

Aug. 18th, 2022

Dear Shareholders,

The company's Q2 revenue hit NT\$14.5 billion, up 13.5% year-on-year, with gross margin rising to 23%, thanks to price hike effect in Q2 offsetting increased costs of raw materials, warehousing, and freights in the previous three quarters. Plus adequate expense control, operating income topped NT\$1.29 billion, up 22.5% over a year earlier, with operating margin reaching 8.9%. In the first half of 2022, the company's revenue amounted to NT\$28.44 billion, up 16.8% year-on-year, with operating income advancing 29.8% to NT\$2.44 billion. Although the company's net profit reached only NT\$1.63 billion, down 42.2% year-on-year, in the first half, due to loss in the valuation of non-operating financial assets resulting from global stock-market decline, the company's core businesses continued to score steady growth worldwide, leading to sound performance in revenue, profit, and cash flow.

Green Mechatronic Solution: Despite the effect of lockdown on the mainland Chinese market, Q2 sales of Green Mechatronic Solution managed to grow 13.9% to NT\$7.8 billion, thanks to growing demands from North America, Europe, and Taiwan, notably the U.S. market, where the Clean Competition Act has fostered the Q&E electrification industrial trend, generating robust demands for new mobile E-SKID and medium-voltage inverters of TECO-Westinghouse. In addition, the company launched low-carbon smart factory solution last year, helping clients cope with unstable power supply and anticipated electricity-fee hike in Taiwan. On July 1st, Taiwan's electricity rates have been raised by an average of 8.4%, and 15% for energy-heavy industries, stimulating company's sales of high energy-performance products and services, which have a year-over-year growth of 30%, and are expected to hit NT\$4 billion revenue for the year.

Air and Intelligent Life: Q2 revenue of Air and Intelligent Life reached NT\$3.58 billion, 5.6% higher than a year earlier. Having filled the majority of orders for the "classroom air-conditioning" project since the second half of 2021, the group has switched the focus of its air-conditioning business to the commercial sector, zeroing in on factories and schools for replacement of their outdated air conditioning systems and water chillers with AI energy-conserving commercial freezers and air conditioners. Q2 sales of single-split type commercial air conditioners and VRF (variable refrigerant flow) multi-split-type models, for instance, leaped 32% and 26.4%, respectively, with whole-year sales of commercial air conditioners expected

to grow 10% in 2022.

Intelligence Energy: The Intelligence Energy business group staged a remarkable performance in Q2 with robust 37.5% revenue growth reaching NT\$2.39 billion, thanks mainly to businesses related to IDC projects and energy-storage systems of the Longtan substation of Taipower Company. In addition to further inroads into the onshore substation market, the company is in talks with major international firms for technological cooperation, in the hope of foraying into the offshore substation market. The company is also eyeing Taipower's 60 MW energy storage system project in Dongshan, worth over NT\$3 billion in scale, and new overseas IDC projects, notably that in Southeast Asia, in the second half. The Intelligence Energy business group raised its share in the company's revenue to 16.5% in Q2, up from Q1's 11.2%, and is targeting 20%, in order to become the third pillar of the company's core business.

In response to changes in global economy and trade, the company, after reviewing global market and supply chain of Green Mechatronic Solution business group, has reached the following conclusions:

1. The Green Mechatronic Solution business group has diversified revenue sources, including Taiwan (19%), North America (29%), mainland China (22%), and Europe (20%). But emerging markets, mainly ASEAN and India, accounts less than 11%. Given their faster economic growth and significant potential, the company will step up effort foraying into such emerging markets as Vietnam, Indonesia, Thailand, Malaysia, and India, on the basis of its existing Vietnamese plant and the Indian plant, scheduled for completion at the end of 2022.
2. The company's plants in Taiwan and mainland China accounted for 66.2% of its output in the first half of 2022, down by 2.8 percentage points from the 2021 level, compared with increases of 2.7 and 0.8 percentage points, respectively, of its plants in Europe and Southeast Asia during the period. The output value of Southeast Asia will increase further, following expansion of the Vietnamese plant and inauguration of the Indian plant, as part of the company's effort to alleviate the overconcentration of supply chain.
3. The company also plans to enhance its capacities in North America, which now accounts for near 30% of its revenue but only 5% of output, in order to quickly respond to the need of local customers, lower the uncertainty and carbon emission of long-haul transport.

In view of robust demands related to energy conservation and carbon abatement current worldwide, the company has a rosy business outlook for the second half but has to cope with the challenges resulting from its effort to diversify its manufacturing operation. The management team will overcome these challenges, in order to attain sustainable development. Lastly, I would like to thank our shareholders for your long-term unwavering support and wish you peace and good health.

Sincerely,

Sophia Chiu
Chairman