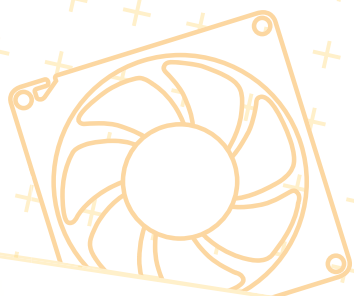


# Sunonwealth Electric Machine Industry Co., Ltd.

## 2024 Annual General Shareholders' Meeting Meeting Handbook

Printed on June 14, 2024



Sunonwealth Electric Machine Industry Co., Ltd.  
Agenda for the 2024 General Shareholders Meeting

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

- I. Time: 9:00 a.m. June 14, 2024 (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 2023 Business Report.
  - (II) 2023 Audit Committee's Report.
  - (III) Report on the distribution of remuneration for employees and Directors in 2023.
  - (IV) Report on the status of endorsements and guarantees.
  - (V) Report on the conditions of the Company's third issuance of domestic unsecured convertible bonds.
- V. Proposed Resolutions:
  - (I) 2023 Business Report and Financial Statements.
  - (II) Ratification of 2023 earnings distribution proposal.
- VI. Election matters  
Election of the Company's Directors
- VII. Extraordinary Motions
- VIII. Adjournment

## [Report items]

(I) The Company's 2023 Business Report. Please refer to page 40 to page 46 of the Handbook.

(II) The 2023 Audit Committee's Report. Please refer to page 47 of the Handbook.

(III) Report on the distribution of remuneration for employees and Directors in 2023.

The Company's earnings in 2023 (net profit before tax with remuneration for employees and Directors) totaled NT\$1,582,280,270. The Company plans to distribute NT\$10,000,000 as remuneration for Directors and NT\$39,800,000 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, 2023, the Company's total endorsement and guarantees for external parties total USD23,000,000 and CNY50,000,000.

(V) Report on the conditions of the Company's third issuance of domestic unsecured convertible bonds.

Description:

1. To repay bank loans, the Company's Board of Directors passed a resolution on March 9, 2023 for the third issuance of domestic unsecured convertible bonds totaling 12,000 bonds, each with a par value of NT\$100,000. The total value of the issuance is NT\$1,200,000,000 and the bonds are issued at 100% of the par value with an issuance period of 5 years. This proposal received the approval from the Financial Supervisory Commission in the Jin-Guan-Zheng-Fa-Zi No. 1120338255 Letter dated April 21, 2023. The Company has completed the fundraising on May 22, 2023, and has performed transactions over the counter on the Taipei Exchange since May 24, 2023.
2. The Company's third issuance of domestic unsecured convertible bonds was fully converted on December 15, 2023.
3. For more information on the Company's third issuance of domestic unsecured convertible bonds, please refer to page 48 to page 49 of the Handbook.

## [Proposed Resolutions]

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

Agenda: The 2023 Business Report and Financial Statements are filed for resolution.

Description:

- I. The Company's Financial Statements for 2023 have been audited by the CPAs Ching-Lin Li and Kuo-Ming Li of Crowe Horwath (TW). Please refer to page 6 to page 30 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 2023 is filed for resolution.

Description:

- I. The Company's net profit after tax in 2023 was NT\$1,333,934,662 and total distributable earnings was NT\$1,836,375,760. The Company plans to appropriate NT\$957,052,842 as dividends for shareholders with NT\$3.5 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	678,138,033
Plus: After-tax net profit of 2023	1,333,934,662
Minus: Appropriation for statutory reserve	(133,407,135)
Plus: Reversal of appropriation for special earnings reserve	(42,426,490)
Minus: Other consolidated income (loss) (remeasurement in defined benefit plans in 2023)	136,690
Distributable earnings in current period	1,836,375,760
Minus: Distributed shareholder dividends - cash dividends of NT\$3.5 per share (Note)	(957,052,842)
Undistributed retained earnings from previous years	879,322,918

Note: Stock dividends for shareholders: 273,443,669 shares \*NT\$3.5 =NT\$957,052,842

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:

## [Election matters]

(Proposed by the Board of Directors)

Agenda: Election of the Company's Directors.

Description:

- I. The terms of the Company's current Directors expired on June 30, 2024 and an election for all Directors is called for this general shareholders' meeting.
- II. According to the Articles of Incorporation, the Company shall elect nine Directors, including four Independent Directors. All elections shall be based on a candidate nomination system. Directors shall serve three-year terms from June 14, 2024 to June 13, 2027.
- III. The "List of Director and Independent Director Candidates" was passed in a resolution of the 17th meeting of the 16th term Board of Directors (refer to page 50 to page 52 of the Handbook):
- IV. The list is hereby submitted for election.

Election results:

## [Extraordinary motions]

Sunonwealth Electric Machine Industry Co., Ltd.  
Statement of Shares Held by Directors  
(April 16, 2024)

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	14,950,000	5.47%
Director	Nice Enterprise Co., Ltd. Representative: Ching-Liang Chen	2021.7.1	3 years	4,006,813	1.47%
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	-	-

Note: Representative of Yo Yuan Investment Corporation Fu-Ing Hong Chen ceased to be a director on April 29, 2024.

Shareholdings required of all Directors	12,000,000	Shareholdings of all Directors	18,956,813
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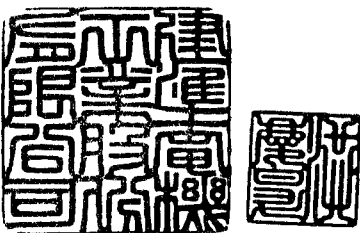
Book closure date: 2024/4/16

## 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, 2023 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 

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Ching-Shen Hong  
Chairman

March 7, 2024

## 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, 2023 and 2022, 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, 2023 and 2022, 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 the Standards on Auditing of 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, 2023. 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, 2023 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, 2023, inventory was \$2,052,438 thousand and accounted for 16.3% 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 (23) 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.

#### **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 \$1,376,210 thousand and \$1,422,090 thousand, representing 10.91% and 11.66% of the consolidated assets, and their total liabilities amounted to \$460,549 thousand and \$692,641 thousand, representing 8.54% and 9.91% of the consolidated liabilities as of December 31, 2023 and 2022, respectively; their total revenues amounted \$1,231,488 thousand and \$1,435,265 thousand, representing 9.54% and 10.21% of the consolidated revenue, and their total comprehensive income amounted to (\$8,642) thousand and \$52,377 thousand, representing (0.67%) and 4.61% of the consolidated comprehensive income for the years ended December 31, 2023 and 2022, respectively. In addition, as described in Note 6(8) 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 \$20,968 thousand and \$5,800 thousand, representing 0.17% and 0.05% of the consolidated assets as of December 31, 2023 and 2022, and share of profit (loss) of these associates accounted for using equity method amounted to \$1,476 thousand and (\$1,401) thousand, representing (0.08%) and (0.10%) of the consolidated income before income tax for the year ended December 31, 2023 and 2022, 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, 2023 and 2022.



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, 2023 and 2022 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 Standards on Auditing of 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.

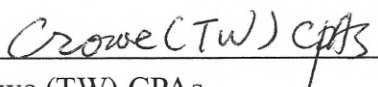
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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, 2023 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  
Kaohsiung, Taiwan (Republic of China)  
March 7, 2024

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, 2023		December 31, 2022	
		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6(1)	\$4,030,886	31.9	\$2,457,337	20.2
Current financial assets at fair value through profit or loss-current	6(2)	-	-	211,827	1.7
Notes receivable, net	6(3)	30,090	0.2	30,095	0.2
Accounts receivable, net	6(4)	3,049,309	24.2	3,384,057	27.8
Other receivables		100,770	0.8	140,678	1.2
Current tax assets		13,151	0.1	1,668	-
Inventories	6(5)	2,052,438	16.3	2,651,498	21.7
Prepayments		82,655	0.7	148,430	1.2
Other financial assets - current	6(6)	216,761	1.7	-	-
Total current assets		<u>9,576,060</u>	<u>75.9</u>	<u>9,025,590</u>	<u>74.0</u>
<b>NONCURRENT ASSETS</b>					
Financial assets at fair value through other comprehensive income or loss - noncurrent	6(7)	\$27,231	0.2	-	-
Investments accounted for using equity method	6(8)	20,968	0.2	5,800	-
Property, plant and equipment	6(9)	2,171,464	17.2	2,273,414	18.7
Right-of-use assets	6(10)	590,714	4.7	593,877	4.9
Investment properties, net	6(11)	84,738	0.7	85,106	0.7
Intangible assets	6(12)	23,956	0.2	27,053	0.2
Deferred income tax assets	6(29)	94,334	0.7	112,591	0.9
Refundable deposits		20,961	0.2	19,773	0.2
Other non-current assets - other		4,305	-	48,765	0.4
Total noncurrent assets		<u>3,038,671</u>	<u>24.1</u>	<u>3,166,379</u>	<u>26.0</u>
<b>TOTAL ASSESTS</b>		<u>\$12,614,731</u>	<u>100.0</u>	<u>\$12,191,969</u>	<u>100.0</u>
<b>Liabilities and Equity</b>					
<b>CURRENT LIABILITIES</b>					
Short-term loans	6(13)	\$457,581	3.6	\$1,287,516	10.6
Contract liabilities - current	6(23)	109,540	0.9	176,164	1.4
Notes payable		31,067	0.2	136,355	1.1
Accounts payable		2,737,012	21.7	3,179,288	26.1
Other payables	6(14)	942,278	7.5	1,078,747	8.9
Current tax liabilities		124,712	1.0	208,679	1.7
Provisions - current	6(15)	52,467	0.4	54,643	0.4
Lease liabilities - current	6(10)	82,727	0.7	80,951	0.7
Advance receipts		571	-	-	-
Current portion of long-term loans	6(17)	182,775	1.4	120,372	1.0
Total current liabilities		<u>4,720,730</u>	<u>37.4</u>	<u>6,322,715</u>	<u>51.9</u>

Liabilities and Equity	Note	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
<b>NONCURRENT LIABILITIES</b>					
Long-term loans	6(17)	\$212,931	1.7	\$286,701	2.3
Deferred income tax liabilities	6(29)	286,730	2.3	190,955	1.6
Lease liabilities - noncurrent	6(10)	146,042	1.2	150,425	1.2
Net defined benefit liabilities - noncurrent	6(18)	28,731	0.2	35,667	0.3
Guarantee deposits		839	-	3,029	-
Total noncurrent liabilities		<u>675,273</u>	<u>5.4</u>	<u>666,777</u>	<u>5.4</u>
Total Liabilities		<u>5,396,003</u>	<u>42.8</u>	<u>6,989,492</u>	<u>57.3</u>
<b>EQUITY</b>					
Share capital	6(19)				
Ordinary shares		2,725,243	21.6	2,509,297	20.6
Bond conversion entitlement certificates		9,194	0.1	-	-
Capital surplus	6(20)	1,518,788	12.0	366,903	3.0
Retained earnings	6(21)				
Legal reserve		995,720	7.9	885,799	7.3
Special reserve		257,757	2.0	295,358	2.4
Unappropriated earnings		2,012,211	16.0	1,402,877	11.5
Other equity	6(22)	(300,185)	(2.4)	(257,757)	(2.1)
Total equity attributable to owners of the parent		<u>7,218,728</u>	<u>57.2</u>	<u>5,202,477</u>	<u>42.7</u>
<b>NON-CONTROLLING INTERESTS</b>					
Total equity		<u>7,218,728</u>	<u>57.2</u>	<u>5,202,477</u>	<u>42.7</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>\$12,614,731</u>	<u>100.0</u>	<u>\$12,191,969</u>	<u>100.0</u>

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			
		2023		2022	
		Amount	%	Amount	%
OPERATING REVENUES	6(23)	\$12,914,685	100.0	\$14,063,308	100.0
OPERATING COSTS	6(5)	(9,313,327)	(72.1)	(10,892,350)	(77.5)
GROSS PROFIT		3,601,358	27.9	3,170,958	22.5
OPERATING EXPENSES					
Sales and marketing		(607,738)	(4.7)	(655,431)	(4.6)
General and administrative		(664,447)	(5.2)	(614,623)	(4.4)
Research and development		(799,281)	(6.2)	(781,334)	(5.6)
Expected credit gain (loss)	6(4)	483	-	2,314	-
Total operating expenses		(2,070,983)	(16.1)	(2,049,074)	(14.6)
INCOME FROM OPERATIONS		1,530,375	11.8	1,121,884	7.9
NON-OPERATING INCOME AND EXPENSES					
Interest revenue	6(25)	95,775	0.8	14,592	0.1
Other income	6(26)	156,281	1.2	155,312	1.1
Other gains and losses	6(27)	14,676	0.1	179,890	1.3
Finance costs	6(28)	(46,995)	(0.4)	(44,400)	(0.3)
Share of profits of subsidiaries, associates and joint ventures		1,476	-	(1,401)	-
Total non-operating income and expenses		221,213	1.7	303,993	2.2
INCOME BEFORE INCOME TAX		1,751,588	13.5	1,425,877	10.1
INCOME TAX EXPENSE	6(29)	(417,654)	(3.2)	(336,782)	(2.4)
NET INCOME		1,333,934	10.3	1,089,095	7.7
OTHER COMPREHENSIVE INCOME (LOSS)	6(30)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation		171	-	12,640	0.1
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		5,063	-	-	-
Income tax benefit related to items that will not be reclassified subsequently		(34)	-	(2,528)	-
Total items that will not be reclassified subsequently to profit or loss		5,200	-	10,112	0.1
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		(59,363)	(0.4)	47,000	0.3
Income tax benefit related to items that may be reclassified subsequently to profit or loss		11,872	0.1	(9,399)	-
Total items that may be reclassified subsequently to profit or loss		(47,491)	(0.3)	37,601	0.3
Total other comprehensive loss, net of income tax		(42,291)	(0.3)	47,713	0.3
TOTAL COMPREHENSIVE INCOME		\$ 1,291,643	10.0	\$ 1,136,808	8.1
PROFIT (LOSS), ATTRIBUTABLE TO:					
Parent company owner (net profit/loss)		\$ 1,333,934	10.3	\$ 1,089,095	7.7
Non-controlling interest (net profit/loss)		-	-	-	-
		\$ 1,333,934	10.3	\$ 1,089,095	7.7
TOTAL COMPREHENSIVE PROFIT OR LOSS IS ATTRIBUTABLE TO :					
Parent company owner (comprehensive profit and loss)		\$ 1,291,643	10.0	\$ 1,136,808	8.1
Non-controlling interest (comprehensive profit and loss)		-	-	-	-
		\$ 1,291,643	10.0	\$ 1,136,808	8.1
EARNINGS PER SHARE					
Basic	6(31)	\$5.16		\$4.34	
Diluted	6(31)	\$5.07		\$4.33	

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						Other		Total	Non-controlling Interests	Total Equity
	Capital Stock		Capital Surplus	Retained Earnings			Exchange Differences on Translating foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive income			
	Ordinary Shares	Certificate of Bond Exchange Rights		Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2022	\$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
Appropriations and distributions of prior years' earnings:											
Legal reserve	-	-	-	109,921	-	(109,921)	-	-	-	-	-
Cash dividends - \$2.6 per share	-	-	-	-	-	(652,417)	-	-	(652,417)	-	(652,417)
Special reserve	-	-	-	-	(37,601)	37,601	-	-	-	-	-
Due to the issuance of convertible corporate bonds, the equity component items are recognized - stock options	-	-	1,151,885	-	-	-	-	-	1,151,885	-	1,151,885
Net income in 2023	-	-	-	-	-	1,333,934	-	-	1,333,934	-	1,333,934
Other comprehensive income (loss) in 2023, net of income tax	-	-	-	-	-	137	(47,491)	5,063	(42,291)	-	(42,291)
Total comprehensive income in 2023	-	-	-	-	-	1,334,071	(47,491)	5,063	1,291,643	-	1,291,643
Convertible corporate bond conversion	-	225,140	-	-	-	-	-	-	225,140	-	225,140
Bond conversion entitlement certificate	215,946	(215,946)	-	-	-	-	-	-	-	-	-
Increase (decrease) in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2023	\$2,725,243	\$9,194	\$1,518,788	\$995,720	\$257,757	\$2,012,211	(\$305,248)	\$5,063	\$7,218,728	\$ -	\$7,218,728

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	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,751,588	\$ 1,425,877
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation	401,759	365,578
Amortization	132,494	147,087
Expected credit loss (gain)	(483)	(2,314)
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	(8,229)	(78)
Interest expense	46,995	44,400
Interest income	(95,775)	(14,592)
Share of profits of subsidiaries, associates and joint ventures accounted for using equity method	(1,476)	1,401
Loss (gain) on disposal and retirement of property, plant and equipment	4,952	2,195
Transfer of property, plant and equipment to expenses	2,474	1,715
Loss (gain) on disposal of other assets	29,735	-
Gain on disposal of investments	(1,806)	(2,566)
Other	14	(223)
Total adjustments to reconcile profit and loss	510,654	542,603
Net changes in operating assets and liabilities		
Decrease (increase) in financial assets mandatorily classified as at fair value through profit or loss	214,172	50,350
Decrease (increase) in notes receivable	5	2,482
Decrease (increase) in accounts receivable	335,283	44,889
Decrease (increase) in other receivables	38,603	(53,249)
Decrease (increase) in inventories	599,615	(144,791)
Decrease (increase) in prepayments	(17,996)	(28,799)
Decrease (increase) in other financial assets	(216,761)	-
Total changes in operating assets	952,921	(129,118)
Net changes in operating liabilities		
Increase (decrease) in contract liabilities	(66,624)	65,753
Increase (decrease) in notes payable	(105,288)	136,338
Increase (decrease) in accounts payable	(442,276)	253,315
Increase (decrease) in other payables	(70,264)	78,022
Increase (decrease) in provisions	(1,883)	13,060
Increase (decrease) in advance receipts	571	(2)
Increase (decrease) in net defined benefit liabilities	(6,765)	(6,740)
Total changes in operating liabilities	(692,529)	539,746
Total net changes in operating assets and liabilities	260,392	410,628
Total adjustments	771,046	953,231

	Year Ended December 31	
	2023	2022
Cash generated from operations	\$2,522,634	\$2,379,108
Interest received	83,851	14,123
Interest paid	(44,409)	(42,287)
Income tax paid	(387,234)	(192,815)
Net cash generated from operating activities	<u>2,174,842</u>	<u>2,158,129</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income or loss	(22,168)	-
Acquisition of investments accounted for using equity method	(13,819)	-
Acquisition of property, plant and equipment	(297,645)	(393,988)
Proceeds from disposal of property, plant and equipment	67	114
Increase in refundable deposits	(1,188)	-
Decrease in refundable deposits	-	11,610
Increase in other receivables	-	(204)
Decrease in other receivables	13,229	-
Acquisition of intangible assets	(16,635)	(15,540)
Increase in other noncurrent assets	(15,909)	(39,887)
Net cash used in investing activities	<u>(354,068)</u>	<u>(437,895)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term loans	(829,935)	(662,116)
Issuance of corporate bonds	1,381,273	-
Repayment of long-term loans	(11,367)	(152,493)
Increase in guarantee deposits	-	2,003
Decrease in guarantee deposits	(2,190)	-
Repayments of lease principal	(93,750)	(75,441)
Cash dividends paid	(652,417)	(301,116)
Net cash generated from (used in) financing activities	<u>(208,386)</u>	<u>(1,189,163)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(38,839)</u>	<u>14,248</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,573,549	545,319
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,457,337	1,912,018
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,030,886</u>	<u>\$ 2,457,337</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, 2023 and 2022, 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, 2023 and 2022, 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 the Standards on Auditing of 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, 2023. 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, 2023 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(5) for inventory valuation.

Description of key audit matter:

As of December 31, 2023, inventory was \$844,478 thousand and accounted for 7.8% 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(22) 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.

**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 \$890,112 thousand and \$690,305 thousand, representing 8.23% and 7.35% of total assets as of December 31, 2023 and 2022, respectively, and share of profits from associates and joint ventures amounted to (\$18,452) thousand and \$45,505 thousand, representing (1.17%) and 3.36% of the income before income tax for the years ended December 31, 2023 and 2022, respectively, and shares of other comprehensive income from associates and joint ventures amounted to \$3,709 thousand and \$17,456 thousand, representing (8.77%) and 36.59% of the other comprehensive income for the year ended December 31, 2023 and 2022, 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 Standards on Auditing of 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, 2023 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.

A handwritten signature in black ink that reads "Crowe (TW) CPAs".

Crowe (TW) CPAs

Kaohsiung, Taiwan (Republic of China)

March 7, 2024

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, 2023		December 31, 2022	
		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6(1)	\$2,172,666	20.1	\$400,593	4.3
Notes receivable, net	6(3)	18,332	0.2	23,347	0.2
Accounts receivable, net	6(4)	1,870,229	17.3	2,367,582	25.2
Accounts receivable - related parties, net	6(4), 7	805,278	7.4	1,182,181	12.6
Other receivables		45,124	0.4	36,310	0.4
Other receivables - related parties	7	48,414	0.4	46,674	0.5
Inventories	6(5)	844,478	7.8	925,080	9.9
Prepayments		8,453	0.1	12,687	0.1
Total current assets		<u>5,812,974</u>	<u>53.7</u>	<u>4,994,454</u>	<u>53.2</u>
<b>NONCURRENT ASSETS</b>					
Financial assets at fair value through other comprehensive income or loss - noncurrent	6(6)	24,675	0.2	-	-
Investments accounted for using equity method	6(7)	3,813,745	35.4	3,198,115	34.1
Property, plant and equipment	6(8)	1,009,902	9.3	1,047,782	11.2
Right-of-use assets	6(9)	22,783	0.2	22,087	0.2
Investment properties, net	6(10)	84,738	0.8	85,106	0.9
Intangible assets	6(11)	13,895	0.1	18,038	0.2
Deferred income tax assets	6(28)	30,668	0.3	19,735	0.2
Refundable deposits		4,346	-	3,705	-
Total noncurrent assets		<u>5,004,752</u>	<u>46.3</u>	<u>4,394,568</u>	<u>46.8</u>
<b>TOTAL ASSESTS</b>		<u>\$10,817,726</u>	<u>100.0</u>	<u>\$9,389,022</u>	<u>100.0</u>
<b>Liabilities and Equity</b>					
<b>CURRENT LIABILITIES</b>					
Short-term loans	6(12)	\$ -	-	\$795,000	8.5
Contract liabilities - current	6(22)	101,629	0.9	131,201	1.4
Notes payables		10	-	-	-
Accounts payable		774,943	7.2	910,989	9.7
Accounts payable - related parties	7	1,666,211	15.4	1,228,537	13.1
Other payables	6(13)	421,320	3.9	364,564	3.9
Other payables - related parties	6(13), 7	16,944	0.2	26,579	0.3
Current tax liabilities	6(28)	83,521	0.8	176,251	1.9
Provisions - current	6(14)	18,784	0.2	17,879	0.2
Lease liabilities - current	6(9)	12,771	0.1	10,170	0.1
Advance receipts		571	-	-	-
Current portion of long-term loans	6(16)	88,889	0.8	88,889	0.9
Total current liabilities		<u>3,185,593</u>	<u>29.5</u>	<u>3,750,059</u>	<u>40.0</u>

Liabilities and Equity	Note	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
<b>NONCURRENT LIABILITIES</b>					
Long-term loans	6(16)	\$177,778	1.6	\$266,667	2.8
Deferred income tax liabilities	6(28)	195,556	1.8	121,315	1.3
Lease liabilities - noncurrent	6(9)	10,891	0.1	12,410	0.1
Net defined benefit liabilities - noncurrent	6(17)	28,731	0.3	35,667	0.4
Guarantee deposits		449	-	427	-
Total noncurrent liabilities		<u>413,405</u>	<u>3.8</u>	<u>436,486</u>	<u>4.6</u>
Total Liabilities		<u>3,598,998</u>	<u>33.3</u>	<u>4,186,545</u>	<u>44.6</u>
Share capital	6(18)				
Ordinary shares		2,725,243	25.2	2,509,297	26.7
Bond conversion entitlement certificates		9,194	0.1	-	-
Capital surplus	6(19)	1,518,788	14.0	366,903	3.9
Retained earnings	6(20)				
Legal reserve		995,720	9.2	885,799	9.4
Special reserve		257,757	2.4	295,358	3.1
Unappropriated earnings		2,012,211	18.6	1,402,877	15.0
Other equity	6(21)	<u>(300,185)</u>	<u>(2.8)</u>	<u>(257,757)</u>	<u>(2.7)</u>
Total Equity		<u>7,218,728</u>	<u>66.7</u>	<u>5,202,477</u>	<u>55.4</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><u>\$10,817,726</u></u>	<u><u>100.0</u></u>	<u><u>\$9,389,022</u></u>	<u><u>100.0</u></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 COMPREHENSIVE INCOME**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	Note	Year Ended December 31			
		2023		2022	
		Amount	%	Amount	%
OPERATING REVENUES	6(22)	\$9,638,747	100.0	\$11,762,491	100.0
OPERATING COSTS	6(5)	(8,030,184)	(83.3)	(10,020,961)	(85.2)
GROSS PROFIT		1,608,563	16.7	1,741,530	14.8
UNREALIZED GROSS PROFIT ON SALES TO SUBSIDIARIS AND ASSOCIATES		(72,864)	(0.8)	(93,389)	(0.8)
REALIZED GROSS PROFIT ON SALES TO SUBSIDIARIS AND ASSOCIATES		93,389	1.0	41,344	0.4
OPERATING EXPENSES					
Sales and marketing		(368,026)	(3.8)	(343,972)	(2.9)
General and administrative		(331,717)	(3.4)	(305,386)	(2.6)
Research and development		(503,429)	(5.3)	(448,231)	(3.8)
Expected credit gain (loss)	6(4)	1,389	-	193	-
Total operating expenses		(1,201,783)	(12.5)	(1,097,396)	(9.3)
INCOME FROM OPERATIONS		427,305	4.4	592,089	5.1
NON-OPERATING INCOME AND EXPENSES					
Interest revenue	6(24)	67,965	0.7	6,824	0.1
Other income	6(25)	207,984	2.2	153,464	1.3
Other gains and losses	6(26)	(27,883)	(0.3)	(72,469)	(0.6)
Finance costs	6(27)	(18,580)	(0.2)	(13,560)	(0.1)
Share of profits of subsidiaries, associates and joint ventures		925,489	9.6	687,903	5.8
Total non-operating income and expenses		1,154,975	12.0	762,162	6.5
INCOME BEFORE INCOME TAX		1,582,280	16.4	1,354,251	11.6
INCOME TAX EXPENSE	6(28)	(248,346)	(2.6)	(265,156)	(2.3)
NET INCOME		1,333,934	13.8	1,089,095	9.3
OTHER COMPREHENSIVE INCOME (LOSS)	6(29)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation		171	-	12,640	0.1
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		5,063	0.1	-	-
Income tax benefit related to items that will not be reclassified subsequently		(34)	-	(2,528)	-
Total items that will not be reclassified subsequently to profit or loss		5,200	0.1	10,112	0.1
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive loss of subsidiaries, associates and joint ventures		(59,363)	(0.6)	47,000	0.4
Income tax benefit related to items that may be reclassified subsequently to profit or loss		11,872	0.1	(9,399)	(0.1)
Total items that may be reclassified subsequently to profit or loss		(47,491)	(0.5)	37,601	0.3
Total other comprehensive loss, net of income tax		(42,291)	(0.4)	47,713	0.4
TOTAL COMPREHENSIVE INCOME		1,291,643	13.4	1,136,808	9.7
EARNINGS PER SHARE					
Basic	6(30)	\$5.16		\$4.34	
Diluted	6(30)	\$5.07		\$4.33	

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)

	Capital Stock			Retained Earnings			Others Equity		Total Equity
	Ordinary Shares	Certificate of Bond		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive income	
		Exchange Rights	Capital Surplus						
BALANCE AT JANUARY 1, 2022	\$ 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	2,509,297	-	366,903	885,799	295,358	1,402,877	(257,757)	-	5,202,477
Appropriations and distributions of prior years' earnings:									
Legal reserve	-	-	-	109,921	-	(109,921)	-	-	-
Cash dividends - \$2.6 per share	-	-	-	-	-	(652,417)	-	-	(652,417)
Special reserve	-	-	-	-	(37,601)	37,601	-	-	-
Due to the issuance of convertible corporate bonds	-	-	1,151,885	-	-	-	-	-	1,151,885
, the equity component items are recognized - stock options									
Net income in 2023	-	-	-	-	-	1,333,934	-	-	1,333,934
Other comprehensive income (loss) in 2023, net of income tax	-	-	-	-	-	137	(47,491)	5,063	(42,291)
Total comprehensive income in 2023	-	-	-	-	-	1,334,071	(47,491)	5,063	1,291,643
Convertible corporate bond conversion	-	225,140	-	-	-	-	-	-	225,140
Bond conversion entitlement certificate	215,946	(215,946)	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2023	\$ 2,725,243	\$ 9,194	\$ 1,518,788	\$ 995,720	\$ 257,757	\$ 2,012,211	\$ (305,248)	\$ 5,063	\$ 7,218,728

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	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,582,280	\$ 1,354,251
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation expense	61,512	64,680
Amortization expense	14,422	12,514
Expected credit loss (gain)	(1,389)	(193)
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	(8,406)	-
Interest expense	18,580	13,560
Interest income	(67,965)	(6,824)
Share of profits of subsidiaries, associates and joint ventures	(925,489)	(687,903)
Loss (gain) on disposal and retirement of property, plant and equipment	(496)	(1,105)
Unrealized gross profit on sales to subsidiaries and associates	72,864	93,389
Realized gross profit on sales to subsidiaries and associates	(93,389)	(41,344)
Other	40,425	8,430
Total adjustments to reconcile profit and loss	(889,331)	(544,796)
Net changes in operating assets and liabilities		
Decrease (increase) in notes receivable	5,015	9,230
Decrease (increase) in accounts receivable	498,742	(294,662)
Decrease (increase) in accounts receivable - related parties	376,903	(437,680)
Decrease (increase) in other receivables	(3,128)	(12,764)
Decrease (increase) in other receivables - related parties	(1,740)	(19,254)
Decrease (increase) in inventories	80,602	(24,710)
Decrease (increase) in prepayments	3,946	429
Total changes in operating assets	960,340	(779,411)
Net changes in operating liabilities		
Increase (decrease) in contract liabilities	(29,572)	64,155
Increase (decrease) in notes payable	10	-
Increase (decrease) in accounts payable	(136,046)	86,659
Increase (decrease) in accounts payable - related parties	437,674	29,958
Increase (decrease) in other payables	60,962	127,240
Increase (decrease) in other payables - related parties	(9,635)	4,902
Increase (decrease) in provisions	905	3,606
Increase (decrease) in advance receipts	571	(2)
Increase (decrease) in net defined benefit liabilities	(6,765)	(6,740)
Total changes in operating liabilities	318,104	309,778
Total net changes in operating assets and liabilities	1,278,444	(469,633)
Total adjustments	389,113	(1,014,429)

	Year Ended December 31	
	2023	2022
Cash generated from operations	\$1,971,393	\$339,822
Interest received	62,279	6,357
Dividends received	386,977	229,245
Interest paid	(14,963)	(13,199)
Income tax paid	(265,930)	(162,985)
Net cash generated from operating activities	<u>2,139,756</u>	<u>399,240</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income or loss	(20,000)	-
Acquisition of investments accounted for using equity method	(217,215)	(105,266)
Proceeds from capital reduction of investments accounted for using equity method	61,820	-
Acquisition of property, plant and equipment	(13,094)	(68,569)
Proceeds from disposal of property, plant and equipment	280	8,315
Increase in refundable deposits	(641)	(991)
Acquisition of intangible assets	(12,011)	(12,809)
Net cash used in investing activities	<u>(200,861)</u>	<u>(179,320)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	-	175,000
Decrease in short-term loans	(795,000)	-
Issuance of corporate bonds	1,381,273	-
Repayment of long-term loans	(88,889)	(181,444)
Increase in guarantee deposits	22	2
Repayments of lease principal	(11,811)	(11,739)
Cash dividends paid	(652,417)	(301,116)
Net cash generated from (used in) financing activities	<u>(166,822)</u>	<u>(319,297)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,772,073	(99,377)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	400,593	499,970
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,172,666</u>	<u>\$ 400,593</u>

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

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' 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 meetings may be convened with a notice to shareholders 15 days in advance according to the law.

The shareholders' meeting of the Company may be held by means of visual communication network or other methods announced by the central competent authority.

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, on June 9, 2023 for the thirty-one 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 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: Deleted
- Article 10: A ballot is invalid under any of the following circumstances:
1. The ballot was not prepared by a person with the right to convene.
  2. A blank ballot is placed in the ballot box.
  3. The writing is unclear and indecipherable or has been altered.
  4. The candidate whose name is entered in the ballot does not conform to the director candidate list.
  5. Other words or marks are entered in addition to the number of voting rights allotted.
- 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. The 4th amendment was on June 9, 2023.

# Sunonwealth Electric Machine Industry Co., Ltd.

## 2023 Business Report

### I. Business Performance

In 2023, the global economy was still affected by inflation and high interest rates, which resulted in sluggish end market demand. Coupled with the impact of inventory adjustments, economic growth has slowed compared to the past two years. The weak economy has had a negative impact on Sunonwealth's overall revenue. However, the strong demand for emerging high-tech applications such as high-performance computing, AI, and automotive electronics continuously increased the share of the sales of high-end cooling products and led to the rise in the gross profit margin.

The Company's net operating revenue in 2023 was NT\$9,638,747 thousand which was a decrease of NT\$2,123,744 thousand or 18.05% from NT\$11,762,491 thousand in 2022. The consolidated net operating revenues was NT\$12,914,685 thousand, which was a decrease of NT\$1,148,632 thousand or 8.16% from NT\$14,063,308 thousand in 2022.

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 44 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 industry applications related to sustainability in response to the diversification and focus on sustainability issues in global industrial developments in recent years. To provide heat dissipation solutions with lower energy consumption, we have developed heat pipes, heat plates, heat sinks, water-cooled heat dissipation panels, and liquid cooling modules in recent years to provide 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.

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.

The cooling requirements of data centers continue to rise with the rapid development of AI technology, and power consumption has become the biggest challenge for data centers. Current data center cooling technology still consists mainly of air cooling, but liquid cooling is required to achieve excellent PUE performance. The proportion of heat dissipation by liquid cooling has also expanded each year. According to forecasts of research institutions, liquid-cooled servers will account for 24% of data center cooling solutions by 2025, of which cold plates will account for 59%. As more AI servers adopt water-cooling solutions, Sunonwealth has gradually expanded the product line to include the supply of heat pipes, heat plates, heat sinks, water-cooling plates, and liquid cooling modules. Sunonwealth's liquid cooling solutions include direct liquid cooling (DLC), rear-door heat exchangers (RDHx), and cooling modules with reservoir and pumping units (RPU). Several solutions with the Open Loop Direct Liquid Cooling Module have been successfully launched for rack servers of major server manufacturers. Sunonwealth's liquid cooling solution adjusts the thermal contact surface, water pipe curvature, and coolant selection and matching based on the system structure to meet the demand for cooling with high-computing and high energy conservation requirements for servers. The development of new products will also make significant contributions to Sunonwealth's overall revenue.

Sunonwealth has achieved stable growth in the heat dissipation product line. In 2023, automotive heat dissipation products accounted for 10% of overall revenue. Sunonwealth's heat dissipation 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 CO<sub>2</sub>, dust, formaldehyde, and other pollution. It also filters PM<sub>2.5</sub> 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<sub>2.5</sub> 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 130 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 116,163 thousand fan products in 2023 which was a 18.53% decrease from 142,583 thousand units in 2022. AC fans accounted for 2.35% of total annual production while DC fans accounted for 97.65%.

Sunonwealth currently has five 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. It focuses on the trial and mass production of new products and the production of the Mighty Mini Fan. With four production bases in Beihai (two factories) and Kunshan in China, and Batanes in the Philippines, the Group's comprehensive production and supply network has a monthly output of 19.4 million cooling fans and 2.5 million cooling modules. Sunonwealth's new plant in the Philippines continues to expand and the monthly output reached 3 million units in 2023. 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. In 2023, Sunonwealth activated the "large company supports smaller companies carbon transformation project" and assembled 10 suppliers to jointly create a digital carbon inventory system. Sunonwealth will lead suppliers to the next milestone in the low-carbon transformation.

### 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 2023, the Group had been granted 3,394 patents worldwide with 116 pending patents totaling 3,510 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 continues to make progress based on the ideas of "response, care, and common good". We have adjusted the business strategy and proposed a comprehensive decarbonization program with the aim of reducing carbon emissions by 50% by 2030 and attaining net zero emissions by 2050. We also delivered our SBTi Commitment Letter to work with international organizations in carbon reduction actions and attain net zero emissions. 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 2023 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 7, 2024

## Corporate bond issuance status

Type of corporate bonds		Third issuance of domestic unsecured convertible bonds
Date of issuance (processing)		May 24, 2023
Par value		NT\$100,000
Issuance price		Issued at 115.52% of par value
Total amount		NT\$1.2 billion
Interest rate		0%
Maturity		5 years; maturity date: May 24, 2028
Guarantee agencies		None
Trustee		Taishin International Bank Co., Ltd.
Underwriter		Taishin Securities Co., Ltd.
Certifying attorney		Li-Fei Chiu, attorney at law
Certifying CPA		Not applicable
Repayment method		Except where the holder of the convertible corporate bonds converts the bonds into the Company's ordinary shares in accordance with Article 10 of these Regulations or exercises his/her right to sell in accordance with Article 19 of these Regulations, where the Company repurchases the bond prematurely in accordance with Article 18 of these Regulations, or where the Company repurchases canceled stocks on the Taipei Exchange, the Company shall repay the bond upon maturity based on the par value of the bond plus interest compensation (102.5251% of the par value of the bond upon maturity) within five business days (including the fifth business day) after the maturity date of the convertible corporate bonds in one lump sum in cash.
Outstanding principal		NT\$0
Terms for redemption or early repayment		Refer to the regulations for the Company's third issuance of domestic unsecured convertible bonds
Restrictions		None
Name of credit rating institution, rating date, and corporate bond rating results		Not applicable
Other appended rights	Amount of converted (exchanged or subscribed) ordinary shares, GDRs, or other	The Company's third issuance of domestic unsecured convertible bonds has been fully converted into 22,513,937 ordinary shares, with a conversion amount of NT\$1,200,000,000. Over-the-counter trading was terminated on December 22, 2023.

	securities as of the publication date of the annual report	
	Issuance and conversion (swaps or warrants) methods	Refer to the regulations for the Company's third issuance of domestic unsecured convertible bonds
	Dilution effect and other effects on existing shareholders' equity due to issuance and conversion, exchange or subscription methods, and the conditions of issuance	<p>(1) Possible dilution of shareholders' equity This issuance of unsecured convertible corporate bonds by the Company has been fully converted into 22,513,937 ordinary shares. Based on the number of outstanding shares at the time of issuance, totaling 250,929,732 shares, the dilution ratio is 8.23%. The dilution effect is not significant and will not have a significant impact on shareholders' equity.</p> <p>(2) Impact on existing shareholders' equity This issuance of unsecured convertible corporate bonds will be used to repay bank borrowings, replenish working capital, improve the financial structure, enhance debt solvency, and reduce operational risks, which will increase the competitiveness of the Company's long-term operations.</p>
	Name of the custodian institution entrusted with securities to be converted	Not applicable

Sunonwealth Electric Machine Industry Co., Ltd.

List of Independent Director Candidates (nominated by the Board of Directors)

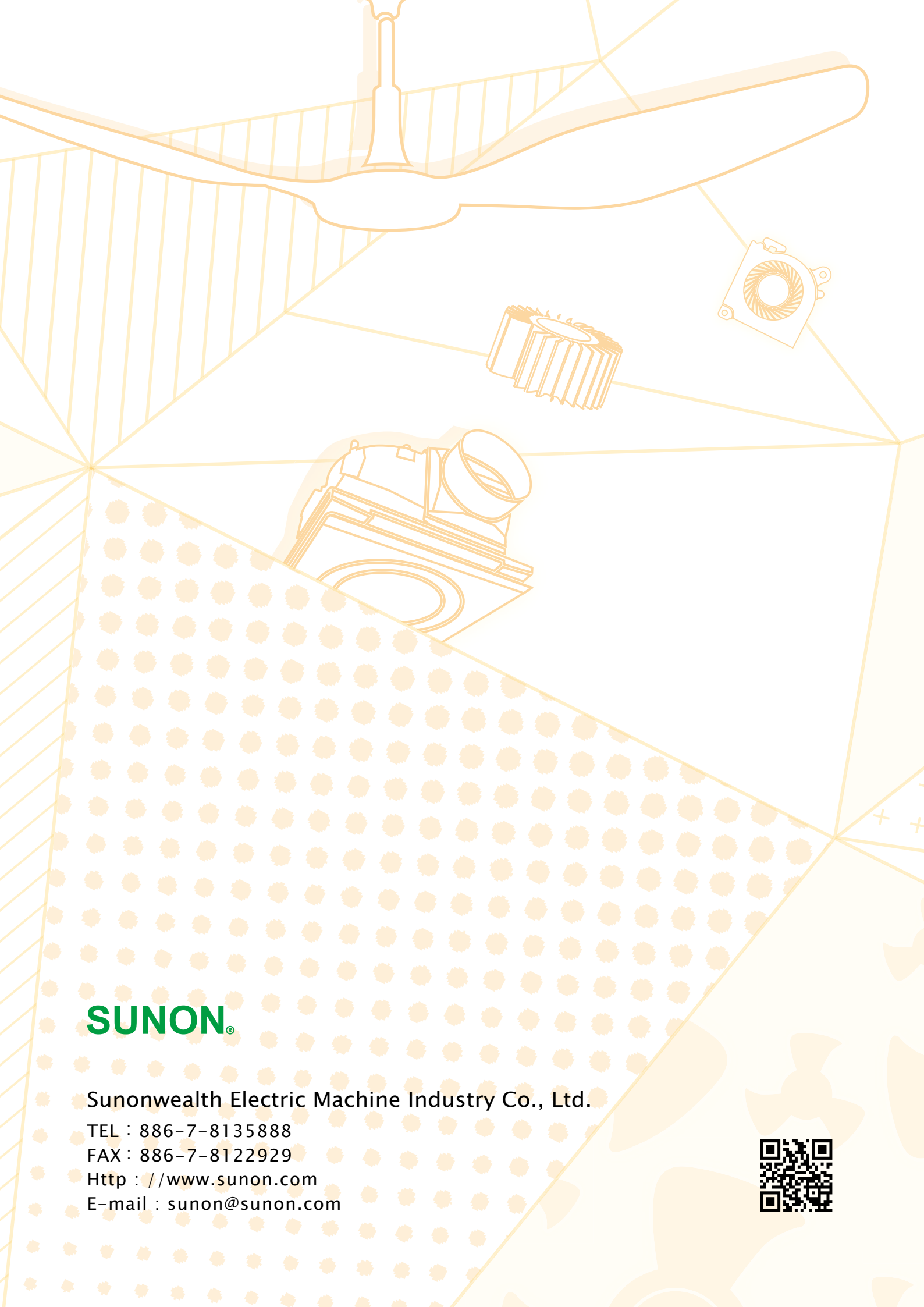
Name	Education	Experience and current position	Number of shares held
Kuang-Chih Huang (Male)	PhD in Physics, NYU Polytechnic School of Engineering Master in Electrical Engineering, National Chiao Tung University Bachelor's degree in Electrical Engineering, National Cheng Kung University	President, National Kaohsiung University of Applied Sciences Founding President, National Quemoy University Chairman, Air Asia Company Limited Director of College and Dean of Academic Affairs, National Chiao Tung University Dean of the College of Engineering, National Sun Yat-sen University	0
Chi-Shan Hung (Male)	Master of Laws, National Cheng Kung University Bachelor's degree, Department of Public Finance, National Cheng Kung University	Director-General, National Taxation Bureau of Kaohsiung City, Ministry of Finance Director-General, National Tax Administration of the Southern Area, Ministry of Finance Deputy Director-General, Taxation Administration, Ministry of Finance Independent Director and member of the Audit and Remuneration Committee, Hua Yu Lien Development Co., Ltd. Independent Director and member of the Audit and Remuneration Committee, Ping Ho Environmental Technology Co., Ltd. Corporate Director Representative, Flexium Interconnect, Inc.	0
Chin-Cheng Kao (Male)	MBA, Institute of Management Science, National Chiao Tung University Bachelor of Psychology, National Taiwan University	General Manager, Kai-Lue Enterprise Management Co., Ltd. General Manager, Pan-Asia Management Consultants Corporation Manager, China Productivity Center Special Assistant to the Chairman and Factory Director, Fu-I Fiber Industry Co., Ltd.	0
Te-Tsai Lu (Male)	PhD in Management, National Yunlin University of Science and Technology	Dean of School of Business Management, Kunshan University Professor and Director of the Department of Business Administration, Kunshan University	0

Sunonwealth Electric Machine Industry Co., Ltd.

List of Director Candidates (nominated by the Board of Directors)

Name	Education	Experience	Number of shares held
Yo Yuan Investment Corporation Representative: Ching-Shen Hong (Male)	Department of Electrical Engineering, Kun Shan University Graduated from the Department of Business Import/Export Management, Vancouver Community College	President, Sunonwealth Electric Machine Industry Co., Ltd. Chairman, Sunon Electronic (Kunshan) Co., Ltd. Chairman, Sunon Electronic (Foshan) Co., Ltd. Director, Sunon Electronic (Bei Hai) Co., Ltd. Chairman, Beihai Li Zhun Electronics Co., Ltd. Chairman, Sunon Inc. Chairman, Sunon SAS Chairman, Sunon Electronics India Private Ltd. Director, Sunon Properties Philippines Corp. Director, Sunon Electronics Philippines Corp. Director, Suzhou Shengyixing Heat Transfer Technology Co., Ltd. Chairman, Yo Yuan Investment Corporation	14,950,000
Yo Yuan Investment Corporation Representative: Li-Ju Chen (Female)	Graduated from the Department of Information Management, Queen's College (Canada)	Director of the Strategic Purchasing Department/IT Department, Sunonwealth Electric Machine Industry Co., Ltd. Director, Sunon Electronic (Kunshan) Co., Ltd. Director, Sunon Electronic (Foshan) Co., Ltd. Director, Sunon Electronic (Bei Hai) Co., Ltd. Director, Sunon Inc. Director, Sunon Electronics India Private Ltd. Director, Sunon Properties Philippines Corp. Director, Sunon Electronics Philippines Corp.	14,950,000
Yo Yuan Investment Corporation Representative: Ling-Wen Huang (Female)	Department of Accounting & Statistics, Ming Chuan Business College	Senior Special Assistant, Sunonwealth Electric Machine Industry Co., Ltd. Supervisor, Yo Yuan Investment Corporation Supervisor, Guang Sheng Investment Corporation	14,950,000

Name	Education	Experience	Number of shares held
Yo Yuan Investment Corporation Representative: Fu-Sheng Huang (Male)	Master, Institute of Public Affairs Management, National Sun Yat-sen University University 39th annual graduate, Central Police University	Chief, Aviation Police Bureau Chief, Tainan County Police Department Chief, Yunlin County Police Department	14,950,000
Nice Enterprise Co., Ltd. Representative: Ching-Liang Chen (Male)	Graduated from the Department of Public Affairs, National Chung Hsing University	President, Nice Enterprise Co., Ltd. Supervisor, Taiwan First Biotechnology Corp. Chairman, Taiwan Food Industry Co., Ltd. Chairman, Ho Ding International Development Co., Ltd.	4,006,813



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