

SUNON®

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Sunonwealth Electric Machine Industry Co., Ltd. 2021 Annual Report

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Company Website :

<http://www.sunon.com>

Taiwan Stock Exchange Market Observation Post System :

<http://mops.twse.com.tw>

I. Spokesperson:

Name: William Li

Title: Vice President

Tel: (07)8135888

Email: weijenli@sunon.com

Deputy Spokesperson

Name: Ling-Wen Huang

Title: Special Assistant, Secretariat of the Board

Tel: (07)8135888

Email: candy@sunon.com

II. Contact Information of the Head Office, Branch Offices and Factories

Head Office: No. 30, Ln. 296, Xinya Rd., Qianzhen Dist., Kaohsiung City, Taiwan

Tel: (07)8135888

Taipei Office: 4F., No. 356, Sec. 1, Neihu Rd., Neihu Dist., Taipei City, Taiwan

Tel: (02)27992383

Kunshan Plant: NO.168 Nanbang Road Kunshan, Jiangsu, China

Tel: +86-512-57700108

Beihai Plant: B6, Beihai Comprehensive Bonded Zone, Beihai Avenue West, Beihai City,
Guangxi Province, China

Tel: +86-779-6666888

III. Stock Transfer Agency

Name: Grand Fortune Securities Co., Ltd. Stock Transfer Agent

Address: 6F, No. 6, Section 1, Chung Hsiao West Road, Taipei City

Tel: (02) 2371-1658

Website: www.gfortune.com.tw

IV. Contact Information of the Certified Public Accountants for the Latest Financial Report

Name: Accountant Ching-Lin Li CPA and Shu-Man Tsai CPA

Firm: Crowe (TW) CPAs

Address: 27F.-1, No. 6, Siwei 3rd Rd., Lingya Dist., Kaohsiung City, Taiwan

Tel: (07)3312133

Website: www.crowe.tw

V. Overseas securities listing exchange and information: None

VI. Company website

<http://www.sunon.com>

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A. Letter to Shareholders

Dear Shareholders,

As cicadas buzz in high summer, the day for our annual shareholders' meeting has arrived. As the COVID-19 epidemic continues its rampage across the globe, we wish to express our sincere gratitude for your attendance today. The business environment in 2021 has undergone more significant changes compared to the previous year with chip shortages, rising prices for all materials, increase in labor cost as a result of labor shortages, and plant relocation which prevented significant expansion of production capacity. The unprecedented difficulties in supply chain management have increased operating costs significantly and resulted in a decline in profitability. After bearing the brunt of the storm in the first three quarters, we began to see positive changes in the fourth quarter. We completed the relocation of production capacity and the production capacity and efficiency gradually recovered. The server, automotive, and laptop application industries were plagued by chip shortages and disruptions in the supply of materials in the first three quarters but regained the momentum for growth as the material supply conditions improved. We passed on some of the rising material costs to our customers, resulting in positive changes for the sluggish profitability while the gross margin, operating profit margin, and net margin increased compared to the previous three quarters. Although many uncertainties persist in the economy, Sunonwealth has developed flexible response measures based on more than forty years of experience and has always regarded every challenging crisis as an opportunity. The Company has prepared response measures to meet the challenges with the aim of maintaining continuous growth of revenue and profitability.

Results of Business Operations in the Previous Year

The Company's business plan achievement status in 2021 is as follows:

Comparison of the 2021 Business Plan and actual achievements

	Business Plan	Actual Results	Difference	Completion Rate	2020	Growth Rate
Quantity shipped	142 million units	142.2 million units	0.2 million units	100.1%	139.2 million units	2.2%
Consolidated total revenue	NT\$13.228 billion	NT\$13.562 billion	NT\$334 million	102.5%	NT\$12.781 billion	6.1%
Consolidated EPS before tax	NT\$4.48	NT\$2.33	-NT\$2.15	52.0%	NT\$4.34	-46.3%
Consolidated EPS after tax	NT\$3.45	NT\$1.71	-NT\$1.74	49.6%	NT\$3.39	-49.6%

Note: The 2021 Business Plan figure was not audited by the CPA.

In terms of the achievement rate of the Company's 2021 Business Plan, the cloud servers and automobile industry were affected by chip shortages and the growth rate was lower than expected. The PC industry was affected by the relocation of production capacity and the expansion was slower than expected. The single-digit growth rate was outperformed by market growth. Network and communication products and distributor channels have achieved significant growth in applications. Overall, the consolidated annual revenue grew by 6.1% from the previous year, and the targets in the annual business plan were met. However, our profitability has been affected by the rising cost of labor and materials and inability to pass on these costs to customers, and fell by approximately 50%. The target achievement rate was only 50%. In terms of income and expenditures, the net cash inflow in the fiscal year amounted to NT\$8.59 million and the closing cash and cash equivalents amounted to NT\$500 million. The cash flow on the consolidated financial statements showed a net cash inflow of

NT\$337 million and closing cash and cash equivalents of NT\$1.912 billion. The Company's funding status remains healthy. The Company invested NT\$453 million in research and development expenditures in the fiscal year and invested NT\$814 million in R&D based on the consolidated financial statements. Both figures have increased from the previous year. The Company has completed projects commissioned by customers in six major sectors (IT and office equipment, servers and communication, industrial and medical equipment, appliances, automobiles, and LED) as well as the development of the next-generation passive heat dissipation components, water-cooled heat dissipation modules, and important components sufficient for meeting the demand for the future evolution heat dissipation technologies.

2021 Business Plan Overview

In response to the unique environmental factors of 2022, the Company has formulated the following important business plans. I. Relocation of production sites to reduce production costs: The labor shortage in East China has led to rising wages and we plan to relocate certain production capacity to the new plant in Bei Hai and the Philippines which have lower costs to reduce production costs. II. Continue to negotiate reasonable sales prices with customers: Our margins have been under pressure due to the appreciation of the NTD and the rise in the cost of labor and materials. We must implement reasonable adjustments of sales prices to increase gross profit margin. III. Rigorous control of inventory to increase operation capacity: Shortage of materials from the supply chain and fluctuations in the supply of customers' materials cause customers to either delay delivery or repeat orders, resulting in higher inventory levels. We need to exercise greater caution in material preparation, increase flexibility in production, and ship products whenever necessary to avoid rising inventory levels. IV. Improve cash flow: Cash inflow from operating activities have recently decreased and cash outflow from investing activities have increased in response to the risk of supply chain shortages and continuous capital expenditures for the expansion of new production capacity. Although cash inflow can be improved with fund raising activities, it affects the debt ratio and we must improve cash flow in operating activities to create a healthier cash flow. V. Expanding customers of cooling modules: In the past, customers of cooling modules were confined to customers who produce laptop computers. After obtaining the self-production certification for passive cooling components, we have been able to expand cooling modules to customers who produce servers, network communication equipment, and automobiles to actively expand growth in revenue. VI. Focus on employee benefits to increase talent retention: Employees are the foundation of business development. In response to the labor shortages in different industries due to sustained economic growth and the return of Taiwanese businesses, companies must provide more flexible and optimized benefits to attract and retain talents. After adjustments for production and sales and changes implemented in response to the market, products, customers, and sales strategy, the Company plans to ship 146 million units this year.

Future Development Strategy

The Company's future development strategy will be focused on technology and product development, global production development, and continuous cost reduction. Technology and product development: Due to technology development trends, CPUs will generate higher power consumption and operating temperature. The corresponding heat dissipation solutions must include a more diverse range of active and passive heat dissipation components. We have also developed liquid-cooled heat dissipation solutions. The Company has achieved preliminary results in its active investments in passive heat dissipation components and liquid-cooled heat dissipation solutions. They will invariably provide more comprehensive heat dissipation solutions for customers and create value for customers. Global production plan: Since the start of the trade war between China and the United States, the Company has transferred the production of products affected by high import tariffs back to Taiwan. However, customers continue to demand greater dispersion of production to different sites to mitigate concentrated production risks. The continuous labor shortages and rising wages in Mainland China were also important factors for the creation of this development strategy. The Company plans to set up

a new production site in the Philippines to address the risks of concentrated production based on customer demand, and reduce production costs. We will continue to pay close attention to changes in the global economy for creating future production plans. Continue to lower costs: The Company must use simplified product architecture, reduce component specifications, and introduce automated production to achieve streamline designs and production and reduce product production costs. In terms of R&D, we must implement the performance evaluation regulations for investments and output to increase the efficiency of R&D expenditures and maximize the output of R&D expenditures. In terms of system procedures, we will introduce big data analyses to streamline procedures and effectively reduce manpower requirements. We shall adopt a diverse range of development strategies and continue to improve our business development and profitability.

Impact of the Competitive Environment, Regulatory Environment, and Overall Business Environment

In terms of the competitive environment, the Company faces price competition from competitors in Greater China, as well as competition in products and technologies from major Japanese and European companies. With over 40 years of experience in technology development, the Company has obtained a leading position in IT and cloud server products in recent years. We will focus on new products in the automotive, industrial, and home appliance industries to enhance our competitive strength. Total solutions for heat dissipation have become key to competition. The Company must integrate active and passive cooling components and expand from air cooling to liquid cooling to maintain its competitive advantages. In terms of the legal environment, the Environmental Protection Administration has proposed the draft amendment of the "Climate Change Response Act" and expressly incorporated "net zero emissions by 2050" into the legislation. The Financial Supervisory Commission also specified the timetable for the completion of carbon inventory by public companies. These changes and environmental laws will encourage companies to invest in net zero emissions and the Company will establish organizations for promoting sustainability. The overall business environment has been affected by the Russo-Ukrainian War, the pandemic, inflation, and rising interest rate which exacerbated uncertainties in the market and supply chain. These factors have affected the Company's revenue and operating costs. However, the Company has developed various countermeasures to meet the challenges to minimize the impact of these unfavorable factors.

With your support in the past 40 years, Sunonwealth has achieved stable growth in both revenue and profitability. In the future, we shall continue to dedicate our efforts to make the world a better place with Sunonwealth and fill it with endless hope. Finally, on behalf of all employees of the Company, I wish to thank the shareholders for your support. I also look forward to your continuous support and let us work together for another forty years.

I wish you all health and prosperity.

Chairman of the Board Ching-Shen Hong

President Ching-Shen Hong

Chief Accounting Officer William Li

June 10, 2022

B. Company Profile

I. Date of establishment

Date of establishment and registration: October 25, 1980

II. Company history

1. 1980

The Company was established with a capital of NT\$1,000,000. It focused on the R&D, product, and sales of small precision motors and cooling fans.

2. 1981

The Company obtained the SUNON trademark certificate issued by the Bureau of Standards, Metrology and Inspection and established the Taipei Factory.

3. 1983

Obtained UL certification in the United States, increased capital to NT\$5,000,000, and reorganized into a company limited by shares.

4. 1984

Established the Kaohsiung Factory.

5. 1986

Increased capital to NT\$10,000,000.

6. 1987

Obtained the first patent certificate.

7. 1988

Increased capital to NT\$21,000,000.

8. 1989

Purchased office building in Kaohsiung City. Increased capital to NT\$149,530,000.

9. 1990

Completed the construction of the Gangshan Factory.

10. 1991

Successfully developed the DC brushless cooling fan and increased capital to NT\$171,959,500.

11. 1993

Conducted capital increase by converting earnings to capital in September and increased the capital to NT\$201,200,000.

12. 1994

Purchased Kaohsiung Factory and increased capital to NT\$300,000,000 in December.

13. 1995

Passed ISO 9002 certification in July. Established Hong Kong Office. Conducted capital increase by converting earnings to capital in August. The capital is increased to NT\$360,000,000. Purchased office building in Taipei in November.

14. 1996

Officially established the Singapore Office in January and passed ISO 9001 certification in February. Established the Europe Office in the Netherlands in August. Conducted capital increase by converting earnings to capital in September and increased the capital to NT\$470,300,000.

15. 1997
Successfully developed the spindle motor for the 12X and 16X-speed CD drive in March; Won the Taiwan Excellence Award in April; Conducted capital increase by converting earnings to capital in May and increased the paid-in capital to NT\$565,559,000. Established the Tainan Factory in June; Established the US Office in November.
16. 1998
Conducted capital increase by converting earnings to capital in June and increased the paid-in capital to NT\$ 699,700,000. Company stocks are listed on the OTC market in September; Company products won the 6th Taiwan Excellence Award and the Company passed ISO 14001 certification; Conducted capital increase in December and increased the paid-in capital to NT\$ 800,000,000.
17. 1999
The new green motor series was launched in January; Kaohsiung Second Plant was completed in February and the R&D Building was officially launched; Established a subsidiary company in the United States in March; Invested in Sunon Motor Co., Ltd. which focused on the research, development, and production of DVD spindle motors; the Company received the Magnetism Prize for contribution to the industry and research results from Taiwan Association for Magnetic Technology; Conducted capital increase by converting earnings to capital in July and increased the paid-in capital to NT\$ 964,000,000.
18. 2000
The Company was awarded the bronze prize in the corporate division in 9th National Invention and Creation Award and the Golden Award in the Outstanding Enterprise Category and Product Design Category; Established subsidiary companies in France and Japan; Company stocks became listed on TWSE in September; issuance of the first unsecured corporate bonds totaling NT\$400 million. Increased capital to NT\$ 1,209,820,000.
19. 2001
Awarded the bronze prize in the corporate division in 10th National Invention and Creation Award; launched the world's first brushless DC vibration motor. Increased capital to NT\$ 1,611,187,190.
20. 2002
Began the expansion of the phase 2 plant of Sunon Electronic (Kunshan) Co., Ltd.; launched the Power Motor series; won the Silver Award and Industrial Technology Development Excellence Award in the 10th Taiwan Excellence Award. Increased capital to NT\$ 1,809,005,170.
21. 2003
Completed the expansion of the phase 2 plant of Sunon Electronic (Kunshan) Co., Ltd.; Awarded the Enterprise Role Model Award for "Root in Taiwan for Global Development" in the first Golden Root Award; awarded Sony Certificate of SONY Green Partner; awarded "Contribution to the Magnetic Technology Industry" in the 16th Magnetism Prize for from Taiwan Association for Magnetic Technology; Awarded the fourth Industrial Sustainable Excellence Award (machinery and transportation industries) by the Ministry of Economic Affairs; Global Operation Head Office application approved by the Ministry of Economic Affairs; Invention and Innovation Center application approved by the Ministry of Economic Affairs; issuance of the first unsecured international convertible corporate bonds valued at US\$10 million. Increased capital to NT\$ 1,960,000,610 and elected the 10th-term Directors and Supervisors.

22. 2004

Inauguration ceremony of the Operation Head Office and the phase 2 plant of Sunon Electronic (Kunshan) Co., Ltd.; Chairman Yin-Su Hong received an honorary PhD degree for management from Sun Yat-sen University; Awarded the silver prize in the First National Invention and Creation Award of the Ministry of Economic Affairs; awarded the 2004 Technology Management Prize (enterprise and group category) from the Chinese Society for Management of Technology; Ranked 48th in the world and 4th in Taiwan in terms of technical strength by the *MIT Technology Review*; launched the magnetic levitating motor AC fans. Capital was maintained at NT\$ 1,960,000,610.

23. 2005

The Company passed OHSAS18001 certification and provides products that fully comply with the RoHS directive; completed the development of the PMD 4028 high air volume fans and magnetic levitating motor fans 7020 series; received the 13th Taiwan Excellence Award and the "2005 Taiwan Good Brands" from the Ministry of Economic Affairs; received awards including SAMSUNG Eco-Partner certification and Inventec's 2005 Diamond Supplier Award; Ranked 4th in the Top 100 Companies in Taiwan in the components category by *Business Weekly* in 2005. Increased capital to NT\$ 1,998,600,620.

24. 2006

Passed ISO/TS 16949 quality assurance system certification; received the 14th Taiwan Excellence Award and the "2006 Taiwan Good Brands" from the Ministry of Economic Affairs; received the Best Innovation and Business Management Award in the third Taiwanese Enterprise Awards presented by China Times; received Canon Green Activity environmental protection certification; launched the Waturbo cooling module; issuance of the second unsecured corporate bonds totaling NT\$400 million. Increased capital to NT\$ 2,057,658,640 and elected the 11th-term Directors and Supervisors. Established "Sunon Electronic (Foshan) Co., Ltd." in China.

25. 2007

Launched the world's smallest/slimmest nano-tech fans and drum fans; received the Silver Award in the 15th Taiwan Excellence Award and Taiwan Excellence Award from the Ministry of Economic Affairs; "Ministry of Economic Affairs Pilot Information Application Development Program - Sunonwealth Smart Patented Value-Added System Project" passed the review by the Ministry of Economic Affairs and was recommended as an "outstanding pilot company"; Won recognition as the best supplier of Emerson in 2007; Ranked 1st in the Top 100 Companies in Taiwan in the power/transportation equipment category by *Business Weekly* in 2007. Completed the relocation and production line expansion of Sunon Electronic (Foshan) Co., Ltd.; Increased capital to NT\$ 2,313,064,460. Merged the wholly owned "Chien Heng Precision Co., Ltd." and the Board of Directors resolved to liquidate the investee "Pingnan Sunonwealth Electrical Product Factory" in China.

26. 2008

The Company's innovative invention "Mighty Mini Fan", the smallest in the world, was exhibited at the "Taiwan Number One Special Exhibition" organized by the Taiwan Historica of Academia Historica; The innovative technology used in the Mighty Mini Fan was awarded the "Industrial Innovation Award" organized by the Industrial Development Bureau of the Ministry of Economic Affairs and it won the 17th Taiwan Excellence Award; launched the new product ultra-quiet fan, next-generation magnetic levitating motor fan ME series, and indoor LED light bulb cooling module; passed IECQ QC080000 certification; entered the new Netbook products supply chain; Increased

capital for the two plants in China; increased the registered capital of Sunon Electronic (Kunshan) Co., Ltd. to US\$28,500,000 and increased the registered capital of Sunon Electronic (Foshan) Co., Ltd. to US\$19,420,000; increased the Company's capital to NT\$2,457,986,300.

27. 2009

The world's slimmest 1cm nano-tech fans and drum fans received the Silver Award in the 18th Taiwan Excellence Award and Taiwan Excellence Award from the Ministry of Economic Affairs; awarded the contribution prize in the 2009 National Invention and Creation Award; "Slim fan" invention patent awarded the Silver Prize for Invention in the 2009 National Invention and Creation; ranked 75th in the 2008 "Top 100 Domestic Institutions in Total Number of Patent Certificates" by the Intellectual Property Office and ranked 73rd in the "Top 100 Domestic Institutions in Number of Invention Patent Certificates"; SUNON ranked first in terms of market share in the global AC/DC axial fans in the market research report published by Fuji Keizai. Election of the Company's 12th-term Directors and Supervisors; Sunon Electronic (Foshan) Co., Ltd. merged Nanhai Guangyuan Electronic (Foshan) Co., Ltd. and increased its capital to US\$20,620,000; the Company merged its wholly-owned subsidiary "Sunon Motor Co., Ltd."; increased the Company's capital to NT\$2,579,297,320.

28. 2010

Environmental-friendly Energy-saving Cooling Fans for LED MR16 and LED Street Lamp both received the 19th Taiwan Excellence Award; The Company was ranked 347th in the 2009 "Top 1000 manufacturing companies in Taiwan" in the 446th issue of *Commonwealth Magazine*. launched the smart forward and backward-rotating dusting fan and LED lighting cooling module series; ranked 67th in the 2009 "Top 100 Domestic Institutions in Total Number of Patent Certificates", 56th in the "Top 100 Domestic Institutions in Invention Patent Applications", and 89th in the "Top 100 Domestic Institutions in Number of Invention Patent Certificates"; SUNON ranked first in terms of market share in the global AC/DC axial fans in 2010 in the market research report published by Fuji Keizai. Sunon Electronic (Kunshan) Co., Ltd. expanded the new factory and increased the registered capital to US\$33,000,000.

29. 2011

Launched the IP-68 maximum protection products and LED projection light cooling modules; The Lightweight & Ultra-thin Cooling Fan received the 20th Taiwan Excellence Award from the Ministry of Economic Affairs; SUNON brand became one of the "Top 100 Brands in Taiwan"; The Company was ranked 361st in the 2010 Top 1000 Manufacturing Companies in Taiwan by *Commonwealth Magazine*. ranked 85th in the 2010 "Top 100 Domestic Institutions in Number of Patent Applications"; ranked 65th in the "Top 100 Domestic Institutions in Invention Patent Applications" and 75th in the "Top 100 Domestic Institutions in Number of Invention Patent Certificates"; SUNON ranked first in terms of global DC axial fans in the "Small Fan World Scale Market Research" published by Yano Research Institute in Japan in 2011. The Company established Sunon Electronic (Bei Hai) Co., Ltd. and the paid-in registered capital was US\$6,000,000.

30. 2012

The Company was ranked 373rd in the 2011 Top 1000 Manufacturing Companies in Taiwan by *Commonwealth Magazine*; Lightweight & Ultra-thin Cooling Fan won the Silver Award in the 20th Taiwan Excellence Award. "High-Lumen LED Spotlight active cooling module series" and "high performance cooling fan for hand-held micro projector" won the 21st Taiwan Excellence Award; the registered capital of Sunon

Electronic (Bei Hai) Co., Ltd. was increased to US\$10,000,000. the Company established Sunon Electronic (He Fei) Co., Ltd. The Company reduced shares by buying back treasury stock and reduced the capital to NT\$2,509,297,320.

31. 2013

The Company was ranked 361st in the 2012 Top 1000 Manufacturing Companies in Taiwan by *Commonwealth Magazine*. The Company launched the Ultra Micro Cooling Device Series, High-Lumen LED MR16 lamp Active Cooling Modules Series, and the Dust proof, Water proof, IP68 Cooling Fan which won the 22nd Taiwan Excellence Award.

32. 2014

The Company launched 400W high-wattage LED lighting cooling solution and ECO DC variable frequency air fan, and other new products; The mobile phone cooling case and automobile fragrance system air fan received the 23rd Taiwan Excellence Award; LED Lighting Ventilation Fan received the iF Product Design Award in Germany in 2015; The Company was ranked 348th in the 2013 Top 2000 Manufacturing Companies in Taiwan by *Commonwealth Magazine*.

33. 2015

Launched the ultra-energy-efficient DC ventilation fan; The Company was ranked 313th in the 2014 Top 2000 Manufacturing Companies in Taiwan by *Commonwealth Magazine*. LED Lighting Ventilation Fan received the 24th Taiwan Excellence Award; received the 2015 TTQS Gold Prize. The Mighty Mini Fan product line was adopted in computer sticks, drones, electronic breathing masks, and virtual reality wearable devices.

34. 2016

Launched the Flow2 One-AHR Ventilation Fan, IP68 high protection fans for LED lighting, Energy Saving EC Axial Fan, and ATEX explosion prevention fans; The Company was ranked 281st in the 2015 Top 2000 Manufacturing Companies in Taiwan by *Commonwealth Magazine*. LED Lighting Ventilation Fan received the Silver Award in the 24th Taiwan Excellence Award; Obtained 6,934m² of land for the Kaohsiung Factory.

35. 2017

Launched the Type 25 side-suction ventilation fan and VF high-performance fans for commercial use; The Company was ranked 272nd in the 2016 Top 2000 Manufacturing Companies in Taiwan by *Commonwealth Magazine*. The Flow2 One AHR Ventilation Fan and Energy Saving EC Axial Fan received the Silver Award in the 26th Taiwan Excellence Award.

36. 2018

Launched DC Axial Fan VF dual fan; The Company was ranked 279th in the 2017 Top 2000 Manufacturing Companies in Taiwan by *Commonwealth Magazine*. The side-suction ventilation fan received the 2018 Taiwan Excellence Award. Merged the wholly-owned subsidiary Sunon SMT Co., Ltd. Sold 100% of shares in Hefei Hua Zhun Electronics Co., Ltd.

37. 2019

Launched the Flow2 One-AHR Ventilation Fan Plus+ and Powerful Energy-Saving Ceiling Fan; ranked 260th in the 2018 Top 2000 Manufacturing Companies in Taiwan by *Commonwealth Magazine*; Powerful HVLS FAN Series1 Energy-Saving Ceiling Fan won the 2019 Taiwan Excellence Award; received Gold Medal Certification in the Talent Quality-management System (TTQS); invested in the establishment of branch companies in India and the Philippines.

38. 2020

We launched the next-generation Flow2 One-AHR ventilation fan (intake), modern HVLS home ceiling fan, and AF car seat ventilation drum fan, and was ranked 261st in the 2019 Top 2000 Manufacturing Companies in Taiwan by *Commonwealth Magazine*. Sunonwealth received the Taiwan Excellence Achievement Award. The Modern HVLS home ceiling fan and the Flow2 One-AHR Ventilation Fan Plus won the 2020 Taiwan Excellence Award. Obtained 137,096m² of land for the construction of a plant in the Philippines.

39. 2021

We launched the 1000W high-wattage water-cooled coolers with embedded tubes, high-performance CPU coolers for the Intel Whitley Platform, and anti-vibration fans. The Company was ranked 245th in the 2021 Top 2000 Manufacturing Companies in Taiwan by *Commonwealth Magazine*. We ranked 28th in computer peripherals and components. Sunonwealth silent (direct discharge) ventilation fan received the 2021 Taiwan Excellence Achievement Award. The lease period for the Sunonwealth Foshan Plant expired and production ended. The production capacity was redirected to Sunon Electronic (Kunshan) and Sunon Electronic (Bei Hai). The registered capital was reduced from USD 23.66 million to USD 10 million. The company also changed its address and transformed into a sales company. The Company invested in the establishment of Beihai Li Zhun Electronics Co., Ltd.

C. Corporate Governance Report

I. Organization system

(I) Organization structure



Note: The organization structure became effective on March 11, 2021.

(II) Major business units and their key businesses

Department Name	Main Businesses
President	The President is responsible for the execution of the Company's operations. The President establishes business strategic goals and directs and manages subordinates in business operations to achieve the Company's goals.
President Office	The President Office assists the President in business operations, plans for the Company's medium and long-term goals and strategies, and improves the performance of execution units.; the President Office is also responsible for the management, assistance, and audit of investee businesses for strengthening the comprehensive performance of affiliated enterprises; it also manages legal and intellectual property rights.
Quality Strategy Center	The Center is responsible for managing quality/hazardous substances/environmental health and safety systems; assignment of management representatives and definitions of duties; formulation, amendment, and review of plans for the quality/hazardous substance/environmental health and safety systems; formulation of annual management strategies and communication and advancement of targets; implement regular audits on the performance of various systems, improvements for discrepancies, and effectiveness of improvements; regularly implement reviews & improvements for discrepancies, and effectiveness of improvements for management items; monitor the effective supervision of customer complaints; provide assistance, risk prevention, and prevent recurrence through management.
GS Business Unit	The GS Business Unit is responsible for technical support and product development for strategic applications and strategic customers; it also follows up on customer demands in projects and provide customers with solutions. The GS Business Unit manages marketing channels across the globe and strategic customers. It formulates product and marketing strategies to expand the market, maintain customer relations, and improve customer satisfaction. It also manages overseas subsidiaries for sales.
Global Production Unit	It is responsible for the production of cooling fans and motors as well as comprehensive quality; it also provides customers with high-quality products and prompt delivery. The Unit oversees the Kunshan Factory, Foshan Factory, Beihai Factory, and Kaohsiung Factory.
Automated Intelligence Division	It is responsible for the development of production processes for fans and motors as well as the R&D and design of various automated production equipment and tools to improve overall production efficiency.
Operating Management Division	It is responsible for formulating KPI for all departments of the Group as well as their evaluations and follow-up improvement; it is responsible for the coordination and improvement of system procedures as well as the development of the management system tools.

Strategic Purchasing Department	It is responsible for developing suppliers of materials and control of procurement prices; it also implements a qualified supplier system and priority supplier system.
Global Human Resource Division	It is responsible for the human resources development of all subsidiaries across the globe and the administrative affairs of the parent company; its goal is to improve employee satisfaction.
IT Division	It is responsible for the establishment of a corporate information system and the maintenance of stability, timeliness, confidentiality, and security of the system and information communication.
Finance Division	It is responsible for maintaining records on the Company's business activities, formulating financial information and management reports, providing analytical data and suggestions for improvement in business decision-making, and controlling budgets.

II. Profile of Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and Department Directors

(I) Director information

Director information

April 12, 2022

Title (Note 1)	Nationality or place of registration	Name	Gender Age (Note 2)	Date elected (appointed)	Term	Date first elected (Note 3)	Shares held during election		Number of shares currently held		Current shares held by spouse and underage children		Shareholding by nominee arrangement		Education and work experience (Note 4)	Other current positions within the Company	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads			Remarks (Note 5)
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Yo Yuan Investment Corporation Representative	Republic of China			2021.7.1	3	2009.5.27	14,802,000	5.90%	14,825,000	5.91%	-	-	-	-	-	-	-	-	-	-
	Republic of China	Chairman Ching-Shen Hong	Male 41 to 50	2021.7.1	3	2009.5.27	3,000,000	1.20%	3,612,000	1.44%	267,000	0.11%	-	-	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. Chairman, Sunon Electronic (Bei Hai) Co., Ltd. Chairman, Beihai Li Zhun Electronics Co., Ltd. Chairman, Sunon Inc. Chairman, Sunon SAS Director, Sunon Corporation Chairman, Sunon Electronics India Private Ltd. Director, SUNON Properties Philippines Corp. Director, SUNON Electronics Philippines Corp. Director, Suzhou Shengyixing Heat Transfer Technology Co., Ltd.	Director	Fu-Ing Hong Chen	Mother-son	Business succession plan. Response measures: Processed in accordance with laws for compliance
	Republic of China	Director Fu-Ing Hong Chen	Female 71 to 80	2021.7.1	3	2009.5.27	15,270,000	6.09%	12,000,000	4.78%	-	-	-	-	Graduated from Yanchao Elementary School	Senior Special Assistant, Sunonwealth Electric Machine Industry Co., Ltd. Director, Sunon Inc. Director, Sunon Electronic (Kunshan) Co., Ltd. Director, Sunon Electronic (Foshan) Co., Ltd. Director, Sunon Electronic (Bei Hai) Co., Ltd. Director, SUNON Properties Philippines Corp. Director, SUNON Electronics Philippines Corp. Chairman, Guang Sheng Investment Corporation Chairman, Yo Yuan Investment Corporation	Director	Ching-Shen Hong Li-Ju Chen	Mother-son Daughter-in-law	Business succession plan. Response measures: Processed in accordance with laws for compliance
	Republic of China	Director Li-Ju Chen	Female 51 to 60	2021.7.1	3	2009.5.27	267,000	0.11%	267,000	0.11%	3,612,000	1.44%	-	-	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 Corporation Director, Sunon Electronics India Private Ltd. Director, SUNON Properties Philippines Corp. Director, SUNON Electronics Philippines Corp.	Chairman of the Board Director	Ching-Shen Hong Fu-Ing Hong Chen	Spouse Daughter-in-law	Response measures: Processed in accordance with laws for compliance
	Republic of China	Director Tseng-Cheng Lin	Male 71 to 80	2021.10.4	3	2015.6.9	-	-	-	-	-	-	-	-	Department of Business Administration, International Business College	Chairman, Suman Corporation	-	-	-	-
Representative of Nice Enterprise Co.,	Republic of China			2018.5.30	3	1997.4.3	4,506,813	1.80%	4,006,813	1.60%	-	-	-	-	-	-	-	-	-	-

Title (Note 1)	Nationality or place of registration	Name	Gender Age (Note 2)	Date elected (appointed)	Term	Date first elected (Note 3)	Shares held during election		Number of shares currently held		Current shares held by spouse and underage children		Shareholding by nominee arrangement		Education and work experience (Note 4)	Other current positions within the Company	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads			Remarks (Note 5)
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Ltd.	Republic of China	Director Ching-Liang Chen	Male 71 to 80	2018.5.30	3	1997.4.3	-	-	-	-	-	-	-	-	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.	-	-	-	-
Independent Director	Republic of China	Chun-Hao Xin	Male 71 to 80	2021.7.1	3	2015.6.9	-	-	-	-	206,510	0.08%	-	-	Master's degree, Institute of Business Management, I-Shou University Director-General, Kaohsiung County Revenue Service Bureau	Independent Director and member of the Audit and Remuneration Committee of Chang Wah Electromaterials Inc.	-	-	-	-
Independent Director	Republic of China	Mei-Hsiang Pai	Female 71 to 80	2021.7.1	3	2015.6.9	24,128	0.01%	-	-	-	-	-	-	Master of Science, Graduate Institute of Medical Sciences, Chang Jung Christian University MBA, National Sun Yat-sen University	Director, Rich Fountain International Corp.	-	-	-	-
Independent Director	Republic of China	Chih-Ming Chen	Male 61 to 70	2021.7.1	3	2015.6.9	-	-	-	-	-	-	-	-	Graduated from the School of Law, Soochow University Master's degree, Institute of Mainland China Studies, National Sun Yat-sen University Judge, Kaohsiung District Court	Managing Partner, Chih-Ming Attorneys-at-Law	-	-	-	-
Independent Director	Republic of China	Kuang-Chih Huang	Male 81 to 90	2021.7.1	3	2021.7.1	-	-	-	-	-	-	-	-	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	-	-	-	-	

Note 1: The names and representatives of institutional shareholders shall be listed separately (those who represent institutional shareholders should indicate corporate names) and fill in Table 1 below.

Note 2: Please specify the actual age. Results may be expressed in ranges such as 41 to 50 or 51 to 60.

Note 3: Fill in the time when the individual first served as the Company's Director or Supervisor. Any interruptions should be indicated.

Note 4: Work experiences of anyone in the table above that are related to their current roles, such as previous employment at CPA firms or employment in affiliated companies, should be disclosed along with job titles and responsibilities.

Note 5: Where the Chairman, President, or individual with equivalent roles are the same individual, spouses, or relatives within the first degree of kinship, the Company shall specify related information regarding the reason, reasonableness, necessity, and response measures (e.g., appointment of additional Independent Directors and requiring the appointment of more than half of the Directors from individuals who are not employees or managers).

Table 1: Major shareholders of institutional shareholders

March 31, 2022

Name of institutional shareholder (Note 1)	Major shareholders of institutional shareholders (Note 2)	Shareholding ratio (%)
Yo Yuan Investment Corporation	Fu-Ing Hong Chen	55.00
	Yin-Su Hong	1.00
	Ching-Shen Hong	16.00
	Sheng-Tai Hong	5.00
	Li-Ju Chen	3.50
	Chia-Chun Hong	6.50
	Chia-Wei Hong	6.50
	Rong Jin International Development Co., Ltd.	6.50
Nice Enterprise Co., Ltd.	AGV Products Corp.	28.24
	Ho Yuan Investment Corporation	20.58
	Taiwan First Biotechnology Corp.	10.83
	Taiwan NJC Corporation	6.41
	Ho Ding International Development Co., Ltd.	4.21
	Leshan Investment Development Co., Ltd.	3.09
	Yu-Ying Hong	3.06
	Zhi-Hong Chen	2.70
	English International Consultancy Co., Ltd.	2.38
Cunyuan Heye Co., Ltd.	3.20	

Note 1: For directors and supervisors who are the representatives of institutional shareholders, the names of the institutional shareholders shall be disclosed.

Note 2: Fill in the names of main shareholders of the institutional shareholder (the top ten shareholders in terms of shareholding ratio) and their shareholding ratio. If the major shareholder is a juristic person, his/her name should be filled in Table 2 below.

Note 3: Where an institutional shareholder is not organized as a company, the name of the shareholders and shareholding ratio that must be disclosed in accordance with the above shall be the name of the funder or donor and the funding or donation ratio.

Table 2: Major shareholders in Table 1 who are institutional shareholders and their major shareholders

March 31, 2022

Name of institutional shareholder (Note 1)	Major shareholders of institutional shareholders (Note 2)	Shareholding ratio (%)
AGV Products Corp.	Ho Yuan Investment Corporation	6.83
	Nice Enterprise Co., Ltd.	4.20
	Kuo Pao Investment and Development Co., Ltd.	1.63
	Kuo Pen Investment and Development Co., Ltd.	1.60
	SPDR Emerging Market ETF under the custody of Standard Chartered Bank	1.40
	Jung-Yu Lin	1.39
	JPMorgan Chase in its capacity as Master Custodian for Vanguard Emerging Stock Market Index Fund	1.02
	Credit Suisse International investment account under the custody of Standard Chartered Bank	0.97
	Ho Ding International Development Co., Ltd.	0.93
	Account of Morgan Stanley International Limited under the custody of HSBC Bank	0.84

Name of institutional shareholder (Note 1)	Major shareholders of institutional shareholders (Note 2)	Shareholding ratio (%)
Ho Yuan Investment Corporation	Zhi-Hong Chen	23.03
	English International Consultancy Co., Ltd.	19.00
	Yu-Ying Hong	11.83
	Su-Mei Yuan	10.73
	Zhih-Zhan Chen	5.71
	Zhih-Lun Chen	5.71
	Ching-Jen Chen	4.90
	Chang-Jiao Hu	4.45
	Wen-Na Yang	2.22
	Jeam-Tan Chen	2.10
Taiwan First Biotechnology Corp.	AGV Products Corp.	41.28
	Paolyta Co., Ltd.	8.00
	BHL Taipei Limited	8.00
	Nice Enterprise Co., Ltd.	6.10
	Ta Tai Investment Corporation	4.00
	Ho Yuan Investment Corporation	3.62
	Yun Gu	1.57
	Nice Investment Corporation	2.05
	Lei Ying Security Co., Ltd.	1.47
	Teng-Fei Lin	1.28
Ho Ding International Development Co., Ltd.	Nice Enterprise Co., Ltd.	49.07
	AGV Products Corp.	48.98
	Ho Tien International Development Co., Ltd.	0.53
	Chang-Jiao Hu	0.29
	Zhi-Hong Chen	0.29
	Yu-Ying Hong	0.29
	Su-Mei Yuan	0.29
	Kuo Pen Investment and Development Co., Ltd.	0.26
Leshan Investment Development Co., Ltd.	Ya-Xin Zheng	24.00
	Xuan-Hui Chen	24.00
	Lan-Xin Ye	16.00
	Guan-Hao Chen	8.00
	Su-Mei Yuan	4.00
	Guan-Hua Chen	4.00
	Bai-Ye Chen	4.00
	Qi-Rui Chen	4.00
	Xin-He Li	4.00
	Xin-Jia Li	4.00
English International Consultancy Co., Ltd.	Yu-Ying Hong	31.60
	Guan-Ru Chen	24.00
	Guan-Han Chen	24.00
	Guan-Zhou Chen	19.60
	Yu-Nu Hong	0.40
	Qiu-Wen Li	0.40

Name of institutional shareholder (Note 1)	Major shareholders of institutional shareholders (Note 2)	Shareholding ratio (%)
Taiwan NJC Corporation	New Japan Chemical Co., Ltd.	43.71
	Taiwan First Biotechnology Corp.	19.86
	Nice Enterprise Co., Ltd.	15.77
	Tai Food Industry Co., Ltd.	7.67
	Yi-Yan Chen	3.45
	Chia Ho Hsing Co., Ltd.	0.70
	Ho Yuan Investment Corporation	0.58
	Leshan Investment Development Co., Ltd.	0.39
	Cunyuan Heye Co., Ltd.	0.39
	Jia-En Zhang	0.37
Cunyuan Heye Co., Ltd.	Zhi-Hong Chen	28.00
	Chang-Jiao Hu	20.00
	Zhih-Zhan Chen	15.00
	Zhih-Lun Chen	15.00
	Yuan-Hui Wang	13.50
	Xiao-Ci Chen	2.84
	Xiao-He Chen	2.83
	Xiao-Wei Chen	2.83

Note 1: If the major shareholders in the preceding Table1 are institutional shareholders, the name of the institutional shareholder shall be disclosed.

Note 2: Fill in the names of main shareholders of the institutional shareholder (the top ten shareholders in terms of shareholding ratio) and their shareholding ratio.

Note 3: Where an institutional shareholder is not organized as a company, the name of the shareholders and shareholding ratio that must be disclosed in accordance with the above shall be the name of the funder or donor and the funding or donation ratio.

(II) Profile of Directors and Supervisors

I. Disclosure of information on the professional qualifications of Directors and Supervisors and independence of Independent Directors:

Name \ Criteria	Professional Qualifications and Experience (Note 1)	Fulfillment of Independence Criteria (Note 2)	Number of other public companies where the individual concurrently serves as an independent director
Yo Yuan Investment Corporation Representative: Ching-Shen Hong	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. Representative of Corporate Director, Sunonwealth Electric Machine Industry Co., Ltd.	The individual, spouse, and relatives within the second degree of kinship do not violate the terms in Paragraph 3 and Paragraph 4, Article 26-3 of the Securities and Exchange Act.	-
Yo Yuan Investment Corporation Representative: Fu-Ing Hong Chen	Senior Special Assistant, Sunonwealth Electric Machine Industry Co., Ltd. Representative of Corporate Director, Sunonwealth Electric Machine Industry Co., Ltd. Chairman, Guang Sheng Investment Corporation Chairman, Yo Yuan Investment Corporation	The individual, spouse, and relatives within the second degree of kinship do not violate the terms in Paragraph 3 and Paragraph 4, Article 26-3 of the Securities and Exchange Act.	-
Yo Yuan Investment Corporation Representative: Li-Ju Chen	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. Representative of Corporate Director, Sunonwealth Electric Machine Industry Co., Ltd.	The individual, spouse, and relatives within the second degree of kinship do not violate the terms in Paragraph 3 and Paragraph 4, Article 26-3 of the Securities and Exchange Act.	-
Yo Yuan Investment Corporation Representative: Tseng-Cheng Lin	Graduated from the Department of Business Administration, International Business College Director, Sunonwealth Electric Machine Industry Co., Ltd. Chairman, Suman Corporation Chairman, Fu Fong International Co., Ltd. Director, Hemogen Bio-Tech Co., Ltd.	The individual, spouse, and relatives within the second degree of kinship do not violate the terms in Paragraph 3 and Paragraph 4, Article 26-3 of the Securities and Exchange Act.	-
Nice Enterprise Co., Ltd. Representative: Ching-Liang Chen	Graduated from the Department of Public Affairs, National Chung Hsing University President, Nice Enterprise Co., Ltd. Representative of Corporate Director, Sunonwealth Electric Machine Industry Co., Ltd. Supervisor, Taiwan First Biotechnology Corp. Chairman, Taiwan Food Industry Co., Ltd. Chairman, Ho Ding International Development Co., Ltd.	The individual, spouse, and relatives within the second degree of kinship do not violate the terms in Paragraph 3 and Paragraph 4, Article 26-3 of the Securities and Exchange Act.	-

Name \ Criteria	Professional Qualifications and Experience (Note 1)	Fulfillment of Independence Criteria (Note 2)	Number of other public companies where the individual concurrently serves as an independent director
Chun-Hao Xin	MBA, I-Shou University Director-General, Kaohsiung County Revenue Service Bureau Director-General, Kaohsiung County Branch, National Tax Administration of Southern Taiwan Province Director-General, Pingtung Branch, National Tax Administration of Southern Taiwan Province Independent Director, Chang Wah Electromaterials Inc. Independent Director, Thinflex Corp. Independent Director, Sunonwealth Electric Machine Industry Co., Ltd. Member of the Remuneration Committee, Sunonwealth Electric Machine Industry Co., Ltd. Member of the Audit Committee, Sunonwealth Electric Machine Industry Co., Ltd. (Does not meet any of the conditions stated in the subparagraphs of Article 30 of the Company Act)	The individual, spouse, and relatives within the second degree of kinship do not violate the terms in Paragraph 3 and Paragraph 4, Article 26-3 of the Securities and Exchange Act.	1
Mei-Hsiang Pai	BBA, Soochow University School of Law MBA, College of Management, National Sun Yat-sen University Master of Science, Graduate Institute of Medical Sciences, Chang Jung Christian University Senior Consultant, Lee and Li Attorneys-at-Law Director, Rich Fountain International Corp. Supervisor, Advanced International Multitech Co., Ltd. Independent Director, Sunonwealth Electric Machine Industry Co., Ltd. Member of the Remuneration Committee, Sunonwealth Electric Machine Industry Co., Ltd. Member of the Audit Committee, Sunonwealth Electric Machine Industry Co., Ltd. (Does not meet any of the conditions stated in the subparagraphs of Article 30 of the Company Act)	The individual, spouse, and relatives within the second degree of kinship do not violate the terms in Paragraph 3 and Paragraph 4, Article 26-3 of the Securities and Exchange Act.	-

Name \ Criteria	Professional Qualifications and Experience (Note 1)	Fulfillment of Independence Criteria (Note 2)	Number of other public companies where the individual concurrently serves as an independent director
Chih-Ming Chen	Master of Social Sciences, National Sun Yat-sen University BBA, Soochow University School of Law Judge and Chief Judge, Kaohsiung District Court Judge, Taiwan High Court Kaohsiung Branch Partner, Cheng Yang Attorneys-at-Law Managing Partner, Chih-Ming Attorneys-at-Law Independent Director, Sunonwealth Electric Machine Industry Co., Ltd. Member of the Remuneration Committee, Sunonwealth Electric Machine Industry Co., Ltd. Member of the Audit Committee, Sunonwealth Electric Machine Industry Co., Ltd. (Does not meet any of the conditions stated in the subparagraphs of Article 30 of the Company Act)	The individual, spouse, and relatives within the second degree of kinship do not violate the terms in Paragraph 3 and Paragraph 4, Article 26-3 of the Securities and Exchange Act.	-
Kuang-Chih Huang	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 (Does not meet any of the conditions stated in the subparagraphs of Article 30 of the Company Act)	The individual, spouse, and relatives within the second degree of kinship do not violate the terms in Paragraph 3 and Paragraph 4, Article 26-3 of the Securities and Exchange Act.	-

II. Diversity and independence of the Board of Directors:

The Company stipulated in its "Corporate Governance Best Practice Principles" that the principle of diversity must be considered in the composition of the Board members. In addition to diversity in terms of gender, race, and nationality, Board members must have the knowledge, skills, and experience necessary to perform their duties. To ensure the attainment of corporate governance targets.

The overall expected capabilities of the board of directors must include 1. Ability to make sound business judgments. 2. Ability to perform accounting and financial analysis. 3. Ability to manage a business. 4. Ability to handle crisis management. 5. Knowledge of the industry. 6. An international market perspective. 7. Leadership ability. 8. Ability to make decisions, and members must have diverse professional backgrounds.

The Company currently has 9 Directors who are all Taiwanese nationals, including 4 Independent Directors, 3 female Directors, and 3 Directors who are employees (they account for 44.5%, 33.3%, and 33.3% of all Directors).

As of the end of 2021, 3 Directors were 50-59 years old and other Directors were over 60 years old. Independent Directors meet the requirements of the Securities and Futures Bureau, Financial Supervisory Commission for independent director.

Note 1: Professional qualifications and experience: Explain the professional qualifications and

experience of individual Directors and Supervisors. If a Director or Supervisor has accounting or financial expertise, explain the accounting or financial background and work experience and whether he/she meets any of the conditions stated in Article 30 of the Company Act.

Note 2: Describe the independence criteria of Independent Directors, including but not limited to stating that the individual, spouse, or relative within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliates; the number of shares of the Company held by the individual, spouse, or relative within the second degree of kinship do not hold shares (or have shares held in names of third parties) and the shareholding ratio; whether they serve as a director, supervisor, or employee of companies that have special relations with the Company (refer to the provisions in Subparagraphs 5 to 8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); Compensation for business, legal, financial, or accounting services provided for the Company or its affiliates in the last two years.

Note 3: Please refer to the best-practice templates of the Corporate Governance Center, Taiwan Stock Exchange Corporation for the methods of disclosure.

(II) Profile of the President, Vice Presidents, Assistant Vice Presidents, and Department Directors

April 12, 2022

Title (Note 1)	Nationality	Name	Gender	Date elected (appointed)	Shares held		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education and work experience (Note 2)	Current job position in other companies	Managerial officer who is a spouse or a relative within second degree			Remarks (Note 3)
					Number of shares	Sharehol- ding ratio	Number of shares	Sharehol- ding ratio	Number of shares	Shareho- lding ratio			Title	Name	Relation- ship	
President	Republic of China	Ching-Shen Hong	Male	2011.3.4	3,612,000	1.44%	267,000	0.11%	-	-	Department of Electrical Engineering, Kun Shan University Graduated from the Department of Business Import/Export Management, Vancouver Community College	Representative of Corporate Director, Sunonwealth Electric Machine Industry Co., Ltd. Chairman, Sunon Electronic (Kunshan) Co., Ltd. Chairman, Sunon Electronic (Foshan) Co., Ltd. Chairman, Sunon Electronic (Bei Hai) Co., Ltd. Chairman, Sunon Inc. (United States) Chairman, Sunon SAS (France) Chairman, Sunon Ltd. (India) Director, SUNON Properties Philippines Corp. Director, SUNON Electronics Philippines Corp. Director, Suzhou Shengyixing Heat Transfer Technology Co., Ltd.	Chief Technology Officer	Yin-Su Hong	Father- son	Note
Chief Technology Officer	Republic of China	Yin-Su Hong (Note)	Male	2011.3.4	10,457,000	4.17%	12,000,000	4.78%	-	-	Honorary Doctorate in management, National Sun Yat-sen University	-	President	Ching- Shen Hong	Father- son	Note
Vice President and Director of the Finance Division	Republic of China	William Li	Male	2006.1.1	-	-	-	-	-	-	Master of Industrial Management, National Taiwan University of Science and Technology	Supervisor, Suzhou Shengyixing Heat Transfer Technology Co., Ltd.	-	-	-	-
Vice President of Business Unit	Republic of China	Chen- Hsueh Li	Male	2014.7.25	12,299	0.00%	-	-	-	-	Department of Mechanical Engineering, National Taipei Institute of Technology	-	-	-	-	-
Vice President of Business Unit	Republic of China	Tsui-Wen Hsiao	Fema- le	2016.2.1	-	-	-	-	-	-	Department of International Business Administration and Cultural Exchange, Wenzao Ursuline College of Languages	-	-	-	-	-
President of Business Unit	Republic of China	Chien-Yuan Tseng (Note)	Male	2018.4.24	-	-	-	-	-	-	Master, Department of Optics and Photonics, National Central University	-	-	-	-	-
President of Business Unit	Republic of China	Chin-Tzu Wu	Male	2021.2.1	-	-	-	-	-	-	EMBA, National University of Kaohsiung	-	-	-	-	-
Vice President of OEM Production Unit	Republic of China	Kuan-Hung Tseng	Male	2019.11.6	-	-	-	-	-	-	Master, Department of Business Administration, Southern Taiwan University of Science and Technology	-	-	-	-	-

Title (Note 1)	Nationality	Name	Gender	Date elected (appointed)	Shares held		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education and work experience (Note 2)	Current job position in other companies	Managerial officer who is a spouse or a relative within second degree			Remarks (Note 3)
					Number of shares	Sharehol- ding ratio	Number of shares	Sharehol- ding ratio	Number of shares	Shareho- lding ratio			Title	Name	Relation- ship	
Vice President of OEM Production Unit	Republic of China	Kuo-Ching Li	Male	2022.2.1	-	-	-	-	-	-	Department of Business Administration, National Cheng Kung University	-	-	-	-	-
Plant Director	Republic of China	Yen-Wen Feng	Male	2022.2.1	-	-	-	-	-	-	Department of Labor Relations, College of Law, Chinese Culture University	-	-	-	-	-
Plant Director	Republic of China	Chao-Wang Chiu	Male	2022.2.1	5,000	0.00%	1,000	0.00%	-	-	Department of Electrical Engineering, Chin-Yi Institute of Technology	-	-	-	-	-

Note : President of Business Unit Chien-Yuan Tseng resigned on February 24, 2021. The Chief Technology Officer Yin-Su Hong resigned on October 6, 2021.

Note 1: Information regarding the President, Vice Presidents, Assistant Vice Presidents, Heads of Departments and Branches should be included, whereas information regarding positions equivalent to President, Vice Presidents, Assistant Vice Presidents should be disclosed regardless of job title.

Note 2: Work experiences of anyone in the table above that are related to their current roles, such as previous employment at CPA firms or employment in affiliated companies, should be disclosed along with job titles and responsibilities.

Note 3: Where the Chairman, President, or individual with equivalent roles are the same individual, spouses, or relatives within the first degree of kinship, the Company shall disclose related information regarding the reason, reasonableness, necessity, and response measures (e.g., appointment of additional Independent Directors and requiring the appointment of more than half of the Directors from individuals who are not employees or managers).

Note: Tseng-Cheng Lin replaced Yin-Su Hong as the representative of the institutional director, Yo Yuan Investment Corporation, on October 4, 2021.

1. Please describe the policy, system, standards and structure of the remuneration packages of the Independent Directors and explain the relevance of the amount of remuneration paid to them based on factors such as responsibility, risk and time commitment:
Independent Directors receive monthly remuneration and transportation allowances that are higher than general Directors and they receive slightly lower distribution of earnings than general Directors. Their remuneration is not closely associated with business performance and future risks.
The Company established remuneration for Directors in the Articles of Incorporation to distribute no more than 5% of the profits of the current year as remuneration for Directors. However, a sum shall be set aside in advance to pay down any outstanding cumulative losses.
2. Except as disclosed above, remuneration received by directors in the latest year for services (e.g., acting as a non-employee consultant of the parent company/any company in the financial statements/investee) provided by the directors: None.

* Please list related information on Directors (general Directors who are not Independent Directors) and Independent Directors separately.

Range of remuneration table

Remuneration scale applicable to the Company's Directors	Name of Director			
	Total amount for the 4 preceding remunerations (A+B+C+D)		Total amount for the 7 preceding remunerations (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies in the Financial Report (Note 9) H	The Company (Note 8)	All companies in the Financial Report (Note 9) I
Below NT\$1,000,000	Representative of Yo Yuan Investment Corporation Yin-Su Hong(Note) Representative of Yo Yuan Investment Corporation Fu-Ing Hong Chen Representative of Yo Yuan Investment Corporation Li-Ju Chen Representative of Yo Yuan Investment Corporation Tseng-Cheng Lin Representative of Nice Enterprise Co., Ltd. Ching-Liang Chen Independent Director:Kuang-Chih Huang	Representative of Yo Yuan Investment Corporation Yin-Su Hong(Note) Representative of Yo Yuan Investment Corporation Fu-Ing Hong Chen Representative of Yo Yuan Investment Corporation Li-Ju Chen Representative of Yo Yuan Investment Corporation Tseng-Cheng Lin Representative of Nice Enterprise Co., Ltd. Ching-Liang Chen Independent Director:Kuang-Chih Huang	Representative of Yo Yuan Investment Corporation Tseng-Cheng Lin Representative of Nice Enterprise Co., Ltd. Ching-Liang Che Independent Director:Kuang-Chih Huang	Representative of Yo Yuan Investment Corporation Tseng-Cheng Lin Representative of Nice Enterprise Co., Ltd. Ching-Liang Che Independent Director:Kuang-Chih Huang
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	Independent Director: Chun-Hao Xin, Mei-Hsiang Pai,Chih-Ming Chen	Independent Director: Chun-Hao Xin, Mei-Hsiang Pai,Chih-Ming Chen	Independent Director: Chun-Hao Xin, Mei-Hsiang Pai,Chih-Ming Chen	Independent Director: Chun-Hao Xin, Mei-Hsiang Pai,Chih-Ming Chen
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	Representative of Yo Yuan Investment Corporation Ching-Shen Hong	Representative of Yo Yuan Investment Corporation Ching-Shen Hong		
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)			Representative of Yo Yuan Investment Corporation Fu-Ing Hong Chen Representative of Yo Yuan Investment Corporation Li-Ju Chen	Representative of Yo Yuan Investment Corporation Fu-Ing Hong Chen Representative of Yo Yuan Investment Corporation Li-Ju Chen
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)			Representative of Yo Yuan Investment Corporation Yin-Su Hong(Note)	Representative of Yo Yuan Investment Corporation Yin-Su Hong(Note)
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)			Representative of Yo Yuan Investment Corporation Ching-Shen Hong	Representative of Yo Yuan Investment Corporation Ching-Shen Hong
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)				
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)				

NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)				
Greater than NT\$100,000,000				
Total	10 persons	10 persons	10 persons	10 persons

Note : Tseng-Cheng Lin replaced Yin-Su Hong as the representative of the institutional director, Yo Yuan Investment Corporation, on October 4, 2021.

Note 1: The names of the Directors must be listed separately (for institutional shareholders, the names of institutional shareholders and representatives should be listed respectively) and the various payment amounts using the summary disclosure method for general Directors and Independent Directors. If a Director concurrently serves as the President or Vice President, his/her name and the amount of remuneration paid to him/her should be listed in this Table and Table (3-1) below or Tables (3-2-1) and (3-2-2).

Note 2: Remuneration to Directors in the most recent year (include Director salary, additional duty payments, severance pay, various bonuses, or incentive payments).

Note 3: The amount is the proposed remuneration to directors approved by the Board of Directors for the most recent fiscal year.

Note 4: Refers to the related business expenses of Directors in the past year (including transportation allowance, special allowance, stipends, dormitory, and car). If housing, vehicle and other modes of transportation or personal expenses are provided, the nature and cost of the assets provided, the rental fees and fuel cost calculated based on the actual amount or fair market value, and other payments should be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the company, excluding remuneration, in a separate note.

Note 5: All payments to Directors who are also employees of the Company (including the position of President, Vice President, other managerial officer and staff), including salary, additional pay, severance pay, bonuses, rewards, transportation allowance, special allowance, stipends, dormitory, and car. If housing, vehicle and other modes of transportation or personal expenses are provided, the nature and cost of the assets provided, the rental fees and fuel cost calculated based on the actual amount or fair market value, and other payments should be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the company, excluding remuneration, in a separate note. Furthermore, any compensation recognized in the IFRS 2 Share-Based Payment section, including issuance of employee stock options, new restricted employee shares and capital increase by stock subscription, should be included in the calculation of remuneration.

Note 6: For directors concurrently serving as employees (including the president, vice presidents, other managers and employees) who receive employee rewards (including shares and cash), the amount of employee rewards that have been approved by the Board of Directors and are distributed to them in the most recent fiscal year shall be disclosed. If the amount of rewards cannot be estimated, the amount of rewards in the current fiscal year shall be calculated based on the ratio of the amount of rewards distributed in the previous fiscal year, and this amount shall also be filled in Table 1-3.

Note 7: Total pay to Directors from all companies in the consolidated statements (including the Company).

Note 8: The name of each Director shall be disclosed in the range of remuneration corresponding to the amount of all the remuneration paid to the Director by the Company.

Note 9: The total amount of all the remuneration paid to each Director of the Company by all the companies (including the Company) listed in its consolidated financial statements shall be disclosed. The name of each Director shall be disclosed in the range of remuneration corresponding to the total amount mentioned in the

preceding sentence.

Note 10: The after-tax net profit refers to the after-tax net profit in the parent company only or individual financial report in the most recent year.

Note 11: a. The amount of remuneration received from subsidiaries other than investee companies or the parent company by the Company's Directors shall be stated clearly in this column (please specify "none" if there is no remuneration).

b. If a Director of the Company receives remuneration from investee companies other than subsidiaries or the parent company, the amount of remuneration received by the director from investee companies other than subsidiaries or the parent company shall be combined into Column I of the table for ranges of remuneration, and this column shall be renamed as "Parent Company and All Investee Companies".

c. Remuneration refers to pay, compensation (including compensation of employees, directors and supervisors) and remuneration for conducting business received by a Director of the Company serving as a director, supervisor or managerial officer of an investee of the Company other than subsidiaries or the parent company.

* The content of the remuneration disclosed in this Table is different in concept from the income in the Income Tax Act, therefore the purpose of the table is to disclose information and not for taxation.

(II) Remunerations to President and Vice President

Remunerations to President and Vice President (range of remuneration with name disclosure)

Unit: thousand NT\$; %

Title	Name	Salary (A) (Note 2)		Retirement pension (B)		Bonuses and allowances, etc. (C) (Note 3)		Employee remuneration (D) (Note 4)				Ratio of total compensation (A+B+C+D) to net income (%) (%) (Note 8)		Compensation from investee companies other than subsidiaries or the parent company (Note 9)
		The Company	All companies in the Financial Report (Note 5)	The Company	All companies in the Financial Report (Note 5)	The Company	All companies in the Financial Report (Note 5)	The Company		All companies in the Financial Report (Note 5)		The Company	All companies in the Financial Report (Note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Ching-Shen Hong	15,757	17,303	-	-	3,457	3,628	3,110	-	3,110	-	5.20%	5.60%	None
Chief Technology Officer	Yin-Su Hong(Note)													
Vice President	William Li													
President of Business Unit	Chien-Yuan Tseng(Note)													
President of Business Unit	Chin-Tzu Wu													

Note: President of Business Unit Chien-Yuan Tseng resigned on February 24, 2021. The Chief Technology Officer Yin-Su Hong resigned on October 6, 2021.

* Regardless of job titles, positions that are equivalent to the President or Vice President (such as General Manager, Chief Executive Officer, and Director) shall be disclosed.

Range of remuneration table

Range of remuneration paid to Presidents and Vice Presidents	Name of President and Vice Presidents	
	The Company (Note 6)	All companies in the Financial Report (Note 7) E
Below NT\$1,000,000	Chien-Yuan Tseng(Note)	Chien-Yuan Tseng(Note)
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	Yin-Su Hong(Note), William Li	Yin-Su Hong(Note), William Li
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Chin-Tzu Wu	Chin-Tzu Wu
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	Ching-Shen Hong	Ching-Shen Hong
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)		
Greater than NT\$100,000,000		
Total	5 persons	5 persons

Note : President of Business Unit Chien-Yuan Tseng resigned on February 24, 2021. The Chief Technology Officer Yin-Su Hong resigned on October 6, 2021.

Note 1: The names of President and Vice Presidents shall be listed separately and the amounts paid shall be disclosed in a summary. If a Director concurrently serves as the President or Vice President, his/her name and the amount of remuneration paid to him/her should be listed in this Table and Table (1-1) above or Tables (1-2-1) and (1-2-2).

Note 2: Salary, additional pay, and severance pay received by the President or Vice President in the past year.

Note 3: Bonus, reward, transportation allowance, special allowance, stipends, dormitory, car and other payments received by the President or Vice President in the past year. If housing, vehicle and other modes of transportation or personal expenses are provided, the nature and cost of the assets provided, the rental fees and fuel cost calculated based on the actual amount or fair market value, and other payments should be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the company, excluding remuneration, in a separate note. Furthermore, any compensation recognized in the IFRS 2 Share-Based Payment section, including issuance of employee stock options, new restricted employee shares and capital increase by stock subscription, should be included in the calculation of remuneration.

Note 4: Fill the amount of employee rewards (including shares and cash) that have been approved by the Board of Directors and are distributed to the general manager and vice president in the most recent fiscal year. If the amount of rewards cannot be estimated, the amount of rewards in the current fiscal year shall be calculated based on the ratio of the amount of rewards distributed in the previous fiscal year, and this amount shall also be filled in Table 1-3. The after-tax net profit refers to the after-tax net profit in the most recent fiscal year; for companies that have adopted IFRSs, the after-tax net profit refers to the after-tax net profit in the parent company only or individual financial report in the most recent year.

Note 5: The total pay to the President or Vice President from all companies in the consolidated statements (including the Company).

Note 6: The names and remuneration of President and Vice Presidents paid by the Company shall be disclosed in their respective remuneration range.

Note 7: The names of the President and Vice Presidents paid by all companies in the consolidated statements (including the Company) shall be disclosed in their respective remuneration range.

Note 8: The after-tax net profit refers to the after-tax net profit in the most recent fiscal year; for companies that have adopted IFRSs, the after-tax net profit refers to the after-tax net profit in the parent company only or individual financial report in the most recent year.

Note 9: a. The amount of remuneration received from subsidiaries other than investee companies or the parent company by the Company's President or Vice Presidents shall be stated clearly in this column (please specify "none" if there is no remuneration).

b. If the President or Vice President of the Company received remuneration from investees other than subsidiaries of the Company or the parent company, the remuneration received by the President or Vice President of the Company from investees other than subsidiaries of the Company or the parent company shall be included in E column of the Remuneration Range Table and the name of the field shall be changed to "Parent Company and All Investee Companies".

c. Remuneration refers to pay, compensation (including compensation of employees, directors and supervisors) and remuneration for conducting business received by the President and Vice Presidents of the Company serving as a director, supervisor or managerial officer of an investee of the Company other than subsidiaries or the parent company.

* The content of the remuneration disclosed in this Table is different in concept from the income in the Income Tax Act, therefore the purpose of the table is to disclose information and not for taxation.

(III) Managerial officer's name and the distribution of employee bonus

April 12, 2022
Unit: thousand NT\$

	Title (Note 1)	Name (Note 1)	Stock amount	Cash amount	Total	Percentage of total bonuses to net profit after tax (%)
Managerial Officer	President	Ching-Shen Hong				
	Chief Technology Officer	Yin-Su Hong(Note)				
	Vice President and Director of the Finance Division	William Li				
	President of Business Unit	Chien-Yuan Tseng(Note)				
	President of Business Unit	Chin-Tzu Wu				
	Vice President of Business Unit	Chen-Hsueh Li	-	4,737	4,737	1.10 %
	Vice President of Business Unit	Tsui-Wen Hsiao				
	Vice President of OEM Production Unit	Kuan-Hung Tseng				
	Vice President of OEM Production Uni	Kuo-Ching Li				
	Plant Director	Yen-Wen Feng				
	Plant Director	Chao-Wang Chiu				

Note: President of Business Unit Chien-Yuan Tseng resigned on February 24, 2021. The Chief Technology Officer Yin-Su Hong resigned on October 6, 2021.

Note 1: Names and positions should be listed individually, and the amount of profit distributed should be disclosed collectively.

Note 2: Fill the amount of employee rewards (including shares and cash) that have been approved by the Board of Directors and are distributed to the managerial officers in the most recent fiscal year. If this amount of rewards cannot be estimated, the amount of rewards in the current fiscal year shall be calculated based on the ratio of the amount of rewards distributed in the previous fiscal year. The after-tax net profit refers to the after-tax net profit in the most recent fiscal year; for companies that have adopted IFRSs, the after-tax net profit refers to the after-tax net profit in the parent company only or individual financial report in the most recent year.

Note 3: The scope of application for the term "managerial officer" shall be pursuant to the FSC's Tai-Cai-Zheng-3 No. 0920001301 Order dated March 27, 2003. Its scope of application shall be as follows:

- (1) The President and those with equivalent powers
- (2) Vice Presidents and those with equivalent powers
- (3) Assistant Vice Presidents and those with equivalent powers

(4) Head of the Finance Department

(5) Head of the Accounting Department

(6) Other individuals with the authority of managing company affairs and signatory rights

Note 4: Directors, Presidents, and Vice Presidents who receive employee rewards (including shares and cash) should be listed not only in Table 1-2, but also in this table.

- (IV) Comparison of compensation paid by the Company and all the consolidated entities in the last two years to the company's Directors, Supervisors, President and Vice Presidents as a percentage to the net income after tax. Explanation on remuneration policies, standards and combination of the procedures in determining remuneration, and association with business performance and future risks:

The analysis of remunerations to the Company's Directors, Supervisors, President and Vice Presidents as a percentage of net profit after tax in the most recent year is provided in the table below:

Year	Total remuneration paid to Directors, Supervisors, the President, and Vice Presidents (thousand NT\$)		Total remuneration as a percentage of profit after tax (%)	
	The Company	All Companies in the Consolidated Financial Report	The Company	All companies in the Consolidated Financial Report
2020	54,246	57,160	6.37%	6.71%
2021	39,584	41,302	9.22%	9.62%

- II. The policy, standards and packages of remuneration, procedure for making such decision, and relation to business performance and future risks:

- (I) Policies, standards, and packages of compensation:

1. The remuneration for Directors of the Company shall be determined in accordance with prevailing rates in the industry. Any profit of the Company shall be processed according to Article 29 of Articles of Incorporation, which states that when the Company makes a profit, it shall set aside no more than 5% as remuneration for Directors. However, if the Company has accumulated losses, the Company shall set aside a part of the surplus profit first for making up the losses.

Independent Directors are not eligible for the distribution of remuneration for Directors.

The Company evaluates the remuneration for Directors at regular intervals in accordance with the "Rules for Performance Evaluation of Board of Directors", and the reasonableness of the remuneration is reviewed by the Remuneration Committee and the Board of Directors.

2. The Company's remuneration for managerial officers is based on the work allowances and bonuses in the Company's Remuneration Regulations to support and reward employees for their hard work and contributions in work. Other bonuses are also distributed based on the Company's annual business performance, financial conditions, and employees' individual performance.

If the company turns a profit, it shall be processed according to Article

29 of Articles of Incorporation, which states that it shall set aside no less than 2% as remuneration for employees.

To encourage employees to work together and to share the results of business operations, the Company established the "Employee Remuneration Incentive Regulations" as the basis for strengthening employees' sense of solidarity and implementation of reward measures.

3. The Company's payment of remuneration is based on the "Rules for Performance Evaluation of Board of Directors" and the results of evaluations conducted in accordance with the "Employee Remuneration Incentive Regulations" which applies to managerial officers and employees.

The performance evaluation and the reasonableness of salary and remuneration for Directors and managerial officers is reviewed by the Remuneration Committee and the Board of Directors each year. In addition to the personal performance achievement rate and contributions to the Company, the Company reviews the remuneration system in accordance with overall business performance, future risks of the industry, and development trends, as well as actual business operations and related laws. The Company also evaluates the current corporate governance trends for providing reasonable remuneration to maintain a balance between sustainable management and risk management.

(II) Procedures for determining remuneration:

1. The regular evaluation of the salary and remuneration for Directors and managerial officers is conducted based on the "Rules for Performance Evaluation of Board of Directors" and the results of evaluations conducted in accordance with the "Employee Remuneration Incentive Policy" which applies to managerial officers and employees. The performance evaluation of the Chairman is based on the results of the Company's annual business performance indicators related to its business operations, governance, and financial operations. The scope of the evaluation includes net profit before tax, customer satisfaction rate, and corporate governance evaluation indicators. The scope of the performance evaluation of the President includes the performance targets for main work duties such as operation safety management, supervision of the implementation of financial plans, revenue management, enhancement of internal control, and implementation of quality assurance and management.
2. The results of self-evaluations of the Board of Directors, individual directors, and functional committees for 2021 were excellent. In the 2021 performance evaluation of managerial officers, despite the rampage of the COVID-19 pandemic, the Company still strived to obtain orders for production. Although the target was not achieved for the year, the profitability has gradually returned to normal levels starting from the third quarter.
3. The performance evaluation and the reasonableness of salary and remuneration for Directors and managerial officers is reviewed by the Remuneration Committee and the Board of Directors each year. In addition to the personal performance achievement rate and contributions to the Company, the Company reviews the remuneration system in accordance with overall business performance, future risks of the industry, and development trends, as well as actual business operations and related laws. The Company also evaluates the current

corporate governance trends for providing reasonable remuneration to maintain a balance between sustainable management and risk management.

The actual amounts distributed as remuneration for the Directors and managerial officers in 2021 were reviewed by the Remuneration Committee and filed to the Board of Directors for approval.

(III) Relation to business performance and future risks:

1. The review of the payment standards and systems of Company's remuneration policy is based on the Company's overall business conditions. We also set payment criteria based on the performance attainment rate and contribution to increase the overall organization performance of the Board of Directors and the management departments. We also use the remuneration standards of the industry as a reference to ensure that the remuneration of the Company's management remains competitive in the industry and retain outstanding management talents.
2. The performance targets of the Company's managerial officers meet the risk management requirements to ensure the management and prevention of risks within the scope of their duties. The Company also grades the results based on their actual performance and connects the results to the human resources and related salary and remuneration policies. The important decisions of the Company's management are made based on assessments of various risk factors. The performance of the relevant decisions reflects the profitability of the Company, and the remuneration of management personnel is connected to their risk management performance.

The Company's regular remuneration for Directors, President, and Vice Presidents are based on prevailing rates in the industry and do not incur future risks. The distribution of earnings and the sequence of distribution are specified in the Articles of Incorporation and the approval of the shareholders' meeting shall be required before distribution. The remuneration is tied to the business performance and the Company's long-term development factors have been considered for the payment of remuneration and included in the review of the Remuneration Committee. Therefore, they do not incur future risks.

IV. Implementation of corporate governance

(I) Board of Directors operating status

Board of Directors operating status

A total of 8 (A) meetings of the Board of Directors were held in the most recent year (2021).

The attendance of Directors was as follows:

Title	Name (Note 1)	Attendance (voting and non-voting) in person B	Attendance by proxy	Attendance (voting and non-voting) in person rate (%) [B/A] (Note 2)	Remarks
Chairman of the Board	Yo Yuan Investment Corporation Representative: Ching-Shen Hong	8	0	100%	None
Director	Yo Yuan Investment Corporation Representative: Yin-Su Hong	7	0	100%	Resigned on October 4, 2021
Director	Yo Yuan Investment Corporation Representative: Fu-Ing Hong Chen	8	0	100%	None
Director	Yo Yuan Investment Corporation Representative: Li-Ju Chen	7	1	87.5%	None
Director	Yo Yuan Investment Corporation Representative: Tseng-Cheng Lin	1	0	100%	Took office on October 4, 2021
Director	Nice Enterprise Co., Ltd. Representative: Ching-Liang Chen	5	3	62.5%	None
Director	Tseng-Cheng Lin	5	0	100%	Resigned on July 1, 2021
Independent Director	Chun-Hao Xin	8	0	100%	None
Independent Director	Mei-Hsiang Pai	8	0	100%	None
Independent Director	Chih-Ming Chen	8	0	100%	None
Independent Director	Kuang-Chih Huang	3	0	100%	Took office on July 1, 2021
Other matters required to be recorded:					
I. Should any of the following take place in a board meeting, the date and number of the meeting, the content of proposal, Independent Director's opinions and the Company's response to such opinions should be recorded:					
(I) Items specified in Article 14-3 of the Securities and Exchange Act: None.					
(II) Aside from the above matters, other resolutions adopted by the Board of Directors to which an Independent Director has a dissenting or qualified opinion that is on record or stated in a written statement: None.					

- II. The Directors' avoidance of interest motion should indicate the names of the Directors, content of the motion and reasons of avoidance of interest as well as the involvement in voting:
- 15th meeting of the 15th Board of Directors on January 29, 2021
Agenda item #5
Agenda: Discussion of the Company's budget for donations in 2021.
Description:
 1. The Company plans to donate NT\$1 million to Shehng-Yuan Children Development and Adult Support Services Center in 2021.
 2. The amendment is hereby filed for resolution.Resolution: With the exception of the Chairman Yin-Su Hong, Director Fu-Ing Hong Chen, Director Ching-Shen Hong, Director Li-Ju Chen, and Director Tseng-Cheng Lin who recused themselves due to conflicts of interest, other Directors in attendance passed the proposal unanimously.
- 15th meeting of the 15th Board of Directors on January 29, 2021
Agenda item #7
Agenda: Discussion of the Company's 2020 year-end bonus for managerial officers. (Proposed by the Remuneration Committee)
Description:
 1. The Company's 2020 year-end bonus for managerial officers was reviewed by members of the Remuneration Committee who found the proposal to be appropriate and passed it unanimously (refer to Attachment for details).
 2. The amendment is hereby filed for resolution.Resolution: With the exception of the Chairman Yin-Su Hong, Director Fu-Ing Hong Chen, Director Ching-Shen Hong, and Director Li-Ju Chen who recused themselves due to conflicts of interest, other Directors in attendance passed the proposal unanimously.
- 16th meeting of the 15th Board of Directors on March 11, 2021
Agenda item #9
Agenda: Discussion of the Company's 2020 employee remuneration for managerial officers. (Proposed by the Remuneration Committee)
Description:
 1. Please refer to the Attachment for the Company's 2020 employee remuneration for managerial officers.
 2. The proposal was reviewed by all members of the Remuneration Committee who found it to be appropriate and passed it unanimously.
 3. The amendment is hereby filed for resolution.Resolution: With the exception of the Chairman Yin-Su Hong, Director Fu-Ing Hong Chen, Director Ching-Shen Hong, and Director Li-Ju Chen who recused themselves due to conflicts of interest, other Directors in attendance passed the proposal unanimously.
- 4th meeting of the 16th Board of Directors on January 24, 2022
Agenda item #4
Agenda: Discussion of the Company's 2021 year-end bonus for managerial officers. (Proposed by the Remuneration Committee)
Description:
 1. The Company's 2021 year-end bonus for managerial officers was reviewed by members of the Remuneration Committee who found the proposal to be appropriate and passed it unanimously (refer to Attachment for details).
 2. The amendment is hereby filed for resolution.Resolution: With the exception of the Director Ching-Shen Hong, Director Fu-Ing Hong Chen, and Director Li-Ju Chen who recused themselves due to conflicts of interest, other Directors in attendance passed the proposal unanimously.
- Agenda item #5
Agenda: Discussion of the Company's 2021 employee remuneration for managerial officers. (Proposed by the Remuneration Committee)
Description:
 1. The Company's 2021 employee remuneration for managerial officers (refer to the Attachment 4).
 2. The proposal was reviewed by all members of the Remuneration Committee who found it to be appropriate and passed it unanimously.

3. The amendment is hereby filed for resolution.

Resolution: With the exception of the Director Ching-Shen Hong, Director Fu-Ing Hong Chen, and Director Li-Ju Chen who recused themselves due to conflicts of interest, other Directors in attendance passed the proposal unanimously.

III. The company listed on TWSE/TPEX shall disclose the evaluation cycle and duration, scope of evaluation, methodology, and evaluation contents of the evaluation of the Board of Directors. Refer to the Board of Directors evaluation status in Table 2(2).

Board of Directors evaluation status:

Refer to the Appendix.

IV. Programs this year and in the most recent year in strengthening the functionality of the Board (for example, set up an auditing committee, improve transparency, etc.) and execution evaluation.

The Company converted the supervisor system to the Audit Committee system on June 9, 2015. The audit and finance managers report the operations of audits and financial status to the Audit Committee each quarter. They maintain smooth communication and operations.

In order to implement corporate governance and enhance the functions of the Company's Board of Directors as well as to establish performance targets so as to enhance the operational efficiency of the Board of Directors, the Company has established the Rules for Performance Evaluation of Board of Directors on May 7, 2020. The Company implements one internal performance evaluation each year and submits results to the Board of Directors before the end of the first quarter of the following year. The performance evaluation results are used as the basis for review and improvements as well as reference for remuneration, nomination, and continued appointment.

Note 1: For Directors and Supervisors who are institutions, the name of institutional shareholders and their representatives shall be disclosed.

Note 2: (1) Where a Director resigns before the end of the fiscal year, the "remark" column should be filled with the Director's resignation date, whereas his/her percentage of attendance in person (%) should be calculated based on the number of Board of Directors' meetings held and the actual attendance in person during the period during his/her term of office.

(2) If Directors or Supervisors are re-elected before the end of the fiscal year, incoming and outgoing Directors or Supervisors shall be listed accordingly, and the Remark column shall indicate whether the status of a Director is "outgoing", "incoming" or "re-elected", and the date of re-election. The Director's percentage of attendance in person (%) should be calculated based on the number of Board of Directors' Meetings held and the actual attendance in person during his/her term of office.

Board of Directors evaluation status

Evaluation cycle (Note 1)	Evaluation period (Note 2)	Evaluation scope (Note 3)	Evaluation method (Note 4)	Evaluation contents (Note 5)
Once every year	From January 1 to December 31, 2021	Board of Directors and members of the Board of Directors	Self-evaluation of the Board of Directors and self-evaluation of Directors	<ol style="list-style-type: none"> 1. The performance evaluation items of the Board of Directors include the following five categories: <ol style="list-style-type: none"> A. Participation in the operation of the Company. B. Improvement of the quality of the Board of Directors' decision making. C. Composition and structure of the Board of Directors. D. Election and continuing education of the Directors. E. Internal control. 2. The performance evaluation items of the Board of Directors (self-evaluation or peer evaluation) include the following six categories: <ol style="list-style-type: none"> A. Familiarity with the goals and missions of the Company. B. Knowledge of the duties of Directors. C. Participation in the operation of the Company. D. Management of internal relationship and communication. E. The Director's professionalism and continuing education. F. Internal control.

Note 1: Fill out the evaluation cycle for the evaluation of the Board of Directors such as: Once every year.

Note 2: Fill out the evaluated period for the evaluation of the Board of Directors such as: Evaluation of the performance of the Board of Directors from January 1, 2019 to December 31, 2019.

Note 3: The scope of evaluation covers the evaluation of the performance of the Board of Directors, individual directors, and functional committees.

Note 4: The performance evaluation methods include self-evaluation of the Board of Directors, self-evaluation of the Directors, peer evaluation, appointment of external professional institutions or experts, or other appropriate methods.

Note 5: The contents of the evaluation shall include at least the following items:

- (1) Board performance evaluation: The evaluation shall include at least the "participation in the operations of the Company", "improvement of the quality of the Board of Directors' decision making", "composition and structure of the Board of Directors", "election and continuing education of the Directors", "and "internal control".
- (2) Performance evaluation of individual Directors: The evaluation shall include at least the "familiarity with the goals and missions of the Company", "knowledge of the duties of Directors", "degree of participation in the Company's operations", "management of internal relations and communication", "professional and continuous education of Directors", and "internal control".
- (3) Performance evaluation of functional committees: Degree of participation in the Company's operations, knowledge of the duties of the functional committee, improvement in the quality of functional committee decisions, functional committee composition and election of members, and internal control.

(II) Audit Committee operating status

Audit Committee operating status

The Audit Committee convened a total of 6 meetings (A) in the most recent year (2021). The attendance of Independent Directors was as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate(%) (B/A) (Note1、Note2)	Remarks
Independent Director	Chun-Hao Xin	6	0	100%	Date of consecutive appointment and election: 2021.07.01
Independent Director	Mei-Hsiang Pai	6	0	100%	Date of consecutive appointment and election: 2021.07.01
Independent Director	Chih-Ming Chen	6	0	100%	Date of consecutive appointment and election: 2021.07.01
Independent Director	Kuang-chih Huang	2	0	100%	Date of new appointment and election: 2021.07.01

Other matters required to be recorded:

I. The date of the meeting of the Audit Committee, the term, contents of the proposals, objections, qualified opinions, and important recommendations of independent directors, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be specified under any of the following circumstances in the operations of the Audit Committee:

(I) Items specified in Article 14-5 of the Securities and Exchange Act: None.

(II) In addition to matters above, other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors: None.

Audit Committee	Details of the proposal and subsequent developments	Matters stated in Article 14-5 of the Securities and Exchange Act	Any resolution not approved by the Audit Committee but approved by two thirds or more of all Directors
2nd Committee 12th meeting January 29, 2021	1. Proposal for endorsement and guarantee for the subsidiary Sunon Electronic (Bei Hai) Co., Ltd.	v	None
	2. Proposal for endorsement and guarantee for the subsidiary Sunon Electronic (Bei Hai) Co., Ltd.	v	None
	3. The Company's budget for donations in 2021.	v	None
Results of Audit Committee resolutions: Passed by all members of the Audit Committee.			
The Company's response to Audit Committee opinions: Passed unanimously by all Directors in attendance.			
2nd Committee 13th meeting March 11, 2021	1. Discussion of the Company's 2020 Business Report, financial statements, and consolidated financial statements.	v	None
	2. The Company's 2020 earnings	v	None

		distribution proposal.		
		3. Discussion of the Company's report on the self-evaluation results of internal controls in 2020 and the Internal Control System Statement.	v	None
		Results of Audit Committee resolutions: Passed by all members of the Audit Committee.		
		The Company's response to Audit Committee opinions: Passed unanimously by all Directors in attendance.		
2nd Committee 14th meeting May 6, 2021		1. Proposal for endorsement and guarantee for the subsidiary Sunon Electronic (Kunshan) Co., Ltd.	v	None
		Results of Audit Committee resolutions: Passed by all members of the Audit Committee.		
		The Company's response to Audit Committee opinions: Passed unanimously by all Directors in attendance.		
2nd Committee 15th meeting June 8, 2021		1. Proposal for endorsement and guarantee for the subsidiary Sunon Electronic (Bei Hai) Co., Ltd.	v	None
		Results of Audit Committee resolutions: Passed by all members of the Audit Committee.		
		The Company's response to Audit Committee opinions: Passed unanimously by all Directors in attendance.		
3rd Committee 2nd meeting November 4, 2021		1. Discussion of the Company's 2022 Audit Plan.	v	None
		2. Added the "audit of management in the operations of the Audit Office" in the 2021 Annual Audit Plan.	v	None
		3. Proposal for endorsement and guarantee for the subsidiary Sunon Electronic (Kunshan) Co., Ltd.	v	None
		4. Proposal for endorsement and guarantee for the subsidiary Sunon Electronic (Kunshan) Co., Ltd.	v	None
		Results of Audit Committee resolutions: Passed by all members of the Audit Committee.		
		The Company's response to Audit Committee opinions: Passed unanimously by all Directors in attendance.		

II. The Independent Directors' avoidance of interest motion should indicate the names of the Independent Directors, content of the motion and reasons of avoidance of interest as well as the involvement in voting: None.

III. Independent Directors' communication with internal auditors and CPAs (including communication over the Company's financial and business status and the methods and results, etc.)

Communication between Independent Directors and internal auditors:

1. The Audit Plan for the following year shall be approved by the Audit Committee at the end of each fiscal year and filed to the Board of Directors for resolution.
2. The audit progress shall be reported to Audit Committee each quarter.
3. After the conclusion of an audit, the internal audit report shall be submitted to the Audit Committee (Independent Directors) for review before the end of the following month.
4. The Audit Office and internal units shall track and reevaluate items that require improvements as proposed in the audit opinions, discovered discrepancies, and Statement on Internal Control and submit a written report on the improvement status to the Audit Committee.
5. The evaluation of the effectiveness of the Company's internal control system and the Internal Control System Statement are submitted to the Audit Committee for review.

Communication between Independent Directors and CPAs: The CPA explained results of the audit of the 2020 financial statements on March 11, 2021. The Company's Independent Directors may request the CPA to report and communicate with Independent Directors regarding the audit results of the financial statements (including consolidated financial statements) and other related regulatory requirements.

Note1: Where an Independent Director resigns before the end of the fiscal year, the "remark" column should be filled with the Independent Director's resignation date, whereas his/her percentage of attendance in person (%) should be calculated based on the number of meetings held by the Audit Committee and the actual number of meetings attended during his/her term of office.

Note2: If Independent Directors are re-elected before the end of the fiscal year, incoming and outgoing Independent Directors should be listed accordingly, and the "remark" column should indicate whether the status of an independent director is "outgoing", "incoming" or "re-elected", and the date of re-election. The actual attendance rate (%) is calculated based on the number of meetings held by the Audit Committee and the actual number of meetings attended during his/her term of office.

(III) Corporate governance implementation status and deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons

Assessed areas	Implementation status (Note)			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
I. Has the Company set and disclosed principles for practicing corporate governance according to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has established the "Corporate Governance Best Practice Principles" and disclosed them on the Market Observation Post System and Company's website.	No deviation.
II. The Company's shareholding structure and shareholders' rights and interests				No deviation.
(I) Has the Company set internal operations procedures for dealing with shareholder proposals, doubts, disputes, and litigation as well as implemented those procedures through the proper procedures?	✓		(I) The Company has established a spokesperson and acting spokesperson system to effectively process shareholder suggestions or disputes.	
(II) Does the Company have a list of major shareholders of companies over which the Company has actual control and the list of ultimate owners of those major shareholders?	✓		(II) The Company uses the shareholder register provided by the stock transfer agency as the source of information. The Company also pays attention to market information and changes in the shareholding status of insiders and regularly discloses information on major shareholders and the ultimate controllers of major shareholders.	
(III) Has the Company established and implemented risk control/management and firewall mechanisms between it and affiliated companies?	✓		(III) The Company's internal controls include corporate-level risk management and operational-level business activities. We established the "Regulations for the Supervision and Management of Subsidiaries" to implement risk management mechanisms for subsidiary companies. In addition, the Company's Board of Directors established regulations for purchases and sales, acquisition or disposal of assets, endorsements and guarantees, and loans with affiliated enterprises.	
(IV) Does the Company have internal regulations in place to prevent its internal staff from trading securities based on information yet to be public on the market?	✓		(IV) The Company established the Ethical Corporate Management Operating Procedures and Code of Conduct to require employees to avoid conflicts of interest that involve their duties and prevent them from taking advantage of undisclosed information or disclosing information to others to engage in insider trading.	

Assessed areas	Implementation status (Note)			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons															
	Yes	No	Summary																
III. Composition and responsibilities of the Board of Directors (I) Has the Board of Directors developed and implemented a diversity policy for the composition of its members and specific management targets?	✓		(I) According to Article 20 of the Company's "Corporate Governance Best Practice Principles" (Overall Expected Capabilities of the Board of Directors), the composition of the Board of Directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs. It is advisable that the policy include but not be limited to the following two general standards: I. Basic requirements and values: Gender, age, nationality, and culture. Female Directors should account for at least one third of the Directors. II. Professional knowledge and expertise: A professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience. The overall expected capabilities of the board of directors are as follows: I. Ability to make sound business judgments. II. Ability to perform accounting and financial analysis. III. Ability to manage a business. IV. Ability to handle crisis management. V. Knowledge of the industry. VI. An international market perspective. VII. Leadership ability. VIII. Decision-making ability. The implementation of the diversity of the Board of Directors: <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Item</th> <th>Director</th> <th>Independent Director</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Age</td> <td>51 to 60</td> <td>2</td> </tr> <tr> <td>61 to 70</td> <td>0</td> </tr> <tr> <td>70 and above</td> <td>3</td> </tr> <tr> <td rowspan="2">Gender</td> <td>Male</td> <td>3</td> </tr> <tr> <td>Female</td> <td>2</td> </tr> </tbody> </table>	Item	Director	Independent Director	Age	51 to 60	2	61 to 70	0	70 and above	3	Gender	Male	3	Female	2	No material discrepancy.
Item	Director	Independent Director																	
Age	51 to 60	2																	
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Assessed areas	Implementation status (Note)			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons								
	Yes	No	Summary									
<p>(II) In addition to establishing a Remuneration Committee and an Audit Committee, which are required by law, is the company willing to also voluntarily establish other types of functional committees?</p> <p>(III) Has the company established and implemented methods for assessing the performance of the Board of Directors and conducted performance evaluation annually? Does the Company submit results of assessments to the Board of directors and use results as the basis for the salary, remuneration, nomination and reappointment of individual Directors?</p>	✓		<table border="1"> <tr> <td>Nationality</td> <td>Republic of China</td> <td>5</td> <td>4</td> </tr> <tr> <td>Status as employee (concurrent roles as employee of the Company and subsidiaries)</td> <td></td> <td>3</td> <td>0</td> </tr> </table> <p>The members of the Board of Directors have different professional backgrounds and have the knowledge, skills, and training (e.g., law, finance, industry technology, marketing, academic expertise) necessary for their duties and helpful for the Company's business plan. The academic records and professional experience of the members of the Board of Directors have been disclosed on the Company's website.</p>	Nationality	Republic of China	5	4	Status as employee (concurrent roles as employee of the Company and subsidiaries)		3	0	
			Nationality	Republic of China	5	4						
Status as employee (concurrent roles as employee of the Company and subsidiaries)		3	0									
<p>(II) In addition to establishing four Independent Directors and the Remuneration Committee, the Company also established the Occupational Safety and Health Committee and the Employee Welfare Committee. The Company shall establish other functional committees in the future based on requirements.</p> <p>(III) The Company has established the "Rules for Performance Evaluation of Board of Directors" which have been disclosed on the Market Observation Post System (MOPS) and the Company's website. According to Article 2 and Article 3 of the Company's "Rules for Performance Evaluation of Board of Directors", the Board of Directors shall conduct an internal performance evaluation of the Board of Directors based on the evaluation procedures and evaluation indicators specified in the Rules. The scope of evaluation includes the evaluation of the performance of the Board of Directors as a whole, individual directors, and functional committees. The evaluation is conducted through a questionnaire. The 2021 evaluation results were compiled by the Secretary of the Board and reported to the Board of Directors on March 10, 2022 as the basis for review and improvements. The results of the performance evaluation of the Board of Directors shall be used as the basis for the selection or nomination of Directors. The performance evaluation results for individual directors shall be used as the basis for their individual salary and</p>												

Assessed areas	Implementation status (Note)			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(IV) Does the company periodically evaluate the level of independence of the CPA?		✓	remuneration. (IV) The Company appointed certifying CPAs who are not stakeholders of the Company. The CPA is required to recuse him/herself if his/her service or him/herself has a direct or material indirect relationship with or interest in the matter concerned. The replacement of CPAs is also in compliance with related regulations.	
IV. Has the publicly-listed company appointed qualified and suitable number of corporate governance personnel and appointed a Corporate Governance Officer to handle governance related affairs (including but not limited to providing information necessary for Directors and Supervisors to perform their duties, aiding Directors and Supervisors in complying with the laws, organizing board meetings and annual general meetings as required by law, and compiling minutes of board meetings and annual general meetings)?	✓		The Company's Board of Directors passed a resolution on May 6, 2021 to appoint the Vice President William Li as the Corporate Governance Officer. I. Main duties of the Corporate Governance Officer: 1. Handling of matters relating to Board of Directors meetings and shareholders meetings in compliance with law; 2. Preparation of minutes of the Board of Directors meetings and shareholders meetings; 3. Assistance in onboarding and continuing education of the Directors; 4. Provision of information required for performance of duties by the Directors; 5. Assistance in the Directors' compliance of law; and 6. Other matters described or established in the Articles of Incorporation or under contract. II. The corporate governance implementation in 2021 was as follows: 1. Establishment/amendment of related internal regulations based on the latest amendments and developments in regulations on legal compliance and corporate governance. 2. Provision of information required for performance of duties by the Directors. 3. Responsible for matters related to the rules of procedures of Board of Directors and shareholders' meeting as well as legal compliance of resolutions. (1) Confirmation that shareholders meetings and board meetings are convened in compliance with the	No deviation.

Assessed areas	Implementation status (Note)			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons																			
	Yes	No	Summary																				
			<p>applicable corporate governance regulations.</p> <p>(2) Confirmation that the information for convening board meetings and shareholders' meetings (meeting notices, meeting agenda book, and meeting minutes) is processed in accordance with regulations.</p> <p>(3) Review whether material announcements are required for the resolutions of board meetings.</p> <p>4. Review items in the Corporate Governance Evaluation Indicators that the Company has not yet completed.</p> <p>5. Corporate governance evaluation.</p> <p>6. Assistance for the preparation of the Company's Annual Report and Sustainability Report.</p> <p>III. Continuing education of the Corporate Governance Officer:</p> <table border="1"> <thead> <tr> <th>Date of Training</th> <th>Institution</th> <th>Course Name</th> <th>Course Hours</th> </tr> </thead> <tbody> <tr> <td>2021.09.01</td> <td>Financial Supervisory Commission</td> <td>13th Taipei Corporate Governance Forum</td> <td>6</td> </tr> <tr> <td>2021.12.07</td> <td>Taiwan Stock Exchange Corporation</td> <td>2021 Cathay Sustainable Finance and Climate Change Summit</td> <td>6</td> </tr> <tr> <td>2022.03.16</td> <td rowspan="2">Securities & Futures Institute</td> <td>Human Resources in the Process of Mergers and Acquisitions</td> <td>3</td> </tr> <tr> <td>2022.03.17</td> <td>Risks and Opportunities of Climate Change and Energy Policy Development on Business Management</td> <td>3</td> </tr> </tbody> </table>	Date of Training	Institution	Course Name	Course Hours	2021.09.01	Financial Supervisory Commission	13th Taipei Corporate Governance Forum	6	2021.12.07	Taiwan Stock Exchange Corporation	2021 Cathay Sustainable Finance and Climate Change Summit	6	2022.03.16	Securities & Futures Institute	Human Resources in the Process of Mergers and Acquisitions	3	2022.03.17	Risks and Opportunities of Climate Change and Energy Policy Development on Business Management	3	
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Assessed areas	Implementation status (Note)			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			The appointment, duties, and operations of the Corporate Governance Officer have been disclosed on the Company's website.	
V. Has the Company established channels for communicating with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a dedicated stakeholder area on the company website, as well as appropriately responded to important corporate and social responsibility issues of concern to stakeholders?	✓		The Company has assigned different departments to establish communication channels with different entities (including stakeholders) and we have established a stakeholders' area on the Company's website (https://www.sunon.com/sta.aspx) and appropriately responded to important corporate and social responsibility issues of concern to stakeholders.	No deviation.
VI. Has the Company hired a professional agency to handle tasks and issues related to holding the shareholder's meeting?	✓		The Company has appointed the Transfer Agency Department of Grand Fortune Securities to handle tasks and issues related to organizing shareholder's meetings.	No deviation.
VII. Information disclosure (I) Has the Company established a corporate website to disclose information regarding the Company's financial, business and corporate governance status? (II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing specific personnel to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company's website)? (III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month ahead of schedule before the specified deadline?	✓ ✓		(I) The Company has set up a website (www.sunon.com) to disclose the Company's finance, business, and corporate governance information. Information is regularly maintained and updated. (II) The Company has assigned a unit to take charge of collecting the Company's information and disclosing related information on the corporate governance section of the "Market Observation Post System" Information on investor seminars has been established on the Company's website. The Company has established a spokesperson system and implemented the system in accordance with relevant regulations. (III) The financial report shall be passed by the Board of Directors or submitted to the Board of Directors 7 days before the prescribed deadline for publication and published within one day after the date of passage or submission. The Company has published the operation status before the prescribed deadline each month.	No material discrepancy.
VIII. Does the Company have other information that is helpful for understanding its status of corporate governance (including but not limited to employee rights and interests, employee well-being, investor relations, supplier relations, rights of interested parties, further education sought by Directors and Supervisors, implementation of risk management	✓		(I) Employee rights, interests and well-being: The Company has always valued the protection of employee rights and benefits and we maintain communication with employees as well as smooth complaint channels. We respect and protect employees' interests. The Company established the Employee Welfare Committee and the Sexual Harassment Complaint Processing Committee. We implement a pension system and provide group insurance, employee travel subsidies,	No deviation.

Assessed areas	Implementation status (Note)			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>policies and risk evaluation standards, implementation of customer policies, the taking out of liability insurance for Directors and Supervisors)?</p>			<p>bonuses for birthdays, childbirth, marriage, funeral, and performance, year-end bonus, and organize outdoor activities.</p> <p>We provide diverse education and training for employees and we have established an online learning platform, internal education and training, and subsidies for external training programs to encourage employees to study on the job.</p> <p>(II) Employee relations: To protect employees' health, the Company selects a qualified hospital each year to provide employees with health examinations and organize physical and mental health seminars. The Company organizes family day events to relieve work pressure and let employees' family members learn more about the Company and build cohesiveness.</p> <p>(III) Investor relations: The Company provides full information disclosure on the Market Observation Post System and the "Investor Services" section on the Company's website. We also provide contact information of the Company's spokesperson and investor mailbox to maintain harmonious relations with shareholders.</p> <p>(IV) Supplier relations: The Company has established the "Supplier Management Regulations" and established an online supplier platform to build solid partnerships with suppliers based on the principles of equality and reciprocity.</p> <p>(V) Stakeholder interests: The Company maintains smooth communication channels with employees, investors, Directors, customers, and suppliers and respect and protect their due interests. We also established a spokesperson system to respond to investors' questions with the aim of protecting the interests of stakeholders.</p> <p>(VI) Implementation of customer relations policies: The Company's business departments provide customers with solutions for products and other issues and maintain smooth communication channels with customers.</p> <p>(VII) Continuing education of Directors and Supervisors: The Company's Directors and Independent Directors are required to attend continuing education courses and meet requirements for courses on corporate governance. The Company continue to arrange appropriate continuous training courses for Directors and Independent Directors.</p>	

Assessed areas	Implementation status (Note)			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			(Please refer to the following table for the status of continuing education) (VIII) Implementation of risk management policies and risk assessment standards: The Company has established the "Procedures for Acquisition or Disposal of Assets", "Procedures for Making Endorsements and Guarantees", and "Procedures for Loaning of Funds to Others" as the basis for risk management and assessment for the Company's operating units and auditing units in their execution of related businesses. (IX) Status of purchase of liability insurance for Directors and Supervisors: The Company has purchased liability insurance for Directors, Independent Directors, and key managerial officers, and reported the insurance purchase information to the Board of Directors on November 4, 2021.	
IX. Please described improvements in terms of the results of the Corporate Governance Evaluation System in recent years and propose areas and measures to be given priority where improvement will be needed. (Leave this section blank if the company is not included in the evaluation process) The Company participated in the sixth Corporate Governance Evaluation in 2021 and received a total score of 58.2 points. Ranking among public listed companies: 66%~80% Industry: Public electronics companies with a market value of more than NT\$10 billion: 61%~100%				

Note: Regardless of whether "Yes" or "No" was selected, explanation shall be provided in the Summary column.

(1) Status of continuing education of the Company's Directors in 2021

Title	Name	Date of course	Organizer	Course name	Duration of the course	
Representative of institutional director	Ching-Shen Hong	2021/11/12	Securities & Futures Institute	2021 Insider Trading Prevention Seminar	3 hours	9 hours
		2021/12/07	Taiwan Stock Exchange Corporation	2021 Cathay Sustainable Finance and Climate Change Summit	6 hours	
Representative of institutional director	Fu-Ing Hong Chen	2021/11/09	Securities & Futures Institute	2021 Insider Trading Prevention Seminar	3 hours	3 hours
Representative of institutional director	Li-Ju Chen	2021/11/12	Securities & Futures Institute	2021 Insider Trading Prevention Seminar	3 hours	9 hours
		2021/12/07	Taiwan Stock Exchange Corporation	2021 Cathay Sustainable Finance and Climate Change Summit	6 hours	
Representative of institutional director	Tseng-Cheng Lin	2021/12/07	Taiwan Stock Exchange Corporation	2021 Cathay Sustainable Finance and Climate Change Summit	6 hours	6 hours
Representative of institutional director	Ching-Liang Chen	2021/08/05	Taiwan Corporate Governance Association	Patent Plans and Protection of Tech Companies	3 hours	6 hours
		2021/12/07	Taiwan Stock Exchange Corporation	2021 Cathay Sustainable Finance and Climate Change Summit	3 hours	
Independent Director	Chun-Hao Xin	2021/09/01	Financial Supervisory Commission	13th Taipei Corporate Governance Forum	3 hours	6 hours
		2021/11/17	Accounting Research and Development Foundation	Discussions of Corporate Governance in Case Studies of Management Right Disputes	3 hours	
Independent Director	Mei-Hsiang Pai	2021/11/05	Securities & Futures Institute	2021 Insider Trading Prevention Seminar	3 hours	6 hours
		2021/12/07	Taiwan Stock Exchange Corporation	2021 Cathay Sustainable Finance and Climate Change Summit	3 hours	
Independent Director	Chih-Ming Chen	2021/11/05	Securities & Futures Institute	2021 Insider Trading Prevention Seminar	3 hours	3 hours
Independent Director	Kuang-chieh Huang	2021/11/12	Securities & Futures Institute	2021 Insider Trading Prevention Seminar	3 hours	9 hours
		2021/12/07	Taiwan Stock Exchange Corporation	2021 Cathay Sustainable Finance and Climate Change Summit	6 hours	

(IV) If the Company has a Remuneration Committee, the composition and operation of the Committee shall be disclosed

Information on members of the Remuneration Committee

April 12, 2022

Identity Type (Note 1)	Criteria Name	Professional Qualifications and Experience (Note 2)	Fulfillment of Independence Criteria (Note 3)	Number of other public companies in which the member also serves as a member of their compensation committee
Independent Director (Convener)	Chih-Ming Chen	Master of Social Sciences, National Sun Yat-sen University BBA, Soochow University School of Law Judge and Chief Judge, Kaohsiung District Court Judge, Taiwan High Court Kaohsiung Branch Partner, Cheng Yang Attorneys-at-Law Managing Partner, Chih-Ming Attorneys-at-Law Independent Director, Sunonwealth Electric Machine Industry Co., Ltd.	The individual, spouse, and relatives within the second degree of kinship do not violate the terms in Paragraph 3 and Paragraph 4, Article 26-3 of the Securities and Exchange Act, and meet the requirements in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	-
Independent Director	Chun-Hao Xin	MBA, I-Shou University Director-General, Kaohsiung County Revenue Service Bureau Director-General, Kaohsiung County Branch, National Tax Administration of Southern Taiwan Province Director-General, Pingtung Branch, National Tax Administration of Southern Taiwan Province Independent Director, Chang Wah Electromaterials Inc. Independent Director, Thinflex Corp. (Does not meet any of the conditions stated in the subparagraphs of Article 30 of the Company Act)	The individual, spouse, and relatives within the second degree of kinship do not violate the terms in Paragraph 3 and Paragraph 4, Article 26-3 of the Securities and Exchange Act, and meet the requirements in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	1
Independent Director	Mei-Hsiang Pai	MBA, College of Management, National Sun Yat-sen University Master of Science, Graduate Institute of Medical Sciences, Chang Jung Christian University BBA, Soochow University School of Law Senior Consultant, Lee and Li Attorneys-at-Law Director, Rich Fountain International Corp. Supervisor, Advanced International Multitech Co., Ltd.	The individual, spouse, and relatives within the second degree of kinship do not violate the terms in Paragraph 3 and Paragraph 4, Article 26-3 of the Securities and Exchange Act, and meet the requirements in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	-

- Note 1: Please specify the relevant years of service, professional qualifications and experience, and independence of each member of the Remuneration Committee in the table. If the individual is an Independent Director, a note may be added that the information is provided in Table 1 Profile of Directors and Supervisors (1) on page OO. Identity type shall be filled-out as Independent Director or others (if the individual is the convener, please specify).
- Note 2: Professional qualifications and experience: Specify the professional qualifications and experience of the members of the Remuneration Committee.
- Note 3: Compliance of independence: Describe the independence criteria of the members of the Remuneration Committee, including but not limited to stating that the individual, spouse, or relative within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliates; the number of shares of the Company held by the individual, spouse, or relative within the second degree of kinship do not hold shares (or have shares held in names of third parties) and the shareholding ratio; whether they serve as a director, supervisor, or employee of companies that have special relations with the Company (refer to the provisions in Subparagraphs 5 to 8, Paragraph 1, Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); Compensation for business, legal, financial, or accounting services provided for the Company or its affiliates in the last two years.
- Note 4: Please refer to the best-practice templates of the Corporate Governance Center, Taiwan Stock Exchange Corporation for the methods of disclosure.

Operation of Remuneration Committee

- I. The Company's Remuneration Committee is comprised of three members.
- II. Current term for the members: July 1, 2021 – June 30, 2024; a total of 3 (A) meetings of the Remuneration Committee were held in the most recent year (2021). The members' qualifications and attendance were as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) (B/A) (Note)	Remarks
Convener	Mei-Hsiang Pai	3	0	100%	Date of consecutive appointment and election: 2021.07.01
Committee member	Chun-Hao Xin	3	0	100%	Date of consecutive appointment and election: 2021.07.01
Committee member	Chih-Ming Chen	3	0	100%	Date of consecutive appointment and election: 2021.07.01

Other matters required to be recorded:

- I. In the event the Board of Directors does not adopt or wishes to amend the proposals of the Remuneration Committee, please state the date and number of the Board meeting, the content of the proposals, resolution from the Board of Directors, and the method the opinion from the Remuneration Committee was handled (e.g., if the salaries and compensations approved by the Board was higher than the suggested levels from the Remuneration Committee, please state the differences and reasons): None.
- II. If a member opposes a resolution the Committee has adopted or has reservations with a written record or a statement, the date and session of the meeting, the resolution, opinions of all the members, and the handling of their opinions shall be indicated: None.
- III. The Company's Remuneration Committee shall consist of no fewer than three members appointed by resolution of the Board of Directors. One shall serve as the convener. The term of the members of the Remuneration Committee shall be the same as that of the Board of Directors by whom they were appointed.
If the size of the Remuneration Committee is reduced below three due to the dismissal of one of the members, the Board of Directors shall convene a meeting and appoint additional Committee members within three months after the shortfall occurs.
- IV. Roles and Responsibilities of the Remuneration Committee
- (I) Stipulate and review regularly the compensation policies, systems, standards and structures, and performance of directors and managers.
- (II) Regularly review and adjust directors' and managers' remuneration.

Note:

- (1) When a member of the Remuneration Committee resigns before the end of the year, the remark column shall be annotated with the date of resignation. Actual attendance rate (%) shall be calculated

based on the number of meetings held by the Remuneration Committee and the number of actual attendances during the term of service.

- (2) When an election is held for the Remuneration Committee before end of the year, members of both the incoming and outgoing committee members shall be listed in separate columns and noted as incoming, outgoing or reelected members, along with the elected date, in the "Remarks" column. Actual attendance percentage (%) is calculated based on the number of meetings held by the Remuneration Committee and the actual number of meetings attended during his/her term of office.

Information on Members of the Nominating Committee and Operations: The Company does not have a Nominating Committee.

(V) Implementation status of sustainable development, deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and reasons thereof

Assessed areas	Implementation status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
I. Has the company established a governance structure for sustainable development, established an exclusively (or concurrently) dedicated unit to implement sustainable development, and have senior executives appointed by the Board of Directors to be in charge of corporate social responsibility and to report the implementation status to the Board of Directors?	✓		The Company established the "Sustainable Development Committee" in April 2022 to take charge of promoting the Company's sustainable development tasks. The Chairman serves as the chair and the Corporate Governance Officer serves as the Chairman of the Committee. The work progress is regularly reported to the Board of Directors.	No material discrepancy.
II. Does the Company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior managerial officers and reports its progress to the Board of Directors? (Note 2)	✓		The Company has established the "Sustainable Development Best Practice Principles" and disclosed them on the Company's website. The Company seeks to fulfill corporate social responsibility and pays attention to the rights and interests of stakeholders while pursuing sustainable development and profitability. The Company pays close attention to topics pertaining to the environment, society, and corporate governance and incorporates them into its management approaches and business activities to achieve sustainability.	No material discrepancy.
III. Environmental issues (I) Has the Company established a proper environmental management system based on the characteristics of the industry?	✓		(I) The Company has established the "Environmental Health and Safety Policy" to effectively maintain safety in the environment and achieve energy conservation and carbon emissions reduction goals. We also abide by related regulations. Our plants in Taiwan and other countries have passed certification for ISO14001,ISO45001,ISO 9001,RBA,IATF16949 and IECQ QC080000 environmental management system, quality system, and hazardous substance management systems.	No material discrepancy.
(II) Does the company endeavor to utilize energy more efficiently and use renewable materials that have low impact on the environment?	✓		(II) "Energy conservation, carbon emissions reduction, environmental protection, and loving the earth" are the Company's goals for protecting the earth's environment. We formulate plans with the R&D, quality assurance, production, procurement, business, and management units and we encourage all employees to participate in the plans to achieve full implementation. We are committed to	

Assessed areas	Implementation status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
<p>(III) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to address issues?</p> <p>(IV) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on greenhouse gas reduction, water use reduction, or waste management?</p>		✓	<p>developing green environmentally friendly products with low-power consumption and zero toxicity to reduce the impact of the use of various resources on the environment.</p> <p>(III) The Company has not yet evaluated the potential risks and opportunities in climate change with regard to the present and future of its business, or take appropriate action to counter climate change issues. We shall implement improvements in the future.</p> <p>In response to global carbon reduction initiatives, the Company is committed to creating energy-efficient designs and providing customers and consumers with environmentally friendly products.</p> <p>(IV) The Company has established an environmental health and safety policy and obtained certification for the environmental management system, quality system, and hazardous substance management system.</p> <p>The Company rigorously monitors greenhouse gas emissions (https://www.sunon.com/cer2.aspx), water consumption, and total weight of waste management. We establish systematic internal documents and inspection procedures to implement more effective solutions for improving the environment.</p>	
<p>IV. Social issues</p> <p>(I) Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>(II) Has the Company established and implemented reasonable employee benefits (including remuneration, leave, and other benefits), and ensured business performance or results are reflected adequately in employee remuneration?</p>	✓	✓	<p>(I) The Company actively implements corporate social responsibility to attain balance between the environment, society, and international development trends in corporate governance. The Company complies with the Code of Conduct of the Responsible Business Alliance (RBA) and formulated related management policies and procedures according to relevant labor laws and the International Bill of Human Rights to protect employee rights and interests.</p> <p>(II) Sunonwealth provides fair, reasonable, and competitive salary systems and regularly establishes employee performance evaluations to provide opportunities and channels for promotion and salary increase to employees with outstanding performance. At the end of each year, the Company distributes a diverse range of bonuses including</p>	No deviation.

Assessed areas	Implementation status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
(III) Does the Company provide a safe and healthy working environment and provide employees with regular safety and health training?	✓		<p>the year-end bonus, performance bonus, and employee bonuses based on the results of Company's operations and the employees' performance in the current year. Sunonwealth complies with related labor regulations and provides employees with leave and comprehensive welfare system. We also value the importance of creating a healthy and friendly workplace. We have continuously advanced health promotion activities and regularly organize health examinations and health seminars, and set up medical service offices, aerobics classrooms, and bodybuilding equipment, and various health promotion facilities to provide employees with comprehensive care.</p> <p>(III) 1. The Company pays close attention to the physical health of all employees and safety in the work environment. In addition to regular health examination for employees each year, the Company also works with hospitals to provide employees with consultation and care services for their physical and mental health to create a healthy workplace. We implement inspections through management by wandering about in the workplace and propose improvement plans for areas with potential risks or individual cases with the aim of improving safety in the workplace environment.</p> <p>2. In 2021, the disabling injury frequency rate (FR) in Taiwan was 1.61 and the disabling severity rate (SR) was 0. The Company conducts individual reviews of occupational injuries in the workplace and implements solutions across the board to implement improvements and prevent recurrence of similar incidents.</p> <p>3. Due to the COVID-19 pandemic in 2021, the Company only organized actual emergency escape drills in the second half of the year. The drills</p>	

Assessed areas	Implementation status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
(IV) Has the Company established an effective career development and capability training program for employees?	✓		<p>included personnel evacuation, explanation of the operation of fire safety facilities, guidance for personnel evacuation meeting points in response to extreme weather, and functional drills of the emergency response teams.</p> <p>4. Each work site in Taiwan conducts CO2 gas concentration measurements every six months in accordance with local regulations to monitor the air quality in the workplace and to maintain a comfortable workplace environment for employees.</p> <p>5. Each work site in Taiwan conducts measurements of hazardous factors (hazardous gas and noise) every six months in accordance with local regulations to monitor the air quality in the workplace and to ensure safety and health in the workplace environment for employees.</p> <p>(IV) The Company creates career development plans and provides diverse on-the-job training and learning channels based on employees' characteristics. We organize management competency training and professional competency training to improve employees' abilities and assist employees in their career development. The talent development quality management system received the Gold Medal Certification in the Talent Quality-management System (TTQS) from the Workforce Development Agency, Ministry of Labor.</p>	
(V) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer or customer protection and grievance procedure policies implemented?	✓		<p>(V) The Company has followed relevant laws, regulations, and international norms in terms of the marketing and labeling of products and services. The international norms include compliance with CE, UL, QC080000, ITAF16949, the EU's REACH and RoHS regulations, and ban on conflict minerals. The Company fully respects customers' privacy and abides by confidentiality agreements and the Personal Data Protection Act. We also established a stakeholder area</p>	

Assessed areas	Implementation status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
(VI) Does the Company establish supplier management policies, which require suppliers to observe relevant regulations on environmental protection, occupational safety and hygiene, or labor and human rights? If so, describe the implementation results.	✓		and set up complaint channels. (VI) The Company has established comprehensive supply chain management regulations and measures including supplier management, Supplier Management Operating Procedures, new supplier evaluations, supplier audit, and supplier assistance to ensure that materials we purchase meet requirements for quality assurance and substances of concern to the environment. IN addition to compliance with environmental protection and safety and health regulations, we also comply with related operating regulations for labor safety. Please refer to the Company's Sustainability Report for more information on sustainable supply chain management and implementation.	
V. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as sustainability reports? Does the company obtain third-party assurance or guarantees for the reports above?		✓	The Company has prepared the Sustainability Report and disclosed it on the Company's website and Market Observation Post System. The Company has not yet obtained third-party assurance or guarantees.	No material discrepancy.
VI. If the company has established sustainable development best-practice principles based on the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies," describe the implementation and any deviations from such principles: The Company abides by its Corporate Social Responsibility Best Practice Principles and there was no material deviation. The Company's subsidiaries implement the essence of the Company's Corporate Social Responsibility Principles in their internal control systems and related supervisory regulations.				
VII. Other key information useful for explaining status of the Company's sustainable development practices: The Chairman of the Company founded the "Shehng-Yuan Children Development and Adult Support Services Center" to take care of children with severe disabilities and founded the "Sunonwealth Charity Foundation" to organize various charity events (donations to the disadvantaged, regular care for low-income households and children's welfare) to contribute to social welfare. He also promoted the <i>Liao-Fan's Four Lessons</i> to purify people's minds. Our employees are also dedicated to charity activities.				

Note 1: If "Yes" is selected in the implementation status, please explain the important policies, strategies, and measures adopted, and the implementation status; If "No" is selected in the implementation status, please explain the deviations and reasons in the "Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof" field and explain related policies, strategies, and measures to be adopted in the future.

Note 2: The materiality principle refers to related environmental, social, and governance issues that may cause material impact on the Company's investors and other stakeholders.

Note 3: Please refer to the best-practice templates of the Corporate Governance Center, Taiwan Stock Exchange Corporation for the methods of disclosure.

(VI) Implementation of ethical corporate management, deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", and reasons for deviation

Assessed areas	Implementation status (Note 1)			Deviation with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons for the said deviation
	Yes	No	Summary	
<p>I. Establishment of ethical corporate management policy and approaches</p> <p>(I) Has the Company established the ethical corporate management policies approved by the Board of Directors and stated its policies and practices in its Memorandum or external correspondence to maintain business integrity? Are the Board of Directors and the senior management committed to fulfilling this commitment?</p> <p>(II) Does the Company have mechanisms in place to assess the risk of unethical conduct and perform regular analysis and assessment of business activities with a higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(III) Does the Company have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Board of Directors of the Company has established the "Ethical Corporate Management Best Practice Principles" and "Ethical Corporate Management Operating Procedures and Code of Conduct" to specify the Company's ethical management policies and measures. The Board of Directors and management are committed to the effective implementation of ethical corporate management policies and enforcement during internal management activities and business activities.</p> <p>(II) The applicable scope of the "Ethical Corporate Management Operating Procedures and Code of Conduct" established by the Company includes the subsidiaries of the Company. It expressly prohibits bribery, provision of illegal political donations, inappropriate charity donations or sponsorship, providing or accepting unreasonable presents, hospitality or other improper benefits. The Company also regularly analyzes and evaluates business activities with greater risks of unethical conduct for amendments of the "Ethical Corporate Management Operating Procedures and Code of Conduct" and related internal control systems.</p> <p>The Company strictly follows the preventive measures specified in all subparagraphs under Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" to prevent unethical conduct.</p> <p>(III) The Company has established the "Ethical Corporate Management Operating Procedures and Code of Conduct"</p>	No material discrepancy.

Assessed areas	Implementation status (Note 1)			Deviation with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons for the said deviation
	Yes	No	Summary	
guidelines, disciplinary actions and complaint systems? Does the Company review the policies on a regular basis?			to require Directors, managerial officers, and employee from engaging in unethical conduct and actively increases their awareness of such requirements. The Company and subsidiaries have established rigorous accounting systems, internal control systems, and audit systems to prevent unethical conduct. They encourage internal and external personnel to report illegal and unethical conduct. The Company also continues to review and amend the systems.	
<p>II. Full implementation of ethical management principles</p> <p>(I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?</p> <p>(II) Does the Company have a unit responsible for business integrity on a full-time basis under the Board of Directors, which will report the business integrity policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?</p> <p>(III) Has the Company established policies to prevent conflicts of interests, implemented such policies, and provided adequate channels of communications?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p> <p>✓</p>	<p>(I) The Company stipulates related ethical clauses in contracts signed with customers and suppliers to prevent the Company and its employees, customers, suppliers, and stakeholders from engaging in bribery, provision of illegal political donations, inappropriate charity donations or sponsorship, providing or accepting unreasonable presents, hospitality or other improper benefits.</p> <p>(II) Although the Company has not set up a unit that specializes (or is involved) in promoting ethical corporate management and reports to the Board of Directors, the Company's professional managerial officers perform their duties in accordance with the authorization and we have established Employee Work Rules and related regulations to meet ethical management requirements.</p> <p>(III) The Company's "Ethical Corporate Management Best Practice Principles" and the "Ethical Corporate Management Operating Procedures and Code of Conduct" specify regulations for avoidance of conflicts of interest including procedures to be implemented when there is a conflict of interest involving a Director, managerial officer, or other stakeholders attending a meeting of the Board of Directors on a voting or non-voting basis, or the legal entity they represent.</p> <p>The Company's "Code of Ethical Conduct" specifies that employees may not take advantage of their positions in the Company to obtain improper benefits for themselves, their</p>	No material discrepancy.

Assessed areas	Implementation status (Note 1)			Deviation with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons for the said deviation
	Yes	No	Summary	
(IV) Does the Company have effective accounting and internal control systems in place to implement business integrity? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or engage CPAs to perform the audits?	✓		spouses, parents, children, or any other relative within the second degree of kinship. (IV) The Company has established effective accounting and internal control systems to implement business integrity. Before formulating annual audit plans, the Company evaluates the risks of audit operations and assigns weights (risks of unethical conduct are evaluated and assigned weighted scores in accordance with the two risk indicators including the degree of internal control and the financial exposure). The Company compiles all weighted scores for risks and the Audit Office formulates the audit work items and audit frequencies based on the risks. It also submits audit plans (including risk assessments) to the Audit Committee and the Board of Directors for review in accordance with regulations. The Audit Office conducts audits after obtaining approval.	
(V) Did the Company periodically provide internal and external training programs on integrity management?	✓		(V) The Company has established related ethical clauses in the Work Rules and implemented comprehensive training for new recruits to internalize the ethical corporate management principles in the Company's culture and implement ethical corporate management. The Company signs related ethical provisions with customers and suppliers and promotes related regulations for ethical corporate management.	
III. Implementation of the Company's whistleblowing system				No deviation.
(I) Has the Company established concrete whistleblowing and reward system and have a convenient reporting channel in place, and assign an appropriate person to communicate with the accused?	✓		(I) The Company has established the whistleblowing and reward system to actively prevent unethical conduct. We provide reporting channels on the Company's website assigned appropriate employees to process reports.	
(II) Has the Company established standard operating procedures for investigating reported issues, follow-up measures to be adopted after the investigation, as well as relevant confidential mechanisms?	✓		(II) The Company has established comprehensive procedures and confidentiality mechanisms for case acceptance, investigation processes, investigation results, and relevant documents.	
(III) Has the Company adopted measures for protecting the whistleblower against improper treatment or retaliation?	✓		(III) The Company's protection measures for whistleblowers shall include maintaining the confidentiality of the identity	

Assessed areas	Implementation status (Note 1)			Deviation with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons for the said deviation
	Yes	No	Summary	
			of the whistleblowers and the contents of their reports. The Company must also protect whistleblowers from inappropriate disciplinary actions due to their whistleblowing.	
IV. Enhancing information disclosure Has the Company disclosed its integrity principles and progress onto its website and Market Observation Post System?	✓		The Company has established the "Ethical Corporate Management Best Practice Principles" and "Ethical Corporate Management Operating Procedures and Code of Conduct" and disclosed them on the Market Observation Post System and Company's website.	No material discrepancy.
V. If the Company has established Ethical Corporate Management Principles in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", describe difference with the principles and implementation status: No material discrepancy.				
VI. Other important information to facilitate a better understanding of the Company's implementation of ethical corporate management: (Such as the status of the Company's efforts to review and correct its Principles for Honest Business Practices): Please refer to announcements on the Market Observation Post System for the Company's "Ethical Corporate Management Best Practice Principles" and "Ethical Corporate Management Operating Procedures and Code of Conduct", or the Company's website under Investor Relations/Corporate Governance/Related Regulations. (https://www.sunon.com/inv33.aspx)				

Note: Regardless of whether "Yes" or "No" was selected, explanation shall be provided in the Summary column.

- (VII) If the Company has established corporate governance principles and related bylaws, their query methods shall be disclosed:
The Company has established the Corporate Governance Best Practice Principles and related regulations. Please refer to the Company's website under Investor Relations/Corporate Governance/Related Regulations (www.sunon.com).
- (VIII) Critical information that can enhance the understanding of the Company's corporate governance practices shall also be disclosed:
Please refer to page 37 of the Annual Report (IV. Implementation of corporate governance).

(IX) Status of implementation of internal control system
1. Internal Control System Statement

Sunonwealth Electric Machine Industry Co., Ltd.
Internal Control System Statement

Date: March 10, 2022

The Company states the following with regard to its internal control system during fiscal year 2021, based on the findings of a self-evaluation:

- I. The Company is fully aware that the establishment, implementation and maintenance of its internal control system is the responsibility of the Board of Directors and managerial officers. In this regard the Company has already established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability of reporting, and compliance with applicable laws and regulations.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change and impact the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Monitoring. Each element further contains several items. For more information on the abovementioned items, please refer to the Regulations.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- V. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that as of December 31, 2021 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability of reporting, and compliance with applicable laws and regulations, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.
- VI. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This Statement has been passed by the Board of Directors Meeting of the Company held on China March 10, 2022, where 0 of the 9 attending Directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Sunonwealth Electric Machine Industry Co., Ltd.

Chairman of the Board: Ching-Shen Hong

President: Ching-Shen Hong

2. If the Company engages an accountant to examine its internal control system, disclose the CPA audit report: None.

(X) Penalties imposed upon the Company or internal personnel by laws, or punishment imposed by the Company on internal personnel for violation of the Company's internal control system regulations, detailed information on the punishment if it may have significant impact on the shareholders' equity or securities prices, major defects and corrective action thereof in the most recent fiscal year and as of the date of this annual report: None.

(XI) Important resolutions adopted in shareholders' meeting and Board of Directors' meeting in the past year and up to the date of report

1. Resolutions of all shareholders in attendance in the general shareholders' meeting on July 1, 2021 and the status of implementation

Resolution	Implementation status
Passed the 2020 Business Report and Financial Statements.	-
Passed the Company's 2020 earnings distribution proposal.	Established July 27, 2021 as the ex-dividend date and completed all earnings distribution on the issuance date on August 19, 2021. (Cash dividend per share was NT\$2.4)
Passed the amendment of the "Articles of Incorporation".	The Company has completed the registration of the amendment at the Ministry of Economic Affairs on July 26, 2021.
Completed the election of the Company's Directors.	The Company has completed the registration of the amendment at the Ministry of Economic Affairs on July 26, 2021.

2. Important resolutions adopted by the Board of Directors in 2021 and up to the publication of the Annual Report on April 12, 2022

Date of meeting	Resolution
January 29, 2021	I. Passed the Company's 2021 Business Plan. II. Passed the proposal for endorsement and guarantee for the subsidiary Sunon Electronic (Bei Hai) Co., Ltd. III. Passed the proposal for endorsement and guarantee for the subsidiary Sunon Electronic (Bei Hai) Co., Ltd. IV. Passed the amendment of the "Articles of Incorporation". V. Passed the Company's budget for donations in 2021. VI. Passed the proposal for the promotions of the Company's managerial officers. VII. Passed the Company's 2020 year-end bonus for managerial officers.
March 11, 2021	I. Passed this Company's 2020 Business Report, financial statements, and consolidated financial statements. II. Passed the amendment of the "Articles of Incorporation". III. Passed the Company's 2020 remuneration distribution proposal for board members and employees.

Date of meeting	Resolution
	IV. Passed the Company's 2020 earnings distribution proposal. V. Passed the proposal for the election of the Company's Directors. VI. Passed the list of Director candidates. VII. Passed the proposal for the time and location of the 2021 general shareholders' meeting. VIII. Passed the Company's 2020 Internal Control System Statement. IX. Passed the Company's 2020 employee remuneration for managerial officers.
May 6, 2021	I. Passed the proposal for endorsement and guarantee for the subsidiary Sunon Electronic (Kunshan) Co., Ltd. II. Passed the Company's appointment of the Corporate Governance Officer.
June 8, 2021	I. Passed proposed date for convening the 2021 general shareholders' meeting in response to the impact of the pandemic. II. Passed the proposal for endorsement and guarantee for the subsidiary Sunon Electronic (Bei Hai) Co., Ltd.
June 23, 2021	I. Passed the proposal for changing the location for the Company's 2021 general shareholders' meeting in response to the impact of the pandemic.
July 1, 2021	I. Passed the election of the Chairman and Vice Chairman. II. Passed the appointment of new members of the Remuneration Committee.
August 2, 2021	I. Passed the remuneration and transportation expenses for the Company's Directors and members of functional committees, and the ratio for the distribution of remuneration for Directors. II. Passed the amendment of the Company's "Employee Remuneration Regulations".
November 4, 2021	I. Passed the Company's 2022 Audit Plan. II. Passed the inclusion of the "audit of management in the operations of the Audit Office" in the 2021 Annual Audit Plan. III. Passed the proposal for endorsement and guarantee for the subsidiary Sunon Electronic (Kunshan) Co., Ltd. IV. Passed the proposal for endorsement and guarantee for the subsidiary Sunon Electronic (Kunshan) Co., Ltd.

(XII) Dissenting or qualified opinion of Directors or Supervisors against an important resolution passed by the Board of Directors that is on record or stated in a written statement in the past year and up to the date of report: None.

(XIII) Resignation and dismissal of professional managerial officers related to the financial report including Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief R&D Officer, Chief Internal Auditor, and Corporate Governance Officer, in the past year and up to the date of report: None.

Summary of resignations and dismissals at the Company
April 12, 2022

Job Title	Name	Date of Appointment	Date of Dismissal	Reason for Resignation or Dismissal
Vice Chairperson	Yin-Su Hong	2021.07.01	2021.10.04	Tseng-Cheng Lin replaced Yin-Su Hong as the representative of the institutional director, Yo Yuan Investment Corporation, on October 4, 2021.

Note: Related individuals of the Company refer to the Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief R&D Officer, Chief Internal Auditor, and Corporate Governance Officer.

V. Information on fees to CPA

- (I) Audit fees and non-audit fees paid to certifying accountants, the firm of the certifying accountants, and its affiliates and the nature of the non-audit services:

Information on CPA fees

Unit: thousand NT\$

Name of the CPA Firm	Name of CPAs	Duration of audit	Audit fees	Non-audit fees	Total	Remarks
Crowe Horwath (TW)	Ching-Lin Li	2021.01.01-2021.12.31	3,250	117	3,367	Non-audit fees included business registration fees and typing fees for financial reports.
	Shu-Man Tsai					

Please provide a detailed description of the services provided in exchange for non-audit fees: (e.g., tax certification, assurance, or other financial consulting services)

- (II) If the Company changes accounting firm and the amount of audit fee paid in the year of change is less than that in the year before, information shall be disclosed: None.
- (III) If the audit fee is more than 10% less than that paid in the previous year, information shall be disclosed: None.

VI. Information on Replacement of CPAs: None.

VII. The Chairman, President and Financial or Accounting Managerial Officer of the Company who had worked for the Independent CPA or the affiliate in the past year: None.

VIII. Share transfer by Directors, Supervisors, Managerial Officers, and shareholders holding more than 10% interests and changes to share pledging by them

(I) Change in the shares held by the Directors, Supervisors, managerial officers, and major shareholders

Title (Note 1)	Name	2021		2022 up to April 12	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Director	Yo Yuan Investment Corporation Institutional shareholder representative: Ching-Shen Hong Fu-Ing Hong Chen Li-Ju Chen Tseng-Cheng Lin	-	-	-	-
Director	Nice Enterprise Co., Ltd. Institutional shareholder representative: Ching-Liang Chen	-	-	-	-
Independent Director	Chun-Hao Xin	-	-	-	-
Independent Director	Mei-Hsiang Pai	-	-	-	-
Independent Director	Chih-Ming Chen	-	-	-	-
Chairman of the Board And President	Ching-Shen Hong	-	-	-	-
Vice President and Director of the Finance Division	William Li	-	-	-	-
Vice President of the Business Division	Chen-Hsueh Li	-	-	-	-
Vice President of the Business Division	Tsui-Wen Hsiao	-	-	-	-
Vice President of the Business Division	Chin-Tzu Wu	-	-	-	-
OEM Production Unit Vice President	Kuo-Ching Li	-	-	-	-
Plant Director	Yen-Wen Feng	-	-	-	-
Plant Director	Chao-Wang Chiu	-	-	-	-

Note 1: Shareholders with over 10% of the Company's total share shall be classified as major shareholders and listed separately.

Note 2: Information regarding the transfer of shares or shares pledged to the counterparty being the related party shall be filled in the following Table.

- (II) Share transfer information: None.
- (III) Share pledge information: None.

IX. Information on the relationship between any of the top ten shareholders

Date: April 12, 2022

Name (note 1)	Shares held by the person		Shares held by spouse and underage children		Total shareholding by nominee arrangement		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree). (note 3)		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or name)	Relationship	
Guang Sheng Investment Corporation Chairman of the Board: Fu-Ing Hong Chen	18,435,000	7.35%	-	-	-	-	Yo Yuan Investment Corporation	Shareholder	-
							Ching-Shen Hong	Mother-son	-
Yo Yuan Investment Corporation Representative: Fu-Ing Hong Chen	14,825,000	5.91%	-	-	-	-	Representative of Guang Sheng Investment Corporation	Shareholder	-
							Ching-Shen Hong	Mother-son	-
Fu-Ing Hong Chen	12,000,000	4.78%	-	-	-	-	Representative of Guang Sheng Investment Corporation	Shareholder	-
							Yo Yuan Investment Corporation	Shareholder	-
							Ching-Shen Hong	Mother-son	-
Aberdeen Standard SICAV I - Asian Smaller Companies Fund under the custody of HSBC	10,423,000	4.15%	-	-	-	-	-	-	-
Sunonwealth Charity Foundation	5,970,000	2.38%	-	-	-	-	-	-	-
Account of Aberdeen Asia-Pacific Income Fund under the custody of HSBC Bank	4,301,000	1.71%	-	-	-	-	-	-	-
Nice Enterprise Co., Ltd.	4,006,813	1.60%	-	-	-	-	-	-	-
Chunghwa Post Co., Ltd.	3,880,000	1.55%	-	-	-	-	-	-	-
ASI Emerging Markets Income Fund under the trust of Citibank	3,860,000	1.54%	-	-	-	-	-	-	-
Ching-Shen Hong	3,612,000	1.44%	-	-	-	-	Representative of Guang Sheng Investment Corporation	Mother-son	-
							Yo Yuan Investment Corporation	Mother-son	-
							Fu-Ing Hong Chen	Mother-son	-

- Note 1: All the top 10 shareholders should be listed. For institutional shareholders, their names and the name of their representatives should be listed separately.
- Note 2: Shareholding percentage is calculated separately based on the number of shares held in the name of the person, his/her spouse and minors, and others.
- Note 3: Relationships between the aforementioned shareholders, including institutional and natural person shareholders should be disclosed based on the financial reporting standards used by the issuer.

X. The shareholding of the Company, Director, Supervisor, Managerial Officers and an enterprise that is directly or indirectly controlled by the Company in the invested company and the calculation of the consolidated shareholding percentage

Consolidated shareholding percentage

March 31, 2022; Unit: share; %

Investee (Note)	Investment by the Company		Investments by Directors, Supervisors, managerial officers and directly or indirectly controlled enterprises		Comprehensive investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Sunon INC.	150,000	100.00	-	-	150,000	100.00
Sunon SAS.	50,000	100.00	-	-	50,000	100.00
Sunon Deutschland GmbH	-	-	-	100.00	-	100.00
Sunon Corporation	4,400	100.00	-	-	4,400	100.00
Sunonwealth Electric Machine Ind. (H.K.) Ltd.	799,999	99.99	1	0.01	800,000	100.00
BVI Successful Century Co., Ltd.	33,880,000	100.00	-	-	33,880,000	100.00
Sunon Electronic (Kunshan) Co., Ltd.	-	-	-	100.00	-	100.00
BVI Sunon International Ltd.	19,180,000	100.00	-	-	19,180,000	100.00
Sunon Electronic (Foshan) Co., Ltd.	-	-	-	100.00	-	100.00
Sunon Electronic (Bei Hai) Co., Ltd.	-	-	-	100.00	-	100.00
Beihai Li Zhun Electronics Co., Ltd.	-	-	-	100.00	-	100.00
Sunon Electronics India Private Limited	1,099,999	99.99	1	0.01	1,100,000	100.00
Sunon Properties Philippines Corp.	7,067,896	99.99	3	0.01	7,067,899	100.00
Sunon Electronics Philippines Corp.	1,285,597	99.99	3	0.01	1,285,600	100.00
Suzhou Shengyixing Heat Transfer Technology Co., Ltd.	-	-	-	35.00	-	35.00

Note: Long-term investment calculated by equity method.

D. Funding Status

I. Source of Capital Shares

(I) Capital Formulation Process

Unit: Share, NTD

Year/ month	Issuance price	Authorized capital		Paid-up capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of Capital Shares	Subscriptions paid with property other than cash	Others
2003.03	10	200,000,000	2,000,000,000	180,909,906	1,809,099,060	Converted from corporate bonds	None	Note 1
2003.08	10	240,000,000	2,400,000,000	197,443,061	1,974,430,610	Recapitalizati on of retained earnings	None	Note 2
2003.08	10	240,000,000	2,400,000,000	196,000,061	1,960,000,610	Treasury stock liquidation	None	Note 3
2005.10	10	240,000,000	2,400,000,000	199,860,062	1,998,600,620	Recapitalizati on of retained earnings	None	Note 4
2006.08	10	300,000,000	3,000,000,000	205,765,864	2,057,658,640	Recapitalizati on of retained earnings	None	Note 5
2007.04	10	300,000,000	3,000,000,000	206,990,989	2,069,909,890	Converted from corporate bonds	None	Note 6
2007.07	10	300,000,000	3,000,000,000	210,011,908	2,100,119,080	Converted from corporate bonds	None	Note 7
2007.09	10	300,000,000	3,000,000,000	223,006,342	2,230,063,420	Recapitalizati on of retained earnings	None	Note 8
2007.10	10	300,000,000	3,000,000,000	228,854,472	2,288,544,720	Converted from corporate bonds	None	Note 9
2008.01	10	300,000,000	3,000,000,000	231,306,446	2,313,064,460	Converted from corporate bonds	None	Note 10
2008.04	10	300,000,000	3,000,000,000	230,283,446	2,302,834,460	Treasury stock liquidation	None	Note 11
2008.09	10	300,000,000	3,000,000,000	245,123,935	2,451,239,350	Recapitalizati on of retained earnings	None	Note 12
2008.10	10	300,000,000	3,000,000,000	245,798,630	2,457,986,300	Converted from corporate bonds	None	Note 13

2009.02	10	300,000,000	3,000,000,000	241,265,630	2,412,656,300	Treasury stock liquidation	None	Note 14
2009.02	10	300,000,000	3,000,000,000	244,337,901	2,443,379,010	Converted from corporate bonds	None	Note 15
2009.03	10	300,000,000	3,000,000,000	245,006,573	2,450,065,730	Converted from corporate bonds	None	Note 16
2009.07	10	300,000,000	3,000,000,000	245,307,776	2,453,077,760	Converted from corporate bonds	None	Note 17
2009.08	10	300,000,000	3,000,000,000	257,524,671	2,575,246,710	Recapitalization of retained earnings	None	Note 18
2009.10	10	300,000,000	3,000,000,000	257,847,455	2,578,474,455	Converted from corporate bonds	None	Note 19
2010.01	10	300,000,000	3,000,000,000	257,929,732	2,579,297,320	Converted from corporate bonds	None	Note 20
2012.08	10	300,000,000	3,000,000,000	250,929,732	2,509,297,320	Treasury stock liquidation	None	Note 21

Note 1: Approved in the Jing-Shou-Shang No. 09201090890 Letter from the Ministry of Economic Affairs dated March 28, 2003.

Note 2: Approved in the Jing-Shou-Shang No. 09201259550 Letter from the Ministry of Economic Affairs dated August 29, 2003.

Note 3: Approved in the Jing-Shou-Shang No. 09201259550 Letter from the Ministry of Economic Affairs dated August 29, 2003.

Note 4: Approved in the Jing-Shou-Shang No. 09401206610 Letter from the Ministry of Economic Affairs dated October 26, 2005.

Note 5: Approved in the Jing-Shou-Shang No. 09501191390 Letter from the Ministry of Economic Affairs dated August 28, 2006.

Note 6: Approved in the Jing-Shou-Shang No. 09601086420 Letter from the Ministry of Economic Affairs dated April 24, 2007.

Note 7: Approved in the Jing-Shou-Shang No. 09601151490 Letter from the Ministry of Economic Affairs dated July 4, 2007.

Note 8: Approved in the Jing-Shou-Shang No. 09601230910 Letter from the Ministry of Economic Affairs dated September 19, 2007.

Note 9: Approved in the Jing-Shou-Shang No. 09601251720 Letter from the Ministry of Economic Affairs dated October 16, 2007.

Note 10: Approved in the Jing-Shou-Shang No. 09601321820 Letter from the Ministry of Economic Affairs dated January 4, 2008.

Note 11: Approved in the Jing-Shou-Shang No. 09701084940 Letter from the Ministry of Economic Affairs dated April 11, 2008.

Note 12: Approved in the Jing-Shou-Shang No. 09701226650 Letter from the Ministry of Economic Affairs dated September 5, 2008.

Note 13: Approved in the Jing-Shou-Shang No. 09701262270 Letter from the Ministry of Economic Affairs dated October 17, 2008.

Note 14: Approved in the Jing-Shou-Shang No. 09801016130 Letter from the Ministry of Economic Affairs dated February 4, 2009.

Note 15: Approved in the Jing-Shou-Shang No. 09801016130 Letter from the Ministry of Economic Affairs dated February 4, 2009.

- Note 16: Approved in the Jing-Shou-Shang No. 09801052300 Letter from the Ministry of Economic Affairs dated March 18, 2009.
- Note 17: Approved in the Jing-Shou-Shang No. 09801161450 Letter from the Ministry of Economic Affairs dated July 24, 2009.
- Note 18: Approved in the Jing-Shou-Shang No. 09801183550 Letter from the Ministry of Economic Affairs dated August 13, 2009.
- Note 19: Approved in the Jing-Shou-Shang No. 09801244400 Letter from the Ministry of Economic Affairs dated October 21, 2009.
- Note 20: Approved in the Jing-Shou-Shang No. 09901001160 Letter from the Ministry of Economic Affairs dated January 8, 2010.
- Note 21: Approved in the Jing-Shou-Shang No. 10101182680 Letter from the Ministry of Economic Affairs dated August 31, 2012.

- Note 1: Information of the current year up to the publication date of the Annual Report shall be provided.
- Note 2: For any capital increase, the effective (approval) date and the document number shall be added.
- Note 3: Shares traded below par value shall be indicated in a clear manner.
- Note 4: Capital increase by currency debts or technology shall be stated and the type and amount of assets involved in such capital increase shall be noted.
- Note 5: Private fundraising shall be specified in a clear manner.

(II) Categories of outstanding shares

April 12, 2022

Category of shares	Authorized capital			Remarks
	Outstanding shares (listed)	Unissued shares	Total	
Registered common shares	250,929,732	49,070,268	300,000,000	-

Note: Please indicate whether the shares are issued by a company listed on the Taiwan Stock Exchange (TWSE) or the Taipei Exchange (TPEX) (Shares with restrictions on trading on the TWSE or those traded on TPEX shall be noted).

(III) Information on shelf registration: Not applicable.

II. Shareholders

April 12, 2022

Shareholders	Government institutions	Financial institutions	Other corporations	Foreign institutions and foreigners	Individuals	Total
Quantity						
Persons	1	5	173	123	34,130	34,432
Shares held (shares)	9	7,425,462	54,039,944	48,237,038	141,227,279	250,929,732
Shareholding ratio (%)	0.00	2.96	21.54	19.22	56.28	100.00

Note: Companies primarily listed on the TWSE or the TPEX shall disclose the proportion of their shares held by investors from Mainland China. Investors from Mainland China refer to natural persons, legal persons, organizations, institutions or companies in areas other than Taiwan and Mainland China that are invested by persons of such identity as defined in Article 3 of the Regulations Governing Investment of Mainland Chinese in Taiwan.

III. Shareholding distribution status

April 12, 2022

Shareholding classification	Number of shareholders	Shares held (shares)	Shareholding ratio
1 to 999	12,116	1,143,016	0.46 %
1,000 to 5,000	18,076	37,358,210	14.89 %
5,001 to 10,000	2,377	18,833,350	7.51 %
10,001 to 15,000	632	8,074,807	3.22 %
15,001 to 20,000	399	7,424,139	2.96 %
20,001 to 30,000	321	8,223,266	3.28 %
30,001 to 40,000	137	4,898,919	1.95 %
40,001 to 50,000	95	4,392,741	1.75 %
50,001 to 100,000	138	9,767,052	3.89 %
100,001 to 200,000	62	8,657,773	3.45 %
200,001 to 400,000	29	7,651,737	3.05 %
400,001 to 600,000	16	7,658,573	3.05 %
600,001 to 800,000	6	3,936,000	1.57 %
800,001 to 1,000,000	2	1,897,000	0.75 %
More than 1,000,001	26	121,013,149	48.22 %
Total	34,432	250,929,732	100.00%

Preferred shares: None.

IV. List of major shareholders

April 12, 2022

Name of major shareholder	Shares	Shares held (shares)	Shareholding ratio
Kuang Sheng Investment Development Co., Ltd.		18,435,000	7.35%
Yo Yuan Investment Corporation		14,825,000	5.91%
Fu-Ing Hong Chen		12,000,000	4.78%
Aberdeen Standard SICAV I - Asian Smaller Companies Fund under the custody of HSBC		10,423,000	4.15%
Sunonwealth Charity Foundation		5,970,000	2.38%
Account of Aberdeen Asia-Pacific Income Fund under the custody of HSBC Bank		4,301,000	1.71%
Nice Enterprise Co., Ltd.		4,006,813	1.60%
Chunghwa Post Co., Ltd.		3,880,000	1.55%
ASI Emerging Markets Income Fund under the trust of Citibank		3,860,000	1.54%
Ching-Shen Hong		3,612,000	1.44%

V. Market Price, Net Worth, Earnings, and Dividends per Share in the Last Two Years

Item		Year	2020	2021	As of March 31, 2022 (Note 8)
Market price per share (Note 1)	Highest		68.50	57.40	48.95
	Lowest		27.60	35.20	40.60
	Average		52.68	47.83	45.63
Net value per share (Note 2)	Before distribution		18.31	17.40	-
	After distribution		15.91	-	-
Earnings per share	Weighted average number of shares (in thousands)		250,930	250,930	250,930
	Earnings per share (Note 3)		3.39	1.71	0.61
Dividends per share (NT\$)	Cash dividends		2.40	(Note 9) 1.20	-
	Stock dividends	-	-	-	-
		-	-	-	-
	Cumulative unpaid dividends (Note 4)		-	-	-
Return on investment analysis	PE ratio (Note 5)		14.88	26.39	-
	Price-dividend ratio (Note 6)		21.01	37.61	-
	Cash dividend yield (Note 7)		4.76%	2.66%	-

* If retained earnings or capital reserves were used for capital increase, the Company shall disclose market prices and cash dividends that were retroactively adjusted based on the number of shares after distribution.

Note 1: List the highest and lowest market price of common shares for each fiscal year and calculate the average market price for each fiscal year based on trading value and volume in each fiscal year.

Note 2: Please fill these rows based on the number of shares that have been issued at the end of the fiscal year and the distribution plan approved by the Board of Directors or at the shareholders' meeting in the subsequent fiscal year.

Note 3: If retroactive adjustments are required due to stock grants, the Company shall list the earnings per share before and after the adjustment.

Note 4: If there are any conditions in issuing equity securities that allow for unpaid out dividend for the year to be accumulated to subsequent years in which there is profit, the Company shall separately disclose the accumulated unpaid out dividend up to that year.

Note 5: P/E Ratio = Average closing price for each share for the year/earnings per share

Note 6: P/D Ratio = Average closing price for each share for the year/cash dividend per share

Note 7: Cash dividend yield = cash dividends / average closing price per share for the year.

Note 8: Data on net asset value per share and earnings per share from the latest quarter that has been verified by CPAs up to the date of publication of this annual report shall be filled. For all other columns, the Company shall fill information for the current fiscal year until the publication date of this annual report.

The earnings per share for the first quarter of 2022 are provided by the Company.

Note 9: The 2021 earning distribution case is to be approved by the shareholders' meeting.

VI. Dividend policy and implementation status

(I) Dividend policy established in the Articles of Incorporation

The Board of Directors shall, pursuant to Article 29 of the Articles of Incorporation, determine the distribution of dividends and formulate appropriate ratios of cash and stock dividends based on requirements for operations and capital expenditures. It shall file a proposal to the shareholders' meeting for approval. However, cash dividends shall not be lower than 20% of the distributed amount in the year.

(II) Proposed dividend distribution in the shareholders' meeting this year

The Company's 2021 earnings distribution proposal was approved by the Board of Directors on March 10, 2022. The Company shall issue cash dividends of NT\$1.2 per share. The Board of Directors shall be authorized to establish an ex-dividend date.

(III) Any expected material changes to the dividend policy shall be explained.

There are no material changes to the Company's dividend policy.

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

The Company has no plans for granting stocks in this shareholders' meeting and it is not required to compile a financial forecast for 2022. Therefore, it does not have related estimates on the profit or loss, estimated earnings per share, or other mandatory items with which to evaluate the impact on the Company's business performance and earnings per share.

VIII. Remuneration of employees, directors and supervisors

(I) Quantity or scope of compensation for employees, Directors, And Supervisors as prescribed by the Articles of Incorporation

In the event the Company makes a profit during the fiscal year, it shall set aside no less than 2% of the profits as employee remuneration and no more than 5% as remuneration for Directors. However, a sum shall be set aside in advance to pay down any outstanding cumulative losses.

The employee, director and supervisor remuneration shall be distributed in the form of stock or cash. The distribution shall be approved with a majority vote at a meeting attended by more than two thirds of the Directors and shall be reported at the shareholders' meeting.

The distribution of employee remuneration in stocks or cash shall include employees of affiliated companies that meet the criteria specified in the Company Act.

(II) The basis for estimating the amount of employee, director, and supervisor remuneration, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The Company appropriates remuneration for employees and Directors proportionally

based on the profitability. As the remuneration for employees and Directors are distributed in cash, the calculation of the number of shares is not required. In addition, there is no difference between the actual number of distributed funds and the estimated amount.

(III) Information on the distribution of employees' remuneration passed by the Board of Directors

1. The distribution of remuneration for employees and Directors passed by the Board of Directors on March 10, 2022 is as follows: (no discrepancy with the estimated amount)

Remuneration for employees - cash	NT\$ 13,000,000
Remuneration for employees - stocks	NT\$ 0
Director's remuneration	NT\$4,000,000

2. The proposed employee stock remuneration allocation as a ratio of the net income for the period and the total employee remuneration: 0.

(IV) Actual appropriation of remuneration for employees, Directors and Supervisors in the previous year

The actual remuneration for employees - cash of NT\$23,500,000 distributed in the previous year was the same as the estimated amount in the proposal passed by the Board of Directors. The actual remuneration for Directors in cash of NT\$13,000,000 distributed in the previous year was the same as the estimated amount in the proposal passed by the Board of Directors.

IX. Buyback of treasury stock None.

X. Corporate bond issuance status: None.

XI. Issuance of preferred stocks: None.

XII. Issuance of global depositary receipts (GDR): None.

XIII. Exercise of employee stock option plan (ESOP): None.

XIV. Restricted stock awards: None.

XV. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies: None.

XVI. Implementation of capital allocation plan: None.

E. Business Overview

I. Business activities

(I) Business scope

1. Main businesses

- (1) Cooling fans, cooling modules, and drum fans
- (2) Related components for fans
- (3) Materials and components

2. Proportion of major business activities

Business category	Proportion of 2021 revenue
DC cooling fans, cooling modules, and drum fans	76.1%
AC cooling fans	6.6%
Materials and components	17.3%
Total	100.0%

3. The Company's current products

(1) Fans

DC cooling fans, drum fans

AC cooling fans, drum fans

EC fans

Mighty Mini Fan

High-grade IP protection fan

Explosion prevention fans

(2) Motors

DC automotive brushless motor

EC high-efficiency motor

(3) Fan Tray products

(4) Cooling module

(5) Green building ventilation fan/Flow2 One-AHR ventilation fan

(6) High-volume low-speed (HVLS) large industrial ceiling fans

4. New products under development

(1) Development of low-noise vehicle-mounted fan products

(2) High-efficiency large EC fans

(3) High-performance ultra-thin fans

(4) High-end server CPU cooling module

(5) Integrated water-cooled module

(II) Industry Overview

1. Current trends and outlook of the industry

As the computing and networking functions of electronic, communication, and portable products continue to increase, the temperature of these products during use also continues to increase. Under such trends, products have become increasingly compact and equipped with powerful display and processing capacity. The consumers' demand and product development trends have set the stage for the greatest opportunities in the heat dissipation application industry. In addition, the rise of social network websites, e-commerce, communication software, and virtual reality devices in recent years has brought forth strong demand for servers, communication, cloud computing, and cloud storage equipment and micro cooling fans and contributed to substantial growth in the cooling components market. The hardware components of cooling solutions mainly include cooling fans, cooling fins, heat pipes, and thermal pads. The diverse applications for various cooling components include computers, servers, communication, consumer electronics, automotive electronics, industrial equipment, and optoelectronic industry. The computer industry has the highest demand for heat dissipation solutions. Taiwanese companies have obtained most of the OEM purchase orders from the computer and electronic equipment industry. It therefore has advantages in the development of the heat dissipation industry and it has the largest demand and supply of cooling components.

The continuous updates of electronics products have fueled the growth of heat dissipation products as demand continued from computer, communication, servers, and consumer electronics as well as new applications such as automotive electronics, handheld electronics products, virtual reality, IoT, artificial intelligence, and high-performance computing. Heat dissipation component manufacturers therefore actively increase their production scale to expand their market share. In addition, the increase in the speed and performance of electronic products means increased demand for heat dissipation and also pushes companies to continue to enhance R&D capacity and launch high-level heat dissipation products to satisfy functional demands of new applications and products. They also work hard to develop niche products and increase profitability.

2. Relationships with suppliers in the industry's supply chain

Cooling fans and cooling modules are built with complicated components. Related upstream industries include plastic materials, axles, steel, copper materials, metal stamping, aluminum casting, molds (stamping, die casting, and plastic injection and forming), copper wires, semiconductors, IC, PCBs, and passive components. Downstream applications are also diverse. All spaces that require ventilation would require cooling fans and sectors include the IT industry, network communications equipment, optoelectronics, home video equipment, industrial and commercial equipment, and automotive electronics industries.

Cooling fans are widely used in upstream and downstream industries and there are no strong relations between cooling fans and any singular industry.

3. Product development trends and competition

(1) Product development trends

A. Ongoing expansion of applications

The heat dissipation market started with applications for personal computers (including desktop and notebook computers) and network communications equipment. As technology progresses and electronic products continue to improve, applications were expanded to consumer electronic products such as handheld projectors, tablet computers, and virtual reality devices. In automotive electronics applications, the requirements for heat dissipation expanded from the vehicle media entertainment system to the cockpit, power system, headlights, wireless charging board, ADAS, and autonomous driving control systems. As building laws are updated and the air quality issue in Mainland China and nearby areas became the focus of attention, applications in related products for green building and air cleaning began to rise.

B. Enhanced functions and high cooling efficiency

As each generation of CPUs are replaced at ever higher speed, cooling component manufacturers must use design improvements and R&D in materials to develop cooling solutions that can dissipate heat at high watts quickly and provide high efficiency, long durability, low noise, low vibration, low energy consumption, low starting voltage, high torque, high temperature resistance, and dust-proof capabilities to resolve product cooling issues.

C. Slim designs

The product design of cooling components continues pursue the goals of "light, slim, short, and small" and the thickness of mainstream specifications continues to become slimmer. For instance, the thickness of cooling fans for laptop computers has progressed from 10mm to 5.2mm. New models even require less than 3mm and we continue to develop even slimmer cooling components.

D. Environmental protection and energy conservation

Awareness of environmental protection issues has increased and it has become an important trend for product development. In addition to compliance with RoHS standards, certain customers have already stipulated requirements that products main not contain fluorine or halogens. Product power consumption and performance have also become key to future designs. To meet environmental protection requirements, products must meet high-performance, energy-efficient, and low-carbon emissions standards. More rigorous environmental protection laws in the future will drive customers to adopt more energy efficient components and these trends will power new growth of the Company's products.

(2) Product competition

The competition of heat dissipation components in various application industries is divided into standard products and project products. Competition for standard products is governed by the highest guiding principles of "reliability", "price", and "channel penetration". Standards products have no material differences in terms of

performance and customer choose suitable products based on prices and requirements for reliability. The Company maintains a good brand image and product reliability and our products are usually those with the highest customer demand. In terms of channel operations, the Company has more than one thousand sales representatives and distributors across the world to achieve the highest market penetration rate. In terms of project products, "coordinated design capacity", "technical intensification level", and "customer satisfaction" are the highest guiding principles. The Company must design solutions with customers during the initial stages of product design. We usually face unprecedented specifications and technical demands for cooling and our design capabilities and technology intensification have become our best advantages. After products receive customer certification, the key to competition is determined by the Company's production and operation capacity, scale of mass production, and our ability to lower cost and serve customers.

(III) Overview of technology and R&D

Item \ Year	2021	January 1 to March 31, 2022
Research spending (thousand NT\$)	814,188	187,213
Proportion of R&D expenses in business revenue (%)	6.0%	6.0%
Successfully developed technologies and products	<ol style="list-style-type: none">1. Development of high-grade IP protection fan for AIOT/5G network/industrial and energy equipment with higher efficiency, energy saving, and lower noise2. Vehicle high performance/low noise/high audio quality fans3. HVACR high performance low-noise EC fans4. Development of large-scale ventilation equipment and products for plants/warehouses5. Development of heat dissipation devices for 5G base stations6. Development of HPC water-cooled heat dissipation devices	<ol style="list-style-type: none">1. Launch of the 1000W high-wattage water-cooled coolers with embedded tubes2. High-performance CPU coolers for the Intel Whitley Platform and anti-vibration fans

(IV) Long- and short-term business plans

1. Short-term business plan

The pandemic has accelerated technological development and driven the transformation of network technology. The development of AI technology and 5G high-speed networks makes it possible to achieve smart connections between all devices. Different devices have been converted into smart and connected electronic products, and they have rapidly expanded into industries and daily life, while increasing the demand for heat dissipation technology. We shall use the Company's technology advantages and market share in this sector for more active expansion. By leveraging Sunonwealth's technological advantages and global market share in this field, we have maintained operations in the laptop and server markets and actively expanded our market share in communications equipment, electric vehicles, industrial energy storage and emerging industries. We have already achieved significant results with purchase orders from major global brands. In terms of operations in regional markets, the Company shall focus on the deployment of sales resources in Asia, India and the United States to expand sales and improve sales performance.

2. Long-term business development plans

- (1) The Company shall replenish human resources for sales in all channels and end customers and intensify the development of global channels. We shall also implement KPI and project management for sales personnel and markets to improve project success rates and sales performance.
- (2) We shall enhance the development of cooling modules and water-cooled products, and integrate air-cooled and water-cooled technologies. The corresponding heat dissipation solutions must include a more diverse range of active and passive heat dissipation components. We have also developed liquid-cooled heat dissipation solutions. We shall expand products on a greater level to improve overall competitiveness.
- (3) The rapid growth in IoT, 5G communications equipment, cloud computing equipment, artificial intelligence, and high-performance computing has created development opportunities in different sectors for new products and new applications such as the metaverse. The Company shall expand investment in R&D in these sectors to maintain lead in technologies and products and consolidate our leading position in the market.
- (4) The Company shall pay attention to opportunities for other applications for core technologies, support the plans of major international customers for attaining net zero emissions, and ESG sustainable development goals. We shall help customers improve ventilation and heat dissipation and recommend solutions. We shall also pursue market opportunities in green buildings and air cleaning and expand the applications for technologies and products.
- (5) The Company shall respond to future environmental and energy conservation regulations to demonstrate the superior technologies and advantages of the efficiency of the Company's motors and develop new products and new markets.

II. Market, production and sales

(I) Market analysis

1. Sales regions of main products

Region	Year	
	2021	2020
Asia	77.5%	77.2%
Europe	16.4%	16.9%
America	5.4%	4.8%
Others	0.7%	1.1%
Total	100.0%	100.0%

2. Market share and future supply, demand, and growth

(1) Market share

According to the latest "Comprehensive Precision Small Motor Market Survey"

published by the Fuji Keizai, the Company ranks among the top three leading brands of all surveyed companies across the world in terms of shipment and market share. The strong recovery of the global economy in the first half of 2021 has accelerated 5G projects across the globe. The increase in remote applications in the post-pandemic era has also increased the demand for heat dissipation applications. Sunonwealth has focused on the laptop computer market for years and currently provides the best heat dissipation solutions for all ultra-light, high-end business, and gaming laptop brands. We expect the revenue from related heat dissipation products in the industry to continue to grow by 10% in 2022.

Sunonwealth attained approximately 20% of global market share for products for server applications and we ranked among the top three manufacturers. The Company is also the main supplier for Google, the top three global cloud computing service providers (Amazon AWS, Microsoft Azure, and Facebook), and the BAT Alliance in Mainland China. In terms of 5G telecommunication equipment such as routers and switches, we are the top three suppliers of the largest network equipment manufacturer in the United States and the main provider of heat dissipation solutions for the top communication equipment manufacturer with the highest market share in the global 5G market. The two major waves of 5G and WiFi 6 upgrades, increase in the thermal design power output of new Intel and AMD server platforms, and the increase in WiFi 6 routers and 400G switches will increase the average price of cooling fans and increase the server and network businesses by up to 15%.

As the electric vehicles and autonomous vehicles rapidly penetrate global markets, Sunonwealth's fan products have been adopted in the air quality sensors, 5G network connection devices, and advanced driver assistance systems of cars made by major automobile manufacturers. As a result, shipments of automotive products continued to grow and they accounted for approximately 5% of the overall revenue in 2021. As vehicle products are supplied over a long period of time, they are expected to provide Sunonwealth with stable long-term revenue.

(2) Future market supply, demand, and future growth

Due to the advancement and rapid commercialization of 5G and AI technologies and the rapid growth in data centers and base stations, the demand for servers and communications equipment will continue to grow. Artificial intelligence fueled growth in high-speed computing and new energy vehicles and ADAS and autonomous driving in various stages have increased the demand for cooling applications. These new applications require more complex and high-efficiency cooling solutions. As technical barriers remain high, there is currently no large-scale supply. In the more mature IT market, the growth in demand from low-end desktop computers and consumer laptop computers remains confined with oversupply. With low prices and low profitability, the Company has gradually shifted its focus from such markets. However, demand for more high-end cooling solutions continues to

increase in high-end and ultra-thin business or gaming laptop computers and the demand has increased rapidly. For instance, metal fans that increase heat dissipation performance have contributed to a state of oligopoly supply due to high technology barriers. As 5G technologies with higher bandwidths and lower latency expand, the metaverse will give birth to the next wave of business opportunities in technologies. Sunonwealth will continue to provide the most advanced heat dissipation solutions for new technologies and accelerate the penetration rate of new technologies into the market.

3. Competitive niches

- (1) Our own brand "SUNON" retains leading market positions and an excellent brand image.
- (2) The Company retains the most patents and intellectual properties in the industry which increases the entry barriers of the industry.
- (3) We have strong capacity for coordinated design with system manufacturers, rapid response speed, and strong customized manufacturing capabilities.
- (4) Our diverse range of products satisfy different demands of different customers.
- (5) Products have simple structures and are easy to assemble. We have large production scale with high production efficiency and low production costs.
- (6) Highest level of vertical integration and comprehensive key components and technologies.
- (7) Dense network of distribution channels to provide the broadest and fastest response to customer demands.

4. Favorable and unfavorable factors to long-term development and response measures

Favorable factors	
<p>1. CPU computing performance and energy consumption improvement increase the operating temperature and fuel the demand for high-density high-end cooling products.</p> <p>2. Demand for computing and cooling continues to increase and market demand remains stable and strong.</p> <p>3. Customers begin to demand slimmer and high-performance cooling products and the development favors those with leading technologies.</p> <p>4. More rigorous environmental protection and energy conservation laws encourage customers to switch to more energy-efficient high-performance motors and fans.</p> <p>5. Development in IoT, AI, 5G communication equipment, and high-performance computing generate more demand.</p> <p>6. Update of server platforms to the new Eagle Stream architecture requires more sophisticated cooling solutions.</p>	
Unfavorable factors	Response measures
<p>1. The appreciation of the NTD affects revenue and margins</p>	<p>1-1. It increases the cost of material purchases and the amount of USD used for settlement of operating expenses and offsetting revenue</p> <p>1-2. Pay close attention to exchange rate trends and make flexible use of exchange settlement time</p>
<p>2. Increase in labor costs in China and high labor turnover increase production costs</p>	<p>2-1. Speed up the introduction of automated production equipment and fixture tools and reduce demand for human labor</p> <p>2-2. Streamline the production line organization and layout to reduce use of manpower</p> <p>2-3. Initiate research on actions, time, and methodology to improve the balance, efficiency, and productivity on the production line</p>
<p>3. Increase in prices of raw materials</p>	<p>3-1. Reduce the number of suppliers and introduce prioritized supplier name list system to increase the transaction volume with suppliers and use quantity to control prices</p> <p>3-2. Increase the materials delivery schedules for suppliers</p> <p>3-3. Reduce the number of purchase orders and increase the volume in purchase orders</p>

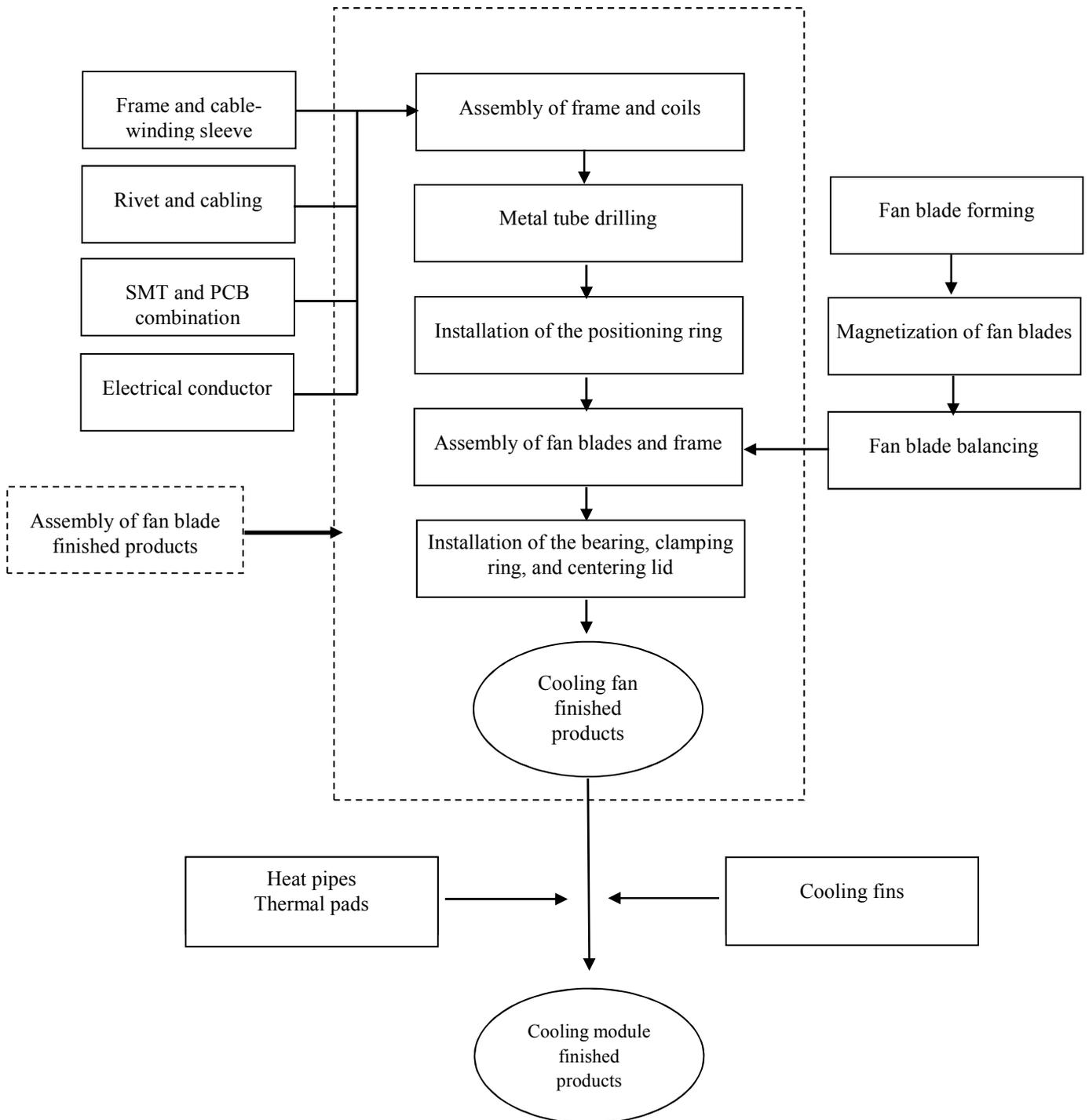
(II) Application and production of main products

1. Important applications of main products

Applications	Application products
Computer and office equipment industry	Mining machines, gaming CPU coolers, DT/AIO CPU coolers, graphics card/IC coolers, notebook computer coolers, hard disk boxes, uninterruptible power supply systems, (micro) projectors, workstations, photocopiers, mini computers
Server and communication industry	Server system/power supply, workstation system/power supply, telecommunication equipment, network communication equipment, storage disc arrays
Industrial and medical equipment industry	Industrial equipment, freezing equipment, measurement equipment, vending machines, ATMs, public information stations, cash registers, security surveillance equipment, drones, medical equipment
Household electrical appliance industry	Game consoles, video streaming devices, STB video converters, digital video recorders, LCD/LED TVs, stereo equipment, kitchen equipment, air-conditioning, refrigerators, microwave ovens, induction cookers
Automotive electronics industry	LED lights, car chiller and air-conditioning systems, car air-conditioning sensors, car seat ventilation systems, car information, communication, and entertainment equipment, DC/DC converters in car battery boxes, camera systems, ADAS, ECU, HUD

2. Production process of main products

Production process chart of cooling fans and cooling modules



(III) Supply status of primary raw materials

Main materials	Supply status
Plastic materials	Stable source with supply price fluctuations tied to crude oil prices
IC	The Company must increase inventory in response to the shortages or increased supply lead time of certain types of IC.
Passive components	Prices have stabilized and the supply is stable.
Bearings	Stable source with supply price fluctuations tied to steel prices
Enameled wire	Stable source with supply price fluctuations tied to copper prices
Stamping parts	Stable source with supply price fluctuations tied to steel prices
Machining equipment parts	Stable source with supply price fluctuations tied to steel prices
Heat pipes	Stable source with supply price fluctuations tied to copper prices
Aluminum casting boards	Stable source with supply price fluctuations tied to aluminum prices

(IV) Customers who accounted for more than 10% of the purchase (sales) in any of the last two year

1. Suppliers who accounted for more than 10% of the total purchases in any of the last two years: None

2. Customers who accounted for more than 10% of the total sales in any of the last two years: None

(V) Production volume and value for the last two years

Table of production volume and value for the last two years

Unit: thousand units/thousand NT\$

Production volume and value Main product (or department)	Year	2020			2021		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
AC fans		8,400	6,318	656,166	8,400	6,282	735,008
DC fans		207,600	141,953	8,159,114	214,250	150,204	10,106,771
Total		216,000	148,271	8,815,280	222,650	156,486	10,841,779

Note 1: Production capacity refers to the volume of product that can be produced by the Company using existing production equipment and under normal operation, after taking into consideration factors such as necessary downtime, holiday, etc.

Note 2: Substitutable production capacity may be included in the production capacity and be stated in the note.

(VI) Sales volume and value for the last two years

Table of sales volume and value for the last two years

Unit: thousand units/thousand NT\$

Sales volume and value Main product	Year	2020				2021			
		Domestic sales		Exports		Domestic sales		Exports	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
AC fans		316	39,676	5,967	780,184	373	50,196	5,981	844,416
DC fans		22,894	1,799,388	110,784	10,069,539	27,189	2,231,970	108,962	10,358,133
Sale of materials		-	776	-	91,718	-	1,072	-	76,017
Total		23,210	1,839,840	116,751	10,941,441	27,562	2,283,238	114,943	11,278,566

III. Employee information

Employee information for the last two years till the publication date of the Annual Report

Year		2020	2021	As of March 31, 2022 (Note)
Number of employees	Direct employees	6,519	7,248	6,415
	Indirect employees	2,422	2,493	2,394
	Other employees	14	12	14
	Total	8,955	9,753	8,823
Average age (year)		30	31	30
Average years of service		2.60	1.78	1.89
Academic qualifications	PhD	0.1%	0.1%	0.1%
	MA	2.5%	1.8%	1.8%
	University/College	9.8%	8.6%	9.2%
	Senior high school	15.2%	9.7%	9.2%
	Below high school	72.4%	79.8%	79.7%

Note: Information of the current year up to the publication date of the Annual Report shall be provided.

IV. Environmental protection expenditure information

The Company has not incurred losses, compensation, or penalties as a result of environmental pollution. The Company 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 RoHS directive in terms of the production process and raw materials. We expressly specify regulations on prohibited substances and we the product R&D process must also meet environmental protection requirements.

The Company received ISO 14001, ISO 9001, OHSAS 18001, IECQ QC080000, IATF 16949, and EICC certification for environmental management system and quality systems. We also served as green environmental protection partners for major companies such as Sony, Canon, and Samsung. These records demonstrate the Company's commitment to environmental protection.

The results of environmental protection inspections and labor inspections did not show any violation of environmental protection laws and regulations or the Labor Standards Act.

V. Employees-employer relations

(I) Employee welfare measures, continuing education, training, retirement system and their status of implementation, as well as agreements between the employer and employees and measures for protecting employee rights and interests

1. Employee benefits

- A. Employee bonuses: Bonuses for the three traditional holidays, performance bonus, business bonus, R&D bonus, patent and creation bonus, etc.
- B. The Company provides allowances for employees' weddings and funerals, childbirth bonuses, consolation for injuries and illnesses, scholarships for children, and other general subsidies. We also provide regular health examinations for employees and organize health promotion activities such as health seminars, consultation by doctors, sports clubs, and family day events.
- C. The Company provides employees with labor insurance and health insurance in accordance with related regulations and we also have group insurance and travel insurance for employees on business trips.
- F. We established the "Employee Welfare Committee" to organize events such as the year-end party, employee travel, travel subsidies, department dinner parties, and subsidies for festivals.

2. Employee continuing education and training

The Company provides comprehensive training for new recruits to enhance their understanding of company products and related regulations and increase their understanding of the corporate culture. We also organize professional training courses and management training in accordance with the Company's annual plans to encourage employees and increase their sense of solidarity so that they can grow with the Company and achieve goals together.

3. Retirement system

With regard to the retirement system and implementation status, the Company follows related regulations in the Labor Standards Act and established the Employee Retirement Regulations. For employees who opt for the old pension system, the Company appropriates pension reserves within 2% of the actual salary and deposit it into the dedicated account in the Central Trust of China. Pension is paid from this account and the Company provides supplementary payment for any shortfall when the pension is paid. For employees who opt for the new pension system, the Company sets aside 6% of the salary as pension. The parts proposed by employees are deposited in accordance with their wishes within the legal specified scope.

4. Labor-management relations and employee rights maintenance measures:

The Company values employee feedback and provides several communication channels (e.g., employee opinion box and online communication platform) to facilitate communication and coordination between employees and the employer. We seek to learn truly understand employees' opinions and ideas on the management and benefit system, and we emphasize bilateral communication with employees to achieve a harmonious relationship between employees and the employer.

(II) Losses arising as a result of labor disputes in the recent year up until the publication date of this annual report: None.

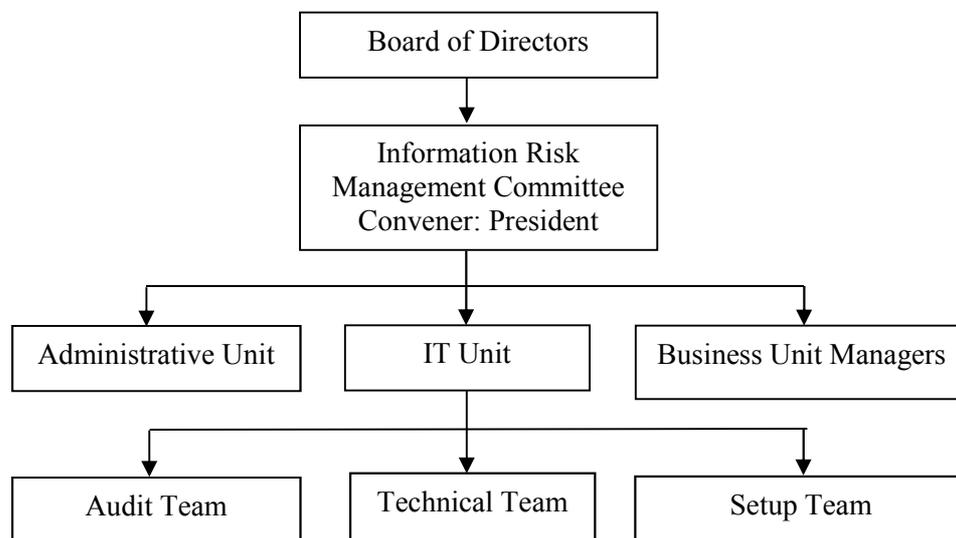
VI. Information Security Management

(I) Information Security Policy

1. Ensure the continuous operations of the Company's operations and ensure the stability of information services.
2. Ensure the confidentiality, integrity, and availability of the Company's information assets.

(II) Information security risk management framework

1. The Information Security Management Committee is convened by the President of the Company. The IT unit is responsible for leading and planning and related business units cooperate with implementation to ensure the effectiveness of the Company's information security management.
2. The Committee convenes regular (quarterly) meetings to review the implementation status and report to the Board of Directors.
3. The Company's information security framework is as follows.



(III) Specific management measures:

1. Establish auditing mechanisms for access control, system login identity authentication, and access right control.
2. The Company regularly organizes information security awareness programs to strengthen employees' awareness of information security risks.
3. All employee computers must be equipped with information security software. Files cannot be brought out of the Company unless an application is filed and approved.
4. Websites without security authentication will be blocked to reduce the risks of computer virus infection and file leaks.
5. Private laptops and mobile phones cannot be used to connect to the internal network to prevent data leak.
6. Prevent the use of unlicensed software through a positive whitelist of applications. Software cannot be installed unless an application is filed and approved.
7. All internal systems must be equipped with anti-virus software, updated with security patches of the original manufacturer, and regularly checked by the IT unit with vulnerability scanning, engineering exercises, system protection, and other inspections for the effectiveness of protection.
8. Important information systems or equipment are equipped with cluster infrastructure

and monitoring and control mechanisms to ensure their availability.

9. Take snapshots and create backup copies of contents in accordance with the hard drive data protection regulations, and conduct exercises to verify the availability of backup data every quarter.
10. Create a dual backup system with local and remote backups to prevent losses due to system damage as a result of natural disasters or other threats, and ensure the integrity of the system and data.
11. Prioritize the use of automated scripts to detect, analyze, and respond to irregularities and report to the person in charge for related procedures.
12. Conduct regular inventories of information assets and implement risk management based on information security risks for risk management.
13. Set information security collective defense mechanisms, improve information security protection, train information security talents, and ensure the continuous operations of the Company.
14. Examine information security measures and regulations each year, pay attention to information security issues, and formulate response plans to ensure their appropriateness and effectiveness.

(IV) Plan implementation status for 2021

1. The Company convened the 4th meeting of the Information Security Management Committee in 2021 to review the implementation status of information security policies. There were no information security incidents or related hazards this year.
2. The Company organized 1 remote backup exercise this year to ensure the availability and integrity of data.
3. The Company organized 1 social engineering exercise (200 people) this year to enhance employees' response and awareness of information security risks.
4. The Company's Information Security Policy has been included as a mandatory online course and the completion rate is 100%.
5. The IT unit shares information on actual information security cases at the end of each quarter to remind employees and ensure that all employees fully understand the risks.

(V) Information security risks and response measures

To maximize the interest of the Company, employees, shareholders, and stakeholders, Sunonwealth established risk management regulations to identify different types of risks. We identify, evaluate, and quantify the risk management procedures in the response measures to reduce potential risks to a tolerable level.

1. Sunonwealth takes the following risk management measures to avoid potential crises and possible losses.

Information System Risks
Implementation method
(1) Prioritize the use of automated scripts to detect, analyze, and respond automatically.
(2) If normal operations cannot be restored, the issue shall be processed in accordance with the backup recovery management regulations.
(3) Network equipment is designed with a stacked redundancy framework so that a single point of failure does not cause interruption of services.
(4) All known anomalies and detections are processed with automated scripts.
(5) When receiving an alert warning, the person in charge shall implement corresponding measures within the specified deadline.
(6) Major physical servers in the Group consist mainly of those with cluster infrastructure and single-point failures do not occur.
(7) Take system snapshots and create backup copies of contents in accordance with the hard drive data protection regulations, and activate remote

server room backup mechanisms.

2. Network and information security management mechanisms during the pandemic

Importance to Operations	Control and Management Mechanisms
<p>I. In an environment with constantly evolving external information security threats, Sunonwealth uses information security governance and high-tech protection to protect the data and interests of all stakeholders.</p> <p>II. In response to the rising information security threats in the wake of the pandemic, Sunonwealth seeks to protect the corporate website and operations by adopting a defense-in-depth approach, strengthening information security, and expanding the scope of international certification for information security and personal data protection. We aim to increase overall operation security and personal data protection to avoid major contingencies and penalties and do our best to protect the information security reputation and image of the Company.</p>	<ol style="list-style-type: none"> 1. Readiness level assessment: We adopted the readiness indicators used by the industry to set targets and assess the progress. 2. Long-term investment plans: We formulate five-year long-term plans for information security with gradual implementation and optimization. 3. Focus on key risks: Identify and establish key indicators and focus on protection against key risks. <ol style="list-style-type: none"> 1. External enhancement (zero trust): <ol style="list-style-type: none"> (1) We adopted a defense-in-depth approach (packet cleaning) and collective defense (anti-virus + firewall + information security equipment) mechanisms to improve the protection and security in all aspects of information security. (2) We use whitelist control and management mechanisms to require approval before operations to control access to external websites, activation of applications, mail list, and content review. (3) We use two-factor authentication to verify the identity of the user logging into the system. (4) Recover the user's access rights for installing software and restore devices to the original default settings after log out. (5) Use programmable security response mechanisms to implement visualized and automated management of external risks. (6) Centralized management and retention shall be implemented for all operation records and system logs. (7) Use the detection network alarm mechanism to immediately forward notifications regarding anomalies to the mobile device of the person in charge. 2. Internal enhancement (zero contact/zero loss): <ol style="list-style-type: none"> (1) Use information security awareness campaigns, social engineering exercises, and information security equipment to reduce the risks of attacks on internal computers. (2) Use an integrated virtual and real terminal environment to achieve physical isolation and data security protection. (3) Use mobile extension to create a remote work environment and reduce clustering infection. (4) Take snapshots and create backup copies in accordance with the hard drive data protection regulations to ensure the integrity of the data

	<p>and system.</p> <p>(5) Establish dual-layer insurance mechanisms for remote servers to ensure the security of the data and system.</p> <p>3. Management regulations: Plan for ISO 27001 certification and improve the Company's overall information security to ensure the security of internal and external data.</p>
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(VI) Significant information security incidents: No significant information security incidents occurred this year.

(VII) Reported the specific information security operations for 2021 to the Board of Directors on March 10, 2022 and disclosed the information security risk management information on the Company's website. (<https://www.sunon.com/inv38.aspx>)

VII. Important contracts

Nature of the contract	Contracting parties	Commencement date/expiration date	Main contents	Restriction clauses
Land use rights assignment contract	Kunshan Economic and Technological Development Zone Agriculture, Industry, and Business Corporation	2000.10.27~ 2050.09.14	Land use rights to 48,688 square meters of land to the north of Nanbin Road in Kunshan Economic and Technological Development Zone	None
Land use rights assignment contract	Hermosa Ecozone Development Corporation	2020.06.30~ 2095.06.29	Land use rights for 137,096 square meters of land in Lot 1 Block 12, Hermosa Ecozone Industrial Park for construction of plants.	None

F. Financial Overview

I. Condensed balance sheet and statement of income for the last five years

(I) Condensed balance sheet and statements of income

1. Condensed balance sheet - International Financial Reporting Standards (consolidated financial report)

Unit: thousand NT\$

Year		Financial information for the most recent five years (Note 1)					Current year up to March 31, 2022 Financial information (Note 3) (self-assessed)
		2017	2018	2019	2020	2021	
Current assets		6,256,831	6,378,539	6,611,713	7,392,164	8,390,570	7,967,963
Property, plant and equipment (Note 2)		2,293,868	2,377,611	2,277,290	2,105,535	2,059,278	2,158,730
Intangible assets		21,988	23,506	18,954	25,781	24,486	26,704
Other assets (Note 2)		2,211	2,968	2,433	11,902	96,445	99,819
Total assets		8,813,469	8,971,556	9,439,298	10,419,061	11,517,320	11,192,827
Current liabilities	Before distribution	4,199,784	4,477,209	4,632,633	4,933,346	6,239,237	5,649,634
	After distribution	4,776,922	4,979,068	5,134,492	5,535,577	Note 4	-
Non-current liabilities		439,636	354,976	577,887	891,586	911,298	946,386
Total liabilities	Before distribution	4,639,420	4,832,185	5,210,520	5,824,932	7,150,535	6,596,020
	After distribution	5,216,558	5,334,044	5,712,379	6,427,163	Note 4	-
Equity attributable to owners of parent company		4,140,211	4,139,371	4,228,778	4,594,129	4,366,785	4,596,807
Capital stock		2,509,297	2,509,297	2,509,297	2,509,297	2,509,297	2,509,297
Capital surplus		365,706	366,903	366,903	366,903	366,903	366,903
Retained earnings	Before distribution	1,392,319	1,427,880	1,612,853	1,960,024	1,785,943	1,939,039
	After distribution	815,181	926,021	1,110,994	1,357,793	Note 4	-
Other equity		-127,111	-164,709	-260,275	-242,095	-295,358	-218,432
Treasury stock		-	-	-	-	-	-
Non-controlling interests		33,838	-	-	-	-	-
Total equity	Before distribution	4,174,049	4,139,371	4,228,778	4,594,129	4,366,785	4,596,807
	After distribution	3,596,911	3,637,512	3,726,919	3,991,898	Note 4	-

* If the Company has prepared a parent company only financial report, the Company shall prepare parent company only condensed balance sheet and statement of comprehensive income for the most recent five years.

* Companies having adopted IFRS for financial reporting for less than five years should compile additional financial data based on the financial and accounting guidelines of the Republic of China. For details, refer to data of table (2) below.

Note 1: All years that have not been certified by a CPA shall be indicated.

The financial data from 2017 to 2021 have been audited by CPAs. The financial information from the first quarter of 2022 is provided by the Company.

Note 2: The implementation date and reappraised value of assets that have been reappraised in the current year shall be disclosed.

Note 3: As of the publication date of this Annual Report, if financial information of companies whose stocks are traded on TWSE or TPEX was recently audited or reviewed by CPAs, such information shall be disclosed.

Note 4: Please fill in the numbers after distribution based on the circumstances of the shareholders' meetings for the following year.

The 2021 earning distribution case is to be approved by the shareholders' meeting. Therefore, the amounts for after the distribution have not been established.

Note 5: Financial information that has been required by the competent authority to correct or recompile shall be provided with the corrected or recompiled figures and the status and reasons shall be indicated.

2. Condensed balance sheet - International Financial Reporting Standards (parent company only financial report)

Unit: thousand NTS

Item	Year	Financial information for the most recent five years (Note 1)					Financial data in the current year up to March 31, 2022 (Note 3)
		2017	2018	2019	2020	2021	
Current assets		3,295,852	3,512,269	3,520,758	3,504,269	3,313,965	Not applicable.
Property, plant and equipment (Note 2)		1,027,463	1,062,632	1,062,832	1,039,525	1,042,050	
Intangible assets		8,890	12,904	9,853	17,792	15,386	
Other assets (Note 2)		-	-	-	-	-	
Total assets		7,097,901	7,385,451	7,630,039	8,103,396	8,156,646	
Current liabilities	Before distribution	2,532,504	2,893,410	3,038,815	2,809,130	3,175,201	
	After distribution	3,109,642	3,395,269	3,540,674	3,411,361	Note 4	
Non-current liabilities		425,186	352,670	362,446	700,137	614,660	
Total liabilities	Before distribution	2,957,690	3,246,080	3,401,261	3,509,267	3,789,861	
	After distribution	3,534,828	3,747,939	3,903,120	4,444,498	Note 4	
Equity attributable to owners of parent company		4,140,211	4,139,371	4,228,778	4,594,129	4,366,785	
Capital stock		2,509,297	2,509,297	2,509,297	2,509,297	2,509,297	
Capital surplus		365,706	366,903	366,903	366,903	366,903	
Retained earnings	Before distribution	1,392,319	1,427,880	1,612,853	1,960,024	1,785,943	
	After distribution	815,181	926,021	1,110,994	1,357,793	Note 4	
Other equity		-127,111	-164,709	-260,275	-242,095	-295,358	
Treasury stock		-	-	-	-	-	
Non-controlling interests		-	-	-	-	-	
Total equity	Before distribution	4,140,211	4,139,371	4,228,778	4,594,129	4,366,785	
	After distribution	3,563,073	3,637,512	3,726,919	3,391,898	Note 4	

* If the Company has prepared a parent company only financial report, the Company shall prepare parent company only condensed balance sheet and statement of comprehensive income for the most recent five years.

* Companies having adopted IFRS for financial reporting for less than five years should compile additional financial data based on the financial and accounting guidelines of the Republic of China. For details, refer to data of table (2) below.

Note 1: All years that have not been certified by a CPA shall be indicated.

The financial data from 2017 to 2021 have been audited by CPAs.

Note 2: The implementation date and reappraised value of assets that have been reappraised in the current year shall be disclosed.

Note 3: As of the publication date of this Annual Report, if financial information of companies whose stocks are traded on TWSE or TPEX was recently audited or reviewed by CPAs, such information shall be disclosed.

Note 4: Please fill in the numbers after distribution based on the circumstances of the shareholders' meetings for the following year.

The 2021 earning distribution case is to be approved by the shareholders' meeting. Therefore, the amounts for after the distribution have not been established.

Note 5: Financial information that has been required by the competent authority to correct or recompile shall be provided with the corrected or recompiled figures and the status and reasons shall be indicated.

3. Condensed consolidated income statement - International Financial Reporting Standards
(Consolidated Financial Report)

Unit: thousand NT\$

Year Item	Financial information for the most recent five years (Note 1)					Financial data in the current year up to March 31, 2022 (Note 2)
	2017	2018	2019	2020	2021	
Operating revenue	10,946,728	11,965,298	11,659,915	12,781,281	13,561,804	3,123,248
Gross profit	2,454,464	2,401,535	2,578,613	2,998,042	2,536,255	580,799
Operating income/loss	755,904	601,549	787,252	1,114,211	463,667	129,323
Non-operating income and expenses	86,181	182,276	122,472	-25,808	121,563	64,937
Net income before tax	842,085	783,825	909,724	1,088,403	585,230	194,260
Net income from continuing operations	663,416	607,683	680,801	851,650	429,253	153,096
Loss from discontinued operations	-	-	-	-	-	-
Net profit of the term (loss)	663,416	607,683	680,801	851,650	429,253	153,096
Other comprehensive income of the period (net income after tax)	-48,262	-32,557	-89,534	15,561	-54,366	76,926
Total comprehensive income of the period	615,154	575,126	591,267	867,211	374,887	230,022
Net income attributable to owners of the parent company	657,459	605,120	680,801	851,650	429,253	153,096
Net income (loss) attributable to non- controlling interests Equity	5,957	2,563	-	-	-	-
Total comprehensive income attributable to owners of the parent company	609,585	572,736	591,267	867,211	374,887	230,022
Total comprehensive income attributable to non-controlling interests	5,569	2,390	-	-	-	-
Earnings per share	2.62	2.41	2.71	3.39	1.71	0.61

* If the Company has prepared a parent company only financial report, the Company shall prepare parent company only condensed balance sheet and statement of comprehensive income for the most recent five years.

* Companies having adopted IFRS for financial reporting for less than five years should compile additional financial data based on the financial and accounting guidelines of the Republic of China. For details, refer to data of table (2) below.

Note 1: All years that have not been certified by a CPA shall be indicated.

The financial data from 2017 to 2021 have been audited by CPAs. The financial information from the first quarter of 2022 is provided by the Company.

Note 2: As of the publication date of this Annual Report, if financial information of companies whose stocks are traded on TWSE or TPEx was recently audited or reviewed by CPAs, such information shall be disclosed.

Note 3: The losses of discontinued operations shall be represented by the net value after deducting income tax.

Note 4: Financial information that has been required by the competent authority to correct or recompile shall be provided with the corrected or recompiled figures and the status and reasons shall be indicated.

4. Condensed consolidated income statement - International Financial Reporting Standards
(Parent Company Only Financial Report)

Unit: thousand NT\$

Year Item	Financial information for the most recent five years (Note 1)					Financial data in the current year up to March 31, 2022 (Note 2)
	2017	2018	2019	2020	2021	
Operating revenue	7,688,919	8,186,530	7,831,346	8,611,750	9,894,052	Not applicable.
Gross profit	1,292,087	1,234,664	1,224,266	1,335,048	1,263,275	
Operating income/loss	378,259	283,490	241,351	299,270	265,930	
Non-operating income and expenses	424,484	453,147	581,173	736,645	288,250	
Net income before tax	802,743	736,637	822,524	1,035,915	554,180	
Net income from continuing operations	657,459	605,120	680,801	851,650	429,253	
Loss from discontinued operations	-	-	-	-	-	
Net profit of the term (loss)	657,459	605,120	680,801	851,650	429,253	
Other comprehensive income of the period (net income after tax)	-47,874	-32,384	-89,534	15,561	-54,366	
Total comprehensive income of the period	609,585	572,736	591,267	867,211	374,887	
Net income attributable to owners of the parent company	-	-	-	-	-	
Net income (loss) attributable to non-controlling interests	-	-	-	-	-	
Total comprehensive income attributable to owners of the parent company	-	-	-	-	-	
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	
Earnings per share	2.62	2.41	2.71	2.39	1.71	

* If the Company has prepared a parent company only financial report, the Company shall prepare parent company only condensed balance sheet and statement of comprehensive income for the most recent five years.

* Companies having adopted IFRS for financial reporting for less than five years should compile additional financial data based on the financial and accounting guidelines of the Republic of China. For details, refer to data of table (2) below.

Note 1: All years that have not been certified by a CPA shall be indicated.

The financial data from 2017 to 2021 have been audited by CPAs.

Note 2: As of the publication date of this Annual Report, if financial information of companies whose stocks are traded on TWSE or TPEX was recently audited or reviewed by CPAs, such information shall be disclosed.

Note 3: The losses of discontinued operations shall be represented by the net value after deducting income tax.

Note 4: Financial information that has been required by the competent authority to correct or recompile shall be provided with the corrected or recompiled figures and the status and reasons shall be indicated.

(II) Names of certifying CPAs of the most recent five years and their audit opinions:

Opinions of the CPAs Year	Certifying CPA	Audit opinion
2017	Crowe Horwath (TW) Ching-Lin Li, CPA Shu-Man Tsai, CPA	Unqualified opinion
2018	Crowe Horwath (TW) Ching-Lin Li, CPA Shu-Man Tsai, CPA	Unqualified opinion
2019	Crowe Horwath (TW) Ching-Lin Li, CPA Shu-Man Tsai, CPA	Unqualified opinion
2020	Crowe Horwath (TW) Ching-Lin Li, CPA Shu-Man Tsai, CPA	Unqualified opinion
2021	Crowe Horwath (TW) Ching-Lin Li, CPA Shu-Man Tsai, CPA	Unqualified opinion and other supplementary matters

II. Financial analysis for the last five year

(I) Financial analysis- International Financial Reporting Standards (Consolidated Financial Report)

Analysis item (Note 3)		Financial analysis for the last five year					Current year up to March 31, 2022 (Note 2) (self-assessed)
		2017	2018	2019	2020	2021	
Financial structure (%)	Debt-to-assets ratio	52.64	53.86	55.20	55.91	62.09	58.93
	Long-term capital to property, plant, and equipment ratio	201.13	189.03	211.07	260.54	256.31	256.78
Solvency %	Current ratio	148.98	142.47	142.72	149.84	134.48	141.04
	Quick ratio	106.07	101.32	109.10	112.65	91.64	91.62
	Times interest earned	62.10	44.10	32.54	46.80	21.78	24.40
Operating ability	Average collection turnover (times)	3.91	4.12	3.64	3.90	4.06	3.74
	Days sales outstanding	93.35	88.59	100.27	93.58	89.90	97.47
	Average inventory turnover (times)	5.44	5.40	5.48	5.98	5.18	3.96
	Average payment turnover (times)	3.38	3.66	3.38	3.54	3.84	3.66
	Average inventory turnover days	67.09	67.59	66.61	61.03	70.46	92.08
	Property, plant and equipment turnover (times)	4.89	5.12	5.01	5.83	6.51	5.92
	Total assets turnover (times)	3.91	4.12	3.64	1.29	1.24	1.10
Profitability	Return on assets (%)	7.84	6.99	7.63	8.76	4.10	5.62
	Return on equity (%)	16.10	14.62	16.27	19.31	9.58	13.66
	Pre-tax income to paid-in capital ratio (%) (Note 7)	33.56	31.24	36.25	43.37	23.32	30.97
	Net profit ratio (%)	6.06	5.08	5.84	6.66	3.17	4.90
	Earnings per share (NT\$)	2.62	2.41	2.71	3.39	1.71	0.61
Cash flow	Cash flow ratio (%)	19.00	17.12	19.57	30.01	3.06	-
	Cash flow adequacy ratio (%)	77.30	77.46	86.30	90.09	67.53	-
	Cash reinvestment ratio (%)	4.61	2.94	6.23	15.98	-8.02	-
Leverage	Operating leverage	4.16	5.14	4.13	3.58	8.29	-
	Financial leverage	1.02	1.03	1.04	1.02	1.06	1.07

Please explain reasons for changes in financial ratios in the last two years. (Analysis can be omitted for the change is less than 20%)

1. Solvency

The decrease in times interest earned was caused by the decrease in pre-tax profit and increase in interest expenses.

2. Profitability

The decrease in return on assets, return on equity, pre-tax profit to paid-in capital ratio, net profit ratio and earnings per share was caused by the increase in operating costs such as materials and transportation which reduced profits.

3. Cash flow

The decrease in cash flow ratio was caused by an increase in liabilities and a decrease in

profits which reduced net cash flow in business activities.

The decrease in the cash flow adequacy ratio was caused by the decrease in profits which reduced the net cash flow from operating activities and an increase in inventories and dividends in this period compared to the previous period.

The decrease in cash reinvestment ratio was caused by the decrease in net cash inflow from operating activities and increase in cash dividends in this period.

- * If the Company has prepared a parent company only financial report, an analysis of the Company's individual financial ratios shall be prepared.
- * Companies having adopted IFRS for financial reporting for less than five years should compile additional financial data based on the financial and accounting guidelines of the Republic of China. For details, refer to data of table (2) below.

Financial analysis- International Financial Reporting Standards (Parent Company Only Financial Report)

Year (Note 1) Analysis item (Note 3)		Financial analysis for the last five year					Current year up to March 31, 2022 (Note 2)
		2017	2018	2019	2020	2021	
Financial structure (%)	Debt-to-assets ratio	41.67	43.95	44.58	43.31	46.46	Not applicable.
	Long-term capital to property, plant, and equipment ratio	444.34	422.73	431.57	509.30	478.04	
Solvency	Current ratio	130.14	121.39	115.86	124.75	135.86	
	Quick ratio	99.75	90.82	90.02	102.69	107.09	
	Times interest earned	117.53	94.56	106.79	137.00	67.19	
Operating ability	Average collection turnover (times)	3.97	3.89	3.56	3.76	3.81	
	Days sales outstanding	91.94	93.83	102.53	97.07	95.80	
	Average inventory turnover (times)	9.13	8.53	8.04	10.53	11.44	
	Average payment turnover (times)	3.56	3.67	3.24	3.63	4.31	
	Average inventory turnover days	39.98	42.79	45.40	34.66	31.90	
	Property, plant and equipment turnover (times)	7.57	7.83	7.37	8.19	9.51	
	Total assets turnover (times)	1.10	1.13	1.04	1.09	1.22	
Profitability	Return on assets (%)	9.47	8.45	9.15	10.91	5.36	
	Return on equity (%)	16.09	14.62	16.27	19.31	9.58	
	Pre-tax income to paid-in capital ratio (%) (Note 7)	31.99	29.36	32.78	41.28	22.09	
	Net margin (%)	8.55	7.39	8.69	9.89	4.34	
	Earnings per share (NT\$)	2.62	2.41	2.71	3.39	1.71	
Cash flow	Cash flow ratio (%)	16.86	19.51	16.45	36.32	1.16	
	Cash flow adequacy ratio (%)	70.59	72.69	74.26	77.76	62.57	
	Cash reinvestment ratio	-3.78	-0.67	-0.11	26.17	-23.25	
Leverage	Operating leverage	2.63	3.20	3.72	3.38	3.52	
	Financial leverage	1.02	1.03	1.03	1.03	1.03	

Please explain reasons for changes in financial ratios in the last two years. (Analysis can be omitted for the change is less than 20%)

- Solvency**
The decrease in times interest earned was caused by the decrease in pre-tax profit.
- Profitability**
The decrease in return on assets, return on equity, pre-tax profit to paid-in capital ratio, net profit ratio and earnings per share was caused by the increase in operating costs such as materials and transportation which reduced profits.
- Cash flow**
The decrease in cash flow ratio was caused by an increase in liabilities and a decrease in profits which reduced net cash flow in business activities.
The decrease in the cash flow adequacy ratio was caused by the decrease in profits which reduced the net cash flow from operating activities and an increase in inventories and dividends in this period compared to the previous period.
The decrease in cash reinvestment ratio was caused by the decrease in net cash inflow from operating activities and increase in cash dividends and working capital in this period.

- * If the Company has prepared a parent company only financial report, an analysis of the Company's individual financial ratios shall be prepared.
- * Companies having adopted IFRS for financial reporting for less than five years should compile additional financial data based on the financial and accounting guidelines of the Republic of China. For details, refer to data of table (2) below.

Note 1: All years that have not been certified by a CPA shall be indicated.

The financial data from 2017 to 2021 have been audited by CPAs. The financial information from the first quarter of 2022 is provided by the Company.

Note 2: As of the publication date of this Annual Report, if financial information of companies whose stocks are traded on TWSE or TPEx was recently audited or reviewed by CPAs, such information shall be analyzed.

Note 3: The end of Annual Report shall include the following formulas:

1. Financial structure

(1) Debt-to-asset ratio = total liabilities / total assets.

(2) Long-term fund to property, plant and equipment ratio = (total equity + non-current liabilities) / net amount of real estate properties, plants and equipment.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expense) / current liabilities.

(3) Time interest earned = net income before income tax and interest expense / current interest expense.

3. Operating ability

(1) Receivables (including accounts receivable arising from operation notes receivable) turnover ratio = net sales / average receivables (including accounts receivable arising from operation notes receivable) balances.

(2) Average collection period = 365 / receivables turnover.

(3) Inventory turnover ratio = cost of goods sold / average amount of inventory.

(4) Payable (including accounts payable arising from operation notes payable) turnover ratio = cost of goods sold / average payables (including accounts payable arising from operation notes payable) balances.

(5) Average days of sales = 365 / inventory turnover.

(6) Real estate, plant, and equipment turnover ratio = net sales / average net for real estate, plant, and equipment.

(7) Fixed assets turnover = net sales / average gross assets.

4. Profitability

(1) Return on assets = [net income + interest expense (1 - tax rate)] / average total assets.

(2) Return on equity = income after tax/net average equity.

(3) Net margin = net income / net sales.

(4) Earnings per share = (income belonging to owner of parent company - stock dividend of preferred stocks)/weighted average number of issued shares. (Note 4)

5. Cash flow

(1) Cash flow ratio = new cash flows from operating activities / current liabilities.

(2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years.

(3) Cash reinvestment ratio = (net cash flows from operating activities - cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 5)

6. Leverage:

(1) Operating leverage = (net operating revenues - current operating cost and expense) / operating profit (Note 6).

(2) Financial leverage = operating profit / (operating profit - interest expenses).

Note 4: The following items should be noted for the calculation of earnings per share using the above-mentioned formula:

1. The calculations shall be based on the average number of the weighted common shares rather than shares issued at the end of the year.

2. The circulation period shall be considered for cash capital increase or treasury stock traders when calculating the weighted average number of shares.

3. When calculating annual or semi-annual earnings per share for those with capitalization of retained earnings or capital reserves, capital ratio shall be adjusted retrospectively and the replenishment period issues need not be considered.

4. If the preferred stock is non-convertible cumulative preferred stock, the dividend of the current year (whether it is distributed) should be deducted from net income or added to net loss. If the preferred shares are not cumulative in nature, the preferred stock dividends shall be deducted from the net income under after-tax net profit conditions. If it is a loss, no adjustment is needed.

Note 5: Special attention shall be paid to the following items during cash flow analysis measurements:

1. Net cash flow from operating activities shall refer to the net cash inflow from operating activities listed in the cash flow statement.

2. Capital expenditure shall refer to the annual capital investment cash outflow.

3. If the inventory increase during the closing is greater than that during the opening and the inventory decreased at the end of the year, it should be calculated as zero.

4. Cash dividends include common stock and preferred stock cash dividends.

5. Gross profit for real estate, plant, and equipment shall refer to the total amount for real estate, plant, and equipment before accumulated depreciation is deducted.

- Note 6: The issuer shall divide the various operating costs and expenses as fixed or changeable based on their natures. If such costs are subject to estimates or subjective judgments, the issuer shall ensure that the methods of deriving those costs are rational and consistent.
- Note 7: For companies whose stock has no par value or a par value other than NT\$10, the calculation for paid-in capital as prescribed above shall be calculated instead as the equity ratio attributable to the asset balance sheet of the owners of the parent company.

III. Audit Committee's review report for the financial statements of the most recent year

Audit Committee's Audit Report

The Board of Directors has prepared and submitted the 2021 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.

Convener of the Audit Committee: Chun-Hao Xin

March 10, 2022

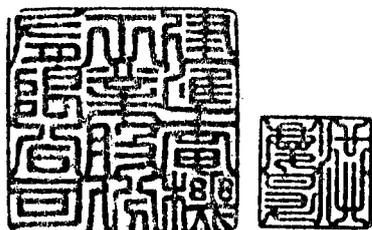
REPRESENTATION LETTER

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, 2021, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No.10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Sunonwealth Electric Machine Industry Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Sunonwealth Electric Machine Industry Co., Ltd.

By



Ching-Shen Hong
Chairman

March 10, 2022

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, 2021 and 2020, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, 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, 2021 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, 2021, inventory was \$2,508,162 thousand and accounted for 21.8% 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 Group and compare the actual write-offs of the past to assess the appropriateness of the valuation for bsolescent 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 (21) for the description of revenue recognition.



Description of key audit matter:

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

How the matter was addressed in our audit:

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

Other Matters

As described in Note 4(3) to the consolidated financial statements, we didn't audit the financial statements of certain subsidiaries. The financial statements of the subsidiaries were audited by the other auditors. Therefore, our opinion, insofar as it relates to the amounts and information disclosed, is solely based on the report of the other auditors. The figures as to these subsidiaries' total assets amounted to \$593,783 thousand and \$647,456 thousand, representing 5.16% and 6.21% of the consolidated assets, and their total liabilities amounted to \$414,210 thousand and \$468,086 thousand, representing 5.79% and 8.04% of the consolidated liabilities as of December 31, 2021 and 2020, respectively; their total revenues amounted \$1,067,673 thousand and \$1,083,865 thousand, representing 7.87% and 8.48% of the consolidated revenue, and their total comprehensive income amounted to \$204 thousand and \$17,314 thousand, representing 0.05% and 2.00% of the consolidated comprehensive income for the years ended December 31, 2021 and 2020, respectively. In addition, as described in Note 6(7) 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 \$7,081 thousand and \$11,276 thousand, representing 0.06% and 0.11% of the consolidated assets as of December 31, 2021 and 2020, and share of profit (loss) of these associates accounted for using equity method amounted to (\$4,133) thousand and (\$1,784) thousand, representing (0.71%) and (0.16%) of the consolidated income before income tax for the year ended December 31, 2021 and 2020, 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, 2021 and 2020.



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, 2021 and 2020 on which we have issued an unmodified opinion including an other matter paragraph.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in 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, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ching Ling Lee and Shu Man Tsai.

Crowe (TW) CPAs

Crowe (TW) CPAs

Kaohsiung, Taiwan (Republic of China)

March 10, 2022

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, 2021		December 31, 2020	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	1,912,018	16.6	1,574,919	15.1
Financial assets at fair value through profit or loss - current	6(2)	255,236	2.2	412,365	4.0
Notes receivable, net	6(3)	32,577	0.3	16,321	0.1
Accounts receivable, net	6(4)	3,426,718	29.8	3,209,268	30.8
Other receivables		86,756	0.8	131,252	1.3
Current tax assets		4,620	-	4,420	-
Inventories	6(5)	2,508,162	21.8	1,752,309	16.8
Prepayments		164,483	1.4	82,580	0.8
Other financial assets - current	6(6)	-	-	208,730	2.0
Total current assets		<u>8,390,570</u>	<u>72.9</u>	<u>7,392,164</u>	<u>70.9</u>
NONCURRENT ASSETS					
Investments accounted for using equity method	6(7)	7,081	0.1	11,276	0.1
Property, plant and equipment	6(8)	2,059,278	17.9	2,105,535	20.3
Right-of-use assets	6(9)	762,447	6.6	710,874	6.8
Investment properties, net	6(10)	85,489	0.7	80,889	0.8
Intangible assets	6(11)	24,486	0.2	25,781	0.2
Deferred income tax assets	6(27)	60,141	0.5	57,837	0.6
Refundable deposits		31,383	0.3	22,803	0.2
Other noncurrent assets - others		96,445	0.8	11,902	0.1
Total noncurrent assets		<u>3,126,750</u>	<u>27.1</u>	<u>3,026,897</u>	<u>29.1</u>
TOTAL ASSESTS		<u><u>\$11,517,320</u></u>	<u><u>100.0</u></u>	<u><u>\$10,419,061</u></u>	<u><u>100.0</u></u>
Liabilities and Equity					
CURRENT LIABLITIES					
Short-term loans	6(12)	\$1,949,632	16.9	\$670,663	6.4
Contract liabilities - current	6(21)	110,411	1.0	105,491	1.0
Accounts payable		2,925,990	25.4	2,822,736	27.1
Other payables	6(13)	925,704	8.0	1,098,919	10.5
Current tax liabilities		157,744	1.4	101,312	1.0
Provisions - current	6(14)	40,942	0.4	45,064	0.4
Lease liabilities - current	6(9)	93,590	0.8	88,835	0.9
Advance receipts		2	-	326	-
Long-term liabilities - current portion	6(15)	35,222	0.3	-	-
Total current liabilities		<u>6,239,237</u>	<u>54.2</u>	<u>4,933,346</u>	<u>47.3</u>

Liabilities and Equity	Note	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
NONCURRENT LIABILITIES					
Long-term loans	6(15)	\$524,344	4.6	\$520,000	5.0
Deferred income tax liabilities	6(27)	36,498	0.3	90,397	0.9
Lease liabilities - noncurrent	6(9)	294,383	2.5	217,704	2.1
Net defined benefit liabilities - noncurrent	6(16)	55,047	0.5	59,391	0.6
Guarantee deposits		1,026	-	4,094	-
Total noncurrent liabilities		911,298	7.9	891,586	8.6
Total Liabilities		7,150,535	62.1	5,824,932	55.9
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT					
Share capital	6(17)				
Ordinary shares		2,509,297	21.8	2,509,297	24.1
Capital surplus	6(18)	366,903	3.2	366,903	3.5
Retained earnings	6(19)				
Legal reserve		842,984	7.3	758,081	7.3
Special reserve		242,095	2.1	260,275	2.5
Unappropriated earnings		700,864	6.1	941,668	9.0
Other equity	6(20)	(295,358)	(2.6)	(242,095)	(2.3)
Total equity attributable to owners of the parent		4,366,785	37.9	4,594,129	44.1
NON-CONTROLLING INTERESTS		-	-	-	-
Total Equity		4,366,785	37.9	4,594,129	44.1
TOTAL LIABILITIES AND EQUITY		\$11,517,320	100.0	\$10,419,061	100.0

The accompanying notes are an integral part of the consolidated 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			
		2021		2020	
		Amount	%	Amount	%
OPERATING REVENUES	6(21)	\$13,561,804	100.0	\$12,781,281	100.0
OPERATING COSTS	6(5)	(11,025,549)	(81.3)	(9,783,239)	(76.5)
GROSS PROFIT		2,536,255	18.7	2,998,042	23.5
OPERATING EXPENSES					
Sales and marketing		(571,870)	(4.2)	(518,894)	(4.1)
General and administrative		(686,907)	(5.1)	(542,993)	(4.3)
Research and development		(814,188)	(6.0)	(823,314)	(6.4)
Expected credit gain (loss)	6(4)	377	-	1,370	-
Total operating expenses		(2,072,588)	(15.3)	(1,883,831)	(14.8)
INCOME FROM OPERATIONS		463,667	3.4	1,114,211	8.7
NON-OPERATING INCOME AND EXPENSES					
Interest revenue	6(23)	13,952	0.1	15,329	0.1
Other income	6(24)	167,336	1.2	136,976	1.1
Other gains and losses	6(25)	(27,434)	(0.2)	(152,566)	(1.2)
Finance costs	6(26)	(28,158)	(0.2)	(23,763)	(0.2)
Share of loss of associates and joint ventures accounted for using equity method	6(7)	(4,133)	-	(1,784)	-
Total non-operating income and expenses		121,563	0.9	(25,808)	(0.2)
INCOME BEFORE INCOME TAX		585,230	4.3	1,088,403	8.5
INCOME TAX EXPENSE	6(27)	(155,977)	(1.1)	(236,753)	(1.8)
NET INCOME		429,253	3.2	851,650	6.7
OTHER COMPREHENSIVE INCOME (LOSS)	6(28)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation		(1,379)	-	(3,274)	-
Income tax benefit related to items that will not be reclassified subsequently		276	-	655	-
Total items that will not be reclassified subsequently to profit or loss		(1,103)	-	(2,619)	-
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(66,578)	(0.5)	22,725	0.1
Income tax expense (benefit) related to items that may be reclassified subsequently to profit or loss		13,315	0.1	(4,545)	-
Total items that may be reclassified subsequently to profit or loss		(53,263)	(0.4)	18,180	0.1
Total other comprehensive loss, net of income tax		(54,366)	(0.4)	15,561	0.1
TOTAL COMPREHENSIVE INCOME		\$374,887	2.8	\$867,211	6.8
NET INCOME ATTRIBUTABLE TO:					
Owners of the parent		\$429,253	3.2	\$851,650	6.7
Non-controlling interests		-	-	-	-
Total		\$429,253	3.2	\$851,650	6.7
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the parent		\$374,887	2.8	\$867,211	6.8
Non-controlling interests		-	-	-	-
Total		\$374,887	2.8	\$867,211	6.8
EARNINGS PER SHARE					
Basic earnings per share	6(29)	\$1.71		\$3.39	
Diluted earnings per share	6(29)	\$1.71		\$3.39	

The accompanying notes are an integral part of the consolidated 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 Exchange Differences on Translating foreign Operations	Total	Non-controlling Interests	Total Equity
	Ordinary Shares	Capital Surplus	Retained Earnings			Unappropriated Earnings				
			Legal Reserve	Special Reserve						
BALANCE AT JANUARY 1, 2020	\$2,509,297	\$366,903	\$689,398	\$164,709	\$758,746	(\$260,275)	\$4,228,778	\$ -	\$4,228,778	
Appropriations and distributions of prior years' earnings:										
Legal reserve	-	-	68,683	-	(68,683)	-	-	-	-	
Special reserve	-	-	-	95,566	(95,566)	-	-	-	-	
Cash dividends - \$2 per share	-	-	-	-	(501,860)	-	(501,860)	-	(501,860)	
Net income in 2020	-	-	-	-	851,650	-	851,650	-	851,650	
Other comprehensive income (loss) in 2020, net of income tax	-	-	-	-	(2,619)	18,180	15,561	-	15,561	
Total comprehensive income in 2020	-	-	-	-	849,031	18,180	867,211	-	867,211	
Increase (decrease) in non-controlling interests	-	-	-	-	-	-	-	-	-	
BALANCE AT DECEMBER 31, 2020	2,509,297	366,903	758,081	260,275	941,668	(242,095)	4,594,129	-	4,594,129	
Appropriations and distributions of prior years' earnings:										
Legal reserve	-	-	84,903	-	(84,903)	-	-	-	-	
Special reserve	-	-	-	(18,180)	18,180	-	-	-	-	
Cash dividends - \$2.4 per share	-	-	-	-	(602,231)	-	(602,231)	-	(602,231)	
Net income in 2021	-	-	-	-	429,253	-	429,253	-	429,253	
Other comprehensive income (loss) in 2021, net of income tax	-	-	-	-	(1,103)	(53,263)	(54,366)	-	(54,366)	
Total comprehensive income in 2021	-	-	-	-	428,150	(53,263)	374,887	-	374,887	
Non-controlling interests	-	-	-	-	-	-	-	-	-	
BALANCE AT DECEMBER 31, 2021	\$2,509,297	\$366,903	\$842,984	\$242,095	\$700,864	(\$295,358)	\$4,366,785	\$ -	\$4,366,785	

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	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$585,230	\$1,088,403
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation	381,799	394,803
Amortization	135,374	55,152
Expected credit gain	(377)	(1,370)
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	108	967
Interest expense	28,158	23,763
Interest income	(13,952)	(15,329)
Share of loss of associates and joint ventures accounted for using equity method	4,133	1,784
Loss on disposal and retirement of property, plant and equipment	12,416	91,340
Transfer of property, plant and equipment to expenses	1,316	2,414
Loss (gain) on disposals of intangible assets	565	-
Gain on disposal of investments	(4,001)	(6,874)
Gain on reversal of impairment loss on non-financial assets	(4,906)	-
Total adjustments to reconcile profit (loss)	540,633	546,650
Net changes in operating assets and liabilities		
Decrease (increase) in financial assets mandatorily classified as at fair value through profit or loss	158,760	(12,297)
Decrease (increase) in notes receivable	(16,256)	(3,607)
Decrease (increase) in accounts receivable	(217,048)	102,576
Decrease (increase) in other receivables	56,877	(70,303)
Decrease (increase) in inventories	(743,518)	(216,602)
Decrease (increase) in prepayments	(159,355)	(76,426)
Decrease (increase) in other financial assets	196,417	(186,565)
Total changes in operating assets	(724,123)	(463,224)
Net changes in operating liabilities		
Increase (decrease) in contract liabilities	4,920	28,154
Increase (decrease) in accounts payable	103,254	117,682
Increase (decrease) in other payables	(154,090)	375,788
Increase (decrease) in provisions	(3,565)	3,593
Increase (decrease) in advance receipts	(324)	(134)
Increase (decrease) in net defined benefit liabilities	(5,723)	(5,612)
Total changes in operating liabilities	(55,528)	519,471
Total net changes in operating assets and liabilities	(779,651)	56,247
Total adjustments	(239,018)	602,897

	Year Ended December 31	
	2021	2020
Cash generated from operations	\$346,212	\$1,691,300
Interest received	14,596	15,134
Interest paid	(27,598)	(26,310)
Income tax paid	(142,357)	(199,555)
Net cash generated from operating activities	190,853	1,480,569
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of investments accounted for using equity method	-	(12,819)
Decrease in prepayments for investments	-	12,220
Acquisition of property, plant and equipment	(443,828)	(300,721)
Proceeds from disposal of property, plant and equipment	178,017	78,938
Increase in refundable deposits	(8,580)	-
Decrease in refundable deposits	-	1,569
Increase in other receivables	(13,025)	-
Acquisition of intangible assets	(14,736)	(22,685)
Increase in other financial assets	-	(12,313)
Decrease in other financial assets	12,313	-
Increase in other noncurrent assets	(190,578)	(20,328)
Net cash used in investing activities	(480,417)	(276,139)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	1,278,969	-
Decrease in short-term loans	-	(256,215)
Proceeds from long-term loans	39,566	300,000
Decrease in guarantee deposits	(3,068)	(159)
Repayments of lease principal	(127,747)	(445,623)
Cash dividends paid	(602,231)	(501,860)
Net cash used in financing activities	585,489	(903,857)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	41,174	2,926
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	337,099	303,499
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,574,919	1,271,420
CASH AND CASH EQUIVALENTS, END OF YEAR	\$1,912,018	\$1,574,919

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

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except Stated Otherwise)

1. GENERAL INFORMATION

Sunonwealth Electric Machine Industry Co., Ltd. (collectively as the “Company”) was incorporated in October 1980. The Company engages mainly in the manufacturing and selling of AC/DC brushless fans, electric fans, motors and related components, and microcooling fans. The principal operating activities of the Company and its subsidiaries (collectively as the “Group”) are described in Note 4(3). In addition, the Company has no ultimate parent company.

The consolidated financial statements are presented in the Company’s functional currency, New Taiwan Dollars.

2. THE AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 10, 2022.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

(1) Effect of adoption of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC):

New standards, interpretations and amendments endorsed by the FSC and effective from 2021 are as follows:

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from IFRS 9”	June 25, 2020 (Effective from issue date)
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendments to IFRS 16 “Leases regarding COVID-19 related rent concessions after June 30, 2021”	April 1, 2021 (Note)

(Note) Early application from January 1, 2021 is allowed by the FSC.

Base on the Group’s assessment, the above standards and interpretations have no significant effect on the Group’s financial position and financial performance.

- (2) Effect of new issuances or amendments to IFRSs as endorsed by the FSC but not yet adopted:
New standards, interpretations and amendments endorsed by the FSC and effective from 2022 are as follows:

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 16 “Property, Plant and Equipment: Proceeds Before Intended Use”	January 1, 2022 (Note 2)
Amendments to IAS 37 “Onerous Contract - Cost of Fulfilling a Contract”	January 1, 2022 (Note 3)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 4)
Annual Improvements to IFRSs 2018-2020	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the New IFRSs above are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Group should apply these amendments retrospectively. However, the amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 3: This amendment applies to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 4: This amendment applies to business combinations whose acquisition date starts in the annual reporting period after January 1, 2022.

Note 5: The amendments to IFRS 9 are applicable to swap or modification of terms of financial liabilities incurred during the annual reporting period beginning on January 1, 2022. The amendment to IAS 41 is applicable to fair value measurement during the annual reporting period beginning after January 1, 2022. The amendments to IFRS 1 are retrospectively applied to the annual reporting period beginning after January 1, 2022.

A. Amendment to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendment stipulates that the sales price of the project produced in order to make property, plant and equipment reach the necessary location and state that can meet the expected operation mode of the management is not suitable as a cost reduction of the asset. The aforementioned items should be measured in accordance with IAS 2 “Inventory”, and the sales price and cost should be recognized in profit and loss in accordance with the applicable standards.

This amendment is applicable to factories, property and equipment that reach the necessary locations and conditions for the management's expected operation mode after January 1, 2021 (the beginning of the earliest expression period). When the Company initially applies the amendments, it will recognize the cumulative effect of the amendments applied initially as an adjustment to the opening balance of the

retained earnings (or other components of equity, as appropriate) at the beginning of the earliest expression period , and re-edit the information during the comparison period.

B. Amendment to IAS 37 “Onerous Contract - Cost of Fulfilling a Contract”

The amendment stipulates that when assessing whether the contract is onerous, “Cost of Fulfilling a Contract” should include the incremental cost of fulfilling a contract (for example, direct labor and raw materials) and the allocation of other costs directly related to fulfilling a contract (for example, the depreciation expenses of property, plant and equipment items used in fulfilling a contract are allocated).

C. Amendment to IFRS 3 “Reference to the Conceptual Framework”

The amendment is to update the index of the conceptual framework and add the requirement that the acquirer shall apply IFRIC 21 “Levies” to determine whether there is an obligation to pay levies on the acquisition date.

D. Annual Improvements to IFRS Standards 2018-2020

The annual improvement in the IFRS 2018-2020 includes amendments to certain standards. Among them, the amendment of IFRS 9 “Expenses included in the “10%” test for the purpose of derecognize financial liabilities” is to assess whether there is a significant difference between the swap of financial liabilities or the modification of terms, When comparing cash flow projections of the new and old contract terms (including the net amount of fees charged for signing a new contract or modifying the contract), whether there is a 10% difference, the aforesaid fees collected should only include the payment between the borrower and the lender paid for.

The Group has evaluated the aforementioned standards and interpretations, and there’s no significant effect to the Group’s financial position and performance.

(3) Effect of the IFRSs issued by IASB but not yet endorsed and issued into effect by FSC :

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial application IFRS 17 and IFRS 9 – Compare Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendment to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023

As of the date the accompany consolidated financial statements are authorized for issue, the Group is still evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Group completes the evaluation.

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the IFRSs, IASs, interpretations as well as related guidance endorsed by the FSC with the effective dates.

(2) Basis of preparation

A.Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

- a. Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- b. Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B.The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- a. All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- b. Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of

subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- c. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- d. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- e. When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss or transferred directly to retained earnings as appropriate, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. The consolidated entities were as follows:

Investee / Subsidiary	Main Businesses	Percentage of Ownership	
		December 31, 2021	December 31, 2020
1. Sunonwealth Electric Machine Industry Co., Ltd.			
Sunon INC.	Manufacturing and selling of fans	100.00%	100.00%
Sunon SAS.	Manufacturing and selling of fans	100.00%	100.00%
Sunon Corporation	Manufacturing and selling of fans	100.00%	100.00%
Sunonwealth Electric Machine Ind.(H.K.)Ltd.	Manufacturing and selling of fans	99.99%	99.99%
Successful Century Co., Ltd.	Investments	100.00%	100.00%
BVI Sunon International Limited	Investments	100.00%	100.00%
Sunon Electronics India Private Limited	Manufacturing and selling of fans	99.99%	99.99%

Investee / Subsidiary	Main Businesses	Percentage of Ownership	
		December 31, 2021	December 31, 2020
Sunon Electronics Philippines Corp.	Manufacturing and selling of fans	99.99%	99.99%
Sunon Properties Philippines Corp.	Real estate development	99.99%	(Refer to B.(b).I) 99.99%
2.BVI Sunon International Limited			
Sunon Electronic (Foshan) Co., Ltd.	Manufacturing and selling of fans	100.00%	100.00%
Sunon Electronic (Bei Hai) Co., Ltd.	Manufacturing and selling of new type electronic parts	100.00%	100.00%
3.Sunon Electronic (Foshan) Co., Ltd.			
Beihai Li Zhun Electronics Co., Ltd.	Manufacturing and selling of fans	66.67%	-
4.Successful Century Co., Ltd.			
Sunon Electronic (Kunshan) Co., Ltd.	Manufacturing and selling of fans	100.00%	100.00%
5.Sunon Electronic (Kunshan) Co., Ltd.			
Beihai Li Zhun Electronics Co., Ltd.	Manufacturing and selling of fans	33.33%	-
6.Sunon SAS			
Sunon Deutschland GmbH	Selling of fans	100.00%	100.00%

a. Some subsidiaries' financial statements contained in the above consolidated financial statements were audited by the other auditors. These subsidiaries' total assets amounted to \$593,783 thousand and \$647,456 thousand, representing 5.16% and 6.21% of the consolidated assets, and their total liabilities amounted to \$414,210 thousand and \$468,086 thousand, representing 5.79% and 8.04% of the consolidated liabilities as of December 31, 2021 and 2020, respectively; their total operating revenues amounted \$1,067,673 thousand and \$1,083,865 thousand, representing 7.87% and 8.48% and their total comprehensive income amounted to \$204 thousand and \$17,314 thousand, representing 0.05% and 2.00% of the total comprehensive income for the years ended December 31, 2021 and 2020, respectively.

b. Changes in subsidiaries:

I. The Group established Sunon Electronics Philippines Corp., which was invested by Sunonwealth Electric Machine Industry Co., Ltd. in January 2020 with 99.99% shareholding.

II. The Group established Sunon Properties Philippines Corp., which was invested by Sunonwealth Electric Machine Industry Co., Ltd. in January 2020 with 99.99% shareholding.

III. The Group established Beihai Li Zhun Electronics Co., Ltd., which was invested by Sunon Electronic (Foshan) Co., Ltd. and Sunon Electronic (Kunshan) Co., Ltd. in January 2020 with 66.67% and 33.33% shareholding, respectively.

C. Subsidiaries not included in the consolidated financial reports: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Material restrictions: None.

F. Contents of the parent company's securities held by subsidiaries: None.

G. Subsidiaries that have non-controlling interest that are material to the Group: None.

(4) Foreign currency translation

A. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

B. In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

C. For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan Dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to noncontrolling interests as appropriate).

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- a. Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - b. Assets held mainly for trading purposes;
 - c. Assets that are expected to be realised within twelve months from the balance sheet date;
 - d. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- a. Liabilities that are expected to be paid off within the normal operating cycle;
 - b. Liabilities held mainly for trading purposes;
 - c. Liabilities that are to be paid off within twelve months from the balance sheet date (Even if a long-term refinancing or re-arrangement of payment agreements is completed after the balance sheet date and before the issuance of the financial report is approved, it is classified as current liabilities).
 - d. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including the original maturity of the time deposits within three months.)

(7) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

A. Financial assets

a. Category of financial assets

Financial assets are recognized on a trade date basis.

Financial assets are classified into the following categories: financial assets at FVTPL and financial assets at amortized cost.

(a) Financial asset at FVTPL

For certain financial assets are classified as at FVTPL when such a financial asset is mandatorily and designated classified. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

When the financial assets meet one of the following conditions, the Group designates them as measured at fair value through profit and loss at the time of initial recognition:

- i. It is a mixed (combined) contract; or
- ii. It can eliminate or significantly reduce measurement or recognition inconsistencies; or
- iii. It is an investment that manages and evaluates its performance on a fair value basis based on written risk management or investment strategies.

Financial assets at fair value through profit or loss are measured at fair value, dividends generated are recognised in other income, and interest income and gains or losses arising from remeasurement are recognised in other gains and losses. For the determination of fair value, please refer to Note 12.

(b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b. The contractual terms of the financial assets give rise on specified date to cash flow that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Except for the following two cases, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

- a. Purchased or originated credit-impaired financial assets: for those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- b. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets: for those financial assets, the Group shall apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

b. Impairment of financial assets

- (a) At the end of each reporting period, a loss allowance for expected credit loss is recognized for financial assets at amortized cost (including accounts receivable), investments in debt instruments that are measured at FVTOCI, lease receivable and contract assets.
- (b) The Group always recognize lifetime Expected Credit Loss (i.e. ECL) for accounts receivables. For other financial assets, the Group recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equaling to 12-month ECL.
- (c) Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. In contrast, lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.
- (d) The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

c. Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- (a) The contractual rights to receive cash flows from the financial asset expire.
- (b) The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- (c) The Group neither retains nor transfers substantially all risks and rewards of ownership of the financial asset; however, it has not retained control of the financial asset.

On derecognition of financial asset at amortized cost in its entirety, the difference between the financial asset's carrying amount and the sum of the consideration received is recognized in profit or loss. On derecognition of debt instrument measured at fair value through other comprehensive income, the difference between the financial asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of equity instruments at fair value through other comprehensive income in its entirety, the cumulative profit and loss will be transferred directly to retained earnings without being reclassified into profit and loss.

B. Equity instruments

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

C. Financial liabilities

a. Subsequent measurement

Except for the following conditions, all financial liabilities are measured at amortized cost in accordance with the effective interest method:

(a) Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or is designated as at fair value through profit or loss. Financial liabilities classified as held for trading are mainly for repurchasing in the short term when they occur, and derivatives other than financial guarantee contracts or designated and effective hedging instruments. Financial assets meet one of the following conditions, the Group designates them as measured at fair value through profit and loss at the time of initial recognition:

- i. It is a mixed (combined) contract; or
- ii. It can eliminate or significantly reduce measurement or recognition inconsistencies; or
- iii. It is an instrument that manages and evaluates its performance on a fair value basis based on written risk management or investment strategies.

b. Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(8) Inventories

Inventories are stated at the lower of cost and net realisable value, accounted for on a perpetual basis. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It

excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(9) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- D. In the case where an associate issues new shares and the Group does not subscribe or proportionately acquire the new shares, which results in a change in the Group's ownership percentage of the associate while maintains significant influence on the associate, then "Capital surplus" and "Investments accounted for using under the equity method" shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- E. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.

- F. When the Group disposes of its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- G. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(10)Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change.

The estimated useful lives as follows:

Buildings:

Main building, 20 to 57 years;

Others, 2 to 39 years;

Machinery and equipment, 3 to 15 years;

Other equipment, 1 to 24 years;

Leasehold improvement, 1 to 22 years;

D. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(11) Leases/The Group as a lessee

The Group assesses whether the contract is (or includes) a lease at the date of the contract. For a contract that includes a lease component and one or more additional lease or non-lease components, the Group will allocate the consideration to the lease component base on the individual price of each lease component and the aggregated individual price of the non-lease component.

Except for payments for low-value asset and short-term leases which will be recognized as expenses on a straight-line basis, the Group will recognize right-of-use assets and lease liabilities for all leases at the inception of lease.

Right-of-use asset

The right-of-use asset is initially measured at cost (including the initial measurement amount of the lease liability, the payments less incentives, initial direct costs and the estimated recover cost), the subsequent measurement is based on the cost less accumulated depreciation and accumulated impairment loss, and adjusting the amount of re-measures of lease liabilities.

The right-of-use asset recognized depreciation is using the straight-line basis from the date of the lease until the expiration of the useful life or the expiration of the lease term, the depreciation is provided that the title of the underlying asset will be acquired at the end of the lease period or, if the cost of the right-of-use asset reflects the execution of the purchase option.

Lease liability

The lease liability is initially measured by the present value of the lease payment (including fixed payment, substantive fixed payment, change in lease payment depending on the index or rate, etc.). If the implied interest rate on the lease is easy to determine, the lease payment is discounted using that interest rate. If the interest rate is not easy to determine, the lessee's increase borrowing rate is used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. If the lease period, the evaluation of the purchase choice, the amount of expected to be paid under the residual value guarantee or the change in the index or rate used to determine the lease payment result in a change in the future lease payment, the Group will measure the lease liability and adjust the right to use assets relatively. If the carrying amount has been reduced to zero, the remaining amount will recognize in the profit and loss. Lease liabilities are presented in a single-line project on the consolidated balance sheet.

(12) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes), also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

Investment properties in the course of construction are stated at cost less accumulated impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Depreciation of these assets commences when the assets are ready for their intended use.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(13) Intangible assets

Intangible assets with finite useful lives that are acquired separately are measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the following estimated lives: computer software - 2 to 15 years; trademarks are the economic benefit or contract period. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Intangible assets are derecognized when disposed of or expected to have no future economic benefits generated through usage or disposal. On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(14) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognised in profit or loss.

(15) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using

a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(16) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

a. Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

b. Defined benefit plans

(a) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior period. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

(b) Actuarial gains and losses arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

(c) Past service costs are recognised immediately in profit or loss.

C. Employees' bonus and directors' remuneration

Employees' bonus and directors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' remuneration are different from the

actual distributed amounts as resolved by the shareholders at their shareholders' meeting subsequently, the differences should be recognised based on the accounting for changes in estimates.

D. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense when it can no longer withdraw an offer of termination benefits or it recognises related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

(17) Share capital and treasury shares

A. Share capital

Ordinary share is classified as equity. The classification of the preferred stock depends on the essence of the agreement. If the preferred stock matches the definition of the financial liability, it is classified as a liability. Otherwise, it is classified as equity. Incremental cost that can be attributed to the issuance of stocks or options is deducted from the capital issued.

B. Treasury Shares

When the Group acquires its outstanding shares, the repurchase considerations (including all directly accountable costs) are recognized under treasury shares and shown as a deduction in equity. Gains on disposal of treasury shares should be recognized under "capital surplus - treasury stock transactions"; losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there is insufficient capital surplus to offset the losses, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted-average method for the purpose of repurchased shares.

When the Group's treasury shares are retired, the treasury share account should be credited, and the capital surplus - premium on stock account and capital stock account should be debited proportionately according to the share ratio. The carrying value of treasury shares in excess of the sum of its par value and premium on stock should first be offset against capital surplus from similar types of treasury share transactions, and the remainder, if any, debited to retained earnings. The sum of the par value and premium on treasury shares in excess of its carrying value should be credited to capital surplus from similar types of treasury share transactions.

(18) Share-based payment transactions

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.
- B. Cash-settle share-based payment arrangements are the fair value of liabilities undertaken recognized in remuneration costs and liabilities in the vesting period and measured by the fair value of equity instruments offered at each balance sheet date and the settlement date. Any changes are recognized in profit or loss.

(19) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date

and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. Tax preference given for expenditures incurred on acquisitions of equipment or technology, research and development, employees' training and equity investments is recorded using the income tax credits accounting.

(20) Revenue Recognition

The Group recognizes revenues based on the following steps:

1. Identifying the contracts;
2. Identifying obligations in the contracts;
3. Determining prices;
4. Allocating prices into the obligations in the contracts;
5. Recognizing revenues while fulfilling the obligations.

The Group identify the contract with the customers, allocate the transaction price to the performance obligations, and recognize revenue when performance obligations are satisfied.

The Group does not adjust the promised amount of consideration for the effects of a significant financing component if the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

1. Goods sales

The Group sells fans and other relevant products. Sales revenues are recognized while the control of goods is transferred to the customers since the customers already have the rights to use, set price, take the major responsibility to resell the good and bear the risk of obsolescence. The Group recognizes revenues and accounts receivable at the point and presents it in net term after deducting sales return, quantity discount and sales allowance.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

2. Service revenue

Revenue from technical services is recognized when services are provided that in accordance with the relevant agreements.

(21) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All borrowing costs other than those stated above are recognized in profit or loss in the period in which they are incurred.

(22) Government Subsidy

Government subsidies are recognized at fair value when it is reasonably certain that the Group will comply with the conditions attached to the government subsidies and will receive such subsidies.

Government subsidies are recognized in profit and loss on a systematic basis during the period when the relevant costs that they intend to compensate are recognized as expenses by the company. If government subsidy is used to compensate for expenses or losses that have occurred, or for the purpose of providing the Company with immediate financial support and there is no future related cost, it is recognized in the profit and loss during the period when it can be received. Government subsidies related to property, plant and equipment are recognized as non-current liabilities, and recognized as profits and losses on a straight-line basis based on the estimated useful life of the relevant assets.

5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of the Group's consolidated financial statements is adopting accounting policies based on the following significant judgements, significant accounting estimates and assumptions:

(1) Critical judgements in applying accounting policies

A. Judgment of financial asset classification

The Group assesses the business model of financial assets based on the hierarchy that reflects the Group of financial assets that are jointly managed for specific business purposes. This assessment requires consideration of all relevant evidence, including measures of asset performance, risks affecting performance, and the manner in which the relevant managers are determined, and judgments are required. The Group continues to assess the adequacy of its business model and monitors the financial assets measured by the amortized cost before the maturity date and the debt

instrument investments measured at fair value through other comprehensive income. Evaluate whether the disciplinary action has the same goal of business model. If the business model has been changed, the Group delays the adjustment of the subsequent classification of financial assets. The Group reclassifies financial assets in accordance with IFRS 9, and the application will be postponed from the date of reclassification, if the business model has changed.

B. Revenue recognition

The Group follows IFRS 15 to determine if it controls the specified good or service before that good or service is transferred to the customer, and the Group is acting as a principal or an agent in that transaction. When the Group acts as an agent, revenue is recognized on a net basis.

The Group acts as a principal as that it meets one the of following situations:

- a. The Group gains control over the goods from the other party before transferring goods to customers.
- b. The Group controls the right of providing service by the other party in order to control the ability of the party to provide service to customers.
- c. The Group gain control over goods or service from the other party in order to combine with other goods or services to provide specific goods or services to customers.

The indicators (not limited to) which assist making judgment on whether the Group controls the goods or services before transferring goods or services to customers:

- a. The Group has primary responsibilities for the goods or services it provides;
- b. The Group bears inventory risk before transferring the specific goods or services to customer, or after transferring the control to customer.
- c. The Group has the discretion to set prices.

C. Lease term

In determining the lease term, the Group considers all the facts and circumstances that create an economic incentive to exercise (or not exercise) the option, including all expected change in facts and circumstances from the commencement date until the exercise date of the option. Factors considered include the contractual terms and conditions for the optional period, the significant leasehold improvements made (or expected) during the contract period, and the importance of the underlying assets to the Group's operations, etc. The lease term is reassessed if a significant change in circumstance that are within the control of the Group occurs.

(2) Critical accounting estimates and assumptions

A. Revenue Recognition

The Group recognizes records a refund for estimated future returns and other allowances in the same period the related revenue is recorded. Refund for estimated sales returns and other allowances is generally made and adjusted at a specific

percentage based on historical experience and any known factors that would significantly affect the allowance, and our management periodically reviews the adequacy of the percentage used.

B. Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

C. Process of fair value measurement and evaluation

When the assets and liabilities at fair value with no active market, the Group determines whether to use outside appraisal and using proper evaluation techniques based on related regulation or its own judgment. If the Level 1 input value is not available while evaluating, the Group refers to the analysis of the investee's financial position and operating outcome, recent trading price, quotes on non-active market of same equity instrument, quotes on active market of similar equity instrument and evaluation multiples of comparable companies. If the future input value is different from expectation, the fair value might change. The Group updates input values quarterly according to the market status in order to monitor if the measurement of fair value is appropriate.

D. Impairment assessment of tangible and intangible assets

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

E. Impairment assessment on investment using equity method

The Group assesses the impairment of investments accounted for using the equity method whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value cannot be recoverable. The Group assesses the recoverable amount based on a projected future cash flow and receivable cash dividend of the investees, and disposal-generating future cash flow to ensure the reasonableness of such assumptions.

F. Realisability of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary

differences can be utilised. Assessment of the realisability of deferred income tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, laws, and regulations might cause material adjustments to deferred income tax assets.

G. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. The Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value.

H. Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Group must apply judgments and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and future salary growth rate. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

I. Lessees' incremental borrowing rates

At the time of the decision to increase the borrowing rate of the lessee used in the lease payment, the risk-free interest rate and the same currency is used as the reference rate, and the estimated lessee's credit risk sticker and lease specific adjustments (such as asset-specific and secured factors) are taken into account.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

Item	December 31	
	2021	2020
Cash on hand	\$512	\$660
Cash in banks	1,911,506	1,574,259
Total	\$1,912,018	\$1,574,919

A. The financial institutions dealing with the Group are credit worthy, and the Group does transactions with a number of financial institutions to diversify credit risk that are unlikely to be expected to default.

B. The Group had no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss - current

Item	December 31	
	2021	2020
Non-derivative financial assets		
Beneficiary certificates	\$255,236	\$412,365

- A. The Group recognized net gain of financial assets at fair value through profit or loss of \$3,893 thousand and \$5,907 thousand for the years ended December 31, 2021 and 2020, respectively.
- B. The Group had no financial assets at fair value through profit or loss pledged to others.

(3) Notes receivable, net

Item	December 31	
	2021	2020
At amortized cost		
Notes receivable	\$32,601	\$16,345
Less: Loss allowance	(24)	(24)
Net	\$32,577	\$16,321

- A. The Group had no notes receivable pledged to others.
- B. Please refer to Note 6(4) for the relevant disclosure of loss allowance for notes receivable.

(4) Accounts receivable, net

Item	December 31	
	2021	2020
At amortized cost		
Accounts receivable	\$3,437,928	\$3,222,386
Less: Loss allowance	(11,210)	(13,118)
Net	\$3,426,718	\$3,209,268

- A. The accounts receivable that were neither past due nor impaired was following the Group's credit policy determined by reference to the industry characteristics, operation scale and current financial position of the counterparties. The average credit period on sales of goods was 3-4 months.
- B. The Group had no account receivable pledged to others.
- C. To reduce major credit risk, the Group bought credit guarantee insurance.
- D. The Group applies the simplified approach to provisions for expected credit losses, which permits the use of a lifetime expected credit losses provision for trade

receivables (including other receivables). The expected credit losses on trade receivables are estimated by reference to past account aging records of the debtor, an analysis of the debtor's current financial position, and industrial trend. As the Group's historical credit losses experience does not show significantly different loss patterns for different customer segments, the provision for losses based on past due status of notes receivables, accounts receivable and other receivable is not further distinguished between the Group's different customer base.

E. The Group measures the loss allowance for notes receivable and accounts receivable (including other receivables) according to the preparation matrix:

December 31, 2021	Expected Credit Loss Rate	Gross Carrying Amount	Loss Allowance (Lifetime ECL)	Amortized Cost
Not past due	0.05%-5%	\$3,355,315	(\$10,196)	\$3,345,119
Past due within 30 days	0.05%-5%	181,077	(830)	180,247
Past due 31-90 days	0.05%-5%	20,868	(183)	20,685
Past due over 91 days	0.05%-5%	25	(25)	-
Total		<u>\$3,557,285</u>	<u>(\$11,234)</u>	<u>\$3,546,051</u>

December 31, 2020	Expected Credit Loss Rate	Gross Carrying Amount	Loss Allowance (Lifetime ECL)	Amortized Cost
Not past due	0.05%-5%	\$3,174,900	(\$11,773)	\$3,163,127
Past due within 30 days	0.05%-5%	177,425	(1,254)	176,171
Past due 31-90 days	0.05%-5%	15,486	(28)	15,458
Past due over 91 days	0.05%-5%	2,172	(87)	2,085
Total		<u>\$3,369,983</u>	<u>(\$13,142)</u>	<u>\$3,356,841</u>

F. Movements of the loss allowance for notes and accounts receivable were as follows:

	Year Ended December 31	
	2021	2020
Beginning balance	\$13,142	\$14,459
Add: Provision for impairment	-	-
Less: Reversal of impairment	(377)	(1,370)
Less: Write-offs	(1,506)	-
Less: Foreign exchange differences	(25)	53
Ending balance	<u>\$11,234</u>	<u>\$13,142</u>

The above provision has already taken into consideration of collateral or other credit enhancement. The other credit enhancement possessed by above receivables were \$963,266 thousand, \$674,269 thousand as of December 31, 2021 and 2020, respectively.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery of the receivable. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss. The Group's trade receivables for offsetting the contract amount are \$1,506 thousand and \$0 thousand for the years ended December 31, 2021 and 2020, respectively.

G. Please refer to Note 12 for the relevant credit risk management and assessment method.

(5) Inventories and operating costs

Item	December 31	
	2021	2020
Raw materials	\$1,100,675	\$736,125
Supplies	34,978	32,737
Work in process	404,052	293,661
Finished goods	968,457	689,786
Net	<u>\$2,508,162</u>	<u>\$1,752,309</u>

A. The related inventory gain (loss) recognized as operating cost for the years ended December 31, 2021 and 2020 were as follows:

Item	Year Ended December 31	
	2021	2020
Cost of goods sold	\$10,923,547	\$9,691,879
Unallocated overheads and labor cost	52,405	46,401
Loss (Gain) on inventory valuation	20,364	(349)
Others	29,233	45,308
Total	<u>\$11,025,549</u>	<u>\$9,783,239</u>

B. The Group recognized inventory valuation loss (gain) \$20,364 thousand and (\$349) thousand for the years ended December 31, 2021 and 2020, respectively, as a result of some product prices fluctuation and reducing some inventory.

C. The Group had no inventories pledged to others.

(6) Other financial assets - current

Item	December 31	
	2021	2020
Time deposits with maturity more than three months	\$ -	\$196,417
Project deposits	-	12,313
Total	<u>\$ -</u>	<u>\$208,730</u>

(7) Investments accounted for using equity method

Item	December 31	
	2021	2020
Associates:		
Associates without significance	\$7,081	\$11,276

A. Associates:

Shares of individually insignificant associates of the Group are summarized as follows:

	Year Ended December 31	
	2021	2020
Share of:		
Net loss	(\$4,133)	(\$1,784)
Other comprehensive income (loss) (net after tax)	-	-
Total comprehensive loss	(\$4,133)	(\$1,784)

B. All the investments accounted for using equity method and the Group's share of profit or loss and other comprehensive income in the investees are calculated based on the unaudited financial statements.

(8) Property, plant and equipment

Item	December 31	
	2021	2020
Land	\$802,249	\$804,381
Buildings	455,152	466,169
Machinery and equipment	925,039	926,715
Miscellaneous equipment	417,203	1,028,149
Leasehold improvements	204,397	348,399
Equipment to be inspected and construction in progress	77,374	79,485
Total cost	\$2,881,414	\$3,653,298
Less: Accumulated depreciation and impairment	(822,136)	(1,547,763)
Carrying amount	\$2,059,278	\$2,105,535

	Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Leasehold Improvement	Equipment to be Inspected and Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2021	\$804,381	\$466,169	\$926,715	\$1,028,149	\$348,399	\$79,485	\$3,653,298
Additions	-	4,687	61,583	47,493	15,090	294,529	423,382
Disposals	-	(2,326)	(277,782)	(690,235)	(179,982)	-	(1,150,325)
Reclassification	-	2,015	220,648	37,549	22,593	(282,805)	-
Transfer to expenses	-	-	-	-	-	(1,316)	(1,316)
Transfer to inventories	-	-	-	-	-	(11,628)	(11,628)
Transfer from investment properties	70,977	15,387	-	-	-	-	86,364
Transfer to investment properties	(73,109)	(29,379)	-	-	-	-	(102,488)
Effect of foreign currency exchange difference	-	(1,401)	(6,125)	(5,753)	(1,703)	(891)	(15,873)
Balance at December 31, 2021	\$802,249	\$455,152	\$925,039	\$417,203	\$204,397	\$77,374	\$2,881,414
<u>Accumulated Depreciation and Impairment</u>							
Balance at January 1, 2021	\$ -	\$246,287	\$331,016	\$667,856	\$302,604	\$ -	\$1,547,763
Depreciation	-	15,179	145,425	82,564	16,828	-	259,996
Disposals	-	(1,921)	(248,352)	(529,637)	(179,982)	-	(959,892)
Transfer from investment properties	-	7,677	-	-	-	-	7,677
Transfer to investment properties	-	(23,922)	-	-	-	-	(23,922)
Effect of foreign currency exchange difference	-	(753)	(3,348)	(3,879)	(1,506)	-	(9,486)
Balance at December 31, 2021	\$ -	\$242,547	\$224,741	\$216,904	\$137,944	\$ -	\$822,136
<u>Cost</u>							
Balance at January 1, 2020	\$804,381	\$464,120	\$1,566,764	\$1,266,689	333,367	72,945	\$4,508,266
Additions	-	-	81,141	61,656	4,097	152,997	299,891
Disposals	-	(1,986)	(787,920)	(388,628)	-	-	(1,178,534)
Reclassification	-	-	54,042	68,174	6,158	(128,374)	-
Transfer to expenses	-	-	-	-	-	(2,414)	(2,414)
Transferred to inventories	-	-	-	-	-	(16,799)	(16,799)
Transferred from right-of-use	-	-	-	7,143	-	-	7,143
Effect of foreign currency exchange difference	-	4,035	12,688	13,115	4,777	1,130	35,745
Balance at December 31, 2020	\$804,381	\$466,169	\$926,715	\$1,028,149	\$348,399	\$79,485	\$3,653,298

Accumulated depreciation and impairment								
Balance at January 1, 2020	\$	-	\$231,125	\$879,055	\$844,588	\$276,208	\$ -	\$2,230,976
Depreciation		-	14,684	127,879	137,040	22,183	-	301,786
Disposals		-	(1,732)	(680,996)	(325,528)	-	-	(1,008,256)
Transferred from right-of-use		-	-	-	3,389	-	-	3,389
Effect of foreign currency exchange difference		-	2,210	5,078	8,367	4,213	-	19,868
Balance at December 31, 2020	\$	-	\$246,287	\$331,016	\$667,856	\$302,604	\$ -	\$1,547,763

A. The details of interest capitalized: None.

B. The Group did not assess the impairment because there is no sign of impairment for the year ended December 31, 2021.

C. Property, plant and equipment pledged for the borrowings: Please refer to Note 8.

D. Reconciliations of current additions and the acquisition of property, plant and equipment in statement of cash flows were as follows:

Item	Year Ended December 31	
	2021	2020
Acquisition of property, plant and equipment	\$423,382	\$299,891
Decrease (increase) in equipment payable	20,446	830
Cash paid for acquisition of property, plant and equipment	\$443,828	\$300,721

(9) Lease agreement

A. Right-of-use assets

Item	December 31	
	2021	2020
Land use right	\$392,043	\$424,796
Land and building	474,757	368,669
Machinery and equipment	53,390	57,909
Other equipment	24,437	21,562
Total cost	\$944,627	\$872,936
Less: Accumulated depreciation and impairment	(182,180)	(162,062)
Net	\$762,447	\$710,874

Cost	Land Use Right	Land and Buildings	Machinery and Equipment	Other Equipment	Total
Balance at January 1, 2021	\$424,796	\$368,669	\$57,909	\$21,562	\$872,936
Additions	-	225,344	-	10,880	236,224
Disposals	-	(20,985)	(3,092)	(2,966)	(27,043)
Derecognition	-	(93,111)	(1,116)	(4,714)	(98,941)
Effect of foreign currency exchange difference	(32,753)	(5,160)	(311)	(325)	(38,549)
Balance at December 31, 2021	\$392,043	\$474,757	\$53,390	\$24,437	\$944,627
Accumulated Depreciation and Impairment					
Balance at January 1, 2021	\$3,002	\$138,973	\$10,582	\$9,505	\$162,062
Depreciation	5,792	102,960	6,112	6,754	121,618
Derecognition	-	(93,111)	(1,116)	(4,714)	(98,941)
Effect of foreign currency exchange difference	(362)	(1,969)	(55)	(173)	(2,559)
Balance at December 31, 2021	\$8,432	\$146,853	\$15,523	\$11,372	\$182,180

Cost	Land Use Right	Land and Buildings	Machinery and Equipment	Other Equipment	Total
Balance at January 1, 2020	\$18,646	\$298,051	\$50,848	\$29,615	\$397,160
Additions	407,295	84,278	12,030	757	504,360
Disposals	-	(9,036)	(5,609)	(20)	(14,665)
Derecognition	-	(7,574)	(276)	(1,875)	(9,725)
Transfer to property, plant and equipment	-	-	-	(7,143)	(7,143)
Effect of foreign currency exchange difference	(1,145)	2,950	916	228	2,949
Balance at December 31, 2020	\$424,796	\$368,669	\$57,909	\$21,562	\$872,936
Accumulated Depreciation and Impairment					
Balance at January 1, 2020	\$588	\$69,031	\$4,463	\$6,799	\$80,881
Depreciation	2,400	76,125	6,210	7,865	92,600
Derecognition	-	(7,574)	(276)	(1,875)	(9,725)
Transfer to property, plant and equipment	-	-	-	(3,389)	(3,389)
Effect of foreign currency exchange difference	14	1,391	185	105	1,695
Balance at December 31, 2020	\$3,002	\$138,973	\$10,582	\$9,505	\$162,062

B. Lease liabilities

Item	December 31	
	2021	2020
Carrying amount of lease liabilities		
- current	\$93,590	\$88,835
- noncurrent	\$294,383	\$217,704

Ranges of discount rates for lease liabilities are as follows:

Item	December 31	
	2021	2020
Land and buildings	0.63%-4.16%	0.63%-5.49%
Machinery and equipment	3.13%-3.65%	3.13%-3.65%
Other equipment	0.61%-4.05%	0.66%-4.09%

Please refer to Note 12(2) for lease liabilities with repayment periods.

C. Material lease-in activities and terms

The Group leased some land and buildings, etc. as factory, with the lease terms of 1 to 75 years. There is no sign of impairment of right-of-use assets as of December 31, 2021. Therefore, the Group didn't assess the impairment.

D. Sublet: None.

E. Other lease information:

a. Please refer to Note 6(10) for the agreement to lease investment properties under operating lease.

b. The current lease relevant expense information is as follows:

Item	Years Ended December 31	
	2021	2020
Short-term lease expense	\$25,051	\$5,023
Low-value asset lease expense	\$287	\$291
Variable lease payments that excluded in the measurement of lease liabilities	\$ -	\$ -
Total cash outflow for leases (Note)	(\$153,085)	(\$450,937)

(Note): Including principle paid for current lease liabilities.

(10) Investment properties, net

Item	December 31	
	2021	2020
Land	\$77,109	\$89,384
Buildings	40,062	26,070
Total cost	\$117,171	\$115,454
Less: Accumulated depreciation and impairment	(31,682)	(34,565)
Net	\$85,489	\$80,889

Cost	Land	Buildings	Total
Balance at January 1, 2021	\$89,384	\$26,070	\$115,454
Additions	-	-	-
Transfer to property, plant and equipment	(85,384)	(15,387)	(100,771)
Transfer from property, plant and equipment	73,109	29,379	102,488
Balance at December 31, 2021	<u>\$77,109</u>	<u>\$40,062</u>	<u>\$117,171</u>
Accumulated Depreciation and Impairment			
Balance at January 1, 2021	\$19,313	\$15,252	\$34,565
Depreciation	-	185	185
Reversal of impairment loss	(4,906)		(4,906)
Transfer to property, plant and equipment	(14,407)	(7,677)	(22,084)
Transfer from property, plant and equipment	-	23,922	23,922
Balance at December 31, 2021	<u>\$ -</u>	<u>\$31,682</u>	<u>\$31,682</u>

Cost	Land	Buildings	Total
Balance at January 1, 2020	\$89,384	\$26,070	\$115,454
Additions	-	-	-
Balance at December 31, 2020	<u>\$89,384</u>	<u>\$26,070</u>	<u>\$115,454</u>
Accumulated Depreciation and Impairment			
Balance at January 1, 2020	\$19,313	\$14,835	\$34,148
Depreciation	-	417	417
Provision for (reversal of) impairment loss	-	-	-
Balance at December 31, 2020	<u>\$19,313</u>	<u>\$15,252</u>	<u>\$34,565</u>

A. Above mentioned investment properties were land and fixtures located at No. 1609, Wu Kuai Cuo Section, Kaohsiung and No. 307, Zheng Chang Section, Kaohsiung and No.93 Anxi Section, Kaohsiung. The land located at No. 1609, Wu Kuai Cuo Section was reclassified to property, plant and equipment in February 2021, No.93 Anxi Section was transferred from real estate, plant and equipment in December 2021.

B. Rental income and direct operating expenses of investment properties:

Item	Year Ended December 31	
	2021	2020
Rental income of investment properties	<u>\$331</u>	<u>\$2,232</u>
Direct operating expense incurred for the investment properties with current rent income	<u>\$361</u>	<u>\$866</u>

C. The maturity analysis of operating lease payments receivable for investment properties is as follows:

	December 31	
	2021	2020
Year 1	\$1,792	\$632
Year 2	171	171
Year 3	171	171
Year 4	171	171
Year 5	-	171
Over 5 years	-	-
Total	<u>\$2,305</u>	<u>\$1,316</u>

D. Investment properties are depreciated on a straight-line basis over their estimated useful life of 10 to 57 years.

E. The fair values of investment properties held by the Group were \$160,060 thousand and \$112,494 thousand as of December 31, 2021 and 2020, respectively. The fair value determination was performed by independent qualified professional appraisers. The valuation was based on the comparison method, and the fair value was measured by using Level 3 inputs. Please refer to Note 12(3).

F. The accumulated impairment of investment properties was \$0 thousand and \$19,313 thousand as of December 31, 2021 and 2020, respectively.

G. The Group had no investment properties pledged to others.

(11) Intangible assets

Item	December 31	
	2021	2020
Trademark	\$7,923	\$8,062
Computer software	30,507	33,874
Total cost	\$38,430	\$41,936
Less: Accumulated amortization	(13,944)	(16,155)
Net	<u>\$24,486</u>	<u>\$25,781</u>

Cost	Trademark	Computer Software	Total
Balance on January 1, 2021	\$8,062	\$33,874	\$41,936
Additions	-	15,497	15,497
Disposals	-	(2,266)	(2,266)
Derecognition	-	(16,512)	(16,512)
Effect of foreign exchange difference	(139)	(86)	(225)
Balance on December 31, 2021	<u>\$7,923</u>	<u>\$30,507</u>	<u>\$38,430</u>

Accumulated amortization and impairment			
Balance at January 1, 2021	\$ -	\$16,155	\$16,155
Amortization	-	16,060	16,060
Disposals	-	(1,701)	(1,701)
Derecognition	-	(16,512)	(16,512)
Effect of foreign exchange	-	(58)	(58)
Difference			
Balance at December 31, 2021	<u>\$ -</u>	<u>\$13,944</u>	<u>\$13,944</u>

Cost	Trademark	Computer Software	Total
Balance at January 1, 2020	\$8,322	\$29,984	\$38,306
Additions	-	22,281	22,281
Derecognition	-	(18,545)	(18,545)
Effect of foreign exchange difference	(260)	154	(106)
Balance at December 31, 2020	<u>\$8,062</u>	<u>\$33,874</u>	<u>\$41,936</u>

Accumulated amortization and impairment			
Balance at January 1, 2020	\$ -	\$19,352	\$19,352
Amortization	-	15,239	15,239
Derecognition	-	(18,545)	(18,545)
Effect of foreign exchange difference	-	109	109
Balance at December 31, 2020	<u>\$ -</u>	<u>\$16,155</u>	<u>\$16,155</u>

(12)Short-term loans

Borrowings Nature	December 31, 2021	
	Amount	Interest
Unsecured loan	<u>\$1,949,632</u>	0.63%-1.14%
Borrowings Nature	December 31, 2020	
	Amount	Interest
Unsecured loan	<u>\$670,663</u>	0.55%-1.91%

(13) Other payables

Item	December 31	
	2021	2020
Accrued payroll	\$341,924	\$464,742
Service fee payable	13,923	17,221
R & D payable	40,918	51,398
Bonus to employees and remuneration to directors	17,086	36,586
Equipment payable	26,733	47,179
Others	485,120	481,793
Total	<u>\$925,704</u>	<u>\$1,098,919</u>

(14) Provisions - current

Item	December 31	
	2021	2020
Employee benefits	<u>\$40,942</u>	<u>\$45,064</u>

Item	Year Ended December 31	
	2021	2020
Beginning balance	\$45,064	\$41,030
Provisions recognized	7,884	7,108
Reversing balances	(11,449)	(3,515)
Effect of foreign exchange difference	(557)	441
Ending balance	<u>\$40,942</u>	<u>\$45,064</u>

Provision for employee benefits represents vested short-term service leave entitlements accrued.

(15) Long-term loans and current portion of long-term loans

Item	December 31	
	2021	2020
Secured loans	\$220,000	\$220,000
Unsecured loans	339,566	300,000
Less: portion due within one year	(35,222)	-
Long-term loans	<u>\$524,344</u>	<u>\$520,000</u>
Interest rates	<u>0.81%-1.80%</u>	<u>0.81%-1.17%</u>

- A. Refer to Note 8 for assets pledged as collateral for long-term loans.
- B. Under the loan agreement, the Group should maintain specific current ratio, debt ratio, interest coverage and net tangible value based on the Group's audited semi-annual and annual consolidated financial statements. As of December 31, 2021, the Group had no irregularities.

(16) Pension

A. Defined contribution plans

- a. The plan under the Labor Pension Act (the "Act") is deemed a defined contribution plan. Pursuant to the Group has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts.
- b. The employees of the Group's subsidiaries are members of a state-managed retirement benefit plan operated by local government. The subsidiary is required to contribute amounts calculated at a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions to the fund.
- c. The total expenses recognized in the consolidated statement of comprehensive income were \$127,165 thousand and \$95,728 thousand, representing the contributions payable to these plans by the Group at the rates specified in the plans for the years ended December 31, 2021 and 2020, respectively.

B. Defined benefit plans

- a. The Company have defined benefit plans under the Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The aforementioned companies contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the companies are required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by the government's designated authorities; as such, the Group does not have any right to intervene in the investments of the Funds.
- b. The amounts arising from the defined benefit obligation of the Group in the consolidated balance sheets were as follows:

Item	December 31	
	2021	2020
Present value of defined benefit obligation	\$83,090	\$85,430
Fair value of plan assets	(28,043)	(26,039)
Net defined benefit liabilities	\$55,047	\$59,391

C. Movements of the net defined benefit liabilities were as follows:

Item	Year Ended December 31, 2021		
	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Balance at January 1	\$85,430	(\$26,039)	\$59,391
Service cost			
Current service cost	-	-	-
Interest expense (income)	427	(145)	282
Past service cost	-	-	-
Settlement loss (income)	-	-	-
Recognized in profit or loss	\$427	(\$145)	\$282
Remeasurement			
Return on plan assets (excluding amounts included in net interest expense)	\$ -	(\$296)	(\$296)
Actuarial loss (gain) -			
Changes in demographics assumptions	2,292	-	2,292
Changes in financial assumptions	-	-	-
Experience adjustments	(617)	-	(617)
Recognized in other comprehensive income	\$1,675	(\$296)	\$1,379
Contributions from the employer	(\$5)	(\$6,000)	(\$6,005)
Benefits paid from plan assets	(4,437)	4,437	-
Balance at December 31	\$83,090	(\$28,043)	\$55,047

Item	Year Ended December 31, 2020		
	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Balance at January 1	\$82,159	(\$20,430)	\$61,729
Service cost			
Current service cost	-	-	-
Interest expense (income)	718	(210)	508
Past service cost	-	-	-
Settlement loss (income)	-	-	-
Recognized in profit or loss	\$718	(\$210)	\$508

Remeasurement			
Return on plan assets (excluding amounts included in net interest expense)	\$ -	(\$633)	(\$633)
Actuarial loss (gain) -			
Changes in demographics assumptions	-	-	-
Changes in financial assumptions	4,165	-	4,165
Experience adjustments	(258)	-	(258)
Recognized in other comprehensive income	<u>\$3,907</u>	<u>(\$633)</u>	<u>\$3,274</u>
Contributions from the employer	\$ -	(\$6,120)	(\$6,120)
Benefits paid from plan assets	(1,345)	1,354	-
Balance at December 31	<u>\$85,430</u>	<u>(\$26,039)</u>	<u>\$59,391</u>

D. Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

a. Investment risk

The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the Labor Standards Law, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the local banks and the government is responsible for any shortfall in the event that the rate of return is less than the required rate of return.

b. Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.

c. Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

E. The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the actuarial valuation were as follows:

	Measurement Date	
	December 31, 2021	December 31, 2020
Discount rate	0.500%	0.500%
Future salary increase rate	2%	2%
The weighted average duration of the defined benefit obligation	12.9 years	13.3 years

- (a) Assumptions regarding future mortality experience are set based on actuarial valuation in accordance with the 6th version of Taiwan Standard Ordinary Experience Mortality Tables.
- (b) If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

Item	December 31	
	2021	2020
Discount Rate		
0.25% higher	(\$2,659)	(\$2,807)
0.25% lower	\$2,773	\$2,931
Expected rates of salary increase		
0.25% higher	\$2,685	\$2,838
0.25% lower	(\$2,588)	(\$2,733)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

- F. The Group expects to make contributions of \$6,000 thousand to the defined benefit plans for the year ended December 31, 2022.

(17) Share capital

- A. Movements in the number of the Group's ordinary shares outstanding were as follows:

Item	Year Ended December 31, 2021	
	Shares (in thousands)	Amount
Balance at January 1	250,930	\$2,509,297
Capital increase in cash	-	-
Capitalization of retained earnings	-	-
Balance at December 31	250,930	\$2,509,297

Item	Year Ended December 31, 2020	
	Shares (in thousands)	Amount
Balance at January 1	250,930	\$2,509,297
Capital increase in cash	-	-
Capitalization of retained earnings	-	-
Balance at December 31	250,930	\$2,509,297

B. As of December 31, 2021, the authorized capital are \$5,000,000 thousand, consisting of 500,000 thousand shares.

(18) Capital surplus

Item	December 31	
	2021	2020
From merger	\$18,227	\$18,227
From convertible bonds	326,015	326,015
Treasury share transactions	21,464	21,464
Reorganization	1,050	1,050
Differences between considerations and carrying amounts of subsidiaries acquired or disposed	147	147
Total	\$366,903	\$366,903

Under the Company Act, the capital surplus generated from the excess of the issuance price over the par value of capital stock and donations can be used to offset deficit or may be distributed as stock dividends or in cash. Under the regulations of the Security Exchange Law, the maximum amount transferred from the foregoing capital surplus to the Company’s capital per year shall not be over 10% of the Company’s paid-in capital. Capital surplus can’t be used to offset deficit unless legal reserve is insufficient. The capital surplus from long-term investments may not be used for any purpose.

(19) Retained earnings and dividend policy

(1) In accordance with the dividend policy as set forth in the Company’s Articles of Incorporation, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the regulations, and the remainder plus prior year’s unappropriated earnings will be recommended by the board of directors and approved through the shareholders’ meeting.

In consideration of its operation and capital expenditure demands, the Company stipulates appropriate dividend distribution ratio, and proposes for approval in the shareholders’ meeting. However, at least 20% of total dividends should be distributed in cash.

(2) Legal reserve may be used to offset a deficit, and be transferred to capital or distributed in cash. However, legal reserve can be transferred to capital or distributed in cash only when the legal reserve has exceeded 25% of the Company’s paid-in capital.

(3) Special reserve

Item	December 31, 2021	December 31, 2020
Reserve for the debit balance of other equities	\$162,940	\$181,120
Reserve for first-time adoption of IFRS	79,155	79,155
Total	\$242,095	\$260,275

A. While earning distribution, the earnings can be distributed after appropriation of the equivalent amount of the debit balance of the other equities of the balance sheet.

B. Under Rule No.1010012865 issued by the FSC for first-time adoption of IFRS, the special reserve can be reversed while usage, disposal and reclassification of related assets.

(4) The appropriation of 2020 and 2019 earnings have been approved by at the shareholders' meeting held in July 2021 and June 2020, respectively. Details were summarized below:

Item	Amount		Dividends Per Share	
	2020	2019	2020	2019
Legal reserve	\$84,903	\$68,683		
Special reserve	(18,180)	95,566		
Cash dividends	602,231	501,860	2.4	2.0
Total	\$668,954	\$666,109		

(5) The appropriation of 2021 earnings had been proposed by the board of directors on March 10, 2022. Details were summarized below:

Item	Amount	Dividends Per Share
Legal reserve	\$42,815	
Special reserve	53,263	
Cash dividends	301,116	1.2

A. The appropriation of earnings for 2021 are to be presented for approval in the shareholders' meeting to be held in June 2022.

B. In the event of repurchase of the Company's shares, transfer, conversion or annulment of treasury stocks, and exercise of employees' stock options, leading to a change in the number of outstanding shares and a consequent change in dividend yield, it is proposed that the chairman is authorized by the Board of Directors to duly adjust stocks and cash payout rates.

(6) Information on the earnings appropriation proposed by the Company's Board of Directors and approved by the Company's shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(20)Others equity

Item	Exchange Differences on Translating Foreign Operations	
	2021	2020
Balance at January 1	(\$242,095)	(\$206,275)
Exchange differences arising on translation of foreign operations	(53,263)	18,180
Balance at December 31	<u>(\$295,358)</u>	<u>(\$242,095)</u>

(21)Operating revenues

Item	Year Ended December 31	
	2021	2020
Revenue from contracts with customers		
Total revenues	\$13,688,873	\$12,863,748
Sales returns	(74,511)	(44,070)
Sales discount	(52,558)	(38,397)
Net	<u>\$13,561,804</u>	<u>\$12,781,281</u>

A. Explain of contract revenue

Sales of fans and other related goods are mainly to system manufacturers and distributors. Please refer to Note 14 for the main sale areas.

B. The Group's timing of revenue recognition is goods transferred at a certain point of time.**C. Contract balances**

The Group recognizes the receivables, contract assets and contract liabilities related to contract revenue as follows:

Item	Year Ended December 31	
	2021	2020
Receivables	\$3,459,295	\$3,225,589
Contract assets	-	-
Total	<u>\$3,459,295</u>	<u>\$3,225,589</u>
Contract liabilities - current	<u>\$110,411</u>	<u>\$105,491</u>

a. Significant changes in contract assets and contract liabilities

The changes in the contract assets and contract liabilities primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment, and there is no other significant change.

- b. Amount from previous period's satisfied performance obligations and beginning contract liabilities recognized in the current period as income were as follows:

Revenue in the current period	Year Ended December 31	
	2021	2020
From beginning contract liabilities	\$105,491	\$77,337
From previous period's satisfied performance obligations	\$ -	\$ -

(22)Labor cost, depreciation and amortization

Item	Year Ended December 31, 2021		
	Operating cost	Operating expenses	Total
Labor cost			
Salaries	\$1,641,763	\$676,362	\$2,318,125
Insurance	72,343	133,783	206,126
Pension	88,205	39,242	127,447
Others	970,234	168,212	1,138,446
Depreciation	259,418	122,381	381,799
Amortization	86,112	49,262	135,374
Total	\$3,118,075	\$1,189,242	\$4,307,317

Item	Year Ended December 31, 2020		
	Operating cost	Operating expenses	Total
Labor cost			
Salaries	\$1,399,781	\$742,946	\$2,142,727
Insurance	55,662	60,197	115,859
Pension	63,145	33,091	96,236
Others	647,817	64,680	712,497
Depreciation	253,166	141,637	394,803
Amortization	19,230	35,922	55,152
Total	\$2,438,801	\$1,078,473	\$3,517,274

1. The Company accrued employees' compensation and remuneration to directors at the rates not less than 2% and not higher than 5% of net income before income tax, employees' compensation and remuneration to directors during the period. If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

2. The employees' compensation and remuneration to directors for the years ended December 31, 2021 and 2020 had been approved by the Company's Board of Directors meeting held on March 10, 2022 and March 11, 2021, respectively, and the relevant amounts recognized in the consolidated financial statements were as follows:

	Year ended December 31			
	2021		2020	
	Employees' compensation	Remuneration to directors	Employees' compensation	Remuneration to directors
Resolution amount of allotment	\$13,000	\$4,000	\$23,500	\$13,000
Recognized in the annual financial statements	13,000	4,000	23,500	13,000
Difference	\$ -	\$ -	\$ -	\$ -

The above mentioned employees' compensation will be paid by cash.

3. Information about the appropriation of employees' compensation and directors' remuneration by the Company as proposed by the Board of Directors and resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23)Interest income

Item	Year ended December 31	
	2021	2020
Interest on bank deposits	\$7,329	\$7,981
Interest on early payment	6,307	7,330
Others	316	18
Total	\$13,952	\$15,329

(24)Other income

Item	Year ended December 31	
	2021	2020
Rental income	\$1,974	\$3,874
Others - sample sales, etc.	56,750	65,999
Others - subsidy	36,759	29,343
Others	71,853	37,760
Total	\$167,336	\$136,976

(25)Other gains and losses

Item	Year ended December 31	
	2021	2020
Net loss on financial instruments at FVTPL	(\$108)	(\$967)
Loss on disposal of property, plant and equipment	(12,416)	(91,340)
Net currency exchange loss	(14,976)	(48,396)
Gain on disposal of investments	4,001	6,874
Reversal of impairment loss recognized in profit or loss, non-financial assets	4,906	-
Others	(8,841)	(18,737)
Total	<u>(\$27,434)</u>	<u>(\$152,566)</u>

(26)Finance costs

Item	Year ended December 31	
	2021	2020
Interest on loans	\$15,879	\$11,385
Interest on lease liabilities	12,263	10,715
Others	16	1,663
Less: capitalized amount for qualified assets	-	-
Carrying amount	<u>\$28,158</u>	<u>\$23,763</u>

(27)Income tax

A. The major components of tax expense were as follows:

Current income tax	Year ended December 31	
	2021	2020
Current tax expense	\$227,804	\$279,879
Additional tax on unappropriated earnings	6,547	-
Adjustments in tax of prior periods	(35,607)	(60,313)
Total	<u>\$198,744</u>	<u>\$219,566</u>
Deferred income tax		
The origination and reversal of temporary differences	(\$42,767)	\$17,187
Total	<u>(\$42,767)</u>	<u>\$17,187</u>
Income tax expense	<u>\$155,977</u>	<u>\$236,753</u>

B. Income tax expense recognized in other comprehensive income was as follows:

Item	Year ended December 31	
	2021	2020
Exchange differences on translation of foreign operations	(\$13,315)	\$4,545
Remeasurement of defined benefit plans	(276)	(655)
Total	(\$13,591)	\$3,890

C. Reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

Item	Year Ended December 31	
	2021	2020
Income before income tax	\$585,230	\$1,088,403
Income tax expense at the statutory rate	\$140,799	\$332,127
Tax effect of adjusting items:		
Expenses not deductible for tax purpose	87,005	(52,248)
Additional tax on unappropriated earnings	6,547	-
Adjustments for prior year's tax adjustments	(35,607)	(60,313)
Deferred income tax expense		
Temporary differences	(42,767)	17,187
Income tax expense recognized in profit or loss	\$155,977	\$236,753

The applicable tax rate used by the Group is 20%. In addition, the tax rate applicable to unappropriated earning is 5%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

According to the amendments to the Statute for Industrial Innovation announced in July 2019, the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group has already deducted the amount of the unappropriated earnings that has been reinvested as capital expenditures. When calculating the tax on unappropriated earnings by the Group in 2021, already deducted the unappropriated earnings in 2020 amount that has been reinvested in capital expenditure.

The Group applied for and was approved the repatriation of offshore funds (including mainland China) within the time limit in accordance with the “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act” effective from August 15, 2019. The applicable tax rate exempt from taxation is 8% for the first year and 10% for the second year under the general income tax system. A profit-seeking enterprise may apply to the Ministry of Economic Affairs for engaging in substantive investment within one year from the date of repatriating funds and has a 50% tax refund preference when completing the investment within the time limit.

D. Amounts of deferred tax assets or liabilities as a result of temporary difference, loss carryforward and investment tax credit were as follows:

	Year Ended December 31, 2021				
	Balance, Beginning of Year	Effect of Tax Rate Change	Recognized in Other Comprehensive Income	Effect of Exchange Rate Changes	Balance, End of Year
Deferred income tax assets:					
Temporary differences					
Net defined benefit liability	\$11,879	(\$1,145)	\$276	\$ -	\$11,010
Unrealized loss on inventories	7,848	4,303	-	(30)	12,121
Unused compensated absences	2,751	103	-	-	2,854
Others	28,683	1,197	-	(88)	29,792
Investment tax credit	6,676	(6,638)	-	(38)	-
Operating loss carryforward	-	4,363	-	1	4,364
Subtotal	\$57,837	\$2,183	\$276	(\$155)	\$60,141
Deferred income tax liabilities:					
Temporary differences					
Gain on foreign investment under the equity method	\$81,134	(\$33,343)	(\$13,315)	\$ -	\$34,476
Unrealized exchange gain	9,263	(7,241)	-	-	2,022
Subtotal	\$90,397	(\$40,584)	(\$13,315)	\$ -	\$36,498
Total	(\$32,560)	\$42,767	\$13,591	(\$155)	\$23,643
	Year Ended December 31, 2020				
	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Effect of Exchange Rate Changes	Balance, End of Year
Deferred income tax assets:					
Temporary differences					
Net defined benefit liability	\$12,346	(\$1,122)	\$655	\$ -	\$11,879
Unrealized loss on inventories	8,110	(366)	-	104	7,848
Unused compensated absences	2,655	96	-	-	2,751
Others	25,327	3,477	-	(121)	28,683
Investment tax credit	4,812	1,755	-	109	6,676
Subtotal	\$53,250	\$3,840	\$655	\$92	\$57,837
Deferred income tax liabilities:					
Temporary differences					
Gain on foreign investment under the equity method	\$61,483	\$15,106	\$4,545	\$ -	\$81,134
Unrealized exchange gain	3,342	5,921	-	-	9,263
Subtotal	\$64,825	\$21,027	\$4,545	\$ -	\$90,397
Total	(\$11,575)	(\$17,187)	(\$3,890)	\$92	(\$32,560)

E. Items with no deferred tax assets recognized:

Item	December 31	
	2021	2020
Deductible temporary differences	\$49,000	\$8,290

F. The tax authorities have ratified Company's income tax returns through Year 2019.

(28) Other comprehensive income (loss)

Item	Year Ended December 31, 2021		
	Other Comprehensive Income (Loss), Before Tax	Income Tax Benefit (Expense)	Other Comprehensive Income (Loss), Net of Tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	(\$1,379)	\$276	(\$1,103)
Subtotal	(\$1,379)	\$276	(\$1,103)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	(\$66,578)	\$13,315	(\$53,263)
Subtotal	(\$66,578)	\$13,315	(\$53,263)
Recognized in other comprehensive income (loss)	(\$67,957)	\$13,591	(\$54,366)

Item	Year Ended December 31, 2020		
	Other Comprehensive Income (Loss), Before Tax	Income Tax Benefit (Expense)	Other Comprehensive Income (Loss), Net of Tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	(\$3,274)	\$655	(\$2,619)
Subtotal	(\$3,274)	\$655	(\$2,619)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	\$22,725	(\$4,545)	\$18,180
Subtotal	\$22,725	(\$4,545)	\$18,180
Recognized in other comprehensive income (loss)	\$19,451	(\$3,890)	\$15,561

(29) Earnings per share

Item	Year Ended December 31	
	2021	2020
Net income attributable to owners of the parent	\$429,253	\$851,650
Weighted average shares outstanding (in thousands)	250,930	250,930
Basic earnings per share (after tax)	\$1.71	\$3.39
Net income attributable to owners of the parent	\$429,253	\$851,650
Effect of potential dilutive ordinary shares	-	-
Net income used in computation of diluted earnings per share	\$429,253	\$851,650
Weighted average shares outstanding (in thousands)	\$250,930	\$250,930
Impact on employees' compensation (Note)	293	437
Weighted average number of ordinary shares outstanding after dilution (in thousands)	\$251,223	\$251,367
Diluted earnings per share (after tax)	\$1.71	\$3.39

(Note) Since the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party:

The Group has no parent and ultimate controlling party.

(2) Related party name and category:

Related Party Name	Related Party Category
Guang Sheng Investment Corporation	Other related party
Shehng-Yuan Children Development and Adult Support Services Center	Other related party
Yo Yuan Investment Corporation	Other related party
Suzhou Shengyixing Heat Transfer Technology Co., Ltd.	Associates

(3) Significant transactions with related parties:

A. Sales: None.

B. Purchase:

Related Party Category	Year Ended December 31	
	2021	2020
Associates	\$12,803	\$233

Above mentioned Purchase prices of the related parties are equivalent to those of those of other manufacturer. Payment term was 3 to 4 months. However, both parties can agree to advance the payment.

C. Contract assets: None.

D. Contract liabilities: None.

E. Balance of receivables (excluding lending to related parties):

Item	Related Party Category	December 31	
		2021	2020
Other receivable	Associates	\$49	\$ -

F. Balance of payables (excluding borrowing from related parties):

Item	Related Party Category	December 31	
		2021	2020
Account payable	Associates	\$13,909	\$268
Other payables	Associates	\$296	\$18

G. Prepayments:

Item	Related Party Category	December 31	
		2021	2020
Prepayments	Associates	\$144	\$13

H. Property transactions: None.

I. Lessee arrangements:

Item	Related Party Category	Year Ended December 31	
		2021	2020
Acquisition of right-of-use asset	Other related parties	\$ -	\$310

Item	Related Party Category	December 31	
		2021	2020
Refundable deposits	Other related parties	\$26	\$26
Lease liabilities - current	Other related parties	\$91	\$155
Lease liabilities - noncurrent	Other related parties	\$ -	\$91

Item	Related Party Category	Year Ended December 31	
		2021	2020
Interest expense	Other related parties	\$1	\$1

Above lease terms are based on the contract, and rent is paid monthly.

J. Rent arrangements: None.

K. Financing activities - lending to related parties:

Item	Related Party Category	Year Ended December 31	
		2021	2020
Other receivable	Associates	\$13,025	\$ -

a. Interest income

Related Party Category	Year Ended December 31	
	2021	2020
Associates	\$304	\$ -
Interest rates	4.35%	-

L. Financing activities - borrowing from related parties : None.

M. Guarantee for related parties: None.

N. Others:

a. Guarantee deposits:

Related Party Category	December 31	
	2021	2020
Other related parties	\$55	\$55

b. Miscellaneous income:

Related Party Category	Year Ended December 31	
	2021	2020
Other related parties	\$194	\$194

Miscellaneous income is mainly rent income. Rent prices are according to the contract agreement and received monthly.

c. Miscellaneous expenses:

Related Party Category	Year Ended December 31	
	2021	2020
Associates	\$378	\$68

Miscellaneous expenses are R&D.

(4) Key management compensation

Related Party Category	Year Ended December 31	
	2021	2020
Salaries and other short-term employee benefits	\$58,848	\$73,719
Post-employment benefits	-	-
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Total	\$58,848	\$73,719

8. PLEDGED ASSETS

Item	Year Ended December 31	
	2021	2020
Property, plant and equipment (net)	\$496,858	\$496,858

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

- (1) As of December 31, 2021 and 2020, the Group issued guarantee notes for bank loans amounting to \$3,579,200 thousand and \$3,231,400 thousand, respectively.
- (2) The unused letter of credit as of December 31, 2021 and 2020 consisted of the following:

Item	(In thousands)	
	December 31	
	2021	2020
L/C Amount	USD 1,603	USD 1,273

- (3) As of December 31, 2021 and 2020, the note endorsement for material purchase were as follows:

Item	(In thousands)	
	December 31	
	2021	2020
USD	1,343	1,345

- (4) As of December 31, 2021 and 2020, the Group endorsed guarantees for others. Please refer to Note 13 for the information.

- (5) Statement of lawsuit

SIAE Microelettronica S.P.A. filed a lawsuit against the company for the infringement on April 8, 2020. The Group has appointed the lawyer to proceed with the litigation, and it is under the jurisdiction of Kaohsiung District Court in Taiwan. The final outcome will depend on the future litigation procedures and will not have a significant impact on the Company's operations.

(6) Significant contract

A. The Group entered into the land usage right transfer contract with Hermosa Ecozone Development Corporation in Year 2020. The main contents are as below:

(A) Transfer object: land usage right of 137,096 square meters at Lot 1 Block 12 in Hermosa Ecozone Industrial Park for the construction of the plant.

(B) Land usage right period: 75 years.

(C) Transfer price of land usage right: \$410,992 thousand (PHP 685,480 thousand)

B. The Group entered into the land usage right transfer contract with Farms Agribusiness Corporation in Kunshan Economic and Technological Development Zone in Year 2000. The contents of the contract were as below:

(A) Transfer object: land usage right of 48,688 square meters at Kunshan Economic and Technological Development Zone for the construction of the plant and dormitory.

(B) Land usage right period: 50 years.

(C) Transfer price of land usage right: US\$828 thousand (RMB 6,842 thousand).

10. SIGNIFICANT DISASTER LOSS: NONE.

11. SIGNIFICANT SUBSEQUENT EVENTS: NONE.

12. OTHERS

(1) Capital risk management

The Group should maintain an adequate capital structure to enable the expansion and enhancement of equipment. Therefore, the Group manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases and debt service requirements associated with its existing operations over the next 12 months.

(2) Financial instruments

A. Financial risk of financial instruments

Financial risk management policies

The Group's activities expose to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To lower down the related financial risk, the Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

The plans for material treasury activities are reviewed by board of directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, the Group Treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

Significant financial risks and degrees of financial risks

a. Market risk

(a) Foreign exchange rate risk

The Group's functional currency is New Taiwan dollars. Many of the Group's operating activities are denominated in foreign currencies. Consequently, the Group is exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Group raises loans denominated in foreign currency and derivative financial instruments to hedge the currency exposure. These instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements. The derivative financial instruments the Group held with maturities less than 3 months are not qualified for hedge accounting. The net investment in foreign operation is strategic investment. Therefore, the Group does no hedge for it.

(b) Foreign currency risk and sensitivity analysis (including consolidated elimination items and incompletely write-off of exchange rate risk)

	December 31, 2021					
	Foreign Currency	Exchange Rate	Carrying Value (NTD)	Sensitivity Analysis		
				Variation	Profit and Loss Impact	Equity Impact
<u>Financial assets</u>						
<u>Monetary item</u>						
USD:NTD	103,275	27.6800	2,858,645	Increase 1%	28,586	-
EUR:NTD	9,845	31.3200	308,348	Increase 1%	3,083	-
USD:RMB	98,187	6.3757	2,717,882	Increase 1%	27,179	-
USD:EUR	1,473	0.8838	40,768	Increase 1%	408	-
<u>Financial liabilities</u>						
<u>Monetary item</u>						
USD:NTD	72,687	27.6800	2,011,980	Increase 1%	(20,120)	-
EUR:NTD	519	31.3200	16,266	Increase 1%	(163)	-
USD:RMB	103,042	6.3757	2,852,210	Increase 1%	(28,522)	-
USD:EUR	3,332	0.8838	92,242	Increase 1%	(922)	-

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Value (NTD)	Sensitivity Analysis		
				Variation	Profit and Loss Impact	Equity Impact
<u>Financial assets</u>						
<u>Monetary item</u>						
USD:NTD	80,153	28.4800	2,282,762	Increase 1%	22,828	-
EUR:NTD	7,640	35.0200	267,563	Increase 1%	2,676	-
USD:RMB	86,076	6.5249	2,451,433	Increase 1%	24,514	-
USD:EUR	3,660	0.8132	104,239	Increase 1%	1,042	-
<u>Financial liabilities</u>						
<u>Monetary item</u>						
USD:NTD	69,636	28.4800	1,983,226	Increase 1%	(19,832)	-
EUR:NTD	245	35.0200	8,567	Increase 1%	(86)	-
USD:RMB	48,900	6.5249	1,392,680	Increase 1%	(13,927)	-
USD:EUR	3,247	0.8132	92,464	Increase 1%	(925)	-

When New Taiwan dollar appreciates and other variation factors stay unchanged, there will be the same but opposite amount of influence as of December 31, 2021 and 2020.

The details of unrealized exchange gain (loss) for monetary items due to material exchange rate fluctuation were as follow:

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Foreign Exchange Gain (Loss)			Foreign Exchange Gain (Loss)		
	Foreign Currency (In thousands)	Exchange Rate	Carrying Value	Foreign Currency (In thousands)	Exchange Rate	Carrying Value
<u>Financial Assets</u>						
<u>Monetary Item</u>						
USD: NTD	-	27.9980	(8,112)	-	29.5330	(21,201)
EUR: NTD	-	33.1100	(1,844)	-	33.7400	6,499
USD: RMB	(2,407)	6.4515	(10,446)	(14,104)	6.8976	(60,389)
USD: EUR	23	0.8456	746	(98)	0.8753	(3,296)
<u>Financial Liabilities</u>						
<u>Monetary Item</u>						
USD: NTD	-	27.9980	20,186	-	29.5330	60,858
EUR: NTD	-	33.1100	102	-	33.7400	(40)
USD: RMB	3,969	6.4515	17,224	10,421	6.8976	44,618
USD: EUR	(71)	0.8456	(2,365)	101	0.8753	3,395

b. Price risk

The Group is exposed to equity instrument price risk because the investments held by the Group are classified on the consolidated balance sheet as at fair value through profit or loss.

The Group is exposed to beneficiary certificates. If the price of the Group's equity investments rises (or falls) 1%, the net income resulting from equity instruments at fair value through profit and loss will increase (or decrease) \$2,552 thousand and \$4,124 thousand for the years ended December 31, 2021 and 2020, respectively.

c. Interest rate risk

The carrying amount of the financial assets and liabilities that exposed to interest rate risk as reporting date was as follow:

Item	Carrying Value	
	December 31, 2021	December 31, 2020
Fair value interest rate risk:		
Financial assets	\$ -	\$196,417
Financial liabilities	(387,973)	(306,539)
Net	(\$387,973)	(\$110,122)
Cash flow interest rate risk:		
Financial assets	\$1,925,267	\$1,582,861
Financial liabilities	(2,509,198)	(1,190,663)
Net	(\$583,931)	\$392,198

(a) Sensitivity analysis of fair value interest rate risk instrument

The Group does not classify any fixed-rate instruments as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. In addition, the Group does not designate derivatives (interest rate swap) as hedge instruments under hedge accounting. Therefore, the change of interest rate at reporting date does not have influence on net income and other comprehensive income.

(b) Sensitivity analysis of cash flow interest rate risk instrument

The Group's financial assets (liabilities) with variable interest rate are those with floating-rate. If interest rate increases 1%, the net income will increase (decrease) (\$5,839) thousand and \$3,922 thousand for the years ended December 31, 2021 and 2020, respectively.

B. Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a contract leading to a financial loss to the Group. The Group is exposed to credit risk from operating activities, primarily accounts receivables, and from investing activities, primarily deposit and other financial instruments. Credit risk is managed separately for business related and financial related exposures.

a. Business related credit risk

In order to maintain the credit quality of accounts receivables, the Group has established procedures to monitor and limit exposure to credit risk on trade receivables. Credit evaluation is performed in the consideration of the relevant factors which may affect the customer's paying ability such as financial condition, external and internal credit scoring, historical experience, and economic conditions.

b. Financial credit risk

The Group's exposure to financial credit risk which pertained to bank deposits and other financial instruments were evaluated and monitored by Group Treasury function. The Group only deals with creditworthy counterparties, banks, and government so that no significant credit risk was identified. In addition, the Group has no financial assets at amortized and investments in debt instruments at fair value through other comprehensive income.

(a) Credit concentration risk

As of December 31, 2021 and 2020, the Group's ten largest customers accounted for 33.34% and 29.23% of accounts receivable, respectively. The Group believes the concentration of credit risk is insignificant for the remaining accounts receivable.

The Group continuously evaluated customers' financial situation. To reduce major credit risk, the Group bought credit guarantee insurance, and asked customers to make payment in advance.

(b) Expected credit loss measurement

i. Account receivables adopts a simplified approach, please refer to Note 6(4).

ii. Identification basis for whether credit risk is significantly increased: None (the Group didn't hold debt instruments at amortized cost or at FVTOCI).

c. Collaterals and other credit enhancement held to avoid credit risks from financial assets.

The following table shows the maximum exposure to credit risk regarding financial assets recognized in the consolidated balance sheets, pledged collateral, master netting arrangements and other credit enhancement held by the Group:

December 31, 2021	Carrying Value	Decrease Amount of Credit Risk Maximum Exposure			
		Collateral	Net Settlement Agreement	Other Credit Strengthening	Total
Financial instruments subject to IFRS 9 impairment requirements and derogated from credit	\$ -	\$ -	\$ -	\$ -	\$ -
Financial instruments not subject to IFRS 9 impairment requirements:					
Financial assets at fair value through profit or loss	255,236	-	-	-	-
Total	\$255,236	\$ -	\$ -	\$ -	\$ -

December 31, 2020	Carrying Value	Decrease Amount of Credit Risk Maximum Exposure			
		Collateral	Net Settlement Agreement	Other Credit Strengthening	Total
Financial instruments subject to IFRS 9 impairment requirements and derogated from credit	\$ -	\$ -	\$ -	\$ -	\$ -
Financial instruments not subject to IFRS 9 impairment requirements:					
Financial assets at fair value through profit or loss	412,365	-	-	-	-
Total	\$412,365	\$ -	\$ -	\$ -	\$ -

C. Liquidity risk

a. Liquidity risk management:

The objective of liquidity risk management is to ensure the Group has sufficient liquidity to fund its business requirements of cash and cash equivalents and the unused of financing facilities associated with existing operations.

b. Financial liabilities with repayment periods:

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods.

Non-derivative Financial liabilities	December 31, 2021					Contract Cash Flow	Carrying Value
	Within 1 year	1-2 years	2-5 years	Over 5 years			
Short-term loans	\$1,949,632	\$ -	\$ -	\$ -		\$1,949,632	\$1,949,632
Accounts payable	2,925,989	-	1	-		2,925,990	2,925,990
Other payables	925,074	92	538	-		925,704	925,704
Long-term loans	57,789	70,444	431,333	-		559,566	559,566
(Inclusive of current portion)							
Lease liabilities	104,058	109,952	190,706	24,970		429,686	387,973
Guarantee deposits	1,026	-	-	-		1,026	1,026
Total	\$5,963,568	\$180,488	\$622,578	\$24,970		\$6,791,604	\$6,749,891

Further information for lease liabilities with repayment periods was as follows:

Item	Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years	Undiscounted payments
Lease liabilities	\$104,058	\$300,658	\$13,856	\$2,970	\$2,970	\$5,174	\$429,686

December 31, 2020

Non-derivative Financial liabilities	Within 1 year	1-2 years	2-5 years	Over 5 years	Contract Cash Flow	Carrying Value
Short-term loans	\$670,663	\$ -	\$ -	\$ -	\$670,663	\$670,663
Accounts payable	2,822,496	2	238	-	2,822,736	2,822,736
Other payables	1,098,192	223	504	-	1,098,919	1,098,919
Long-term loans (Inclusive of current portion)	-	33,333	420,000	66,667	520,000	520,000
Lease liabilities	97,816	67,413	133,372	50,895	349,496	306,539
Guarantee deposits	4,094	-	-	-	4,094	4,094
Total	\$4,693,261	\$100,971	\$554,114	\$117,562	\$5,465,908	\$5,422,951

Further information for lease liabilities with repayment periods was as follows:

Item	Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years	Undiscounted payments
Lease liabilities	97,816	\$200,785	\$38,378	\$3,733	\$2,986	\$5,798	\$349,496

The Group does not expect a maturity analysis of which the cash flows timing would be significantly earlier, or the actual amount would be significantly different.

2. Categories of financial instruments

The carrying value of financial assets and liabilities of the Group as of December 31, 2021 and 2020 was as follow:

Financial assets	December 31	
	2021	2020
Financial assets measured at amortized cost		
Cash and cash equivalents	\$1,912,018	\$1,574,919
Notes and accounts receivable	3,459,295	3,225,589
Other receivables	86,756	131,252
Other financial assets - current	-	208,730
Refundable deposits	31,383	22,803
Financial asset at fair value through profit or loss	255,236	412,365

Financial liabilities

Financial liabilities measured at amortized cost

Short-term loans	1,949,632	670,663
Notes and accounts payable (including related parties)	2,925,990	2,822,736
Other payables (including related parties)	925,704	1,098,919
Lease liabilities (including current and noncurrent)	387,973	306,539
Long-term loans	559,566	520,000
Guarantee deposits	1,026	4,094

(3) Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(3)C. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(10).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investments in government bonds, corporate bonds, financial debentures, convertible bonds, and most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investments in some derivative instruments and equity instruments without active market is included in Level 3.

C. Financial instruments that are not measured at fair value

The Group considers that the carrying amounts of financial instruments including cash and cash equivalents, receivables, other financial assets, refundable deposits, short-term loans, payables, long-term loans and guarantee deposits that are not measured at fair value approximate their fair values.

D. The related information of fair value by level 1

The related information of financial instruments measured at fair value on a recurring basis by level is as follows:

Item	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss:				
- beneficiary certificates	\$255,236	\$ -	\$ -	\$255,236

Item	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss:				
- beneficiary certificates	\$412,365	\$ -	\$ -	\$412,365

E. Valuation techniques of financial instruments valued at fair value

(a) The fair value of financial assets and liabilities traded in an active market is based on the quoted market prices. The quotation, which is published by the main exchange center or that which was deemed to be a public bond by the Treasury Bureau of Center Bank, is included in the fair value of the listed securities instruments and the debt instruments in active markets with open bid.

A financial instrument is regarded as the quoted price in an active market if the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency; and if those prices represent the actual and regularly occurring market transactions on an arm's length basis. Otherwise, the market is deemed to be inactive. Normally, a market is considered to be inactive when the bid-ask spread is increasing; or the bid-ask spread varies significantly; or there has been a significant decline in trading volume.

(b) Except for the above-mentioned financial instruments traded in an active market, the fair value is based on the valuation techniques or the quotation from the counterparty. The fair value refers to the current fair value of the other financial instruments with similar conditions and characteristics, using a discounted cash flow analysis or other valuation techniques, such as calculations of using models (for example, applicable yield curve from Taipei Exchange, or average quoted price on interest rate of commercial paper from Reuters), based on the information acquired from the market at the balance sheet date.

When the financial instrument of the Group is not traded in an active market, the fair value is determined based on the ratio of the quoted market price of the

comparative company, its book value per share and its operating situation. Also, the fair value is discounted for its lack of liquidity in the market.

F. There was no transfer between Level 1 and Level 2 for the years ended December 31, 2021 and 2020.

G. Changes in Level 3 instruments: None.

H. Valuation process for Level 3 fair value measurement:

Valuation process regarding fair value Level 3 is conducted by the Group's finance department, by which the independence of fair value of financial instruments is verified through use of independent data source in order to make the valuation results close to market conditions. Such valuation results are regularly reviewed so as to ensure their reasonableness.

(5) Transfer of financial assets: None.

(6) Offset of financial assets and liabilities: None.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Financings provided: Table 1.

B. Endorsement/guarantee provided: Table 2.

C. Marketable securities held: Table 3.

D. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4.

E. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.

F. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.

G. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Table 5.

H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6.

I. Information about the derivative financial instruments transaction: None.

J. The business relationship between the parent and the subsidiaries and significant transactions between them: Table 7.

(2) Information on investees (before consolidated elimination): Table 8.

(3) Information on investments in Mainland China (before consolidated elimination): Table 9.

(4) Information on major shareholders (including name of the shareholders with shareholding above 5%, shares held and shareholding ratio): Table 10.

Table 1

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES

LOANS PROVIDED TO OTHER PARTIES

DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance (Note 4)	Amount Actually Drawn	Interest Rate	Nature for Financing (Note 3)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
1	Sunon Electronic (Kunshan) Co., Ltd.	Suzhou Shengyixing Heat Transfer Technology Co., Ltd.	Other receivables - related parties	Yes	13,025 (RMB3,000)	13,025 (RMB3,000)	13,025 (RMB3,000)	4.35%	2	-	Operating capital	-	-	-	130,324	260,648
2	Sunon Electronic (Foshan) Co., Ltd	Beihai Li Zhun Electronics Co., Ltd.	Other receivables - related parties	Yes	13,025 (RMB3,000)	13,025 (RMB3,000)	11,372 (RMB2,619)	-	2	-	Operating capital	-	-	-	22,154	44,308

Note 1: Financing limits for each borrowing company:

(1) For trading partner:

Shall not be higher than the purchase or sales amount of the most recent year.

(2) For short-term financing:

Shall not exceed 10% of the Company's net worth.

Note 2: The maximum balance of financing activities:

(1) For trading partner:

Shall not exceed 20% of the Company's net worth

(2) For short-term financing:

Shall not exceed 20% of the Company's net worth

(3) The policy for loans granted mutually between overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows:

The maximum amount for total loan for individual enterprise shall not exceed 50% of its net worth. °

Note 3: The code represents the nature of financing activities as follows:

(1) Related to trading partner is "1".

(2) Short-term financing is "2".

Note 4: The maximum amount was approved by the Board of Directors' meeting.

Note 5: The above-mentioned parent-subsidiary transactions have been eliminated.

Table 2

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED

DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

No. (Note 1)	Endorsers	Endorseees		Endorsement Limit for a Single Entity (Note 3)	Highest Balance During the Period	Ending Balance	Actual Amount Drawn	Balance Secured by Collaterals	Ratio of Accumulated Amount to net Worth of the Company	Maximum Amount of Endorsement (Note 4)	Provision of Endorsements by Parent Company to Subsidiary	Provision of Endorsements by Subsidiary to Parent Company	Provision of Endorsements to the Party in Mainland China
		Name of endorseees	Relationship (Note 2)										
0	Sunonwealth Electric Machine Industry Co., Ltd.	Sunon Electronic (Kunshan) Co., Ltd	2	1,310,036	NTD 332,160 (USD 12,000)	NTD 332,160 (USD 12,000)	NTD 83,040 (USD 3,000)	-	7.38%	2,183,393	Y	N	Y
0	Sunonwealth Electric Machine Industry Co., Ltd.	Sunon Electronic (Foshan) Co., Ltd	2	1,310,036	NTD 166,080 (USD 6,000)	-	-	-	-	2,183,393	Y	N	Y
0	Sunonwealth Electric Machine Industry Co., Ltd.	Sunon Electronic (Bei Hai) Co., Ltd	2	1,310,036	NTD 581,280 (USD 21,000)	NTD 581,280 (USD 21,000)	NTD470,560 (USD17,000)	-	13.31%	2,183,393	Y	N	Y
1	Sunon Electronic (Bei Hai) Co., Ltd.	Sunon Electronic (Kunshan) Co., Ltd	1	128,808	NTD 17,366 (RMB 4,000)	NTD 17,366 (RMB 4,000)	-	-	2.70%	322,019	N	N	Y

Note 1: The description of the number column is as follows:

- (1) The issuer is represented in 0.
- (2) The investee company is numbered sequentially from Arabic numeral 1.

Note 2: The following code represents the relationship with the Company :

1. Trading partner.
2. Majority owned subsidiary
3. The Company direct and indirect owns over 50% ownership of the investee company.
4. A subsidiary jointly owned over 90% by the Company.
5. Guaranteed by the Company according to the construction contract.
6. An investee company. The guarantees were provided based on the Company's proportionate share in the investee company.
7. Joint and several guaranteed by the Company according to the pre-construction contract under Consumer protection Act.

Note 3: Endorsements/guarantees provided by the Company to a single enterprise and a single foreign affiliate shall not exceed 20% and 30% of the Company's net worth, respectively.

Note 4: The maximum amount of the endorsements/guarantees provided by the Company shall not exceed 50% of the Company's net worth.

Table 3

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Investor	Type and Name of Securities	Relationship with the Issuer	General Ledger Account	Ending balance				Remarks
				Number of Shares (in thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Sunon Electronic (Foshan) Co., Ltd.	Fund - China Resources Yuanda Fund	None	Financial assets at fair value through profit or loss	—	108,899	—	108,899	
Sunon Electronic (Bei Hai) Co., Ltd.	Fund - China Resources Yuanda Fund	None	Financial assets at fair value through profit or loss	—	146,337	—	146,337	

Table 4

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST
NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Relationship with the Investor	Beginning Balance		Addition (Note)		Disposal			Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Selling Price	Carrying Value	Gain (loss) on Disposal	Shares	Amount
Sunon Electronic (Foshan) Co., Ltd.	China Resources Yuanda Fund	Financial assets at fair value through profit or loss	China Resources Yuanda Fund Management Co., Ltd.	None	—	263,010 (RMB 60,257)	—	150,354 (RMB 34,982)	—	307,259 (RMB 70,800)	304,465 (RMB 70,156)	2,794 (RMB 644)	—	108,899 (RMB 25,083)
Sunon Electronic (Bei Hai) Co., Ltd.	China Resources Yuanda Fund	Financial assets at fair value through profit or loss	China Resources Yuanda Fund Management Co., Ltd.	None	—	149,355 (RMB 34,218)	—	1,075,439 (RMB247,993)	—	1,079,664 (RMB248,782)	1,078,457 (RMB248,504)	1,207 (RMB 278)	—	146,337 (RMB 33,707)

(Note): Including current purchase of \$1,228,163 thousand, net profit of financial assets at fair value through profit or loss of (\$108) thousand and the exchange rate impact of (\$2,262) thousand.

Table 5

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST

NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Company Name Related Party		Nature of Relationships	Transaction Details				Abnormal Transaction		(Notes/Accounts Payable) Or Receivable		Remarks
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Sunonwealth Electric Machine Industry Co., Ltd.	Sunon Electronic (Bei Hai) Co., Ltd.	Parent-subsiary	Sales	711,078	7.19%	3 to 4 months	-	-	447,832	15.86%	
	Sunon SAS	Parent-subsiary	Sales	482,849	4.88%	2 to 3 months	-	-	150,511	5.33%	
	Sunon INC	Parent-subsiary	Sales	409,071	4.13%	2 to 3 months	-	-	106,911	3.79%	
Sunon Electronic (Kunshan) Co., Ltd.	Sunonwealth Electric Machine Industry Co., Ltd.	Parent-subsiary	Sales	2,647,429	39.87%	2 to 3 months	-	-	696,153	36.28%	
Sunon Electronics (Bei Hai) Co., Ltd.	Sunonwealth Electric Machine Industry Co., Ltd.	Parent-subsiary	Sales	4,834,720	94.49%	2 to 3 months	(Note 1)	(Note 1)	503,659	83.08%	
	Sunon Electronic (Kunshan) Co., Ltd.	The ultimate parent company	Sales	282,173	5.51%	2 to 3 months	-	-	102,542	16.92%	
Sunon Electronics (Foshan) Co., Ltd.	Sunon Electronic (Kunshan) Co., Ltd.	The ultimate parent company	Sales	129,536	22.23%	2 to 3 months	-	-	29,865	83.04%	

Note 1: It is the transaction that undertakes the transfer of the Company, so it is based on the order price of the Company, and the payment period is 2-3 months.

Note 2: The above-mentioned parent-subsiary transactions have been eliminated.

Table 6

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollar and Foreign Currencies)

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover	Overdue		Amounts Received in Subsequent Period (Note1)	Allowance for Bad Debts
					Amount	Action Taken		
Sunonwealth Electric Machine Industry Co., Ltd.	SUNON SAS	Subsidiary	150,511	2.85	-	-	NTD 56,907	-
	SUNON INC	Subsidiary	106,991	4.41	-	-	NTD 89,967	-
	Sunon Electronic (Bei Hai) Co., Ltd.	Subsidiary	447,832	4.66	-	-	NTD 291,000	-
Sunon Electronic (Kunshan) Co., Ltd.	Sunonwealth Electric Machine Industry Co., Ltd.	The ultimate parent company	NTD 696,153 (RMB 160,349)	4.29	-	-	NTD 431,290 (RMB 99,341)	-
Sunon Electronic (Bei Hai) Co., Ltd.	Sunonwealth Electric Machine Industry Co., Ltd.	The ultimate parent company	NTD 503,659 (RMB 116,010)	9.33	-	-	NTD 503,659 (RMB 116,010)	-
Sunon Electronic (Bei Hai) Co., Ltd.	Sunon Electronic (Kunshan) Co., Ltd.	Subsidiary	NTD 102,542 (RMB 23,619)	5.41	-	-	NTD 65,199 (RMB 15,018)	-

Note 1: Amounts collected as of March 10, 2022.

Note 2: The above-mentioned parent-subsidiary transactions have been eliminated.

Table 7

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			
				Account	Amount	Terms (Note 4)	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	Sunonwealth Electric Machine Industry Co., Ltd.	Sunon SAS	1	Sales revenues	482,849	(Note 4)	3.56%
				Accounts receivable	150,511		1.31%
		Sunon INC	1	Sales revenues	409,071	(Note 4)	3.02%
		Accounts receivable	106,991	0.93%			
		Sunon Electronic (Bei Hai) Co., Ltd.	1	Sales revenues	711,078	(Note 4)	5.24%
				Accounts receivable	447,832		3.89%
1	Sunon Electronic (Kunshan) Co., Ltd.	Sunonwealth Electric Machine Industry Co., Ltd.	2	Sales revenues	2,647,429	(Note 4)	19.52%
				Accounts receivable	696,153		6.04%
2	Sunon Electronic (Bei Hai) Co., Ltd.	Sunonwealth Electric Machine Industry Co., Ltd.	2	Sales revenues	4,834,720	(Note 4)	35.65%
				Accounts receivable	503,659		4.37%
		Sunon Electronic (Kunshan) Co., Ltd.	3	Sales revenues	282,173	(Note 4)	2.08%
				Accounts receivable	102,542		0.89%
3	Sunon Electronic (Foshan) Co., Ltd.	Sunonwealth Electric Machine Industry Co., Ltd.	2	Sales revenues	83,947	(Note 4)	0.62%
		Sunon Electronic (Kunshan) Co., Ltd.	3	Sales revenues	129,536		(Note 4)
4	SUNON SAS	Sunonwealth Electric Machine Industry Co., Ltd.	2	Other income	60,846	(Note 5)	0.45%

Note 1: The description of the number column is as follows:

- (1) The issuer is represented in 0.
- (2) The investee company is numbered sequentially from Arabic numeral 1. °

Note 2: There are three types of relationships with traders. The type of mark is as follows:

- (1) No. 1 represents the transactions from parent company to subsidiary.
- (2) No. 2 represents the transactions from subsidiary to parent company.
- (3) No. 3 represents the transactions between subsidiaries.

Note 3: The ratio of transaction amount to consolidated revenues or total assets is calculated as follows:

- (1) asset/liability items: ending balance to total assets;
- (2) profit and loss items: accumulated amount to consolidated revenues.

Note 4: (1) The sales terms between the parent and the subsidiary are equivalent to those of other clients. The collection period is 3-4 months.

(2) The trading terms of the parent-subsidiary processing fee are equivalent to those of other processing companies. The payment period is 2-3 months.

(3) The purchase price between the Company and Beihai Jianzhun is based on the order price of the Company due to the nature of transference trading. The rest transactions are equivalent to other suppliers. The payment term is average 2-4 months for ordinary suppliers and 2-3 months for related parties..

(4) The remaining transactions between the parent and subsidiaries are with no similar transactions. The trading conditions are negotiated by engaging parties.

(5) The terms between subsidiaries are equivalent to those of the parent company.

Note 5: Other income is commission income, etc.

Note 6: The above-mentioned parent-subsidiary transactions have been eliminated.

Table 8

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS AND OTHER INFORMATION OF INVESTEE COMPANIES (EXCLUDING INVESTEE IN MAINLAND)

DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Remark
				As of December 31, 2021	As of December 31, 2020	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
Sunonwealth Electric Machine Industry Co., Ltd.	Successful Century Co., Ltd.	British Virgin Islands	Investments	1,136,933	1,136,933	33,880	100.00%	1,272,576	33,186	43,765	-
	BVI Sunon International Limited	British Virgin Islands	Investments	654,017	1,035,677	-	100.00%	806,318	80,265	65,959	-
	Sunon INC	USA	Manufacturing and sales of fans	49,140	49,140	150	100.00%	112,615	23,216	22,635	-
	Sunon SAS	France	Manufacturing and sales of fans	16,127	16,127	50	100.00%	51,124	(12,153)	(12,718)	-
	Sunonwealth Electric Machine Ind.(H.K.) Ltd.	Hong Kong	Manufacturing and sales of fans	3,428	3,428	800	99.99%	1,750	(40)	(40)	-
	Sunon Corporation	Japan	Manufacturing and sales of fans	4,470	4,470	4	100.00%	1,968	(85)	(85)	-
	Sunon Electronics India Private Limited	India	Manufacturing and sales of fans	4,880	4,880	1,100	99.99%	2,904	856	856	-
	Sunon Electronics Philippines Corp.	Philippine	Manufacturing and sales of fans	34,072	6,110	606	99.99%	26,683	(6,228)	(6,228)	-
	Sunon Properties Philippines Corp.	Philippine	Real estate development and investment	430,000	430,000	7,068	99.99%	374,531	(7,019)	(7,019)	-
			Total					2,650,469	111,998	107,125	

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Remark
				As of December 31, 2021	As of December 31, 2020	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
Successful Century Co., Ltd.	Sunon Electronic (Kunshan) Co., Ltd.	China	Manufacturing and selling of fans	USD 34,431	USD 34,000	-	100.00%	USD 47,082	USD 1,186	USD 1,186	-
Sunon Electronic (Kunshan) Co., Ltd.	Suzhou Shengyixing Heat Transfer Technology Co., Ltd.	China	Manufacturing and selling of cooling equipment	RMB 3,000	RMB 3,000	-	35.00%	RMB 1,631	RMB (2,721)	RMB (952)	-
	Beihai Li Zhun Electronics Co., Ltd.	China	Manufacturing and selling of fans	-	-	-	33.33%	RMB (75)	RMB (225)	RMB (75)	(Note 1)
BVI Sunon International Limited	Sunon Electronic (Foshan) Co., Ltd.	China	Manufacturing and selling of fans	RMB 78,067	RMB 166,171	-	100.00%	RMB 51,029	RMB (51,421)	RMB (51,421)	-
	Sunon Electronic (Bei Hai) Co., Ltd.	China	Manufacturing and selling of new type electronic parts	RMB 63,732	RMB 63,732	-	100.00%	RMB 148,344	RMB 69,943	RMB 69,943	-
Sunon Electronic (Foshan) Co., Ltd.	Beihai Li Zhun Electronics Co., Ltd.	China	Manufacturing and selling of fans	-	-	-	66.67%	RMB (150)	RMB (225)	RMB (150)	(Note 1)
Sunon SAS	Sunon Deutschland GmbH	Germany	Sales of fans	EUR 25	EUR 25	-	100.00%	EUR 6	EUR (140)	EUR (140)	-

Note1 : The amount is the share of profits or losses using the equity method recognized as the shareholding ration in the registered capital in the articles of association of the investment company.

Note2 : The above-mentioned parent-subsidary transactions have been eliminated.

Table 9

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA

DECEMBER 31, 2021

(1) Mainland Investment Information:

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profit/Loss (Note 2)	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow						
Sunon Electronic (Kunshan) Co., Ltd.	Manufacturing and selling of fans	NTD1,148,456 (USD 34,431) (Note 6)	(2)	NTD1,136,673 (USD33,880)	-	-	NTD1,136,673 (USD 33,880)	NTD 33,197 (USD 1,186)	100%	NTD 33,197 (USD 1,186) (2).B	NTD 1,303,231 (USD 47,082)	NTD 564,783 (USD 19,454)
Sunon Electronic (Foshan) Co., Ltd.	Manufacturing and selling of fans	NTD 323,418 (USD 10,000) (Note 7)	(2)	NTD 743,663 (USD22,840)	-	NTD 444,765 (USD 13,660)	NTD 298,898 (USD 9,180)	NTD-223,155 (RMB-51,421)	100%	NTD -223,155 (RMB -51,421) (2).B	NTD 221,544 (RMB 51,029)	NTD 751,056 (USD 25,095)
Sunon Electronic (Bei Hai) Co., Ltd.	Manufacturing and selling of new type electronic parts	NTD 293,115 (USD 10,000)	(2)	NTD 293,115 (USD10,000)	-	-	NTD 293,115 (USD 10,000)	NTD 303,540 (RMB 69,943)	100%	NTD 303,540 (RMB 69,943) (2).B	NTD 644,038 (RMB 148,344)	NTD 661,080 (USD 21,840)
Suzhou Shengyixing Heat Transfer Technology Co., Ltd.	Manufacturing and selling of cooling equipment	NTD 32,870 (RMB 7,692)	(3)	- (Note 5)	-	-	- (Note 5)	NTD -11,809 (RMB -2,721)	35%	NTD -4,133 (RMB -952) (2).A	NTD 7,081 (RMB 1,631)	-
Beihai Li Zhun Electronics Co., Ltd.	Manufacturing and selling of fans	- (Note 8)	(3)	- (Note 8)	-	-	- (Note 8)	NTD -978 (RMB -225)	100%	NTD -978 (RMB -225) (2).C	NTD -978 (RMB -225)	-

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 1,136,673 (USD 33,880)	USD 34,000	(Note 4)
NTD 298,898 (USD 9,180)	USD 10,000	
NTD 293,115 (USD 10,000)	USD 10,000	

Note: Gain and loss on investment are translated using average exchange rates for the year ended December 31, 2021 (USD:NTD 1:27.998; CYN:NTD 1:4.3398). Additions and ending balance are translated using the exchange rates as at December 31, 2021 (USD:NTD 1:27.68; CYN:NTD 1:4.3415)

Note 1: The investment methods are divided into the following three types:

- (1) Investing directly to the Mainland China;
- (2) Reinvesting in the Mainland China through third-region companies (please refer to Table 8);
- (3) Others.

Note 2: In the current period, the investment profit and loss column is recognized:

- (1) If during incorporation with no investment income or loss, it should be indicated;
- (2) The basis for recognition of investment gains and losses divided into the following three types, which should be indicated:
 - A. Audited financial statements by international accounting firms with cooperation relationship with accounting firms in the Republic of China.
 - B. Audited financial statements by parent company's auditors.
 - C. Others.

Note 3: The relevant figures in this form should be listed in New Taiwan Dollars.

(2)The Company's major transactions during year 2021 directly or indirectly through the third place and the mainland invested company are listed as follows:

1. Loans provided with mainland investment company: refer to Table 1 attached in Note 13.
2. Endorsements / guarantees with mainland investment company: refer to Table 2 attached in Note 13.
3. Significant transactions with mainland investment company: refer to Table 5 and Table 6 attached in Note 13.

Note 4: Enterprises approved by the Ministry of Economic Affairs as the operational headquarters are not subject to the amount or proportion.

Note 5: It is invested by Sunon Electronic (Kunshan) Co., Ltd.

Note 6: The Board of Directors of Sunon Electronic (Kunshan) Co., Ltd., resolved on March 15, 2021 to increase capital out of retained earnings for USD 431 thousand, and completed registration on March 25, 2021.

Note 7: The Board's of directors of Sunon Electronic (Foshan) Co., Ltd. approved in January 2021 to reduce capital by cash return for USD 13,660 thousand. Issued capital after capital reduction was USD 10,000 thousand. Company registration was completed.

Note 8: The Company is invested by Sunon Electronic (Kunshan) Co., Ltd. and Sunon Electronic (Foshan) Co., Ltd, and its establishment and registration have been Completed on December 20, 2011.

Note 9: The above-mentioned parent-subsidiary transactions have been eliminated.

Table 10

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON MAJOR SHAREHOLDERS

DECEMBER 31, 2021

(Unit: share)

Name of Major Shareholder	Number of Shares	Percentage of Ownership (%)
Guang Sheng Investment Corporation	18,730,000	7.46%
Yo Yuan Investment Corporation	14,825,000	5.90%
Fu-Ing Hong Chen	14,670,000	5.84%

Note: The information of major shareholders is based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (included treasury shares) by the Company as of December 31, 2021. The share capital in consolidated financial report may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

14.SEGMENT INFORMATION

(1) General information

For management purpose, the Group's reportable segments are listed as follows:

A. Great China: Mainly engaging business in Taiwan and China.

B. Europe and North America: Mainly engaging business in America and Europe.

C. Other: Other areas.

(2) Measurement basis

The Group uses profit before income tax as the measurement for segment profit and the basis of performance assessment. There was no material inconsistency between the accounting policies of the operating segment and the accounting policies described in Note 4.

(3) Segment financial information

(In thousands)

Year 2021	Great China	Europe and North America	Other Areas	Elimination	Total
Sales from external customers	\$12,494,131	\$1,067,673	\$ -	\$ -	\$13,561,804
Sales among inter-segment	9,740,189	-	-	(9,740,189)	-
Total sales	\$22,234,320	\$1,067,673	\$ -	\$(9,740,189)	\$13,561,804
Operating profit (loss)	\$705,118	\$19,390	\$(12,471)	\$(126,807)	\$585,230
Segment assets	\$ -	\$ -	\$ -	\$ -	\$11,517,320
Segment liabilities	\$ -	\$ -	\$ -	\$ -	\$7,150,535

a. Total reporting segment sales should eliminate inter-segment sales of \$9,740,189 thousand.

b. Income tax expense of \$155,977 thousand is excluded in segment profit (loss).

(In thousands)

Year 2020	Great China	Europe and North America	Other Areas	Elimination	Total
Sales from external customers	\$11,697,704	\$1,083,577	\$ -	\$ -	\$12,781,281
Sales among inter-segment	6,230,588	288	-	(6,230,876)	-
Total sales	\$17,928,292	\$1,083,865	\$ -	\$(6,230,876)	\$12,781,281
Operating profit (loss)	\$1,566,952	\$29,015	\$(6,576)	\$(500,988)	\$1,088,403
Segment assets	\$ -	\$ -	\$ -	\$ -	\$10,419,061
Segment liabilities	\$ -	\$ -	\$ -	\$ -	\$5,824,932

a. Total reporting segment sales should eliminate inter-segment sales of \$6,230,876 thousand.

b. Income tax expense of \$236,753 thousand is not included in segment profit (loss).

(4) Production and service information: No disclosure required for only single industry in the Group.

(5) Geographic information:

	Year ended December 31	
	2021	2020
Asia	\$10,515,961	\$9,863,379
Europe	2,220,711	2,163,164
America	729,659	616,700
Others	95,473	138,038
Total	<u>\$13,561,804</u>	<u>\$12,781,281</u>

(6) Major customers: No revenue from any individual customer exceeds 10% of the Group's total revenues. Therefore, the disclosure is not required.



國富浩華聯合會計師事務所

Crowe (TW) CPAs

80250高雄市苓雅區四維三路
6號27樓之1

27F-1., No.6, Siwei 3rd Rd.,
Lingya Dist.,Kaohsiung City
80250, Taiwan

Tel +886 7 3312133

Fax +886 7 3331710

www.crowe.tw

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, 2021 and 2020, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, 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, 2021 and 2020, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the parent company only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion 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, 2021. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, 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, 2021 are stated as follows:

Valuation of inventory

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

Description of key audit matter:

As of December 31, 2021, inventory was \$900,370 thousand and accounted for 11.0% 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 (20) for the description of revenue recognition. -211-



Description of key audit matter:

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

How the matter was addressed in our audit:

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

Other Matters

We did not audit the financial statements of associates accounted for using the equity method that are included in the parent company only financial statements. Those financial statements were audited by other independent accountants, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the parent company only financial statements is based solely on the audit reports of other independent accountants. The balances of these associates accounted for under the equity method amounted to \$163,739 thousand and \$161,041 thousand, representing 2.01% and 1.99% of total assets as of December 31, 2021 and 2020, respectively, and share of profits from associates and joint ventures amounted to \$9,917 thousand and \$19,019 thousand, representing 1.79% and 1.84% of the income before income tax for the years ended December 31, 2021 and 2020, respectively, and shares of other comprehensive income from associates and joint ventures amounted to \$(10,859) thousand and (\$1,638) thousand, representing 19.97% and (10.53%) of the other comprehensive income for the year ended December 31, 2021 and 2020, respectively.



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

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

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

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

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

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

As part of an audit in accordance with the auditing standards generally accepted in 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, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ching Ling Lee and Shu Man Tsai.

Crowe (TW) CPAs

Crowe (TW) CPAs

Kaohsiung, Taiwan (Republic of China)

March 10, 2022

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, 2021		December 31, 2020	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	\$499,970	6.1	\$491,384	6.1
Notes receivable, net	6(2)	32,577	0.4	16,320	0.2
Accounts receivable, net	6(3)	2,072,727	25.5	1,796,090	22.2
Accounts receivable - related parties, net	6(3), 7	744,501	9.1	530,555	6.5
Other receivables		23,079	0.3	18,752	0.2
Other receivables - related parties	7	27,420	0.3	19,386	0.2
Inventories	6(4)	900,370	11.0	608,008	7.5
Prepayments		13,321	0.2	11,461	0.1
Other current financial assets - current	6(5)	-	-	12,313	0.2
Total current assets		<u>4,313,965</u>	<u>52.9</u>	<u>3,504,269</u>	<u>43.2</u>
NONCURRENT ASSETS					
Investments accounted for using equity method	6(6)	2,650,469	32.5	3,400,199	42.1
Property, plant and equipment	6(7)	1,042,050	12.8	1,039,525	12.8
Right-of-use assets	6(8)	31,809	0.4	41,844	0.5
Investment properties, net	6(9)	85,489	1.0	80,889	1.0
Intangible assets	6(10)	15,386	0.2	17,792	0.2
Deferred income tax assets	6(26)	14,476	0.2	16,430	0.2
Refundable deposits		2,714	-	2,448	-
Prepayments for investments		288	-	-	-
Total noncurrent assets		<u>3,842,681</u>	<u>47.1</u>	<u>4,599,127</u>	<u>56.8</u>
TOTAL ASSETS		<u><u>\$8,156,646</u></u>	<u><u>100.0</u></u>	<u><u>\$8,103,396</u></u>	<u><u>100.0</u></u>
Liabilities and Equity					
CURRENT LIABILITIES					
Short-term loans	6(11)	\$620,000	7.6	\$350,000	4.3
Contract liabilities - current	6(20)	67,046	0.8	37,776	0.5
Accounts payable		824,330	10.1	773,102	9.5
Accounts payable - related parties	7	1,198,579	14.7	1,209,963	14.9
Other payables	6(12)	240,968	3.0	312,007	3.9
Other payables - related parties	6(12), 7	21,677	0.3	14,907	0.2
Current tax liabilities		141,711	1.7	84,991	1.0
Provisions - current	6(13)	14,273	0.2	13,759	0.2
Lease liabilities - current	6(8)	11,393	0.1	12,299	0.2
Advance receipts		2	-	326	-
Current portion of long-term loans	6(14)	35,222	0.4	-	-
Total current liabilities		<u>3,175,201</u>	<u>38.9</u>	<u>2,809,130</u>	<u>34.7</u>

Liabilities and Equity	Note	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
NONCURRENT LIABILITIES					
Long-term loans	6(14)	\$501,778	6.2	\$520,000	6.4
Deferred income tax liabilities	6(26)	36,498	0.4	90,397	1.1
Lease liabilities - noncurrent	6(8)	20,912	0.3	29,900	0.4
Net defined benefit liabilities - noncurrent	6(15)	55,047	0.7	59,391	0.7
Guarantee deposits		425	-	449	-
Total noncurrent liabilities		<u>614,660</u>	<u>7.6</u>	<u>700,137</u>	<u>8.6</u>
Total Liabilities		<u>3,789,861</u>	<u>46.5</u>	<u>3,509,267</u>	<u>43.3</u>
Share capital	6(16)				
Ordinary shares		2,509,297	30.7	2,509,297	31.0
Capital surplus	6(17)	366,903	4.5	366,903	4.5
Retained earnings	6(18)				
Legal reserve		842,984	10.3	758,081	9.4
Special reserve		242,095	3.0	260,275	3.2
Unappropriated earnings		700,864	8.6	941,668	11.6
Other equity	6(19)	(295,358)	(3.6)	(242,095)	(3.0)
Total Equity		<u>4,366,785</u>	<u>53.5</u>	<u>4,594,129</u>	<u>56.7</u>
TOTAL LIABILITIES AND EQUITY		<u><u>\$8,156,646</u></u>	<u><u>100.0</u></u>	<u><u>\$8,103,396</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			
		2021		2020	
		Amount	%	Amount	%
OPERATING REVENUES	6(20)	\$9,894,052	100.0	\$8,611,750	100.0
OPERATING COSTS	6(4)	(8,630,777)	(87.2)	(7,276,702)	(84.5)
GROSS PROFIT		1,263,275	12.8	1,335,048	15.5
UNREALIZED GROSS PROFIT ON SALES TO SUBSIDIARIS AND ASSOCIATES		(41,344)	(0.4)	(38,932)	(0.5)
REALIZED GROSS PROFIT ON SALES TO SUBSIDIARIS AND ASSOCIATES		38,932	0.4	33,951	0.4
OPERATING EXPENSES					
Sales and marketing		(289,196)	(2.9)	(268,557)	(3.1)
General and administrative		(253,288)	(2.6)	(279,417)	(3.2)
Research and development		(452,699)	(4.6)	(482,361)	(5.7)
Expected credit gain (loss)	6(3)	250	-	(462)	-
Total operating expenses		(994,933)	(10.1)	(1,030,797)	(12.0)
INCOME FROM OPERATIONS		265,930	2.7	299,270	3.4
NON-OPERATING INCOME AND EXPENSES					
Interest revenue	6(22)	2,260	-	3,887	-
Other income	6(23)	135,210	1.4	120,487	1.4
Other gains and losses	6(24)	52,027	0.5	131,779	1.5
Finance costs	6(25)	(8,372)	(0.1)	(7,617)	(0.1)
Share of profits of subsidiaries, associates and joint ventures		107,125	1.1	488,109	5.8
Total non-operating income and expenses		288,250	2.9	736,645	8.6
INCOME BEFORE INCOME TAX		554,180	5.6	1,035,915	12.0
INCOME TAX EXPENSE	6(26)	(124,927)	(1.3)	(184,265)	(2.1)
NET INCOME		429,253	4.3	851,650	9.9
OTHER COMPREHENSIVE INCOME (LOSS)	6(27)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation		(1,379)	-	(3,274)	-
Income tax benefit related to items that will not be reclassified subsequently		276	-	655	-
Total items that will not be reclassified subsequently to profit or loss		(1,103)	-	(2,619)	-
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive loss of subsidiaries, associates and joint ventures		(66,578)	(0.7)	22,725	0.3
Income tax benefit related to items that may be reclassified subsequently to profit or loss		13,315	0.2	(4,545)	(0.1)
Total items that may be reclassified subsequently to profit or loss		(53,263)	(0.5)	18,180	0.2
Total other comprehensive loss, net of income tax		(54,366)	(0.5)	15,561	0.2
TOTAL COMPREHENSIVE INCOME		374,887	3.8	867,211	10.1
EARNINGS PER SHARE					
Basic	6(28)	\$1.71		\$3.39	
Diluted	6(28)	\$1.71		\$3.39	

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

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

	Ordinary Shares	Capital Surplus	Retained Earnings			Other Exchange Differences on Translating Foreign Operations	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2020	\$ 2,509,297	\$ 366,903	\$ 689,398	\$ 164,709	\$ 758,746	\$ (260,275)	\$ 4,228,778
Appropriations and distributions of prior years' earnings:							
Legal reserve	-	-	68,683	-	(68,683)	-	-
Special reserve	-	-	-	95,566	(95,566)	-	-
Cash dividends - \$2 per share	-	-	-	-	(501,860)	-	(501,860)
Net income in 2020	-	-	-	-	851,650	-	851,650
Other comprehensive income (loss) in 2020, net of income tax	-	-	-	-	(2,619)	18,180	15,561
Total comprehensive income in 2020	-	-	-	-	849,031	18,180	867,211
BALANCE AT DECEMBER 31, 2020	2,509,297	366,903	758,081	260,275	941,668	(242,095)	4,594,129
Appropriations and distributions of prior years' earnings:							
Legal reserve	-	-	84,903	-	(84,903)	-	-
Special reserve	-	-	-	(18,180)	18,180	-	-
Cash dividends - \$2.4 per share	-	-	-	-	(602,231)	-	(602,231)
Net income in 2021	-	-	-	-	429,253	-	429,253
Other comprehensive income (loss) in 2021, net of income tax	-	-	-	-	(1,103)	(53,263)	(54,366)
Total comprehensive income in 2021	-	-	-	-	428,150	(53,263)	374,887
BALANCE AT DECEMBER 31, 2021	\$ 2,509,297	\$ 366,903	\$ 842,984	\$ 242,095	\$ 700,864	\$ (295,358)	\$ 4,366,785

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	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 554,180	\$ 1,035,915
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation	65,637	69,511
Amortization	13,818	12,620
Expected credit loss	(250)	462
Interest expense	8,372	7,617
Interest income	(2,260)	(3,887)
Share of profits of subsidiaries, associates and joint ventures	(107,125)	(488,109)
Gain on disposal and retirement of property, plant and equipment	(16)	(65)
Transfer of property, plant and equipment to expenses	47	77
Gain on reversal of impairment loss on non-financial assets	(4,906)	-
Unrealized gross profit on sales to subsidiaries and associates	41,344	38,932
Realized gross profit on sales to subsidiaries and associates	(38,932)	(33,951)
Other	14,031	-
Total adjustments to reconcile profit (loss)	(10,240)	(396,793)
Net changes in operating assets and liabilities		
Decrease (increase) in notes receivable	(16,257)	(3,607)
Decrease (increase) in accounts receivable	(276,387)	67,126
Decrease (increase) in accounts receivable - related parties	(213,946)	(169,367)
Decrease (increase) in other receivables	(4,327)	(4,793)
Decrease (increase) in other receivables - related parties	(8,034)	(1,158)
Decrease (increase) in inventories	(292,362)	165,918
Decrease (increase) in prepayments	(1,367)	(267)
Total changes in operating assets	(812,680)	53,852
Net changes in operating liabilities		
Increase (decrease) in contract liabilities	29,270	18,536
Increase (decrease) in accounts payable	51,228	(130,542)
Increase (decrease) in accounts payable - related parties	(11,384)	83,970
Increase (decrease) in other payables	(72,328)	66,960
Increase (decrease) in other payables - related parties	6,770	2,986
Increase (decrease) in provisions	514	483
Increase (decrease) in advance receipts	(324)	(134)
Increase (decrease) in net defined benefit liabilities	(5,723)	(5,612)
Total changes in operating liabilities	(1,977)	36,647
Total net changes in operating assets and liabilities	(814,657)	90,499
Total adjustments	(824,897)	(306,294)

	Year Ended December 31	
	2021	2020
Cash generated from (used in) operations	(\$270,717)	\$ 729,621
Interest received	2,260	3,887
Dividends received	420,136	390,056
Interest paid	(8,312)	(7,672)
Income tax paid	(106,561)	(95,637)
Net cash generated from operating activities	36,806	1,020,255
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	(27,962)	(436,110)
Decrease in prepayments for investments	-	53,701
Proceeds from capital reduction of investments accounted for using equity method	381,660	-
Acquisition of property, plant and equipment	(55,003)	(27,438)
Proceeds from disposal of property, plant and equipment	207	666
Increase in refundable deposits	(266)	-
Decrease in refundable deposits	-	234
Acquisition of intangible assets	(10,445)	(20,897)
Increase in other financial assets	-	(12,313)
Decrease in other financial assets	12,313	-
Increase in other non-current assets	(987)	-
Net cash generated from (used in) investing activities	299,517	(442,157)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	270,000	-
Decrease in short-term loans	-	(335,000)
Proceeds from long-term loans	17,000	300,000
Decrease in guarantee deposits	(24)	(307)
Repayments of lease principal	(12,482)	(15,353)
Cash dividends paid	(602,231)	(501,860)
Net cash used in financing activities	(327,737)	(552,520)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,586	25,578
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	491,384	465,806
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 499,970	\$ 491,384

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

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except Stated Otherwise)

1. GENERAL INFORMATION

Sunonwealth Electric Machine Industry Co., Ltd. (collectively as the “Company”) was incorporated in October 1980. The Company engages mainly in the manufacturing and selling of AC/DC brushless fans, electric fans, motors and related components, and micro cooling fans.

The parent company only financial statements are presented in the Company’s functional currency, New Taiwan Dollars.

2. THE AUTHORIZATION OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

The parent company only financial statements were approved and authorized for issue by the Board of Directors on March 10, 2022.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

- (1) Effect of adoption of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC):

New standards, interpretations and amendments endorsed by the FSC and effective from 2021 are as follows:

<u>New, Amended or Revised Standards and Interpretations (the “New IFRSs”)</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 4 “Extention of the Temporary Exemption from IFRS 9”	June 25, 2020 (Effective from issue date)
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendments to IFRS 16 “Leases regarding COVID-19 related rent concessions after June 30, 2021”	April 1, 2021 (Note)

(Note) Early application from January 1, 2021 is allowed by the FSC.

Base on the Company’s assessment, the above standards and interpretations have no significant effect on the Company’s financial position and financial performance.

- (2) Effect of new issuances or amendments to IFRSs as endorsed by the FSC but not yet adopted:
New standards, interpretations and amendments endorsed by the FSC and effective from 2022 are as follows:

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 16 “Property, Plant and Equipment: Proceeds Before Intended Use”	January 1, 2022 (Note 2)
Amendments to IAS 37 “Onerous Contract - Cost of Fulfilling a Contract”	January 1, 2022 (Note 3)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 4)
Annual Improvements to IFRSs 2018-2020	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the New IFRSs above are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Company should apply these amendments retrospectively. However, the amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 3: This amendment applies to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 4: This amendment applies to business combinations whose acquisition date starts in the annual reporting period after January 1, 2022.

Note 5: The amendments to IFRS 9 are applicable to swap or modification of terms of financial liabilities incurred during the annual reporting period beginning on January 1, 2022. The amendment to IAS 41 is applicable to fair value measurement during the annual reporting period beginning after January 1, 2022. The amendments to IFRS 1 are retrospectively applied to the annual reporting period beginning after January 1, 2022.

A. Amendment to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendment stipulates that the sales price of the project produced in order to make property, plant and equipment reach the necessary location and state that can meet the expected operation mode of the management is not suitable as a cost reduction of the asset. The aforementioned items should be measured in accordance with IAS 2 “Inventory”, and the sales price and cost should be recognized in profit and loss in accordance with the applicable standards.

This amendment is applicable to factories, property and equipment that reach the necessary locations and conditions for the management's expected operation mode after January 1, 2021 (the beginning of the earliest expression period). When the Company initially applies the amendments, it will recognize the cumulative effect of the amendments applied initially as an adjustment to the opening balance of the

retained earnings (or other components of equity, as appropriate) at the beginning of the earliest expression period, and re-edit the information during the comparison period.

B. Amendment to IAS 37 “Onerous Contract - Cost of Fulfilling a Contract”

The amendment stipulates that when assessing whether the contract is onerous, “Cost of Fulfilling a Contract” should include the incremental cost of fulfilling a contract (for example, direct labor and raw materials) and the allocation of other costs directly related to fulfilling a contract (for example, the depreciation expenses of property, plant and equipment items used in fulfilling a contract are allocated).

C. Amendment to IFRS 3 “Reference to the Conceptual Framework”

The amendment is to update the index of the conceptual framework and add the requirement that the acquirer shall apply IFRIC 21 “Levies” to determine whether there is an obligation to pay levies on the acquisition date.

D. Annual Improvements to IFRS Standards 2018-2020

The annual improvement in the IFRS 2018-2020 includes amendments to certain standards. Among them, the amendment of IFRS 9 “Expenses included in the “10%” test for the purpose of derecognize financial liabilities” is to assess whether there is a significant difference between the swap of financial liabilities or the modification of terms, When comparing cash flow projections of the new and old contract terms (including the net amount of fees charged for signing a new contract or modifying the contract), whether there is a 10% difference, the aforesaid fees collected should only include the payment between the borrower and the lender paid for.

The Company has evaluated the aforementioned standards and interpretations, and there’s no significant effect to the Company’s financial position and performance.

(3) Effect of the IFRSs issued by IASB but not yet endorsed and issued into effect by FSC :

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial application IFRS 17 and IFRS 9 – Compare Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendment to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023

As of the date the parent company only financial statements are authorized for issue, the Company is still evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The accompanying parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

A.Except for the following items, the accompany parent company only financial statements have been prepared under the historical cost convention:

- a. Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- b. Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B.The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

C.When preparing the parent company only financial statements, the Company accounts for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the parent company only financial statements.

(3) Foreign currency translation

A. Foreign currency transactions and balance

- a. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- b. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- c. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

B. Translation of foreign operations

- a. The operating results and financial position of all the Company's subsidiaries, associates and joint ventures that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - (c) All resulting exchange differences are recognized in other comprehensive income.
- b. When the foreign operation partially disposed of or sold is an associate or a joint venture, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Company retains partial interest in the former foreign associate or joint venture after losing significant influence over the former foreign associate or joint venture, such transactions should be accounted for as disposal of all interest in these foreign operations.
- c. When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign

subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

A.Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- a. Assets arising from operating activities that are expected to be realized, or intended to be sold or consumed within the normal operating cycle;
- b. Assets held mainly for trading purposes;
- c. Assets that are expected to be realized within twelve months from the balance sheet date;
- d. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B.Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- a. Liabilities that are expected to be paid off within the normal operating cycle;
- b. Liabilities held mainly for trading purposes;
- c. Liabilities that are to be paid off within twelve months from the balance sheet date (Even if a long-term refinancing or re-arrangement of payment agreements is completed after the balance sheet date and before the issuance of the financial report is approved, it is classified as current liabilities).
- d. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including the original maturity of the time deposits within three months.)

(6) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

A. Financial assets

a. Category of financial assets

Financial assets are recognized on a trade date basis.

Financial assets are classified into the following categories: financial assets at FVTPL and financial assets at amortized cost.

(a) Financial asset at FVTPL

For certain financial assets are classified as at FVTPL when such a financial asset is mandatorily and designated classified. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

When the financial assets meet one of the following conditions, the Company designates them as measured at fair value through profit and loss at the time of initial recognition:

- i. It is a mixed (combined) contract; or
- ii. It can eliminate or significantly reduce measurement or recognition inconsistencies; or
- iii. It is an investment that manages and evaluates its performance on a fair value basis based on written risk management or investment strategies.

Financial assets at fair value through profit or loss are measured at fair value, dividends generated are recognised in other income, and interest income and gains or losses arising from remeasurement are recognised in other gains and losses. For the determination of fair value, please refer to Note 12.

(b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial assets give rise on specified date to cash flow that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Except for the following two cases, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset:

- i. Purchased or originated credit-impaired financial assets: for those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets: for those financial assets, the Company shall apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

b. Impairment of financial assets

- (a) At the end of each reporting period, a loss allowance for expected credit loss is recognized for financial assets at amortized cost (including accounts receivable), investments in debt instruments that are measured at FVTOCI, lease receivable and contract assets.
- (b) The Company always recognize lifetime Expected Credit Loss (i.e. ECL) for accounts receivables. For other financial assets, the Company recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equaling to 12-month ECL.
- (c) Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. In contrast, lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.
- (d) The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

c. Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

- (a) The contractual rights to receive cash flows from the financial asset expire.
- (b) The contractual rights to receive cash flows from the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- (c) The Company neither retains nor transfers substantially all risks and rewards of ownership of the financial asset; however, it has not retained control of the financial asset.

On derecognition of financial assets at amortized cost in its entirety, the difference between the financial asset's carrying amount and the sum of the consideration received is recognized in profit or loss. On derecognition of debt instrument measured at fair value through other comprehensive income, the difference between the financial asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss. On derecognition of equity instruments at fair value through other comprehensive income in its entirety, the cumulative profit and loss will be transferred directly to retained earnings without reclassified into profit and loss.

B. Equity instruments

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

C. Financial liabilities

a. Subsequent measurement

Except for the following conditions, all financial liabilities are measured at amortized cost in accordance with the effective interest method:

- (a) Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or is designated as at fair value through profit or loss. Financial liabilities classified as held for trading are mainly for repurchasing in the short term when they occur, and derivatives other than financial guarantee contracts or designated and effective hedging instruments. Financial assets meet one of the following conditions, the Company designates them as measured at fair value through profit and loss at the time of initial recognition:
 - i. It is a mixed (combined) contract; or
 - ii. It can eliminate or significantly reduce measurement or recognition inconsistencies; or
 - iii. It is an instrument that manages and evaluates its performance on a fair value basis based on written risk management or investment strategies.

b. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the

consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(7) Inventories

Inventories are stated at the lower of cost and net realisable value, accounted for on a perpetual basis. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(8) Investments accounted for using equity method / subsidiaries

A. Subsidiaries are all entities (including structured entities) controlled by the Company.

The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.

C. After acquisition of subsidiaries, the Company recognizes proportionately the share of profit and loss and other comprehensive income in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of Company's interest in that subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.

D. As long as the change in shareholding in the subsidiaries does not lead to loss of control, it is to be treated as equity transaction that is to be treated as transactions between the owners. The difference between non-controlling equity adjustment amount and the fair value of payment and receipt is to be recognized as equity.

E. When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities. It should reclassify the amount previously recognized in other comprehensive income to profit or loss. When the Company loses

control of a subsidiary, gain or loss previously recognized in equity should be reclassified to profit or loss.

F. Pursuant to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers,” profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners’ equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(9) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”, from the date of the change.

Service lives estimated as follows:

Buildings:

Main building, 39 to 57 years;

Others, 2 to 39 years;

Machinery and equipment, 3 to 10 years;

Other equipment, 2 to 24 years;

Leasehold improvement, 2 to 22 years;

D. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(10) Leases/The Company as a lessee

The Company assesses whether the contract is (or includes) a lease at the date of the contract. For a contract that includes a lease component and one or more additional lease or non-lease components, the Company will allocate the consideration to the lease component base on the individual price of each lease component and the aggregated individual price of the non-lease component.

Except for payments for low-value asset and short-term leases which will be recognized as expenses on a straight-line basis, the Company will recognize right-of-use assets and lease liabilities for all leases at the inception of lease.

Right-of-use asset

The right-of-use asset is initially measured at cost (including the initial measurement amount of the lease liability, the payments less incentives, initial direct costs and the estimated recover cost), the subsequent measurement is based on the cost less accumulated depreciation and accumulated impairment loss, and adjusting the amount of re-measures of lease liabilities.

The right-of-use asset recognized depreciation is using the straight-line basis from the date of the lease until the expiration of the useful life or the expiration of the lease term, the depreciation is provided that the title of the underlying asset will be acquired at the end of the lease period or, if the cost of the right-of-use asset reflects the execution of the purchase option.

Lease liability

The lease liability is initially measured by the present value of the lease payment (including fixed payment, substantive fixed payment, change in lease payment depending on the index or rate, etc.). If the implied interest rate on the lease is easy to determine, the lease payment is discounted using that interest rate. If the interest rate is not easy to determine, the lessee's increase borrowing rate is used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. If the lease period, the evaluation of the purchase choice, the amount of expected to be paid under the residual value guarantee or the change in the index or rate used to determine the lease payment result in a change in the future lease payment, the Company will measure the lease liability and adjust the right to use assets relatively. If the carrying amount has been reduced to Zero, the remaining amount will recognize in the profit and loss. Lease liabilities are presented in a single-line project on the parent company only balance sheet.

(11) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes), also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

Investment properties in the course of construction are stated at cost less accumulated impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Depreciation of these assets commences when the assets are ready for their intended use.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(12) Intangible assets

Intangible assets with finite useful lives that are acquired separately are measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the following estimated lives: computer software - 2 to 15 years; trademarks are the economic benefit or contract period. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Intangible assets are derecognized when disposed of or expected to have no future economic benefits generated through usage or disposal. On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(13) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss.

(14) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can

be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(15) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

a. Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

b. Defined benefit plans

(a) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior period. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

(b) Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

(c) Past service costs are recognized immediately in profit or loss.

C. Employees' bonus and directors' remuneration

Employees' bonus and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive

obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' remuneration are different from the actual distributed amounts as resolved by the shareholders at their shareholders' meeting subsequently, the differences should be recognized based on the accounting for changes in estimates.

D. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognizes expense when it can no longer withdraw an offer of termination benefits or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

(16) Share capital and treasury shares

A. Share capital

Ordinary share is classified as equity. The classification of the preferred stock depends on the essence of the agreement. If the preferred stock matches the definition of the financial liability, it is classified as a liability. Otherwise, it is classified as equity. Incremental cost that can be attributed to the issuance of stocks or options is deducted from the capital issued.

B. Treasury Shares

When the Company acquires its outstanding shares, the repurchase considerations (including all directly accountable costs) are recognized under treasury shares and shown as a deduction in equity. Gains on disposal of treasury shares should be recognized under "capital surplus - treasury stock transactions"; losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there is insufficient capital surplus to offset the losses, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted-average method for the purpose of repurchased shares.

When the Company's treasury shares are retired, the treasury share account should be credited, and the capital surplus - premium on stock account and capital stock account should be debited proportionately according to the share ratio. The carrying value of treasury shares in excess of the sum of its par value and premium on stock should first be offset against capital surplus from similar types of treasury share transactions, and the remainder, if any, debited to retained earnings. The sum of the par value and premium on treasury shares in excess of its carrying value should be credited to capital surplus from similar types of treasury share transactions.

(17) Share-based payment transactions

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.
- B. Cash-settle share-based payment arrangements are the fair value of liabilities undertaken recognized in remuneration costs and liabilities in the vesting period and measured by the fair value of equity instruments offered at each balance sheet date and the settlement date. Any changes are recognized in profit or loss.

(18) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted

by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. Tax preference given for expenditures incurred on acquisitions of equipment or technology, research and development, employees' training and equity investments is recorded using the income tax credits accounting.

(19) Revenue Recognition

The Company recognizes revenues based on the following steps:

- A. Identifying the contracts;
- B. Identifying obligations in the contracts;
- C. Determining prices;
- D. Allocating prices into the obligations in the contracts;
- E. Recognizing revenues while fulfilling the obligations.

The Company identify the contract with the customers, allocate the transaction price to the performance obligations, and recognize revenue when performance obligations are satisfied.

The Company does not adjust the promised amount of consideration for the effects of a significant financing component if the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

A. Goods sales

The Company sells fans and other relevant products. Sales revenues are recognized while the control of goods is transferred to the customers since the customers already have the rights to use, set price, take the major responsibility to resell the good and bear the risk of obsolescence. The Company recognizes revenues and accounts receivable at the point and presents it in net term after deducting sales return, quantity discount and sales allowance.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

B. Service revenue

Revenue from technical services is recognized when services are provided that in accordance with the relevant agreements.

(20) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All borrowing costs other than those stated above are recognized in profit or loss in the period in which they are incurred.

(21) Government subsidy

Government subsidies are recognized at fair value when it is reasonably certain that the Company will comply with the conditions attached to the government subsidies and will receive such subsidies.

Government subsidies are recognized in profit and loss on a systematic basis during the period when the relevant costs that they intend to compensate are recognized as expenses by the company. If government subsidy is used to compensate for expenses or losses that have occurred, or for the purpose of providing the Company with immediate financial support and there is no future related cost, it is recognized in the profit and loss during the period when it can be received. Government subsidies related to property, plant and equipment are recognized as non-current liabilities, and recognized as profits and losses on a straight-line basis based on the estimated useful life of the relevant assets.

5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of the Company's parent company only financial statements is adopting accounting policies based on the following significant judgements, significant accounting estimates and assumptions:

(1) Critical judgements in applying accounting policies

A. Judgment of financial asset classification

The Company assesses the business model of financial assets based on the hierarchy that reflects the Company of financial assets that are jointly managed for specific business purposes. This assessment requires consideration of all relevant evidence, including measures of asset performance, risks affecting performance, and the manner in which the relevant managers are determined, and judgments are required.

The Company continues to assess the adequacy of its business model and monitors the financial assets measured by the amortized cost before the maturity date and the debt instrument investments measured at fair value through other comprehensive income. Evaluate whether the disciplinary action has the same goal of business model. If the business model has been changed, the Company delays the adjustment of the subsequent classification of financial assets. The Company reclassifies financial assets in accordance with IFRS 9, and the application will be postponed from the date of reclassification, if the business model has changed.

B. Revenue recognition

The Company follows IFRS 15 to determine if it controls the specified good or service before that good or service is transferred to the customer, and the Company is acting as a principal or an agent in that transaction. When the Company acts as an agent, revenue is recognized on a net basis.

The Company acts as a principal as that it meets one the of following situations:

- a. The Company gains control over the goods from the other party before transferring goods to customers.
- b. The Company controls the right of providing service by the other party in order to control the ability of the party to provide service to customers.
- c. The Company gain control over goods or service from the other party in order to combine with other goods or services to provide specific goods or services to customers.

The indicators (not limited to) which assist making judgment on whether the Company controls the goods or services before transferring goods or services to customers:

- a. The Company has primary responsibilities for the goods or services it provides;
- b. The Company bears inventory risk before transferring the specific goods or services to customer, or after transferring the control to customer.
- c. The Company has the discretion to set prices.

C. Lease term

In determining the lease term, the Company considers all the facts and circumstances that create an economic incentive to exercise (or not exercise) the option, including all expected change in facts and circumstances from the commencement date until the exercise date of the option. Factors considered include the contractual terms and conditions for the optional period, the significant leasehold improvements made (or expected) during the contract period, and the importance of the underlying assets to the Company's operations, etc. The lease term is reassessed if a significant change in circumstance that are within the control of the Company occurs.

(2) Critical accounting estimates and assumptions

A. Revenue Recognition

The Company recognizes records a refund for estimated future returns and other allowances in the same period the related revenue is recorded. Refund for estimated sales returns and other allowances is generally made and adjusted at a specific percentage based on historical experience and any known factors that would significantly affect the allowance, and our management periodically reviews the adequacy of the percentage used.

B. Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

C. Process of fair value measurement and evaluation

When the assets and liabilities at fair value with no active market, the Company determines whether to use outside appraisal and using proper evaluation techniques based on related regulation or its own judgment. If the Level 1 input value is not available while evaluating, the Company refers to the analysis of the investee's financial position and operating outcome, recent trading price, quotes on non-active market of same equity instrument, quotes on active market of similar equity instrument and evaluation multiples of comparable companies. If the future input value is different from expectation, the fair value might change. The Company updates input values quarterly according to the market status in order to monitor if the measurement of fair value is appropriate.

D. Impairment assessment of tangible and intangible assets

The Company assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Company strategy might cause material impairment on assets in the future.

E. Impairment assessment on investment using equity method

The Company assesses the impairment of investments accounted for using the equity method whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value cannot be recoverable. The Company assesses the recoverable amount based on a projected future cash flow and receivable cash dividend of the investees, and disposal-generating future cash flow to ensure the reasonableness of such assumptions.

F. Realisability of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred income tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, laws, and regulations might cause material adjustments to deferred income tax assets.

G. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. The Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value.

H. Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Company must apply judgments and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and future salary growth rate. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

I. Lessees' incremental borrowing rates

At the time of the decision to increase the borrowing rate of the lessee used in the lease payment, the risk-free interest rate and the same currency is used as the reference rate, and the estimated lessee's credit risk sticker and lease specific adjustments (such as asset-specific and secured factors) are taken into account.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

Item	December 31	
	2021	2020
Cash on hand	\$368	\$320
Cash in banks	499,602	491,064
Total	<u>\$499,970</u>	<u>\$491,384</u>

A. The financial institutions dealing with the Company are credit worthy, and the Company does transactions with a number of financial institutions to diversify credit risk that are unlikely to be expected to default.

B. The Company had no cash and cash equivalents pledged to others.

(2) Notes receivable, net

Item	December 31	
	2021	2020
At amortized cost		
Notes receivable	\$32,601	\$16,344
Less: Loss allowance	(24)	(24)
Net	<u>\$32,577</u>	<u>\$16,320</u>

- A. The Company had no notes receivable pledged to others.
- B. Please refer to Note 6(3) for the relevant disclosure of loss allowance for notes receivable.

(3) Accounts receivable, net

Item	December 31	
	2021	2020
At amortized cost		
Accounts receivable	\$2,824,313	\$2,335,486
Less: Loss allowance	(7,085)	(8,841)
Net	<u>\$2,817,228</u>	<u>\$2,326,645</u>

- A. The accounts receivable that were neither past due nor impaired was following the Company's credit policy determined by reference to the industry characteristics, operation scale and current financial position of the counterparties. The average credit period on sales of goods was 3-4 months.
- B. The Company had no account receivable pledged to others.
- C. To reduce major credit risk, the Company bought credit guarantee insurance.
- D. Please refer to Note 7 for accounts receivable with related parties.
- E. The Company applies the simplified approach to provisions for expected credit losses, which permits the use of a lifetime expected credit losses provision for trade receivables (including other receivables). The expected credit losses on trade receivables are estimated by reference to past account aging records of the debtor, an analysis of the debtor's current financial position, and industrial trend. As the Company's historical credit losses experience does not show significantly different loss patterns for different customer segments, the provision for losses based on past due status of notes receivable and accounts receivable (including other receivables) is not further distinguished between the Company's different customer base.

F. The Company measures the loss allowance for notes receivable, accounts receivable and other receivables according to the preparation matrix (including related parties):

December 31, 2021	Expected Credit Loss Rate	Gross Carrying Amount	Loss Allowance (Lifetime ECL)	Amortized Cost
Not past due	0.05%-5%	\$2,751,229	(\$6,162)	\$2,745,067
Past due within 30 days	0.05%-5%	142,153	(764)	141,389
Past due 31-90 days	0.05%-5%	14,029	(182)	13,847
Past due over 91 days	0.05%-5%	2	(1)	1
Total		\$2,907,413	(\$7,109)	\$2,900,304

December 31, 2020	Expected Credit Loss Rate	Gross Carrying Amount	Loss Allowance (Lifetime ECL)	Amortized Cost
Not past due	0.05%-5%	\$2,230,316	(\$7,656)	\$ 2,222,660
Past due within 30 days	0.05%-5%	146,899	(1,180)	145,719
Past due 31-90 days	0.05%-5%	10,639	(28)	10,611
Past due over 91 days	0.05%-5%	2,114	(1)	2,113
Total		\$2,389,968	(\$8,865)	\$ 2,381,103

G. Movements of the loss allowance for notes and accounts receivable (include related parties) were as follows:

Item	Year Ended December 31	
	2021	2020
Beginning balance	\$8,865	\$8,403
Add: Provision for impairment	-	462
Less: Reversal of impairment	(250)	-
Less: Write-offs	(1,506)	-
Ending balance	\$7,109	\$8,865

The above provision has already taken into consideration of collateral or other credit enhancement. The other credit enhancement possessed by above receivables were \$629,087 thousand and \$460,071 thousand as of December 31, 2021 and 2020, respectively.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery of the receivable. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables

which are due. Where recoveries are made, these are recognized in profit or loss. The Company's trade receivables for offsetting the contract amount were \$1,506 thousand and \$0 thousand for the years ended December 31, 2021 and 2020, respectively.

H. Please refer to Note 12 for the relevant credit risk management and assessment method.

(4) Inventories and operating costs

Item	December 31	
	2021	2020
Raw materials	\$380,328	\$186,026
Supplies	2,766	3,580
Work in process	30,877	61,045
Finished goods	486,399	357,357
Net	<u>\$900,370</u>	<u>\$608,008</u>

A. The related inventory (gain) loss recognized as operating cost for the years ended December 31, 2021 and 2020 were as follows:

Item	Year Ended December 31	
	2021	2020
Cost of goods sold	\$8,570,227	\$7,203,642
Unallocated overheads and labor cost	52,405	46,400
Loss (Gain) on inventory valuation	(5,939)	(17,397)
Others	14,084	44,057
Total	<u>\$8,630,777</u>	<u>\$7,276,702</u>

B. The Company recognized inventory valuation gain of \$5,939 thousand and \$17,397 thousand for the years ended December 31, 2021 and 2020, respectively, as a result of raising some product prices and reducing some inventory.

C. The Company had no inventories pledged to others.

(5) Other financial assets - current

Item	December 31	
	2021	2020
Project deposits	<u>\$ -</u>	<u>\$12,313</u>

(6) Investments accounted for using equity method

Item	December 31	
	2021	2020
Subsidiaries:		
Successful Century Co., Ltd.	\$1,272,576	\$1,433,968
BVI Sunon International Limited	806,318	1,378,591
Sunon INC	112,615	91,086
Sunon SAS	51,124	69,955
Sunonwealth Electric Machine Ind. (H.K.) Ltd.	1,750	1,852
Sunon Corporation	1,968	2,353
Sunon Electronics India Private Limited	2,904	2,157
Sunon Electronics Philippines Corp.	26,683	5,614
Sunon Properties Philippines Corp.	374,531	414,623
Total	<u>\$2,650,469</u>	<u>\$3,400,199</u>

- A. For more information regarding the subsidiaries of the Company, please refer to Note 4(3) to the Company's consolidated financial statements of 2021.
- B. The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2021 and 2020 were based on the subsidiaries' financial statements audited by auditors for the same years, except for Sunonwealth Electric Machine Ind.(H.K.) Ltd., Sunon Corporation and Sunon Electronics India Private Limited. The Company considered no material adjustments had these subsidiaries' financial statements been audited.
- C. The Company had no investments accounted for using equity method pledged to others as of December 31, 2021 and 2020.

(7) Property, plant and equipment

Item	December 31	
	2021	2020
Land	\$802,249	\$804,381
Buildings	196,906	204,195
Machinery and equipment	165,862	143,771
Miscellaneous equipment	64,466	78,796
Leasehold improvements	40,467	40,467
Equipment to be inspected and construction in progress	22,566	14,460
Total cost	<u>\$1,292,516</u>	<u>\$1,286,070</u>
Less: Accumulated depreciation	<u>(250,466)</u>	<u>(246,545)</u>
Net	<u>\$1,042,050</u>	<u>\$1,039,525</u>

Cost	Equipment to be Inspected and Construction in Progress						Total
	Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Leasehold Improvement	Equipment to be Inspected and Construction in Progress	
Balance at January 1, 2021	\$804,381	\$204,195	\$143,771	\$78,796	\$40,467	\$14,460	\$1,286,070
Additions	-	4,688	4,633	9,239	-	36,911	55,471
Disposals	-	-	(8,934)	(23,920)	-	-	(32,854)
Reclassification	-	2,015	26,392	351	-	(28,758)	-
Transfer to expenses	-	-	-	-	-	(47)	(47)
Transfer from investment properties	70,977	15,387	-	-	-	-	86,364
Transfer to investment properties	(73,109)	(29,379)	-	-	-	-	(102,488)
Balance at December 31, 2021	\$802,249	\$196,906	\$165,862	\$64,466	\$40,467	\$22,566	\$1,292,516
Accumulated Depreciation and Impairment							
Balance at January 1, 2021	\$ -	\$104,884	\$61,027	\$47,413	\$33,221	\$ -	\$246,545
Depreciation	-	6,332	25,769	17,886	2,842	-	52,829
Disposals	-	-	(8,744)	(23,919)	-	-	(32,663)
Transfer from investment properties	-	7,677	-	-	-	-	7,677
Transfer to investment properties	-	(23,922)	-	-	-	-	(23,922)
Balance at December 31, 2021	\$ -	\$94,971	\$78,052	\$41,380	\$36,063	\$ -	\$250,466

Cost	Equipment to be Inspected and Construction in Progress						Total
	Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Leasehold Improvement	Equipment to be Inspected and Construction in Progress	
Balance at January 1, 2020	\$804,381	\$204,195	\$131,415	\$81,659	\$40,467	\$22,824	\$1,284,941
Additions	-	-	2,357	11,456	-	13,935	27,748
Disposals	-	-	(10,095)	(23,590)	-	-	(33,685)
Reclassification	-	-	20,094	2,128	-	(22,222)	-
Transfer to expenses	-	-	-	-	-	(77)	(77)
Transfer from right-of-use assets	-	-	-	7,143	-	-	7,143
Balance at December 31, 2020	\$804,381	\$204,195	\$143,771	\$78,796	\$40,467	\$14,460	\$1,286,070
Accumulated depreciation and impairment							
Balance at January 1, 2020	\$ -	\$99,489	\$48,014	\$44,021	\$29,585	\$ -	\$221,109
Depreciation	-	5,395	22,507	23,593	3,636	-	55,131
Disposals	-	-	(9,494)	(23,590)	-	-	(33,084)
Transfer from right-of-use assets	-	-	-	3,389	-	-	3,389
Balance at December 31, 2020	\$ -	\$104,884	\$61,027	\$47,413	\$33,221	\$ -	\$246,545

A. The details of interest capitalized: None.

B. The Company does not assess the impairment because there is no sign of impairment for the year ended December 31, 2021.

C. Property, plant and equipment pledged for the borrowings: Please refer to Note 8.

D. Reconciliations of current additions and the acquisition of property, plant and equipment in statement of cash flows were as follows:

Item	Year Ended December 31	
	2021	2020
Acquisition of property, plant and equipment	\$55,471	\$27,748
Decrease (increase) in equipment payable	(468)	(310)
Cash paid for acquisition of property, plant and equipment	\$55,003	\$27,438

(8) Lease agreement

A. Right-of-use assets

Item	December 31	
	2021	2020
Land and building	\$53,056	\$52,446
Other equipment	9,950	11,020
Total cost	\$63,006	\$63,466
Less: Accumulated depreciation and impairment	(31,197)	(21,622)
Net	\$31,809	\$41,844

Cost	Land and Buildings	Other Equipment	Total
Balance at January 1, 2021	\$52,446	\$11,020	\$63,466
Additions	968	4,264	5,232
Disposals	(328)	(2,316)	(2,644)
Derecognition	(30)	(3,018)	(3,048)
Balance at December 31, 2021	\$53,056	\$9,950	\$63,006
Accumulated Depreciation and Impairment			
Balance at January 1, 2021	\$16,558	\$5,064	\$21,622
Depreciation	9,359	3,264	12,623
Derecognition	(30)	(3,018)	(3,048)
Balance at December 31, 2021	\$25,887	\$5,310	\$31,197

Cost	Land and Buildings	Other Equipment	Total
Balance at January 1, 2020	\$23,156	\$18,999	\$42,155
Additions	29,696	757	30,453
Disposals	(227)	-	(227)
Derecognition	(179)	(1,593)	(1,772)
Transfer to property, plant and equipment	-	(7,143)	(7,143)
Balance at December 31, 2020	<u>\$52,446</u>	<u>\$11,020</u>	<u>\$63,466</u>
<u>Accumulated Depreciation and Impairment</u>			
Balance at January 1, 2020	\$7,837	\$4,983	\$12,820
Depreciation	8,900	5,063	13,963
Derecognition	(179)	(1,593)	(1,772)
Transfer to property, plant and equipment	-	(3,389)	(3,389)
Balance at December 31, 2020	<u>\$16,558</u>	<u>\$5,064</u>	<u>\$21,622</u>

B. Lease liabilities

Item	December 31	
	2021	2020
Carrying amount of lease liabilities		
- current	\$11,393	\$12,299
- noncurrent	<u>\$20,912</u>	<u>\$29,900</u>

Ranges of discount rates for lease liabilities were as follows:

Item	December 31	
	2021	2020
Land and buildings	0.63%-0.96%	0.63%-0.96%
Other equipment	0.66%-0.96%	0.66%-0.96%

Please refer to Note 12(2) for lease liabilities with repayment periods.

C. Material lease-in activities and terms

The Company leased some land and buildings, etc. as factory, with the lease terms of 1 to 8 years. There is no sign of impairment of right-of-use assets as of December 31, 2021. Therefore, the Company didn't assess the impairment.

D. Sublet: None.

E. Other lease information:

(1) Please refer to Note 6(9) for the agreements to lease investment properties under operating lease.

(2) The current lease relevant expense information was as follows:

Item	Year Ended December 31	
	2021	2020
Short-term lease expense	\$147	\$133
Low-value asset lease expense	\$13	\$1
Variable lease payments that excluded in the measurement of lease liabilities	\$ -	\$ -
Total cash outflow for leases (Note)	(\$12,642)	(\$15,487)

(Note): Including principle paid for current lease liabilities.

(9) Investment properties, net

Item	December 31	
	2021	2020
Land	\$77,109	\$89,384
Buildings	40,062	26,070
Total cost	\$117,171	\$115,454
Less: Accumulated depreciation and impairment	(31,682)	(34,565)
Net	\$85,489	\$80,889

Cost	Land	Buildings	Total
Balance at January 1, 2021	\$89,384	\$26,070	\$115,454
Additions	-	-	-
Transfer to Property, plant and equipment	(85,384)	(15,387)	(100,771)
Transfer from property, plant and equipment	73,109	29,379	102,488
Balance at December 31, 2021	\$77,109	\$40,062	\$117,171
Accumulated depreciation and impairment			
Balance at January 1, 2021	\$19,313	\$15,252	\$34,565
Depreciation	-	185	185
Provision for (reversal of) impairment loss	(4,906)	-	(4,906)
Transfer to Property, plant and equipment	(14,407)	(7,677)	(22,084)
Transfer from property, plant and equipment	-	23,922	23,922
Balance at December 31, 2021	\$ -	\$31,682	\$31,682

Cost	Land	Buildings	Total
Balance at January 1, 2020	\$89,384	\$26,070	\$115,454
Additions	-	-	-
Balance at December 31, 2020	\$89,384	\$26,070	\$115,454
Accumulated depreciation and impairment			
Balance at January 1, 2020	\$19,313	\$ 14,835	\$ 34,148
Depreciation	-	417	417
Provision for (reversal of) impairment loss	-	-	-
Balance at December 31, 2020	\$ 19,313	\$ 15,252	\$ 34,565

A. Above mentioned investment properties were land and fixtures located at No. 1609, Wu Kuai Cuo Section, Kaohsiung and No. 307, Zheng Chang Section, Kaohsiung and No.93 Anxi Section, Kaohsiung. The land located at No. 1609, Wu Kuai Cuo Section was reclassified to property, plant and equipment in February 2021, No.93 Anxi Section was transferred from real estate, plant and equipment in December 2021.

B. Rent income and direct operating expense of investment properties:

Item	Year Ended December 31	
	2021	2020
Rental income of investment properties	\$331	\$2,232
Direct operating expense incurred for the investment properties with current rental income	\$361	\$866

C. The maturity analysis of operating lease payments receivable for investment properties was as follows:

	December 31	
	2021	2020
Year 1	\$1,792	\$632
Year 2	171	171
Year 3	171	171
Year 4	171	171
Year 5	-	171
Over 5 years	-	-
Total	\$2,305	\$1,316

D. Investment properties are depreciated on a straight-line basis over their estimated useful life of 10 to 57 years.

E. The fair values of investment properties held by the Company were \$160,060 thousand and \$112,494 thousand as of December 31, 2021 and 2020, respectively. The fair value determination was performed by independent qualified professional appraisers. The valuation was based on the comparison method, and the fair value was measured by using Level 3 inputs. Please refer to Note 12(3).

F. The accumulated impairment of investment properties were \$0 thousand and \$19,313 thousand as of December 31, 2021 and 2020, respectively.

G. The Company had no investment properties pledged to others.

(10) Intangible assets

Item	December 31	
	2021	2020
Trademark	\$3,126	\$3,126
Computer software	22,171	23,509
Total cost	\$25,297	\$26,635
Less: Accumulated amortization	(9,911)	(8,843)
Net	\$15,386	\$17,792

Cost	Trademark	Computer Software	Total
	Balance at January 1, 2021	\$3,126	\$23,509
Additions	-	11,206	11,206
Derecognition	-	(12,544)	(12,544)
Balance at December 31, 2021	\$3,126	\$22,171	\$25,297
Accumulated amortization and impairment			
Balance at January 1, 2021	\$ -	\$8,843	\$8,843
Amortization	-	13,612	13,612
Derecognition	-	(12,544)	(12,544)
Balance at December 31, 2021	\$ -	\$9,911	\$9,911
	Trademark	Computer Software	Total
Balance at January 1, 2020	\$3,126	\$17,029	\$20,155
Additions	-	20,493	20,493
Derecognition	-	(14,013)	(14,013)
Balance at December 31, 2020	\$3,126	\$23,509	\$26,635

Accumulated amortization and impairment			
Balance at January 1, 2020	\$ -	\$10,302	\$10,302
Amortization	-	12,554	12,554
Derecognition	-	(14,013)	(14,013)
Balance at December 31, 2020	\$ -	\$8,843	\$8,843

(11) Short-term loans

Borrowings Nature	December 31, 2021	
	Amount	Interest
Unsecured loan	\$620,000	0.70%-0.78%

Borrowings Nature	December 31, 2020	
	Amount	Interest
Unsecured loan	\$350,000	0.55%-0.80%

(12) Other payables (including other payables - related parties)

Item	December 31	
	2021	2020
Accrued payroll	\$105,740	\$161,045
Commission payable	18,583	14,717
Service fee payable	12,393	12,004
R & D payable	26,394	21,388
Bonus to employees and remuneration to directors	17,000	36,500
Equipment payable	10,796	10,328
Others	71,739	70,932
Total	\$262,645	\$326,914

Please refer to Note 7 for other payables with related parties.

(13) Provisions - current

Item	December 31	
	2021	2020
Employee benefits	\$14,273	\$13,759

Item	Year Ended December 31	
	2021	2020
Beginning balance	\$13,759	\$13,276
Additional provisions recognized	514	483
Provisions used	-	-
Ending balance	\$14,273	\$13,759

Provision for employee benefits represents vested short-term service leave entitlements accrued.

(14) Long-term loans and current portion of long-term loans

Item	December 31	
	2021	2020
Mortgage loans	\$220,000	\$220,000
Unsecured loan	317,000	300,000
Less: portion due within one year	(35,222)	-
Long-term loans	\$501,778	\$520,000
Interest rate range	0.81%-1.17%	0.81%-1.17%

A. Refer to Note 8 for assets pledged as collateral for long-term loans.

B. Under the loan agreement, the Company should maintain specific current ratio, debt ratio, interest coverage and net tangible value based on the Company's audited semi-annual and annual consolidated financial statements. As of December 31, 2021, the Company had no irregularities.

(15) Pension

A. Defined contribution plans

- a. The plan under the Labor Pension Act (the "Act") is deemed a defined contribution plan. Pursuant to the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts.
- b. The total expenses recognized in the statements of comprehensive income were \$24,404 thousand and \$22,257 thousand, representing the contributions payable to these plans by the Company at the rates specified in the plans for the years ended December 31, 2021 and 2020, respectively.

B. Defined benefit plans

- a. The Company has defined benefit plans under the Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The aforementioned companies contribute an amount equal to 6% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor

Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by the government's designated authorities; as such, the Company does not have any right to intervene in the investments of the Funds.

- b. The amounts arising from the defined benefit obligation of the Company in the balance sheets were as follows:

Item	December 31	
	2021	2020
Present value of defined benefit obligation	\$83,090	\$85,430
Fair value of plan assets	(28,043)	(26,039)
Net defined benefit liabilities	\$55,047	\$59,391

- c. Movements of the net defined benefit liabilities were as follows:

Item	Year Ended December 31, 2021		
	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Balance, at January 1	\$85,430	(\$26,039)	\$59,391
Service cost			
Current service cost	-	-	-
Interest expense (income)	427	(145)	282
Past service cost	-	-	-
Settlement loss (income)	-	-	-
Recognized in profit or loss	\$427	(\$145)	\$282
Remeasurement			
Return on plan assets (excluding amounts included in net interest expense)	\$ -	(\$296)	(\$296)
Actuarial loss (gain)			
Changes in demographics assumptions	2,292	-	2,292
Changes in financial assumptions	-	-	-
Experience adjustments	(617)	-	(617)
Recognized in other comprehensive income	\$1,675	(\$296)	\$1,379

Contributions from the employer	\$(5)	\$(6,000)	\$(6,005)
Benefits paid from plan assets	(4,437)	4,437	-
Balance at December 31	<u>\$83,090</u>	<u>\$(28,043)</u>	<u>\$55,047</u>

Year Ended December 31, 2020

Item	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Balance at January 1	\$82,159	(\$20,430)	\$61,729
Service cost			
Current service cost	-	-	-
Interest expense (income)	718	(210)	508
Past service cost	-	-	-
Settlement loss (income)	-	-	-
Recognized in profit or loss	<u>\$718</u>	<u>(\$210)</u>	<u>\$508</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest expense)	\$ -	(\$633)	(\$633)
Actuarial loss (gain) -			
Changes in demographics assumptions	-	-	-
Changes in financial assumptions	4,165	-	4,165
Experience adjustments	(258)	-	(258)
Recognized in other comprehensive income	<u>\$3,907</u>	<u>(\$633)</u>	<u>\$3,274</u>
Contributions from the employer	\$ -	(\$6,120)	(\$6,120)
Benefits paid from plan assets	(1,354)	1,354	-
Balance at December 31	<u>\$85,430</u>	<u>(\$26,039)</u>	<u>\$59,391</u>

d. Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

(a) Investment risk

The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the Labor Standards Law, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the local banks and the government is responsible for any shortfall in the event that the rate of return is less than the required rate of return.

(b) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.

(c) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

- e. The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the actuarial valuation were as follows:

	Measurement Date	
	December 31, 2021	December 31, 2020
Discount rate	0.500%	0.500%
Future salary increase rate	2.00%	2.00%
The weighted average duration of the defined benefit obligation	12.9 years	13.3 years

- (a) Assumptions regarding future mortality experience are set based on actuarial valuation in accordance with the 6th version of Taiwan Standard Ordinary Experience Mortality Tables.

- (b) If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

Item	December 31	
	2021	2020
Discount Rate		
0.25% higher	(\$2,659)	(\$2,807)
0.25% lower	\$2,773	\$2,931
Expected rates of salary increase		
0.25% higher	\$2,685	\$2,838
0.25% lower	(\$2,588)	(\$2,733)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

- E. The Company expects to make contributions of \$6,000 thousand to the defined benefit plans for the year ended December 31, 2022.

(16)Share capital

A. Movements in the number of the Company's ordinary shares outstanding were as follows:

Item	Year Ended December 31, 2021	
	Shares (in thousands)	Amount
Balance at January 1	250,930	\$2,509,297
Capital increase in cash	-	-
Capitalization of retained earnings	-	-
Balance at December 31	250,930	\$2,509,297

Item	Year Ended December 31, 2020	
	Shares (in thousands)	Amount
Balance at January 1	250,930	\$2,509,297
Capital increase in cash	-	-
Capitalization of retained earnings	-	-
Balance at December 31	250,930	\$2,509,297

B. As of December 31, 2021, the authorized capital is \$5,000,000 thousand, consisting of 500,000 thousand shares.

(17)Capital surplus

Item	December 31	
	2021	2020
From merger	\$18,227	\$18,227
From convertible bonds	326,015	326,015
Treasury share transactions	21,464	21,464
Reorganization	1,050	1,050
Differences between considerations and carrying amounts of subsidiaries acquired or disposed	147	147
Total	\$366,903	\$366,903

Under the Company Act, the capital surplus generated from the excess of the issuance price over the par value of capital stock and donations can be used to offset deficit or may be distributed as stock dividends or in cash. Under the regulations of the Security Exchange Law, the maximum amount transferred from the foregoing capital surplus to the Company's capital per year shall not be over 10% of the Company's paid-in capital. Capital surplus can't be used to offset deficit unless legal reserve is insufficient. The capital surplus from long-term investments may not be used for any purpose.

(18) Retained earnings and dividend policy

(1) In accordance with the dividend policy as set forth in the Company's Articles of Incorporation, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside a special reserve in accordance with the laws and regulations, and the remainder plus prior year's unappropriated earnings will be recommended by the board of directors and approved through the shareholders' meeting.

In consideration of its operation and capital expenditure demands, the Company stipulates appropriate dividend distribution ratio, and proposes for approval in the shareholders' meeting. However, at least 20% of total dividends should be distributed in cash.

(2) Legal reserve may be used to offset a deficit, and be transferred to capital or distributed in cash. However, legal reserve can be transferred to capital or distributed in cash only when the legal reserve has exceeded 25% of the Company's paid-in capital.

(3) Special reserve

Item	December 31	
	2021	2020
Reserve for the debit balance of other equities	\$162,940	\$181,120
Reserve for first-time adoption of IFRS	79,155	79,155
Total	\$242,095	\$260,275

A. While earning distribution, the earnings can be distributed after appropriation of the equivalent amount of the debit balance of the other equities of the balance sheet.

B. Under Rule No.1010012865 issued by the FSC for first-time adoption of IFRS, the special reserve can be reversed while usage, disposal and reclassification of related assets.

(4) The appropriation of 2020 and 2019 earnings had been resolved at the shareholders' meeting in June 2021 and June 2020, respectively. Details were summarized below:

Item	Amount		Dividends Per Share	
	2020	2019	2020	2019
Legal reserve	\$84,903	\$68,683		
Special reserve	(18,180)	95,566		
Cash dividends	602,231	501,860	2.4	2.0
Total	\$668,954	\$666,109		

- (5) The appropriation of 2021 earnings had been proposed by the Board of Directors on March 10, 2022. Details were summarized below:

Item	Amount	Dividends Per Share
Legal reserve	\$42,815	
Special reserve	53,263	
Cash dividends	301,116	1.2

- A. The appropriations of earnings for 2021 are to be presented for approval in the shareholders' meeting to be held in June 2022.
- B. In the event of repurchase of the Company's shares, transfer, conversion or annulment of treasury stocks, and exercise of employees' stock options, leading to a change in the number of outstanding shares and a consequent change in dividend yield, it is proposed that the chairman is authorized by the Board of Directors to duly adjust stocks and cash payout rates.
- (6) Information on the earnings appropriation proposed by the Company's Board of Directors and approved by the Company's shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(19) Other equity

Item	Exchange Differences on Translation of Foreign Operations	
	Year Ended December 31	
	2021	2020
Beginning balance	(\$242,095)	(\$260,275)
Exchange differences arising on translation of foreign operations	(53,263)	18,180
Ending balance	(\$295,358)	(\$242,095)

(20) Operating revenues

Item	Year Ended December 31	
	2021	2020
Revenue from contracts with customer		
Total revenues	\$9,944,679	\$8,684,836
Sales returns	(27,537)	(29,897)
Sales discount	(23,090)	(43,189)
Net	\$9,894,052	\$8,611,750

- A. Explain of contract revenue

Sales of fans and other related goods are mainly to system manufacturers and distributors. Please refer to Note 14 for the main sale areas.

B. The Company's timing of revenue recognition is transferred the goods at a certain point of time.

C. Contract balances

The Company recognizes the receivable, contract assets and contract liabilities related to contract revenue as follows:

Item	December 31	
	2021	2020
Receivable	\$2,849,805	\$2,342,965
Contract assets	-	-
Total	\$2,849,805	\$2,342,965
Contract liabilities - current	\$67,046	\$37,776

a. Significant changes in contract assets and contract liabilities

The changes in the contract assets and contract liabilities primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment, and there is no other significant changes.

b. Amount from previous period's satisfied performance obligations and beginning contract liabilities recognized in the current period as income were as follows:

Revenue in the current period	Year Ended December 31	
	2021	2020
From beginning contract liabilities	\$37,776	\$19,240
From previous period's satisfied performance obligations	\$ -	\$ -

(21)Labor cost, depreciation and amortization

Item	Year ended December 31, 2021		
	Operating cost	Operating expenses	Total
Labor cost			
Salaries	\$32,061	\$453,546	\$485,607
Insurance	4,044	44,813	48,857
Pension	1,888	22,798	24,686
Remuneration to directors	-	4,000	4,000
Others	5,424	45,913	51,337
Depreciation	16,326	49,311	65,637
Amortization	360	13,458	13,818
Total	\$60,103	\$633,839	\$693,942

Item	Year ended December 31, 2020		
	Operating cost	Operating expenses	Total
Labor cost			
Salaries	\$31,998	\$492,594	\$524,592
Insurance	3,214	38,361	41,575
Pension	1,651	21,114	22,765
Remuneration to directors	-	13,000	13,000
Others	3,770	40,861	44,631
Depreciation	12,881	56,630	69,511
Amortization	262	12,358	12,620
Total	\$53,776	\$674,918	\$728,694

1. Additional information of the number of employees and employee benefits expenses for the years ended December 31, 2021 and 2020 were as follows:

Item	December 31	
	2021	2020
The number of employees	614	550
The number of directors who were not adjunct employees	5	5
Average employee benefits expenses	\$1,002	\$1,163
Average employee salary	\$797	\$963
Changes in adjusting average employee salary	(17.24%)	7.36%
Remuneration of supervisors	-	-

2. The Company's salary and remuneration policy, including that for directors, managers and employees, is as follows:

(1) Directors' remuneration:

A. The Company's Articles of Incorporation clearly stipulate that not higher than 5% of the annual profit shall be allocated as the director's remuneration.

B. The remuneration to the directors shall be determined by the Board of Directors according to their degree of participation in the operation of the Company, the value of their contribution, and the usual standards of the industry.

(2) Managers' remuneration:

The remuneration to the managers is based on their duties, contributions, the Company's annual operation performance and in consideration of the Company's

future risks, and is reviewed by the remuneration committee and submitted to the Board of Directors for resolution.

(3) Employees' compensation:

The employees' compensation includes monthly salary and various bonuses, annual year-end and performance bonuses, as well as remuneration issued by the Company based on annual profitability.

A. The Company's various salary awards are issued in accordance with the Company's various salary and bonus systems.

B. The Company's Articles of Incorporation clearly stipulate that not less than 2% of the annual profit is used as employees' compensation. The distribution method is proposed by the remuneration committee to the Board of Directors and issued after the Board of Directors' approval.

3. The Company accrued employees' compensation and remuneration to directors at the rates not less than 2% and not higher than 5% of net income before income tax, employees' compensation and remuneration to directors during the period. If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

4. The employees' compensation and remuneration to directors for the years ended December 31, 2021 and 2020 had been approved by the Company's Board of Directors meeting held on March 10, 2022 and March 11, 2021, respectively, and the relevant amounts recognized in the parent company only financial statement were as follows:

	Year ended December 31			
	2021		2020	
	Employees' compensation	Remuneration to directors	Employees' compensation	Remuneration to directors
Resolution amount of allotment	\$13,000	\$4,000	\$23,500	\$13,000
Recognized in the annual financial statements	13,000	4,000	23,500	13,000
Difference	\$ -	\$ -	\$ -	\$ -

The above mentioned employees' compensation will be paid by cash.

5. Information about the appropriation of employees' compensation and directors' remuneration by the Company as proposed by the Board of Directors and resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22)Interest income

Item	Year Ended December 31	
	2021	2020
Interest on bank deposits	\$193	\$1,798
Interest on early payment	2,055	2,071
Others	12	18
Total	\$2,260	\$3,887

(23)Other income

Item	Year Ended December 31	
	2021	2020
Rental income	\$1,974	\$3,874
Others - patent income	11,071	11,681
Others – sample sales, etc.	61,151	63,127
Others	61,014	41,805
Total	\$135,210	\$120,487

(24)Other gains and losses

Item	Year Ended December 31	
	2021	2020
Gain on disposal of property, plant and equipment	\$16	\$65
Net currency exchange gain	53,984	136,510
Gain on reversal of impairment loss of investment properties	4,906	-
Others	(6,879)	(4,796)
Total	\$52,027	\$131,779

(25)Finance costs

Item	Year Ended December 31	
	2021	2020
Interest on loans	\$8,069	\$7,245
Interest on lease liabilities	303	372
Less: capitalized amount for qualified assets	-	-
Finance costs	\$8,372	\$7,617

(26)Income tax expense

A. The major components of tax expense were as follows:

	Year Ended December 31	
	2021	2020
Current income tax		
Current tax expense	\$178,302	\$177,351
Undistributed surplus for income tax	6,547	-
Adjustments in tax of prior periods	(21,568)	(18,618)
Total	\$163,281	\$158,733
Deferred income tax		
The origination and reversal of temporary differences	(\$38,354)	\$25,532
Total	(\$38,354)	\$25,532
Income tax expense	\$124,927	\$184,265

B. Income tax expense recognized in other comprehensive income was as follows:

Item	Year Ended December 31	
	2021	2020
Share of other comprehensive loss of subsidiaries, associates and joint ventures	(\$13,315)	\$4,545
Remeasurement of defined benefit plans	(276)	(655)
Total	(\$13,591)	\$3,890

C. Reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

Item	Year Ended December 31	
	2021	2020
Income before income tax	\$554,180	\$1,035,915
Income tax expense at the statutory rate	\$110,836	\$207,183
Tax effect of adjusting items:		
Loss on investment under equity method	(21,425)	(97,622)
Expenses not deductible for tax purpose	88,891	67,790
Undistributed surplus for income tax	6,547	-
Adjustments for prior year's tax adjustments	(21,568)	(18,618)
Deferred income tax expense		
Temporary differences	(38,354)	25,532
Income tax expense recognized in profit or loss	\$124,927	\$184,265

The applicable tax rate used by the Company is 20%. In addition, the tax rate applicable to unappropriated earning is 5%.

According to the amendments to the Statute for Industrial Innovation announced in July 2019, the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Company has already deducted the amount of the unappropriated earnings that has been reinvested as capital expenditures. When calculating the tax on unappropriated earnings by the Company in 2021, already deducted the unappropriated earnings in 2020 amount that has been reinvested in capital expenditure.

The Company applied for and was approved the repatriation of offshore funds (including mainland China) within the time limit in accordance with the “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act” effective from August 15, 2019. The applicable tax rate exempt from taxation is 8% for the first year and 10% for the second year under the general income tax system. A profit-seeking enterprise may apply to the Ministry of Economic Affairs for engaging in substantive investment within one year from the date of repatriating funds and has a 50% tax refund preference when completing the investment within the time limit.

D. Deferred tax assets and liabilities from temporary differences

	Year Ended December 31, 2021				
	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Effect of Exchange Rate Changes	Balance, End of Year
Deferred income tax assets:					
Temporary differences					
Net defined benefit liability	\$11,879	(\$1,145)	\$276	\$ -	\$11,010
Unrealized loss on inventories	1,800	(1,188)	-	-	612
Unused compensated absences	2,751	103	-	-	2,854
Subtotal	\$16,430	(\$2,230)	\$276	\$ -	\$14,476
Deferred income tax liabilities:					
Temporary differences					
Gain on foreign investment under equity method	\$81,134	(\$33,343)	(\$13,315)	\$ -	\$34,476
Unrealized exchange gain	9,263	(7,241)	-	-	2,022
Subtotal	\$90,397	(\$40,584)	(\$13,315)	\$ -	\$36,498
Total	(\$73,967)	\$38,354	\$13,591	\$ -	(\$22,022)

	Year Ended December 31, 2020				
	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Effect of Exchange Rate Changes	Balance, End of Year
Deferred income tax assets:					
Temporary differences					
Net defined benefit liability	\$12,346	(\$1,122)	\$655	\$ -	\$11,879
Unrealized loss on inventories	5,279	(3,479)	-	-	1,800
Unused compensated absences	2,655	96	-	-	2,751
Subtotal	\$20,280	(\$4,505)	\$655	\$ -	\$16,430
Deferred income tax liabilities:					
Temporary differences					
Gain on foreign investment under equity method	\$61,483	\$15,106	\$4,545	\$ -	\$81,134
Unrealized exchange gain	3,342	5,921	-	-	9,263
Subtotal	\$64,825	\$21,027	\$4,545	\$ -	\$90,397
Total	(\$44,545)	(\$25,532)	(\$3,890)	\$ -	(\$73,967)

E. Items with no deferred tax assets recognized:

Item	December 31	
	2021	2020
Loss on investment under the equity method	\$4,940	\$2,437

F. The tax authorities have ratified Company's income tax returns through Year 2019.

(27) Other comprehensive income (loss)

Item	Year Ended December 31, 2021		
	Other Comprehensive Income (Loss), Before Tax	Income Tax Benefit (Expense)	Other Comprehensive Income (Loss), Net of Tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	(\$1,379)	\$276	(\$1,103)
Subtotal	(\$1,379)	\$276	(\$1,103)

Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	(\$66,578)	\$13,315	(\$53,263)
Subtotal	<u>(\$66,578)</u>	<u>\$13,315</u>	<u>(\$53,263)</u>
Recognized in other comprehensive income (loss)	<u>(\$67,957)</u>	<u>\$13,591</u>	<u>(\$54,366)</u>

Year Ended December 31, 2020

Item	Other Comprehensive Income (Loss), Before Tax	Income Tax Benefit (Expense)	Other Comprehensive Income (Loss), Net of Tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	(\$3,274)	\$655	(\$2,619)
Subtotal	<u>(\$3,274)</u>	<u>\$655</u>	<u>(\$2,619)</u>
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	\$22,725	(\$4,545)	\$18,180
Subtotal	<u>\$22,725</u>	<u>(\$4,545)</u>	<u>\$18,180</u>
Recognized in other comprehensive income (loss)	<u>\$19,451</u>	<u>(\$3,890)</u>	<u>\$15,561</u>

(28) Earnings per share

Item	Year Ended December 31	
	2021	2020
Net income	\$429,253	\$851,650
Weighted average shares outstanding (in thousands)	250,930	250,930
Basic earnings per share (after tax)	<u>\$1.71</u>	<u>\$3.39</u>
Net income	\$429,253	\$851,650
Effect of potential dilutive ordinary shares	-	-
Net income used in computation of diluted earnings per share	<u>\$429,253</u>	<u>\$851,650</u>

Weighted average shares outstanding (in thousands)	250,930	250,930
Impact on employees' compensation (Note)	293	437
Weighted average number of ordinary shares outstanding after dilution (in thousands)	251,223	251,367
Diluted earnings per share (after tax)	\$1.71	\$3.39

(Note) Since the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party:

The Company is the ultimate controlling party.

(2) Related party name and category:

Related Party Name	Related Party Category
Sunon SAS	Subsidiary
Sunon INC	Subsidiary
Sunon Electronic (Kunshan) Co., Ltd.	Subsidiary
Sunon Electronic (Foshan) Co., Ltd.	Subsidiary
Sunon Electronic (Bei Hai) Co., Ltd.	Subsidiary
Sunon Electronics India Private Limited	Subsidiary
Sunon Electronics Philippines Corp.	Subsidiary
Sunon Properties Philippines Corp.	Subsidiary
Guang Sheng Investment Corporation	Other related parties
Shehng-Yuan Children Development and Adult Support Services Center	Other related parties
Yo Yuan Investment Corporation	Other related parties

(3) Significant transactions with related parties:

A. Sales:

Related Party Category	Year Ended December 31	
	2021	2020

Subsidiaries	<u>\$1,691,236</u>	<u>\$1,195,955</u>
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Selling prices with the related parties are set by the Company and are equivalent to those with ordinary customers. Collection period was 2 to 4 months. Collection can be delayed when agreed on by both parties.

B. Purchase:

Related Party Category	Year Ended December 31	
	2021	2020
Subsidiaries:		
Sunon Electronic (Kunshan) Co., Ltd.	\$2,643,036	\$1,876,694
Sunon Electronic (Bei Hai) Co., Ltd.	3,978,937	1,809,172
Others	16,828	37,147
Total	<u>\$6,638,801</u>	<u>\$3,723,013</u>

Except for the purchase price from Sunon Electric (Bei Hai) Co., Ltd., which undertakes the transfer of the Company that the pricing is based on the Company's order taking prices, the purchase prices with the related parties are equivalent to those with ordinary suppliers. Payment terms were 2 to 4 months for other suppliers and 2 to 3 months for related parties. In addition, both parties can agree to advance the payment.

C. Contract assets: None.

D. Contract liabilities: None.

E. Balance of receivables (excluding lending to related parties and contract assets):

Related Party Category	December 31	
	2021	2020
Accounts receivable:		
Subsidiaries		
Sunon Electronics (Bei Hai) Co., Ltd.	\$447,832	\$240,671
Others	296,669	289,884
Total	<u>\$744,501</u>	<u>\$530,555</u>
Other receivables:		
Subsidiaries		
Sunon Electronic (Kunshan) Co., Ltd.	\$22,962	\$16,033
Others	4,458	3,353
Total	<u>\$27,420</u>	<u>\$19,386</u>

F. Balance of payables (excluding borrowing from related parties):

Related Party Category	December 31	
	2021	2020
Accounts payables:		
Subsidiaries		
Sunon Electronic (Kunshan) Co., Ltd.	\$694,922	\$536,800
Sunon Electronic (Foshan) Co., Ltd.	-	140,843
Sunon Electronic (Bei Hai) Co., Ltd.	503,657	532,309
Others	-	11
Total	<u>\$1,198,579</u>	<u>\$1,209,963</u>
Other payables:		
Subsidiaries	<u>\$21,677</u>	<u>\$14,907</u>

G. Prepayments: None.

H. Property transactions:

a. Disposal of property, plant and equipment

Related Party Category	Disposal Price	
	Year Ended December 31	
	2021	2020
Subsidiaries	<u>\$207</u>	<u>\$600</u>

Related Party Category	Disposal Gain	
	Year Ended December 31	
	2021	2020
Subsidiaries	<u>\$16</u>	<u>\$10</u>

Above mentioned transaction prices were negotiated by both parties, and totally received as of December 31, 2021 and 2020.

I. Lessee arrangements:

Item	Related Party Category	Year Ended December 31	
		2021	2020
Acquisition of right-of-use asset	Other related parties	<u>\$ -</u>	<u>\$310</u>

Item	Related Party Category	December 31	
		2021	2020
Refundable deposits	Other related parties	\$26	\$26
Lease liabilities - current	Other related parties	\$91	\$155
Lease liabilities - noncurrent		\$ -	\$91

Item	Related Party Category	Year Ended December 31	
		2021	2020
Interest expense	Other related parties	\$1	\$1

Above lease terms are based on the contract, and rent is paid monthly.

J. Rent arrangements: None.

K. Financing activities - lending to related parties: None.

L. Financing activities - borrowing from related parties: None.

M. Guarantee for related parties:

Related Party Category	December 31	
	2021	2020
Subsidiaries	USD 33,000	USD 20,000

N. Others:

a. Processing fee

Related Party Category	December 31	
	2021	2020
Subsidiaries		
Sunon Electronic (Foshan) Co., Ltd.	\$77,405	\$867,983

Above mentioned pricing of the related parties are equivalent to those of other processors. Payment term was 2 to 3 months. However, both parties can agree to advance the payment.

b. Guarantee deposits:

Related Party Category	December 31	
	2021	2020
Shehng-Yuan Children Development and Audit Support Services Centry	\$45	\$45
Other related parties	10	10
Total	\$55	\$55

c. Miscellaneous income:

Related Party Category	Year Ended December 31	
	2021	2020
Subsidiaries		
Sunon Electronic (Kunshan) Co., Ltd.	\$40,021	\$22,202
Sunon SAS	11,399	13,487
Others	8,763	10,239
Other related parties	194	194
Total	\$60,377	\$46,122

Miscellaneous income is mainly samples, rent and patent income. Rent prices are according to the contract agreement and received monthly.

d. Miscellaneous expenses:

Related Party Category	Year Ended December 31	
	2021	2020
Subsidiaries		
Sunon SAS	\$60,846	\$41,631
Sunon INC	30,237	31,298
Others	16,484	6,461
Total	\$107,567	\$79,390

Miscellaneous expenses are mainly commission fees.

e. Subscription of related parties' capital increase

Year ended December 31, 2021:

Related Party	Investment Increase		Shareholding Ratio	
	Number of shares (thousand shares)	Amount	Before capital increase	After capital increase
Subsidiaries				
Sunon Electronics Philippines Corp.	504	\$27,962	99.99%	99.99%

Year ended December 31, 2020:

Related Party	Investment Increase		Shareholding Ratio	
	Number of shares (thousand shares)	Amount	Before capital increase	After capital increase
Subsidiaries				
Sunon Electronics Philippines Corp.	102	\$6,110	-	99.99%
Sunon Properties Philippines Corp.	7,068	430,000	-	99.99%

(4) Key management compensation

Related Party Category	Year Ended December 31	
	2021	2020
Salaries and other short-term employee benefits	\$47,978	\$63,376
Post-employment benefits	-	-
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Total	\$47,978	\$63,376

8. PLEDGED ASSETS

Related Party Category	December 31	
	2021	2020
Property, plant and equipment (net)	\$496,858	\$496,858

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

- (1) As of December 31, 2021 and 2020, the Company issued guarantee notes for bank loans amounting to \$3,579,200 thousand and \$3,231,400 thousand, respectively.
- (2) The unused letters of credit as of December 31, 2021 and 2020 consisted of the following:

(In thousands)

Item	December 31	
	2021	2020
L/C Amount	USD 1,603	USD 1,273

- (3) As of December 31, 2021 and 2020, the note endorsement for material purchase were as follows:

(In thousands)

Item	December 31	
	2021	2020
USD	1,343	1,345

- (4) As of December 31, 2021 and 2020, the Company endorsed guarantees for others. Please refer to Note 13 for the information.

(5) Statement of lawsuit

SIAE Microelectronica S.P.A. filed a lawsuit against the Company for the infringement on April 8, 2020. The Company has appointed the lawyer to proceed with the litigation, and it is under the jurisdiction of Kaohsiung District Court in Taiwan. The final outcome will depend on the future litigation procedures and will not have a significant impact on the Company's operations.

10. SIGNIFICANT DISASTER LOSS: NONE.

11. SIGNIFICANT SUBSEQUENT EVENTS: NONE.

12. OTHERS

(1) Capital risk management

The Company should maintain an adequate capital structure to enable the expansion and enhancement of equipment. Therefore, the Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases and debt service requirements associated with its existing operations over the next 12 months.

(2) Financial instruments

A. Financial risk of financial instruments

Financial risk management policies

The Company's activities expose to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To lower down the related financial risk, the Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.

The plans for material treasury activities are reviewed by board of directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, the Company Treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

Significant financial risks and degrees of financial risks

a. Market risk

(a) Foreign exchange rate risk

The Company's functional currency is New Taiwan dollars. Many of the Company's operating activities are denominated in foreign currencies. Consequently, the Company is exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by

changes in foreign exchange rates, the Company raises loans denominated in foreign currency and derivative financial instruments to hedge the currency exposure. These instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements. The derivative financial instruments the Company held with maturities less than 3 months are not qualified for hedge accounting. The net investment in foreign operation is strategic investment. Therefore, the Company does no hedge for it.

(b) Foreign currency risk and sensitivity analysis

	December 31, 2021					
	Foreign Currency	Exchange Rate	Carrying Value (NTD)	Sensitivity Analysis		
				Variation	Profit and Loss Impact	Equity Impact
<u>Financial assets</u>						
<u>Monetary item</u>						
USD:NTD	103,275	27.6800	2,858,645	increase 1%	28,586	-
EUR:NTD	9,845	31.3200	308,348	increase 1%	3,083	-
JPY:NTD	26,410	0.2405	6,352	increase 1%	64	-
RMB:NTD	624	4.3415	2,707	increase 1%	27	-
<u>Investments accounted for using equity method</u>						
USD:NTD	50,043	27.6800	1,385,191	increase 1%	-	13,852
EUR:NTD	1,632	31.3200	51,124	increase 1%	-	511
RMB:NTD	185,723	4.3415	806,318	increase 1%	-	8,063
PHP:NTD	735,903	0.5452	401,214	increase 1%	-	4,012
<u>Financial liabilities</u>						
<u>Monetary item</u>						
USD:NTD	72,687	27.6800	2,011,980	increase 1%	(20,120)	-
EUR:NTD	519	31.3200	16,266	increase 1%	(163)	-
JPY:NTD	1,119	0.2405	269	increase 1%	(3)	-
	December 31, 2020					
	Foreign Currency	Exchange Rate	Carrying Value (NTD)	Sensitivity Analysis		
				Variation	Profit and Loss Impact	Equity Impact
<u>Financial assets</u>						
<u>Monetary item</u>						
USD:NTD	80,153	28.4800	2,282,762	increase 1%	22,828	-
EUR:NTD	7,640	35.0200	267,563	increase 1%	2,676	-
JPY:NTD	31,976	0.2763	8,835	increase 1%	88	-
RMB:NTD	729	4.3648	3,183	increase 1%	32	-

<u>Investments accounted</u>						
<u>for using equity method</u>						
USD:NTD	53,548	28.4800	1,525,054	increase 1%	-	15,251
EUR:NTD	1,998	35.0200	69,955	increase 1%	-	700
RMB:NTD	315,843	4.3648	1,378,591	increase 1%	-	13,786
PHP:NTD	708,782	0.5929	420,237	increase 1%	-	4,202
<u>Financial liabilities</u>						
<u>Monetary item</u>						
USD:NTD	69,636	28.4800	1,983,226	increase 1%	(19,832)	-
EUR:NTD	245	35.0200	8,567	increase 1%	(86)	-
JPY:NTD	482	0.2763	133	increase 1%	(1)	-

When New Taiwan dollar appreciates and other variation factors stay unchanged, there will be the same but opposite amount of influence as of December 31, 2021 and 2020.

The details of unrealized exchange gain (loss) for monetary items due to material exchange rate fluctuation were as follow:

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Foreign Exchange Gain (Loss)			Foreign Exchange Gain (Loss)		
	Foreign Currency (In thousands)	Exchange Rate	Carrying Value	Foreign Currency (In thousands)	Exchange Rate	Carrying Value
<u>Financial Assets</u>						
<u>Monetary Item</u>						
USD: NTD	-	27.9980	(8,112)	-	29.5330	(21,201)
EUR: NTD	-	33.1100	(1,844)	-	33.7400	6,499
JPY: NTD	-	0.2550	(320)	-	0.2763	48
RMB: NTD	-	4.3398	73	-	4.2816	142
<u>Financial Liabilities</u>						
<u>Monetary Item</u>						
USD: NTD	-	27.9980	20,186	-	29.5330	60,859
EUR: NTD	-	33.1100	102	-	33.7400	(40)

b. Price risk

The Company does not hold financial instrument which measured by fair value.

c. Interest rate risk

The carrying amount of the financial assets and liabilities that exposed to interest rate risk as reporting date was as follow:

Item	Carrying Value	
	December 31, 2021	December 31, 2020
Fair value interest rate risk:		
Financial assets	\$ -	\$ -
Financial liabilities	(32,305)	(42,199)
Net	<u>(\$32,305)</u>	<u>(\$42,199)</u>
Cash flow interest rate risk:		
Financial assets	\$499,476	\$503,289
Financial liabilities	(1,157,000)	(870,000)
Net	<u>(\$657,524)</u>	<u>(\$366,711)</u>

(a) Sensitivity analysis of fair value interest rate risk tools

The Company does not classify any fixed-rate instruments as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. In addition, the Company does not designate derivatives (interest rate swap) as hedge instruments under hedge accounting. Therefore, the change of interest rate at reporting date does not have influence on net income and other comprehensive income.

(b) Sensitivity analysis of cash flow interest rate risk tools

The Company's financial instruments with variable interest rate are those with floating-rate. If interest rate increases 1%, the net income will decrease (\$6,575) thousand and (\$3,667) thousand for the years ended December 31, 2021 and 2020, respectively.

B. Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a contract leading to a financial loss to the Company. The Company is exposed to credit risk from operating activities, primarily accounts receivables, and from investing activities, primarily deposit and other financial instruments. Credit risk is managed separately for business related and financial related exposures.

a. Business related credit risk

In order to maintain the credit quality of accounts receivables, the Company has established procedures to monitor and limit exposure to credit risk on trade receivables. Credit evaluation is performed in the consideration of the relevant factors which may affects the customer's paying ability such as financial condition, external and internal credit scoring, historical experience, and economic conditions.

b. Financial credit risk

The Company's exposure to financial credit risk which pertained to bank deposits and other financial instruments were evaluated and monitored by Company Treasury function. The Company only deals with creditworthy counterparties, banks, and government so that no significant credit risk was identified. In addition, the Company has no financial assets at amortized and investments in debt instruments at fair value through other comprehensive income.

(a) Credit concentration risk

As of December 31, 2021 and 2020, the Company's ten largest customers accounted for 59.06% and 49.29% of accounts receivable, respectively. The Company believes the concentration of credit risk is insignificant for the remaining accounts receivable.

The Company continuously evaluated customers' financial situation. To reduce major credit risk, the Company bought credit guarantee insurance, and asked customers to make payment in advance.

(b) Expected credit loss measurement

i. Account receivables adopts a simplified approach, please refer to Note 6(3).

ii. Identification basis for whether credit risk is significantly increased: None (the Company didn't hold debt instruments at amortized cost or at FVTOCI).

c. Collaterals and other credit enhancement held to avoid credit risks from financial assets:

Related information of the maximum exposure to credit risk regarding financial assets recognized in the parent company only balance sheets, pledged collateral, master netting arrangements and other credit enhancement held by the Company as of December 31, 2021 and 2020: None.

C. Liquidity risk

a. Liquidity risk management:

The objective of liquidity risk management is to ensure the Company has sufficient liquidity to fund its business requirements of cash and cash equivalents and the unused of financing facilities associated with existing operations.

b. Financial liabilities with repayment periods:

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods.

Non-derivative Financial Liabilities	December 31, 2021					
	Within 1 year	1-2 years	2-5 years	Over 5 years	Contract Cash Flow	Carrying Value
Short-term loans	\$620,000	\$ -	\$ -	\$ -	\$620,000	\$620,000
Accounts payable	824,330	-	-	-	824,330	824,330
Accounts payable – related parties	1,198,579	-	-	-	1,198,579	1,198,579
Other payables	240,968	-	-	-	240,968	240,968
Other payables - related parties	21,677	-	-	-	21,677	21,677
Long-term loans	35,222	70,445	431,333	-	537,000	537,000
(Inclusive of current portion)						
Lease liabilities	11,601	9,215	11,893	-	32,709	32,305
Guarantee deposits	425	-	-	-	425	425
Total	\$2,952,802	\$79,660	\$443,226	\$ -	\$3,475,688	\$3,475,284

Further information for lease liabilities with repayment periods was as follows:

Item	Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years	Undiscounted payments
Lease liabilities	\$11,601	\$21,108	\$ -	\$ -	\$ -	\$ -	\$32,709

Non-derivative Financial Liabilities	December 31, 2020					
	Within 1 year	1-2 years	2-5 years	Over 5 years	Contract Cash Flow	Carrying Value
Short-term loans	\$350,000	\$ -	\$ -	\$ -	\$350,000	\$350,000
Accounts payable	773,102	-	-	-	773,102	773,102
Accounts payable - related parties	1,209,963	-	-	-	1,209,963	1,209,963
Other payables	312,007	-	-	-	312,007	312,007
Other payables - related parties	14,907	-	-	-	14,907	14,907
Long-term loans	-	33,333	420,000	66,667	520,000	520,000
(Inclusive of current portion)						
Lease liabilities	12,593	11,210	17,847	1,219	42,869	42,199
Guarantee deposits	449	-	-	-	449	449
Total	\$2,673,021	\$44,543	\$437,847	\$67,886	\$3,223,297	\$3,222,627

Further information for lease liabilities with repayment periods was as follows:

Item	Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years	Undiscounted payments
Lease liabilities	\$12,593	\$29,057	\$1,219	\$ -	\$ -	\$ -	\$42,869

The Company does not expect a maturity analysis of which the cash flows timing would be significantly earlier, or the actual amount would be significantly different.

2. Categories of financial instruments

The carrying values of financial assets and liabilities of the Company as of December 31, 2021 and 2020 were as follow:

Financial assets	December 31	
	2021	2020
Financial assets measured at amortized cost		
Cash and cash equivalents	\$499,970	\$491,384
Notes and accounts receivable (including related parties)	2,849,805	2,342,965
Other receivables (including related parties)	50,499	38,138
Other financial assets - current	-	12,313
Refundable deposits	2,714	2,448
Financial liabilities		
Financial liabilities measured at amortized cost		
Short-term loans	620,000	350,000
Notes and accounts payable (including related parties)	2,022,909	1,983,065
Other payables (including related parties)	262,645	326,914
Lease liabilities (including current and noncurrent)	32,305	42,199
Long-term loans	537,000	520,000
Guarantee deposits	425	449

(3) Fair value information

A. Details of the fair value of the Company's financial assets and financial liabilities not measured at fair value are provided in Note 12(3)C. Details of the fair value of the Company's investment property measured at cost are provided in Note 6(9).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investments in government bonds, corporate bonds, financial

debentures, convertible bonds, and most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investments in some derivative instruments and equity instruments without active market is included in Level 3.

C. Financial instruments that are not measured at fair value

The Company considers that the carrying amounts of financial instruments including cash and cash equivalents, receivables, other financial assets, refundable deposits, short-term loans, payables, long-term loans and guarantee deposits that are not measured at fair value approximate their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level: None.

E. Valuation techniques of financial instruments valued at fair value

(a) The fair value of financial assets and liabilities traded in an active market is based on the quoted market prices. The quotation, which is published by the main exchange center or that which was deemed to be a public bond by the Treasury Bureau of Center Bank, is included in the fair value of the listed securities instruments and the debt instruments in active markets with open bid.

A financial instrument is regarded as the quoted price in an active market if the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency; and if those prices represent the actual and regularly occurring market transactions on an arm's length basis. Otherwise, the market is deemed to be inactive. Normally, a market is considered to be inactive when the bid-ask spread is increasing; or the bid-ask spread varies significantly; or there has been a significant decline in trading volume.

(b) Except for the above-mentioned financial instruments traded in an active market, the fair value is based on the valuation techniques or the quotation from the counterparty. The fair value refers to the current fair value of the other financial instruments with similar conditions and characteristics, using a discounted cash flow analysis or other valuation techniques, such as calculations of using models (for example, applicable yield curve from Taipei Exchange, or average quoted price on interest rate of commercial paper from Reuters), based on the information acquired from the market at the balance sheet date.

When the financial instrument of the Company is not traded in an active market, the fair value is determined based on the ratio of the quoted market price of the comparative company, its book value per share and its operating situation. Also, the fair value is discounted for its lack of liquidity in the market.

F. Transfer between Level 1 and Level 2: None.

G. Changes in Level 3 instruments: None.

H. Valuation process for Level 3 fair value measurement:

Valuation process regarding fair value Level 3 is conducted by the Group's finance department, by which the independence of fair value of financial instruments is verified through use of independent data source in order to make the valuation results close to market conditions. Such valuation results are regularly reviewed so as to ensure their reasonableness.

(4) Transfer of financial assets: None.

(5) Offset of financial assets and liabilities: None.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Financings provided: Table 1

B. Endorsement/guarantee provided: Table 2

C. Marketable securities held: Table 3

D. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4

E. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None

F. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None

G. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Table 5

H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6

I. Information about the derivative financial instruments transaction: None.

(2) Information on investees: Table 7

(3) Information on investments in Mainland China: Table 8

(4) Information on major shareholders (including name of the shareholders with shareholding above 5%, shares held and shareholding ratio): Table 9

Table 1

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.

LOANS PROVIDED TO OTHER PARTIES

DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance (Note 4)	Amount Actually Drawn	Interest Rate	Nature for Financing (Note 3)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
1	Sunon Electronic (Kunshan) Co., Ltd.	Suzhou Shengyixing Heat Transfer Technology Co., Ltd.	Other receivables - related parties	Yes	13,025 (RMB3,000)	13,025 (RMB3,000)	13,025 (RMB3,000)	4.35%	2	-	Operating capital	-	-	-	130,324	260,648
2	Sunon Electronic (Foshan) Co., Ltd.	Beihai Li Zhun Electronics Co., Ltd.	Other receivables - related parties	Yes	13,025 (RMB3,000)	13,025 (RMB3,000)	11,372 (RMB2,619)	-	2	-	Operating capital	-	-	-	22,154	44,308

Note 1: Financing limits for each borrowing company:

(1) For trading partner:

Shall not be higher than the purchase or sales amount of the most recent year.

(2) For short-term financing:

Shall not exceed 10% of the Company's net worth.

Note 2: The maximum balance of financing activities:

(1) For trading partner:

Shall not exceed 20% of the Company's net worth

(2) For short-term financing:

Shall not exceed 20% of the Company's net worth

(3) The policy for loans granted mutually between overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows:

The maximum amount for total loan for individual enterprise shall not exceed 50% of its net worth. °

Note 3: The code represents the nature of financing activities as follows:

(1) Related to trading partner is "1".

(2) Short-term financing is "2".

Note 4: The maximum amount was approved by the Board of Directors' meeting.

Table 2

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED

DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

No. (Note 1)	Endorsers	Endorseees		Endorsement Limit for a Single Entity (Note 3)	Highest Balance During the Period	Ending Balance	Actual Amount Drawn	Balance Secured by Collaterals	Ratio of Accumulated Amount to net Worth of the Company	Maximum Amount of Endorsement (Note 4)	Provision of Endorsements by Parent Company to Subsidiary	Provision of Endorsements by Subsidiary to Parent Company	Provision of Endorsements to the Party in Mainland China
		Name of endorseees	Relationship (Note 2)										
0	Sunonwealth Electric Machine Industry Co., Ltd.	Sunon Electronic (Kunshan) Co., Ltd	2	1,310,036	NTD 332,160 (USD 12,000)	NTD 332,160 (USD 12,000)	NTD 83,040 (USD 3,000)	-	7.38%	2,183,393	Y	N	Y
0	Sunonwealth Electric Machine Industry Co., Ltd.	Sunon Electronic (Foshan) Co., Ltd	2	1,310,036	NTD 166,080 (USD 6,000)	-	-	-	-	2,183,393	Y	N	Y
0	Sunonwealth Electric Machine Industry Co., Ltd.	Sunon Electronic (Bei Hai) Co., Ltd	2	1,310,036	NTD 581,280 (USD 21,000)	NTD 581,280 (USD 21,000)	NTD470,560 (USD17,000)	-	13.31%	2,183,393	Y	N	Y
1	Sunon Electronic (Bei Hai) Co., Ltd.	Sunon (Kunshan)	1	128,808	NTD 17,366 (RMB 4,000)	NTD 17,366 (RMB 4,000)	-	-	2.70%	322,019	N	N	Y

Note 1: The description of the number column is as follows:

- (1) The issuer is represented in 0.
- (2) The investee company is numbered sequentially from Arabic numeral 1.

Note 2: The following code represents the relationship with the Company :

1. Trading partner.
2. Majority owned subsidiary
3. The Company direct and indirect owns over 50% ownership of the investee company.
4. A subsidiary jointly owned over 90% by the Company.
5. Guaranteed by the Company according to the construction contract.
6. An investee company. The guarantees were provided based on the Company's proportionate share in the investee company.
7. Joint and several guaranteed by the Company according to the pre-construction contract under Consumer protection Act.

Note 3: Endorsements/guarantees provided by the Company to a single enterprise and a single foreign affiliate shall not exceed 20% and 30% of the Company's net worth, respectively.

Note 4: The maximum amount of the endorsements/guarantees provided by the Company shall not exceed 50% of the Company's net worth.

Table 3

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.**MARKETABLE SECURITIES HELD**

DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Investor	Type and Name of Securities	Relationship with the Issuer	General Ledger Account	Ending balance				Remarks
				Number of Shares (in thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Sunon Electronic (Foshan) Co., Ltd.	Fund - China Resources Yuanda Fund	None	Financial assets at fair value through profit or loss	—	108,899	—	108,899	
Sunon Electronic (Bei Hai) Co., Ltd.	Fund - China Resources Yuanda Fund	None	Financial assets at fair value through profit or loss	—	146,337	—	146,337	

Table 4

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST****NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL****DECEMBER 31, 2021**

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Relationship with the Investor	Beginning Balance		Addition (Note)		Disposal			Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Selling Price	Carrying Value	Gain (loss) on Disposal	Shares	Amount
Sunon Electronic (Foshan) Co., Ltd.	China Resources Yuanda Fund	Financial assets at fair value through profit or loss	China Resources Yuanda Fund Management Co., Ltd.	None	—	263,010 (RMB 60,257)	—	150,354 (RMB 34,982)	—	307,259 (RMB 70,800)	304,465 (RMB 70,156)	2,794 (RMB 644)	—	108,899 (RMB 25,083)
Sunon Electronic (Bei Hai) Co., Ltd.	China Resources Yuanda Fund	Financial assets at fair value through profit or loss	China Resources Yuanda Fund Management Co., Ltd.	None	—	149,355 (RMB 34,218)	—	1,075,439 (RMB247,993)	—	1,079,664 (RMB248,782)	1,078,457 (RMB248,504)	1,207 (RMB 278)	—	146,337 (RMB 33,707)

(Note): Including current purchase of \$1,228,163 thousand, net profit of financial assets at fair value through profit or loss of (\$108) thousand and the exchange rate impact of (\$2,262) thousand.

Table 5

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST
NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Company Name Related Party		Nature of Relationships	Transaction Details				Abnormal Transaction		(Notes/Accounts Payable) Or Receivable		Remarks
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Sunonwealth Electric Machine Industry Co., Ltd.	Sunon Electronic (Bei Hai) Co., Ltd.	Parent-subsiary	Sales	711,078	7.19%	3 to 4 months	-	-	447,832	15.86%	
	Sunon SAS	Parent-subsiary	Sales	482,849	4.88%	2 to 3 months	-	-	150,511	5.33%	
	Sunon INC	Parent-subsiary	Sales	409,071	4.13%	2 to 3 months	-	-	106,911	3.79%	
Sunon Electronic (Kunshan) Co., Ltd.	Sunonwealth Electric Machine Industry Co., Ltd.	Parent-subsiary	Sales	2,647,429	39.87%	2 to 3 months	-	-	696,153	36.28%	
Sunon Electronics (Bei Hai) Co., Ltd.	Sunonwealth Electric Machine Industry Co., Ltd.	Parent-subsiary	Sales	4,834,720	94.49%	2 to 3 months	(Note)	(Note)	503,659	83.08%	
	Sunon Electronic (Kunshan) Co., Ltd.	The ultimate parent company	Sales	282,173	5.51%	2 to 3 months	-	-	102,542	16.92%	
Sunon Electronics (Foshan) Co., Ltd.	Sunon Electronic (Kunshan) Co., Ltd.	The ultimate parent company	Sales	129,536	22.23%	2 to 3 months	-	-	29,865	83.04%	

Note : It is the transaction that undertakes the transfer of the Company, so it is based on the order price of the Company, and the payment period is 2-3 months.

Table 6

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollar and Foreign Currencies)

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover	Overdue		Amounts Received in Subsequent Period (Note1)	Allowance for Bad Debts
					Amount	Action Taken		
Sunonwealth Electric Machine Industry Co., Ltd.	SUNON SAS	Subsidiary	150,511	2.85	-	-	NTD 56,907	-
	SUNON INC	Subsidiary	106,991	4.41	-	-	NTD 89,967	-
Sunonwealth Electric Machine Industry Co., Ltd.	Sunson Electronic (Bei Hai) Co., Ltd.	Subsidiary	447,832	4.66	-	-	NTD 291,000	-
Sunon Electronic (Kunshan) Co., Ltd.	Sunonwealth Electric Machine Industry Co., Ltd.	The ultimate parent company	NTD 696,153 (RMB 160,349)	4.29	-	-	NTD 431,290 (RMB 99,341)	-
Sunon Electronic (Bei Hai) Co., Ltd.	Sunonwealth Electric Machine Industry Co., Ltd.	The ultimate parent company	NTD 503,659 (RMB 116,010)	9.33	-	-	NTD 503,659 (RMB 116,010)	-
Sunon Electronic (Bei Hai) Co., Ltd.	Sunon Electronic (Kunshan) Co., Ltd.	Subsidiary	NTD 102,542 (RMB 23,619)	5.41	-	-	NTD 65,199 (RMB 15,018)	-

Note: Amounts collected as of March 10, 2022.

Table 7

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.

NAMES, LOCATIONS AND OTHER INFORMATION OF INVESTEE COMPANIES (EXCLUDING INVESTEE IN MAINLAND)

DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Remark
				As of December 31, 2021	As of December 31, 2020	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
Sunonwealth Electric Machine Industry Co., Ltd.	Successful Century Co., Ltd.	British Virgin Islands	Investments	1,136,933	1,136,933	33,880	100.00%	1,272,576	33,186	43,765	-
	BVI Sunon International Limited	British Virgin Islands	Investments	654,017	1,035,677	-	100.00%	806,318	80,265	65,959	-
	Sunon INC	USA	Manufacturing and sales of fans	49,140	49,140	150	100.00%	112,615	23,216	22,635	-
	Sunon SAS	France	Manufacturing and sales of fans	16,127	16,127	50	100.00%	51,124	(12,153)	(12,718)	-
	Sunonwealth Electric Machine Ind.(H.K.) Ltd.	Hong Kong	Manufacturing and sales of fans	3,428	3,428	800	99.99%	1,750	(40)	(40)	-
	Sunon Corporation	Japan	Manufacturing and sales of fans	4,470	4,470	4	100.00%	1,968	(85)	(85)	-
	Sunon Electronics India Private Limited	India	Manufacturing and sales of fans	4,880	4,880	1,100	99.99%	2,904	856	856	-
	Sunon Electornics Philippines Corp.	Philippine	Manufacturing and sales of fans	34,072	6,110	606	99.99%	26,683	(6,228)	(6,228)	-
	Sunon Properties Philippines Corp.	Philippine	Real estate development and investment	430,000	430,000	7,068	99.99%	374,531	(7,019)	(7,019)	-
			Total					2,650,469	111,998	107,125	

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Remark
				As of December 31, 2021	As of December 31, 2020	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
Successful Century Co., Ltd.	Sunon Electronic (Kunshan) Co., Ltd.	China	Manufacturing and selling of fans	USD 34,431	USD 34,000	-	100.00%	USD 47,082	USD 1,186	USD 1,186	-
Sunon Electronic (Kunshan) Co., Ltd.	Suzhou Shengyixing Heat Transfer Technology Co., Ltd.	China	Manufacturing and selling of cooling equipment	RMB 3,000	RMB 3,000	-	35.00%	RMB 1,631	RMB (2,721)	RMB (952)	-
	Beihai Li Zhun Electronics Co., Ltd.	China	Manufacturing and selling of fans	-	-	-	33.33%	RMB (75)	RMB (225)	RMB (75)	(Note)
BVI Sunon International Limited	Sunon Electronic (Foshan) Co., Ltd.	China	Manufacturing and selling of fans	RMB 78,067	RMB 166,171	-	100.00%	RMB 51,029	RMB (51,421)	RMB (51,421)	-
	Sunon Electronic (Bei Hai) Co., Ltd.	China	Manufacturing and selling of new type electronic parts	RMB 63,732	RMB 63,732	-	100.00%	RMB 148,344	RMB 69,943	RMB 69,943	-
	Beihai Li Zhun Electronics Co., Ltd.	China	Manufacturing and selling of fans	-	-	-	66.67%	RMB (150)	RMB (225)	RMB (150)	(Note)
Sunon SAS	Sunon Deutschland GmbH	Germany	Sales of fans	EUR 25	EUR 25	-	100.00%	EUR 6	EUR (140)	EUR (140)	-

Note : The amount is the share of profits or losses using the equity method recognized as the shareholding ration in the registered capital in the articles of association of the investment company.

Table 8

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA

DECEMBER 31, 2021

(1) Mainland Investment Information:

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profit/Loss (Note 2)	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow						
Sunon Electronic (Kunshan) Co., Ltd.	Manufacturing and selling of fans	NTD1,148,456 (USD 34,431) (Note 6)	(2)	NTD1,136,673 (USD33,880)	-	-	NTD1,136,673 (USD 33,880)	NTD 33,197 (USD 1,186)	100%	NTD 33,197 (USD 1,186) (2).B	NTD 1,303,231 (USD 47,082)	NTD 564,783 (USD 19,454)
Sunon Electronic (Foshan) Co., Ltd.	Manufacturing and selling of fans	NTD 323,418 (USD 10,000) (Note 7)	(2)	NTD 743,663 (USD22,840)	-	NTD 444,765 (USD 13,660)	NTD 298,898 (USD 9,180)	NTD-223,155 (RMB-51,421)	100%	NTD -223,155 (RMB -51,421) (2).B	NTD 221,544 (RMB 51,029)	NTD 751,056 (USD 25,095)
Sunon Electronic (Bei Hai) Co., Ltd.	Manufacturing and selling of new type electronic parts	NTD 293,115 (USD 10,000)	(2)	NTD 293,115 (USD10,000)	-	-	NTD 293,115 (USD 10,000)	NTD 303,540 (RMB 69,943)	100%	NTD 303,540 (RMB 69,943) (2).B	NTD 644,038 (RMB 148,344)	NTD 661,080 (USD 21,840)
Suzhou Shengyixing Heat Transfer Technology Co., Ltd.	Manufacturing and selling of cooling equipment	NTD 32,870 (RMB 7,692)	(3)	- (Note 5)	-	-	- (Note 5)	NTD -11,809 (RMB -2,721)	35%	NTD -4,133 (RMB -952) (2).A	NTD 7,081 (RMB 1,631)	-
Beihai Li Zhun Electronics Co., Ltd.	Manufacturing and selling of fans	- (Note 8)	(3)	- (Note 8)	-	-	- (Note 8)	NTD -978 (RMB -225)	100%	NTD -978 (RMB -225) (2).C	NTD -978 (RMB -225)	-

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 1,136,673 (USD 33,880)	USD 34,000	(Note 4)
NTD 298,898 (USD 9,180)	USD 10,000	
NTD 293,115 (USD 10,000)	USD 10,000	

Note: Gain and loss on investment are translated using average exchange rates for the year ended December 31, 2021 (USD:NTD 1:27.998; CYN:NTD 1:4.3398). Additions and ending balance are translated using the exchange rates as at December 31, 2021 (USD:NTD 1:27.68; CYN:NTD 1:4.3415)

Note 1: The investment methods are divided into the following three types:

- (1) Investing directly to the Mainland China;
- (2) Reinvesting in the Mainland China through third-region companies (please refer to Table 7);
- (3) Others.

Note 2: In the current period, the investment profit and loss column is recognized:

- (1) If during incorporation with no investment income or loss, it should be indicated;
- (2) The basis for recognition of investment gains and losses divided into the following three types, which should be indicated:
 - A. Audited financial statements by international accounting firms with cooperation relationship with accounting firms in the Republic of China.
 - B. Audited financial statements by parent company's auditors.
 - C. Others.

Note 3: The relevant figures in this form should be listed in New Taiwan Dollars.

(2)The Company's major transactions during year 2021 directly or indirectly through the third place and the mainland invested company are listed as follows:

1. Loans provided with mainland investment company: refer to Table 1 attached in Note 13.
2. Endorsements / guarantees with mainland investment company: refer to Table 2 attached in Note 13.
3. Significant transactions with mainland investment company: refer to Table 5 and Table 6 attached in Note 13.

Note 4: Enterprises approved by the Ministry of Economic Affairs as the operational headquarters are not subject to the amount or proportion.

Note 5: It is invested by Sunon Electronic (Kunshan) Co., Ltd.

Note 6: The Board of Directors of Sunon Electronic (Kunshan) Co., Ltd., resolved on March 15, 2021 to increase capital out of retained earnings for USD 431 thousand, and completed registration on March 25, 2021.

Note 7: The Board's of directors of Sunon Electronic (Foshan) Co., Ltd. approved in January 2021 to reduce capital by cash return for USD 13,660 thousand. Issued capital after capital reduction was USD 10,000 thousand. Company registration was completed.

Note 8: The Company is invested by Sunon Electronic (Kunshan) Co., Ltd. and Sunon Electronic (Foshan) Co., Ltd, and its establishment and registration have been Completed on December 20, 2021.

Table 9

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.**INFORMATION ON MAJOR SHAREHOLDERS**

DECEMBER 31, 2021

(Unit: share)

Name of Major Shareholder	Number of Shares	Percentage of Ownership (%)
Guang Sheng Investment Corporation	18,730,000	7.46%
Yo Yuan Investment Corporation	14,825,000	5.90%
Fu-Ing Hong Chen	14,670,000	5.84%

Note: The information of major shareholders is based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (included treasury shares) by the Company as of December 31, 2021. The share capital in consolidated financial report may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

14. SEGMENT INFORMATION

The Company has provided the operating segments disclosure in the consolidated financial statements.

VI. Impact on the Company's financial status due to financial difficulties experienced by the company and its affiliated companies in the most recent year and as of the publication date of the Annual Report None.

G. Review, Analysis, and Risks of Financial Conditions and Performance

I. Financial conditions

Main reasons and impact of any material change in the Company's assets, liabilities, or shareholders' equity during the past two years; in the case of material impact, describe future response plans

Unit: thousand NT\$; %

Item	Year		Change (amount)	Percentage of change %
	December 31, 2020	December 31, 2021		
Current assets	7,392,164	8,390,570	998,406	13.51
Property, plant and equipment	2,105,535	2,059,278	-46,257	-2.20
Intangible assets	25,781	24,486	-1,295	-5.02
Non-current assets	3,026,897	3,126,750	99,853	3.30
Total assets	10,419,061	11,517,320	1,098,259	10.54
Current liabilities	4,933,346	6,239,237	1,303,891	26.43
Non-current liabilities	891,586	911,298	19,712	2.21
Total liabilities	5,824,932	7,150,535	1,325,603	22.76
Share capital	2,509,297	2,509,297	0	0
Capital surplus	366,903	366,903	0	0
Retained earnings (Note)	1,960,024	1,785,943	-174,081	-8.88
Other equity	-242,095	-295,358	-53,263	-22.00
Total equity	4,594,129	4,366,785	-227,344	-4.95

Where the change is 20%, the reasons shall be analyzed as follows:

1. The increase in current liabilities and total liabilities was caused by the increase in short-term borrowing and long-term borrowing due within one year.
2. The increase in other equity interest was caused by the decrease in the foreign exchange differences in the conversion of financial statements of foreign operations.

Note: Retained earnings include statutory surplus reserves, special reserve, and undistributed earnings.

II. Financial performance

Indicate the main reasons for any material changes to the operating income, net profit, and net profit before tax as well as the expected sales and its basis, and the possible impact on the Company's future financial operations and response plans

- (I) Main reasons and impact of any material change in the company's operating income, net profit, and net profit before tax in the last two years

Unit: thousand NT\$; %

Year				
Item	2020	2021	Change (amount)	Percentage of change %
Net revenue	12,781,281	13,561,804	780,523	6.11
Operating costs	9,783,239	11,025,549	1,242,310	12.70
Gross profit	2,998,042	2,536,255	-461,787	-15.40
Operating expenses	1,883,831	2,072,588	188,757	10.02
Operating net profit	1,114,211	463,667	-650,544	-58.39
Non-operating income and expenses	-25,808	121,563	147,371	571.03
Net income before tax	1,088,403	585,230	-503,173	-46.23
Income tax expenses	236,753	155,977	-80,776	-34.12
Current period net profit	851,650	429,253	-422,397	-49.60
Other comprehensive income	15,561	-54,366	-69,927	-449.37
Total comprehensive income of the period	867,211	374,887	-492,324	-56.77
Comprehensive income attributable to net profit of owners of parent company	867,211	374,887	-492,324	-56.77
Analysis and description for items with changes of over 20% are as follows:				
1. The increase in non-operating income was caused by the increase in other income and the decrease in gain (loss) on disposal of property, plant and equipment.				
2. The decrease in net operating profit, net profit before tax, income tax expenses, net profit for this period, other comprehensive income, total comprehensive income for this period, and total comprehensive income attributable to owners of the parent company was caused by the significant increase in operating costs such as materials and transportation which caused a decline in profits.				

- (II) Expected sales and its basis, and the possible impact on the Company's future financial operations

For more information on expected sales and its basis, please refer to the Letter to Shareholders on page 1 for an overview of the Business Plan of this year. If the expected sales volume is reached, it would generate positive effects on the Company's finance and business.

III. Cash flow

- (I) Analysis and explanation on the change in cash flow in the most recent year and improvement plans for insufficient liquidity

Unit: %

Item	Year	2020	2021	Change (%)
	Cash flow ratio		30.01	3.06
Cash flow adequacy ratio		90.09	67.53	-25.04
Cash reinvestment ratio		15.98	-8.02	-150.19

The analyses for items with changes of over 20% are as follows:
The decrease in cash flow ratio was caused by an increase in liabilities and a decrease in profits which reduced net cash flow in business activities.
The decrease in the cash flow adequacy ratio was caused by the decrease in profits which reduced the net cash flow from operating activities and an increase in inventories and dividends in this period compared to the previous period.
The decrease in cash reinvestment ratio was caused by the decrease in net cash inflow from operating activities and increase in cash dividends in this period.

- (II) Cash flow analysis for the coming year

Unit: thousand NT\$

Cash balance, beginning	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Estimated cash surplus (deficit)	Estimated remedial measures for cash inadequacy	
					Investment plans	Financing plans
1,912,018	1,200,000	-800,000	-501,116	1,810,902	—	—

1. The estimated cash flow changes in 2022 are analyzed as follows:
(1) Operating activities: The Company expects the net profit before tax in the following year to increase compared to the previous year and net changes in operating assets and liabilities related to business activities to generate cash inflow. We expect net cash inflow of approximately NT\$1,200,000 thousand.
(2) Investing activities: The Company plans to invest in expansion of production facilities in Lihun Electronic (Bei Hai) Co., Ltd. and the subsidiary in the Philippines. We shall also continue to invest in automation equipment and update and maintain certain production facilities. We therefore expect to have a cash outflow of approximately NT\$800,000 thousand.
(3) Financing activities: The Company expects to pay cash dividends and remuneration for Directors and Supervisors totaling NT\$301,116 thousand, and repay NT\$200,000 thousand in loans which will lead to a cash outflow of approximately NT\$501,116 thousand.
2. The expected cash balance is NT\$1,810,902 thousand and there are no instances of cash inadequacy.

IV. The effects that significant capital expenditures have on financial operations in the recent year

In response to long-term production and sales development, the Company acquired two properties on No. 793 and NO. 794, Ren'ai Section, Qianzhen District, Kaohsiung City based on the resolution of the meeting of the Board of Directors on April 12, 2016. The area totals 6,934 square meters and it shall be used for expanding the R&D laboratory and production. The acquisition price totaled NT\$486,626,960. To facilitate adequate use of financial leverage, we planned to use medium to long-term loans as the source of funding. The Company's financial structure remains robust after obtaining the loan. After the completion of the expanded new plants, the Company shall use the automatic production line for the production of high-end products and micro cooling products which will have positive effects on businesses.

To disperse the risks of concentrated production and reduce operating cost, the Company's Board of Directors resolved in the meeting on November 1, 2019 to invest US\$20,000,000 in the establishment of SUNON Properties Philippines Corp. and invest US\$5,000,000 in the establishment of SUNON Electronics Philippines Corp. The Company shall reduce the dividends distribution ratio and obtain medium to long-term loans for the investment. The Company's financial structure remains robust after the loans are obtained. The completion of the new plant in the Philippines will effectively reduce production and operating costs and generate positive effects on the Company's finance and business.

V. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year

	Cumulative investment amount (thousand NT\$)	Investment policy	Main reason for profits or losses	Improvement plans
Sunon Electronic (Kunshan) Co., Ltd.	USD 34,431	Development of cooling module products and cooperation with laptop market customers	Recognized NT\$33,197 thousand in profits from investment in 2021 as customer demand increased and improved revenue.	Continue to develop niche new products, intensify vertical integration, and cooperate with customers in passive cooling components.
Sunon Electronic (Foshan) Co., Ltd.	USD 10,000	Provide services to customers in the Pearl Delta region and build a production base for direct exports to customers.	Recognized NT\$223,155 thousand in losses from investment in 2021. The main cause is the expiry of the lease period and the payment of economic compensation to employees.	The company is transformed into a trading company to provide services to specific customers and thus reduce the scale of operations to reduce losses.

	Cumulative investment amount (thousand NT\$)	Investment policy	Main reason for profits or losses	Improvement plans
Sunon Electronic (Bei Hai) Co., Ltd.	USD 10,000	Disperse investment risks and serve as the backup or alternate base for the production base in the Pearl Delta area.	Recognized NT\$303,540 thousand in profits from investment in 2021 due to the success of the economy of scale and increase in production efficiency.	Expand production scale and increase cost advantages.
SUNON PROPERTIES PHILIPPINES CORP.	USD 14,600	Disperse risks by setting up production sites outside Greater China	Recognized NT\$7,019 thousand in losses from investment in 2020. Losses are attributed to the recognition of expenses for setting up operations.	Profitability can be improved after the start of production.

Note: Cumulative investment amount that exceed 5% of paid-up capital.

The Company's investment plans in Mainland China that have been approved by the Investment Commission have been implemented and we have completed the production and sales plans in Mainland China. The material investment plans in the next year include the investment of a new plant in the Philippines. Please refer to the explanation above.

VI. Risk management and evaluation

(I) Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures

1. Changes in interest rates and response measures

In response to the COVID-19 epidemic, countries have greatly reduced interest rates and adopted monetary easing policies to stimulate the economy in the first quarter of 2020. The measures have lowered interest rates to low points and would help the Company reduce the cost of obtaining loans. The Company alternates between loans in NTD, USD, and EUR to reduce interest rates. When long-term changes are expected on the interest rate market, we use interest rate exchange contracts to lock in long-term interest rates and avoid material impact caused by interest rate fluctuations.

2. Impact of interest rates changes and response measures

The appreciation of NTD causes reduces revenue and margins. The appreciation of RMB increases operating costs and decreases margins. The Company prioritizes natural hedging policies to reduce the risks of exchange rate fluctuations. We create USD liability positions for purchases denominated in USD to automatically offset USD foreign-currency asset positions generated from sales. The natural hedging policy minimizes losses from exchange rates in the event of material foreign exchange rate fluctuations. However, we remain affected by customers' payment customs on the income end for currencies that can be used. We are affected by the place of occurrence of the costs and expenditures and we thus remain exposed to USD net assets and RMB net liabilities positions and we must continue to reduce our exposure to risks associated with these two currencies. In addition, the Company's policies also permit operations in foreign exchange derivatives to reduce risks. Where necessary, the Company can respond accordingly.

3. Impact of inflation and response measures

The loose monetary policies of world governments and measures taken to stimulate economic recovery have increased market concern for inflation. Although they have not yet caused inflation, we must pay closer attention to the timing and the impact of inflation.

(II) Policies, main causes of gain or loss and future response measures with respect to high-risk, high-leveraged investments, lending or endorsement guarantees, and derivatives transactions:

The Company strictly prohibits high-risk investment and high-risk operations in derivatives. Based on the transactions conducted in recent years, the investment products consisted only of investments in repurchase bills with low risks. Transactions were in compliance with the Company's policies and resulted in profits. The Company's derivatives only involved foreign exchange DF and NDF investments with low risks. Transactions were in compliance with the Company's policies and resulted in profits. The Company only organizes in loans between affiliates of the Group and completely follows related regulations in all procedures to meet corporate governance requirements. In

addition, the Company assisted the sub-subsidiaries companies in China, Sunon Electronic (Kunshan) Co., Ltd., Sunon Electronic (Foshan) Co., Ltd., and Sunon Electronic (Bei Hai) Co., Ltd. in obtaining bank loan credits by providing endorsement and guarantee. As the three sub-subsidiaries are wholly-controlled companies, there are no uncontrollable risks. The Company shall maintain a low-risk operation policy to respond to future risks.

Loans provided for others, endorsements and guarantees, and transactions in derivatives are processed in accordance with the Company's "Procedures for Loaning of Funds to Others", "Procedures for Making Endorsements and Guarantees", and "Procedures for Acquisition or Disposal of Assets".

(III) Future R&D programs and expected R&D investment

R&D Program Contents	Estimated R&D expenditures
1. Development of fan products with higher energy efficiency and longer life for servers/network equipment 2. Development of high-efficiency energy-saving protection fan for industrial and energy equipment 3. Development of high-grade protection fans for low-temperature applications 4. Development of low-noise high-performance blades 5. Development of ultra-slim fan module products 5. Development of vehicle-mounted water-cooled heat dissipation devices 6. Development of heat dissipation devices for high-end servers 7. Development of water-cooled heat dissipation devices for supercomputers 8. Development of high-performance durable HVACR EC fans 9. Development of lightweight, precision, and durable products 10. Research on green building and air-conditioning energy conservation benefits	Annual R&D expenses will be 5% to 8% of business revenue

(IV) Major changes in government policies and laws at home and broad, the impact on Company finance and business, and response measures

In the recent trade war between China and the United States, the United States increased import tariffs on products directly produced and sold by China to the United States. As most of the Company's products are produced in Mainland China, a very low percentage (less than 3%) of products are included in the scope of increased tariffs. The Company takes measures to transfer the costs and transferred the cost of increased tariffs to customers. Other products were sold to other customers in Mainland China who assemble our products into other products for sales in the United States. This accounts for a larger portion of sales but as the Company's products account for a low percentage of materials used in the customers' products, the place of production of the Company's products will not affect the designation of the place of production of the customers' products and we therefore do not need to relocate our production site. However, if these

customers transfer production back to Taiwan or to Mexico or directly to the United States, the changes would affect the Company's logistics and warehouse storage methods and increase costs marginally. Overall, the tariffs would have little impact on the Company's finance and business and the Company has prepared response measures for all possibilities.

In addition, the Company's related units collect information on important changes to domestic and foreign policies and laws to ensure that all our finance and business activities meet local regulatory requirements and quickly adapt to changes in policies and laws.

(V) Impact of recent technological changes (including information security risks) and market changes on finance and business of the Company, and response measures

The Company has set up dedicated units to conduct research on changes in upstream and downstream sectors of the electronics industry in Taiwan and abroad. We also participate in domestic and foreign exhibitions and seminars to obtain the latest information on industry development and provide related information to R&D, sales, and management to use as reference for technology development and business strategies. The latest technology development trends are mostly favorable to the Company's development. The new Purley server platforms will increase demand for more sophisticated cooling solutions. The rise of AI, IoT, and Industry 4.0 applications will bring forth greater and more high-end cooling demand. 5G communication devices will also increase demand for cooling products. The automobile industry's demand for cooling has progressed from luxury and optional devices to standard equipment and devices for computing heat dissipation. These technological advances have increased the sophistication of cooling products and will continue to expand the market which will help power the Company's medium and long-term development. The Company shall make full use of our advantages in these technologies and our lead in the market to accelerate market expansion and widen the gap between the Company and competitors.

(V-1) Impact of damage to the information system on the Company's business operations and the response measures

We created a system with high-availability cluster infrastructure and remote backup for the IT system to ensure uninterrupted system services. Remote backup can use high-speed Internet to backup system information to a remote server at reasonable costs. The DR fault-tolerant transfer uses virtualization technology and server hardware for mutual backup. In the event of hardware damage or software system collapse, we can painlessly switch to a different server to continue operations and keep system services uninterrupted.

The Company executes various server room disaster response drills and conducts drills for disaster recovery. We restore backup data to verify the feasibility of backups and reduce the risks of system service interruptions due to unforeseen natural disasters or human errors. We also ensure that the required recovery time for system interruptions is within the set goals.

(V-2) Risks and countermeasures for cyberattacks

As cyberattacks continue to grow in terms of the sophistication of the methodology, there are no permanent fixes in the industry. As such, the Company has established the Information Security Policy as the guiding principle for information security protection and established related information security management regulations and operating procedures. The management organizes quarterly information security meetings to review the Company's current information security measures and formulate improvement plans. We provide explanation and propose response measures for the following risks that we may encounter in business operations.

1. Virus threats

The sources of computer viruses may be malicious websites, illegitimate attachments, or portable storage media. The Company has therefore established multiple layers of defenses and inspections and installed a reputable anti-virus system in all terminals. We adopt centralized controls for surveillance and protection to reduce the risks of infections and attacks from malicious programs.

2. Cyberattacks

Internet hacker attacks cause the most direct impact on the Company's operations. In addition to establishing necessary protection measures including segmentation of major networks and access authorization control, firewalls, intrusion detection, and mechanisms for blocking attacks, we will also fix the security vulnerabilities based on information security vulnerability reports to minimize loopholes and the possibilities of attacks.

Although we detected numerous external attacks in 2020, all attacks were automatically intercepted or blocked by the internal defense system. There were therefore no material information security incidents that affected the Company's operations in 2020.

(VI) Impact of corporate image change on risk management and response measures

The Company has always maintained a good reputation for high quality and advanced technologies. There were no crisis involving the change of corporate image in the most recent year up to the publication date of the Annual Report.

(VII) Expected benefits and possible risks of mergers and acquisitions as well as the responding measures

The Company resolved to implement a short-form merger of the Company and the wholly-owned subsidiary company Sunon SMT Co., Ltd. (hereinafter referred to as Sunon SMT) in a resolution of the meeting of the Board of Directors on August 8, 2018. The Company was the surviving company and Sunon SMT was the dissolved company. Sunon SMT's investee in China, Limao Electronic (Foshan) Co., Ltd. (hereinafter referred to as Limao) was merged into the Company's investee in China, Sunon Electronic (Foshan) Co., Ltd. Sunon SMT's investee in China, Guangying Electronic (Kunshan) Co., Ltd. (hereinafter referred to as Guangying) was merged into the Company's investee in China, Sunon Electronic (Kunshan) Co., Ltd. Sunon SMT, Limao, and Guangying were responsible for the Company's outsourced SMT operations. The SMT process is an important process for fan

motor activation and control. The merger of Sunon SMT streamlined the Group's investment structure, reduced human resources management costs, reduced production lead time, and reduced inventory. The parent company also organizes production resources and increased the scale and efficiency of production.

- (VIII) Expected benefits and possible risks of factory expansions as well as the response measures

The Company resolved in the board meeting on April 12, 2016 to purchase land near the headquarters for future expansion of R&D facilities and production plants. The Board of Directors also resolved to construct a new plant in the Philippines in the meeting on November 1, 2019. Based on the debts incurred by the cost of the acquisition, the overall liability ratio remains within the risk requirements and did not negatively impact the financial structure. After the expansion, the new plant in Taiwan will be used to produce high-end products and the new plant in the Philippines will effectively reduce production costs. They are expected to contribute to the Company's development.

- (IX) Risks associated with over-concentration in purchase or sale and response measures

The Company's suppliers and customers are dispersed and we maintain solid long-term relationships with suppliers and customers. There are no cases of over-concentration of purchases or sales.

- (X) Impact of mass transfer of equity by or change of directors, supervisors, or shareholders holding more than 10% interest on the Company, associated risks and response measures

There has been no significant transfer of company shares by Directors, Supervisors, or major shareholders with more than 10% of shares in the most recent year and up to the publication date of this Annual Report.

- (XI) Effects that changes in management have on the Company as well as risk and response measures

The Company completed the election of Directors on July 1, 2021. The Chairman serves concurrently as the President and there are no risks of a change of management.

- (XII) Litigation or non-litigation events

SIAM Microelettronica S.P.A. filed a suit against the Company to claim damages for infringement of rights on April 8, 2020. The Company has appointed an attorney to represent the Company in the litigation and the case is currently being reviewed by Taiwan Kaohsiung District Court. The final results of the case will be determined by future legal proceedings and are not expected to have material impact on the Company's operations.

- (XIII) Other significant risks and response measures: None.

VII. Other important matters: None.

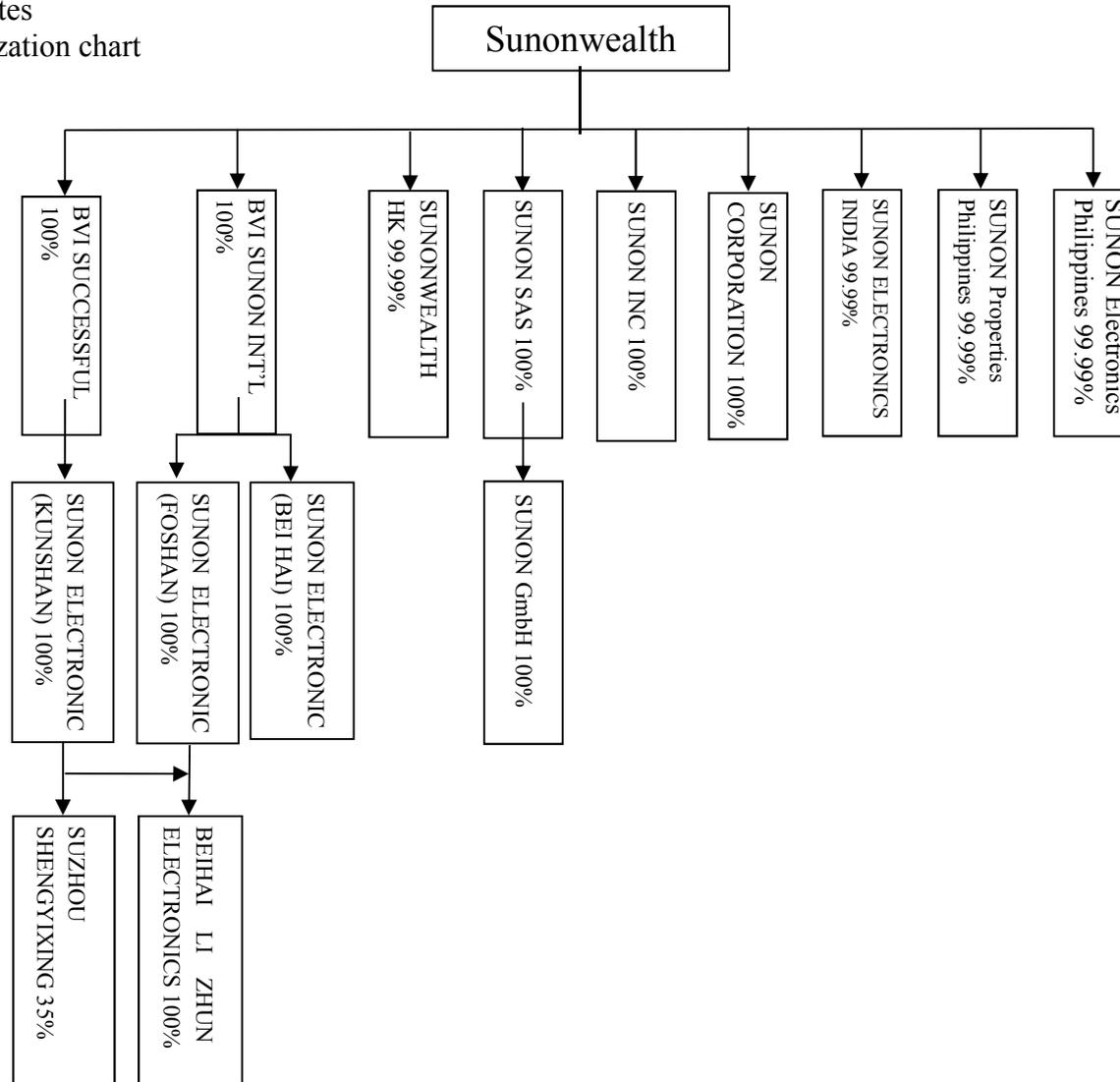
H. Special Disclosures

I. Profiles of affiliates and subsidiaries

(I) Consolidated Business Report of Affiliates

1. Overview of affiliates

(1) Affiliate organization chart



(2) Basic information of affiliated enterprises

March 31, 2021; Unit: thousand NTS

Enterprise name	Date of establishment	Address	Paid-in capital	Main business or core products
Sunon INC.	1998.12.24	1075 W. Lambert Rd. Suite A, BREA,CA 92821	US1,500	Manufacturing and assembly of electronic components and import and wholesale of various electronic and electrical components
Sunon SAS.	1999.12.30	66, avenue des Pepinieres, 94832 FRESNES CEDEX – FRANCE	EUR500	Import and wholesale of various electronic and electrical components
Sunon Deutschland GmbH	2000.09.01	Lebacher Strabe 4 , 66113 Saarbrucken.	EUR25	Import and wholesale of various electronic and electrical components
Sunon Corporation	2000.07.07	202, Itou Bld., 1-1-20, Tsujido, Fujisawa Shi, Kanagawa Ken, 251-0047, Japan	JPY15,000	Production and sales of fans
Sunonwealth Electric Machine Ind. (H.K.) Ltd.	1992.07.30	Room 14-1402, Hong Kong and Macau Building, 156-157 Connaught Road Central, Sheung Wan, Hong Kong	HKD800	Import and wholesale of various electronic and electrical components
BVI Successful Century Co., Ltd.	2000.07.07	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110 , British Virgin Islands.	US33,880	General investment and trade
Sunon Electronic (Kunshan) Co., Ltd.	2000.09.19	No. 168 Nanbin Road, Kunshan, Jiangsu Province, China	US34,0399	Production and sales of brushless DC motors and fans
BVI Sunon International Ltd.	1997.01.15	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110 , British Virgin Islands.	US19,180	General investment and trade
Sunon Electronic (Foshan) Co., Ltd.	2006.03.20	No. 50-1, Pingnan Industrial Zone, Guicheng Street, Nanhai, Foshan , Guangdong	US10,000	General investment and trade
Sunon Electronic (Bei Hai) Co., Ltd.	2011.04.07	B6, Beihai Comprehensive Bonded Zone, Beihai Avenue West, Beihai City, Guangxi Province, China	US10,000	Production and sales of AC/DC motors and fans
Beihai Li Zhun Electronics Co., Ltd.	2021.12.20	1F,2F,3F, Building 1, Huike Science and Technology Park, B2 District, Beihai Integrated Free Trade Zone,Beihai, Guangxi	CNY27,500	Production and sales of AC/DC motors and fans
Sunon Electronics India Private Limited	2019.06.12	Spaze IT Park, Tower B, 5th Floor Unit 530. Sohana Road. Sector 49 Gurgaon. Haryana. India. Pincode: 122018	INR11,000	Import and wholesale of various electronic and electrical components
Sunon Properties Philippines Corp.	2020.01.14	Lot 1, Block 12, Hermosa Ecozone Industrial Park, Brgy. Palihan, Hermosa, Bataan, Philippines.	PHP706,790	Real estate development and investment
Sunon Electronics Philippines Corp.	2020.01.10	Lot 1, Block 12, Hermosa Ecozone Industrial Park, Brgy. Palihan, Hermosa, Bataan, Philippines.	PHP128,560	Production and sales of AC/DC motors and fans
Suzhou Shengyixing Heat Transfer Technology Co., Ltd.	2014.11.11	No. 169, Liaobang Road, Jiangling Neighborhood, Wujiang District, Suzhou, Jiangsu Province, China	CNY7,692	Production and sales of heat dissipation equipment

Note: The exchange rates for various foreign currencies in the 2021 Balance Sheet are: USD: NTD = 1: 27.68; JPY: NTD = 1: 0.2405; EUR: NTD = 1: 31.32; CNY: NTD = 1: 4.3415; HKD: NTD = 1: 3.549; INR: NTD =1:0.3549; PHP: NTD =1:0.5452

- (3) Information of common shareholders who are presumed to have a relationship of control and subordination: None.
- (4) Businesses covered by the affiliated enterprises' overall operations
- A. Design, production, and sales of various fans, cooling modules, and motors
 - B. Design, production, and sales of spindle motors
 - C. Production of precision hardware components for fans and motors
 - D. SMT processing
 - E. Molds design and production
 - F. General investment and management consulting

(5) Directors, Supervisors, and Presidents of each affiliated enterprise and the number of shares they hold or the amount of capital they contributed to each enterprise

March 31, 2022

Enterprise name	Title	Name or representative	Shares held	
			Number of shares	Shareholding ratio (%)
Sunon INC.	Director	Sunonwealth Electric Machine Industry Co., Ltd. Representative: Ching-Shen Hong, Fu-Ing Hong Chen, Li-Ju Chen	150,000	100.00%
	Acting President	Chin-Tzu Wu	-	-
Sunon SAS.	Director	Sunonwealth Electric Machine Industry Co., Ltd. Representative: Ching-Shen Hong	50,000	100.00%
	President	Hao-Sheng Chu	-	-
Sunon Deutschland GmbH	Director	SUNON SAS Representative: Hao-Sheng Chu	-	100.00%
Sunon Corporation	Director	Sunonwealth Electric Machine Industry Co., Ltd. Representative: Ching-Shen Hong, Chen, Li-Ju Chen	4,400	100.00%
	Supervisor	Sunonwealth Electric Machine Industry Co., Ltd. Representative: Fu-Ing Hong Chen		
Sunonwealth Electric Machine Ind. (H.K.) Ltd.	Director	Sunonwealth Electric Machine Industry Co., Ltd. Representative: Ching-Shen Hong, Li-Ju Chen	799,999	99.99%
BVI Successful Century Co., Ltd.	Director	Sunonwealth Electric Machine Industry Co., Ltd. Representative: Ching-Shen Hong	33,880,000	100.00%
Sunon Electronic (Kunshan) Co., Ltd.	Director	SUCCESSFUL CENTURY CO., LTD Representative: Ching-Shen Hong, Fu-Ing Hong Chen, Li-Ju Chen	-	100.00%
	Supervisor	Ling-Wen Huang	-	-
	President	Kuo-Ching Li	-	-
BVI Sunon International Ltd.	Director	Sunonwealth Electric Machine Industry Co., Ltd. Representative: Ching-Shen Hong	19,180,000	100.00%
Sunon Electronic (Foshan) Co., Ltd.	Director	SUNON INTERNATIONAL LTD. Representative: Ching-Shen Hong, Fu-Ing Hong Chen, Li-Ju Chen	-	100.00%
	Supervisor	SUNON INTERNATIONAL LTD. Representative: Ling-Wen Huang	-	-
	President	Kuan-Hung Tseng	-	-
Sunon Electronic (Bei Hai) Co., Ltd.	Director	SUNON INTERNATIONAL LTD. Representative: Ching-Shen Hong, Fu-Ing Hong Chen, Li-Ju Chen	-	100.00%
	Supervisor	SUNON INTERNATIONAL LTD. Representative: Ling-Wen Huang	-	-
	President	Chao-Wang Chiu	-	-
Beihai Li Zhun Electronics Co., Ltd.	Executive Director Supervisor	Sunon Electronic (Foshan) Co., Ltd. Representative: Ching-Shen Hong Representative: Fu-Ing Hong Chen	-	100.00%
Sunon Electronics India Private Limited	Director	Sunonwealth Electric Machine Industry Co., Ltd. Representative: Ching-Shen Hong, Li-Ju Chen	1,099,999	99.99%
Sunon Properties Philippines Corp.	Director	Sunonwealth Electric Machine Industry Co., Ltd. Representative: Ching-Shen Hong, Fu-Ing Hong Chen, Li-Ju Chen	7,067,896	99.99%
Sunon Electronics Philippines Corp.	Director	Sunonwealth Electric Machine Industry Co., Ltd. Representative: Ching-Shen Hong, Fu-Ing Hong Chen, Li-Ju Chen	1,285,597	99.99%

Enterprise name	Title	Name or representative	Shares held	
			Number of shares	Shareholding ratio (%)
Suzhou Shengyixing Heat Transfer Technology Co., Ltd.	Director Supervisor	Sunon Electronic (Kunshan) Co., Ltd. Representative: Ching-Shen Hong Representative: William Li	-	35.00%

2. Overview of business operations of affiliates

December 31, 2021; Unit: thousand NT\$

Enterprise name	Capital	Total value of assets	Total liabilities	Net worth	Operating revenue	Operating profits	Profit or loss for the current period (after tax)	Earnings per share (NT\$) (after tax)
Sunon INC.	49,140	310,683	191,266	119,417	569,445	30,019	23,216	154.77
Sunon SAS.	16,127	283,100	222,944	60,156	498,229	(83,034)	(12,153)	(243.06)
Sunon Deutschland GmbH	1,027	587	402	185	10,424	(4,625)	(4,620)	-
Sunon Corporation	4,470	2,035	67	1,968	0	(39)	(85)	(19.32)
Sunonwealth Electric Machine Ind. (H.K.) Ltd.	3,428	1,750	0	1,750	0	(41)	(40)	(0.05)
BVI Successful Century Co., Ltd.	1,136,933	1,303,275	0	1,303,275	0	0	33,186	0.98
Sunon Electronic (Kunshan) Co., Ltd.	1,136,276	4,322,659	3,019,423	1,303,236	6,640,590	44,482	33,197	-
Suzhou Shengyixing Heat Transfer Technology Co., Ltd.	32,870	-	-	-	-	-	(11,809)	-
BVI Sunon International Ltd.	1,035,677	865,870	20	865,850	0	0	80,265	2.44
Sunon Electronic (Foshan) Co., Ltd.	765,207	236,443	14,898	221,545	582,837	(265,164)	(223,155)	-
Sunon Electronic (Bei Hai) Co., Ltd.	293,115	2,644,835	2,000,798	644,037	5,116,893	332,221	303,540	-
Beihai Li Zhun Electronics Co., Ltd.	0	58,685	59,663	(978)	0	(978)	(978)	-
Sunon Electronics India Private Limited	4,880	3,584	680	2,904	4,319	861	856	0.78
Sunon Properties Philippines Corp.	430,000	374,673	142	374,531	0	(7,178)	(7,019)	(0.99)
Sunon Electronics Philippines Corp.	34,072	51,658	24,974	26,684	0	(5,969)	(6,228)	(10.27)

(II) Consolidated financial statement of affiliates

For the 2021 fiscal year (from January 1 to December 31, 2021), companies that should be included in the consolidated financial statement of affiliates as provided by the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as what should be included in the consolidated financial statements of parent and subsidiary companies as provided in IFRS No. 10 which was approved by the Financial Supervisory Commission, and the relevant information that should be disclosed in the consolidated financial statements of affiliates has been disclosed in the consolidated financial statements of the parent and its subsidiaries. The Company shall not be required to prepare separate consolidated financial statements of affiliates (please refer to the 2021 Financial Report on page 119 of the Annual Report).

(III) Affiliation Report

The Company is the controlling company of other affiliate companies and is thus not applicable to regulations regarding the disclosure of an affiliation report.

- II. Progress of private placement of securities during the latest year and up to the date of annual report publication: None.**
- III. Holding or disposal of stocks of the Company by subsidiaries in the past year and up to the date of report: None.**
- IV. Other supplemental information: None.**

Corporate events with material impact on shareholders' equity or stock prices set forth in Article 36, Paragraph 3, Subparagraph 2 of Securities and Exchange Act in the past year and up to the date of report shall be specified separately below: None.

Sunonwealth Electric Machine Industry Co., Ltd.

Chairman : Ching-Shen Hong



SUNON®

Sunonwealth Electric Machine Industry Co., Ltd.

TEL : 886-7-8135888

FAX : 886-7-8122929

Http : //www.sunon.com

E-mail : sunon@sunon.com

