

SUNON®

Stock Code : 2421

Sunonwealth Electric Machine Industry Co., Ltd.

2023 Annual General Shareholders' Meeting Meeting Handbook

Printed on June 9, 2023



Sunonwealth Electric Machine Industry Co., Ltd.
Agenda for the 2023 General Shareholders Meeting

Shareholders' meeting will be held by means of physical shareholders' meeting

- I. Time: 9:00 a.m. June 9, 2023 (Friday)
- II. Location: 9F, No. 266, Chenggong 1st Rd., Qianjin Dist., Kaohsiung City (Room D, 9F, Grand Hi-Lai Hotel)
- III. Chairman's Speech:
- IV. Matters to be Reported:
 - (I) The Company's 2022 Business Report.
 - (II) 2022 Audit Committee's Report.
 - (III) Report on the distribution of remuneration for employees and Directors in 2022.
 - (IV) Report on the status of endorsements and guarantees.
- V. Proposed Resolutions:
 - (I) 2022 Business Report and Financial Statements.
 - (II) Ratification of 2022 earnings distribution proposal.
- VI. Discussions and Votes:
 - (I) Amendment to the "Articles of Incorporation".
 - (II) Amendment to the Regulations for Election of Directors.
- VII. Extraordinary Motions
- VIII. Adjournment

[Report items]

(I) The Company's 2022 Business Report. Please refer to page 45 to 51 of the Handbook.

(II) The 2022 Audit Committee's Report. Please refer to page 52 of the Handbook.

(III) Report on the distribution of remuneration for employees and Directors in 2022.

The Company's earnings in 2022 (net profit before tax with remuneration for employees and Directors) totaled NT\$1,394,250,265. The Company plans to distribute NT\$8,000,000 as remuneration for Directors and NT\$32,000,000 as remuneration for employees in accordance with Article 29 of the Articles of Incorporation. All remuneration shall be distributed in cash.

(IV) Report on the status of endorsements and guarantees

As of December 31, 2022, the Company's total endorsement and guarantees for external parties total NT\$750,424,000.

[Proposed Resolutions]

Agenda item #1 (Proposed by the Board of Directors)

Agenda: The 2022 Business Report and Financial Statements are filed for resolution.

Description:

- I. The Company's Financial Statements for 2022 have been audited by the CPAs Ching-Lin Li and Kuo-Ming Li of Crowe Horwath (TW). Please refer to page 9 to 33 of the Handbook.
- II. The aforementioned statements of final accounts and the Business Report have been reviewed by the Audit Committee.
- III. The amendment is hereby filed for resolution.

Resolution:

Agenda item #2 (Proposed by the Board of Directors)

Agenda: The earnings distribution proposal for 2022 is filed for resolution.

Description:

- I. The Company's net profit after tax in 2022 was NT\$1,089,094,499 and total distributable earnings was NT\$1,330,555,336. The Company plans to appropriate NT\$652,417,303 as dividends for shareholders with NT\$2.6 per share. All dividends shall be distributed in cash (calculated to the NTD and the remaining amounts below NT\$1 will be rounded down). The sum of fractional amounts of less than NT\$1 shall be tallied and transferred to the Employee Welfare Committee.
- II. After the dividends are approved by the shareholders' meeting, the Chairman of the Board is authorized to establish the ex-dividend date, distribution date, and other related matters.
- III. If the number of shares outstanding is affected by changes in the Company's share capital before the ex-dividend date for the distribution of earnings and causes changes in the shareholders' dividend rate, the Chairman of the Board is authorized process the adjustments at his full discretion.

IV. Please refer to the table below for the earnings distribution statement

Undistributed earnings at the beginning of the period	303,670,012
Plus: After-tax net profit of 2022	1,089,094,499
Minus: Appropriation for statutory reserve	(109,920,660)
Plus: Reversal of appropriation for special earnings reserve	37,599,382
Minus: Other consolidated income (loss) (remeasurement in defined benefit plans in 2022)	10,112,103
Distributable earnings in current period	1,330,555,336
Minus: Distributed shareholder dividends - cash dividends of NT\$2.6 per share (Note)	(652,417,303)
Undistributed retained earnings from previous years	678,138,033
Note: Stock dividends for shareholders: 250,929,732 shares *NT\$2.6 =NT\$652,417,303	

Chairman of the Board: Ching-Shen Hong

President: Ching-Shen Hong

Head of Accounting: William Li

V. The amendment is hereby filed for resolution.

Resolution:

[Discussions and Votes]

Agenda item #1 (Proposed by the Board of Directors)

Agenda: The amendment of the Articles of Incorporation is filed for discussion.

Description: I. Proposal for the amendment of the Articles of Incorporation in compliance with Article 172-2 of the Company Act which allows shareholders' meetings to be convened by means of visual communication network. The comparison table of the Articles of Incorporation before and after the amendment is provided as follows:

Content	After amendment	Before amendment	Reason for amendment
Article 11	Shareholders' meetings include regular meetings and extraordinary meetings. Regular meetings are convened once a year, and usually within six months of the end of each fiscal year. The regular meeting requires a 30-day advance notice from the Board of Directors. Where necessary, extraordinary	Shareholders' meetings include regular meetings and extraordinary meetings. Regular meetings are convened once a year, and usually within six months of the end of each fiscal year. The regular meeting is <u>convened</u> with a 30-day advance notice from the Board of Directors. Where necessary,	Amended in accordance with Article 172-2 of the Company Act.

	meetings may be convened with a notice to shareholders 15 days in advance according to the law. <u>The shareholders' meeting of the Company may be held by means of visual communication network or other methods announced by the central competent authority.</u>	extraordinary meetings may be convened with a <u>written</u> notice to shareholders 15 days in advance according to the law.	
Article 33	The Articles of Incorporation were established on August 12, 1980. Omitted The 30th amendment was on July 1, 2021. <u>The 31st amendment was on June 9, 2023.</u>	The Articles of Incorporation were established on August 12, 1980. Omitted The 30th amendment was on July 1, 2021.	Added the amendment date.

II. The amendment is hereby filed for resolution.

Resolution:

Agenda item #2 (Proposed by the Board of Directors)

Agenda: The amendment of the Regulations for Election of Directors is filed for discussion.

Description: I. Proposal for the amendment of the Regulations for Election of Directors in compliance with the amendment of the "Sample Template for XXX Co., Ltd. Procedures for Election of Directors" announced in Tai-Zheng-Zhi-Li No. 1090009468 dated June 3, 2020. The comparison table of the Regulations for Election of Directors before and after the amendment is provided as follows:

Content	After amendment	Before amendment	Reason for amendment
Article 4	Each share shall be empowered with voting rights equal to the number of elected Directors in elections of Directors of the Company. The Board of Directors shall prepare the ballots equal to the number of Directors to be elected and distribute them to the shareholders. The aforementioned ballots may be concentrated on one candidate or separated across	Each share shall be empowered with voting rights equal to the number of elected Directors in elections of Directors of the Company. The Board of Directors shall prepare the ballots equal to the number of Directors to be elected and distribute them to the shareholders. The aforementioned ballots may be concentrated on one candidate or separated across	This article is amended for the adoption of the candidate nomination system for the election of Directors.

Content	After amendment	Before amendment	Reason for amendment
	multiple candidates. The election of the Company's Directors shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.	multiple candidates. The election of the Company's <u>Independent</u> Directors shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.	
Article 8	The ballot <u>boxes</u> shall be prepared by the Board of Directors and publicly checked by the vote monitoring personnel before voting commences.	The ballot <u>boxes</u> shall be prepared by the Board of Directors and publicly checked by the vote monitoring personnel before voting commences.	Revised wording.
Article 9	Deleted	The voter shall specify the name of the candidate in the candidate field of the ballot and specify the shareholder account number. If a candidate is not a shareholder, the voter shall specify the candidate's name and identity certification document number and place the vote in the ballot box. However, if the candidate is a governmental institution or corporate shareholder, the name of the governmental institution or corporation shall be specified on the candidate field of the ballot and the voter may specify the name of the representative of the governmental institution or corporate shareholder. When there are multiple representatives, the names of each representative shall be filled.	This article is deleted for the adoption of the candidate nomination system for the election of Directors.
Article 10	A ballot is invalid under any of the following circumstances:	A ballot is invalid under any of the following circumstances:	This article is amended for

Content	After amendment	Before amendment	Reason for amendment
	1. The ballot was not prepared by a <u>person with the right to convene</u>. 2. A blank ballot is placed in the ballot <u>box</u>. 3. The writing is unclear and indecipherable or <u>has</u> been altered. 4. The candidate whose name is entered in the ballot does not conform to the <u>director candidate list</u>. 5. Other words or marks are entered in addition to the number of voting rights allotted.	1. The ballot was not prepared by the <u>Board of Directors</u>. 2. A blank ballot is placed in the ballot <u>box</u>. 3. The writing is unclear and indecipherable or has been altered and is <u>not corrected in accordance with laws</u>. 4. The account name or shareholder account number <u>does not match those in the shareholder register if the specified candidate is a shareholder of the Company</u>. The name does not match <u>the ID number if the specified candidate is not a shareholder</u>. 5. <u>Where the number of candidates specified on the same ballot exceeds the prescribed number</u>. 6. Other words are entered in addition to <u>the name (account) of the candidate or shareholder account number (identification certification document number) and the number of voting rights allotted</u>. 7. <u>Where the candidate's name written on the ballot is the same as that of another shareholder, but the voter fails to specify the shareholder account number or identification certification document number for identification</u>.	the adoption of the candidate nomination system for the election of Directors.

Content	After amendment	Before amendment	Reason for amendment
Article 11	Separate ballot <u>boxes</u> shall be set up for the election of Directors and <u>they</u> shall be opened by the vote monitoring personnel and vote counting personnel at the same time after the votes are cast.	Separate ballot <u>boxes</u> shall be set up for the election of Directors and <u>they</u> shall be opened by the vote monitoring personnel and vote counting personnel at the same time after the votes are cast.	Revised wording.
Article 15	The Regulations were established on June 16, 1995. Omitted The 3rd amendment was on June 9, 2015. <u>The 4th amendment was on June 9, 2023.</u>	The Regulations were established on June 16, 1995. Omitted The 3rd amendment was on June 9, 2015.	Added the amendment date.

II. The amendment is hereby filed for resolution.

Resolution:

[Extraordinary motions]

Sunonwealth Electric Machine Industry Co., Ltd.
Statement of Shares Held by Directors
(April 11, 2023)

Title	Name	Appointment date	Term	Number of shares currently held	
				Number of shares	Shareholding ratio
Chairman of the Board	Yu Yuan Investment Co., Ltd. Representative: Fu-Ing Hong Chen Ching-Shen Hong Li-Ju Chen Tseng-Cheng Lin	2021.7.1	3 years	14,825,000	5.91%
Director	Nice Enterprise Co., Ltd. Representative: Ching-Liang Chen	2021.7.1	3 years	4,006,813	1.60%
Independent Director	Chun-Hao Xin	2021.7.1	3 years	-	-
Independent Director	Mei-Hsiang Pai	2021.7.1	3 years	-	-
Independent Director	Chih-Ming Chen	2021.7.1	3 years	-	-
Independent Director	Kuang-Chih Huang	2021.7.1	3 years	-	-

Shareholdings required of all Directors	12,000,000	Shareholdings of all Directors	18,831,813
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Book closure date: 2023/4/11

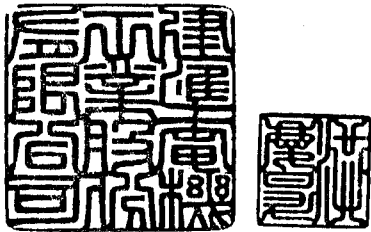
REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Sunonwealth Electric Machine Industry Co., Ltd. as of and for the year ended December 31, 2022 under the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No.10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Sunonwealth Electric Machine Industry Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Sunonwealth Electric Machine Industry Co., Ltd.

By



Ching-Shen Hong
Chairman

March 9, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sunonwealth Electric Machine Industry Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Sunonwealth Electric Machine Industry Co., Ltd. and its subsidiaries (the "Group") as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of the other independent accountants, as described in the other matters section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2022 are stated as follows:

Valuation of inventory

Please refer to Note 4(8) to the consolidated financial statements for the accounting policy of inventories, Note 5(2)G for critical accounting judgments, estimates and key sources of assumption uncertainty of inventories, and Note 6(5) for inventory valuation.

Description of key audit matter:

As of December 31, 2022, inventory was \$2,651,498 thousand and accounted for 21.7% of the total assets. Due to rapid changes in technology may lead to write-downs of slow-moving inventories to their net realizable values. As uncertainty exists in management's judgment when the determining the loss on inventory, the valuation of inventory has been identified as a key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included the understanding of the feature of the product and the inventory aging to confirm the appropriateness of the inventory evaluation method, testing the book value of the inventory to assess the rationality of the change in the impairment loss of the inventory, obtaining the inventory status of the Group and compare the actual write-offs of the past to assess the appropriateness of the valuation for obsolescent and damaged inventories.

Revenue recognition

Please refer to Note 4(20) to the consolidated financial statements for the accounting policy of revenue recognition, Note 5(1)B and Note 5(2)A for critical accounting judgements, estimates and key sources of assumption uncertainty of revenue recognition, and Note 6 (20) for the description of revenue recognition.

Description of key audit matter:

The Group's sales revenue is easily influenced by various factors such as the industry boom and market environment, and has a significant impact on the utilization rate of the Group (the levy of idle capacity loss), inventory risk and cash flow. Consequently, this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included testing the Group's controls surrounding revenue recognition, inspecting customer orders and performing a test of revenue transactions which incurred within a certain period before or after the balance sheet date, analysis of the trend of product sales and comparing the number of relevant changes or differences with the budget to confirm whether there is a significant exception.

Other Matters

As described in Note 4(3) to the consolidated financial statements, we didn't audit the financial statements of certain subsidiaries. The financial statements of the subsidiaries were audited by the other auditors. Therefore, our opinion, insofar as it relates to the amounts and information disclosed, is solely based on the report of the other auditors. The figures as to these subsidiaries' total assets amounted to \$1,422,090 thousand and \$593,783 thousand, representing 11.66% and 5.16% of the consolidated assets, and their total liabilities amounted to \$692,641 thousand and \$414,210 thousand, representing 9.91% and 5.79% of the consolidated liabilities as of December 31, 2022 and 2021, respectively; their total revenues amounted \$1,435,265 thousand and \$1,067,673 thousand, representing 10.21% and 7.87% of the consolidated revenue, and their total comprehensive income amounted to \$52,377 thousand and \$204 thousand, representing 4.61% and 0.05% of the consolidated comprehensive income for the years ended December 31, 2022 and 2021, respectively. In addition, as described in Note 6(6) to the consolidated financial statements, the financial statements of investments accounted for using equity method were audited by the other auditors. The carrying value of these investments amounted to \$5,800 thousand and \$7,081 thousand, representing 0.05% and 0.06% of the consolidated assets as of December 31, 2022 and 2021, and share of profit (loss) of these associates accounted for using equity method amounted to (\$1,401) thousand and (\$4,133) thousand, representing (0.1%) and (0.71%) of the consolidated income before income tax for the year ended December 31, 2022 and 2021, respectively. Also, share of other comprehensive income of these associates accounted for using equity method amounted to both \$0 thousand, representing both 0% of total consolidated comprehensive income for the year ended December 31, 2022 and 2021.

We have also audited the parent company only financial statements of Sunonwealth Electric Machine Industry Co., Ltd. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion including in the other matter paragraph.

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

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

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

Those charged with governance (inclusive of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ching Ling Lee and Kuo Ming Li.

Crowe (TW) CPAs

Crowe (TW) CPAs

Kaohsiung, Taiwan (Republic of China)

March 9, 2023

Notice to Readers

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

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

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

Assets	Note	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	\$2,457,337	20.2	\$1,912,018	16.6
Current financial assets at fair value through profit or loss-current	6(2)	211,827	1.7	255,236	2.2
Notes receivable, net	6(3)	30,095	0.2	32,577	0.3
Accounts receivable, net	6(4)	3,384,057	27.8	3,426,718	29.8
Other receivables		140,678	1.2	86,756	0.8
Current tax assets		1,668	-	4,620	-
Inventories	6(5)	2,651,498	21.7	2,508,162	21.8
Prepayments		148,430	1.2	164,483	1.4
Total current assets		9,025,590	74.0	8,390,570	72.9
NONCURRENT ASSETS					
Investments accounted for using equity method	6(6)	5,800	-	7,081	0.1
Property, plant and equipment	6(7)	2,273,414	18.7	2,059,278	17.9
Right-of-use assets	6(8)	593,877	4.9	762,447	6.6
Investment properties, net	6(9)	85,106	0.7	85,489	0.7
Intangible assets	6(10)	27,053	0.2	24,486	0.2
Deferred income tax assets	6(26)	112,591	0.9	60,141	0.5
Refundable deposits		19,773	0.2	31,383	0.3
Other non-current assets - other		48,765	0.4	96,445	0.8
Total noncurrent assets		3,166,379	26.0	3,126,750	27.1
TOTAL ASSESTS		\$12,191,969	100.0	\$11,517,320	100.0
Liabilities and Equity					
CURRENT LIABILITIES					
Short-term loans	6(11)	\$1,287,516	10.6	\$1,949,632	16.9
Contract liabilities - current	6(20)	176,164	1.4	110,411	1.0
Notes payable		136,355	1.1	17	-
Accounts payable		3,179,288	26.1	2,925,973	25.4
Other payables	6(12)	1,078,747	8.9	925,704	8.0
Current tax liabilities		208,679	1.7	157,744	1.4
Provisions - current	6(13)	54,643	0.4	40,942	0.4
Lease liabilities - current	6(8)	80,951	0.7	93,590	0.8
Advance receipts		-	-	2	-
Current portion of long-term loans	6(14)	120,372	1.0	35,222	0.3
Total current liabilities		6,322,715	51.9	6,239,237	54.2

Liabilities and Equity	Note	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
NONCURRENT LIABILITIES					
Long-term loans	6(14)	\$286,701	2.3	\$524,344	4.6
Deferred income tax liabilities	6(26)	190,955	1.6	36,498	0.3
Lease liabilities - noncurrent	6(8)	150,425	1.2	294,383	2.5
Net defined benefit liabilities - noncurrent	6(15)	35,667	0.3	55,047	0.5
Guarantee deposits		3,029	-	1,026	-
Total noncurrent liabilities		666,777	5.4	911,298	7.9
Total Liabilities		6,989,492	57.3	7,150,535	62.1
EQUITY					
Share capital	6(16)				
Ordinary shares		2,509,297	20.6	2,509,297	21.8
Capital surplus	6(17)	366,903	3.0	366,903	3.2
Retained earnings	6(18)				
Legal reserve		885,799	7.3	842,984	7.3
Special reserve		295,358	2.4	242,095	2.1
Unappropriated earnings		1,402,877	11.5	700,864	6.1
Other equity	6(19)	(257,757)	(2.1)	(295,358)	(2.6)
Total equity attributable to owners of the parent		5,202,477	42.7	4,366,785	37.9
NON-CONTROLLING INTERESTS		-	-	-	-
Total equity		5,202,477	42.7	4,366,785	37.9
TOTAL LIABILITIES AND EQUITY		\$12,191,969	100.0	\$11,517,320	100.0

The accompanying notes are an integral part of the parent company only financial statements.

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	Note	Year Ended December 31			
		2022		2021	
		Amount	%	Amount	%
OPERATING REVENUES	6(20)	\$14,063,308	100.0	\$13,561,804	100.0
OPERATING COSTS	6(5)	(10,892,350)	(77.5)	(11,025,549)	(81.3)
GROSS PROFIT		3,170,958	22.5	2,536,255	18.7
OPERATING EXPENSES					
Sales and marketing		(655,431)	(4.6)	(571,870)	(4.2)
General and administrative		(614,623)	(4.4)	(686,907)	(5.1)
Research and development		(781,334)	(5.6)	(814,188)	(6.0)
Expected credit gain (loss)	6(4)	2,314	-	377	-
Total operating expenses		(2,049,074)	(14.6)	(2,072,588)	(15.3)
INCOME FROM OPERATIONS		1,121,884	7.9	463,667	3.4
NON-OPERATING INCOME AND EXPENSES					
Interest revenue	6(22)	14,592	0.1	13,952	0.1
Other income	6(23)	155,312	1.1	167,336	1.2
Other gains and losses	6(24)	179,890	1.3	(27,434)	(0.2)
Finance costs	6(25)	(44,400)	(0.3)	(28,158)	(0.2)
Share of profits of subsidiaries, associates and joint ventures	6(6)	(1,401)	-	(4,133)	-
Total non-operating income and expenses		303,993	2.2	121,563	0.9
INCOME BEFORE INCOME TAX		1,425,877	10.1	585,230	4.3
INCOME TAX EXPENSE	6(26)	(336,782)	(2.4)	(155,977)	(1.1)
NET INCOME		1,089,095	7.7	429,253	3.2
OTHER COMPREHENSIVE INCOME (LOSS)	6(27)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation		12,640	0.1	(1,379)	-
Income tax benefit related to items that will not be reclassified subsequently		(2,528)	-	276	-
Total items that will not be reclassified subsequently to profit or loss		10,112	0.1	(1,103)	-
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive loss of subsidiaries, associates and joint ventures		47,000	0.3	(66,578)	(0.5)
Income tax benefit related to items that may be reclassified subsequently to profit or loss		(9,399)	-	13,315	0.1
Total items that may be reclassified subsequently to profit or loss		37,601	0.3	(53,263)	(0.4)
Total other comprehensive loss, net of income tax		47,713	0.3	(54,366)	(0.4)
TOTAL COMPREHENSIVE INCOME		\$ 1,136,808	8.1	\$ 374,887	2.8
PROFIT (LOSS), ATTRIBUTABLE TO:					
Parent company owner (net profit/loss)		\$ 1,089,095	7.7	\$ 429,253	3.2
Non-controlling interest (net profit/loss)		-	-	-	-
		\$ 1,089,095	7.7	\$ 429,253	3.2
TOTAL COMPREHENSIVE PROFIT OR LOSS IS ATTRIBUTABLE TO :					
Parent company owner (comprehensive profit and loss)		\$ 1,136,808	8.1	\$ 374,887	2.8
Non-controlling interest (comprehensive profit and loss)		-	-	-	-
		\$ 1,136,808	8.1	\$ 374,887	2.8
EARNINGS PER SHARE					
Basic	6(28)	\$4.34		\$1.71	
Diluted	6(28)	\$4.33		\$1.71	

The accompanying notes are an integral part of the parent company only financial statements.

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent								
			Retained Earnings			Other Exchange Differences on Translating foreign Operations		Non-controlling Interests	Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		Total		
BALANCE AT JANUARY 1, 2021	\$2,509,297	\$366,903	\$758,081	\$260,275	\$941,668	(\$242,095)	\$4,594,129	\$ -	\$4,594,129
Appropriations and distributions of prior years' earnings:									
Legal reserve	-	-	84,903	-	(84,903)	-	-	-	-
Special reserve	-	-	-	(18,180)	18,180	-	-	-	-
Cash dividends - \$2.4 per share	-	-	-	-	(602,231)	-	(602,231)	-	(602,231)
Net income in 2021	-	-	-	-	429,253	-	429,253	-	429,253
Other comprehensive income (loss) in 2021, net of income tax	-	-	-	-	(1,103)	(53,263)	(54,366)	-	(54,366)
Total comprehensive income in 2021	-	-	-	-	428,150	(53,263)	374,887	-	374,887
Increase (decrease) in non-controlling interests	-	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2021	2,509,297	366,903	842,984	242,095	700,864	(295,358)	4,366,785	-	4,366,785
Appropriations and distributions of prior years' earnings:									
Legal reserve	-	-	42,815	-	(42,815)	-	-	-	-
Special reserve	-	-	-	53,263	(53,263)	-	-	-	-
Cash dividends - \$1.2 per share	-	-	-	-	(301,116)	-	(301,116)	-	(301,116)
Net income in 2022	-	-	-	-	1,089,095	-	1,089,095	-	1,089,095
Other comprehensive income (loss) in 2022, net of income tax	-	-	-	-	10,112	37,601	47,713	-	47,713
Total comprehensive income in 2022	-	-	-	-	1,099,207	37,601	1,136,808	-	1,136,808
Increase (decrease) in non-controlling interests	-	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2022	\$2,509,297	\$366,903	\$885,799	\$295,358	\$1,402,877	(\$257,757)	\$5,202,477	\$ -	\$5,202,477

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

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	Year Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,425,877	\$ 585,230
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation	365,578	381,799
Amortization	147,087	135,374
Expected credit loss	(2,314)	(377)
Net Gain or loss on financial assets (liabilities) at fair value through profit or loss	(78)	108
Interest expense	44,400	28,158
Interest income	(14,592)	(13,952)
Share of profits of subsidiaries, associates and joint ventures accounted for using equity method	1,401	4,133
Loss on disposal and retirement of property, plant and equipment	2,195	12,416
Transfer of property, plant and equipment to expenses	1,715	1,316
Loss (gain) on disposals of intangible assets	-	565
Gain on disposal of investments	(2,566)	(4,001)
Gain on reversal of impairment loss on non-financial assets	-	(4,906)
Other	(223)	-
Total adjustments to reconcile profit (loss)	542,603	540,633
Net changes in operating assets and liabilities		
Decrease (increase) in financial assets mandatorily classified as at fair value through profit or loss	50,350	158,760
Decrease (increase) in notes receivable	2,482	(16,256)
Decrease (increase) in accounts receivable	44,889	(217,048)
Decrease (increase) in other receivables	(53,249)	56,877
Decrease (increase) in inventories	(144,791)	(743,518)
Decrease (increase) in prepayments	(28,799)	(159,355)
Decrease (increase) in other financial assets	-	196,417
Total changes in operating assets	(129,118)	(724,123)
Net changes in operating liabilities		
Increase (decrease) in contract liabilities	65,753	4,920
Increase (decrease) in notes payable	136,338	-
Increase (decrease) in accounts payable	253,315	103,254
Increase (decrease) in other payables	78,022	(154,090)
Increase (decrease) in provisions	13,060	(3,565)
Increase (decrease) in advance receipts	(2)	(324)
Increase (decrease) in net defined benefit liabilities	(6,740)	(5,723)
Total changes in operating liabilities	539,746	(55,528)
Total net changes in operating assets and liabilities	410,628	(779,651)
Total adjustments	953,231	(239,018)

	Year Ended December 31	
	2022	2021
Cash generated from (used in) operations	\$2,379,108	\$346,212
Interest received	14,123	14,596
Interest paid	(42,287)	(27,598)
Income tax paid	(192,815)	(142,357)
Net cash generated from operating activities	2,158,129	190,853
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(393,988)	(443,828)
Proceeds from disposal of property, plant and equipment	114	178,017
Increase in refundable deposits	-	(8,580)
Decrease in refundable deposits	11,610	-
Increase in other receivables	(204)	(13,025)
Acquisition of intangible assets	(15,540)	(14,736)
Decrease in other financial assets	-	12,313
Increase in other non-current assets	(39,887)	(190,578)
Net cash generated from (used in) investing activities	(437,895)	(480,417)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	-	1,278,969
Decrease in short-term loans	(662,116)	-
Proceeds from long-term loans	-	39,566
Repayment of long-term loans	(152,493)	-
Increase in guarantee deposits	2,003	-
Decrease in guarantee deposits	-	(3,068)
Repayments of lease principal	(75,441)	(127,747)
Cash dividends paid	(301,116)	(602,231)
Net cash used in financing activities	(1,189,163)	585,489
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	14,248	41,174
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	545,319	337,099
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,912,018	1,574,919
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,457,337</u>	<u>\$ 1,912,018</u>

The accompanying notes are an integral part of the parent company only financial statements.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sunonwealth Electric Machine Industry Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Sunonwealth Electric Machine Industry Co., Ltd. (the "Company") as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of the other independent accountants, as described in the other matters section of our report, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the parent company only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion base on the results that we audit and the audit report of other accountants.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters of the Company's parent company only financial statements for the year ended December 31, 2022 are stated as follows:

Valuation of inventory

Please refer to Note 4(7) to the parent company only financial statements for the accounting policy of inventories, Note 5(2)G for critical accounting judgments, estimates and key sources of assumption uncertainty of inventories, and Note 6(4) for inventory valuation.

Description of key audit matter:

As of December 31, 2022, inventory was \$925,080 thousand and accounted for 9.9% of the total assets. Due to rapid changes in technology may lead to write-downs of slow-moving inventories to their net realizable values. As uncertainty exists in management's judgment when the determining the loss on inventory, the valuation of inventory has been identified as a key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included the understanding of the feature of the product and the inventory aging to confirm the appropriateness of the inventory evaluation method ; testing the book value of the inventory to assess the rationality of the change in the impairment loss of the inventory, obtaining the inventory status of the Company and compare the actual write-offs of the past to assess the appropriateness of the valuation for obsolescent and damaged inventories.

Revenue recognition

Please refer to Note 4(19) to the parent company only financial statements for the accounting policy of revenue recognition, Note 5(1)B and Note 5(2)A for critical accounting judgements, estimates and key sources of assumption uncertainty of revenue recognition, and Note 6(19) for the description of revenue recognition.

Description of key audit matter:

The Company's sales revenue is easily influenced by various factors such as the industry boom and market environment, and has a significant impact on the utilization rate of the Company (the levy of idle capacity loss), inventory risk and cash flow. Consequently, this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included testing the Company's controls surrounding revenue recognition; inspecting customer orders and performing a test of revenue transactions which incurred within a certain period before or after the balance sheet date; analysing of the trend of product sales and comparing the number of relevant changes or differences with the budget to confirm whether there is a significant exception.

Other Matters

We did not audit the financial statements of associates accounted for using the equity method that are included in the parent company only financial statements. Those financial statements were audited by other independent accountants, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the parent company only financial statements is based solely on the audit reports of other independent accountants. The balances of these associates accounted for under the equity method amounted to \$690,305 thousand and \$163,739 thousand, representing 7.35% and 2.01% of total assets as of December 31, 2022 and 2021, respectively, and share of profits from associates and joint ventures amounted to \$45,505 thousand and \$9,917 thousand, representing 3.36% and 1.79% of the income before income tax for the years ended December 31, 2022 and 2021, respectively, and shares of other comprehensive income from associates and joint ventures amounted to \$17,456 thousand and (\$10,859) thousand, representing 36.59% and 19.97% of the other comprehensive income for the year ended December 31, 2022 and 2021, respectively.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (inclusive of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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



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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ching Ling Lee and Kuo Ming Li.

Crowe (TW) CPAs
Crowe (TW) CPAs
Kaohsiung, Taiwan (Republic of China)
March 9, 2023

Notice to Readers

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

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

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

Assets	Note	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	\$400,593	4.3	\$499,970	6.1
Notes receivable, net	6(2)	23,347	0.2	32,577	0.4
Accounts receivable, net	6(3)	2,367,582	25.2	2,072,727	25.5
Accounts receivable - related parties, net	6(3), 7	1,182,181	12.6	744,501	9.1
Other receivables		36,310	0.4	23,079	0.3
Other receivables - related parties	7	46,674	0.5	27,420	0.3
Inventories	6(4)	925,080	9.9	900,370	11.0
Prepayments		12,687	0.1	13,321	0.2
Total current assets		4,994,454	53.2	4,313,965	52.9
NONCURRENT ASSETS					
Investments accounted for using equity method	6(5)	3,198,115	34.1	2,650,469	32.5
Property, plant and equipment	6(6)	1,047,782	11.2	1,042,050	12.8
Right-of-use assets	6(7)	22,087	0.2	31,809	0.4
Investment properties, net	6(8)	85,106	0.9	85,489	1.0
Intangible assets	6(9)	18,038	0.2	15,386	0.2
Deferred income tax assets	6(25)	19,735	0.2	14,476	0.2
Refundable deposits		3,705	-	2,714	-
Prepayments for investments		-	-	288	-
Total noncurrent assets		4,394,568	46.8	3,842,681	47.1
TOTAL ASSESTS		\$9,389,022	100.0	\$8,156,646	100.0
Liabilities and Equity					
CURRENT LIABILITIES					
Short-term loans	6(10)	\$795,000	8.5	\$620,000	7.6
Contract liabilities - current	6(19)	131,201	1.4	67,046	0.8
Accounts payable		910,989	9.7	824,330	10.1
Accounts payable - related parties	7	1,228,537	13.1	1,198,579	14.7
Other payables	6(11)	364,564	3.9	240,968	3.0
Other payables - related parties	6(11), 7	26,579	0.3	21,677	0.3
Current tax liabilities	6(25)	176,251	1.9	141,711	1.7
Provisions - current	6(12)	17,879	0.2	14,273	0.2
Lease liabilities - current	6(7)	10,170	0.1	11,393	0.1
Advance receipts		-	-	2	-
Current portion of long-term loans	6(13)	88,889	0.9	35,222	0.4
Total current liabilities		3,750,059	40.0	3,175,201	38.9

Liabilities and Equity	Note	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
NONCURRENT LIABILITIES					
Long-term loans	6(13)	\$266,667	2.8	\$501,778	6.2
Deferred income tax liabilities	6(25)	121,315	1.3	36,498	0.4
Lease liabilities - noncurrent	6(7)	12,410	0.1	20,912	0.3
Net defined benefit liabilities - noncurrent	6(14)	35,667	0.4	55,047	0.7
Guarantee deposits		427	-	425	-
Total noncurrent liabilities		436,486	4.6	614,660	7.6
Total Liabilities		4,186,545	44.6	3,789,861	46.5
Share capital	6(15)				
Ordinary shares		2,509,297	26.7	2,509,297	30.7
Capital surplus	6(16)	366,903	3.9	366,903	4.5
Retained earnings	6(17)				
Legal reserve		885,799	9.4	842,984	10.3
Special reserve		295,358	3.1	242,095	3.0
Unappropriated earnings		1,402,877	15.0	700,864	8.6
Other equity	6(18)	(257,757)	(2.7)	(295,358)	(3.6)
Total Equity		5,202,477	55.4	4,366,785	53.5
TOTAL LIABILITIES AND EQUITY		\$9,389,022	100.0	\$8,156,646	100.0

The accompanying notes are an integral part of the parent company only financial statements.

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	Note	Year Ended December 31			
		2022		2021	
		Amount	%	Amount	%
OPERATING REVENUES	6(19)	\$11,762,491	100.0	\$9,894,052	100.0
OPERATING COSTS	6(4)	(10,020,961)	(85.2)	(8,630,777)	(87.2)
GROSS PROFIT		1,741,530	14.8	1,263,275	12.8
UNREALIZED GROSS PROFIT ON SALES TO SUBSIDIARIS AND ASSOCIATES		(93,389)	(0.8)	(41,344)	(0.4)
REALIZED GROSS PROFIT ON SALES TO SUBSIDIARIS AND ASSOCIATES		41,344	0.4	38,932	0.4
OPERATING EXPENSES					
Sales and marketing		(343,972)	(2.9)	(289,196)	(2.9)
General and administrative		(305,386)	(2.6)	(253,288)	(2.6)
Research and development		(448,231)	(3.8)	(452,699)	(4.6)
Expected credit gain (loss)	6(3)	193	-	250	-
Total operating expenses		(1,097,396)	(9.3)	(994,933)	(10.1)
INCOME FROM OPERATIONS		592,089	5.1	265,930	2.7
NON-OPERATING INCOME AND EXPENSES					
Interest revenue	6(21)	6,824	0.1	2,260	-
Other income	6(22)	153,464	1.3	135,210	1.4
Other gains and losses	6(23)	(72,469)	(0.6)	52,027	0.5
Finance costs	6(24)	(13,560)	(0.1)	(8,372)	(0.1)
Share of profits of subsidiaries, associates and joint ventures		687,903	5.8	107,125	1.1
Total non-operating income and expenses		762,162	6.5	288,250	2.9
INCOME BEFORE INCOME TAX		1,354,251	11.6	554,180	5.6
INCOME TAX EXPENSE	6(25)	(265,156)	(2.3)	(124,927)	(1.3)
NET INCOME		1,089,095	9.3	429,253	4.3
OTHER COMPREHENSIVE INCOME (LOSS)	6(26)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation		12,640	0.1	(1,379)	-
Income tax benefit related to items that will not be reclassified subsequently		(2,528)	-	276	-
Total items that will not be reclassified subsequently to profit or loss		10,112	0.1	(1,103)	-
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive loss of subsidiaries, associates and joint ventures		47,000	0.4	(66,578)	(0.7)
Income tax benefit related to items that may be reclassified subsequently to profit or loss		(9,399)	(0.1)	13,315	0.2
Total items that may be reclassified subsequently to profit or loss		37,601	0.3	(53,263)	(0.5)
Total other comprehensive loss, net of income tax		47,713	0.4	(54,366)	(0.5)
TOTAL COMPREHENSIVE INCOME		1,136,808	9.7	374,887	3.8
EARNINGS PER SHARE					
Basic	6(27)	\$4.34		\$1.71	
Diluted	6(27)	\$4.33		\$1.71	

The accompanying notes are an integral part of the parent company only financial statements.

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Ordinary Shares	Capital Surplus	Retained Earnings			Other Exchange Differences on Translating Foreign Operations	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2021	\$ 2,509,297	\$ 366,903	\$ 758,081	\$ 260,275	\$ 941,668	\$ (242,095)	\$ 4,594,129
Appropriations and distributions of prior years' earnings:							
Legal reserve	-	-	84,903	-	(84,903)	-	-
Special reserve	-	-	-	(18,180)	18,180	-	-
Cash dividends - \$2.4 per share	-	-	-	-	(602,231)	-	(602,231)
Net income in 2021	-	-	-	-	429,253	-	429,253
Other comprehensive income (loss) in 2021, net of income tax	-	-	-	-	(1,103)	(53,263)	(54,366)
Total comprehensive income in 2021	-	-	-	-	428,150	(53,263)	374,887
BALANCE AT DECEMBER 31, 2021	2,509,297	366,903	842,984	242,095	700,864	(295,358)	4,366,785
Appropriations and distributions of prior years' earnings:							
Legal reserve	-	-	42,815	-	(42,815)	-	-
Special reserve	-	-	-	53,263	(53,263)	-	-
Cash dividends - \$1.2 per share	-	-	-	-	(301,116)	-	(301,116)
Net income in 2022	-	-	-	-	1,089,095	-	1,089,095
Other comprehensive income (loss) in 2022, net of income tax	-	-	-	-	10,112	37,601	47,713
Total comprehensive income in 2022	-	-	-	-	1,099,207	37,601	1,136,808
BALANCE AT DECEMBER 31, 2022	<u>\$ 2,509,297</u>	<u>\$ 366,903</u>	<u>\$ 885,799</u>	<u>\$ 295,358</u>	<u>\$ 1,402,877</u>	<u>\$ (257,757)</u>	<u>\$ 5,202,477</u>

The accompanying notes are an integral part of the parent company only financial statements.

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	Year Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,354,251	\$ 554,180
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation	64,680	65,637
Amortization	12,514	13,818
Expected credit loss	(193)	(250)
Interest expense	13,560	8,372
Interest income	(6,824)	(2,260)
Share of profits of subsidiaries, associates and joint ventures	(687,903)	(107,125)
Gain on disposal and retirement of property, plant and equipment	(1,105)	(16)
Transfer of property, plant and equipment to expenses	-	47
Gain on reversal of impairment loss on non-financial assets	-	(4,906)
Unrealized gross profit on sales to subsidiaries and associates	93,389	41,344
Realized gross profit on sales to subsidiaries and associates	(41,344)	(38,932)
Other	8,430	14,031
Total adjustments to reconcile profit (loss)	(544,796)	(10,240)
Net changes in operating assets and liabilities		
Decrease (increase) in notes receivable	9,230	(16,257)
Decrease (increase) in accounts receivable	(294,662)	(276,387)
Decrease (increase) in accounts receivable - related parties	(437,680)	(213,946)
Decrease (increase) in other receivables	(12,764)	(4,327)
Decrease (increase) in other receivables - related parties	(19,254)	(8,034)
Decrease (increase) in inventories	(24,710)	(292,362)
Decrease (increase) in prepayments	429	(1,367)
Total changes in operating assets	(779,411)	(812,680)
Net changes in operating liabilities		
Increase (decrease) in contract liabilities	64,155	29,270
Increase (decrease) in accounts payable	86,659	51,228
Increase (decrease) in accounts payable - related parties	29,958	(11,384)
Increase (decrease) in other payables	127,240	(72,328)
Increase (decrease) in other payables - related parties	4,902	6,770
Increase (decrease) in provisions	3,606	514
Increase (decrease) in advance receipts	(2)	(324)
Increase (decrease) in net defined benefit liabilities	(6,740)	(5,723)
Total changes in operating liabilities	309,778	(1,977)
Total net changes in operating assets and liabilities	(469,633)	(814,657)
Total adjustments	(1,014,429)	(824,897)

	Year Ended December 31	
	2022	2021
Cash generated from (used in) operations	\$339,822	(\$270,717)
Interest received	6,357	2,260
Dividends received	229,245	420,136
Interest paid	(13,199)	(8,312)
Income tax paid	(162,985)	(106,561)
Net cash generated from operating activities	399,240	36,806
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	(105,266)	(27,962)
Proceeds from capital reduction of investments accounted for using equity method	-	381,660
Acquisition of property, plant and equipment	(68,569)	(55,003)
Proceeds from disposal of property, plant and equipment	8,315	207
Increase in refundable deposits	(991)	(266)
Acquisition of intangible assets	(12,809)	(10,445)
Decrease in other financial assets	-	12,313
Increase in other non-current assets	-	(987)
Net cash generated from (used in) investing activities	(179,320)	299,517
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	175,000	270,000
Proceeds from long-term loans	-	17,000
Repayment of long-term loans	(181,444)	-
Increase in guarantee deposits	2	-
Decrease in guarantee deposits	-	(24)
Repayments of lease principal	(11,739)	(12,482)
Cash dividends paid	(301,116)	(602,231)
Net cash used in financing activities	(319,297)	(327,737)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(99,377)	8,586
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	499,970	491,384
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 400,593	\$ 499,970

The accompanying notes are an integral part of the parent company only financial statements.

The effects of the stock dividends proposed by the shareholders' meeting on the Company's business performances and earnings per share.

Item		Year	2023 (Estimated)
Initial paid-in capital (NT\$1,000)			2,509,297
Distribution of stock and cash dividends in the current fiscal year	Cash dividends per share (NT\$)		2.60
	Number of shares distributed per share in capital increase by retained earnings (NT\$)		-
	Number of shares distributed per share in capital increase by capital reserve (NT\$)		-
Change in operating performance	Operating profits (NT\$1,000)		Not applicable (Note 2)
	Percentage of increase (decrease) in operating profit over the same period in the previous fiscal year (%)		
	After-tax net profit (NT\$1,000)		
	Percentage of increase (decrease) in after-tax net profit over the same period in the previous fiscal year (%)		
	Earnings per share (NT\$)		
	Percentage of increase (decrease) in EPS over the same period in the previous fiscal year (%)		
	Annual average return on investment (reciprocal of average annual price/earnings ratio) (%)		
Pro forma earnings per share and price/earnings ratio	If capital increase by retained earnings is entirely replaced by cash dividend distribution	Pro forma earnings per share	Not applicable (Note 2)
		Pro forma average annual return on investment	
	If capital reserve is not used for capital increase	Pro forma earnings per share	
		Pro forma average annual return on investment	
	If capital reserve is not used for capital increase and capital increase by retained earnings is replaced by cash dividend distribution	Pro forma earnings per share	
		Pro forma average annual return on investment	

Note 1: Filed in accordance with the resolution of the meeting of the Board of Directors on March 9, 2023. To be passed in the general shareholders meeting in 2023.

Note 2: According to the "Regulations Governing the Publication of Financial Forecasts of Public Companies", the Company is not required to disclose its financial forecasts for 2022.

Sunonwealth Electric Machine Industry Co., Ltd.
Shareholders' Meeting Policy

- Article 1: Unless otherwise specified by law or the Articles of Incorporation, the shareholders' meetings of the Company shall be implemented in accordance with this Policy.
- Article 2: The Company shall provide an attendance log to record attendance of shareholders in attendance; alternatively, attendance cards may be presented to signify their presence at the meeting. The number of shares represented during the meeting is calculated based on the total amount registered in the attendance log or the attendance cards collected.
- Article 3: Shareholders' attendance and votes are determined by the number of shares represented during the meeting.
- Article 4: Shareholders' meetings of the Company shall be held at locations that are suitable and convenient for shareholders to attend. Meetings shall not begin earlier than 9 AM or later than 3 PM.
- Article 5: Shareholders' meetings that are convened by the Chairman shall be chaired by the Chairman. If the Chairman is unable to perform such duties due to leave of absence or any reason, the Vice Chairman shall act on the Chairman's behalf. If the Vice Chairman is also unavailable or is non-existent, the Chairman may appoint one of the Managing Directors to act on the Chairman's behalf. If the Company does not have a Managing Director, one of the Directors shall be appointed to act on the Chairman's behalf. If no such designation is made by the Chairman, the Managing Directors or Directors shall select one person from among themselves to serve as chair. If the shareholders' meeting is convened by an authorized party other than the Board of Directors, the meeting shall be chaired by the authorized convener.
- Article 6: The Company may summon its lawyers, certified public accountants, and any relevant personnel to be present at the shareholders' meeting. Organizers of the shareholders' meeting must wear proper identification or arm badges.
- Article 7: The Company's shareholder meetings must be video or audio recorded and kept for at least one year.
- Article 8: The chair shall announce the commencement of the meeting as soon as it is due. However, if the attendants represented less than half of the Company's outstanding shares, the chair may announce to postpone the meeting up to two times, for a period totaling no more than one hour. If after two postponements the number of shareholders present is still insufficient while representing at least one third of the total issued shares, provisional resolutions may be adopted in accordance with Article 175, Paragraph 1 of the Company Act. If the number of shares represented during the meeting accumulates to more than half of all outstanding shares before the meeting ends, the chair may re-propose the tentative resolution for final voting according to Article 174 of the Company Act.
- Article 9: If the shareholders' meeting is convened by the Board of Directors, the Board of Directors shall determine the meeting proceedings. The proceedings shall not be changed unless

resolved during the shareholders' meeting. The above rule also applies if the shareholders' meeting is convened by any authorized party other than the Board of Directors. In either of the two arrangements described above, the chair cannot dismiss the meeting while an agenda item (including extraordinary motions) is still in progress. If the chair violates the meeting policy by dismissing the meeting when it is not allowed to do so, the attending shareholders may elect another chair with the support of more than half of voting rights represented and continue the meeting.

Article 10: Shareholders who wish to speak during the meeting must produce an opinion slip detailing the topics and the shareholder's account number (or the attendance ID serial). The order of shareholders' comments shall be determined by the chair. Shareholders who submit an opinion slip without actually speaking are considered to have remained silent. If the shareholder's actual comments differ from those stated on the opinion slip, the actual comments expressed shall be recorded. While a shareholder is speaking, other shareholders shall not speak simultaneously or interfere in any way unless agreed by the chair and the person speaking. Any violators shall be restrained by the chair.

Article 11: Each shareholder shall speak no more than twice, for a maximum of five minutes each, on the same agenda item unless otherwise agreed by the chair. The chair may stop shareholders from speaking if they violate the rules or speak outside the agenda item under discussion.

Article 12: Corporate entities that have been designated as proxy attendants shall only appoint one representative to attend the shareholders' meeting. Where a corporate shareholder has appointed two or more representatives to attend the shareholders' meeting, only one representative may speak per agenda item.

Article 13: After the shareholder has finished speaking, the chair may answer to the shareholder's queries personally or appoint any relevant personnel to do so.

Article 14: When the chair at a board meeting is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call a vote.

Article 15: The chair will appoint a ballot scrutineer and a ballot counter; the ballot scrutineer must be a shareholder. Voting results shall be made known on-site immediately and recorded in writing.

Article 16: The chair may put the meeting in recess at appropriate times.

Article 17: Unless otherwise regulated by the Company Act or the Articles of Incorporation, an agenda item is passed when supported by shareholders who represent more than half of the total voting rights in the meeting. No voting power shall be granted, however, to shares specified in Article 179 of the Company Act. An agenda is considered passed if the chair receives no objections from any attendants. This voting method is as effective as does the conventional ballot method.

Article 18: When there is an amendment or alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in

which they will be put to a vote. If any resolution is passed, all other proposals shall be deemed rejected and no further voting is necessary.

Article 19: The chair may instruct marshals (or security staff) to help maintain order in the meeting.

While maintaining order in the meeting, all marshals or security staff must wear arm bands which identify their roles as "Marshall."

Article 20: Matters not provided herein shall be subject to the provisions of the Articles of Incorporation and other applicable laws and regulations.

Article 21: The Policy shall come into effect upon approval of the shareholders' meeting. The same applies to all subsequent amendments.

Article 22: The Policy was established on June 23, 1991. The first amendment was on April 3, 1997. The second amendment was on April 3, 1998. The third amendment was on May 28, 2002. The fourth amendment was on June 16, 2006.

Sunonwealth Electric Machine Industry CO., LTD.

Articles of Incorporation

SECTION I: General Principals

- Article 1. The Company is called 建準電機工業股份有限公司 and is registered as a company limited by shares according to the ROC Company Act. The English name of the Company is SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
- Article 2. The Company is engaged in the following businesses:
- 01. CC01080 Electronic Parts and Components Manufacturing
 - 02. CC01990 Electrical Machinery, Supplies Manufacturing
 - 03. CB01010 Machinery and Equipment Manufacturing
 - 04. CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing
 - 05. CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing
 - 06. F401010 International Trade
 - 07. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3. The Company's headquarter is located in Kaohsiung city, Taiwan and may set up domestic or foreign branches, offices or business establishments as resolved by the Board of Directors, if necessary.
- Article 4. Public announcements by the Company are to be made following Article 28 of Company Act.
- Article 5. The total amount of the Company's reinvestment shall not be subject to the restriction of not exceeding 40% of its paid-in capital, and the Company may act as a guarantor.

SECTION II: Shares

- Article 6. The total capital amount of the Company shall be five billion New Taiwan Dollars (NT\$5,000,000,000), divided into five hundred million (500,000,000) shares, at a par value of ten New Taiwan Dollars (NT\$10) per share, and may be issued separately according to the resolution of the Board of Directors.
- An additional NT\$700 million shall be reserved in the authorized capital in the preceding paragraph for the issuance of employee stock options issuable in 70 million shares of NT\$10 per share. The Board of Directors is authorized to issue shares in installments.
- Article 6-1. The Company may transfer shares at prices lower than the average repurchase prices to employees or issue employee stock options with a subscription price lower than the closing price of common shares on the issuance date with the approval of two-thirds of all shareholders in the most recent shareholders' meeting attended by at least one-half of all shareholders of outstanding shares.
- Article 6-2. When the Company issues new shares, the employees eligible for share subscription shall include employees of subsidiaries of the Company that meet certain conditions, which are to be prescribed by the Board of Directors.

The recipients of new restricted employee shares issued by the Company include employees of subsidiaries of the Company that meet certain conditions. The conditions and methods of distribution are to be prescribed by the Board of Directors.

Article 7. The Company's stocks shall be registered. Share certificates shall be affixed with the signatures or personal seals of the director representing the Company and shall be duly certified or authenticated by the bank which is competent to certify shares under the laws before issuance thereof.

The Company may issue shares without printing share certificate(s), but shall have the shares registered with the Taiwan Depository & Clearing Corporation.

Article 8. A shareholder shall for record purposes provide to the Company his official name. it shall state the official name and registered address of each shareholder and(or) the proxy of the shareholder in the roster of shareholder. Where there are several persons owning the same share or shares, such co-owners shall select one of them for the exercise of their shareholders rights.

Article 9. Unless otherwise required by the laws and the Securities and Exchange Act, the shareholder services including transferring of share ownership, creation of pledge, removal of pledge, reporting of loss, inheritance, gift, change of basic shareholder information, etc. shall be handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies promulgated by competent authority

Article 10. A company shall not handle any requests for transfers of shares within 60 days prior to the shareholders meeting, 30 days prior to the special shareholders meeting, or 5 days prior to the record date for the distribution of dividends, bonuses or other interests.

SECTION III: General Shareholders' Meeting

Article 11. Shareholders' meeting shall be of two types, namely general and extraordinary shareholders' meeting. The former shall be convened once a year within six months after the close of each fiscal year and the latter shall be convened whenever necessary. Notices which clearly state the purpose(s) for convening meeting shall be sent to each shareholder at least thirty (30) days in advance, in case of general meetings, and at least fifteen (15) days in advance, in case of extraordinary meetings.

Article 12. Any shareholder, who for any reason is unable to attend general shareholders' meetings, may execute a proxy printed by the Company, in which the authorized matters shall be expressly stated, to authorize a proxy to attend the meeting for him/her.

Article 13. Shareholders' meeting shall be convened by the Board of Directors and, be presided over by the Chairman of the Board of Directors; in case the Chairman of the Board of Directors is on leave or unable to perform his duties for cause, the Chairman of the Board of Directors shall designate a director to act as the chairman; if no such designation, the directors shall elect one from among themselves.

Article 14. Except in the circumstances otherwise provided under the Article 179 of the Company Act, a shareholder shall have one voting power in respect of each share in his/her/its possession.

Article 15. Unless otherwise required by the Company Act, shareholders' resolutions shall be adopted by at least half of the votes of the shareholders present at a general shareholders' meeting who hold at least half of all issued and outstanding shares of the Company.

- Article 16. Shareholder meeting minutes made for the purpose of recording all proceedings and resolutions at meetings of the holders of any class of Shares should be signed by respective chairpersons and dispatched within 20 days from the date the meetings concluded to all of the Shareholders for the time being entitled to receive notice of and to attend and vote at the meetings. Minutes shall also specify the place, the day and the hour of the meeting and name of the chairperson and are to be kept in the Company along with relevant Shareholder sign-in records and instruments of proxies. The attendance list bearing the signatures of the shareholders present at the shareholders meeting and the powers of attorney of the proxies shall be kept for a period of at least one year.

SECTION IV: Director

- Article 17. The Company shall have seven to nine Directors. The election of Directors is held by nomination in accordance with Article 192-1 of the Company Act, and the shareholders shall vote on the list of candidates. They shall serve three-year terms and they may be reelected. The total number of registered shares of the Company held by all Directors shall meet requirements in the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies" promulgated by the competent authority.
- The number of Independent Directors among the Directors specified above shall be no less than three and no less than one fifth of the total number of Directors. Independent Directors shall be elected from among the nominees in the shareholders' meeting. Independent Directors may not serve for more than three consecutive terms. With respect to professional qualifications, shareholdings, restrictions on taking part-time jobs, independence, nomination, and other compliance-related requirements for independent supervisors, the Company shall follow the relevant regulations announced by the competent authority in charge of the securities industry.
- The monthly salaries and transportation allowances for Directors of the Company shall be determined in accordance with prevailing rates in the industry.
- The Company shall purchase liability insurance for all Directors in their tenure, and therefore insure itself against liabilities incurred by the directors over the course of service.
- Article 18. Tenure of incumbent Directors and Supervisor may be extended until such date new Directors and new Supervisor are appointed if shareholder general meeting to elect new Directors and new Supervisor, for any reason, is not convened in time.
- Article 19. The Board of Directors is formed by the Directors. The Chairman shall be elected by a majority voting of the Directors present at a meeting of its Board of Directors attended by two-thirds or more of the Directors of the Company. The Board of Directors may elect one person to serve as the Vice Chairman in the same manner. The Chairman shall execute all matters of the Company in accordance with laws, regulations, the Articles of Incorporation, and resolutions of the shareholders' meeting and the Board of Directors.
- Article 20. By-elections shall be convened for the purpose of filling vacant seats in the board of Directors if any such vacancy arises prior to expiration of the designated 3-year tenure. Appointment through by-election shall not carry tenure beyond the original expiration date of the vacant position for which the by-election is held.
- Article 21. The meeting of the Board of Directors shall be held once every quarter; special meeting of the Board of Directors may be held when Chairman deems necessary or requested by two (2) or more Board members. Unless otherwise stipulated in the Company Act, board meetings shall be called and chaired by the Chairman of the Company. When the Chairman cannot exercise his power and authority, the act on his behalf shall be in according with the provisions of Article 192-1 of the Company Act.
- In convening a meeting of the Board of Directors, a notice indicated the purpose(s) for

convening the meeting shall be given to each director no later than 7 days prior to the scheduled meeting date in writing or via e-mail or fax. However, in the case of urgency, the meeting may be convened at any time.

- Article 22. Unless otherwise required by the Company Act, shareholders' resolutions shall be adopted by at least half of the votes of the shareholders present at a general shareholders' meeting who hold at least half of all issued and outstanding shares of the Company. A director may execute a proxy to appoint another director to attend the Board of Directors meeting and to exercise his/her voting right, but a director can accept only one proxy. In case a meeting of the board of directors is proceeded via visual communication network, then the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.
- Article 23. Board meeting minutes made for the purpose of recording all proceedings and resolutions at meetings of the Directors should be signed by the chairman and dispatched within 20 days from the date the meetings concluded to all of the Directors. Minutes shall be kept in the Company along with relevant Director sign-in records and instruments of proxies.
- Article 24. The Company shall set forth the Audit Committee, which comprises of all the independent directors, in accordance with the Securities and Exchange Act. One of the independent directors shall be the convener, and at least one of whom shall have accounting or financial expertise.
- After the establishment of the Audit Committee, the Audit Committee shall be responsible for performing the power of supervisors as provided in the Company Act, the Securities and Exchange Act, the Articles of Incorporation and the internal rules of the Company and the relevant laws and regulations.
- The resolution of the Audit Committee shall be made at the meeting in which a majority of the independent directors shall vote in favor of the resolution.
- Article 25. When holding a meeting of the board of directors, the company may invite personnel of relevant departments to attend the meeting as nonvoting participants.

SECTION V: Manager

- Article 26. The Company may have managers whose appointment, dismissal, and remuneration shall be handled in accordance with Article 29 of the Company Act.
- Article 27. (Deleted)

SECTION VI: ACCOUNTING

- Article 28. At the end of each fiscal year, the Board of Directors shall prepare financial and accounting books in accordance with the ROC Company Act and submit them according to law to the ordinary general shareholders' meeting for approval.
1. the business report;
 2. the financial statements; and
 3. the surplus earning distribution or loss off-setting proposals.
- Article 29. The company operates the business of electronic components industry and it is currently at the growth stage of the industry life cycle. Research, development and increasing production capacity are the key to competitive capability and sustainable operation. Based on the factors including capital required for operation and stable dividends distribution, the Company adopts Residual Dividend Policy with fixed dividends. If the Company is

profitable, 2% (inclusive) of the profits shall be allocated as compensation to employees and 5% (inclusive) or less of the profits should be allocated as compensation to directors. While the Company has accumulated losses, the profit shall be set aside to compensate losses before distribution.

The company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the preceding paragraph distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive shares or cash.

At each fiscal year-end, the Company should allocate as legal surplus ten percent (10%) of earnings that are net of tax payment and net of adjustments for any losses from prior years. Total of earnings balance from current fiscal year and undistributed earnings from previous years is considered earnings available for distribution. Proposal of earnings distribution shall be presented in board meetings and resolved in shareholder general meetings.

In the case of dividends distribution by the Company, the Board of Directors may refer to the operational and capital expenditure requirements to draw a proposal of appropriate proportions of cash and stock dividends, and such proposal shall be submitted to the shareholders' meeting for approval. Stock dividend provided that the cash dividends shall not be less than 20% of the total dividends.

SECTION VII: Appendix

- Article 30. The internal organization of the Company and the detailed procedures of business operation shall be determined by the Board of Directors.
- Article 31. In regard to all matters not provided for in these Articles of Incorporation, the Company Act or other laws and regulations shall govern.
- Article 32. Terms of these articles of incorporation have been fully ratified, confirmed, and approved by shareholder general meeting and filed with authority for adoption. Any future amendment to the terms of these articles shall be approved by shareholder general meeting and file with authority for adoption.
- Article 33. These Article of Incorporation were enacted on Aug 12,1980 and amended on Sep. 26, 1980 for the first time, on May 25, 1983 for the second time, on Sep. 1,1986 for the third time, on Oct. 5,1988 for the fourth time, on Mar. 7,1989 for the fifth time, on Mar. 23,1989 for the sixth time, on Oct. 1,1989 for the seventh time, on Mar. 1,1991 for the eighth time, on June 23,1981 for the ninth time, on June 19,1983 for the tenth time, on Aug. 20,1994 for the eleventh time, on June 16,1995 for the twelfth time, on May 30,1996 for the thirteenth time, on Apr 3,1997 for the fourteenth time, and on May 14, 1999 for the fifteenth time, on May 26, 2000 for the sixteenth time, on May 28,2002 for the seventeenth time, on June 3,2003 for the eighteenth time, on June 27,2005 for the nineteenth time, on June 16,2006 for the twentieth time, on June 22,2007 for the twenty-first time, on June 19,2008 for the twenty-second time, on May 27,2009 for the twenty-third time, on June 9,2010 for the twenty-fourth time, on May 25,2012 for the twenty-fifth time, on June 4,2014 for the twenty-sixth time, on June 9,2015 for the twenty-seventh time, on June 3,2016 for the twenty-eighth time, on June 19,2019 for the twenty-ninth time, on Jul. 1, 2021 for the thirty time.

Sunonwealth Electric Machine Industry Co., Ltd.
Regulations for Election of Directors

- Article 1: The Regulations are established in accordance with the Company Act and the Company's Articles of Incorporation. All elections of the Company's Directors shall be governed by these Regulations.
- Article 2: The election of the Company's Directors shall be completed during shareholders' meetings.
- Article 3: The election of the Company's Directors shall be based on a cumulative voting system. The registration of the voters may be completed with shareholders' attendance ID number.
- Article 4: Each share shall be empowered with voting rights equal to the number of elected Directors in elections of Directors of the Company. The Board of Directors shall prepare the ballots equal to the number of Directors to be elected and distribute them to the shareholders. The aforementioned ballots may be concentrated on one candidate or separated across multiple candidates. The election of the Company's Independent Directors shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.
- Article 5: The number of Directors shall be the number specified in the Company's Articles of Incorporation. The voting rights for the election of Independent Directors and non-independent Directors shall be calculated separately and candidates with the most votes shall be elected in descending order.
- Article 6: Where the Board of Directors prepares the ballots, the number of voting rights shall be entered in based on the attendance ID number of the shareholder.
- Article 7: When the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel.
- Article 8: The ballot boxes shall be prepared by the Board of Directors and publicly checked by the vote monitoring personnel before voting commences.
- Article 9: The voter shall specify the name of the candidate in the candidate field of the ballot and specify the shareholder account number. If a candidate is not a shareholder, the voter shall specify the candidate's name and identity certification document number and place the vote in the ballot box. However, if the candidate is a governmental institution or corporate shareholder, the name of the governmental institution or corporation shall be specified on the candidate field of the ballot and the voter may specify the name of the representative of the governmental institution or corporate shareholder. When there are multiple representatives, the names of each representative shall be filled.
- Article 10: A ballot is invalid under any of the following circumstances:
1. The ballot was not prepared by the Board of Directors.
 2. A blank ballot is placed in the ballot box.
 3. The writing is unclear and indecipherable or has been altered and is not corrected in accordance with laws.
 4. The account name or shareholder account number does not match those in the shareholder register if the specified candidate is a shareholder of the Company. The name does not match the ID number if the specified candidate is not a shareholder.
 5. Where the number of candidates specified on the same ballot exceeds the prescribed number.
 6. Other words are entered in addition to the name (account) of the candidate or shareholder account number (identification certification document number) and the number of voting rights allotted.
 7. Where the candidate's name written on the ballot is the same as that of another shareholder, but the voter fails to specify the shareholder account number or

identification certification document number for identification.

Article 11: Separate ballot boxes shall be set up for the election of Directors and they shall be opened by the vote monitoring personnel and vote counting personnel at the same time after the votes are cast.

Article 12: The vote counting shall be monitored by the vote monitoring personnel and the results of the vote shall be announced by the chair onsite.

Article 13: The Board of Directors shall issue notifications to candidates elected as Directors.

Article 14: These Regulations, and any amendments hereto, shall be implemented after adoption by the shareholders' meeting.

Article 15: These Regulations were established on June 16, 1995. The 1st amendment was on May 26, 2000. The 2nd amendment was on May 28, 2002. The 3rd amendment was on June 9, 2015.

Sunonwealth Electric Machine Industry Co., Ltd.

2022 Business Report

I. Business Performance

In 2022, the international economy was affected by the Russo-Ukrainian War, China's lockdown in response to the epidemic, and inflation, which increased the price of raw materials and reduced the demand in the consumer markets of major economies. Sunonwealth has expanded across a wide range of industries and was thus less affected by the decrease in the demand for consumer laptop and home appliance market. Instead, the Company achieved spectacular performance in the mainstream high-end commercial product lines such as servers, communications, and automotive and industrial applications. In the first quarter of 2022, Sunonwealth was affected by the surge of global raw material prices caused by the military conflict in Europe. In the second quarter, the outbreak of the epidemic in coastal provinces and cities in China and the lockdowns imposed in Shanghai and Guangxi affected shipping. These factors led to poor performance in the first half of the year. In the second half of 2022, the continuous increase in the demand for commercial applications and deferred purchase orders helped the Company achieve record-high sales for the year.

Sunonwealth is the best partner for industrial motor and fan heat dissipation solutions. Our company has pursued long-term development in a wide range of industrial applications. As times change, we continue to explore the development and research of cooling products for emerging industries and provide the best solutions for the latest technologies. Even as we face tremendous changes and impact in the global market, we leverage different product portfolios and adjust the supply and demand for industry applications to maintain optimal business performance and maximize business interests for companies.

Sunonwealth has been focused on inventions and innovation in core technologies in energy-efficient motors for 43 years. Sunonwealth has continuously achieved innovation and led product development trends in the industry in solutions for motors, fans, heat dissipation modules, and ventilation. Examples include the world's first MagLev motor fans, the world's smallest and slimmest Mighty Mini Fan, and the AntiVib anti-vibration fan. Sunonwealth products have received wide acclaim in the industry and we continue to focus on low energy consumption and sustainable energy industry applications in response to the diversification and focus on sustainability issues in global industrial developments in recent years. Sunonwealth provides the most energy-efficient, high-quality, and reliable products for information, communication, automotive electronics, energy, industrial applications, home appliances, healthcare, refrigeration, monitoring and control services, and green building ventilation. They have been designated for use by multiple international brands and we have become customers' best partner for heat dissipation designs.

The Company's net operating revenues in 2022 was NT\$11,762,491 thousand which was an increase of NT\$1,868,439 thousand or 19% from NT\$9,894,052 thousand in 2021. The consolidated net operating revenues was NT\$14,063,308 thousand, which was an increase of NT\$501,504 thousand or 3.7% from NT\$13,561,804 thousand in 2021.

Sunonwealth Group launched the world's first DR MagLev Motor Fan which uses new MagLev technology with micro dust insulation technology and S&C (seal & clip) to effectively prevent motor stator blades from falling off and provides superior dust resistance, higher reliability, and longer useful life. It has become Sunonwealth's optimal competitive niche in the heat dissipation industry. In 2021, Sunonwealth launched a series of high-performance low-vibration cooling fans named "AntiVib". The vibration blocking structure of the motor is designed based on the anti-vibration principle used for the engine insulators of cars. By building a blocking structure between the motor and the fan casing, the magnetic vibration of the motor is blocked from the casing, which minimizes the vibration of the fan during high-speed operation and prevents resonating in the system. It provides the optimal choice for high-speed fans in next-generation 5G telecom, data center, server, and cloud storage devices, and is available with IP21, IP56, and other dust and water-resistant functions. It ensures that the fan can adapt to different environments for long-term use.

With the arrival of the 5G era, application service providers (ASPs) continue to upgrade their comprehensive solutions and they increase the power requirements for telecommunication equipment such as telecommunication switches and data center servers. The demand for heat dissipation products also continues to grow. Thus, the servers and storage equipment in important data centers around the world rely heavily on Sunonwealth's AntiVib vibration resistant fans for heat dissipation. In addition to telecommunication equipment, the market where 5G technologies have the most important impact is the electric vehicle market. As conditions inside cars are now being processed in the smart cloud, the demand for heat dissipation in all electronic systems have increased significantly. Sunonwealth has dedicated development efforts on the heat dissipation market for 42 years. We have won opportunities in the 5G market and used the advantages of our outstanding energy-efficient, low-vibration, and low-noise products to win the recognition of major international brands.

In terms of diverse automotive applications, in response to the increase in green energy and environmental protection awareness and the rapid development of electric vehicles, Sunonwealth's fan products have gradually been expanded from traditional automotive applications to various electronic applications in electric vehicles. Our products are used in the CPUs of advanced driver assistance systems and trip computers and our customers include major automobile manufacturers such as Tesla, BMW, Mercedes Benz, Audi, and Jaguar. As

cars gradually become smarter, the proportion of automotive electronics applications has grown each year and automotive electronics has become the source of 90% of the innovation in the current automotive industry. Various applications for cleaner energy, safer, smarter, and more comfortable vehicles are being developed. Cooling design has become a key technology for maintaining the maximum performance of high-end electronics products. Sunonwealth has accumulated years of experience in projects with European and American automobile manufacturers and we provide products with low noise, high reliability, high protection, high temperature resistance, vibration resistance, acid corrosion resistance, salt fog resistance (GR487 certification), dust resistance, waterproof, and certified in 1000 desert tests that meet cooling and ventilation requirements of the automotive industry and satisfy automobile manufacturers' high demand for quality.

As global warming exacerbates, the future of energy transformation will be focused on green and low-carbon energy. According to the IEA report, the share of renewable energy in global electricity supply is expected to grow from 25% in 2018 to 32% in 2024. A good heat dissipation system is a key element for maintaining stable operations of energy storage systems. High power conversion and storage systems generate a lot of heat in operations. Excessively high temperature of the system can reduce conversion efficiency or cause the risk of crashes, which can result in additional wear and tear and maintenance costs. Sunonwealth provides comprehensive cooling fan and cooling module products with high protection ratings. They provide high-performance heat dissipation as well as IP68, the highest dust and waterproof rating, and GR-487-rated protection against salt fog. We offer customized water-cooled modules and comprehensive technical evaluation services to quickly satisfy customer demand for optimal thermal solutions for storage systems. They meet the requirements for renewable energy systems such as energy storage systems (ESS) and PV inverters that operate in harsh environments.

Global warming has caused severe climate issues in recent years and countries began to pay more attention to energy conservation, carbon emissions reduction, and sustainable development of the environment. Sunonwealth's international customers with whom we have worked for many years began transitioning from traditional motors to energy-efficient DC motors and Sunonwealth has advanced greatly in energy-efficient motor technologies and environmentally friendly materials for products. Sunonwealth has accumulated technologies for energy-efficient motors and abundant experience in industrial cooperation and R&D for many years. We have established a series of ultra-energy-efficient DC ventilation products for sectors that still use traditional motors in 2015. The futuristic products consume 80% less energy and are ultra-quiet, waterproof, flame retardant, and equipped with multiple protection technologies that provide people with safer, more comfortable, and more energy-efficient ventilation products. In addition to adopting the latest motor technologies for our products and

obtaining energy conservation labels, we surpassed traditional constraints in the external design of the products by integrating LED lighting and ventilation design and adopting minimalist styles for control panels. Our products have received the iF product design award in Germany and the Taiwan Excellence Silver Award. They provide the home environment with superior ventilation products.

In addition to climate change, the increasingly severe smog endemic around the world also severely threatens human health, Sunonwealth created the Flow2 One-AHR Ventilation Fan to address air pollution and smog in 2016. The product is used for bidirectional exchange of air for closed building environment. With simple installation, it provides fresh air for indoor areas and quickly expels indoor CO₂, dust, formaldehyde, and other pollution. It also filters PM_{2.5} from external air to introduce fresh air and increases the oxygen content of the indoor environment. The total heat exchange function achieves truly comfortable indoor temperature and humidity and the product received recognition in the 2017 Taiwan Excellence Award. We launched an advanced model in 2019 and won the 2020 Taiwan Excellence Award again. With an innovative external design and more efficient PM_{2.5} filtering, its smart functions detect air quality at home and provides refreshing air at all times so that you can enjoy forest-like good air without opening the windows.

In response to global energy conservation trends, air-conditioning used along with ceiling fans can effectively lower indoor temperature by 5-8°C. Under general temperatures, it can even replace air-conditioning and lower the air-conditioning cost of commercial spaces. As ceiling fans operate over long periods of time, higher energy efficiency standards have become more important. Sunonwealth's ceiling fans are completely lead-free in design and they meet RoHS 2.0 and REACH requirements. The fans are powered by ultra-slim motors and the fans incorporate aluminum and patented aircraft-grade blade designs that effectively reduce drag and eliminate noise. We provide higher performance with lighter and quieter designs than competitors and the ultra-slim fashionable external appearance also provide large spaces with more energy efficient options to improve the ventilation of the workplace and provide a comfortable apparent temperature.

Sunonwealth has established a pair of core business units in Kaohsiung including the "Invention and Innovation Center" and the "Business Headquarters" to construct a customer service and technical and R&D support system that spans across all continents in the world. Sunonwealth's Invention and Innovation Center invents innovative motors and integrates more than 400 R&D engineers its laboratories in Europe, the United States, Japan, and China to resolve energy conservation and heat management design challenges of customers in all regions and provide customers across the world with the most suitable solutions. The Business Headquarters is the Group's command center for its global operations. With 14 subsidiary companies and offices in

Europe, the United States, Japan, and China, more than 120 distributors across the world, and more than 1,000 sales service locations, Sunonwealth Group is able to provide rapid and attentive services to customers across the world through a series of close-knit networks.

II. Production status

The Company produced a total of 142,583 thousand fan products in 2022 which was a 9% decrease from 156,486 thousand units in 2021. AC fans accounted for 4% of total annual production while DC fans accounted for 96%.

Sunonwealth currently has four production bases in Taiwan, China, and the Philippines. The Kaohsiung Plant, Sunonwealth's Invention and Innovation Center, and headquarters are located at the same site, which focuses on the trial and mass production of new products and the production of the Mighty Mini Fan. With four production bases in Beihai and Kunshan in China, Kaohsiung, and Batanes in the Philippines, the Group's comprehensive production and supply network has a monthly output of 19.4 million cooling fans and 1.5 million cooling modules. Sunonwealth's new plant in the Philippines has commenced mass production and the monthly output is 1.3 million units. It shall continue to expand production capacity and become the main production site of the Company. It will enhance Sunonwealth's flexible processes and delivery capacity to respond to customer demands and provide rapid and reliable supply services.

In terms of production quality management, Sunonwealth implements ISO quality management systems to improve quality performance. We continue to expand high-tech automation equipment for production to increase production efficiency, standardization, and zero-defect and win customers' long-term trust. All production bases have passed ISO9001, ISO14001, and ISO 450001 international certification. In response to the quality requirements of the automotive electronics industry, we obtained IATF 16949 automotive industry quality management system certification to satisfy high-level safety requirements and meet strict standards in the international automobile industry.

To ensure that products completely meet the EU's RoHS and other green environmental protection regulations, Sunonwealth established an exclusive green supply chain system and fully introduced green procurement procedures to increase management over green materials and control over R&D recognition operations. We strictly prohibit the use of controlled substances and we prohibit suppliers from using or including prohibited substances in production and products. We passed the IECQ QC080000 Hazardous Substance Process Management audit and certification in 2008 and we established a green quality management system that meet international standards.

Sunon places great emphasis on environmental protection and energy conservation in product design and R&D and we adopt green designs that reduce consumption of components and save energy and electricity. The production process requires complete compliance of suppliers with the related substance control declaration standard for the environment in the EU's RoHS and REACH directives in terms of the production process and raw materials. We do not use materials extracted from conflict resources. As a global citizen, Sunonwealth respects international human rights and we pledge not to use conflict minerals to ensure safety in the work environment in our supply chain and ensure that workers are treated with respect and dignity. We expect our suppliers to avoid the use of conflict minerals to fulfill their environmental and social responsibility and to implement reasonable due diligence for their supply chains to ensure that the materials provided to Sunonwealth do not contain "conflict minerals". We must all fulfill our responsibilities as corporate citizens.

Exacerbated extreme weather events across the globe in recent years have caused severe economic losses. To mitigate climate change, countries around the world are taking action to attain the target of net zero emissions by 2050. Sunonwealth has also set 2022 as the benchmark year for zero greenhouse gas emissions, and established an interdepartmental committee to launch a greenhouse gas inventory program for the entire Group. We manage data with a digital platform and plan to upgrade the air-conditioning system and process equipment in the Company to improve internal energy efficiency. We also set up a more rigorous green procurement policy for working with suppliers to save energy and reduce carbon emissions. Sunonwealth believes that the growth of the Company is fueled by the prosperity of the society and the environment and our targets for protecting the environment are "energy conservation, carbon emissions reduction, environmental protection, and loving the Earth". We aim to set Sunonwealth Group as a role model and inspire more people to work hard to protect the Earth and our environment. We aim to create "An Entirely Green Sunon".

III. Research and development status

Sunonwealth upholds the "Trinity R&D theory" for the Group's inventions and innovation. We have accumulated more than 40 years of experience in motor technologies and we focus on 3 major technological fields including "motor invention", "motor applications", and "total solutions for heat dissipation". We aim to explore the best performance and unlimited possibilities in motor applications. Our persistent pursuit of technical breakthrough and product innovation have pushed Sunonwealth Group to the forefront of technology development to provide clients with key modules for motors, cooling fans, and cooling modules and help them build their next-generation dream products. As of the end of 2022, the Group had been granted 3,326 patents worldwide with 136 pending patents totaling 3,462 patents. These patents for R&D and innovation achievements demonstrate the Company's lead in innovation and its advantages

in grasping market opportunities.

As the leader in the cooling fans and modules industry, Sunonwealth integrates the energy of its global R&D team and uses energy-efficient motors to initiate the "quiet revolution", "energy conservation revolution", "performance revolution", and "miniature revolution" with the aim of bringing quiet, comfortable, and smart green innovative technologies for humans and fulfilling the mission of "Make Life Easier".

IV. Continuous promotion of ESG

Sunonwealth has always focused on R&D innovation, talent development, environmental protection, and corporate governance. We pursue profitable business growth and actively implement environmental protection and social inclusion with the aim of achieving sustainable development and continuous dedication and care for the sustainability of the Earth. Sunonwealth has adopted the ideas of "response, care, and common good" to continue to promote ESG and has made corporate social responsibility a key sustainability project for Sunonwealth. We hope to use technology to achieve the goal of "energy conservation, carbon emissions reduction, environmental protection, and loving the Earth" to protect the environment. We shall continue to protect the environment and dedicate our efforts to make the world a better place and fill it with endless hope.

Chairman of the Board Ching-Shen Hong

President Ching-Shen Hong

Accounting Managerial Officer William Li

Audit Committee's Audit Report

The Board of Directors has prepared and submitted the 2022 business report, financial statements, and earnings distribution proposal. The financial statements have been audited by Crowe Horwath (TW) CPAs and they have submitted an audit report. The Audit Committee has reviewed the business report, financial statements, and the earnings distribution proposal and did not find any instances of noncompliance. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, it is hereby submitted for your review and perusal.

Sunonwealth Electric Machine Industry Co., Ltd.
Chairman of the Audit Committee: Chun-Hao Xin

March 9, 2023



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