. During fiscal year 2019, the Company repurchased an aggregate of 111,509 shares, from the open market for a total cost of approximately \$1.5 million, excluding fees and related expenses, at an average price of \$13.43 per share.

As of June 30, 2021, the Company had repurchased an aggregate of 6,784,648 shares for a total cost of \$67.3 million, at an average price of \$9.92 per share, excluding fees and related expenses, since inception of the program. No repurchased shares have been retired. Of the 6,784,648 repurchased shares, 159,645 shares with a weighted average repurchase price of \$10.15 per share, were reissued at an average price of \$5.24 per share for option exercises and vested restricted stock units ("RSU"). As of June 30, 2021, \$13.4 million remain available under the share repurchase program.

8. Share-based Compensation

2018 Omnibus Incentive Plan

The 2009 Share Option/Share Issuance Plan (the "2009 Plan") was approved in September 2009 at the annual general meeting of shareholders in connection with the Company's IPO. At the annual general meeting of shareholders in November 2018, the 2009 Plan was approved to be terminated and the 2018 Omnibus Incentive Plan (the "2018 Plan") was effective. No further awards will be made under the 2009 Plan. The 2018 Plan authorized the board of directors to grant incentive share options, non-statutory share options and restricted shares to employees, directors, non-employee directors and consultants of the Company and its subsidiaries for up to 2,065,000 common shares. The 2018 Plan does not include an evergreen authorization, therefore the Company is not permitted to increase the number of shares reserved in the share pool without obtaining further shareholder approval. Outstanding shares under the 2018 Plan and awards granted under the 2009 Plan that expire, are forfeited or cancelled or terminate prior to the issuance of the shares subject to those awards or are settled in cash will be available for subsequent issuance under the 2018 Plan. As of June 30, 2021, 1,029,515 shares were available for grant under the 2018 Plan.

Beginning with the 2014 Annual Shareholders Meeting, on the date of each annual shareholders meeting, each individual who commences service as a non-employee Board member by reason of his or her election to the Board at such annual meeting and each individual who is to continue to serve as a non-employee Board member, whether or not that individual is standing for re-election to the Board at that particular annual meeting, will automatically be granted an award in the form of restricted share units covering that number of common shares determined by dividing ninety-five thousand dollars (\$95,000) by the average fair market value per share for the ninety (90)-day period preceding the grant date.

Under the 2018 Plan, incentive share options and RSU are to be granted at a price that is not less than 100% and nonstatutory share options are to be granted at not less than 85% of the fair value of the common shares, at the date of grant for employees and consultants. Options and RSUs generally vest over a four-year to five-year period, and are exercisable for a maximum period of ten years after the date of grant.

The fair value of RSU, including time-based restricted stock units and performance-based restricted stock units is based on the market price of the Company's share on the date of grant.

Time-based Restricted Stock Units ("TRSU")

The following table summarizes the Company's TRSU activities:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value Per Share	Weighted Average Remaining Recognition Period (Years)	Aggregate Intrinsic Value
Nonvested at June 30, 2018	919,023	\$ 15.14	1.62	\$ 13,086,888
Granted	527,022	\$ 11.28		
Vested	(499,954)	\$ 13.09		
Forfeited	(39,750)	\$ 13.82		
Nonvested at June 30, 2019	906,341	\$ 14.09	1.62	\$ 8,465,225
Granted	505,440	\$ 8.51		
Vested	(455,893)	\$ 13.53		
Forfeited	(23,750)	\$ 13.19		
Nonvested at June 30, 2020	932,138	\$ 11.36	1.66	\$ 10,141,661
Granted	722,873	\$ 29.85		
Vested	(567,087)	\$ 15.70		
Forfeited	(34,400)	\$ 14.88		
Nonvested at June 30, 2021	1,053,524	\$ 21.60	1.73	\$ 32,016,594

Performance-based Restricted Stock Units ("PRSU")

In March each year since fiscal year 2017, the Company granted PRSU to certain personnel. The number of shares to be ultimately earned under the PRSU is determined based on the level of attainment of predetermined financial goals. The PRSU vests in four equal annual installments from the first anniversary date after the grant date if certain predetermined financial goals were met. The Company recorded approximately \$2.3 million, \$1.5 million and \$2.8 million of expenses for these PRSUs during the years ended June 30, 2021, 2020 and 2019, respectively.

During the quarter ended June 30, 2019, the Company announced an incentive program. Under this program, each participant's award is denominated in stock and subject to achievement of certain objective goals within certain timelines. In June 2020, the Company believed it was most likely that predetermined goal measures would be met. Therefore, the Company reported such expenses in the other current liabilities line on the condensed consolidated balance sheets as the amount of bonus is to be settled in variable number of RSU's at the completion of the objective goals. Such non-cash compensation expense was recorded as part of share-based compensation expense in the condensed consolidated statements of operations. As of June 30, 2021 and 2020, the Company recorded \$0.1 million and \$0.6 million such expenses in the other current liabilities, respectively. During the fiscal years ended June 30, 2021 and 2020, the Company recorded \$3.1 million and \$0.6 million of non-cash compensation expense, respectively. As of June 30, 2021, the Company granted RSUs valued at \$3.6 million to participants, which were fully vested due to achievement of certain objective measures.

The following table summarizes the Company's PRSU activities:

	Number of Performance-based Restricted Stock Units	Weighted Average Grant Date Fair Value Per Share	Weighted Average Remaining Recognition Period (Years)	Aggregate Intrinsic Value
Nonvested at June 30, 2018	422,300	\$ 16.63	2.06	\$ 6,013,552
Granted	291,750	\$ 11.18		
Vested	(111,623)	\$ 16.68		
Forfeited	(5,703)	\$ 16.78		
Nonvested at June 30, 2019	596,724	\$ 13.95	1.88	\$ 5,573,402
Granted	155,000	\$ 7.36		
Vested	(110,659)	\$ 16.68		
Forfeited	(298,290)	\$ 11.32		
Nonvested at June 30, 2020	342,775	\$ 12.38	1.60	3,729,392
Granted	165,500	\$ 36.27		
Vested	(148,211)	\$ 14.24		
Forfeited	(6,240)	\$ 17.23		
Nonvested at June 30, 2021	353,824	\$ 22.69	1.74	10,752,711

Market-based Restricted Stock Units ("MSUs")

During the quarter ended September 30, 2018, the Company granted 1.3 million market-based restricted stock units ("MSUs") to certain personnel. The number of shares to be earned at the end of the performance period is determined based on the Company's achievement of specified stock prices and revenue thresholds during the performance period from January 1, 2019 to December 31, 2021 as well as the recipients remaining in continuous service with the Company through such period. The MSUs vest in four equal annual installments after the end of performance period. On August 31, 2020, the Compensation Committee of the Board approved a modification of the terms of MSU to (i) extend the performance period through December 31, 2022 and (ii) change the commencement date for the four-year time-based service period to January 1, 2023. The modified MSUs was valued immediately before and after the modification, using Monte Carlo simulation pricing model. The Monte Carlo simulation pricing model applied the following assumptions for pre-modification conditions: risk-free interest rate of 0.13%, expected term of 1.3 years, expected volatility of 66.7% and dividend yield of 0%; and for post-modification conditions: risk-free interest rate of 0.14%, expected term of 2.3 years, expected volatility of 59.1% and dividend yield of 0%. The fair value of these MSUs was recalculated to reflect the change as of August 31, 2020 and the unrecognized compensation amount was adjusted to reflect the increase in fair value. The incremental expenses for the fiscal year ended June 30, 2021 were immaterial. The Company recorded approximately \$1.2 million, \$0.6 million and \$0.4 million of expense for these MSUs during the years ended June 30, 2021, 2020 and 2019, respectively.

Stock Option

The following table summarizes the Company's stock option activities:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price Per Share</u>	<u>Weighted Average Remaining Contractual Term (in years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at June 30, 2018	886,978	\$ 10.97	4.03	
Granted	—	\$ —		
Exercised	(10,500)	\$ 10.50		\$ 43,415
Canceled or forfeited	—	\$ —		
Outstanding at June 30, 2019	876,478	\$ 10.98	3.06	
Granted	—	\$ —		
Exercised	(2,500)	\$ 10.50		\$ 4,726
Canceled or forfeited	(230,000)	\$ 17.11		
Outstanding at June 30, 2020	643,978	\$ 8.79	2.89	
Granted	—	\$ —		
Exercised	(156,103)	\$ 11.31		\$ 1,272,291
Canceled or forfeited	—	\$ —		
Outstanding at June 30, 2021	<u>487,875</u>	\$ 7.99	2.32	\$ 10,928,653
Options vested and expected to vest	<u>487,875</u>	\$ 7.99	2.32	\$ 10,928,653
Exercisable at June 30, 2021	<u>487,875</u>	\$ 7.99	2.32	\$ 10,928,653

The aggregate intrinsic value for options outstanding at June 30, 2021 in the table above is based on the Company's common stock closing price on June 30, 2021.

The 2018 Employee Share Purchase Plan

At the annual general meeting of shareholders in November 2018, the 2018 Employee Share Purchase Plan ("Purchase Plan" or "ESPP") Plan was approved, under which 1,430,000 common shares are available for issuance. The ESPP Plan does not include an evergreen authorization, therefore the Company is not permitted to increase the number of shares reserved in the share pool without obtaining further shareholder approval. The Purchase Plan provided for a series of overlapping offering periods with a duration of 24 months, generally beginning on May 15 and November 15 of each year. The Purchase Plan allows employees to purchase common shares through payroll deductions of up to 15% of their eligible compensation. Such deductions will accumulate over a six-month accumulation period without interest. After such accumulation period, common shares will be purchased at a price equal to 85% of the fair market value per share on either the first day of the offering period or the last date of the accumulation period, whichever is less. The maximum number of shares that may be purchased by a participant on any purchase date may not exceed 875 shares for a total of 3,500 shares per a 24-month offering period. In addition, no participant may purchase more than \$25,000 worth of common stock in any one calendar year period. No more than 200,000 common shares may be purchased by all participants on any purchase date.

The ESPP is compensatory and results in compensation expense. The fair values of common shares to be issued under the ESPP were determined using the Black-Scholes option pricing model with the following assumptions:

	Year Ended June 30,		
	2021	2020	2019
Volatility rate	63.1% - 68.5%	46.4% - 58.3%	40.1% - 40.7%
Risk-free interest rate	0.1% - 0.2%	0.2% - 1.6%	2.1% - 2.9%
Expected term	1.3 years	1.3 years	1.3 years
Dividend yield	—%	—%	—%

The weighted-average estimated fair value of employee stock purchase rights granted pursuant to the ESPP during the years ended June 30, 2021, 2020 and 2019 was \$11.11, \$4.33 and \$3.84 per share, respectively.

Share-based Compensation Expenses

The total share-based compensation expense related to TRSU, PSUs, MSUs, stock options and ESPP described above, recognized in the consolidated statements of operations for the years presented was as follows:

	Year Ended June 30,		
	2021	2020	2019
	(in thousands)		
Cost of goods sold	\$ 1,756	\$ 1,530	\$ 1,963
Research and development	5,352	2,895	2,453
Selling, general and administrative	8,216	6,029	8,761
	<u>\$ 15,324</u>	<u>\$ 10,454</u>	<u>\$ 13,177</u>

Total unrecognized share-based compensation expense as of June 30, 2021 was \$27.8 million including estimated forfeitures, which is expected to be recognized over a weighted-average period of 2.0 years.

9. Employee Benefit Plans

The Company maintains a 401(k) retirement plan for the benefit of qualified employees in the U.S. Employees who participate may elect to make salary deferral contributions to the plan up to 100% of the employees' eligible salary subject to annual Internal Revenue Code maximum limitations. The employer's contribution is discretionary. The Company had not made any contributions for eligible employees as of June 30, 2021.

The Company makes mandatory contributions for its employees to the respective local governments in terms of retirement, medical insurance and unemployment insurance, where applicable, according to labor and social security laws and regulations of the countries and areas in which the Company operates. The retirement contribution rate is 7.7% in the U.S., 14.0% to 16.0% in China, and 6.0% in Taiwan. The Company has no obligations for the payment of such social benefits beyond the required contributions as set out above.

10. Income Taxes

The provision for income taxes is comprised of:

	Year Ended June 30,		
	2021	2020	2019
	(in thousands)		
U.S. federal taxes:			
Current	\$ 31	\$ (1,673)	\$ (57)
Deferred	1,955	22	(510)
Non-U.S. taxes:			
Current	2,344	1,940	1,765
Deferred	(396)	58	55
State taxes, net of federal benefit:			
Current	1	1	3
Total provision for income taxes	<u>\$ 3,935</u>	<u>\$ 348</u>	<u>\$ 1,256</u>

The reconciliation of the federal statutory income tax rate to our effective income tax rate is as follows (in percentage):

	Year Ended June 30,		
	2021	2020	2019
United States statutory rate	21.0 %	21.0 %	21.0 %
Stock-based compensation	0.1	—	0.1
Foreign taxes, net	(14.4)	(36.1)	(40.9)
Research and development credit	(2.4)	8.0	11.7
Non-deductible expenses	2.4	(1.0)	(2.7)
U.S. Tax Act deferred tax re-measurement	—	6.2	—
Other	(0.2)	—	1.4
	<u>6.5 %</u>	<u>(1.9)%</u>	<u>(9.4)%</u>

The domestic and foreign components of income before taxes are:

	Year Ended June 30,		
	2021	2020	2019
	(in thousands)		
U.S. operations	\$ 9,622	\$ 3,549	\$ 4,100
Non-U.S. operations	50,602	(21,458)	(17,482)
Loss before income taxes	<u>\$ 60,224</u>	<u>\$ (17,909)</u>	<u>\$ (13,382)</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred tax assets and liabilities are as follows:

	June 30,	
	2021	2020
(in thousands)		
Deferred tax assets:		
Accrued compensation	\$ 3,954	\$ 1,954
Net operating loss carryforwards	22,539	19,870
Depreciation	7,924	8,149
Tax credits	15,550	13,909
Operating lease liabilities	7,292	6,649
Capitalized intangible assets	9,982	10,367
Accruals and reserves	1,113	1,832
Total deferred tax assets	68,354	62,730
Valuation allowance	(41,474)	(37,827)
Total deferred tax assets, net of valuation allowance	26,880	24,903
Deferred tax liabilities:		
Depreciation and amortization	(17,193)	(14,097)
Right of use assets	(6,968)	(6,453)
Accruals and reserves	—	(83)
Total deferred tax liabilities	(24,161)	(20,633)
Net deferred tax assets	\$ 2,719	\$ 4,270

The breakdown between deferred tax assets and liabilities is as follows:

	June 30,	
	2021	2020
(in thousands)		
Long-term deferred tax assets	\$ 5,167	\$ 4,766
Long-term deferred tax liabilities	(2,448)	(496)
Net deferred tax assets	\$ 2,719	\$ 4,270

The Company's valuation allowance related to deferred income taxes as reflected in the consolidated balance sheets was \$41.5 million and \$37.8 million as of June 30, 2021 and 2020, respectively. The change in valuation allowance for June 30, 2021 and 2020 was an increase of \$3.6 million and \$2.4 million, respectively.

At June 30, 2021 and 2020, the Company provided a valuation allowance for its state research and development credit carryforward deferred tax assets of \$5.8 million and \$5.4 million, respectively, as it generated more state tax credits each year than it can utilize. The Company intends to maintain a partial valuation allowance equal to the state research and development credit carryforwards in excess of the state net deferred tax liabilities on all other state book/tax differences and net operating loss carryforward. Furthermore, the Company provided a valuation allowance mainly for the net operating loss, fixed asset and intangible asset related to deferred tax assets of the JV Company totaling \$35.7 million and \$32.4 million as of June 30, 2021 and 2020, respectively. The Company intends to maintain a valuation allowance equal to the JV Company's net deferred tax assets until sufficient positive evidence exists to support reversal of the valuation allowance.

At June 30, 2021, the Company had federal net operating loss and research and development tax credit carryforwards of approximately \$7.7 million and \$9.5 million, respectively. The federal net operating losses begin to expire in 2038 and the tax credits begin to expire in 2026, if not utilized. At June 30, 2021, the Company had \$0.9 million of state net operating loss carryforwards and had tax credit carryforwards of approximately \$7.6 million. Approximately \$0.3 million of the state tax credits begin to expire in 2022, if not utilized. The remaining \$7.3 million of the state tax credits carryforward indefinitely. At

June 30, 2021, the JV Company had \$139.1 million of net operating loss carryforwards which begin to expire in 2021, if not utilized.

The Company has not provided for withholding taxes on the undistributed earnings of its foreign subsidiaries because it intends to reinvest such earnings indefinitely. As of June 30, 2021, the cumulative amount of undistributed earnings of its foreign entities considered permanently reinvested is \$179.2 million. The determination of the unrecognized deferred tax liability on these earnings is not practicable. Should the Company decide to remit this income to its Bermuda parent company in a future period, its provision for income taxes may increase materially in that period.

A reconciliation of the beginning and ending amount of unrecognized tax benefits from July 1, 2018 to June 30, 2021 is as follows:

	Year Ended June 30,		
	2021	2020	2019
	(in thousands)		
Balance at beginning of year	\$ 7,126	\$ 7,150	\$ 7,143
Additions based on tax positions related to the current year	677	333	417
Reductions based on tax positions related to prior years	(41)	(114)	(271)
Reductions due to lapse of applicable statute of limitations	(117)	(243)	(139)
Balance at end of year	<u>\$ 7,645</u>	<u>\$ 7,126</u>	<u>\$ 7,150</u>

At June 30, 2021, the total unrecognized tax benefits of \$7.6 million included \$6.4 million of unrecognized tax benefits that have been netted against the related deferred tax assets. The remaining \$1.2 million of unrecognized tax benefits was recorded within long-term income tax payable on the Company's consolidated balance sheet as of June 30, 2021. The Company cannot reasonably estimate the timing and amount of potential cash settlements on the unrecognized tax benefits.

The total unrecognized tax benefits of \$7.6 million at June 30, 2021 included \$4.7 million that, if recognized, would reduce the effective income tax rate in future periods. It is reasonably possible that the Company will recognize approximately \$0.1 million reduction to its uncertain tax positions during the next twelve months, related to potential expiration of the relevant statute of limitations.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made. The amount of interest and penalties accrued at June 30, 2021 was \$0.1 million, of which \$5 thousand was recognized in the year ended June 30, 2021. The amount of interest and penalties accrued at June 30, 2020 was \$0.1 million, of which (\$30 thousand) was recognized in the year ended June 30, 2020.

The Company files its income tax returns in the United States and in various foreign jurisdictions. The tax years 2001 to 2021 remain open to examination by U.S. federal and state tax authorities. The tax years 2014 to 2021 remain open to examination by foreign tax authorities.

The Company's income tax returns are subject to examinations by the Internal Revenue Service and other tax authorities in various jurisdictions. In accordance with the guidance on the accounting for uncertainty in income taxes, the Company regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of its provision for income taxes. These assessments can require considerable estimates and judgments. If the Company's estimate of income tax liabilities proves to be less than the ultimate assessment, then a further charge to expense would be required. If events occur and the payment of these amounts ultimately proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period when the Company determines the liabilities are no longer necessary.

U.S. Tax Cuts and Jobs Act, Enacted December 22, 2017

On December 22, 2017, the United States enacted tax legislation commonly known as the Tax Cuts and Jobs Act ("the Tax Act"), which significantly changed the existing U.S. tax laws, including, but not limited to, (1) a reduction in the corporate tax rate from 35% to 21%, (2) a move from a worldwide tax system toward a territorial system through a "participation exemption" deduction for certain foreign-source dividends, (3) eliminating the corporate alternative minimum tax (AMT) and changing how existing AMT credits can be realized, (4) bonus depreciation that allows for full expensing of qualified property,

(5) creating a new limitation on deductible interest expense and (6) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017.

The Company is not currently subject to the Base Erosion and Anti-Abuse (BEAT) tax, which is a tax imposed on certain entities who make payments to their non U.S. affiliates, where such payments reduce the U.S. tax base. The BEAT tax is imposed at a rate of 10% on Adjusted Taxable Income, excluding certain payments to foreign related entities. It is an incremental tax over and above the corporate income tax and is recorded as a period cost. It is possible that this tax could be applicable in future periods, which would cause an increase to the effective tax rate and cash taxes.

U.S. Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), Enacted March 27, 2020

On March 27, 2020, the United States enacted the CARES Act, which made the changes to existing U.S. tax laws, including, but not limited to, (1) allowing U.S. federal net operating losses originated in the 2018, 2019 or 2020 tax years to be carried back five years to recover taxes paid based upon taxable income in the prior five years, (2) eliminated the 80% of taxable income limitation on net operating losses for the 2018, 2019 and 2020 tax years (the 80% limitation will be reinstated for tax years after 2020), (3) accelerating the refund of prior year alternative minimum tax credits, (4) modifying the bonus depreciation for qualified improvement property and (5) modifying the limitation on deductible interest expense.

As a result of the ability to carryback net operating losses from the June 2018 and June 2019 years to the June 2015 to June 2017 tax years, net operating losses which were previously tax-effected using the current 21% U.S. federal tax rate were revalued to the U.S. tax rates in effect for the June 2015 to June 2017 tax years due to the ability of receiving tax refunds for the taxes paid in these years. Accordingly, we reported a discrete tax benefit of \$1.1 million in the third quarter of fiscal year 2020 related to the re-measurement of the net operating losses that could be realized via the new net operating loss carryback provisions.

“U.S. Consolidated Appropriations Act, 2021” (“CAA 2021”), Enacted December 27, 2020

On December 27, 2020, the United States enacted the Consolidated Appropriations Act, 2021, which made changes to existing U.S. tax laws. There was no material impact of the tax law changes included in the Consolidated Appropriations Act, 2021 to the Company.

“The American Rescue Plan Act of, 2021”, Enacted March 11, 2021

On March 11, 2021, the United States enacted the American Rescue Plan Act of 2021, which made changes to existing U.S. tax laws. There was no material impact of the tax law changes included in the American Rescue Plan Act of 2021 to the Company.

Altera Litigation

On July 27, 2015, in *Altera Corp. v. Commissioner*, the U.S. Tax Court issued an opinion related to the treatment of stock-based compensation expense in an intercompany cost-sharing arrangement. In the July 2015 ruling, the Tax Court concluded that the sharing of the cost of employee stock compensation in a company’s cost-sharing arrangement was invalid under the U.S. Administrative Procedures Act. In June 2019, a panel of the Ninth Circuit of the U.S. Court of Appeals reversed this decision. In July 2019, Altera petitioned U.S. Court of Appeals for the Ninth Circuit to hold an en banc rehearing of the case. The petition was subsequently denied by the Ninth Circuit. Altera appealed the case to the U.S. Supreme Court in February 2020, but the U.S. Supreme Court declined to hear the case in June 2020, leaving intact the U.S. Court of Appeals for the Ninth Circuit’s decision. AOS has not recorded any benefit related to the Altera Corporation Tax Court decision in any period through June 2021. The Company will continue to monitor ongoing developments and potential impact to its financial statements.

11. Segment and Geographic Information

The Company is organized as, and operates in, one operating segment: the design, development and supply of power semiconductor products for computing, consumer electronics, communication and industrial applications. The chief operating decision-maker is the Chief Executive Officer. The financial information presented to the Company's Chief Executive Officer is on a consolidated basis, accompanied by information about revenue by customer and geographic region, for purposes of evaluating financial performance and allocating resources. The Company has one business segment, and there are no segment managers who are held accountable for operations, operating results and plans for products or components below the consolidated unit level. Accordingly, the Company reports as a single operating segment.

The Company sells its products primarily to distributors in the Asia Pacific region, who in turn sell these products to end customers. Because the Company's distributors sell their products to end customers which may have a global presence, revenue by geographical location is not necessarily representative of the geographical distribution of sales to end user markets.

The revenue by geographical location in the following tables is based on the country or region in which the products were shipped to:

	Year Ended June 30,		
	2021	2020	2019
	(in thousands)		
Hong Kong	\$ 538,068	\$ 390,478	\$ 355,058
China	106,810	64,058	81,955
South Korea	5,497	3,303	2,590
United States	5,492	4,465	7,015
Other countries	1,035	2,605	4,302
	<u>\$ 656,902</u>	<u>\$ 464,909</u>	<u>\$ 450,920</u>

During the fiscal year ended June 30, 2021, the Company corrected an immaterial error to reduce revenues relating to South Korea and to increase the revenues relating to Hong Kong by \$7.1 million for the fiscal year ended June 30, 2020.

The following is a summary of revenue by product type:

	Year Ended June 30,		
	2021	2020	2019
	(in thousands)		
Power discrete	\$ 482,718	\$ 391,941	\$ 371,837
Power IC	161,726	66,360	70,215
Packaging and testing services	12,458	6,608	8,868
	<u>\$ 656,902</u>	<u>\$ 464,909</u>	<u>\$ 450,920</u>

Long-lived assets, net consisting of property, plant and equipment and land use rights, net, as well as operating lease right-of-use assets, net by geographical area are as follows:

	June 30,	
	2021	2020
	(in thousands)	
China	\$ 350,387	\$ 326,010
United States	118,756	117,782
Other countries	2,494	1,496
	<u>\$ 471,637</u>	<u>\$ 445,288</u>

12. Restricted Net Assets

Laws and regulations in China permit payments of dividends by the Company's subsidiaries in China only out of their retained earnings, if any, as determined in accordance with China accounting standards and regulations. Each China subsidiary is also required to set aside at least 10% of its after-tax profit, if any, based on China accounting standards each year to its statutory reserves until the cumulative amount of such reserves reaches 50% of its registered capital. As a result of these China laws and regulations, the Company's China subsidiaries are restricted in their abilities to transfer a portion of their net assets to the Company. As of June 30, 2021 and 2020, such restricted portion amounted to approximately \$209.9 million and \$209.8 million, or 50.4% and 61.4%, of our total consolidated net assets attributable to the Company, respectively. As the Company's China subsidiaries are not revenue generating operating units, the Company does not expect to repatriate funds in the form of dividends, loans or advances from its China subsidiaries for working capital and other funding purposes.

13. Commitments and Contingencies

Purchase commitments

As of June 30, 2021 and 2020, the Company had approximately \$81.8 million and \$43.9 million, respectively, of outstanding purchase commitments primarily for purchases of semiconductor raw materials, wafers, spare parts, packaging and testing services and others.

As of June 30, 2021 and 2020, the Company had approximately \$90.0 million, and \$18.0 million primarily for the JV Company, respectively, of capital commitments for the purchase of property and equipment.

Other commitments

See Notes 1, 5 and 6 to the Consolidated Financial Statements contained in this annual Report on Form 10-K for descriptions of commitments including Joint Venture, bank borrowings and leases.

Contingencies and indemnities

The Company has in the past, and may from time to time in the future, become involved in legal proceedings arising from the normal course of business activities. The semiconductor industry is characterized by frequent claims and litigation, including claims regarding patent and other intellectual property rights as well as improper hiring practices. Irrespective of the validity of such claims, the Company could incur significant costs in the defense of such claims and suffer adverse effects on its operations.

As previously disclosed, the U.S. Department of Justice ("DOJ") commenced an investigation into the Company's compliance with export control regulations relating to its business transactions with Huawei and its affiliates ("Huawei"), which were added to the "Entity List" maintained by the Department of Commerce ("DOC") on May 16, 2019. The Company is cooperating fully with federal authorities in the investigation, including responding to requests for documents and information from DOJ in connection with the investigation. The Company has maintained an export control compliance program and has been committed to comply fully with all applicable laws and regulations. In connection with this investigation, DOC requested the Company to suspend shipments of its products to Huawei, and the Company complied with such request, and the Company has not shipped any product to Huawei after December 31, 2019 (see Note 3). The Company is currently working with DOC to resolve this issue. Given the case is in still ongoing and neither DOJ nor DOC have provided the Company with any clear indication of the timing and schedule for the investigation, the Company cannot estimate the reasonably possible loss or range of loss that may occur. Also, the Company is unable to predict the duration, scope, result or related costs of the investigation, although the Company expects to incur additional professional fees as a result of this matter. In addition, the Company is unable to predict what, if any, further action that may be taken by the government in connection with the investigation, or what, if any, penalties, sanctions or remedial actions may be sought.

On March 19, 2020, Darryl Gray, a stockholder of the Company (the "Plaintiff"), filed a putative class action complaint in the United States District Court for the Southern District of New York (the "Gray Action"), alleging that the Company and its management members made material misstatements or omissions regarding the Company's business and operations, including its export control practices relating to business transactions with Huawei and its affiliates. The Gray Action asserts claims under Section 10(b) of the Exchange Act against the Company, its Chief Executive Officer and Chief Financial Officer (collectively, the Defendants"), as well as claims under Section 20(a) of the Exchange Act against the Chief Executive Officer and Chief Financial Officer. Among other remedies, the Gray Action seeks to recover compensatory and other damages as well as attorney's fees and costs.

On May 18, 2020, Plaintiff moved for an order appointing him as Lead Plaintiff pursuant to Section 21D of the Exchange Act and approving Glancy Prongay & Murray LLP as Lead Counsel for the putative class (the "Motion"). On July 1, 2020, the Court entered an order granting the Motion and requiring that: (i) Lead Plaintiff file an amended complaint or designate the current complaint as operative within sixty days; (ii) Defendants answer the complaint or otherwise move within sixty days of such filing or designation; (iii) Lead Plaintiff file an opposition, if any, within forty-five days; and (iv) Defendants file a reply, if any, forty-five days thereafter. On August 28, 2020, Plaintiff filed an amended complaint asserting the same claims against the Defendants, and adding the Company's Executive Vice President of Product Line as a defendant on both claims. On October 27, 2020, the Defendants moved to dismiss the action in its entirety. Plaintiff filed his opposition on December 11, 2020 and Defendants filed their reply brief on January 25, 2021. The Company believes the claims in the Gray Action are without merit and intends to vigorously defend this litigation. Given the case is still on going, the Company cannot estimate the reasonably possible loss or range of loss that may occur.

The Company is a party to a variety of agreements that it has contracted with various third parties. Pursuant to these agreements, the Company may be obligated to indemnify another party to such an agreement with respect to certain matters. Typically, these obligations arise in the context of contracts entered into by the Company, under which the Company customarily agrees to hold the other party harmless against losses arising from a breach of representations and covenants related to such matters as title to assets sold, certain intellectual property rights, specified environmental matters and certain income taxes. In these circumstances, payment by the Company is customarily conditioned on the other party making a claim pursuant to the procedures specified in the particular contract, which procedures typically allow the Company to challenge the other party's claim. Further, the Company's obligations under these agreements may be limited in time and/or amount, and in some instances, the Company may have recourse against third parties for certain payments made by it under these agreements. The Company has not historically paid or recorded any material indemnifications, and no accrual was made at June 30, 2021 and 2020.

The Company has agreed to indemnify its directors and certain employees as permitted by law and pursuant to its Bye-laws, and has entered into indemnification agreements with its directors and executive officers. The Company has not recorded a liability associated with these indemnification arrangements, as it historically has not incurred any material costs associated with such indemnification obligations. Costs associated with such indemnification obligations may be mitigated by insurance coverage that the Company maintains. However, such insurance may not cover any, or may cover only a portion of, the amounts the Company may be required to pay. In addition, the Company may not be able to maintain such insurance coverage at reasonable cost, if at all, in the future.

Environmental matters

The Company is subject to various federal, state, local, and foreign laws and regulations governing environmental matters, including the use, handling, discharge, and disposal of hazardous materials. The Company believes that it has been in material compliance with applicable environmental regulations and standards. Complying with current laws and regulations has not had a material adverse effect on the Company's financial condition and results of operations. However, it is possible that additional environmental issues may arise in the future, which the Company cannot currently predict.

14. Subsequent Event

On August 18, 2021, Jireh entered into a term loan agreement with a financial institution (the "Bank") in an amount up to \$45.0 million for the purpose of expanding and upgrading the Company's fabrication facility located in Oregon. The obligation under the loan agreement is secured by substantially all assets of Jireh and guaranteed by the Company. The agreement has a 5.5 year term and matures on February 16, 2027. Jireh will make consecutive quarterly payments of principal and interest. The loan accrues interest based on adjusted LIBOR plus the applicable margin based on the outstanding balance of the loan. This agreement contains customary restrictive covenants and includes certain financial covenants that require the Company to maintain.

ALPHA AND OMEGA SEMICONDUCTOR LIMITED (PARENT COMPANY BASIS)
CONDENSED UNCONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)

	Year Ended June 30,		
	2021	2020	2019
Revenue	\$ —	\$ 1,334	\$ 4,292
Cost of revenue	—	—	—
Gross profit	—	1,334	4,292
Operating expenses:			
General and administrative	8,419	1,745	4,599
Total operating expenses	8,419	1,745	4,599
Operating loss	(8,419)	(411)	(307)
Interest expense and other income (loss), net	(1)	(1)	3
Income (loss) on equity investment in subsidiaries	64,709	(17,845)	(14,334)
Net income (loss) including noncontrolling interest	56,289	(18,257)	(14,638)
Net loss attributable to noncontrolling interest	(1,827)	(11,661)	(16,499)
Net income attributable to Alpha and Omega Semiconductor Limited	\$ 58,116	\$ (6,596)	\$ 1,861

The accompanying notes to Schedule I are an integral part of these financial statements

ALPHA AND OMEGA SEMICONDUCTOR LIMITED (PARENT COMPANY BASIS)
CONDENSED UNCONSOLIDATED BALANCE SHEETS
(in thousands, except par value per share)

	June 30,	
	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,752	\$ 4,538
Other current assets	191	220
Total current assets	9,943	4,758
Property, plant and equipment, net	32	44
Other long-term assets	114	160
Investment in subsidiaries	540,425	446,415
Total assets	<u>\$ 550,514</u>	<u>\$ 451,377</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 786	\$ 4,816
Accounts payable - Intercompany	33,403	14,673
Total liabilities	34,189	19,489
Equity:		
Preferred shares, par value \$0.002 per share:		
Authorized: 10,000 shares; Issued and outstanding: none at June 30, 2021 and 2020	—	—
Common shares, par value \$0.002 per share:		
Authorized: 100,000 shares; issued and outstanding: 32,975 shares and 26,350 shares, respectively at June 30, 2021 and 31,944 shares and 25,305 shares, respectively at June 30, 2020	66	64
Treasury shares at cost; 6,625 shares at June 30, 2021 and 6,639 shares at June 30, 2020	(66,064)	(66,184)
Additional paid-in capital	259,993	246,103
Accumulated other comprehensive income	2,315	(5,127)
Retained earnings	176,895	118,833
Total Alpha and Omega Semiconductor Limited shareholder's equity	373,205	293,689
Noncontrolling interest	143,120	138,199
Total equity	516,325	431,888
Total liabilities and equity	<u>\$ 550,514</u>	<u>\$ 451,377</u>

The accompanying notes to Schedule I are an integral part of these financial statements.

ALPHA AND OMEGA SEMICONDUCTOR LIMITED (PARENT COMPANY BASIS)
CONDENSED UNCONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Year ended June 30,		
	2021	2020	2019
Net income (loss) including noncontrolling interest	\$ 56,289	\$ (18,257)	\$ (14,638)
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustment	14,190	(4,839)	(5,937)
Comprehensive income (loss)	70,479	(23,096)	(20,575)
Noncontrolling interest	4,921	(14,066)	(19,303)
Comprehensive income (loss) attributable to Alpha and Omega Semiconductor Limited	<u>\$ 65,558</u>	<u>\$ (9,030)</u>	<u>\$ (1,272)</u>

The accompanying notes to Schedule I are an integral part of these financial statements.

ALPHA AND OMEGA SEMICONDUCTOR LIMITED (PARENT COMPANY BASIS)
CONDENSED UNCONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended June 30,		
	2021	2020	2019
Cash flows from operating activities			
Net income (loss) including noncontrolling interest	\$ 56,289	\$ (18,257)	\$ (14,638)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation	12	76	274
Share-based compensation expense	683	450	432
Equity in net (income) loss of subsidiaries	(64,709)	17,845	14,334
Changes in assets and liabilities:			
Accounts receivable - intercompany	—	—	3,937
Other current assets	75	187	134
Accounts payable and accrued liabilities	(4,034)	3,953	121
Accounts payable - intercompany	18,730	(6,841)	21,514
Net cash provided by (used in) operating activities	<u>7,046</u>	<u>(2,587)</u>	<u>26,108</u>
Cash flows from investing activities			
Purchases of property and equipment	—	—	(51)
Investment in subsidiaries	—	—	(25,000)
Net cash used in investing activities	<u>—</u>	<u>—</u>	<u>(25,051)</u>
Cash flows from financing activities			
Withholding tax on restricted stock units	(6,924)	(1,509)	(2,028)
Proceeds from exercise of stock options and ESPP	5,092	3,350	3,018
Payments for repurchases of common shares	—	—	(1,501)
Net cash provided by (used in) financing activities	<u>(1,832)</u>	<u>1,841</u>	<u>(511)</u>
Net increase (decrease) in cash and cash equivalents	5,214	(746)	546
Cash and cash equivalents at beginning of year	4,538	5,284	4,738
Cash and cash equivalents at end of year	<u>\$ 9,752</u>	<u>\$ 4,538</u>	<u>\$ 5,284</u>

The accompanying notes to Schedule I are an integral part of these financial statements.

ALPHA AND OMEGA SEMICONDUCTOR LIMITED (PARENT COMPANY BASIS)
NOTES TO THE CONDENSED UNCONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

Alpha and Omega Semiconductor Limited is the parent company of all Alpha and Omega Semiconductor subsidiaries. It was incorporated in Bermuda on September 27, 2000 as an exempted limited liability company. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The accompanying condensed parent company financial statements have been prepared in accordance with Rule 12-04, Schedule I of Regulation S-X, as the restricted net assets of its subsidiaries exceed 25% of the consolidated net assets of Alpha and Omega Semiconductor Limited and its subsidiaries (the "Company").

The parent company records its investment in subsidiaries under the equity method of accounting. Such investment is presented on the balance sheet as "Investment in subsidiaries" and the subsidiaries' net income (loss) are recognized based on the effective shareholding percentage as income on equity investment in subsidiaries on the statement of operations. Intercompany balances and transactions have not been eliminated. The revenue recorded represents intercompany administrative service fees charged by the parent company starting in fiscal year 2013.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. The footnote disclosures contain supplemental information relating to the operations of the Company and, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Company.

2. Restricted net assets of subsidiaries

For a discussion of the Company's restricted net assets of subsidiaries, see Note 12 of the Company's consolidated financial statements.

3. Commitments and contingencies

For a discussion of the Company's commitments and contingencies, see Note 13 to the Company's consolidated financial statements.

ALPHA AND OMEGA SEMICONDUCTOR LIMITED
VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

	Allowance for Doubtful Accounts	Allowance for Price Adjustments	Allowance for Deferred Tax Assets
June 30, 2018	\$ 30	\$ 18,902	\$ 30,105
Additions	—	115,842	5,315
Reductions	—	(110,669)	—
June 30, 2019	30	24,075	35,420
Additions	—	140,413	2,407
Reductions	—	(134,396)	—
June 30, 2020	\$ 30	\$ 30,092	\$ 37,827
Additions	—	178,902	3,647
Reductions	—	(196,579)	—
June 30, 2021	\$ 30	\$ 12,415	\$ 41,474

(b) Index to Exhibits:

Number	Description
3.1	<u>Memorandum of Association of Registrant (incorporated by reference to Exhibit 3.1 from Registration Statement on Form F-1 (File No. 333-165823) filed with the Commission on March 31, 2010)</u>
3.2	<u>Amended and Restated Bye-laws of Registrant (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the Commission on November 12, 2015)</u>
3.3	<u>Amendment No. 1 to Amended and Restated Bye-Laws of Registrant (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the Commission on November 14, 2017)</u>
4.1	<u>Form of Common Share Certificate (incorporated by reference to Exhibit 4.2 from Registration Statement on Form F-1 (File No. 333-165823) filed with the Commission on March 31, 2010)</u>
10.1	<u>2000 Share Plan (incorporated by reference to Exhibit 10.1 from Registration Statement on Form F-1 (File No. 333-165823) filed with the Commission on March 31, 2010)</u>
10.2	<u>Form of Option Agreement under 2000 Share Plan (incorporated by reference to Exhibit 10.2 from Registration Statement on Form F-1 (File No. 333-165823) filed with the Commission on March 31, 2010)</u>
10.3(+)	<u>2009 Share Option/Share Issuance Plan (incorporated by reference to Exhibit 10.3 from Registration Statement on Form F-1 (File No. 333-165823) filed with the Commission on March 31, 2010)</u>
10.4(+)	<u>Form of Option Agreement under 2009 Share Plan (incorporated by reference to Exhibit 4.4 from Annual Report on Form 20-F (File No. 001-34717) filed with the Commission on September 2, 2010)</u>
10.5(+)	<u>Form of Restricted Share Unit Issuance Agreement under 2009 Share Plan (incorporated by reference to Exhibit 4.5 from Annual Report on Form 20-F (File No. 001-34717) filed with the Commission on September 2, 2010)</u>
10.6(+)	<u>Employee Share Purchase Plan (incorporated by reference to Exhibit 10.15 from Registration Statement on Form F-1 (File No. 333-165823) filed with the Commission on March 31, 2010)</u>
10.7††	<u>Foundry Agreement dated as of January 10, 2002 between the Registrant and Shanghai Hua Hong NEC Electronics Company, Limited (incorporated by reference to Exhibit 10.16 from Registration Statement on Form F-1 (File No. 333-165823) filed with the Commission on March 31, 2010)</u>
10.8††	<u>First Addendum to Foundry Agreement dated as of July 28, 2005 between the Registrant and Shanghai Hua Hong NEC Electronics Company, Limited (incorporated by reference to Exhibit 10.17 from Registration Statement on Form F-1 (File No. 333-165823) initially filed with the Commission on March 31, 2010)</u>
10.9††	<u>Second Addendum to Foundry Agreement dated as of April 11, 2007 between the Registrant and Shanghai Hua Hong NEC Electronics Company, Limited (incorporated by reference to Exhibit 10.18 from Registration Statement on Form F-1 (File No. 333-165823) filed with the Commission on March 31, 2010)</u>
10.10††	<u>Foundry Service Agreement dated as of November 2, 2009 between Alpha & Omega Semiconductor (Macau), Ltd. and Shanghai Hua Hong NEC Electronics Company, Limited (incorporated by reference to Exhibit 10.6 from Registration Statement on Form F-1 (File No. 333-165823) filed with the Commission on March 31, 2010)</u>
10.11	<u>Non-Exclusive Distributor Agreement dated as of July 27, 2010 between Alpha & Omega Semiconductor (Hong Kong) Limited and Frontek Technology Corporation (incorporated by reference to Exhibit 4.17 from Annual Report on Form 20-F (File No. 001-34717) filed with the Commission on September 2, 2010)</u>
10.12††	<u>Supplement to Non-Exclusive Distributor Agreement dated as of July 27, 2010 between Alpha & Omega Semiconductor (Hong Kong) Limited and Frontek Technology Corporation (incorporated by reference to Exhibit 4.18 from Annual Report on Form 20-F (File No. 001-34717) filed with the Commission on September 2, 2010)</u>
10.13††	<u>First Amendment of Supplement to Distribution Agreement dated as of April 21, 2011 between Alpha & Omega Semiconductor (Hong Kong) Limited and Frontek Technology Corporation (incorporated by reference to Exhibit 10.15 from Annual Report Form 10-K (File No. 001-34717) filed with the Commission on September 9, 2011)</u>

- 10.14 [Supplement to Distribution Agreement dated as of July 27, 2010 between the Registrant and Frontek Technology Corporation \(incorporated by reference to Exhibit 10.1 from Quarterly Report on Form 10-Q \(File No. 001-34717\) filed with the Commission on February 6, 2015\)](#)
- 10.15 [Non-Exclusive Distributor Agreement dated as of July 27, 2010 between Alpha & Omega Semiconductor \(Hong Kong\) Limited and Promate Electronic Co., Ltd. \(incorporated by reference to Exhibit 4.19 from Annual Report on Form 20-F \(File No. 001-34717\) filed with the Commission on September 2, 2010\)](#)
- 10.16†† [Supplement to Non-Exclusive Distributor Agreement dated as of July 27, 2010 between Alpha & Omega Semiconductor \(Hong Kong\) Limited and Promate Electronic Co., Ltd. \(incorporated by reference to Exhibit 4.20 from Annual Report on Form 20-F \(File No. 001-34717\) filed with the Commission on September 2, 2010\)](#)
- 10.17†† [First Amendment of Supplement to Distribution Agreement dated as of April 21, 2011 between Alpha & Omega Semiconductor \(Hong Kong\) Limited and Promate Electronic Co., Ltd. \(incorporated by reference to Exhibit 10.18 from Annual Report Form 10-K \(File No. 001-34717\) filed with the Commission on September 9, 2011\)](#)
- 10.18 [Supplement to Distribution Agreement dated as of July 27, 2010 between the Registrant and Promate Electronic Co., Ltd \(incorporated by reference to Exhibit 10.2 from Quarterly Report on Form 10-Q \(File No. 001-34717\) filed with the Commission on February 6, 2015\)](#)
- 10.19 [Lease dated as of December 23, 2009 between Alpha and Omega Semiconductor Incorporated and OA Oakmead II, LLC \(incorporated by reference to Exhibit 10.19 from Registration Statement on Form F-1 \(File No. 333-165823\) filed with the Commission on March 31, 2010\)](#)
- 10.20 [Guarantee dated as of January 5, 2010 between the Registrant and OA Oakmead II, LLC \(incorporated by reference to Exhibit 10.20 from Registration Statement on Form F-1 \(File No. 333-165823\) filed with the Commission on March 31, 2010\)](#)
- 10.21(+) [Form of Employment Agreement between the Registrant and Mike F. Chang \(incorporated by reference to Exhibit 10.13 from Registration Statement on Form F-1 \(File No. 333-165823\) filed with the Commission on March 31, 2010\)](#)
- 10.22(+) [Form of Retention Agreement \(incorporated by reference to Exhibit 10.14 from Registration Statement on Form F-1 \(File No. 333-165823\) filed with the Commission on March 31, 2010\)](#)
- 10.23(+) [Form of Restricted Shares Purchase Agreement \(incorporated by reference to Exhibit 10.21 from Registration Statement on Form F-1 \(File No. 333-165823\) filed with the Commission on March 31, 2010\)](#)
- 10.24 [Third Addendum to Foundry Agreement dated as of March 6, 2012 by and among the Registrant and Shanghai Hua Hong NEC Electronics Company, Limited \(incorporated by reference to Exhibit 10.34 from Annual Report on Form 10-K \(File No.: 001-34717\) filed with the Commission on August 31, 2012\)](#)
- 10.25(+) [Amended Form of Restricted Share Unit Issuance Agreement \(incorporated by reference to Exhibit 10.35 from Annual Report on Form 10-K \(File No.: 001-34717\) filed with the Commission on August 31, 2012\)](#)
- 10.26(+) [Summary of Fiscal Year 2014 Executive Incentive Plan \(incorporated by reference to Exhibit 10.34 from Annual Report on Form 10-K \(File No.: 001-34717\) filed with the Commission on August 30, 2013\)](#)
- 10.27(+) [Form of Restricted Share Unit Agreement \(incorporated by reference to Exhibit 10.3 from Quarterly Report on Form 10-Q \(File No: 001-34717\) filed with the Commission on May 9, 2014\)](#)
- 10.28†† [Joint Venture Contract on Incorporation of Chongqing Alpha and Omega Semiconductor Limited, dated as of March 29, 2016, among the Registrant, certain subsidiaries of the Registrant, Chongqing Strategic Emerging Industry Equity Investment Fund Partnership \(LP\), and Chongqing Liangjiang New Area Strategic Emerging Industry Equity Investment Fund Partnership \(LP\) \(English Translation\) \(incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q \(File No. 001-34717\) filed with the Commission on May 10, 2016\)](#)
- 10.29 (+) [Form of Indemnification Agreement \(incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q \(File No. 001-34717\) filed with the Commission on February 9, 2017\)](#)

10.30††	Engineering, Procurement and Construction Contract dated January 10, 2017 between Chongqing Alpha and Omega Semiconductor Limited and The IT Electronics Eleventh Design & Research Institute Scientific and Technological Engineering Corporation Limited (the "EPC Contract") (English Translation) (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No. 001-34717) filed with the Commission on May 4, 2017)
10.31††	Amendment No. 1 to EPC Contract effective as of January 10, 2017 (English Translation) (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 001-34717) filed with the Commission on May 4, 2017)
10.32*††	Financing Lease Contract, dated May 9, 2018, by and between Chongqing Alpha and Omega Semiconductor Limited and Chongqing YinHai Financing Lease Co., Ltd. (English Translation) (incorporated by reference to Exhibit 10.38 from Annual Report on Form 10-K (File No. 001-34717) filed with the Commission on August 23, 2018)
10.33*††	Real Estate Mortgage Contract, dated May 14, 2018, by and between Chongqing Alpha and Omega Semiconductor Limited and the Export-Import Bank of China (English Translation) (incorporated by reference to Exhibit 10.39 from Annual Report on Form 10-K (File No. 001-34717) filed with the Commission on August 23, 2018)
10.34	Second Supplemental Agreement to the Joint Venture Contract on Incorporation of Chongqing Alpha and Omega Semiconductor Limited (English Translation) (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 001-34717) filed with the Commission on May 11, 2020)
10.35	Third Supplemental Agreement to the Joint Venture Contract on Incorporation of Chongqing Alpha and Omega Semiconductor Limited (English Translation) (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No. 001-34717) filed with the Commission on May 11, 2020)
10.36	First Amendment to Lease dated as of December 23, 2009 between Alpha and Omega Semiconductor Incorporated and ECI Five Oakmead, LLC (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 001-34717) filed with the Commission on May 11, 2020)
10.37	Amended and Restated 2018 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-34717) filed with the Commission on November 12, 2019)
10.38	Supplemental Agreement to Financing Lease Contract, dated as of June 28, 2020 between YinHai Leasing Company and China Import/Export Bank and Chongqing Alpha and Omega Semiconductor Technology Co., Ltd. (English Translation) (incorporated by reference to Exhibit 10.44 from Annual Report on Form 10-K (File No. 001-34717) filed with the Commission on September 2, 2020)
10.39	Amendment to Market Performance Restricted Share Unit Agreement (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 001-34717) filed with the Commission on November 6, 2020)
10.40	Supplemental Agreement to Financing Lease Contract, dated August 3, 2020 between YinHai Leasing Company and Chongqing Alpha and Omega Semiconductor Technology Co., Ltd (English Translation) (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No. 001-34717) filed with the Commission on November 6, 2020)
10.41	Letter Agreement of Severance Benefit Program for Yifan Liang, dated April 28, 2010 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 001-34717) filed with the Commission on February 8, 2021)
10.42	Letter Agreement of Severance Benefit Program for Yueh-Se-Ho, dated April 28, 2010 (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No. 001-34717) filed with the Commission on February 8, 2021)
10.43(+)	Alpha and Omega Semiconductor Limited Calendar Year 2021 Executive Incentive Cash Bonus Plan (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 001-34717) filed with the Commission on May 7, 2021)
10.44*(+)	First Amendment to CEO Employment Agreement between Dr. Mike Chang and Alpha and Omega Semiconductor Limited
10.45*(+)	2021 Officer Form Retention Agreement for Executive Officers of Alpha and Omega Semiconductor Limited
10.46*(+)	Amended and Restated Non-Employee Director Compensation Policy
10.47*(+)	Second Amendment To Lease US Sunnyvale Office

10.48*(+)	Third Amendment To Lease US Sunnyvale Office
21.1*	List of Subsidiaries of the Registrant
23.1*	Consent of BDO USA, LLP, independent registered public accounting firm
31.1*	Certification of Chief Executive Officer required by Rule 13(a)-14(a) under the Exchange Act
31.2*	Certification of Chief Financial Officer required by Rule 13(a)-14(a) under the Exchange Act
32.1*	Certification of Chief Executive Officer required by Rule 13a-14(b) under the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code
32.2*	Certification of Chief Financial Officer required by Rule 13a-14(b) under the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code
101.INS	XBRL Instance
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Labels
101.PRE	XBRL Taxonomy Extension Presentation

* Filed with this Annual Report on Form 10-K.

†† Confidential treatment has been granted for certain information contained in this document pursuant to an order of the Securities and Exchange Commission. Such information has been omitted and filed separately with the Securities and Exchange Commission.

(+) Indicates management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

August 30, 2021

ALPHA AND OMEGA SEMICONDUCTOR LIMITED

By:

/s/ MIKE F. CHANG

Mike F. Chang
Chief Executive Officer
(Principal Executive Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Mike F. Chang and Yifan Liang, and each or any one of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and re-substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

	Signature	Title	Date
/s/	<u>MIKE F. CHANG</u> Mike F. Chang, Ph.D.	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	August 30, 2021
/s/	<u>YIFAN LIANG</u> Yifan Liang	Chief Financial Officer and Corporate Secretary (Principal Financial Officer and Principal Accounting Officer)	August 30, 2021
/s/	<u>LUCAS S. CHANG</u> Lucas S. Chang	Director	August 30, 2021
/s/	<u>CLAUDIA CHEN</u> Claudia Chen	Director	August 30, 2021
/s/	<u>YUEH-SE HO</u> Yueh-Se Ho, Ph.D.	Director	August 30, 2021
/s/	<u>KING OWYANG</u> King Owyang	Director	August 30, 2021
/s/	<u>MICHAEL L. PFEIFFER</u> Michael L. Pfeiffer	Director	August 30, 2021
/s/	<u>MICHAEL J. SALAMEH</u> Michael J. Salameh	Director	August 30, 2021

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

THIS FIRST AMENDMENT (the "Amendment"), effective as of May 6, 2021, is made by and between Alpha and Omega Semiconductor Limited, a company incorporated and existing under the laws of the Islands of Bermuda (the "Company"), and Mike F. Chang (the "Executive").

WITNESSETH:

WHEREAS, the Executive and the Employee have entered into an and restated Employment Agreement dated April 28, 2010 (the "Employment Agreement").

WHEREAS, pursuant to the Employment Agreement, the Executive is eligible to receive certain severance benefits in connection with certain terminations.

WHEREAS, the parties hereto desire to amend the Employment Agreement on the terms set forth herein, to provide additional benefits in connection with certain terminations.

NOW, THEREFORE, in consideration of the foregoing, and of the representations, warranties, covenants and agreements contained in the Employment Agreement and herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged and accepted, the parties hereto hereby agree as follows:

1. Section 5.4 of the Employment Agreement is hereby amended in its entirety to read as follows:

"**5.4 Change in Control Severance Benefits.** Should the Executive's employment pursuant to this Agreement terminate by reason of an Involuntary Termination within the Change in Control Severance Period, then the Executive shall become eligible to receive the following payments and benefits provided there is compliance with the same Severance Benefit Conditions set forth in Paragraph 5.3:

(a) **Salary Continuation Payments.** The Executive shall be eligible to receive his base salary for up to a total period of twenty-four (24) months at the annualized rate in effect for him under Paragraph 3 at the time of his Involuntary Termination. The first such payment shall be made on the sixtieth (60th) day following the Executive's Separation from Service due to such Involuntary Termination provided the requisite Release Condition is satisfied and subsequent salary continuation payments shall be made at periodic intervals in accordance with the Company's payroll practices for salaried employees. The salary continuation payments to which the Executive becomes entitled in accordance with this Paragraph 5.4 shall be treated as a right to a series of separate payments for purposes of Section 409A of the Code.

(b) **Target Bonus.** The Company shall pay the Executive two hundred percent (200%) of the Executive's target bonus for the year of termination. Any bonus payable in accordance with this Paragraph 5.4(b) shall be paid in twenty-four (24) equal installments at the same time that salary continuation payments are paid to the Executive under Paragraph 5.4(a). The payments to which the Executive becomes entitled in accordance with this Paragraph 5.4(b) shall be treated as a right to a series of separate payments for purposes of Section 409A of the Code.

(c) **Health Care Coverage.** Provided the Executive and his spouse and eligible dependents elect to continue medical care coverage under the Company's group health care plans pursuant to the applicable COBRA provisions, the Company shall provide continued medical care coverage for the Executive, his spouse and his eligible dependents until the earliest to occur of (i) the expiration of the twenty-four (24)-month period measured from the first day of the calendar month following the calendar month in which his Involuntary Termination occurs, (ii) the first date on which the Executive and his spouse and eligible dependents are covered under another employer's health benefit program without exclusion for any pre-existing medical condition or (iii) the first date on which the Executive elects to engage or otherwise engages in any of the activities precluded by the restrictive covenants of Paragraph 4.2. During the COBRA continuation period, such coverage shall be provided under the Company's group health care plans. Following the completion of the COBRA coverage period, such coverage shall continue under the Company's group health plans or one or more other

plans providing equivalent coverage. During the period such medical care coverage remains in effect hereunder, the following provisions shall govern the arrangement: (a) the amount of such benefits in any one calendar year of such coverage shall not affect the amount of benefits in any other calendar year for which such benefits are to be provided hereunder and (b) the Executive's right to the benefits cannot be liquidated or exchanged for any other benefit."

2. The last paragraph of Section 5.5 is hereby amended to read in its entirety as follow:

"Should a reduction in benefits be required to satisfy the benefit limit of this Paragraph 5.5, then payments and benefits under Paragraph 5.4 shall be reduced on a nondiscretionary basis in such a way as to minimize the reduction in the economic value deliverable to the Executive."

3. Effect of Amendment. Except as hereinabove modified and amended, the Agreement shall remain in full force and effect. This Amendment may be executed in any number of counterparts (including facsimile counterparts), each of which shall be an original, but all of which together shall constitute one instrument.

* * * * *

IN WITNESS WHEREOF, the parties have executed this Amendment to the Employment Agreement as of the dates indicated below.

ALPHA AND OMEGA SEMICONDUCTOR LIMITED

By:

Title:

Dated: 2021

THE EXECUTIVE

Dated: , 2021

[EXECUTIVE OFFICER]
c/o Alpha and Omega Semiconductor Incorporated
475 Oakmead Parkway
Sunnyvale, CA 94085

[DATE]

Dear [EXECUTIVE OFFICER]:

We are pleased to inform you that the Company's Board of Directors has approved a new severance benefit program for you. The purpose of this letter agreement (this "Agreement") is to set forth the terms and conditions of your severance benefits and to explain certain limitations that may govern their overall value or payment.

Your severance package will become payable should your employment terminate under certain circumstances prior to or following certain changes in ownership or control of the Company. To understand the full scope of your benefits, you should familiarize yourself with the definitional provisions of Part One of this Agreement. The benefits comprising your severance package are detailed in Parts Two and Three, and the dollar limitations on the overall value of your benefit package and other applicable restrictions are specified in Parts Four and Five.

PART ONE – DEFINITIONS

For purposes of this Agreement, the following definitions shall be in effect:

Board means the Company's Board of Directors.

Change in Control means a change in control of the Company effected through any of the following transactions:

(i) a merger, consolidation or other reorganization approved by the Company's shareholders, unless securities representing more than fifty percent (50%) of the total combined voting power of the voting securities of the successor Company are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Company's outstanding voting securities immediately prior to such transaction, or

(ii) a shareholder-approved sale, transfer or other disposition of all or substantially all of the Company's assets in liquidation or dissolution of the Company, or

(iii) the acquisition, directly or indirectly by any person or related group of persons (other than the Company or a person that directly or indirectly controls, is controlled by, or is under common control with, the Company), of beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's shareholders, or

(iv) a change in the composition of the Board over a period of twelve (12) consecutive months or less such that a majority of the Board members ceases to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period ("Incumbent Directors") or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Incumbent Directors who were still in office at the time the Board approved such election or nomination; provided that any individual who becomes a Board member subsequent to the beginning of such period and whose election or nomination was approved by two-thirds of the Board members then comprising the Incumbent Directors will be considered an Incumbent Director.

Change in Control Severance Period means the period commencing with the Company's execution of the definitive agreement for a Change in Control transaction and continuing until the end of the twelve (12)-month period measured from the closing date of that Change in Control.

Code means the Internal Revenue Code of 1986, as amended.

Common Share means the Company's common share.

Company means Alpha and Omega Semiconductor Limited, a company incorporated and existing under the laws of the Islands of Bermuda.

Executive means the undersigned executive.

Good Reason means the Executive's voluntary resignation within ninety (90) days following one or more of the following events that occur without the Executive's written consent: (A) a material diminution in the Executive's authority, duties or responsibilities; (B) a material reduction in the Executive's base compensation, with a reduction of fifteen percent (15%) or more to be deemed material for such purpose; (C) a material relocation of the Executive's principal place of employment, with a relocation that is more than fifty (50) miles from the location of the Executive's principal office in Sunnyvale, California to be deemed material for such purpose; or (D) a material breach by the Company of any of its obligations

under this Agreement; provided, however, that none of the events specified above shall constitute Good Reason unless the Executive first provides written notice to the Company describing the applicable event within thirty (30) days following the occurrence of that event and the Company fails to cure such event within thirty (30) days after receipt of such written notice.

Involuntary Termination means (i) the Company's termination of the Executive's employment for any reason other than a Termination for Cause or (ii) the Executive's voluntary resignation for Good Reason.

1934 Act shall mean the U.S. Securities Exchange Act of 1934, as amended.

Plan means (i) the Company's 2009 Share Option/Share Issuance Plan, as amended or restated from time to time, (ii) the Company's 2018 Omnibus Incentive Plan, as amended or restated from time to time and (iii) any successor stock incentive plan subsequently implemented by the Company.

Separation from Service means the Executive's cessation of Employee (as described below) status and shall be deemed to occur at such time as the level of the bona fide services the Executive is to perform in Employee status (or as a consultant or other independent contractor) permanently decreases to a level that is not more than twenty percent (20%) of the average level of services the Executive rendered in Employee status during the immediately preceding thirty-six (36) months (or such shorter period for which the Executive may have rendered such service). Any such determination as to Separation from Service, however, shall be made in accordance with the applicable standards of the Treasury Regulations issued under Code Section 409A. For purposes of determining whether the Executive has incurred a Separation from Service, the Executive will be deemed to continue in "**Employee**" status for so long as the Executive remains in the employ of one or more members of the Employer Group (as defined below), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance. "**Employer Group**" means the Company and any other corporation or business controlled by, controlling or under common control with, the Company as determined in accordance with Sections 414(b) and (c) of the Code and the Treasury Regulations thereunder, except that in applying Sections 1563(a)(1), (2) and (3) for purposes of determining the controlled group of corporations under Section 414(b), the phrase "at least 50 percent" shall be used instead of "at least 80 percent" each place the latter phrase appears in such sections and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses that are under common control for purposes of Section 414(c), the phrase "at least 50 percent" shall be used instead of "at least 80 percent" each place the latter phrase appears in Section 1.414(c)-2 of the Treasury Regulations. In addition to the foregoing, a Separation from Service will not be deemed to have occurred while the Executive is on a sick leave or other bona fide leave of absence if the period of such leave does not exceed six (6) months or any longer period for which the Executive is provided with a right to reemployment with the Company by either statute or contract; *provided, however*, that in the event of a leave of absence due to any medically determinable physical or mental impairment

that can be expected to result in death or to last for a continuous period of not less than six (6) months and that causes the Executive to be unable to perform Executive's duties as an Employee, no Separation from Service shall be deemed to occur during the first twenty-nine (29) months of such leave. If the period of leave exceeds six (6) months (or twenty-nine (29) months in the event of disability as indicated above) and the Executive is not provided with a right to reemployment by either statute or contract, then the Executive will be deemed to have Separated from Service on the first day immediately following the expiration of the applicable six (6)-month or twenty-nine (29)-month period.

Termination for Cause means the termination of the Executive's employment due to (i) the commission of any act of fraud, embezzlement or dishonesty by the Executive or Executive's conviction of a felony, (ii) any unauthorized use or disclosure by the Executive of confidential information or trade secrets of the Company (or any parent or subsidiary), (iii) any other misconduct by the Executive adversely affecting the business or affairs of the Company in a material manner, (iv) the Executive's failure to cure any breach of Executive's obligations under this Agreement or Executive's Proprietary Information and Inventions Agreement with the Company after written notice of such breach from the Company and a reasonable cure period of at least thirty (30) days or (v) the Executive's breach of any of Executive's fiduciary duties as an officer or director of the Company. The foregoing definition shall not be deemed to be inclusive of all the acts or omissions which the Company (or any parent or subsidiary) may consider as grounds for the dismissal or discharge of the Executive or any other individual in the service of the Company (or any parent or subsidiary), but a dismissal for such other acts or omissions shall not constitute a Termination for Cause for purposes of this Agreement unless otherwise described above.

PART TWO - NORMAL SEVERANCE BENEFITS

1. **Entitlement.** Should the Company terminate the Executive's employment (other than a Termination for Cause) at any time other than during the Change in Control Severance Period, then the Executive shall become entitled to receive the payments and benefits set forth in Paragraph 2, subject to the Executive's compliance with the following requirement:

- The Executive shall, within twenty-one (21) days (or such longer period as required by law) following the date of the Executive's termination execute and deliver to the Company a general release ("Release") in the form attached hereto as Exhibit A, which becomes effective in accordance with applicable law following the expiration of the applicable revocation period. This requirement shall hereinafter be referred to as the "Release Condition".

The payments and benefits provided under this Part Two shall be in lieu of any other severance benefits to which the Executive might otherwise, by reason of the termination of the Executive's employment, be entitled under any other severance plan, program or arrangement of the Company.

2. **Severance Payments.** The severance payments and benefits which the Executive shall receive under this Part Two shall consist of the following:

A. **Salary Continuation Payments.** The Executive shall be eligible to receive continued payment of the Executive's then-current base salary for a period of six (6) months. The first such payment shall be made on the sixtieth (60th) day following the date of the Executive's Separation from Service provided the Release is effective, and subsequent payments will be made in accordance with the Company's normal payroll schedule for salaried employees.

B. **Health Care Coverage.** Provided the Executive and the Executive's and eligible dependents elect to continue medical care coverage under the Company's group health care plans pursuant to the applicable COBRA provisions, the Company shall provide continued medical care coverage for the Executive, the Executive's spouse and eligible dependents until the earlier of (i) the expiration of the six (6)-month period measured from the first day of the calendar month following the calendar month in which the Executive's Involuntary Termination occurs or (ii) the first date on which the Executive and the Executive's eligible dependents are covered under another employer's health benefit program without exclusion for any pre-existing medical condition. Any additional medical care coverage to which the Executive and the Executive's spouse and dependents may be entitled under COBRA following the period of such Company-paid coverage shall be at the Executive's sole cost and expense.

3. **No Vesting Acceleration.** All vesting of the Executive's outstanding options and other equity awards granted under the Plan shall cease at the time of the Executive's termination, and the Executive shall not have more than the period of time specified in the applicable option

agreement in which to exercise those outstanding options following such termination for any Common Shares which are vested and exercisable at the time of such termination.

PART THREE - CHANGE IN CONTROL SEVERANCE BENEFITS

4. Entitlement. Should the Executive's employment terminate by reason of an Involuntary Termination within the Change in Control Severance Period, then the Executive shall become entitled to receive the payments and benefits set forth in Paragraph 5, subject to the Executive's compliance with the Release Condition.

The payments and benefits provided under this Part Three shall be in lieu of any other severance benefits to which the Executive might otherwise, by reason of the termination of the Executive's employment during the Change in Control Severance Period, be entitled under any other severance plan, program or arrangement of the Company.

5. Severance Payments. The severance payments and benefits which the Executive shall receive under this Part Three shall consist of the following:

A. **Salary Continuation Payments.** The Executive shall be eligible to receive continued payment of the Executive's then-current base salary for a period of six (6) months. The first such payment shall be made on the sixtieth (60th) day following the date of the Executive's Separation from Service provided the Release is effective, and subsequent payments will be made in accordance with the Company's normal payroll schedule for salaried employees.

B. **Target Bonus.** The Company shall pay the Executive fifty percent (50%) of the Executive's target bonus for the year of termination. Any bonus payable in accordance with this Paragraph 5.B shall be paid in six (6) equal installments at the same time that salary continuation payments are paid to the Executive under Paragraph 5.A.

C. **Health Care Coverage.** Provided the Executive and the Executive's spouse and eligible dependents elect to continue medical care coverage under the Company's group health care plans pursuant to the applicable COBRA provisions, the Company shall provide continued medical care coverage for the Executive, the Executive's spouse and eligible dependents until the earlier of (i) the expiration of the six (6)-month period measured from the first day of the calendar month following the calendar month in which the Executive's Involuntary Termination occurs or (ii) the first date on which the Executive and the Executive's eligible dependents are covered under another employer's health benefit program without exclusion for any pre-existing medical condition. Any additional medical care coverage to which the Executive and the Executive's spouse and dependents may be entitled under COBRA following the period of such Company-paid coverage shall be at the Executive's sole cost and expense.

D. **Accelerated Vesting.** Each outstanding option, restricted share unit award, performance restricted share unit award (other than the market performance share unit

awards (“MRSUs”) and other equity award granted under the Plan held by the Executive at the time of the Executive’s Involuntary Termination and that, following the Change in Control are subject to vesting based solely upon continued service with the Company shall immediately vest in full upon Executive’s Involuntary Termination with respect to the number of Common Shares subject to the award as determined in accordance with the agreement evidencing the award. Any options so accelerated and all other vested options held by the Executive shall remain outstanding until the earlier of (i) the expiration date of the maximum option term or (ii) the expiration of the six (6)-month period following the Executive’s Separation from Service. The Common Shares underlying any restricted share unit and performance restricted share unit awards that vest under this subparagraph 5.D shall be issued on the date of the Executive’s Separation from Service or as soon as reasonably practicable thereafter, but in no event later than the end of the calendar year in which the Executive’s termination date occurs. The treatment of any MRSUs granted to the Executive will be in accordance with the terms of the agreement evidencing the award.

PART FOUR - LIMITATION ON BENEFITS

6. **No Duplication of Benefits.** In no event shall the Executive be entitled to severance benefits under both Parts Two and Three of this Agreement.

7. **Benefit Limit.** The benefit limitations of this Part Four shall be applicable in the event the Executive receives any benefits under this Agreement which are deemed to constitute parachute payments under Code Section 280G.

In the event that any payments or benefits to which the Executive becomes entitled in accordance with the provisions of this Agreement would otherwise constitute a parachute payment under Code Section 280G, then such payments and benefits will be subject to reduction to the extent necessary to assure that the Executive receives only the greater of (i) the amount of those payments and benefits which would not constitute such a parachute payment or (ii) the amount which yields the Executive the greatest after-tax amount of benefits after taking into account any excise tax imposed on the payments provided to the Executive under this Agreement (or on any other benefits to which the Executive may be entitled in connection with any change in control or ownership of the Company or the subsequent termination of the Executive’s employment with the Company) under Code Section 4999.

Should a reduction in benefits be required to satisfy the benefit limit of this Paragraph 7, then payments under Part Three of this Agreement shall be reduced on a nondiscretionary basis in such a way as to minimize the reduction in the economic value deliverable to the Executive.

8. **Restrictive Covenants.** For the entire period during which the Executive is entitled to severance payments under Part Two or Part Three of this Agreement, the Executive shall not:

(i) anywhere in the United States render any services or provide any advice, assistance or support to any Competing Business, whether as an employee, agent, representative, consultant, partner, officer, director or stockholder or in any other capacity; provided, however, that such restriction shall not apply to any passive investment representing an interest of less than five percent (5%) of an outstanding class of publicly-traded securities of any corporation or other enterprise which may constitute a Competing Business hereunder;

(ii) contact, solicit or call upon any customer or supplier of the Company on behalf of any person or entity other than the Company for the purpose of selling any products or providing or performing any services of the type normally sold, provided or performed by the Company;

(iii) induce or attempt to induce any person or entity to curtail or cancel any business or contracts which such person or entity has with the Company; or

(iv) encourage or solicit any of the Company's employees to leave the Company's employ for any reason or interfere in any other manner with employment relationships at the time existing between the Company and its employees.

For purposes of this Agreement, a Competing Business means any business which is or, to the best of the Executive's knowledge, is expected to become, competitive with the business or any contemplated business of the Company, or any direct or indirect subsidiaries of the Company or any of their affiliates.

9. **Cessation of Benefits.** In the event of a material breach by the Executive of any of the Executive's obligations under Paragraph 8 of this Agreement or any of the Executive's obligations under the Executive's Proprietary Information and Inventions Agreement with the Company, the Executive shall cease to be entitled to any further payments or benefits under Part Two or Part Three of this Agreement as applicable.

PART FIVE - MISCELLANEOUS PROVISIONS

10. Section 409A.

A. It is the intention of the parties that the provisions of this Agreement comply with the requirements of Section 409A of the Code and the Treasury Regulations thereunder, or an exemption thereto, and payments may only be made under this Agreement upon an event and in a manner permitted by Section 409A of the Code, to the extent applicable. Accordingly, to the extent there is any ambiguity as to whether one or more provisions of this Agreement would otherwise contravene the applicable requirements or limitations of Code Section 409A, then those provisions shall be interpreted and applied in a manner that does not

result in a violation of the applicable requirements or limitations of Code Section 409A and the Treasury Regulations thereunder. For purposes of Section 409A of the Code, each payment hereunder shall be treated as a separate payment, and the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments. In no event may the Executive, directly or indirectly, designate the calendar year of a payment.

B. Notwithstanding any provision to the contrary in this Agreement, no payments or benefits to which the Executive becomes entitled under Part Two and Part Three of this Agreement shall be made or paid to the Executive prior to the *earlier* of (A) the expiration of the 6-month period measured from the date of the Executive's Separation from Service or (B) the date of the Executive's death, if the Executive is deemed at the time of such Separation from Service a "specified employee" within the meaning of that term under Section 409A of the code and the Treasury Regulations thereunder and such delayed commencement is otherwise required in order to avoid a prohibited distribution under Code Section 409A(a)(2). Upon the expiration of the applicable Code Section 409A(a)(2) deferral period, all payments deferred pursuant to this Paragraph 10(B) shall be paid in a lump sum to the Executive, and any remaining payments due under this Agreement shall be paid in accordance with the normal payment dates specified for them herein.

11. Employment at Will. The Executive's employment with the Company shall remain at will. Nothing in this Agreement is intended to provide the Executive with any right to continue in the employ of the Company (or any affiliate) for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any affiliate) or the Executive, which rights are hereby expressly reserved by each, to terminate the Executive's employment at any time for any reason or for no reason.

12. Other Termination. The Executive shall not be entitled to receive any severance payments or benefits if there is a Termination for Cause or the Executive's employment with the Company ends due to death, disability, retirement or voluntary termination (other than as specified in Part Three). Upon any such termination, the Company shall only be required to pay the Executive (i) any unpaid compensation earned for services rendered through the date of such termination and (ii) the value of any accrued but unpaid vacation benefits or sick days, and no benefits will be payable under Part Two or Part Three of this Agreement. In addition, all vesting in the Executive's outstanding options and other equity awards, if any, shall cease at the time of such termination, and the Executive shall not have more than the period of time specified in the applicable option agreement for each option in which to exercise that option following such termination of employment for the Company's Common Shares which are vested and exercisable at the time of such termination.

13. Successors and Assigns. The provisions of this Agreement shall inure to the benefit of, and shall be binding upon, (i) the Company and its successors and assigns, including any successor entity by merger, consolidation or transfer of all or substantially all of the Company's assets (whether or not such transaction constitutes a Change in Control), and (ii) the

Executive, the personal representative of the Executive's estate and the Executive's heirs and legatees.

14. General Creditor Status. The benefits to which the Executive may become entitled under Part Two or Part Three of this Agreement shall be paid, when due, from the Company's general assets, and no trust fund, escrow arrangement or other segregated account shall be established as a funding vehicle for such payments. Accordingly, the Executive's right (or the right of the executors or administrators of the Executive's estate) to receive such benefits shall at all times be that of a general creditor of the Company and shall have no priority over the claims of other general creditors.

15. Governing Documents. This Agreement, together with (i) the agreements evidencing the Executive's currently outstanding options and other equity awards and any future option grants or other equity awards under the Plan and (ii) the Executive's existing Proprietary Information and Inventions Agreement, shall constitute the entire agreement and understanding of the Company and the Executive with respect to the payment of severance benefits to the Executive and shall supersede all prior and contemporaneous written or verbal agreements and understandings between the Executive and the Company relating to such subject matter. This Agreement may only be amended by a written instrument signed by the Executive and an authorized officer of the Company. Any and all prior agreements, understandings or representations relating to the Executive's severance benefits, other than (i) the agreements evidencing the Executive's currently outstanding options or other equity awards under the Plan and (ii) the Executive's existing Proprietary Information and Inventions Agreement, are hereby terminated and cancelled in their entirety and are of no further force or effect.

16. Governing Law. The provisions of this Agreement shall be construed and interpreted under the laws of the State of California applicable to agreements executed and wholly performed within the State of California. If any provision of this Agreement as applied to any party or to any circumstance should be adjudged by a court of competent jurisdiction to be void or unenforceable for any reason, the invalidity of that provision shall in no way affect (to the maximum extent permissible by law) the application of such provision under circumstances different from those adjudicated by the court, the application of any other provision of this Agreement, or the enforceability or invalidity of this Agreement as a whole. Should any provision of this Agreement become or be deemed invalid, illegal or unenforceable in any jurisdiction by reason of the scope, extent or duration of its coverage, then such provision shall be deemed amended to the extent necessary to conform to applicable law so as to be valid and enforceable or, if such provision cannot be so amended without materially altering the intention of the parties, then such provision will be stricken, and the remainder of this Agreement shall continue in full force and effect.

17. Arbitration.

A. Each party agrees that any and all disputes which arise out of or relate to the Executive's employment, the termination of the Executive's employment or the terms of this Agreement shall be resolved through final and binding arbitration. **Such arbitration shall be in lieu of any trial before a judge and/or jury, and the Executive and Company expressly waive all rights to have such disputes resolved through trial before a judge and/or jury.** Such disputes shall include, without limitation, claims for breach of contract or of the covenant of good faith and fair dealing, claims of discrimination, claims under any federal, state or local law or regulation now in existence or hereinafter enacted and as amended from time to time concerning in any way the subject of the Executive's employment with the Company or its termination.

B. Arbitration shall be held in Santa Clara County, California and conducted in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association (available at www.adr.org) ("AAA Rules"), provided, however, that the arbitrator shall allow the discovery authorized by California Code of Civil Procedure section 1282, et seq., or any other discovery required by applicable law in arbitration proceedings. To the extent that any of the AAA Rules conflict with applicable law, the arbitration procedures required by applicable law shall govern.

C. During the course of the arbitration, the Company will pay the arbitrator's fee and any other type of expense or cost that the Executive would not otherwise be required to bear if Executive were free to bring the dispute or claim in court and any other expense or cost that is unique to arbitration. The Company and the Executive shall each bear its or his own respective attorneys' fees incurred in connection with the arbitration.

D. The arbitrator shall issue a written award that sets forth the essential findings of fact and conclusions of law on which the award is based. The arbitrator shall have the authority to award any relief authorized by law in connection with the asserted claims or disputes. The arbitrator's award shall be subject to correction, confirmation, or vacation, as provided by applicable law setting forth the standard of judicial review of arbitration awards. Judgment upon the arbitrator's award may be entered in any court having jurisdiction thereof.

18. Legal Representation. The Executive acknowledges that the Executive has had the right to consult with counsel and is fully aware of the Executive's rights and obligations under this Agreement.

19. Counterparts. This Agreement may be executed in more than one counterpart, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.

20. Taxes. Notwithstanding any other provision of this Agreement, the Company shall, to the extent required by law, withhold applicable federal, state and local income and other taxes from any payments due to the Executive hereunder.

IN WITNESS WHEREOF, the parties have executed this Retention Agreement as of the day and year written above.

ALPHA AND OMEGA SEMICONDUCTOR LIMITED

By: __
Name: Mike F. Chang
Title: Chief Executive Officer

EXECUTIVE

Signature: __
Name: __

EXHIBIT A

FORM OF GENERAL RELEASE

THIS DOCUMENT IS INTENDED AS A FORM OF THE GENERAL SETTLEMENT AND RELEASE. PURSUANT TO PARAGRAPH 1 AND PARAGRAPH 4 OF THE AGREEMENT, EXECUTION OF A RELEASE, IN SUBSTANTIALLY THE SAME FORM AS THIS EXHIBIT A IS A CONDITION FOR EXECUTIVE'S RECEIPT OF CERTAIN BENEFITS PURSUANT TO PARAGRAPH 2 AND PARAGRAPH 5. THE FORM MUST BE FINALIZED BY ALPHA AND OMEGA SEMICONDUCTOR LIMITED PRIOR TO EXECUTION.

GENERAL SETTLEMENT AND RELEASE AGREEMENT

This General Settlement and Release Agreement (the "Agreement") is by and between Alpha and Omega Semiconductor Limited, for itself and for all of its affiliated, related, parent and direct and indirect subsidiary companies, joint venturers and partnerships, successors and permitted assigns and each of them (collectively, "AOS"), on the one hand, and _____, for himself, and his agents, representatives, heirs and assigns ("Executive"), on the other hand.

1. Payments. In full and complete consideration for Executive's promises and undertaking set forth in this Agreement, following the eighth (8th) day following receipt by AOS of a fully executed Agreement from Executive, AOS will provide Executive the consideration, if any, to which Executive is entitled pursuant to the letter agreement between the parties, dated _____, ____ (the "Letter Agreement"), at the times specified in Paragraph 2 or Paragraph 5 (as applicable) of the Letter Agreement unless the signature on this Agreement is revoked pursuant to Paragraph 7 below.

2. Release of Known and Unknown Claims.

(a) It is understood and agreed by the parties to this Agreement that in consideration of the mutual promises and covenants contained in this Agreement, and after consultation with counsel, Executive irrevocably and unconditionally releases and forever discharges AOS and its past and present parents, subsidiaries, divisions, affiliated entities, funds, partners, employee benefit plans, pension plans, successors, and assigns, and all of its and their collective past and present officers, trustees, agents, attorneys, employees, directors, fiduciaries, administrators, partners, ventures, and assigns, whether acting as agents for AOS or in their individual capacities (collectively with AOS, the "Released Parties") from any and all causes of action, claims, actions, rights, judgments, obligations, damages, demands, accountings or liabilities of whatever kind or character, which Executive may have against AOS or any of the Released Parties, or any of them, by reason of or arising out of, touching upon or concerning Executive's employment, separation of Executive's employment and reapplication for employment with AOS, or any statutory claims, or any and all other matters of whatever kind, nature or description, whether known or unknown, occurring prior to the date of the execution of this Agreement. Executive acknowledges that this release of claims specifically includes, but is not limited to, any and all claims for fraud; breach of contract; breach of the implied covenant of good faith and fair dealing; inducement of breach; interference with contractual rights; wrongful or unlawful discharge or demotion; violation of public policy; sexual assault and battery; invasion of privacy; intentional or negligent infliction of emotional distress; intentional or negligent misrepresentation; conspiracy; defamation; unlawful effort to prevent employment; discrimination or harassment on the basis of age, race, color, sex, national origin, ancestry, religion, disability, handicap, medical condition or marital status; any claim under: Title VII, ADA, ADEA OWBPA, FMLA, COBRA, OSHA, ERISA, IRC, FEHA, CalOsha, or any other wrongful conduct, based upon events occurring prior to the date that this Agreement is executed by Executive. Notwithstanding anything to the contrary herein, this Agreement shall not release

Executive's right, if any, to indemnification pursuant to the Company's Bylaws or insurance policies, for any claims arising out of Executive's conduct as an employee or officer of the Company during Executive's employment.

(b) Executive represents and warrants that Executive has not assigned or subrogated any of Executive's rights, claims or causes of action, including any claims referenced in this Agreement, or authorized any other person or entity to assert such claims on Executive's behalf, and Executive agrees to indemnify and hold harmless AOS and each of the Released Parties against any assignment of said rights, claims and/or causes of action.

3. Waiver of Unknown Claims.

(a) Executive does hereby expressly waive and relinquish all rights and benefits afforded to Executive under law, and does so understanding and acknowledging the significance and consequences of such a waiver.

(b) **Releases of Unknown Claims/Waiver of Civil Code Section 1542.** The parties agree that this Agreement is a full and final release of any and all claims and Executive expressly waives the benefit of Section 1542 of the California Civil Code, which provides:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

(c) Executive acknowledges and understands that Executive is being represented in this matter by counsel, and acknowledges that Executive is not required to release unknown claims but that Executive expressly acknowledges and agrees that this Agreement is also intended to include in its effect, without limitation, all such claims which Executive does not know or suspect to exist at the time of the execution of this Agreement, and that this Agreement contemplates the extinguishment of those claims.

(d) Executive acknowledges and agrees that Executive may later discover facts different from or in addition to those Executive now knows or believes to be true in entering into this Agreement. Executive agrees to assume the risk of the possible discovery of additional or different facts, including facts which may have been concealed or hidden, and agrees that this Agreement shall remain effective regardless of such additional or different facts. Executive further acknowledges and agrees that neither AOS nor any of the other Released Parties had any duty to disclose any fact to Executive prior to the execution of this Agreement.

4. Non-Admission of Liability. Executive expressly recognizes that this Agreement shall not in any way be construed as an admission by AOS or any of the other Released Parties of any unlawful or wrongful acts whatsoever against Executive or any other person or entity. AOS and

each of the Released Parties expressly denies any violation of any policy or procedure, or of any state or federal law or regulation. AOS and each of the Released Parties also specifically denies any liability to or wrongful acts against Executive, or any other person, on the part of themselves or any other employees or agents of AOS. This Agreement shall not be admissible in any proceeding as evidence of or any admission by AOS of any violation of any law or regulation or wrongful act. This Agreement may, however, be introduced in any proceeding to enforce this Agreement.

5. No Filing of Claims. Executive specifically represents that Executive has no pending complaints or charges against AOS or any of the other Released Parties with any state or federal court or any local, state or federal agency, division or department based on any events occurring prior to the date of execution of this Agreement.

6. Advice of Counsel. Executive acknowledges that Executive has been given twenty-one days (21) to seek the advice of counsel and to consider the effects of this Agreement upon Executive's legal rights (the "Consideration Period"). To the extent that Executive has signed the Agreement without obtaining the advice of counsel or before expiration of the Consideration Period, Executive acknowledges that Executive has done so voluntarily with a full understanding of the Agreement and its effect upon Executive's legal rights. Any discussion between Executive and AOS or any of the Released Parties concerning the terms and conditions of this Agreement does not extend the Consideration Period.

7. Revocation Period. Executive acknowledges that Executive has been informed that, after Executive signs this Agreement, Executive has the right to revoke Executive's signature for a period of seven days (7) from the date that Executive signs the Agreement. To be effective, the revocation must be in writing, signed by Executive, and delivered to Vice President of Human Resources at 475 Oakmead Parkway, Sunnyvale, California 94085 before the close of business on the seventh day (7th) day following the date Executive signs this Agreement. Executive acknowledges and agrees that AOS has no obligation to comply with the terms of this Agreement until the Revocation Period has expired without revocation.

8. Confidentiality. Executive consents and agrees that Executive will not, at any time, disclose the existence of this Agreement, the terms of Executive's severance benefits and/or the alleged facts or circumstances giving rise to any actual or alleged claims or the Action to any person, firm, Company, association, or entity or the press or media for any reason or purpose whatsoever, other than to Executive's attorney, Executive's immediate family and to Executive's accountant or financial advisor for tax purposes. If Executive is served with any subpoena, court order, or other legal process seeking disclosure of any such information, Executive shall promptly send to AOS, within fortyeight (48) hours, via facsimile at (408) 830 9749, such subpoena, court order, or other legal process so that AOS may exercise any applicable legal

remedies. Executive agrees and acknowledges that a violation of this paragraph by Executive shall be a material breach of this Agreement.

9. **Delivery of Documents.** Executive represents and warrants that Executive has not removed any documents, records or other information, including any such documents, records or information that are or were electronically stored, from the premises of AOS. Executive acknowledges that such documents, records and other information are the exclusive property of AOS or its subsidiaries or affiliates.

10. **Remedies For Breach Of This Agreement.**

(a) **Injunctive Relief.** In the event of a breach of the provisions of this Agreement, Executive agrees that any remedy at law for any breach or threatened breach of the provisions of such paragraphs and the covenants set forth therein, will be inadequate and, accordingly, each party hereby stipulates that the other is entitled to obtain injunctive relief for any such breaches or threatened breaches (without the necessity of posting a bond). The injunctive relief provided for in this paragraph is in addition to, and is not in limitation of, any and all other remedies at law or in equity otherwise available to the applicable party.

(b) **Remedies Cumulative.** The remedies in this paragraph are not exclusive, and the parties shall have the right to pursue any other legal or equitable remedies to enforce the terms of this Agreement.

(c) **Governing Law; Consent to Jurisdiction.** This Agreement shall be deemed to be a contract made under, and shall be construed in accordance with, the laws of the State of California, without giving effect to conflict of laws principles thereof. All questions concerning the construction, validity, and interpretation of this Agreement shall be governed by and construed in accordance with the domestic laws of the State of California, without giving effect to any choice of law or conflict of law provision that would cause the application of the laws of any jurisdiction other than the State of California. Each of the parties hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of California or the United States District Court for the Northern District of California for any litigation, proceeding or action arising out of or relating to this Agreement (and agrees not to commence any litigation, proceeding or action relating thereto except in such courts). Each of the parties hereby irrevocably and unconditionally waives any objection to the laying of venue of any litigation, proceeding or action arising out of this agreement or thereby in the courts of the State of California or the United States District Court for the Northern District of California and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such litigation, proceeding or action brought in any such court has been brought in an inconvenient forum.

11. **Counsel.** The parties hereby acknowledge that they have had the reasonable opportunity to consult with attorneys of their own choice concerning the terms and conditions of this

Agreement, that they have read and understand this Agreement, that they are fully aware of the contents of this Agreement and that they enter into this agreement freely and knowingly and with a full understanding of its legal effect.

12. Entire Agreement. This is the entire agreement between Executive and AOS with respect to the subject matter hereof and the Agreement supersedes any previous negotiations, agreements and understandings. Executive acknowledges that Executive has not relied on any oral or written representations by AOS (or its counsel) or any of the other Released Parties to induce Executive to sign this Agreement, other than the terms of this Agreement. No modifications of this Agreement can be made except in writing signed by Executive and AOS.

13. Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under existing or future laws effective during the term of this Agreement, such provisions shall be fully severable, the Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

14. Ambiguities. Attorneys for both parties have participated in the negotiation of this Agreement and, thus, it is understood and agreed that the general rule that ambiguities are to be construed against the drafter shall not apply to this Agreement. In the event that any language of this Agreement is found to be ambiguous, each party shall have an opportunity to present evidence as to the actual intent of the parties with respect to any such ambiguous language.

15. Waiver. No waiver by any party of any breach of any term or provision of this Agreement shall be a waiver of any preceding, concurrent or succeeding breach of this Agreement or of any other term or provision of this Agreement. No waiver shall be binding on the part of, or on behalf of, any other party entering into this Agreement.

16. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, all of which together shall constitute one and the same instrument,

THE SIGNATORIES HAVE CAREFULLY READ THIS ENTIRE AGREEMENT. ITS CONTENTS HAVE BEEN FULLY EXPLAINED TO THEM BY THEIR ATTORNEYS. THE SIGNATORIES FULLY UNDERSTAND THE FINAL AND BINDING EFFECT OF THIS AGREEMENT. THE ONLY PROMISES MADE TO ANY SIGNATORY ABOUT THIS AGREEMENT, AND TO SIGN THIS AGREEMENT, ARE

CONTAINED IN THIS AGREEMENT. THE SIGNATORIES ARE SIGNING THIS AGREEMENT VOLUNTARILY.

**PLEASE READ CAREFULLY.
THIS GENERAL SETTLEMENT AND RELEASE AGREEMENT
INCLUDES A RELEASE OF KNOWN AND UNKNOWN CLAIMS**

IN WITNESS WHEREOF, the parties have executed this General Settlement and Release Agreement on the dates set forth below.

ALPHA AND OMEGA SEMICONDUCTOR LIMITED:

By: __
Name: __
Title: __

Date: __

EXECUTIVE:

Signature: __
Name: __

Date: __

ALPHA AND OMEGA SEMICONDUCTOR LIMITED

AMENDED AND RESTATED NON-EMPLOYEE DIRECTOR COMPENSATION POLICY

This sets forth the Amended and Restated Non-employee Director Compensation Policy (the “Policy”) of Alpha and Omega Semiconductor Limited (the “Company”), as adopted by the Board of Directors of the Company (the “Board”), which shall remain in effect until amended, replaced or rescinded by further action of the Board. The cash compensation and equity awards described in this Policy shall be paid or be made, as applicable, automatically and without further action of the Board, to each member of the Board who is not an employee of the Company or any subsidiary (each, a “Non-Employee Director”) who may be eligible to receive such cash compensation or equity awards. Members of the Board shall not be entitled to receive any meeting fees (other than any special meeting fees described below) or other compensation for service on the Board.

1. Annual Retainer.

Amount of Retainer. Each Non-Employee Director serving as a member of the Board at the beginning of the Company’s fiscal year (starting with the 2021 fiscal year) shall be eligible to receive an annual retainer of \$40,000 for service on the Board, provided, however, that the lead independent director shall be eligible to receive an additional annual return of \$15,000 (effective May 7, 2015). Each Non-Employee Director serving as the chairperson of a committee of the Board shall be eligible to receive an additional retainer as follows: Audit Committee - \$25,000; Compensation Committee - \$15,000; and Nominating and Governance Committee - \$15,000. Each Non-Employee Director serving as a member of a committee of the Board shall be eligible to receive an additional retainer as follows: Audit Committee - \$12,000; Compensation Committee - \$7,500; Nominating and Governance Committee - \$5,000; and Special Litigation Committee - \$25,000, except that the chairperson of the Special Litigation Committee shall be eligible to receive a retainer of \$100,000. Each Non-Employee Director serving as the Lead Director shall be eligible to receive an additional retainer of \$15,000.

Payment. The annual retainer shall be paid by the Company in quarterly installments as soon as practicable after the end of each of the Company’s fiscal quarters for which the Non-Employee Director shall have served. In the event a Non-Employee Director does not serve as a Non-Employee Director, or in the applicable committee positions, for an entire fiscal quarter, the retainer paid to such Non-Employee Director shall be prorated for the portion of such fiscal quarter actually served as a Non-Employee Director, or in such positions, as applicable.

2. Special Meeting Fees. Non-Employee Directors will not receive any additional compensation for attending regular Board or committee meetings. However, with respect to special meetings of the Board or a committee, each Non-Employee Director will receive \$2,000 for a meeting attended in person and \$1,000 for a meeting attended via teleconference. Any such meeting fees shall be paid as soon as practicable after the end of the fiscal quarter in which such

meeting is held. The Board shall determine the meetings eligible for such special fees and the Board may at its discretion authorize additional compensation for services in connection with other events and transactions.

3. Equity Compensation.

Annual Grant. Each individual who is elected by the Company's shareholders to serve as a Non-Employee Director at the Company's Annual Shareholders Meeting (starting with the 2021 Annual Shareholders Meeting) and each individual who is to continue to serve as a Non-Employee Director following such meeting whether or not that individual is standing for re-election at that meeting, shall be granted on the date of such meeting, an award of restricted share units under the 2018 Omnibus Incentive Plan (the "Plan").

Each such award shall be subject to the following terms:

Number of Shares: The number of shares subject to each such annual award will be determined by dividing \$125,000 by the Average Per Share Price, up to a maximum of 10,000 shares. The Average Per Share Price for an award means the average closing price per share of common stock over the 90 day-period immediately prior to the date of grant of the award.

Vesting: The award shall vest in four (4) equal installments upon the Non-Employee Director's completion of each quarter of Board service following the grant date; provided, however, that if the Company's Annual Shareholders Meeting for the year following the year of grant occurs prior to the end of the one-year period measured from the grant date, the last quarterly installment shall become vested upon the date of such subsequent Annual Shareholders Meeting, provided, the Non-Employee Director continues in Board service until such date. Notwithstanding the foregoing, the award (to the extent outstanding) shall vest in full (i) upon the Non-Employee Director's termination of Board service by reason of death or Permanent Disability (as defined in the Plan) and (ii) immediately prior to the consummation of a Change in Control (as defined in the Plan).

Issuance of Shares: Shares that vest under a restricted stock unit award shall be issued on the earlier of (i) the date of the Annual Shareholders Meeting that is coincident with or next following the applicable vesting date or (ii) the date of the Non-Employee Director's termination of Board service. Shares that vest upon a Change in Control shall be issued as soon as practicable following the Change in Control.

New Directors. In the event a new Non-Employee Director is elected or appointed to the Board on a date other than at the Company's Annual Shareholders Meeting, such Non-Employee Director shall be granted on the date of such election or appointment, an award of restricted share units for a number of shares determined by dividing \$95,000 as pro-rated based on the period from the date of appointment or election to the anticipated date

of the next Annual Shareholders Meeting by the Average Per Share Price (as determined based on the grant date of the award to such Non-Employee Director), provided such individual has not previously been in the employ or service of the Company. The award shall vest on the same dates that the annual grants made at the preceding Annual Shareholders Meeting vest with the number of shares vesting on each vesting date based on the period of service.

4. Expense Reimbursement. All Non-Employee Directors shall be entitled to reimbursement from the Company for their reasonable expenses of travel (including airfare and ground transportation) to and from meetings of the Board or a committee, and reasonable lodging and meal expenses incident thereto.

SECOND AMENDMENT TO LEASE

This SECOND AMENDMENT TO LEASE (“Amendment”) is made this 30th day of January, 2020 (the “Effective Date”), by and between ECI FIVE 475 OAKMEAD LLC, a Delaware limited liability company (“Landlord”), and ALPHA AND OMEGA SEMICONDUCTOR INCORPORATED, a California corporation (“Tenant”).

RECITALS:

- A. Landlord (as successor in interest to OA Oakmead II, LLC, a Delaware limited liability company) and Tenant are parties to that certain Lease dated December 23, 2009 (the “Original Lease”), which Original Lease has been previously amended by that certain First Addendum to Lease dated December 23, 2009, that certain Acceptance Agreement dated April 23, 2010, and that certain First Amendment to Lease dated August 28, 2019 (the “First Amendment”) (collectively, the “Lease”). Pursuant to the Lease, Landlord has leased to Tenant space currently containing approximately 57,310 rentable square feet (the “Premises”) in the building located at 475 Oakmead Parkway, Sunnyvale, California.
- B. Tenant and Landlord mutually desire that the Lease be amended on and subject to the following terms and conditions.

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

- 1. Amendment. As of the Effective Date, Landlord and Tenant agree that the Lease shall be amended in accordance with the following terms and conditions:
 - 1.1 Landlord Entity Name Correction. References to Landlord in the Lease as “ECI Five Oakmead LLC, a Delaware limited liability company” are in error and Landlord and Tenant hereby acknowledge and agree that the definition of Landlord is as is stated in this Amendment. ECI FIVE 475 OAKMEAD LLC, a Delaware limited liability company, hereby ratifies the First Amendment and agrees that it is bound by all terms and conditions thereof as of the First Amendment execution date, in the same manner and to the same extent as though the correct Landlord name had been reflected therein.
 - 1.2 Basketball Court.
 - 1.2.1 Subject to the terms of this Section 1.2, Tenant shall have the right to install, at Tenant’s sole cost and expense, an outdoor basketball court and associated fencing (collectively, the “Basketball Court”) in the location depicted on Exhibit A attached hereto (the “Basketball Court Area”). Tenant shall also be entitled to place a table and chairs (the “Outdoor Furniture”) in the location depicted on Exhibit A; provided that the Outdoor Furniture shall be secured to the asphalt and further provided that the color, design, material, finish and size of the Outdoor Furniture shall be subject to Landlord prior approval (which approval shall not be unreasonably withheld, conditioned or delayed). Subject to Landlord’s review and approval of final plans for the Basketball Court (which approval shall not be unreasonably withheld, conditioned or delayed), Landlord approves the Basketball Court to the extent shown on the drawings attached hereto as Exhibit A; provided, however, that any changes from the proposed design plan (the “Revised Plans”) for the Basketball Court will need to be presented to Landlord for approval (which approval shall not be unreasonably



withheld, conditioned or delayed). In the event Tenant submits to Landlord Revised Plans for review, Landlord shall either approve, deny or provide comments to the Revised Plans within ten (10) business days following Landlord's receipt of the Revised Plans. If Landlord fails to respond within such ten (10) business day period, the Revised Plans shall be deemed approved by Landlord. At least ten (10) Business Days prior to the date Tenant enters into any contract for construction of Basketball Court, Tenant shall submit to Landlord for Landlord's prior approval (not to be unreasonably withheld, conditioned or delayed), the name of the general contractor selected to construct the Basketball Court. The contractor selected by Tenant, as approved by Landlord, is herein called the "Contractor". The Contractor shall carry insurance in accordance with the requirements set forth in Schedule 1 of Exhibit A to the First Amendment, and such Contractor shall deliver Contractor's insurance certificates to Landlord at least ten (10) days prior to commencing construction of the Basketball Court.

- 1.2.2 Tenant's construction of the Basketball Court shall be performed in accordance with all applicable Laws, and shall be subject to the terms of Section 5.2 of the Original Lease and Landlord's prior written approval as to the final design, color, materials, configuration and the manner of installation. Tenant shall deliver to Landlord as soon as available (i) copies of the approved permits for the Basketball Court (to the extent any such permits are required in connection with the Basketball Court), (ii) the as-built drawings, CAD files, warranty information, and copy of the final signed permit for the Basketball Court, (iii) the final contract price including change orders, and (iv) copies of all unconditional final waiver of lien from the Contractor and any subcontractors.
- 1.2.3 Tenant shall be solely responsible for securing, at Tenant's sole cost and expense, any permits or other governmental approvals required for Tenant's use of the Basketball Court in accordance with this Section 1.2. Landlord shall reasonably cooperate with Tenant (at no cost to Landlord) in securing any such permits or other governmental approvals required for Tenant's use of the Basketball Court. Tenant agrees that Landlord shall not be liable therefor and that the availability or non-availability of the Basketball Court as a result of any applicable Laws and Tenant's right to use the Basketball Court shall not affect any of Tenant's other obligations under the Lease.
- 1.2.4 The Basketball Court shall be used by Tenant solely as an outdoor basketball court for Tenant's employees and invitees and for no other purpose. Tenant's use of the Basketball Court shall be at the sole risk of Tenant, and Landlord shall have no liability to Tenant if the Basketball Court or Outdoor Furniture is damaged for any reason (except for any damage caused by the gross negligence or willful misconduct of Landlord). Tenant agrees to be responsible for any damage caused to the Building or Basketball Court Area in connection with Tenant's maintenance, use or removal of the Basketball Court and Outdoor Furniture.
- 1.2.5 In the event that installation of the Basketball Court or Outdoor Furniture causes non-compliance with any parking requirements for the Project, upon at least thirty (30) days' prior written notice from Landlord (or such shorter period if required by applicable Law), Tenant shall remove the Basketball Court and Outdoor Furniture and restore the parking stalls to their condition as of the



Effective Date, at its sole cost. Upon installation of the Basketball Court and Outdoor Furniture, Tenant shall restore all surrounding landscaping, asphalt, striping, or any other areas disturbed by construction of the Basketball Court and installation of the Outdoor Furniture, at Tenant's sole cost. Any parking spaces utilized for the Basketball Court and Outdoor Furniture shall be deducted from the total parking spaces allocated to Tenant pursuant to the Lease so that the aggregate total number of parking spaces utilized by Tenant for parking of vehicles and for the Basketball Court and Outdoor Furniture shall not exceed the parking spaces set forth in the Summary of Basic Lease Terms of the Original Lease.

- 1.2.6 Tenant shall not install any exterior lighting, exterior decorations, radio or television antenna, loud speaker or other device in, on or about the Basketball Court Area. Tenant shall not store anything in the Basketball Court Area and shall not do, permit or suffer in, on or about the Basketball Court Area anything that is unsafe or otherwise may create a hazardous condition, or that may increase Landlord's insurance rates, or cause a cancellation or modification of Landlord's insurance coverage.
- 1.2.7 Tenant shall be responsible for maintaining the Basketball Court, Outdoor Furniture and the fencing enclosing the Basketball Court in good condition and repair, at Tenant's sole cost and expense, and Tenant shall not change its configuration as approved by Landlord. Tenant's obligations pursuant to this Section shall include, without limitation, the obligations of Tenant to (a) be responsible for cleaning any spills or waste in the Basketball Court Area, and (b) cause any trash containers located in the Basketball Court Area to be emptied on a regular basis prior to their overflowing, and keep and maintain all trash containers in a clean condition and neat appearance at all times. If Tenant fails to perform its obligations with respect to the Basketball Court Area, Landlord may elect to perform such obligations on behalf of Tenant and charge Tenant for the reasonable out of pocket costs incurred by Landlord for performance of said work.
- 1.2.8 All terms and provisions of the Lease shall be applicable to the Basketball Court Area, including, without limitation, Section 9 (Insurance and Waiver of Subrogation) and Section 10.3 (Indemnification), except that Landlord need not supply any services to the Basketball Court Area. Unless otherwise notified in writing by Landlord, upon the expiration or earlier termination of the Term, Tenant shall remove, at its sole cost and expense, the Basketball Court, the Outdoor Furniture and all associated fencing and shall repair any damage caused by such removal including, without limitation, the patching of any holes to match, as closely as possible, the pavement surrounding the Basketball Court Area.

2. Miscellaneous.

- 2.1 This Amendment sets forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements. Under no circumstances shall Tenant be entitled to any rent abatement, improvement allowance, leasehold improvements, or other work to the Premises, or any similar economic incentives that may have been provided Tenant in connection with entering into the Lease, unless specifically set forth in this Amendment.



- 2.2 Except as herein modified or amended, the provisions, conditions and terms of the Lease shall remain unchanged and in full force and effect. In the case of any inconsistency between the provisions of the Lease and this Amendment, the provisions of this Amendment shall govern and control. The capitalized terms used in this Amendment shall have the same definitions as set forth in the Lease to the extent that such capitalized terms are defined therein and not redefined in this Amendment.
- 2.3 This Amendment may be executed and delivered by electronic mail in one or more counterparts, each of which shall constitute one and the same Amendment. If this Amendment is signed and delivered in such manner, Landlord and Tenant shall promptly deliver an original signed version to the other. Any digital image copy of this Amendment (to the extent fully executed and delivered) shall be treated by the parties as a true and correct original of the same and admissible as best evidence to the extent permitted by a court of proper jurisdiction.
- 2.4 Submission of this Amendment by Landlord is not an offer to enter into this Amendment but rather is a solicitation for such an offer by Tenant. Landlord shall not be bound by this Amendment until Landlord has executed and delivered the same to Tenant.
- 2.5 Each party represents to the other party that such party has not dealt with a broker in connection with this Amendment.
- 2.6 Pursuant to California Civil Code Section 1938, Landlord hereby notifies Tenant that as of the date of this Amendment, the Premises have not undergone inspection by a "Certified Access Specialist" ("CASp") to determine whether the Premises meet all applicable construction-related accessibility standards under California Civil Code Section 55.53. Landlord hereby discloses pursuant to California Civil Code Section 1938 as follows: "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises." Landlord and Tenant hereby acknowledge and agree that in the event that Tenant elects to perform a CASp inspection of the Premises hereunder, such CASp inspection shall be performed at Tenant's sole cost and expense and Tenant shall be solely responsible for the cost of any repairs, upgrades, alterations and/or modifications to the Premises or the Building necessary to correct any such violations of construction-related accessibility standards identified by such CASp inspection as required by Law, which repairs, upgrades, alterations and/or modifications may, at Landlord's option, be performed by Landlord at Tenant's expense, payable as additional rent within ten (10) days following Landlord's demand. The terms and conditions of this Section 2.6 shall apply only in the event Tenant conducts an Inspection; otherwise, the terms and conditions of the Lease, as amended, shall govern with respect to each of Landlord's and Tenant's liability for compliance with applicable Laws.
- 2.7 The terms of Section 10.8 of the First Amendment shall remain in effect.

[SIGNATURES ARE ON FOLLOWING PAGE]



IN WITNESS WHEREOF, Landlord and Tenant have entered into and executed this Amendment as of the date first written above.

LANDLORD:

ECI FIVE 475 OAKMEAD LLC,
a Delaware limited liability company


By: Embarcadero Capital Investors Five LP,
a Delaware limited partnership,
its sole member


By: ECP Five, LLC,
a Delaware limited liability company,
its general partner

By: 
John Hamilton
Manager

TENANT:

ALPHA AND OMEGA SEMICONDUCTOR
INCORPORATED,
a California corporation

By: 
Name: Steve Sun
Title: VP of HR

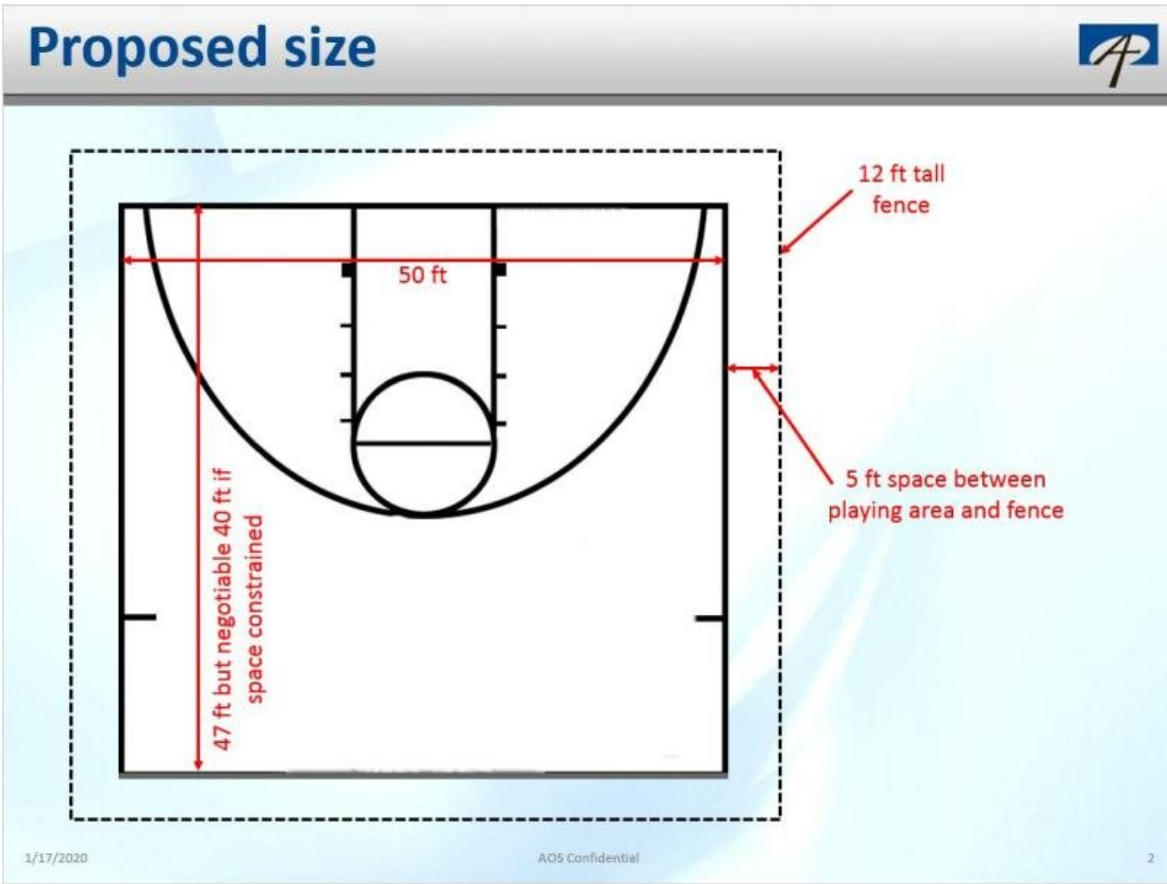
By: 
Name: Yifan Liang
Title: CFO

(For corporate entities, signature by TWO corporate officers is required: one by (x) the chairman of the board, the president, or any vice president; and the other by (y) the secretary, any assistant secretary, the chief financial officer, or any assistant treasurer.)



Exhibit A – Basketball Court

attached to and made a part of the Amendment dated January 30, 2020, between ECI FIVE 475 OAKMEAD LLC, a Delaware limited liability company, as Landlord, and ALPHA AND OMEGA SEMICONDUCTOR INCORPORATED, a California corporation, as Tenant





Proposed court location



1/17/2020

AOS Confidential

3



THIRD AMENDMENT TO LEASE

This **THIRD AMENDMENT TO LEASE** (“**Amendment**”) is made this 1st day of April, 2021 (the “**Effective Date**”), by and between **ECI FIVE 475 OAKMEAD LLC, a Delaware limited liability company** (“**Landlord**”), and **ALPHA AND OMEGA SEMICONDUCTOR INCORPORATED, a California corporation** (“**Tenant**”).

RECITALS:

- A. Landlord (as successor in interest to OA Oakmead II, LLC, a Delaware limited liability company) and Tenant are parties to that certain Lease dated December 23, 2009 (the “**Original Lease**”), which Original Lease has been previously amended by that certain First Addendum to Lease dated December 23, 2009, that certain Acceptance Agreement dated April 23, 2010, and that certain First Amendment to Lease dated August 28, 2019 (the “**First Amendment**”) and that certain Second Amendment to lease dated January 30, 2020 (the “**Second Amendment**”) (collectively, the “**Lease**”). Pursuant to the Lease, Landlord has leased to Tenant space currently containing approximately **57,310** rentable square feet (the “**Premises**”) in the building located at 475 Oakmead Parkway, Sunnyvale, California (such building and associated site being the “**Property**”).
- B. Tenant and Landlord mutually desire that the Lease be amended on and subject to the following terms and conditions.

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. **Amendment.** As of the Effective Date, Landlord and Tenant agree that the Lease shall be amended in accordance with the following terms and conditions:
- 1.1 Tenant and Landlord acknowledge (i) that pursuant to the First Amendment a tenant improvement allowance from Landlord was provided for, (ii) that pursuant to an oral agreement on the part of Landlord, modifying a date originally set forth in the First Amendment, February 28, 2021 was the outside date by which Tenant must have completed the relevant tenant improvement work and applied to Landlord for such allowance in order to be entitled to disbursement of the same, and (iii) that as of such outside date \$51,004.74 of such tenant improvement allowance had not been timely applied for (the “**Unused Allowance**”).
- 1.2 Per Tenant’s request, and in connection with Landlord’s pending sale of the Property, Landlord has agreed to prepay to Tenant the Unused Allowance, subject to certain deductions detailed below, and to extend the date by which the relevant tenant improvements must be completed and evidence of such completion (and appropriate lien releases and other close-out documentation) delivered to Landlord.
- 1.3 The Unused Allowance shall be reduced by a total of \$6,020.09 to reflect a \$5,000 deduction in respect of Landlord’s costs in connection with this Amendment and related legal documentation, plus a 2% construction coordination fee Landlord is entitled to pursuant to the Lease. Accordingly, Landlord shall pay to Tenant by check or wire transfer the net amount of \$44,984.65 (the “**Remaining Allowance**”) on or before April 5, 2021, subject to the condition that Tenant shall have executed and delivered to Landlord the form of Tenant Estoppel Letter attached hereto.

- 1.4 Tenant is permitted to use the Remaining Allowance for construction of the Basketball Court (including but not limited to labor and material costs in connection with building associated fencing, building basketball hoops, resurfacing of pavement, obtaining architectural design and drawings, and obtaining necessary permits from related governmental agencies) that Landlord authorized Tenant to construct in the Second Amendment. Should permitting for such Basketball Court project be withheld, delayed, modified, or canceled due to any decision made by the relevant governmental authorities, Tenant may use the Remaining Allowance for architectural/engineering costs, project management costs, and other costs associated with the construction of alternative improvements to the Premises, provided that (i) such alternative improvements are fixed attachments to Premises and are not personal property such as furniture, fixtures and equipment, (ii) such alternative improvements do not constitute data or telecom wiring or equipment, and (iii) such alternative improvements shall be subject to Landlord approval and other terms and conditions as set forth in Exhibit A to the First Amendment ("Alternative Improvements"). Tenant must provide Landlord with documentary evidence as reasonably required by Landlord (including, at a minimum, copies of paid invoices and unconditional mechanics' lien waivers signed by the applicable party) of the costs incurred by Tenant for the design and construction of the Basketball Court or Alternative Improvements to the Premises, as applicable, no later than December 31, 2021, and to the extent any such work is not so timely completed and documented, or the cost of such work is less than the amount of the Remaining Allowance, the portion not spent or properly documented shall be rebated to Landlord.

2. **Miscellaneous.**

- 2.1 This Amendment sets forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements. Under no circumstances shall Tenant be entitled to any rent abatement, improvement allowance, leasehold improvements, or other work to the Premises, or any similar economic incentives that may have been provided Tenant in connection with entering into the Lease, unless specifically set forth in this Amendment.
- 2.2 Except as herein modified or amended, the provisions, conditions and terms of the Lease shall remain unchanged and in full force and effect. In the case of any inconsistency between the provisions of the Lease and this Amendment, the provisions of this Amendment shall govern and control. The capitalized terms used in this Amendment shall have the same definitions as set forth in the Lease to the extent that such capitalized terms are defined therein and not redefined in this Amendment.
- 2.3 This Amendment may be executed and delivered by electronic mail in one or more counterparts, each of which shall constitute one and the same Amendment. If this Amendment is signed and delivered in such manner, Landlord and Tenant shall promptly deliver an original signed version to the other. Any digital image copy of this Amendment (to the extent fully executed and delivered) shall be treated by the parties as a true and correct original of the same and admissible as best evidence to the extent permitted by a court of proper jurisdiction.
- 2.4 Submission of this Amendment by Landlord is not an offer to enter into this Amendment but rather is a solicitation for such an offer by Tenant. Landlord shall not be bound by this Amendment until Landlord has executed and delivered the same to Tenant.

- 2.5 Each party represents to the other party that such party has not dealt with a broker in connection with this Amendment.

[SIGNATURES ARE ON FOLLOWING PAGE]

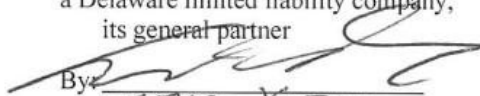
IN WITNESS WHEREOF, Landlord and Tenant have entered into and executed this Amendment as of the date first written above.

LANDLORD:

**ECI FIVE 475 OAKMEAD LLC,
a Delaware limited liability company**

By: Embarcadero Capital Investors Five LP,
a Delaware limited partnership,
its sole member

By: ECP Five, LLC,
a Delaware limited liability company,
its general partner

By: 
ERIC YOPES
~~John Hamilton~~
Manager

TENANT:

**ALPHA AND OMEGA SEMICONDUCTOR
INCORPORATED,
a California corporation**

By: 

Name: YIFAN LIANG

Title: CFO

By: 

Name: STEVE SUN

Title: VP of HR

(For corporate entities, signature by TWO corporate officers is required: one by (x) the chairman of the board, the president, or any vice president; and the other by (y) the secretary, any assistant secretary, the chief financial officer, or any assistant treasurer.)

SUBSIDIARIES OF THE REGISTRANT

Subsidiary Name	Incorporated Location	Percentage Owned
Alpha and Omega Semiconductor Incorporated	California, United States	100% owned by AOS
Alpha and Omega Semiconductor (Cayman) Ltd.	Cayman	100% owned by AOS
Alpha and Omega Semiconductor (Shanghai) Co., Ltd.	China	100% owned by AOS
Alpha & Omega Semiconductor (Shenzhen) Limited	China	100% owned by AOS
Alpha & Omega Semiconductor (Hong Kong) Limited	Hong Kong	100% owned by AOS
Alpha & Omega Semiconductor (Macau), Ltd.	Macau	100% owned by AOS
Alpha & Omega Semiconductor (Taiwan) Limited	Taiwan	100% owned by AOS
Alpha & Omega Semiconductor (Germany) GmbH	Germany	100% owned by AOS
Agape Package Manufacturing Ltd.	Cayman	100% owned by AOS
Agape Package Manufacturing (Shanghai) Ltd.	China	100% owned by AOS
Agape Limited	Hong Kong	100% owned by AOS
Jireh Semiconductor Incorporated	Oregon, United States	100% owned by AOS
Chongqing Alpha and Omega Semiconductor Limited	Chongqing, China	51% owned by AOS
Alpha and Omega Semiconductor International LP	Canada	100% owned by AOS
Alpha and Omega Semiconductor (Delaware) LLC	Delaware, United States	100% owned by AOS

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Alpha and Omega Semiconductor Limited
Sunnyvale, California

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3/A (No. 333-214666) and Form S-8 (No.333-166403, 333-172173, 333-180126, 333-186480, 333-190935, 333-207987, and 333-228297) of Alpha and Omega Semiconductor Limited of our reports dated August 30, 2021, relating to the consolidated financial statements and schedules and the effectiveness of Alpha and Omega Semiconductor Limited's internal control over financial reporting, which appear in this Form 10-K.

/s/ BDO USA, LLP
San Jose, California
August 30, 2021

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mike F. Chang, certify that:

1. I have reviewed this report on Form 10-K of Alpha and Omega Semiconductor Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 30, 2021

/s/ MIKE F. CHANG

Mike F. Chang
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Yifan Liang, certify that:

1. I have reviewed this report on Form 10-K of Alpha and Omega Semiconductor Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 30, 2021

/s/ YIFAN LIANG

Yifan Liang
Chief Financial Officer
and Corporate Secretary

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Mike F. Chang, the chief executive officer of Alpha and Omega Semiconductor Limited (the "Company"), certify for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge,

- a. the Annual Report of the Company on Form 10-K for the fiscal year ended June 30, 2021 (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- b. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 30, 2021

/s/ MIKE F. CHANG

Mike F. Chang
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Yifan Liang, the chief financial officer of Alpha and Omega Semiconductor Limited (the "Company"), certify for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge,

- a. the Annual Report of the Company on Form 10-K for the fiscal year ended June 30, 2021 (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- b. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 30, 2021

/s/ YIFAN LIANG

Yifan Liang
Chief Financial Officer
and Corporate Secretary