

Stock code : 5288



Eurocharm Holdings Co., Ltd.

2020

Annual Report

Corporate website :

<http://www.eurocharm.com.tw>

Taiwan Stock Exchange Market Observation System

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

Printed on May 11, 2021

This English version is only a translation of the Chinese version. If there is any inconsistency or discrepancy between the Chinese and English versions, the Chinese version shall prevail for all intents and purposes.

Introduction

Spokesperson

Name: James Chan

Title: Vice President, Administration and Finance

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Deputy Spokesperson

Name: Hung-Yi Kao

Title: Financial Manager

Tel: +886-2-2208-0151

E-mail: IR@eurocharm.com.tw

Subsidiary

Eurocharm Innovation Co., Ltd.

No.15 Lane 315 Xinshu Rd. Xinzhuang District,

New Taipei, Taiwan 242

Tel: +886-2-2202-8393

Corporate Headquarters

Eurocharm Holdings Co., Ltd.

Address: No.15 Lane 315 Xinshu Rd. Xinzhuang

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Tel: +886-2-2208-0151

Subsidiary

Vietnam Precision Industrial No.1 Co., Ltd.

Address: Khai Quang Industrial Zone, Vinh Yen,

Vinh Phuc, Vietnam

Tel: +84-211-3842-897

Accountant Contacts for the Latest Annual Financial Report

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Address: B1 No.210 Sec.3 Chengde Rd. Taipei,

Taiwan 103

Tel: +886-2-2586-5859

Corporate Website

[http:// www.eurocharm.com.tw](http://www.eurocharm.com.tw)

Board of Directors

Chairman

Name: Steven Yu

Nationality: Republic of China

EMBA - National Taiwan University

Mechanical Engineering - Lunghwa University of
Science and Technology

Director

Name: Antonio Yu

Nationality: Republic of China

Industrial Engineering - University of Wisconsin-
Madison

Bioengineering - National Taiwan University

Director

Name: Michael Yu

Nationality: Republic of China

Business Management - National Chung Hsing
University

Business Management - National Taipei University
of Business

Director

Name: Steven Chang

Nationality: Republic of China

PhD in Business and Management - Shanghai Jiao
Tong University

MBA - National University of Governance

Business Management - National Chung Hsing
University

Independent Director

Name: Bryan Peng

Nationality: Republic of China

EMBA - Jiao Tong University

Accounting and International Trade - Fu Jen
Catholic University

VP-Finance, EZconn Corp.

Independent Director

Name: Gen-Yu Fong

Nationality: Republic of China

PhD in Law, Cornell University

Professor of Law, National University of
Governance

Independent Director

Name: Wei-Min Lin

Nationality: Republic of China

PhD in Finance and Economics - Jinan University

Lin Wei Min CPA Firm

Contents

I. Letter to Shareholders.....	1
II. Company Profile	
2.1 Company and Group.....	5
2.2 Company History.....	7
2.3 Risk Disclosure.....	8
III. Corporate Governance Report	
3.1 Organization.....	9
3.2 Directors, Supervisors and Management Team.....	11
3.3 Remuneration of the Chairman, Directors, Managers and Associate Managers	20
3.4 Implementation of Corporate Governance.....	24
3.5 Information Regarding the Company’s Audit Fee and Independence	50
3.6 Replacement of the CPA	50
3.7 Recent Employment of the Chairman, General Managers or Financial Managers who were Employed in an Accounting Firm or its Affiliates.....	51
3.8 Evaluation of the CPA’s Independence	51
3.9 Operational Procedures for Handling Material Inside Information	52
3.10 Recent Changes in Equity and Pledged Shares of Directors, Supervisors, Managers and Shareholders Holding Over 10% of the Total Shares.....	52
3.11 Relationship among the Top Ten Shareholders and their Spousal or Kinship Relationships within the Second Degree	53
3.12 Consolidated Shareholding Ratio and the Number of Shares Held by the Company, Directors, Supervisors, Managers and Businesses Directly or Indirectly Controlled by the Company in the Same Joint Venture Business	54
IV. Capital Overview	
4.1 Capital and Shares	55
4.2 Bonds	60
4.3 Preferred Shares.....	60
4.4 Global Depository Receipts	60
4.5 Employee Stock Options.....	60
4.6 Restricted Employee Stock Options	60
4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions	60
4.8 Financing Plans and Implementation.....	60
V. Operational Highlights	
5.1 Business Activities.....	61

5.2	Market and Sales Overview	75
5.3	Human Resources	83
5.4	Environmental Protection Expenditure.....	84
5.5	Labor Relations	85
5.6	Important Contracts	89

VI. Financial Information

6.1	Five-Year Financial Summary.....	93
6.2	Financial Analysis.....	96
6.3	Supervisors' or Audit Committee's Report in the Most Recent Year	99
6.4	Financial Statements in the Most Recent Year.....	99
6.5	CPA-Audited Financial Statement in the Most Recent Year.....	99
6.6	Financial Difficulties in the Most Recent Year	99

VII. Review of Financial Conditions, Operating Results & Risk Management

7.1	Financial Status	100
7.2	Analysis of Financial Performance.....	101
7.3	Analysis of Cash Flow	102
7.4	Major Capital Expenditure Items	102
7.5	Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year.....	103
7.6	Analysis of Risk Management	104
7.7	Other Important Matters	107

VIII. Special Disclosure

8.1	Summary of Affiliated Companies	108
8.2	In the latest year and as of the date when this annual report was published, any cases of securities private placement	111
8.3	In the latest year and as of the date when this annual report was published, cases of subsidiary holding or disposing the Company's shares.....	111
8.4	Other necessary supplementary explanation.....	111
8.5	Information Disclosure as prescribed in Clause 2, Paragraph 2, Article 36 of Securities of Exchange Law	111
8.6	Differences from Republic of China Shareholder equity protection regulations.....	111

IX. References

I. Letter to Shareholders

In 2020, Eurocharm Group will continue to invest in better equipment and carry out new orders.

Chairman Speech

A year of significant progress

Allow me to take this opportunity to welcome you to our 2020 Annual Shareholders Meeting and express my deepest gratitude for your continued support. The following is the outcome of our operations in 2020 and the objectives for the upcoming years.

1. Operating Results

The total consolidated revenue for 2020 was NT\$ 4,658,907 thousand, and the consolidated operating margin was NT\$ 907,140 thousand. The total net profit after tax was NT\$ 553,202 thousand, in which vested consolidated net profit after tax to the shareholders of the parent Company was NT\$ 553,202 thousand. The basic earnings per after-tax share merger were NT\$ 8.40.

2. Net Assets and Liabilities

For the year ended December 31, 2020, the total consolidated assets amounted to NT\$5,279,781 thousand. The total consolidated liabilities were NT\$2,208,890 thousand, which accounted for the merger total consolidated assets of 41.84%. The total consolidated shareholders' equity was NT\$3,070,891 thousand, which marked 58.16% of the total consolidated assets.

3. Profitability Analysis

The basic earnings per share after tax was NT\$ 8.40. The net profit was 11.87%. The rate of return on assets was 11.32%, and the return on equity was 18.01%.

4. Budget Execution

Not applicable as the Company's 2020 financial forecast is not public.

5. Income and Expenditure and Profitability Analysis

Please refer to the Consolidated Financial Statements.

6. Future Development and Strategies

The Company's 2020 research and development expenses accounted for 1.31% of net operating revenue. To expedite the process of product development and reduce defect rate, the Company will continue to invest in mold and metal processing research and upgrades. The investment aligns with the Company's

vision of expanding capabilities and precisions.

2020 Business Plan

1. Expansion of Capacity

The Company will continue to invest steadily and continuously based on past experience. Therefore, the Company will continue to budget for equipment upgrades and capacity expansion to accommodate customers' growing sales. The Company's plant expansion is start in the fourth quarter of 2020, and plan to complete in the fourth quarter of 2021. The new plant aims to fulfill both existing and future business needs. In addition, the Company will continue the expansion of the tooling factory by acquiring new processing equipment, upgrading the production of tooling, inspection and fixture and accelerating the time for product development. These will accelerate the automated production and reduce the operational risks brought on by the increase in salary in Vietnam.

2. Emphasis on Medical Equipment Market

In the effort to diversify market risks, the Company plans to not only pursue tighter cooperation with existing medical equipment manufactures but also seek out new opportunities from Europe, the United States and Japan. With regard to the revenue ratio on this particular sector in 2020, the Company aims to bring in more demand in the upcoming year as the joining of new customers.

3. Development of Electric Scooters and Recreational Vehicles

As of the end of 2020, the Company has started the mass production or development of four electric scooters. With the solid foundation of motorcycle chassis production, the Company has the advantage of developing further business opportunities in the electric scooter sector. In terms of recreational vehicles, the Company has been actively seeking and acquiring business cooperation with companies in North America and Europe. Based on the steady increase in order volume, the Company expects the production will multiply in the upcoming years.

4. Development of Automobile Parts

In response to the growing auto parts business opportunities by the Association of Southeast Asian Nations (ASEAN), the Company is actively engaged in developing new customers, as well as strengthening the relationship with the existing automobile customers. The Company expects the result to reflect on the profit growth in the future.

In 2020, the overall global economy is affected by COVID-19. Not only the supply chain become disconnected due to the outbreak of the pandemic, it also severely affected the overall industrial demand in the second quarter. However, various anti-pandemic policies issued by various governments in response to the pandemic in third quarter. As a result, the global operating order was gradually restored, and the economy has gradually entered the right track in the fourth quarter.

Entering 2021, the overall business environment will gradually recover, and the new development projects undertaken by the Company in the past two years will gradually develop results this year. In addition, the Company will continuously improve the management and technology of the production process to reduce potential risks. Along with the mission of providing the highest quality and manufacturing capacity, the teams are determined to obtain more purchase orders for another record-breaking year. The Company would like to take this opportunity to thank you for your long-term support and trust. The Company upholds the business philosophy of challenging for continuous improvement and cherishing every working opportunity. One step at a time, the Eurocharm group will raise its numbers and competitiveness to achieve beyond the public's expectations.

Looking to the future, the Company has formulated the following internal execution plans to elevate the management in the new year.

1. Environmental Protection and Occupational and Industrial Safety

Improvements have been implemented to all aspects of the Company, including employee participation, production safety, working environment, quality assurance, delivery duration, reduction of invalid working hours and employee compensation and benefits. Working towards the common goal of encouraging cohesion within the Company, the teams will continue to brainstorm ways to enhance internal management and protect employees' legal rights.

2. Lean Production Development

In the effort to counter the redundant processes in production and strengthen the management model, the Company has adopted TOYOTA's lean production plan. The plan contains the full scope of the production process from system structure to the market demand and supply. Accompanying the MES execution, the Company can stay agile and respond to rapid changes.

3. Employee Training and Inheriting Plans

The Company collaborates with external training facilities to provide specialized lessons depending on job responsibilities and personal preferences. The goal is to equip all levels of managers with the necessary knowledge to problem-solving and leading to a solid foundation for the Company's continual development.

4. Green Supply Chain

Striving to be a model environmentally friendly business, the Company continues to replace outdated equipment and promote greener working practices. The teams have targeted the areas which require the most attention, including noise, dust, air, sewage disposal system and lighting and electric furnace use. Together, we work towards the goal of carbon reduction and energy conservation.

5. Automated Import

In response to the recent foreign-funded enterprises' continuous investment in Vietnam and the possible future shortage of labor risks. The Company will continue to invest in automation projects and minimize the risk of future lack of labor.

The Company would like to thank all shareholders for their persistent support and trust. The value of challenging excellence and cherishing each opportunity has taken the Company from its humble origin to the accomplishments which we all share. One project at a time, the Eurocharm Group will continue to live up to all shareholders' expectations and pay our appreciation in record-breaking numbers.

Sincerely yours,

Chairman

Steven Yu/s/

General Manager

Steven Yu/s/

Chief Accountant

James Chan/s/

II Company Profile

2.1 Company and Group

Eurocharm Innovation was originally founded in Taiwan in 1974, and was one of the leading manufacturers in the motorcycle industry during the fast-growing years. Eurocharm Innovation now serves as a subsidiary in Taiwan, principally engaged in the manufacturing of medical equipment and motorcycle parts.

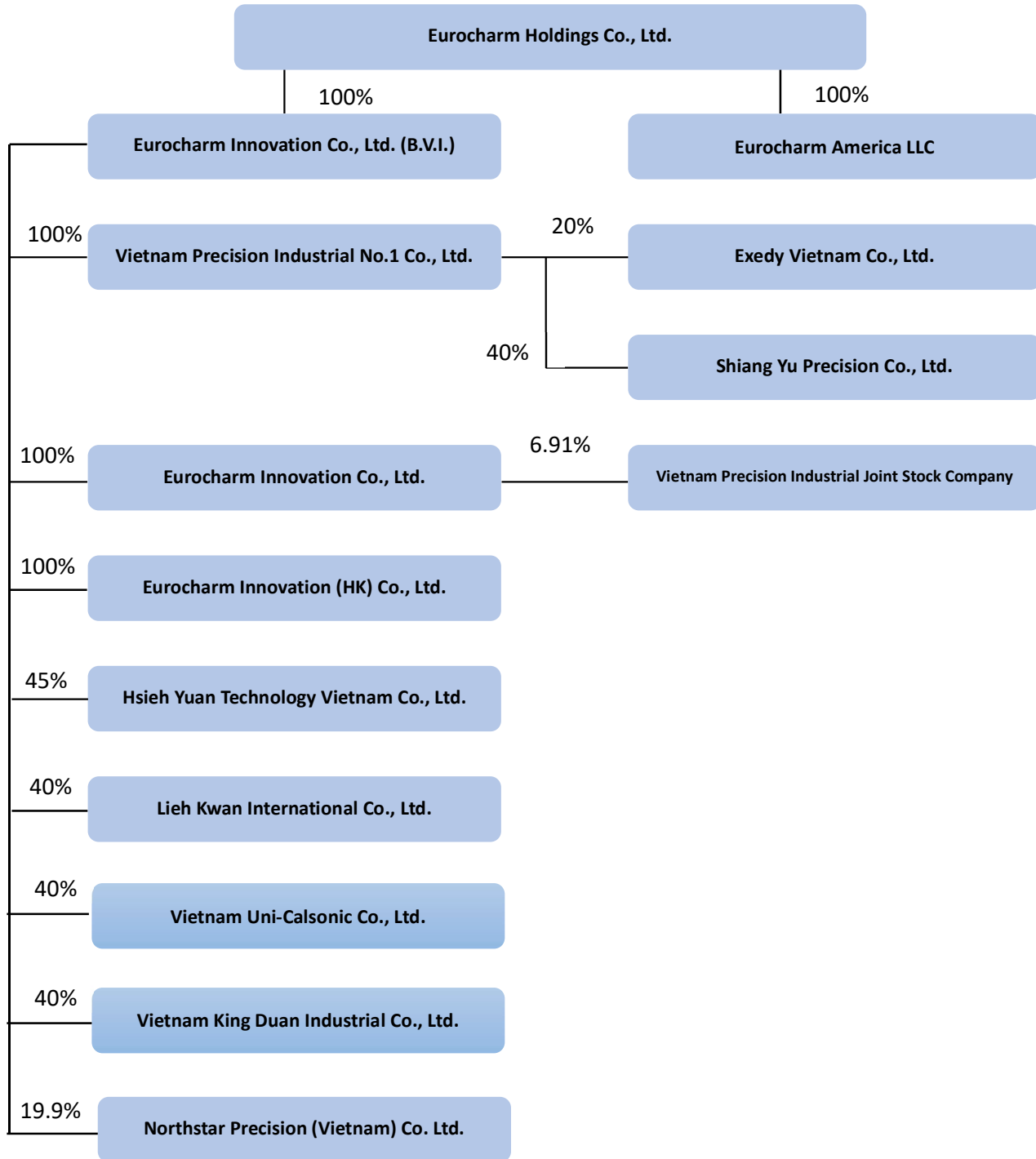
In 2001, Vietnam Precision Industrial No.1 Co., Ltd., or **VPIC1** for short, was established near Hanoi, Vietnam to supply metal fabrication parts to several reputable companies.

VPIC1 has since obtained several ISO certificates over the years, and employees approximately 3,500 staffs and managers at the moment.

Eurocharm Holdings was established in the Cayman Islands on July 18th, 2011. The Company went on to acquire Eurocharm Innovation Co., Ltd (B.V.I.) and its subsidiaries Eurocharm Innovation and VPIC1.

After the reconstruction of equity, Eurocharm Group is then utilizing three operating bases in the British Virgin Islands, Taiwan and Vietnam.

Thus far, the revenue of the core business has been from manufacturing auto and motorcycle parts, medical equipment and hardware machine components.



2.2 Company History

2021	Joint venture with Vietnam Uni-Clasonic Co., Ltd., and Vietnam King Duan Industrial Co., Ltd.
2019	Established Eurocharm Innovation (HK) Co., Ltd. and joint venture with Lieh Kwan International Co., Ltd.
2018	Acquired 155,000 square meters of land use rights in Baishan II Industrial Zone
2017	Construction Completion of the 5th Factory in Vietnam
2016	Established Optimal Victory Ltd.
2015	Installed TRUMPF TruLaser Tube
	Passed the OHSAS18001 certification
	Established Apex Precision Industrial Ltd.
2014	Installed a Mitsubishi 3D laser cutting machine
	Awarded with Ford Q1 Preferred Quality Award
	Publicly listed in Taiwan Stock Exchange (TWSE) on September 25
2013	Introduced liquid painting production line
	Re-elected the 7 directors including 3 independent directors. Set up the Audit and Remuneration Committees. The share capital of Eurocharm Holdings Co., Ltd. was converted from US\$17,473,537 with the ratio of 1: 3.2548746 into denomination of NT shares per share on October 25, 2013 at the provisional shareholders' meeting. After the conversion, the Company's capital was NT\$568,741,530, each denomination was NT\$10, 56,874,153 in total
2012	After a capital increase of US\$473,537, the Company's share capital was US\$17,473,537, US\$1 per share, 17,473,537 shares in total
2011	Restructured the organization of the group to establish Eurocharm Holdings Co., Ltd. Eurocharm Holdings Co., Ltd. issued a US\$17,000,000 stake in acquiring the shares of Eurocharm Innovation Co., Ltd. 100% owned by New General Ltd. and Seashore Group Ltd.
2010	Jointed venture to establish Hsieh Yuan Technology Vietnam Co, Ltd. which specializes in zinc, nickel, chromium and hard chrome plating
	Passed the ISO13485 certification
2009	Introduced hydraulic stamping production line up to 1,200 tons
2007	Passed the ISO/TS16949 and ISO14001 certification
2006	Jointed venture with EXEDY Japan to establish EXEDY Vietnam, main products are motorcycle clutches
2004	Stationed epoxy-based e-coating production line
2003	Launched aluminum die-casting, CNC machining and passed the ISO9001 certification
2002	Installed stamping, tube bending, robotic welding, as well as, liquid and powder coating production lines
2001	Established Vietnam Precision Industrial No.1 Co., Ltd. (VPIC1)
1994	Began the production of walkers and rollators

1988	Initiated the production of healthcare equipment parts and products
1983	Introduced and utilized an automated welding robot production line
1974	Established Eurocharm Taiwan as a professional manufacturer of motorcycle parts

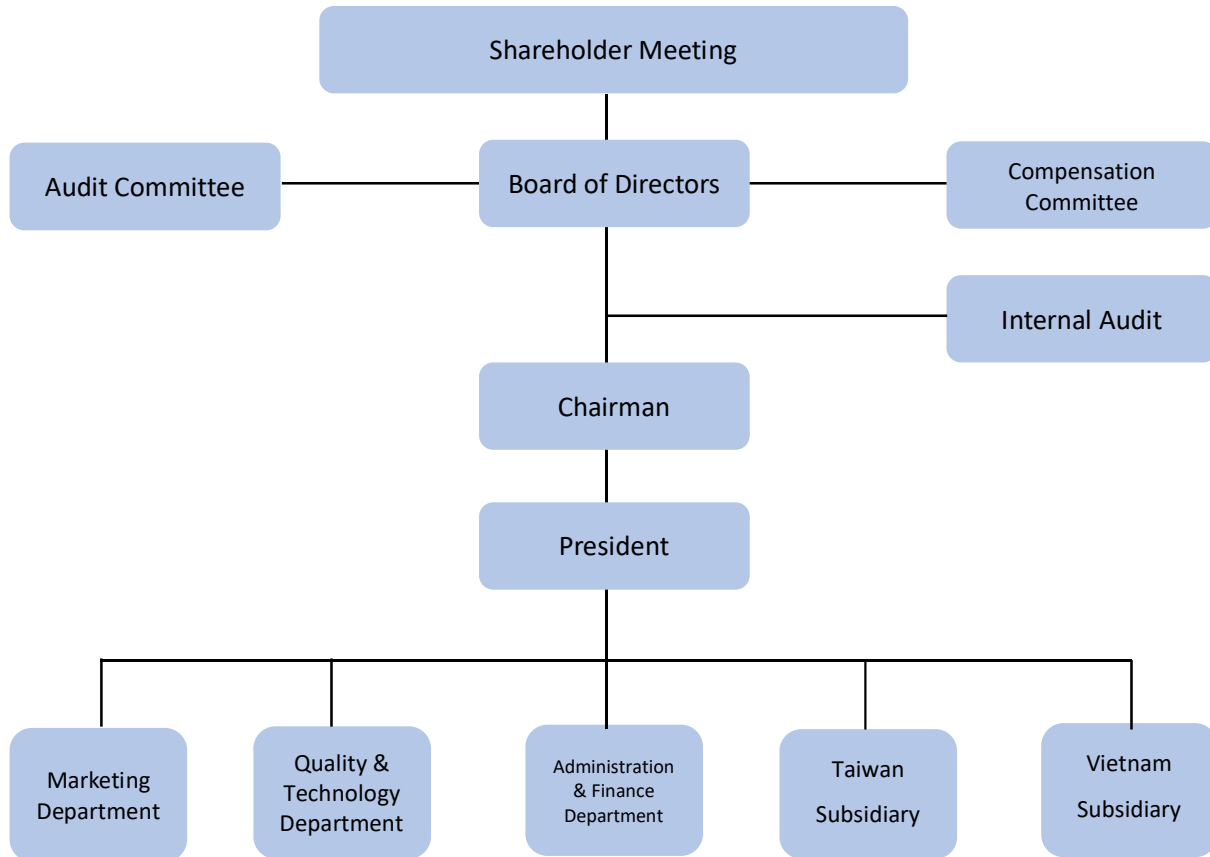
2.3 Risk Disclosure

Please see page 105 for details.

III Corporate Governance Report

3.1 Organization System

3.1.1 Organizational Structure



3.1.2 Departments

[Compensation Committee]

Conducts reviews of the directors and managers' performance and evaluates the Company's overall compensation structure

[Internal Audit]

Assesses the business' regulations and compliance then provides guidance to managers and staffs

[Marketing Department]

Drives sales of the products globally and collects market and consumer analysis

[Chairman]

Provides leadership and develops a business plan for Company's effectiveness

[Audit Committee]

Oversees the financial reporting and the implementation of the business

[President]

Executes the organization's vision and oversees the management

[Administration & Finance Department]

Manages the overall human resource-related administrative work, accounting, budgets and maintenance of the work environment

[Quality & Technology Department]

Develops new designs and reviews quality control of the products

3.2 Directors, Supervisors and Management Team

3.2.1 Chairman, Directors and Supervisors

03/31/2021

Unit: Thousand Shares

Title	Nationality/ Companies Registry	Name	Gender	Date Elected	Term (Years)	Date First Elected (Note)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director (Corporate Shareholder)	Samoa	New General Limited		05/31/2019	3	07/18/2011	13,833	21.01	13,833	21.01	0	0.00	0	0.00	N/A		-	-	-	
Chairman (Legal Representative)	ROC	Steven Yu	Male	05/31/2019	3	07/18/2011	0	0.00	0	0.00	0	0.00	0	0.00	EMBA-National Taiwan University Mechanical Engineering- Lunghwa University of Science and Technology	Chairman, Eurocharm holdings Co., Ltd. Chairman, Eurocharm Innovation Co., Ltd. Chairman, Shen Yuan Metal Co., Ltd. Supervisor, Song Fong Development Co., Ltd. Director, Taiwan Techno State Co., Ltd. Chairman, Eurocharm Innovation Co., Ltd. (B.V.I.) Director, Exedy Vietnam Co., Ltd. Chairman, Vietnam	Director	Michael Yu	Brother	Note 3

Title	Nationality/ Companies Registry	Name	Gender	Date Elected	Term (Years)	Date First Elected (Note)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
							Director (Corporate Shareholder)	Samoa	Seashore Group Limited		05/31/2019	3	07/18/2011	24,769			37.63	24,769	37.63	
Director (Legal Representative)	ROC	Michael Yu	Male	05/31/2019	3	07/18/2011	117	0.18	117	0.18	0	0.00	0	0.00	Business Management- National Chung Hsing University Business Management- National Taipei University of Business	Chairman, Eurocharm Innovation Co., Ltd. Chairman, Shen Yuan Metal Co., Ltd. Supervisor, Song Fong Development Co., Ltd. Director, Taiwan Techno State Co., Ltd. Chairman, Eurocharm Innovation Co., Ltd. (B.V.I.) Chairman, Vietnam Precision Industrial No.1 Co., Ltd. Director, New General Ltd. Director, Seashore Group	Director	Steven Yu	Brother	

Title	Nationality/ Companies Registry	Name	Gender	Date Elected	Term (Years)	Date First Elected (Note)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
															Ltd. Director, Eurocharm Innovation (HK) Co., Ltd. Director, Shiang Yu Precision Co., Ltd. Director, New Outlook Ltd. / Partner Plus Director, Hsieh Yuan Technology Vietnam Co., Ltd. Director, Vietnam King Duan Industrial Co., Ltd. Supervisors, Vietnam Uni- Clasonic Co., Ltd.	Director	Antonio Yu	Brother		
Director (Legal Representative)	ROC	Antonio Yu	Male	05/31/2019	3	07/18/2011	116	0.18	166	0.18	0	0.00	0	0.00	Industrial Engineering- University of Wisconsin- Madison Bioengineering- National Taiwan University	Director, Eurocharm Innovation Co., Ltd. Director, Song Fong Development Co., Ltd. Chairman, Taiwan Techno State Co., Ltd. Director, Eurocharm Innovation Co., Ltd. (B.V.I.) Director, Vietnam Precision Industrial No.1 Co., Ltd. Director, New General Ltd. Director, Seashore Group	Director	Steven Yu	Brother	

Title	Nationality/ Companies Registry	Name	Gender	Date Elected	Term (Years)	Date First Elected (Note)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
															Ltd. Director, New Outlook Ltd. / Partner Plus Director, Lien Kwan International Co., Ltd. Director, Northstar Precision (Vietnam) Co., Ltd. Director, Vietnam Lieh Kwan Co., Ltd. Supervisors, Vietnam King Duan Industrial Co., Ltd.	Director	Michael Yu	Brother		
Director (Natural Person)	ROC	Steven Chang	Male	05/31/2019	3	06/19/2013	0	0	0	0.00	0	0.00	0	0.00	PhD in Business and Management- Shanghai Jiao Tong University MBA-National University of Governance Business Management- National Chung Hsing University	Chairman and Founder, The CID Group Vice President, Taiflex Scientific Co., Ltd. Director, Huawei International Investment Co., Ltd. Chairman, Huawei Group Co., Ltd. Chairman, Land Mark Optoelectronics Corp. Chairman, i-Motion Group Co., Ltd.	-	-	-	
Independent Director (Natural Person)	ROC	Wei-Min Lin	Male	05/31/2019	3	06/19/2013	0	0	0	0.00	0	0.00	0	0.00	PhD in Finance and Economics- Jinan University Lin Wei Min CPA Firm	Certified Accountant, Lin Wei Min CPA Firm Director, Surplus Technology Co., Ltd.				
Independent Director (Natural Person)	R.O.C.	Bryan Peng	Male	05/31/2019	3	06/19/2013	0	0.00	0	0.00	1	0.00	0	0.00	EMBA-Jiao Tong University Accounting and International Trade- Fu Jen Catholic University	Independent Director, EZconn Corp. Director, Cheng Zhen Corp. Independent Director, Wafer Works (shanghai)	-	-	-	

Title	Nationality/ Companies/ Registry	Name	Gender	Date Elected	Term (Years)	Date First Elected (Note)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
														VP-Finance, EZconn Corp. Financial Assistant Manager/ Spokesman, Megic Corporation Accounting Deputy Manager/ Project Manager, TI-Acer Inc.	Co.,Ltd.					
Independent Director (Natural Person)	R.O.C.	Gen-Yu Fong	Male	05/31/2019	3	06/19/2013	0	0.00	0	0.00	0	0.00	0	0.00	PhD in Law, Cornell University Professor of Law, National University of Governance	Independent Director, Elitegroup Computer System Co., Ltd. Independent Director, OBI Pharma Inc. Independent Director, Chien Kuo Construction Co., Ltd.	-	-	-	

Note 1: Cases of directors or supervisors practice shareholding by nominee arrangement: None

Note 2: Cases of employed directors or supervisors worked in an accounting firm or its affiliates: None

Note 3: The main consideration of the chairman and general manager of the Company are the same person, is to increase the efficiency of operation and decision-making. Also, more than half of the Company's directors are not concurrently managers and employees of the Company, which can promote the objectivity and supervision of the board of directors. However, in the future, in order to improve the Company's better checks and balances mechanism, the Company will still make adjustments in the direction that the chairman and general manager are not the same person.

3.2.2 Major Shareholders of the Institutional Shareholders

03/31/2021

Name of Institutional Shareholders	Major Shareholders
New General Limited	Steven Yu (6.53%), Bi-Yue Yang (6.53%), Michael Yu (6.53%), Shun-Wei Yeh (6.53%), Antonio Yu (6.53%), Yun-Ru Chen (6.53%), Crystal Innovation Ltd. (18.08%), Po-Kai Yu (10.98%), Ya-Han Yu (10.98%), Ya-Ting Yu (9.98%), Ya-Chu Yu (9.98%)
Seashore Group Limited	Steven Yu (9.56%), Bi-Yue Yang (9.56%), Michael Yu (9.56%), Shun-Wei Yeh (9.56%), Antonio Yu (9.70%), Yun-Ru Chen (9.70%), Crystal Innovation Ltd. (11.12%), Po-Kai Yu (7.94%), Ya-Han Yu (7.94%), Ya-Ting Yu (6.94%), Ya-Chu Yu (6.94%)

3.2.3 Major Shareholders of the Company's Major Institutional Shareholders

03/31/2021

Name of Institutional Shareholders	Major Shareholders
Crystal Innovation Ltd.	Antonio Yu (4.18%), Yun-Ru Chen (4.18%), Tzu Hsien Yu (31.98%), Ya Yuan Yu (29.83%), Fu Chen Yu (29.83%)

3.2.4 Professional Qualifications and Independence Analysis of Directors and Supervisor

	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
New General Limited Representative: Steven Yu			V						V	V		V		V		0
Seashore Group Limited Representative: Michael Yu			V						V	V		V		V		0
Seashore Group Limited Representative: Antonio Yu			V						V	V		V		V		0
Steven Chang			V	V	V	V	V	V	V	V	V	V	V	V	V	0
Wei-Min Lin		V	V	V	V	V	V	V	V	V	V	V	V	V	V	0
Bryan Peng			V	V	V	V	V	V	V	V	V	V	V	V	V	1
Gen-Yu Fong	V		V	V	V	V	V	V	V	V	V	V	V	V	V	3

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years before being elected or during the term of office.

- Not an employee of the Company or any of its affiliates.
- Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed by the Act or with the laws of the country of the parent or subsidiary.
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
- Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
- Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, Company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers under Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX."
- Not having a marital relationship or a relative within the second degree of kinship to any other director of the Company.
- Not being a person of any conditions defined in Article 30 of the Company Law.
- Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.5 Management Team

03/30/2021 (Book Closure Date); Unit: Share

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
General Manager	ROC	Steven Yu	Male	12/20/2016	0	0.00	0	0.00	0	0.00	EMBA-National Taiwan University Mechanical Engineering- Lunghwa University of Science and Technology	Chairman, Eurocharm Innovation Co., Ltd. Chairman, Shen Yuan Metal Co., Ltd Supervisor, Song Fong Development Co., Ltd. Director, Taiwan Techno State Co., Ltd. Chairman, Eurocharm Innovation Co., Ltd. (B.V.I.) Director, Exedy Vietnam Co., Ltd. Chairman, Vietnam Precision Industrial No.1 Co., Ltd. Director, New General Ltd. Director, Seashore Group Ltd. Director, New Outlook Ltd. Director, Partner Plus Director, Eurocharm Innovation (HK) Co., Ltd. Chairman, Eurocharm America LLC Director, Vietnam King Duan Industrial Co., Ltd. Director, Vietnam Uni- Clasonic Co., Ltd.	-	-	-	Note 2
Deputy General Manager - Vietnam Office	ROC	Andy Wu	Male	12/20/2016	149,225	0.23	0	0.00	0	0.00	Lee-Ming Institute of Technology Automation Management, Tatting Company	General Manager, Vietnam Precision Industrial No.1 Co., Ltd.	-	-	-	

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Deputy General Manager	ROC	James Chan	Male	09/23/2013	70,000	0.11	0	0.00	0	0.00	Business Management- National Taipei University of Business Associate Manager, Eurocharm Innovation Co., Ltd.	Manager, Administration, Vietnam Precision Industrial No.1 Co., Ltd.	-	-	-	
Deputy General Manager	ROC	Cina-Jin Chan	Male	09/23/2013	148,298	0.23	0	0.00	0	0.00	KaiMing Technical and Commercial Vocational School Manager, Bank SinoPac Shanghai	Manager, Quality & Technology, Vietnam Precision Industrial No.1 Co., Ltd.	-	-	-	
Deputy General Manager	ROC	Cheng- Wen Wang	Male	12/20/2016	28,015	0.04	0	0.00	0	0.00	Deputy General Manager, Production Line, Vietnam Precision Industrial No.1 Co., Ltd.	-	-	-		
Supervisor - Taiwan Office	ROC	Huang- Li Yang	Male	12/24/2019	5,000	0.01	13,000	0.02	0	0.00	Manager, Research & Development, Eurocharm Innovation Co., Ltd.	Associate Manager, Production, Eurocharm Innovation Co., Ltd.	-	-	-	

Note 1: Cases of employed managers worked in an accounting firm or its affiliates: None

Note 2: The main consideration of the chairman and general manager of the company are the same person, is to increase the efficiency of operation and decision-making. Also, more than half of the Company's directors are not concurrently managers and employees of the company, which can promote the objectivity and supervision of the board of directors. However, in the future, in order to improve the Company's better checks and balances mechanism, the company will still make adjustments in the direction that the chairman and general manager are not the same person.

3.3 Remuneration of the Chairman, Directors, Managers and Associate Managers

3.3.1 Remuneration of Directors (Including Independent Directors)

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)						
		The Company	All companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
		Cash	Stock	Cash	Stock																	
Chairman (Legal Representative)	Steven Yu (Note 1)	2,288	2,288	-	-	3,300	3,300	-	-	1.01	1.01	-	1,150	-	-	-	-	-	-	1.01	1.22	N/A
Chairman (Legal Representative)	Michael Yu (Note 1)	-	-	-	-	1,500	1,500	-	-	0.27	0.27	1,440	2,541	-	-	2,016	-	2,016	-	0.90	1.10	N/A
Chairman (Legal Representative)w	Antonio Yu (Note 1)	-	-	-	-	1,500	1,500	-	-	0.27	0.27	1,440	2,496	-	-	2,016	-	2,016	-	0.90	1.09	N/A
Director	Steven Chang	-	-	-	-	1,000	1,000	120	120	0.20	0.20	-	-	-	-	-	-	-	-	0.20	0.20	N/A
Independent Director	Wei-Min Lin	-	-	-	-	1,000	1,000	120	120	0.20	0.20	-	-	-	-	-	-	-	-	0.20	0.20	N/A
Independent Director	Bryan Peng	-	-	-	-	1,000	1,000	120	120	0.20	0.20	-	-	-	-	-	-	-	-	0.20	0.20	N/A
Independent Director	Gen-Yu Fong	-	-	-	-	1,000	1,000	120	120	0.20	0.20	-	-	-	-	-	-	-	-	0.20	0.20	N/A
Total		2,288	2,288	-	-	10,300	10,300	480	480	2.35	2.35	2,880	6,187	-	-	4,032	-	4,032	-	3.61	4.21	-

Note 1: Steven Yu is the legal representative of New General Limited; Michael Yu and Antonio Yu are the legal representatives of Seashore Group Limited.

Note 2: Directors and Independent Directors' remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risks and time spent:

a. According to the Company's Articles of Incorporation, the Board of Directors is authorized to determine the salary for the Chairman and Directors, taking into account the extent and value of the services provided for the management of the Corporation and the standards of the industry within the R.O.C. and overseas.

b. The Articles of Incorporation also provide that the compensation to directors shall be no more than 2% of annual profits.

Note 3: Besides the disclosure above, none of the directors has provided monetary services to the mentioned companies in the report to receive remuneration.

Range of Remuneration

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000				
NT\$1,000,001 ~ NT\$2,000,000	Michael Yu, Antonio Yu, Steven Chang, Wei-Min Lin, Bryan Peng, Gen- Yu Fong	Michael Yu, Antonio Yu, Steven Chang, Wei-Min Lin, Bryan Peng, Gen-Yu Fong	Steven Chang, Wei-Min Lin, Bryan Peng, Gen-Yu Fong	Steven Chang, Wei-Min Lin, Bryan Peng, Gen-Yu Fong
NT\$2,000,001 ~ NT\$3,500,000	-	-		-
NT\$3,500,001 ~ NT\$5,000,000			Michael Yu, Antonio Yu	
NT\$5,000,001 ~ NT\$10,000,000	Steven Yu	Steven Yu	Steven Yu	Steven Yu, Michael Yu, Antonio Yu
NT\$10,000,001 ~ NT\$15,000,000				
NT\$15,000,001 ~ NT\$30,000,000				
NT\$30,000,001 ~ NT\$50,000,000				
NT\$50,000,001 ~ NT\$100,000,000				
NT\$100,000,001 or over				
Total	7	7	7	7

3.3.2 Remuneration of Supervisors

N/A, no supervisors at the Company.

3.3.3 Remuneration of the General Manager and the Deputy General Managers

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the president and vice president from an invested company other than the company's subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General Manager ¹	Steven Yu	-	9,456	-	327	-	747	6,302	-	6,302	-	1.14	3.04	N/A
Deputy General Manager	Robert Lin													
Deputy General Manager	James Chan													
Deputy General Manager	Andy Wu													
Deputy General Manager	Cina-Jin Chan													
Deputy General Manager	Cheng-Wen Wang													
Supervisor	Huang-Li Yang													

Note 1: Steven Yu is appointed as the General Manager concurrently (Unpaid).

Range of Remuneration	Name of President and Vice President	
	The Company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	Steven Yu, Huang-Li Yang	Steven Yu,
NT\$1,000,001 ~ NT\$2,000,000	James Chan, Andy Wu, Cina-Jin Chan, Cheng-Wen Wang,	Huang- Li Yang
NT\$2,000,001 ~ NT\$3,500,000		James Chan, Cheng-Wen Wang
NT\$3,500,001 ~ NT\$5,000,000		Andy Wu, Cina- Jin Chan,
NT\$5,000,001 ~ NT\$10,000,000		
NT\$10,000,001 ~ NT\$15,000,000		
NT\$15,000,001 ~ NT\$30,000,000		
NT\$30,000,001 ~ NT\$50,000,000		
NT\$50,000,001 ~ NT\$100,000,000		
Total	6	6

3.3.4 Remuneration of The Executive Officers

12/31/2020 Unit: NT\$ thousands

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	Executive Assistant	Michael Yu	0	10,334	10,334	1.87
	Executive Assistant	Antonio Yu				
	Deputy General Manager	James Chan				
	Deputy General Manager	Andy Wu				
	Deputy General Manager	Cina-Jin Chan				
	Deputy General Manager	Cheng-Wen Wang				
	Supervisor	Huang-Li Yang				

3.3.5 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, presidents and vice presidents of the Company, to the net income.

Title	2019				2020			
	Total remuneration paid to directors, supervisors, presidents and vice presidents (thousands)		Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net profit (%)		Total remuneration paid to directors, supervisors, presidents and vice presidents (thousands)		Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net profit (%)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Directors								
General Manager, Deputy General Managers	24,438	38,985	3.91	6.23	25,802	40,119	4.66	7.25

Note 1: The net profits in 2020 and 2019 referred to the after-tax net profits in the financial reports.

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance.

The compensation to directors and other key management personnel were determined by the Remuneration Committee of the Company by the individual performance and their contribution to the Company. According to the Article 34.1 of the Articles of Association, the remuneration of the directors of the current year shall not exceed 2% of the year's profit.

The emoluments of the general manager and the deputy general manager are based on the “Remuneration Management Policy” and the contribution of the position to the company’s operating goals and the market trends. The relevant performance appraisal and salary rationality of the managers are reviewed by the Compensation Committee and the Board of Directors. The remuneration system is reviewed at any time depending on the actual business conditions and relevant laws.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

A total of 6 (A) meetings of the Board of Directors were held in the most recent year (2020). The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Chairman	New General Limited Representative: Steven Yu	6	0	100	Elected on 05/31/2019
Director	Seashore Group Ltd. Representative: Michael Yu	6	0	100	Elected on 05/31/2019
Director	Seashore Group Ltd. Representative: Antonio Yu	6	0	100	Elected on 05/31/2019
Director	Steven Chang	6	0	100	Elected on 05/31/2019
Independent Director	Bryan Peng	6	0	100	Elected on 05/31/2019
Independent Director	Wei-Min Lin	6	0	100	Elected on 05/31/2019
Independent Director	Gen-Yu Fong	5	1	83	Elected on 05/31/2019

Other mentionable items:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors’ opinions and the company’s response should be specified:

(a) Matters referred to in Article 14-3 of the Securities and Exchange Act.

Date	Session	Content	Opinions and Suggestions
02/06/2020	6 th ; 4 th Session	- Company and subsidiary's loan cases	Unanimous consent
04/27/2020	8 th ; 4 th Session	- Cooperate with Ernst & Young LLP internal job transfer and replacement of Independent Accountants.	
08/04/2020	9 th ; 4 th Session	Company’s endorsement guarantees for affiliated companies	

Date	Session	Content	Opinions and Suggestions
		Company's 2019 directors' remuneration distribution	
11/03/2020	10 th ; 4 th Session	- Company's endorsement guarantees for affiliated companies - Fund loan and subsidiary company Eurocharm Innovation Co., Ltd. (B.V.I.) case.	
12/25/2020	11 th ; 4 th Session	- Appointed Ernst & Young LLP as an Independent Accountant for the Company's 2021 Financial Statement	

(b) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that requires a resolution by the board of directors.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None

3. Performance Evaluation of Boards and Directors

Cycle	Period	Scope	Method	Evaluation
Yearly	01/01/2020 - 12/31/2020	Board performance evaluation	Self-evaluation Questionnaire	48 evaluation indicators including the engagement in operations, quality elevation of the board decisions, board structure, continuous training, internal control, etc.
Yearly	01/01/2019 - 12/31/2019	Board performance evaluation	Self-evaluation Questionnaire	
Every three years (Complete by an external independent institution)	01/01/2018 - 12/31/2018	Effectiveness of the board of directors to be assessed, analyzed and reported externally	Ernst & Young Business Advisory Solutions (self-assessment questionnaire and field interview)	Evaluation of the three major aspects including the board structure, members and processes and information

4. Objective and implementation assessment of the current board of directors:

- (1) To strengthen the functions of the board of directors, the Company has established an audit committee and a remuneration committee on June 21, 2013. All the committee members are the Company's independent directors.
- (2) For information transparency, the Company fully disclosed various operating and financial information in its annual report, company website and the MOPS.
- (3) The Company has insured all directors and managers with liability insurance in accordance with investor protection and corporate governance.
- (4) The attendance of the independent directors in 2020:

V: In Person D: Delegate to attend X: Not Present

2020	1st	2nd	3rd	4th	5th	6th
Bryan Peng	V	V	V	V	V	V
Wei-Min Lin	V	V	V	V	V	V
Gen-Yu Fong	V	V	D	V	V	V

3.4.2 Audit Committee

The Audit Committee of the Company was established on June 21, 2013, and its members are independent directors (three seats). All members electing an independent director as the convener and chairman of the meeting. The Audit Committee operates in accordance with the Company's " Rules and Regulations of the Audit Committee" and considers the following matters: the Company's financial statements, the Company's auditing and accounting policies and procedures, the Company's internal control system, significant asset or derivative transactions, the raising or issuance of marketable securities, the appointment, dismissal or compensation of certified public accountants, and the appointment or removal of financial, accounting or internal auditing officers.

2020 Annual Major Work:

1. Review of financial reports

The consolidated financial statements for 2019 have been prepared and submitted by the Board of Directors, and ask Ernst & Young LLP's Ching-Piao Cheng and Yi-Hui Huang to audited and approved. The business report and earnings distribution case has been considered and approved by the 5th meeting of 3rd Audit Committee (02/26/2020) and submitted to the 6th meeting of 4th Board of Directors (02/26/2020) for approval and has been submitted to the 2020 Annual General Meeting of Shareholders (05/29/2020) for recognition.

2. Assessment of internal control effectiveness

The Company judged the effectiveness of the design and implementation of the internal control system in 2019 based on the judgment items of the effectiveness of the internal control system as stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies".

The internal control self-assessment of the Company and its subsidiaries was completed on February 26, 2020, and no significant deficiencies were found in the design and implementation of internal control system. It is assessed that the design and implementation of the Company's internal control system should be effective. The "Statement of Internal Control System" for the year 2019 was issued after it was considered and approved by the 5th meeting of 3rd Audit Committee (02/26/2020) and submitted to the 6th meeting of 4th Board of Directors (02/26/2020) for resolution approval.

A total of 5 (A) Audit Committee meetings were held in the most recent year (2020). The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Convener	Wei-Min Lin	5	0	100	Elected on 05/31/2019
Committee Member	Gen-Yu Fong	4	1	80	Elected on 05/31/2019
Committee Member	Bryan Peng	5	0	100	Elected on 05/31/2019

Other mentionable items:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act.

Date	Session	Content	Opinions and Suggestions
02/26/2020	5 th , 3 rd Session	- Approval and signing of the 2019 Annual Report and Consolidated Financial Report - Subsidiary company VPIC1 Baishan second plant, investment and expansion plan. - Review and discussion of the 2019 Internal Control System Self- Examination Report and Statement	Unanimous consent
04/27/2020	6 th , 3 rd Session	- Cooperate with Ernst & Young LLP internal job transfer and replacement of Independent Accountants.	
08/04/2020	7 th , 3 rd Session	- Company's endorsement guarantee for affiliated companies	
11/03/2020	8 th , 3 rd Session	- Company's endorsement guarantees for affiliated companies - Fund loan and subsidiary company Eurocharm Innovation Co., Ltd. (B.V.I.) case. - Subsidiary company Vietnam Precision Industrial No. 1 Co., Ltd. Baishan second plant's new plant matters case.	
12/25/2020	9 th , 3 rd Session	- Appointed Ernst & Young LLP as an Independent Accountant for the Company's 2021 Financial Statement	

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors.

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None

3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)

(1) The independent directors and CPAs conduct at least two annual regular meetings at the audit committee meeting. The CPAs reported to the independent directors on the audit of the Company and its subsidiaries at home and abroad, and communicated whether there were major adjustments. The communication was in good standing.

(2) The internal audit supervisor reported to the independent directors on the internal audit execution and internal control operations of the Company at each audit committee meeting. The communication and operation are in good standing. The main communication issues in 2020 are summarized as follows:

Audit Committee	Item	Results
5 th , 3 rd Session	Internal Audit Report of the Company	Understand
	2019 Internal Control Self-Assessment	Approved by the Audit Committee and submitted to the Board of Directors for resolution
6 th , 3 rd Session	2020 first quarter Internal Audit Performance Report	Understand
7 th , 3 rd Session	2020 second quarter Internal Audit Performance Report	Understand

Audit Committee	Item	Results
8 th , 3 rd Session	2020 third quarter Internal Audit Performance Report	Understand
9 th , 3 rd Session	2021 Annual Audit Plan	Approved by the Audit Committee and submitted to the Board of Directors for resolution
	Internal Control Self-Assessment Plan Summary	Understand

3.4.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.” The information has been disclosed on the Company’s website.	None
2. Shareholding structure & shareholders’ rights				
(1) Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes, and litigations, and implement based on the procedure?	V		1) In addition to the existing hotline and email channels, the Company has established an internal operating procedure and has designated appropriate departments, such as Investor Relations, Public Relations, Legal Department, to handle shareholders’ suggestions, doubts, disputes, and litigation.	None
(2) Does the Company possess the list of its principal shareholders as well as the ultimate owners of those shares?	V		(2) In accordance with Article 25 of the Law on Securities and Exchange of the R.O.C., the Company publicizes information about shareholders with more than 10% of the shares, including directors and managers, on the MOPS website on a monthly basis.	None
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	V		(3) Rules are made to strictly regulate the activities of trading, endorsement, and loans between the Company and its affiliates. Also, the “Criteria of Internal Control Mechanism for a Public Company,” outlined by the Financial Supervisory Commission when drafting the guidelines for the “Supervision and Governance of Subsidiaries,” was followed to implement total risk control on subsidiaries.	None
(4) Does the Company establish internal rules against insiders trading	V		(4) To protect shareholders’ rights and fairly treat shareholders, the Company has established the internal rules to forbid insiders trading on the	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
with undisclosed information?			undisclosed information. The Company has also strongly advocated these rules to prevent any violations.	
3.Composition and Responsibilities of the Board of Directors				
(1) Does the Board develop and implement a diversified policy for the composition of its members?	V		(1) Member diversification is considered by the Board members. Factors taken into account include, but are not limited to gender, age, cultures, educational background, race, professional experience, skills, knowledge, and terms of service. The Board objectively chooses candidates to meet the goal of member diversification. (See note 1)	None
2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		(2) In order for the sound supervision and reinforcement of management, the Company established the Nomination and Risk Management Committee in addition to the Remuneration Committee and the Audit Committee. These working committees shall be responsibilities for the Board of Directors.	None
(3) Does the Company establish a standard to measure the performance of the Board, and implement it annually? Are the directors' compensations and renewal based on the results?	V		(3) The Company has formulated rules and procedures for evaluating the Board's performance and conducts it annually. The Company uses two methods to evaluate the performance of the Board. The results of the most recent (2020) board performance evaluation are as follows: 1. The achievement rate of the board of director's self-evaluation is 100% 2. The achievement rate of board member's self-evaluation is 100%.	None
(4) Does the company regularly evaluate the independence of CPAs?	V		(4) The Company evaluates the independence of CPAs annually, ensuring that they are not stakeholders such as a Board member, supervisor, shareholder or person paid by the Company. The company evaluated Ernst & Young L.L.P.'s accountants Ching-Piao Cheng and Hsiao Chin Lo according to the certified public accountants' appraisal form. Both of them meet the company's independence and competency assessment standards and are qualified to serve as certified accountants of the company. They have discussed and passed the assessment of the independence and competence of certified accountants at the 5 th meeting of the 4 th board of directors (12/24/2019) and the 11 th meeting of the 4 th board of directors (12/25/2020).	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
4. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?	V		<p>The Company has set up part-time personnel in the General Administration and Finance Department and the board secretary office to take charge of corporate governance-related matters. These include providing information required for the directors to execute business, handling issues related to meetings of the board of directors, the audit committee, the remuneration committee and the shareholders' meeting, and preparing the minutes, etc.</p> <p>The 2020 business development is as follows and reported to the first board of directors in 2021:</p> <p>(1) According to the "Self-evaluation Policy for Board of Directors' Performance," the Company's overall performance in 2020 was good.</p> <p>(2) The independent directors, accountants, and supervisors of auditors and auditors conduct regular meetings at the audit committee meeting at least twice a year. The details of the meetings can be found on the Company's website: http://www.eurocharm.com.tw</p> <p>(3) The Company regularly publishes the company's operating results on the Company's website and holds briefing sessions for legal entities at home and abroad to allow investors to understand the company's finances.</p>	None
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for regarding corporate social responsibilities?	V		<p>The Company provides detailed contact information, including telephone numbers and email addresses in the “Stakeholder Area” section of the corporate website. Also, personnel are in place to exclusively deal with issues of social responsibility, ensuring that various interested parties have channels to communicate with the Company.</p> <p>The Company is committed to respecting the interests of interested parties; therefore, classifies the stakeholders into the following four categories for communication and management:</p> <p>(1) Shareholders</p> <p>Concerns: Future Growth Potential / Dividend Policy / Profitability / Economic Performance / Information Transparency</p> <p>Communication channels and response methods:</p> <p>I. Annual shareholder meeting</p> <p>II. Regular domestic and overseas legal person briefings are held to allow investors to understand the financial affairs of the Company</p> <p>III. Regularly announces the Company's operating</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>results on the Company's website, and publishes the Chinese and English financial reports and annual reports for investors' reference</p> <p>IV. Disclose immediate major announcements simultaneously on the Taiwan's MOPS (Market Observation Post System) website</p> <p>V. The Company's website provides contact information including email and phone number for establishing a smooth communication between the shareholders and the Company.</p> <p>VI. Long-term stable dividend policy provides appropriate investment compensation.</p> <p>(2) Employees</p> <p>Concerns: Labor Relations / Discrimination / Occupational Health and Safety / Diversification and Equal Opportunities</p> <p>Communication channels and response methods:</p> <p>I. The Company attaches great importance to the rights and interests of employees, adopts a positive attitude and communicates with employees, regularly holds labor-management conferences, and signs group agreements with trade unions. It also sets up accessible channels (Opinion drop-off box and email communication) for employees to respond directly to the company's top management.</p> <p>II. Organizes safety and health education and training for newly recruited personnel. Special operations supervisors are engaged in health and safety education, fire safety training, etc. General workers are provided with in-service health and safety training. In addition to the regular training, the Company plans and arranges employees to participate in professional training courses based on job functions for enhancing professional knowledge.</p> <p>III. Provides regular employee health checkups and for special operations supervisors, specific medical examinations are conducted.</p> <p>(3) Customer</p> <p>Concern: Product quality and reliability / Product compliance / Process technology / Customer service</p> <p>Communication channels and response methods:</p> <p>I. Provide competitive and high quality products in the market.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			II. Establish long-term relationship with customers III. Regular communication and discussion meetings IV. Customer satisfaction monitoring (4) Suppliers Concerns: Supplier Management / Environmental Protection, Safety and Health Management / Environmental Aspects Ordinance / Anti-Corruption Communication channels and response methods: I. Participates in supplier management meetings II. Regularly reviews supplier quality, delivery and sustainability III. Conducts supplier evaluation management IV. Requires suppliers to abide by the Company's honesty policy	
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company designates Yuanta Securities Co., Ltd. to deal with shareholder affairs.	None
7. Information Disclosure				
(1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	V		(1) The Company has set up a website to disclose information regarding the Company's financials, business, and corporate governance status. Website: www.eurocharm.com.tw	None
(2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		(2) The Company has assigned an appropriate person to handle information collection and disclosure. The Company has established a spokesman system. Investor conference information is disclosed on the corporate website. English website: http://www.eurocharm.com.tw/en/ The Company will also start to publish the news in both English and Chinese simultaneously from 2021.	None
(3) Does the company announce and report the annual financial report within two months after the end of the fiscal year, and announce the financial report for the first, second	V		(3) The company's 2020 financial report was announced and filed after being approved by the board of directors on February 26, 2021. The remaining financial reports for the first, second and third quarters and the operating conditions of each month were also announced and filed within the	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
and third quarters before the prescribed deadline? Also, the operating conditions of each month?			prescribed time limit.	
8. Is there any other important information to facilitate a better understanding of the Company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		<p>(1) The directors of the Company have been regulated in continuing education in accordance with the “Publications, Directors of OTC Companies, Supervisors’ Training and Implementation Highlights”, following is the directors’ and independent directors’ training records in 2020:</p> <p>Chairman Steven Yu 6H “2020 Preventing Insider Trading Seminar” and “Corporate Governance Forum - Family Business Succession”</p> <p>Director Michael Yu 6H “2020 Preventing Insider Trading Seminar” and “Corporate Governance Forum - Family Business Succession”</p> <p>Director Antonio Yu 6H “2020 Preventing Insider Trading Seminar” and “Maximize the Effectiveness of Your Board”</p> <p>Director Steven Chang 9H “2020 Preventing Insider Trading Seminar”, "Latest Amendment and Company Law Analysis" and "Legal Responsibility and Case Study of Short-Term and Inside Trading"</p> <p>Independent Director Bryan Peng 9H “Corporate Practice of Fraud Detection and Prevention” and “Analysis of Artificial Intelligence Audit”</p> <p>Independent Director Wei-Min Lin 6H “Analysis of the Business Tax Report for 2020”, "Thoughts on Taiwan's Cross-Border Trade and Investment under the Global Trade War," and "Cross-Border E-Commerce Business Tax and Income Tax Withholding Practices"</p> <p>Independent Director Gen-Yu Fong 9H "Evaluation of Board Effectiveness Seminar," "Introduction to Insider's Equity," and "Sanctions and Export Control - How to Respond under the US-China Trade War"</p> <p>(2) Board Meetings: The Company has established regulations towards board meetings including the specific procedures, directors’ attendances, and the voting rights.</p> <p>(3) Investor Relations: The Company has a spokesperson system, a litigation representative and a non-litigation representative in the territory of the Republic of China for immediate assistance of the investors, customers, suppliers and other interested parties. News regarding the company’s finances is announced on “MOPS” to provide timely</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>information that may affect the decisions of investors.</p> <p>(4) Rights of Interested Parties: The Company maintains positive communication channels with banks, employees, customers, suppliers and stakeholders.</p> <p>(5) Implementation of Risk Management and Evaluation: The Company has established internal regulations and related management practices.</p> <p>(6) The Company has purchased liability insurance for its directors and managers since the year 2020.</p> <p>(7) For more information and disclosures, please visit: http://www.eurocharm.com.tw</p>	
9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.	V		The Company has reported the result of last year's corporate governance evaluation to the Board of Directors. For significant improvement in the future, the Company had assigned dedicated staff to establish improvement plans targeting the non-scoring items.	None

Note 1: Status of board members' diversification implementation

Board Member	M/F	Operational judgment	Accounting and financial analysis	Management	Crisis management	Industry know-how	International market outlook	Leadership	Decision-making
Steven Yu	M	V		V	V	V	V	V	V
Michael Yu	M	V	V	V	V	V	V	V	V
Antonio Yu	M	V		V	V	V	V	V	V
Steven Chang	M		V	V	V		V	V	V
Wei-Min Lin	M		V	V	V		V	V	V
Bryan Peng	M		V	V	V		V	V	V
Gen-Yu Fong	M			V	V		V	V	V

3.4.4 Structure, Responsibilities and Operations of the Remuneration Committee

Structure of the Remuneration Committee: The Company has appointed Independent Directors Wei-Min Lin, Bryan Peng and Gen-Yu Fong as the committee members and Wei-Min Lin as the committee convener.

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Wei-Min Lin		V	V	V	V	V	V	V	V	V	V	V	V	0	-
Independent Director	Bryan Peng			V	V	V	V	V	V	V	V	V	V	V	1	-
Independent Director	Gen-Yu Fong	V		V	V	V	V	V	V	V	V	V	V	V	3	-

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

- Not an employee of the Company or any of its affiliates.
- Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company or any subsidiary as appointed by the Act or with the laws of the country of the parent or subsidiary.
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
- Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
- Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified Company or institution which has a financial or business relationship with the Company.
- Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, Company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or any affiliate of the Company, or a spouse thereof.
- Not a person whose cumulative amount of remuneration in the past two years has not exceeded NT \$ 500,000 including sole proprietorships, partnerships, business owners of companies or institutions that do not provide audits for companies or related enterprises or have obtained business-related services, business partners, directors, supervisors, managers and their spouses. This clause does not include the members of Remuneration Committee, Public Acquisition Review Committee, or M&A Special Committee that perform duties in accordance with the relevant laws and regulations.
- Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NTD500,000";
- Not been a person of any conditions defined in Article 30 of the Company Law.

B. Attendance of Members at Remuneration Committee Meetings

The responsibility of the Remuneration Committee: According to Article 7 of the Rules of the Company's Remuneration Committee Organization, the following duties shall be faithfully performed, and suggestions shall be made for the following matters and submitted to the Board for discussion.

- Regularly review the operation and management practices of the Remuneration Committee.
- Formulate and periodically review the annual and long-term performance targets and compensation policies,

systems, standards and structures of the directors and managers of the Company.

(3) Regularly assess the achievement of performance targets of the directors and managers of the company, and determine the content and amount of their compensation.

C. Attendance of Members at Remuneration Committee Meetings

There are 3 members in the Remuneration Committee. A total of 2 (A) Remuneration Committee meetings were held in the term from May 31, 2019 to May 30, 2022. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Convener	Wei-Min Lin	2	0	100	Elected on 05/31/2019
Committee Member	Gen-Yu Fong	2	0	100	Elected on 05/31/2019
Committee Member	Bryan Peng	2	0	100	Elected on 05/31/2019
Other mentionable items:					
1. 2020 Committee Meeting Details					
Date	Session	Content			Opinions and Suggestions
02/26/2020	5 th ; 3 rd Session	- Company's 2019 directors and employees' remuneration and distribution case			Unanimous consent
08/04/2020	6 th ; 3 rd Session	- Company's 2019 directors' remuneration distribution - Company's 2019 managers' remuneration distribution			
2. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.					
3. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, a content of the motion, all members' opinions and the response to members' opinion should be specified: None.					

3.4.5 Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish	V		a) The Company has formulated the "Corporate Social Responsibility Practice Code", which includes three aspects: corporate social welfare, company operation governance, and environmental safety and health. The Company regularly refers to the global report preparation guidelines for major issue analysis. Each department's proposed corresponding strategies and recommendations are carefully crafted after thorough	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
risk management related policy or strategy?			research and literature references. After a detailed review, the Chairman shall report to the board of directors and formulate an annual operations plan.	
2. Does the Company have a dedicated (or ad-hoc) CSR organization with Board of Directors authorization for senior management, which reports to the Board of Directors?	V		<p>(2) The Company's social responsibility is coordinated by the Administrative and Financial Office, which manages the promotes corporate social responsibility and operations. The operation in 2020 is as follows, and it has been reported to the board of directors in 2021:</p> <p>(a) Each year in June and December is the Company's environmental awareness month, advising employees on various energy conservation and carbon reduction policies.</p> <p>(b) The Company has established policies on hazardous substance management to prevent harmful substances from mixing into products to protect the global environment.</p> <p>(c) The Group cooperated with the government agencies of YongAn City in Vietnam to distribute relief funds for families in distress. The Group's 2020 annual donation was VND\$ 158 million.</p> <p>(d) The Company carries out regular health checks for all employees and special physical examinations for employees who operate specific procedures.</p> <p>(e) Helping disadvantaged and impoverished children: In 2020, the Group donated VND\$30,000 thousand to the Children's Relief Foundation of Yongfu Province.</p> <p>(f) Material donation: The Group is committed to caring for rural areas and assisting low-income families by raising and donating materials.</p> <p>(g) Martyrs' family gifts: The Group donated gifts to injured veteran and their families.</p> <p>(h) Student Scholarship: The Group supports students from disadvantaged families.</p>	None
3. Environmental Topic				
(a) Has the Company set an environmental management system designed to industry characteristics?	V		(a) Establish an environmental management system based on ISO 14001 and pass the verification. Following the ISO 14064-1 standard, a greenhouse gas inventory check is conducted every year to track the effectiveness of emission reduction and publicly disclosed on the Company's website.	None
(b) Is the Company committed to improving resource efficiency and to	V		(b) The Company has formulated relevant policies for the recycling of water, electricity, raw materials and other resources, and has set plan goals and	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>the use of renewable materials with low environmental impact?</p> <p>(c) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?</p> <p>(d) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?</p>	V		<p>implementation methods in accordance with the provisions of ISO 14001, and it is disclosed on the Company's website.</p> <p>(c) Starting from the current year, the Company refers to the Task Force on Climate-related Financial Disclosures (TCFD) for risk and opportunity assessment and corresponding strategy recommendations. The chairman reports to the board of directors after review and formulates an annual operations plan.</p> <p>(d) The Company annually verifies and tracks greenhouse gas emission data based on the ISO 14064-1 standard. With the goal of a 10% emission reduction in ten years in mind, the Company promotes energy-saving measures and builds renewable energy power generation devices in production and publicly discloses on the website. The Company saves 2% of electricity and water and reduces 10% of waste each year.</p>	<p>None</p> <p>None</p>
<p>4. Social Topic</p> <p>(a) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?</p> <p>(b) Has the Company established appropriately managed employee welfare measures (including salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?</p>	V	V	<p>(a) The Company safeguards the legal rights and interests of its employees through various management systems and norms, including the formulation of HR management regulations and staff work rules in accordance with relevant labor laws. The Company also contributes to employee medical insurance, basic old-age insurance, unemployment insurance, occupational injury insurance, and maternity insurance.</p> <p>(b) The Company regularly organizes corporate ethics education training. Corporate ethics is part of the employee performance evaluation. In addition, the Company's regulations have established a reward and punishment system for corporate ethics.</p> <p>The Company stipulates the "Remuneration Management Method" and "Appraisal Operation Method". The company's starting salary and work are equal for men and women, with no gender difference. It is also higher than the minimum basic salary requirement of the local government. The provision of retirement pensions is also following the rule. In addition, the company regards individual performance contributions each year as the evaluation basis for salary adjustments, and plans a complete grade and rank system, regardless of male employees; The performance appraisal is carried out twice every year,</p>	<p>None</p> <p>None</p>

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(c) Does the Company provide employees with a safe and healthy working environment with regular safety and health training?	V		<p>and the rewards for supervisors above the manager level are more directly related to the organization of business performance.</p> <p>In addition, there is a regular salary promotion opportunity to reward employees with excellent performance every year, and monthly performance bonuses and year-end bonuses are issued based on the Company's operating performance and employee performance. For recreational activities, the Company provides department annual dinner subsidy at the end of each year. The employees are also rewarded with bonuses for proposing new ideas to increase productivity and reduce cost.</p>	None
(d) Has the Company established effective career development training plans?	V		<p>(c) New employees are not allowed to operate the machine without completing the full training. The work sites are mostly supervised by the supervisor to ensure the safety of the workplace. In addition, the Company carries out regular health checks for all employees and special physical examinations for employees who operate specific procedures.</p> <p>In addition, the company has obtained the certification of ISO45001-2018) in the renewal, according to the regulations, employees requirements of safety and health education, disaster prevention training and health management and other related measures necessary for employees to engage in work; in addition, equipment safety protection and personal safety protection are required to comply with standards and regulations implementation, and regular 5S safety led by the supervisor, and the general manager presides over the Environmental Safety Committee quarterly to review the implementation of various management and training to ensure the safety of employees in the workplace.</p>	None
(e) Do the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect consumers' rights and consumer	V		<p>d) The Company has a complete training plan for career development. This ensures that the employees feel confident in their existing positions and gain the necessary skills to fulfill a promotion.</p> <p>(e) The Company has formulated relevant measures under environmental regulations to ensure that the products produced can comply with local laws and regulations. All manufactured products are produced following the provisions of TS16949 and ISO13485.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>appeal procedures?</p> <p>(f) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?</p>	V		<p>(f) The Company attaches great importance to the protection of the environment and society. It selects suppliers with the same integrity. In addition to regular visits to the factory to assess suitability, the existing suppliers are evaluated every year.</p> <p>In addition, all the Company's suppliers abide by the Company's honesty policy, no gifts, no deductions, and prohibit the transactions of related parties. If a violation is found, all transactions will cease, and the Company will seek the most reasonable quotation, the best quality and the best service. This ensures the relationship between the Company and suppliers follows the corporate social responsibility's guidelines.</p>	None
<p>5. Does the Company refer to international reporting rules or guidelines to publish CSR Report to disclose non-financial information of the Company? Has the said Report acquired 3rd certification party verification or statement of assurance?</p>		V	<p>The Company has not prepared relevant corporate social responsibility reports and other reports that disclose the Company's non-financial information. To further promote corporate social responsibility within the Company, the team has already begun related work. It is expected to be completed in 2021</p>	Incompatible
<p>6. If the company has established its corporate social responsibility code of practice according to “Listed Companies Corporate Social Responsibility Code of Practice,” please describe the operational status and differences:</p> <p>With the exception of the company's corporate social responsibility report, the company has implemented operations in accordance with the code.</p>				
<p>7. Other important information to facilitate a better understanding of the company's implementation of corporate social responsibility:</p> <p>(a) Environmental protection: The Company implements and strengthens ecological management following environmental protection laws and regulations.</p> <p>(b) Community participation, social contribution, social services and social welfare: The Company participates in various education, public welfare and cultural activities through charity donations.</p> <p>(c) Consumer rights and interests: Ensure customer satisfaction by elevating the Company's competitiveness with efficiency and quality.</p> <p>(d) Human rights: The Company's employees, regardless of gender, religion or partisanship, are equal in terms of employment opportunities. The Company also provides employees with a friendly working environment to ensure that employees are protected from discrimination and harassment.</p> <p>(e) Safety and health: The Company follows government labor safety and health laws and regulations, and handles various safety and health tasks The Company's corporate social responsibility related operation information is disclosed on the Company's corporate social responsibility website (http://www.eurocharm.com.tw/corporate social responsibility)</p>				

3.4.6 Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the Company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p> <p>(2) Does the Company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</p> <p>(3) Does the Company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p>	V		(1) The Company has already formulated Ethical Corporate Management Best Practice Principles and Supplier Code of Conduct. Ethical management policies have been disclosed in internal regulations, on the corporate website, in annual reports, or other promotional materials.	None
	V		(2) The Company has included clearly formulated prevention schemes and relevant handling procedures in its “Ethical Corporate Management Operating Procedures and Code of Conduct” covering the prohibition of bribery, illegal political contributions, improper charity donations or sponsorships, improper gifts, entertainment, or other benefits.	None
	V		(3) The Company has included clearly formulated provisions prohibiting the offering and acceptance of improper benefits and the offering of illegal political contributions with clearly stated handling procedures in its “Ethical Corporate Management Operating Procedures and Code of Conduct.”	None
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the Company evaluate business partners’ ethical records and include ethics related clauses in business contracts?</p>	V		(1) Before the Company establishes commercial relations with third parties, it carries out assessments of the legality, ethical corporate management policies, and past records of unethical behavior of suppliers, customers, or other trading counterparties to ensure the fairness and transparency of their business operations and guarantee that they will not request, offer, or accept bribes.	None
	V		(2) The Company has designated the audit office as its	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(2) Does the Company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?			<p>dedicated unit in charge of amendment, implementation, interpretation, and counselling services with regard to the “Ethical Corporate Management Operating Procedures and Code of Conduct” in addition to the recording and archiving of reported contents as well as supervision of implementation and submission of regular reports to the board of directors.</p> <p>The 2020 business development is as follows and reported to the first board of directors' meeting in 2021:</p> <p>I. Establishes various methods for reporting including internal and external reporting mailboxes. The Company requires employees and suppliers suspected of improper behavior to report and clarify on their own initiative and reward employees who report misconducts.</p> <p>II. When assessing the involved parties of business transactions, the Company fully understands the other party's business integrity and prohibits commissions, rebates or other benefits.</p>	
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(3) The board directors uphold a high standard of self-discipline. When a proposal at a given board of directors meeting concerns the personal interest or the interest of the juristic person represented by any director, that director may state his/her opinions and respond to inquiries, but may not participate in the discussion or vote on that proposal and shall recuse himself or herself from any discussion and voting, where there is a likelihood that the interests of the Company would be prejudiced. In addition, said director may not exercise voting rights as the proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner.	None
(4) Has the Company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	V		(4) If in the course of conducting company business, any personnel of the Company discovers that a conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.	None
(5) Does the Company regularly hold internal and external educational	V		(5) The Company has established an accounting education for directors, executives, employees, and appointees to provide them with a full understanding	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
training on operational integrity?			of the commitment, policies, and prevention schemes of the Company in the area of ethical corporate management and ward off unethical behavior.	
3. Operation of the integrity channel				
(1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow up?	V		(1) The company has set up reporting mailboxes to encourage employees to submit reports on detected misconduct that prejudices the interests of the company. The audit office is in charge of processing such reports.	None
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	V		(2) The audit office carries out investigations of reported contents and reports the final results to the Chairman in accordance with confidentiality principles.	None
(3) Does the company provide proper whistleblower protection?	V		(3) The company is responsible for the confidentiality of the identity of the whistle-blower to prevent inappropriate dismissal or retaliation at the workplace against the whistle-blower.	None
4.Strengthening information disclosure				
(1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company’s website and MOPS?	V		(1) The Company’s Ethical Corporate Management Best-Practice Principles and the results of our implementation have been posted on the Company’s Chinese / English website (http://www.eurocharm.com.tw) and MOPS.	None
5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. There have been no differences.				
6. Other important information to facilitate a better understanding of the Company’s ethical corporate management policies (e.g., review and amend its policies).				
(a) To implement the basics of ethical corporate management policies, the Company operates under the Company Act, Securities, and Exchange Act, Businesses Entity Accounting Act, related regulations for TWSE/TPEX-Listed Companies, and other laws and decrees concerning business transactions.				
(b) Fulfilling the responsibility of honest trading to customers and suppliers: The company have long appreciated to our customers and respected our suppliers, and we engage in any business transactions in a fair and transparent manner, giving each customer or supplier a fair and reasonable benefit result, thus creating a double win situation.				
(c) Honest management responsibility to shareholders: The Company treats its shareholders with care and loyalty, discloses accurate information in a timely, and creates maximum value for all shareholders by operating at a steady				

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
pace.				
(d) The Company has set up the "Management Procedures for Preventing Insider Trading," which specifies that directors, supervisors, managers, and employees are not allowed to reveal inside information to others or to inquire non-public information that is irrelevant to his/her business scope.				

3.4.7 Corporate Governance Guideline and Regulations

Please refer to the MOPS (<http://mops.tse.com.tw/> > Corporate Governance)

3.4.8 Other Important Information Regarding Corporate Governance

1. Managers participate in corporate governance related training:

In 2020, managers have no relevant training.

2. Procedures of internal major information processing:

The Company establishes “Prevention of insider trading management operations procedures”, “Integrity management practices and operating procedures and behavior guidelines” as guidelines for the conduct of directors, managers and employees. It also states that the company’s directors, managers and employees should comply with the laws, regulations, and articles including in the Insider Trading Act.

3. Summary table of the resignation and dismissal of relevant persons in the company:

None

4. Succession planning for board members and major management:

The structure of the Company's board of directors is determined by the scale of the Company's business development and the shareholdings of its major shareholders, taking into account the operational needs of the Company. In accordance with the "Code of Corporate Governance Practices", the Company has implemented a policy of diversifying. Currently, there are seven directors (including three independent directors) with diversified industrial experience and professional capabilities in finance and accounting. Two of them are also senior management of the Company. The Company's Board of Directors and the experience background of the members will continue to be the same in the future.

Regarding the succession planning of the Board of Directors, the Company nurtures senior managers to join the Board of Directors to familiarize them with the operation of the Board of Directors and the business of each unit of the Group, and to deepen their industrial experience through job rotation. Currently, the Group has some senior management, so the Company has an

abundant pool of talent to elect as future directors. In addition to diversity, no more than one-third of our directors will be managers, and we will emphasize gender equality and the knowledge, skills and qualities necessary to carry out our duties.

For the succession planning of major management, in addition to the inventory and selection of potential successors. Also, the company provide a personal development plan, supervision and counseling system to help them effectively enhancing their succession ability and shortening the succession time. The training mechanism is designed to train potential successors in the board of directors of related companies, as well as online management development courses to strengthen their business management skills, including strategic planning, multinational operations, global marketing, innovation management and new economy, in order to cultivate the management talents needed in the future.

3.4.9 Implementation of the Internal Control System

Declaration regarding the internal control system Eurocharm Group Co., Ltd.

Declaration regarding the internal control system

Date: February 26, 2021

Based on the results of a self-inspection, the Company hereby makes the following declaration regarding the internal control system in 2020:

- I. The Company is fully aware of the fact that directors and managers of this Company shall be fully responsible for the establishment, implementation, and maintenance of an internal control system. It has already established such a system in order to guarantee achievement of a wide range of goals including effectiveness and efficiency of Company operations (e.g., profitability, performance, and asset security), reliability, timeliness, and transparency of reporting, and compliance with relevant laws, rules, and regulation.
- II. The internal control system faces inherent constraints. No matter how perfect the design of the system is, an effective internal control system may only provide reasonable guarantees regarding the achievement of the aforementioned three goals. Furthermore, the effectiveness of the internal control system is affected by changes in the environment and external conditions. However, the internal control system of the Company is equipped with a self-monitoring mechanism. Once shortcomings are identified, the Company adopts corrective measures in a prompt manner.
- III. The Company judges the effectiveness of the design and implementation of the internal control system based on the judgment criteria prescribed in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as “these Regulations”). The judgment criteria for the internal control system adopted in these Regulations divide the internal control system into five main constituents based on the management and control process: 1. Control environment 2. Risk assessment 3. Control activities 4. Information and communication and 5. Monitoring. Each constituent includes several items. For more details on the aforementioned items, please refer to the

provisions set forth in these Regulations.

- IV. The Company inspects the effectiveness of the design and implementation of the internal control system based on the aforementioned judgment criteria.
- V. Based on the results of the mentioned inspections, the Company believes that the design and implementation of the internal control system on December 31, 2020 (including the supervision and management of subsidiaries) was efficient as far as goal achievement in the field of results and efficiency of operations, reliability of financial reports, and legal compliance are concerned and may provide reasonable guarantees regarding the achievement of the aforementioned goals.
- VI. This declaration will be included as a main component of the annual report and prospectus of the Company and will be made public. If the aforementioned published contents involve illegal activity such as fraud or concealment, the Company shall assume legal liability pursuant to Article 20, 32, 171, 174 of the Securities and Exchange Act.
- VII. This declaration was approved unanimously by the board of directors with an attendance of 7 directors on February 26, 2021. All 7 directors consented to the contents of this declaration as stated herein.

Eurocharm Holdings Co., Ltd.

Chairman: Steven Yu

General Manager: Steven Yu

Internal Control System Review Report

The declaration of Eurocharm Group Co., Ltd. issued on February 26, 2021 stating the effectiveness of the design and implementation of the internal control system on December 31, 2020 based on an assessment of the financial reporting and asset safety related internal control system has been reviewed by this accountant. The maintenance of an effective internal control system and the assessment of its effectiveness are the responsibility of the management level of the Company.

This accountant has been commissioned to express an opinion on the efficiency of the internal control system and the declaration regarding the internal control system of the aforementioned Company based on the results of a review.

This accountant carried out a review in accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies and generally accepted auditing standards to reasonably determine the effectiveness of the internal control system of the aforementioned Company in all major areas. This review process covered an understanding of the internal control system, an assessment of the validity of evaluations of the internal control system conducted by the management level, testing and assessment of the effectiveness of the design and implementation of the internal control system, and other review procedures as deemed necessary by this accountant. This accountant believes that this review process may serve as a reasonable basis for the expressed opinion.

Any internal control system faces inherent constraints. It can therefore not be ruled out that the internal control

system of Eurocharm Group Co., Ltd. fails to prevent or detect committed mistakes or misconduct. In addition, the level of compliance with the internal control system may decrease due to future environmental changes. The fact that the internal control system is currently effective therefore does not ensure that it will also be effective in the future.

This accountant hereby affirms based on the judgment criteria for the effectiveness of control system prescribed in the Regulations Governing Establishment of Internal Control Systems by Public Companies that the design and implementation of the financial reporting and asset safety related internal control system of Eurocharm Group Co., Ltd. was effective in all major areas on December 31, 2020. The declaration issued by Eurocharm Group Co., Ltd. on February 26, 2021 stating the effectiveness of the design and implementation of the financial reporting and asset safety related internal control system on December 31, 2020 based on assessments is confirmed in all major areas.

Accounting Firm: Ernst & Young

Accountant: Ching-Piao Cheng & Hsiao Chin Lo

February 26, 2021

3.4.10 Penalties imposed in accordance with the law upon the Company or its internal personnel and any penalties imposed by the Company upon its internal personnel for violations of internal control system provisions as well as principal deficiencies and improvements efforts for the most recent fiscal year up to the printing date of the annual report.

None

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings

Major resolutions of shareholder's meetings in 2019 and implementation status (05/29/2020)

Attendance: Steven Yu (Director), Michael Yu (Director), Antonio Yu (Director) and Wei-Min Lin (Independent Director)

Major Resolution - Adoption	Resolution Result	Implementation
1. Adoption of the 2019 Business Report and Consolidated Financial Statements	Voting Result: Approved Total Number of rights held by attending shareholders: 49,491,570 rights In favour: 45,609,067 rights; 92.15%; Against: 1,043 rights; Abstained / not voted 3,881,460 rights, case passed	Implemented in accordance with the resolution result of the shareholders' meeting
2. Adoption of the Proposal for Distribution of 2019 Profits	Voting Result: Approved Total Number of rights held by attending shareholders: 49,491,570 rights In favour: 45,609,067 rights; 92.15%; Against: 1,043 rights; Abstained / not voted: 3,881,460 rights, case passed	In accordance with the resolution result from the shareholders' meeting, the cash dividend record date was on 08/25/2020 and the payable date was on 09/14/2020

Major Resolution - Matter of Discussion	Resolution Result	Implementation
1. Proposal to amend the Memorandum and Articles of Association of the Company	Voting Result: Approved Total Number of rights held by attending shareholders: 49,491,570 rights In favour: 45,609,067 rights; 92.15%; Against: 1,043 rights; Abstained / not voted: 3,881,460 rights, case passed	Implemented in accordance with the revised articles of association and sent to the Cayman Islands for registration update
2. Proposal to amend the Precedure for Shareholders' Meetings	Voting Result: Approved Total Number of rights held by attending shareholders: 49,491,570 rights In favour: 45,609,067 rights; 92.15%; Against: 1,043 rights; Abstained / not voted: 3,881,460 rights, case passed	Revision Implemented

Major resolutions of board meetings in 2020 up to the printing date of the annual report:

A total number of 9 board meetings, as follows,

DATE	SESSION	MAJOR RESOLUTIONS
08/04/2020	9 th ; 4 th Session	<ol style="list-style-type: none"> Approval of the 2020 Q2 annual business report and consolidated financial statements Company's and its subsidiaries' proposal to sign a short-term credit limit case with banks Endorsement guarantee for the Company's subsidiary Allotment case of the Company's 2019 Directors' Remuneration Allotment case of the Company's 2019 Employee Remuneration Case of first half of 2020 surplus distribution Revision of the Company's relevant operating procedures
11/03/2020	10 th ; 4 th Session	<ol style="list-style-type: none"> Approval of the 2020 Q3 Annual Business Report and Consolidated Financial Statements Company's and its subsidiaries' proposal to sign a short-term credit limit case with banks Endorsement guarantee for the Company's subsidiary The company's fund loan to its subsidiary company Eurocharm Innovation Co., Ltd. (B.V.I). Subsidiary company Eurocharm Innovation Co., Ltd. (B.V.I.) intends to invest in obtaining 40% equity of Vietnam King Duan Industrial Co., Ltd. The subsidiary company Vietnam Precision Industrial No. 1 Co., Ltd. Baishan II Plant Construction Project.
12/25/2020	11 th ; 4 th Session	<ol style="list-style-type: none"> The Company's 2021 business and annual budget plan The company's internal audit plan for 2021 Appointment of Ernst & Young Certified Public Accountants to carry out the review on 2020 annual internal control system Appointment of Ernst & Young Certified Public Accountants to verify the

DATE	SESSION	MAJOR RESOLUTIONS
		Company's 2021 Financial Report
01/29/2021	12 th ; 4 th Session	1. The company's capital loan to Eurocharm Innovation (HK) Co., Limited case.
02/26/2021	13 th ; 4 th Session	<ol style="list-style-type: none"> 1. Distribution case of the Company's 2020 Directors and Employee's Remuneration 2. Proposed approval of the Company's 2020 Annual Business Report and Consolidated Financial Statements 3. Case of the 2020 surplus distribution 4. Company's 2020 Internal Control System Self-Inspection Results Report and Internal Control System Statement 5. Company's and its subsidiaries' proposal to sign a short-term credit limit case with banks 6. Endorsement guarantee for the Company's subsidiary 7. The subsidiary company Vietnam Precision Industrial No. 1 Co., Ltd. intends to invest and acquire 55% equity of Eurocharm Ways Plastics Vietnam Co., Ltd. 8. The subsidiary company Eurocharm Innovation Co., Ltd. (B.V.I.) intends to invest in obtaining 40% equity of Vietnam Uni-Calsonic Co., Ltd. 9. Revision of the Company's relevant operating procedures 10. Case of the shareholders' meeting, proposal and relevant issues 11. Settlement of the 2021 shareholders' meeting time and location
03/30/2021	14 th ; 4 th Session	<ol style="list-style-type: none"> 1. The subsidiary company Vietnam Precision Industrial No. 1 Co., Ltd. disposed of equipment to VKD. 2. Company's and its subsidiaries' proposal to sign a short-term credit limit case with banks 3. Amend case of the company's director election bill. 4. Amend case of the company's new discussion items at the 2021 shareholders meeting

3.4.12 Major Issues of Record or Written Statements Made by Any Director or Independent Director Dissenting to Important Resolutions Passed by the Board of Directors

None

3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D

None

3.5 Information Regarding the Company's Audit Fee and Independence

3.5.1 Information Regarding the CPA Fee

Accounting Firm	Name of CPA Period Covered		Period Covered by CPA's Audit	Remarks
Ernst & Young	Ching-Piao Cheng	Hsiao Chin Lo	01/01/2020 - 12/31/2020	

Unit: NT\$ thousands

		Audit Fee	Non-Audit Fee	Total
Fee Range	Under NT\$ 2,000		800	800
	NT\$2,000 ~ NT\$4,000			
	NT\$4,001 ~ NT\$6,000	5,195		5,195

Non-audit fees paid to CPAs, their accounting firms, and related businesses make up over 25% of the audit fees

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee				Subtotal	Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others			
Ernst and Young	Ching-Piao Cheng	5,195	-	-	-	800	800	01/01/2020 - 12/31/2020	Non-audit public fees - Other refers to internal control project review
	Hsiao Chin Lo								

3.5.2 Reduction of audit fees after replacement of the accounting firm compared to the year preceding replacement

None

3.5.3 Reduction of audit fees by more than 15% compared to the previous year

None

3.6 Replacement of the CPA:

3.6.1 For the last two years and subsequent years, the Company has changed its accountants as follows:

About the former accountant

Replacement Date	04/27/2020		
Reason for Replacement and Explanation	Internal rotation of the firm		
Explanation for the Accountant's Termination or Appointment Refusal	Situation	Accountant	Delegate
	Appointment Termination	N/A	N/A
	Appointment Refusal	N/A	N/A
Issued unserved opinion within the last two years and other reasons	None		

Disagreement with the Issuer	Yes		Accounting principles or practices
			Financial report disclosure
			Scope or Step Examination
			Others
	No	V	
Explanation: N/A			
Other disclosures (Article 10-6-1-4 to 10-6-1-7 of this standard should be disclosed)	None		

3.6.2 About Successor Accountant

Accounting Firm	Ernst & Young
Accountant	Ching-Piao Cheng and Hsiao Chin Lo
Date of appointment	04/27/2020
Pre-commissioning accounting approaches or accounting principles for specific transactions and opinions on the possible issuance of financial report consultation and results	None
Successor accountant's written disagreement to the former accountant	None

3.6.3 Response of the former accountant to the Article 10-6-1 and 10-6-2-3:

None

3.7 Recent Employment of the Chairman, General Managers or Financial Managers who were Employed in an Accounting Firm or its Affiliates:

None

3.8 Evaluation of the CPA's Independence

Each year, the Audit Committee monitors the independence of Eurocharm Group's external auditor by conducting the below evaluations and reports the same to the Board of Directors:

- A. The auditor's independence declaration
- B. The Audit Committee pre-approves all audit and non-audit services conducted by the auditor to ensure that the non-audit services do not influence the results of the audit
- C. Ensure the audit partner rotates every seven years

D. Annually evaluate the independence of the external auditor based on the results of the auditor survey

Evaluation Items	Evaluation Results	Compliance with independence
Whether the term of office of the accountant is less than 7 years	V	Yes
Whether the accountant has no direct or major indirect financial interest with the Company	V	Yes
Whether the accountant has no financing or guarantee behavior with the Company or the Company's directors	V	Yes
Whether the accountant has no close business relationship or potential employment relationship with the Company	V	Yes
Whether the accountant has no any shares or other securities by the Company	V	Yes
Whether the accountant and the members of the audit team currently hold or have held any positions in the Company in the last two years as directors, managers, or those who do not have significant influence on the audit	V	Yes
Whether the accountant has no provided any non-audit services to the Company that may directly affect the audit work	V	Yes
Whether the accountant has relationship to any of the Company's directors, officers or personnel who do not have significant influence on the audit	V	Yes
Whether the accountant has no acting as an advocate for the Company or coordinating conflicts with other third parties	V	Yes
Whether the accountant has no received any special significant value gifts from the Company or its directors, officers or substantial shareholders	V	Yes

3.9 Operational Procedures for Handling Material Inside Information

Eurocharm Group has established relevant procedures for managing and disclosing material information. The responsible departments regularly remind all officers and employees about the need to comply with these proceedings and other applicable regulations when they become aware of any potential material information and the possible need to publicly disclose such information. To ensure that our employees, managers, and board directors are aware of and comply with these relevant regulations, the Company has also established our "Insider Trading Policy." To reduce the risk of insider trading, on-line training programs and live seminars are conducted periodically. Also, employees can familiarize themselves with relevant internal policies and training articles

3.10 Recent Changes in Equity and Pledged Shares of Directors, Supervisors, Managers and Shareholders Holding Over 10% of the Total Shares

Unit: Share

Title	Name	2020		As of March 31, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	New General Limited	0	0	0	0
	Representative: Steven Yu	0	0	0	0

Title	Name	2020		As of March 31, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Seashore Group Limited	0	0	0	0
	Representative: Michael Yu	0	0	0	0
Director	Seashore Group Limited	0	0	0	0
	Representative: Antonio Yu	0	0	0	0
Director	Steven Chang	0	0	0	0
Independent Director	Wei-Min Lin	0	0	0	0
Independent Director	Bryan Peng	0	0	0	0
Independent Director	Gen-Yu Fong	0	0	0	0
General Manager	Steven Yu	0	0	0	0
Deputy General Manager	James Chan	40,000	0	0	0
Deputy General Manager	Andy Wu	34,000	0	0	0
Deputy General Manager	Cina-Jin Chan	0	0	0	0
Deputy General Manager	Cheng-Wen Wang	0	0	0	0
Supervisor	Huang-Li Yang	0	0	0	0

3.10.2 Shares Trading with Related Parties:

None

3.10.3 Shares Pledged with Related Parties:

None

3.11 Relationship among the Top Ten Shareholders and their Spousal or Kinship Relationships within the Second Degree

03/31/2021 (Book closure date) Unit: thousand shares

Name	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Seashore Group Limited	24,769	37.63%	-	-	-	-	-	-	-
New General Limited	13,833	21.01%	-	-	-	-	-	-	-
New General Limited Representative: Steven Yu	-	-	-	-	-	-	Seashore Group Limited Representative: Michael Yu	Brother	-
							Seashore Group Limited Representative: Antonio Yu	Brother	
Seashore Group Limited Representative: Michael Yu	117	0.18%	-	-	-	-	Seashore Group Limited Representative: Steven Yu	Brother	-
							Seashore Group Limited Representative: Antonio Yu	Brother	
Seashore Group	116	0.18%	-	-	-	-	New General	Brother	-

Name	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Limited Representative: Antonio Yu							Limited Representative: Steven Yu		
							New General Limited - Representative: Michael Yu	Brother	
Fubon Life Insurance Co., Ltd.	5,217	7.93%	-	-	-	-	-	-	-
BaoJie Funds in custody of Standard Chartered Bank Main Branch	2,000	3.04%							
Citibank (Taiwan) Commercial Bank Trustee Special Investment Fund eQ Emerging Market Small Cap Fund Investment Account	750	1.14%	-	-	-	-	-	-	-
Credit Suisse International in custody of Standard Chartered Bank Main Branch	569	0.86%							
Yuanta Venture Capital Co., Ltd.	563	0.86%							
You-Lun He	560	0.85%	-	-	-	-	-	-	-
Liang-Shan Cai	435	0.66%	-	-	-	-	-	-	-
Hong Jin Bu	420	0.64%							

3.12 Consolidated Shareholding Ratio and the Number of Shares Held by the Company, Directors, Supervisors, Managers and Businesses Directly or Indirectly Controlled by the Company in the Same Joint Venture Business

12/31/2020 (Unit: Share)

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
(See Note 1)						
Eurocharm Innovation Co., Ltd. (B.V.I.)	19,000,000	100.00	0	0.00	19,000,000	100.00
Eurocharm America LLC (See Note 2)	200,000	100.00	0	0.00	200,000	100.00

Note 1: The Company investment accounted for under the equity method.

Note 2: Eurocharm America LLC is a limited company which does not issue shares

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

As of 03/31/2021 (Unit: thousand shares; NT\$ thousands)

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares (thousand shares)	Amount (NT\$ thousands)	Shares (thousand shares)	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
07/2011	USD1	17,000	USD\$17,000	17,000	USD\$17,000	Evaluation	-	-
04/2012	USD1	30,000	USD\$30,000	17,000	USD\$17,000	Authorized Stock Increase	-	-
07/2012	USD1	30,000	USD\$30,000	17,474	USD\$17,474	Cash Capital Increase	-	Note 1
09/2013	-	90,000	NTD\$900,000	56,874	NTD\$568,742	Equity Currency Conversion	-	Note 2
09/2014	58	90,000	NTD\$900,000	63,984	NTD\$639,842	Cash Capital Increase	-	-
09/2014	40	90,000	NTD\$900,000	64,340	NTD\$643,402	Employee Stock Option Implementation	-	-
10/2014	40	90,000	NTD\$900,000	64,349	NTD\$643,492	Employee Stock Option Implementation	-	-
02/2015	40	90,000	NTD\$900,000	64,370	NTD\$643,702	Employee Stock Option Implementation	-	-
04/2015	40	90,000	NTD\$900,000	64,488	NTD\$644,882	Employee Stock Option Implementation	-	-
05/2015	40	90,000	NTD\$900,000	64,503	NTD\$645,032	Employee Stock Option Implementation	-	-
09/2015	38	90,000	NTD\$900,000	64,583	NTD\$645,832	Employee Stock Option Implementation	-	-
10/2015	38	90,000	NTD\$900,000	64,932	NTD\$649,322	Employee Stock Option Implementation	-	-
08/2016	36	90,000	NTD\$900,000	64,956	NTD\$649,562	Employee Stock Option Implementation	-	-
09/2016	36	90,000	NTD\$900,000	65,196	NTD\$651,962	Employee Stock Option Implementation	-	-
10/2016	36	90,000	NTD\$900,000	65,399	NTD\$653,992	Employee Stock Option Implementation	-	-
11/2016	36	90,000	NTD\$900,000	65,456	NTD\$654,562	Employee Stock Option Implementation	-	-
12/2016	36	90,000	NTD\$900,000	65,549	NTD\$655,492	Employee Stock Option Implementation	-	-
01/2017	36	90,000	NTD\$900,000	65,688	NTD\$656,882	Employee Stock Option Implementation	-	-
02/2017	36	90,000	NTD\$900,000	65,745	NTD\$657,452	Employee Stock Option Implementation	-	-
03/2017	36	90,000	NTD\$900,000	65,753	NTD\$657,532	Employee Stock Option Implementation	-	-
09/2017	34	90,000	NTD\$900,000	65,799	NTD\$657,992	Employee Stock Option Implementation	-	-
12/2017	34	90,000	NTD\$900,000	65,809	NTD\$658,092	Employee Stock Option Implementation	-	-
03/2018	34	90,000	NTD\$900,000	65,826	NTD\$658,266	Employee Stock Option Implementation	-	-

Note 1: The Company issued new shares totaled 473,537 due to cash capital increase.

Note 2: The Company modified face value of shares from USD\$1 to NTD\$10.

As of 03/30/2021 (Unit: Share)

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common	65,826,153	24,173,847	90,000,000	-

Note 1: Approved by the general declaration system to raise the issuance of securities: None

4.1.2 Status of Shareholders

As of 03/30/2021 (Unit: Person: Share)

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	-	1	54	37	1,549	1,641
Shareholding (shares)	-	5,217,000	2,725,101	43,578,274	14,305,778	65,826,153
Percentage	-	7.93	4.14	66.20	21.73	100.00

4.1.3 Shareholding Distribution Status

As of 03/31/2021 (Unit: Person: Share)

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	172	12,742	0.02
1,000 ~ 5,000	1,012	2,037,310	3.09
5,001 ~ 10,000	161	1,294,170	1.97
10,001 ~ 15,000	71	908,326	1.38
15,001 ~ 20,000	44	795,082	1.21
20,001 ~ 30,000	58	1,501,404	2.28
30,001 ~ 40,000	25	899,240	1.37
40,001 ~ 50,000	19	883,200	1.34
50,001 ~ 100,000	38	2,835,733	4.31
100,001 ~ 200,000	20	2,810,670	4.27
200,001 ~ 400,000	11	2,732,000	4.15
400,001 ~ 600,000	5	2,547,000	3.87
600,001 ~ 800,000	1	750,000	1.14
800,001 ~ 1,000,000	0	-	-
1,000,001 or over	4	45,819,276	69.60
Total	1,641	65,826,153	100.00

4.1.4 The list of major shareholders whose shareholding percentage is more than 5%, and if there are less than 10 shareholders. The names of the shareholders whose shareholding percentage is among the top 10, the amount and percentage of shareholding shall be disclosed.

As of 03/30/2021 (Unit: Share)

Shareholder's Name	Shareholding	
	Shares	Percentage
New General Limited	13,833,217	21.01%
Seashore Group Limited	24,769,059	37.63%
Fubon Life Insurance Co., Ltd.	5,217,000	7.93%
BaoJie Funds in custody of Standard Chartered Bank Main Branch	2,000,000	3.04%
Citibank (Taiwan) Commercial Bank Trustee Special Investment Fund eQ Emerging Market Small Cap Fund Investment Account	750,000	1.14%
Credit Suisse International in custody of Standard Chartered Bank Main Branch	569,000	0.86%
Yuanta Venture Capital Co., Ltd.	563,000	0.86%
You-Lun He	560,000	0.85%
Liang-Shan Cai	435,000	0.66%
Hong Jin Bu	420,000	0.64%

4.1.5 Market Price, Net Worth, Earnings and Dividends per Share in the previous two fiscal years

(Unit: NT\$: thousand shares)

Items	2019	2020	As of March 31, 2021
Market Price per Share			
Highest Market Price	162.5	124.5	146
Lowest Market Price	108	81.8	108
Average Market Price	131.01	103.36	128.16
Net Worth per Share			
Before Distribution	46.65	46.65	45.11
After Distribution	41.15	See Note	-
Earnings per Share			
Weighted Average Shares (thousand shares)	65,822 thousand shares	65,826 thousand shares	65,826 thousand shares
Earnings Per Share	9.50	8.40	2.69
Dividends per Share			
Cash Dividends	5	4 (See Note)	-
Stock Dividends			
Dividends from Retained Earnings	-	-	-
Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends	-	-	-
Return on Investment			

Items	2019	2020	As of March 31, 2021
Price / Earnings Ratio	12.77	14.61	16.67
Price / Dividend Ratio	23.82	25.84 (See Note)	-
Cash Dividend Yield	4.1	5.12	2.86

Note: The 2020 annual surplus distribution was approved by the board of directors but not yet been distributed.

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

As the Company is in the growing stage, the dividend distribution may take the form of a cash dividend and stock dividends. It shall take into consideration the Company's capital expenditures, future expansion plans, and financial structure and funds requirement for sustainable development needs, etc.

The Company may make allowances for surplus distributions or losses after the end of each half of the fiscal year. The Company shall comply with the financial statements verified or reviewed by the accountant, and shall submit the resolutions of the board of directors after submitting the business report and financial statements to the audit committee for verification. When the Company distributes surplus, it should first estimate and retain taxable contributions and employee compensation, make up for losses in accordance with the law and provide statutory surplus reserves (however, when the statutory surplus reserves have reached the paid-in capital amount, this limit is not applicable). In the case of cash issuance, it shall be determined by the board of directors; in the case of the issuance of new shares, a special (heavy) resolution of the shareholders' meeting shall be adopted.

Unless otherwise required by the Statute and the Applicable Public Company Rules, the Company may distribute profits in agreement with a proposal for distribution of profits prepared by the Directors and approved by the Members by an Ordinary Resolution at any general meeting. The Directors shall prepare such a proposal as follows:

- a. If there is any profit (after tax) of the current fiscal year after final account, it shall first be used to offset its losses in previous years which have not been previously offset (include the adjusted amount of undistributed earnings);
- b. Set aside a special capital reserve or reversal, if one is required, in accordance with the Applicable Public Company Rules or as requested by the authorities in charge;
- c. If there is any Profit, it shall be set aside no more than 2% of the balance as a bonus to Directors and no less than 2% of the balance as compensation to employees of the Company, which may be distributed under an incentive program approved pursuant to Article 11.1 above. The board of directors shall adopt the exact percentages to be distributed as bonuses to Directors and the compensation to employees, and such resolution shall be reported at the shareholders meeting. A Director who also serves as an executive officer of the Company may receive a bonus in his capacity as a Director and the compensation in his capacity as an employee;
- d. Distribution of earnings or appropriation of losses, after the end of the first half of the fiscal year (if any); and
- e. Any balance left over may be distributed as Dividends in accordance with the Statute and the

Applicable Public Company Rules, and after taking into consideration profits of the current year and capital structure of the Company, unless otherwise explicitly resolved by the board of the Directors and the general meetings, the number of profits distributed to Members shall not be lower than 20% of profits (after tax) of the then-current year and the number of cash dividends distributed thereupon shall not be less than 50% of the profits proposed to be distributed of the then-current year; in the event that the Dividends per share distributed in the current year is less than NT\$1, the Company may determine the Dividends to be distributed partially or entirely by stock dividends or cash dividends.

B. Proposed Distribution of Dividend

The proposal for the distribution of 2020 profits was passed at the meeting of the Board of Directors on February 26, 2021. It is approved that a total amount of NT\$263,304,612 cash dividend will be distributed to the shareholders; hence, a cash dividend of NT\$ 4 per share.

4.1.7 Impact on the Company's performance and EPS of stock dividends proposed by this shareholders' meeting

The board of directors approved the 2020 earnings distribution proposal on February 26, 2021, with a planned distribution of cash dividends amounting to NT\$ 4 per share. The proposal will be submitted to the shareholders' meeting on May 31, 2021, for ratification. Since only cash dividends are distributed, the overall business performance of the Company will not be affected.

4.1.8 Employee Bonus and Directors' and Supervisors' Remuneration

1. Quotas or range of employee bonuses and compensations of directors and supervisors as specified in the Articles of Incorporation: Please refer to 4.1.6 Dividend Policy and Implementation Status Section A.
2. Estimation basis for employee compensations of directors and supervisors for this quarter, calculation basis for some shares allocated as the stock bonus, and accounting procedures in case of discrepancies between actually distributed amounts and estimated figures: The proportional foundation for the distribution of payable employee and director compensations in 2020 shall be determined based on the profits (employee bond of not less than 2%; directors and supervisors' remuneration of not more than 2%). In the case of significant changes of distribution amounts determined by the board of directors after year end, the initially allocated annual expenses shall be adjusted. Further changes on the date of the shareholders' meeting resolution shall be handled as accounting estimate changes. Annual adjustments shall be entered into accounts by resolution of the shareholders' meeting. If the shareholders' meeting resolves to pay out employee bonuses as stock, the number of shares allocated as stock dividends shall be determined based on payable bonus amounts divided by fair stock value. The term fair stock value shall refer to the closing price on the day before the shareholders' meeting resolution date (upon consideration of ex-right/ex-dividend impacts).
3. Proposed distribution of employee bonuses approved by the board of directors:
 - A. On February 26, 2021, the Company charter prescribes the following for the employee bonus and compensation for directors and supervisors:

- Employee cash bonus of NT\$ 23,936,973
 - Employee stock bonus of NT\$ 0
 - Directors' Remuneration of NT\$10,300,000
- B. Proposed employee stock bonus and proportion of stock bonus to net income after tax as indicated in individual financial statements for this quarter and the total amount of employee bonuses: None
- C. Profit Distribution for Employees' Directors' and Supervisors' Remuneration for 2019 Approved in Board of Directors Meeting

In the 2020 financial statement, it was stated that the employee bonus was NT\$ 22,000 thousand dollars and the directors' remuneration was NT\$ 10,300 thousand dollars. In 2019, the employee bonus distributed was NT\$ 22,000 thousand dollars, and the directors' remuneration allocated was NT\$ 10,300 thousand dollars. No discrepancy was found.

4.1.9 Buyback of Treasury Stock:

None

4.2 Bonds

4.2.1 Current Status of Company Bonds:

1. Corporate Bonds: None
2. Convertible and Exchangeable Bonds, Shelf Registration for Issuing Bonds or Corporate Bonds with Warrants: None

4.3 Preferred Shares:

None

4.4 Global Depository Receipts:

None

4.5 Employee Stock Options:

None

4.6 Restricted Employee Stock Options:

None

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions:

None

4.8 Financing Plans and Implementation

As of today, the Company does not have unfinished projects of private equity or securities issuance nor completed projects with low performance in the previous 3 years.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1. Main areas of business operations

The Company's operations primary focus on the manufacturing, process, assembling and trading of auto and motor parts and medical equipment.

2. Revenue Distribution

Unit: NT\$ thousands

Major Divisions	2018		2019		2020	
	Total Sales	(%) of Total Sales	Total Sales	(%) of Total Sales	Total Sales	(%) of Total Sales
Motor Parts	3,135,145	67.95%	3,310,472	63.23%	2,641,879	56.71%
Medical Equipment	499,678	10.83%	472,114	9.02%	466,784	10.02%
Recreational Vehicle Parts	858,144	18.60%	1,300,091	24.83%	1,362,795	29.25%
Others	121,231	2.62%	152,635	2.92%	187,449	4.02%
Total	4,614,198	100.00%	5,235,312	100.00%	4,658,907	100.00%

3. Main Products

- A. Auto and Motor Parts: chassis, bodyworks, shields, luggage and other metal related parts
- B. Medical Equipment: medical beds, patient lifters, and shower chairs
- C. Recreational Vehicle Parts: motorcycle, snowmobile, jet skis and other recreational vehicle parts

4. New Product (Service) Development

In Taiwan, the Company utilizes the advantage of Taiwan's advanced processing technology to manufacture and export medical equipment. At the factory plant in Vietnam, it is the competitive cost of producing metal parts that provide the leverage for the Company to acquire new orders continuously. Moving forward, we will further build and expand the territory of metal processing on top of the foundation that has been established. With the positive referrals from customer to customer, the quality of our products will soon be widely known to the international markets.

5.1.2 Market and Sales Overview

1. Current Status and Future Development

A. Motorcycle Market

a. Development and Structure of Motorcycles

Throughout the history of vehicle development, it started from the first bicycle to the first motorcycle, then came the first automobile. When the first motorcycle came out in 1769, it was powered by a steam engine. It was not until 1860 that a gasoline engine was considered practical.

During the fast-developing 19th century, this type of internal combustion engine was also used in assembling bicycles, which served as a motorcycle prototype. In 1883, Gottlieb Daimler, a German engineer, decided to experiment and utilize a four-stroke gasoline engine on a bicycle. Following Daimler's footsteps, Karl Benz, an automobile engineer, invented and patented his idea of adding an electric ignition system.

The real breakthrough of the motorcycle evolution; however, did not happen until 1895. Count Albert de Dion and Georges Bouton, pioneers of the automobile industry, designed a new engine and together became the de Dion-Bouton, the world's largest automobile manufacturer for a time in France. During the period of the 1950s, England had the most significant market share of manufacturing motorcycles, including BSA, Triumph, Royal Enfield, Norton and the iconic manufacturers such as Matchless and Albert John Steven. However, the English motorcycle industry quickly fell in the 1970s after the people in Japan mastered the efficiency of machinery. By the time Honda had dominated the market.

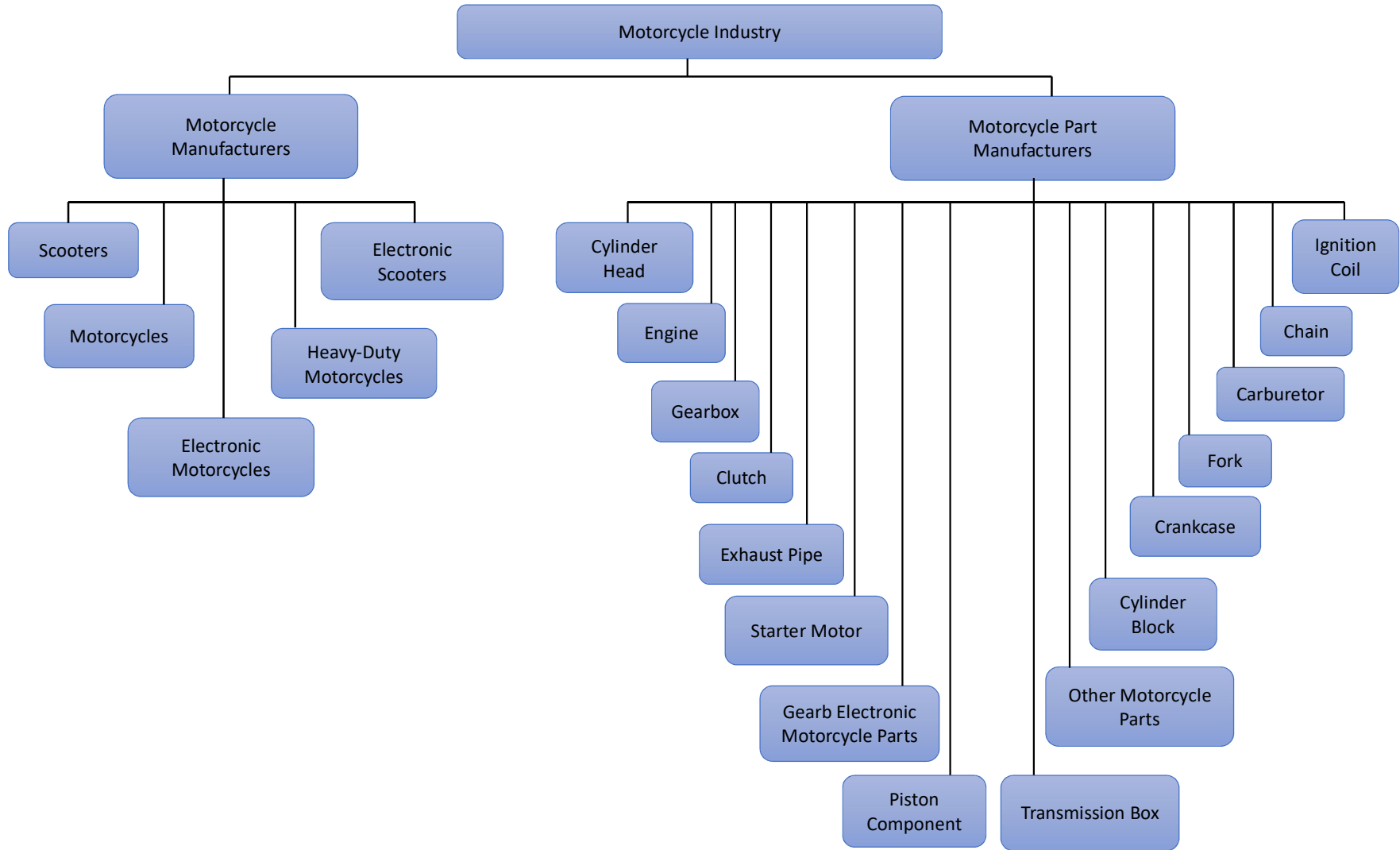
In the 21st century, customers were no longer content with motorcycles merely being functional. The vehicles had matured into being both practical and entertaining as riders enjoy the speed and the thrills. This was when sports bikes became largely popular. Manufacturers such as KTM (also known as Kraftfahrzeuge Trunkenpolz Mattighofen), Suzuki Hayabusa and Harley-Davidson were three of the leading businesses. Recently, two-stroke engines have gradually been replaced to help preserve the environment.

Depending on the structural design, body, and purpose, motorcycles are classified into various categories. For example, engines are grouped into either single-cylinder engine or multi-cylinder engine and four-stroke versus two-stroke.

Regarding the operations, motorcycles can be divided into an automatic or manual transmission vehicle. Based on the volume of engine displacements, they can also be identified as scooters (below 50cc), motorcycles (below 250cc) or heavy-duty motorcycles (above 250cc). Finally, depending on the purposes, motorcycles could be categorized as the following.

Type of Motorcycle	Primary Purpose
Sports Bikes	Modeled race car's streamlined exterior, sports bikes are built lightweight for high-speed performance. They are equipped with multi-cylinders and the characteristics of a sports car. Long distance riding could cause severe back pain.
Cruiser	Cruisers are assembled with small to medium displacements as these motorcycles are not built for frequent shifts of acceleration. The riding positions are designed to feed forward and hands up high for the comfort of riding. Typically, there are extra storage space
Standard	Standards are versatile, practical street motorcycles. One of the easily identified characteristics of these vehicles is the upright riding position. For example Honda's CB series.
Scooter	Scooters emphasize their ability to be easily maneuvered with a flat floorboard as a comfortable footrest. They are a more affordable alternative to cars and some of the designs specifically market to female riders.
Commercial Motorcycle	Aside from providing person transport, commercial motorcycles are widely used for shipping in Asia. These types of vehicles are durable and gas-saving.
Choppers	Harley Davidson produced one of the most iconic choppers. They are, typically, designed with high handlebars and raked-out forks. Popularized in the 1960s, they also symbolize a sense of carefreeness. Recently, many Japanese manufacturers launched similar styles to recreate the retro concept.
Electric Motorcycle	Powered by electricity instead of an engine, electric motorcycles are equipped with lead-acid batteries for storage. Shortly, this type of battery could be replaced by the fuel cell for better endurance and higher performance.
Off-Road	Also known as dirt bikes, off-road motorcycles are designed to adapt rough, unpaved surface. The body is typically built lighter and provides a high ground clearance. The tires have knobs to offer more traction. They are also modeled after the designs of MX and Trail.
Personal Water Craft	Commonly referred to a water scooter, the watercraft could be ridden standing or sitting. It's designed with a unique mechanism where if the rider fell off the craft, the string wrapped around the wrist would stop the engine from operating. Inspired by the design of a motorcycle, these scooters initial run on a two-stroke cycle engine.

Sources: Living Technology Education Magazine, 2010



Sourced from Taiwan's Industrial Economics and Knowledge Centre 2019/05

Manufacturing a motorcycle consists of a wide variety of components. The commonly known parts include the chassis, engine, exhaust system, transmission, steering, suspension and the vehicle body. Motorcycles are primarily powered by the engine system while the car chassis supports the engine and links the rest of the components. The exhaust system is closely related to engine performance.

Through the transmission, the power generated by the engine is then delivered to the axle triggering the tiers. This results in a mobile vehicle with the capability of steering. The suspension system, on the other hand, functions like control and stopping on the road. Finally, the motorcycle body is what covers all these parts and beautifies the appearance of the vehicle.

Aside from the body, the designs of the position lamps and the speedometer cables have also been the dominating factor of purchase for the customers. After the motorcycle's been assembled with individual parts, a wire harness has to be installed to serve as the nervous system for transmitting electricity and messages. This is to ensure the rider's safety and smooth operation.

Operating group factories in both Vietnam and Taiwan, Eurocharm develops tooling and manufactures metal-based motorcycle parts (chassis, brake system components, clutch parts, shock absorbers, engine components, fuel tanks, etc.). Over the past 40 years, the Company has established its significance of being the leading automotive parts manufacturer in Vietnam. The promising quality and timely delivery have earned Eurocharm the customers' trust and steady sales growth.

b. Global Industry of Motorcycles

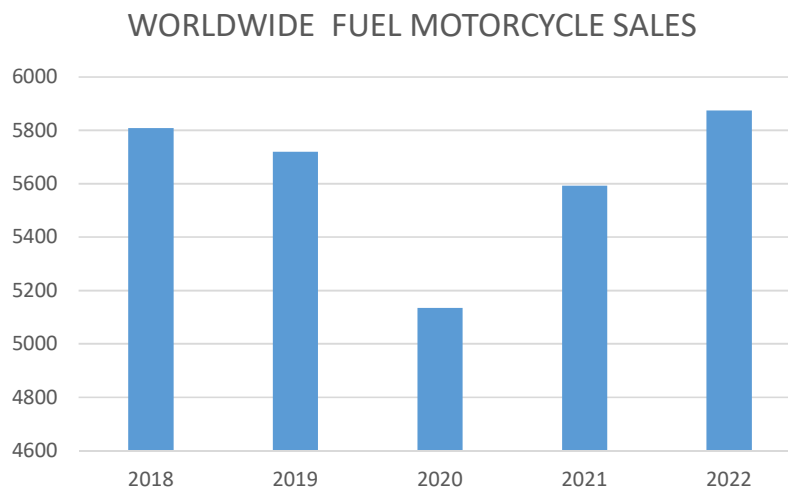
Asia is currently the world's largest motorcycles sales market, including India, China, Indonesia, Vietnam, Philippines, Thailand and other countries with annual sales of more than one million vehicles, and Taiwan and Japan which has a total of about 1.2 million vehicles are sold. In 2019, the Chinese market grew by 10%, and Japanese sales continued to decline by 1.5%. However, due to the growth of the Southeast Asian motorcycles market, Asia accounted for 87.7% in 2019, the same as in 2018 (87.6% in 2018). In 2019, global motorcycles sales were mainly affected by the recession in North America and Latin America, and the global market fell to 57.2 million vehicles.

As to the market in China, its conventional fuel motorcycle industry had dropped significantly under the implementation of the national emission standards. This had led to India being the world's largest motorcycle market. Meanwhile, the rapid climate change has raised the world's awareness and concerns for greenhouse gas emissions. One of the solutions to saving this planet we live on is to replace the regular vehicles with ones powered by electricity or ones that meet the emission standard. As a result, the growth of the parts manufacturing industry should maintain the previous rising slope as the primary components will continue to be the same.

Countries in North America and Europe may hold potential growth in this electric motorcycle industry with a mature market and steady economy. On the other hand, the demand

for motorcycles is gradually rising in Africa and South America as the economy develops along with its transport infrastructure. It is estimated that these two continents will be one of the leading motorcycle markets in the future.

As a whole, motorcycles are widely operated in developing countries due to that they are relatively affordable and easier to maneuver compared to an automobile. The storage compartment also provides the ease of shipping while the convenience to park nearly anywhere makes it an everyday personal transport. Asia, in particular, heavily depends on motorcycles due to its high population density and the lack of public infrastructure. According to Taiwan's Industrial Economics and Knowledge Centre, with the continuous recovery of the global economy. The economy around the world has improved, and making consumers more willing to purchase cars than motorcycles. In addition, the promotion of shared motorcycles and market saturation have caused demand in some regions to decline. However, due to the stable demand in Southeast Asia, and the rebound of the "post-pandemic" affected by the COVID-19, the global motorcycles market is predicted to rebound to 58.75 million in 2022.



Sourced from Navigant Research (2020) and Taiwan's Industrial Economics and Knowledge Centre

However, based on the analysis from Global Motorcycle Market Development, the increasing standard of living will lead to motorcycle buyers converting into automobile buyers. As a result, it is expected that the motorcycle market will begin to show a downward trend. In 2018, the global market sales rose 0.4% in the scale of 58.3 million motorcycles market.

c. Motorcycle Trends in Vietnam

Motorcycles have been the primary means of transportation in Vietnam. This is due in large part to the poor public transit system and the lack of highway infrastructure. In Hanoi and Ho Chi Ming City, the two most populated cities in Vietnam, motorcycles have undertaken more than 80% of the urban transport needs.

The development of the motorcycle industry in Vietnam can be divided into 5 periods

chronologically, as follows:

- a. Before 1995: Motorcycles are rarely seen, and the people rely on bicycles as their means of transportation. There were approximately 2-3 million registered imported motorcycles.
- b. 1995 - 1999: Manufacturers such as San Yang Motor and Honda realized the potential of the motorcycle market in Vietnam and began setting up factories for manufacturing and assembling. However, the general public still can't afford to purchase a motorcycle due to the relatively low average income.
- c. 2000-2002: Motorcycles became a lot more common as China started to import their affordable motorcycles into the market. The industry has seen rapid growth regarding sales performance. During the peak seasons, motorcycle sales could reach 2 million motorcycles per year.
- d. 2003-2005: As the new policy from the Vietnamese government in effect to limit the motorcycle registration, the sales performance has seen a substantial decline. In addition, the inferior quality of Chinese motorcycles has started to show, and consumers have better and more options. Towards the end of 2015, foreign manufacturers with factories in Vietnam had raised their market share had to 53.6% altogether.
- e. Since 2006: Along with the growth of the economy and the lift of limited motorcycle registration, the motorcycle market is gradually recovering. The annual sales in Vietnam are approximately 2 million.

As the average standard of living escalated in Vietnam, the government had made an estimation in 2007 that by 2020, the number of registered motorcycles will increase to 33 million.

B. Medical Equipment Market

Eurocharm manufactures and exports various medical equipment, including patient lifts, shower chairs, commode chairs and medical beds to Europe, North American and Japan. According to the 2019 BMI statistics, they predicted the size of the medical equipment market worldwide in 2022 would reach US\$475.3 billion based on that it was US\$403.6 billion in 2019. The compound annual growth rate from 2019 to 2022 is approximately 5.6%

North America was the largest market for medical equipment consumption in 2019, accounting for 48.5% of the market worldwide. Then, it was Western Europe making up to 23.7%. Asia and the Pacific, ranked the 3rd on the chart, accounting for 21.2% of the global market. Accounted for 3.6% and 3.0% are Central & Eastern Europe and the Middle East & Africa.

The American market includes the United States, Canada, Mexico, and South America. The main growth has link to the U.S. market. In 2019, the American market accounted for 48.5%, compared with 47.5% in 2018, its growth rate is high. It mainly related to the large recession in the Western European market. On the whole, the American market has a global medical material leader leading the medical material industry innovation to bring market development, and growth of the

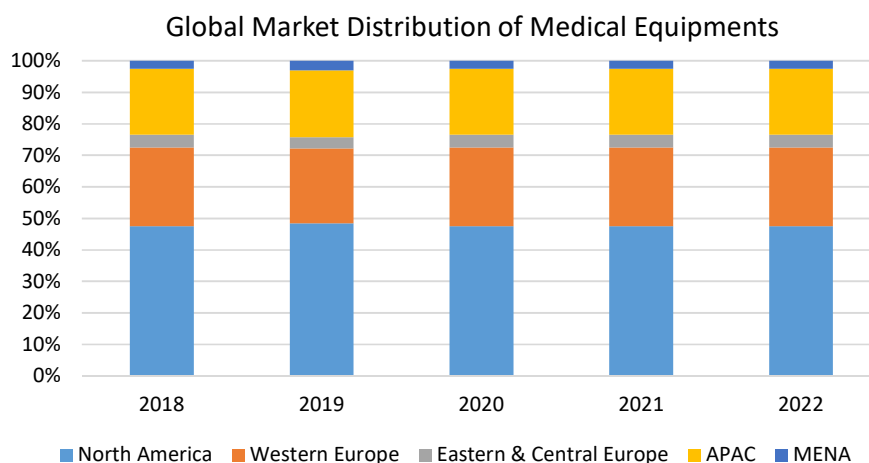
medical care demand of the rising number of senior citizens in the United States, has become an important driving force for the growth of the medical material market. On January 29, 2020, US President Trump signed the “US-Mexico-Canada Agreement” (USMCA), also known as “the North American Free Trade Agreement 2.0” (NAFTA 2.0). According to the new agreement, “the rules of origin”, the United States will implement stricter. To increase the value content of North America and restrict the use of foreign components including those manufactured in Hong Kong and China. These rules may inhibit Hong Kong and China’s exports to North America. The follow-up is worthy of attention.

Western Europe remains the second-largest market in the world. The Western Europe market accounted for 23.7% in 2019, which was a significant decline compared to 25% in 2018, indicating that the Western European market will face considerable challenges in 2019. The U.S.-China trade war in 2019 impacted global economic growth and also affected the economic in Europe. Western Europe has been affected by England’s departure from the European Union, weak economic growth in Germany, economic fluctuations and policy uncertainties in European countries. The economic growth rate of Western Europe in 2019 was only 1.9%; in the past, Western European countries have investment in Central and Eastern European countries to reduce manufacturing labor cost. therefore, linked the manufacturing investment and export data in Central and Eastern Europe. With the economic downturn in Western Europe, the decline in industrial investment and the slowdown in trade demand also affected the economic development of Central and Eastern Europe. As the world’s elderly top ten countries are mostly concentrated in the six countries of Western Europe, and the Central and Eastern European countries are affected by population migration and rapid aging, the proportion of the population over 65 in Central and Eastern Europe has exceeded 14%, becoming an advanced society country, expected to be in the elderly population under the influence of the continuous increase, the demand for medical care in Europe will continue to grow. Europe will also be affected by the COVID-19 in 2020 and become a high-impact area of COVID-19. As of May 31, the number of confirmed cases worldwide top five countries, except the United States is the top one, Spain, Italy, France, and England are second to fifth. This will not only affect future economic growth, but is also expected to bring up the demand structure change.

The medical market in the Asia Pacific region is still dominated by Japan. In 2019, the Asia-Pacific market accounted for 21.2%, which was a slight increase compared to 21% in 2018. The larger growth came from the Japanese market. Issues such as the rise of the elderly population in Japan and the shortage of labor have become important factors affecting the social economy, especially the emergence of demand for medical care driven by advanced age. It is expected that in 2050, medical and long-term care expenditures for the elderly will account for as much as 5% of GDP. In September 2019, the number of elderly over 65 years old in Japan increased by 320,000 compared with the previous year. The elderly has reached to 28.4%, and compare with 28.1% in 2018, its increased by 0.3%. Therefore, the huge elderly population has brought Japan's heavy economic burden, and labor shortage, not only affects the performance of Japan's consumption power and productivity, it will also bring the elderly population and continue to increase

government expenditures, and will also bring future finance challenges to Japan. However, affected by the preparations for the 2020 Tokyo Olympics in Japan in 2019, the Japanese government has also promoted many smart medical assistance programs, which has also promoted the development of the overall medical equipment industry. The medical part it promotes includes the smart medical for immediate response to infectious diseases and the disabled. As with the smart assistance of mobile assistance systems for the elderly, these policies have also become one of the factors bring the growth of the overall medical device market in 2019. However, due to the impact of the COVID-19 in 2020, the Tokyo Olympics in Japan is expected to be postponed to 2021. Coupled with the impact of the pandemic on Japan's economic performance in 2020, subsequent changes in the Japanese medical equipment industry still need to be continuously observed.

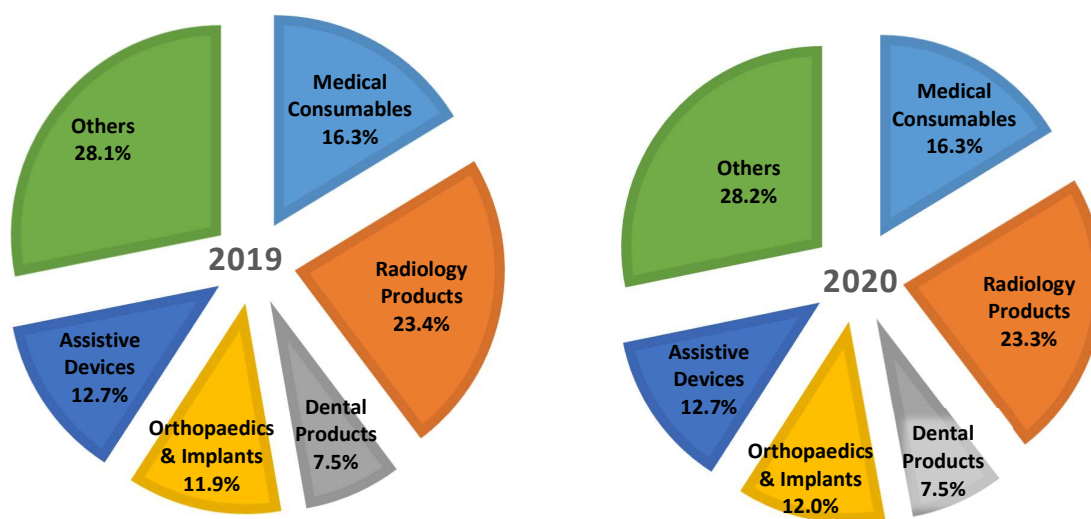
Another major market in the Asia-Pacific region is China. In 2019, affected by the slowdown in China's economic growth affecting consumer demand, coupled with the impact of the US-China trade war, China's GDP growth rate was 6.1%, the lowest record since 1990. Although the U.S.-China trade war will gradually slowdown in 2020, due to the COVID-19, the GDP growth rate of China will continue to decline in 2020. China has been promoting the medical reform policy for ten years, but it is still facing problems such as insufficient overall medical resources and large differences in medical resources between urban and rural areas. In the future, China will continue to encourage the development of the medical and health industry. In addition, after the economic situation improves, it also raises national health awareness and promotes medical quality expectations and increases medical consumption expenditures. It has also optimized the structure of China's medical industry, especially the high-end medical equipment industry, which has gradually realized import substitution policies. It is expected to continue to reduce the proportion of import supply and gradually expand the export performance in the international market.



Sources: Espicom BMI (04/2020); IEK (04/2020)

The analysis of the sales ratio by product in 2019 shows that other medical materials accounted for the highest proportion in order, about 28.1%, which is the same as 28.1% in 2018. This is mainly

because in response to the development of various diseases, it also brings the development of innovative products and suffers from diseases to meet other related needs; followed by the largest single category of diagnostic imaging products, accounting for about 23.4%, compared with 23.8% in 2018, a decrease of 0.4%. At present, in response to the needs of medical units for diagnosis assistance, and artificial intelligence technology is added value. Therefore, the unit price does not have a significant increase, but software value-added to meet the demand; medical consumable products 16.3%, compared with 2018, increased of 0.1%. This type of product is directly proportional to the number of users, the second is 12.7% of assistive devices, which is consistent with the proportion of 12.7% in 2018; while dental products account for about 7.5%, which is consistent with the 7.5% in 2018, and is developing steadily. However, orthopedics and implant products accounted for approximately 11.9%, compared with 11.7% in 2018, an increase of 0.2%. Orthopedics and implant manufacturers have expanded their product lines and marketing layout through mergers and acquisitions, which has also become important potential items in response to the aging trend.



Sources: Fitch Solutions (03/2020); IEK (04/2020)

2. Current Status and Future Development

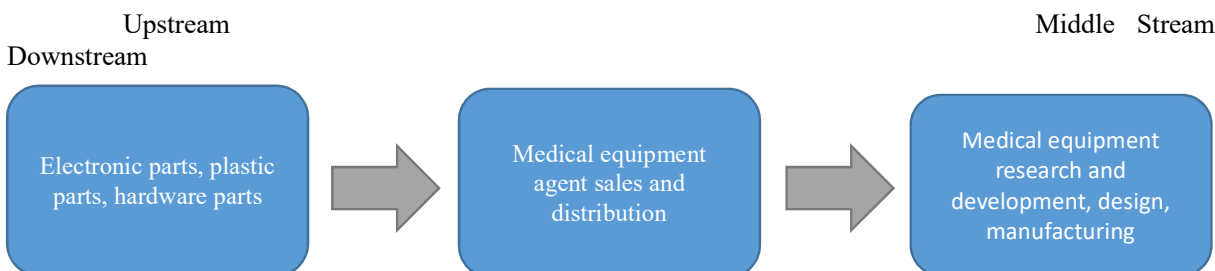
A. Motorcycle Industry

Eurocharm's products belong to the middle stream of the industry as the Company manufactures chassis and parts. Downstream in the motorcycle industry refers to the assembled and ready-for-sale motorcycles. With a broader definition, the middle stream can range from building engines to tire productions. Upstream is primary the manufacturing of components for the middle stream products. See the illustrated table below.

Upstream	<ul style="list-style-type: none"> Bearing Variable Speed Wheel Differential Cogwheel 	<ul style="list-style-type: none"> Spark Plug Valve Valve Guide Carburetor 	<ul style="list-style-type: none"> Rotary Tuner Engine Crankshaft Seal Fuel Pipe 	<ul style="list-style-type: none"> Brakes Bearing Ball Sterring steam
Middle Stream	<ul style="list-style-type: none"> Engine System Transmission 	<ul style="list-style-type: none"> Steering System Body Frame System 	<ul style="list-style-type: none"> Brake System 	<ul style="list-style-type: none"> Tire-Pressure Monitoring System Common Parts
Downstream	Motorcycle			

Sourced from Taiwan’s Industrial Economics and Knowledge Centre 2011/04

B. Medical Equipment Industry



Sourced from Securities Counter Trading Center

The company is a midstream manufacturer in the medical equipment industry, and the sales targets are medical equipment brand manufacturers.

3. Product Trends

A. Motorcycle Industry

As global warming and air pollution continue to simmer, automotive manufacturers are launching environmentally-friendly products to help preserve the planet. With the current research and development towards advanced technology, automotive manufacturers are exchanging ideas with their long-term suppliers who are the parts manufacturers. This is beneficial to both the upstream and middle stream companies as they can apply newly developed technologies to manufacture higher quality products and, at the same time, reduce the processing waste to ease off the pollution.

In addition, the demand for motorcycles has been rising over the years as countries in Southeast Asia, starting to develop economically. Manufacturers such as Honda, Yamaha, Piaggio, and Suzuki had already taken this opportunity to invest in factory establishments and the relatively cheap labor costs in Southeast Asia. Besides supplying the motorcycle needs domestically, the factories also export to neighboring countries with the country’s competitive shipping cost.

A few of the fast-growing countries in Southeast Asia, including Indonesia, Vietnam, and Thailand, are valued as markets with the most potential. Their economy and public infrastructures are maturing and would allow them the capacity to consume motorcycles. In Vietnam, Eurocharm has established its place for being the major motorcycle parts supplier. Besides seeking other potential markets for export or investment, the Company has begun to shift its focus from trading domestically to shipping the products internationally. Along with the idea of the Association of Southeast Asian Nations (ASEAN), Eurocharm

wishes to increase its competitiveness by adding more machinery such as the laser 3D cutting system to enhance the product quality.

B. Medical Equipment Industry

Influenced by the increasingly ageing population, equipment such as hearing and mobility aids are popular among seniors with self-care capability. Issues associated with sub-replacement fertility also continue to affect the world's population structure. Also, due to the shortage of labors and caretakers, the demand for self-care medical devices and equipment will continue to surge.

In the US, the focus remains on taking care of the ageing population, the prevalence of chronic diseases and President Trump's healthcare reform. According to statistics from the US Federal Centers for Medicare and Medicaid Services, the medical expense had doubled from 1975 to 2018. The number went from 7.9% to 17.5% of the GDP. In 2019, the US accounted for 43.1% of the global market, approximately US\$174.1 billion, an increase of 6.1% from 2019. It is estimated to rise another 5.1% in 2022 and reaches US\$2,006 billion.

Japanese elderly population and insufficient young people's strength have been one of the main reasons affecting the social economy, especially the elderly problem. It is expected that the health and long-term care expenditures for the elderly will increase to 5% of GDP by 2050. According to the population estimation data released by the Ministry of Internal Affairs and Communications of Japan on September 16, 2019. As of September 15, the number of elderly over 65 years old in Japan increased by 0.3% from 28.1% in 2018; among them, the population over 75 years old increased by 530,000. There are approximately 18.48 million people, which is equivalent to one out of seven people over the age of 75, this number hit a high record. As of April 1, 2019, the total population of children (under 15 years of age) was 15.33 million, a decrease of 1.2% compared to 15.52 million in the same period in 2018, accounting for 12.1% of the total population, a decrease of 1.7% compared to 12.3% in 2018. Since 1982, the number of children has continued to decrease for 38 years, this statistic is the lowest since historical statistics. In addition, the population estimate conducted on January 1, 2020 shows that Japan has 1.22 million adults over the age of 18, which is 2.4% less than the 1.25 million in 2019.

In addition, the health awareness has increased in Japan, and the demand for medical care is also growing. Industry-academia-research collaboration to promote new medical technology and innovative material research and development is expected to continue to grow the size of the Japanese healthcare market in the future. The medical device market is estimated to be \$ 29.26 billion (approximately ¥ 3.2 trillion) in 2019. The annual growth rate for 2019 in U.S. dollars is 6.3%, and the growth rate for Japanese yen is 5.8%. In 2019, to prepare for the 2020 Tokyo Olympics in Japan, the Japanese government has promoted a number of smart medical assistance programs, and also promoted the development of the overall medical equipment industry, pushing smart medical care and smart assistance policies. It has also become one of the factors driving the growth of the overall medical equipment market in 2019. However, due to the impact of the COVID-19 in 2020, Japan's Tokyo Olympics is expected to be postponed to 2021, and Japan's economy will be greatly affected in 2020, which will affect the overall growth rate of the medical device industry in the next few years.

The Company's primary target markets for medical equipment are advanced countries such as Japan, Europe, and the United States. Therefore, medical care policies in these markets are conducive to the sales growth of medical equipment in the future.

4. Competition

As the Company's principal business in Vinh Phuc Province, Vietnam is automotive and motorcycle parts manufacturing. There are two major domestic competitors, Cosmos Industrial Co., Ltd and Kyoei Manufacturing Co., Ltd. Established in 2005, Cosmos produces metal components in the same province. Kyoei, headquartered in Japan, manufactures motorcycle and recreational chassis locally in Vietnam.

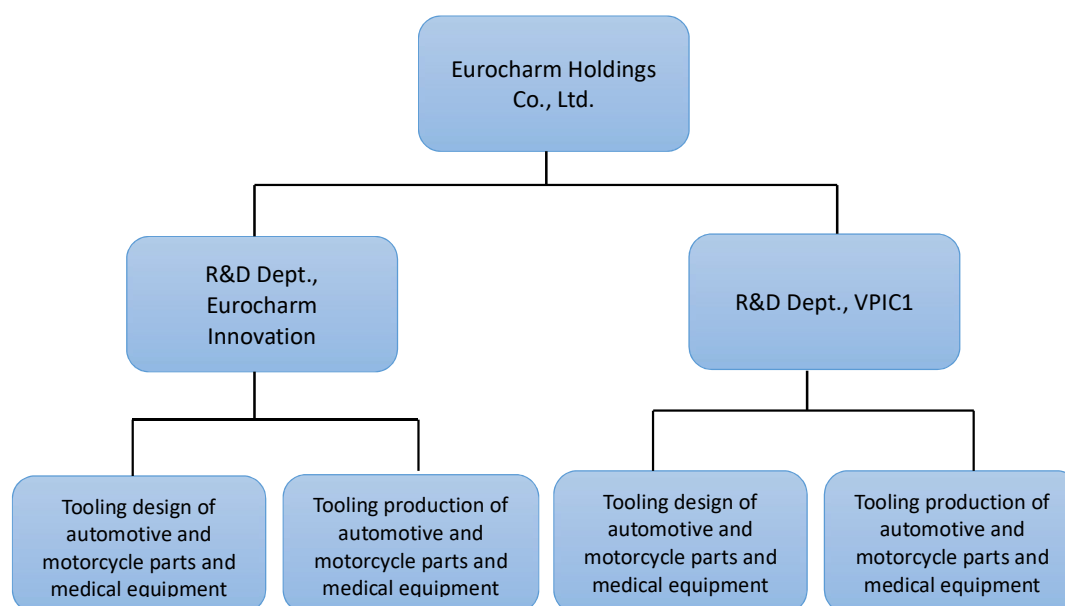
In the medical equipment department, Eurocharm's primary competition, which manufactures medical beds, rails and lifts in Taiwan is Li Wei Co., Ltd. Founded in 1994, Li Wei operates facilities in both Taiwan and China.

5.1.3 Research and Development

1. Technical level and research development of the business

Eurocharm aims to provide higher efficiency in processing technology and better quality products. Since the product designs and the specifics are customized according to each customers' request or directly passed down from the customers, the Company's research and development (R&D) department focuses on reducing production cost and processing time. The team specializes in the development of measuring tools, fixtures and robotic arm machinery. Additionally, Eurocharm cooperates with its customers and suppliers to deliver further technical training and workshops for employee development.

The organization of the company's R&D unit is shown in the figure below:



2. R&D Team

Unit: Person

Education \ Year	2017	2018	2019	2020
PhD Degree	-	-	-	-
Master Degree	1	1	1	-
Undergraduate Degree	57	63	74	85
College Degree	34	33	28	28
Total	92	97	103	113

3. R&D Expenses in Previous 5 Years

Unit: NT\$ thousands: %

Category/Year	2016	2017	2018	2019	2020
R&D	42,991	51,192	45,968	53,394	60,975
Net Revenue	4,164,779	4,062,166	4,614,198	5,235,312	4,658,907
%	1.03	1.26	1.00	1.02	1.31

4. R&D Achievements in Previous 5 Years

Year	Achievement	Description
2015	Better Product Quality	Purchased a laser cutting system to increase manufacturing precision for luxurious vehicle parts
2016	Improved Production Efficiency	Imported automated stamping production and increased the number of robotic arms to replace manual handling
2017	Improved Production Efficiency	Imported automated stamping production and increased the number of robotic arms to replace manual handling
2018	Improved Production Efficiency	Imported automated processes for stamping and polishing; utilized 3D laser cutting on a larger scale
2019	Improved Production Efficiency	Rapid would change and die casting production line automation
2020	Improved Production Efficiency	Imported automated stamping production and rapid could change

The Company's main business is OEM machine parts, and the main direction of R&D investment is the introduction of new processes and automation and process improvement. In the future, we will continue to invest in R&D resources and aim for an annual amount of no less than 1% of revenue to continuously improve our production technology and processes, and the robotic arms to improve production efficiency in line with automation requirements.

5.1.4 Business Development Plan

1. Short Term:

- A. Increase existing customers' order numbers, as well as, seek for new customers
- B. Develop niche markets for higher profits, i.e. recreational vehicles
- C. Improve productivity and provide better product consistency
- D. Raise the Company's viability and attract talents via joining the capital market

2. Long Term:

- A. Continue to invest in research and development to diversified product lines and stay competitive
- B. Expand operating locations to best serve existing customers and explore potential markets
- C. Reach out to potential European customers and move towards globalization

- D. Form alliances with other auto-part-related industry to obtain potential business opportunities in Vietnam
- E. Enhance product development capability and integrate resources from customers and suppliers for the business to be mutually beneficial

5.2 Market and Sales Overview

5.2.1 Market Analysis

1. Main Products and Sales Regions

Unit: NT\$ thousands

Sales Regions	2018		2019		2020	
	Amount	%	Amount	%	Amount	%
Vietnam	2,938,268	63.68	3,042,418	58.11	2,397,903	51.46
Others	1,675,930	36.32	2,192,894	41.89	2,261,004	48.54
Total	4,614,198	100.00	5,235,312	100.00	4,658,907	100.00

2. Market Share

A. Motorcycle Industry

Based on the 2020 total approximate sales of NT\$ 109 billion from Vietnam's five largest motorcycle manufacturers and Eurocharm Group's 2020 motorcycle parts sales of NT\$ 2.31 billion, the Group's motorcycle market share in Vietnam is approximately 2.13%.

B. Medical Equipment Industry

According to Taiwan's Industrial Economics and Knowledge Centre, the global medical equipment market in 2019 is worth US\$ 404 billion, and the assistive equipment takes up to 12.7% of the market share. Since Eurocharm Group's 2018 medical equipment sales are US\$ 466 million, the Group's global market share is approximately 0.032%.

3. Supply, Demand and Future Growth

A. Motorcycle Industry

Compared to the numbers in 2018, the motorcycle market in Vietnam has recovered with the total sales of 27.1 million motorcycles in 2020 from the largest five manufacturers. The main factor was the COVID-19 impact, which made domestic buying weak. Besides the demand for fuel motorcycles, there has been a steady increase in electric motorcycle sales. Along with the growth of the market in recreational vehicles in North America and Europe, Eurocharm's sales performance will continue to thrive.

Recently, Vietnam's Ministry of Transport had passed Bill No.39/2013/ TT-BGTVT and No. 41/2013/TT-BGTVT to regulate the technical standards and safety of electric vehicles. The two provisions came into effect on January 1, 2014. With the insurance that all the electric vehicles produced after 2014 are subjected to comply with the regulations, the younger consumers are encouraged to purchase electric motorcycles for short-distance transport within the city where there will be easily accessed charging stations.

Eurocharm is prepared to enter the market of electric vehicle components to respond to market changes.

B. Medical Equipment Industry

The ten largest medical equipment markets are the United States, Japan, Germany, China, France, England, Italy, Canada, Russia, and Brazil. Among the top ten countries, undoubtedly, the United States holds the world's biggest market. Looking at the market's future opportunities, medical device growth will be supported by growing demand for healthcare, despite a moderate economic slowdown in 2020 due to higher tariffs, increased trade tensions, tighter credit conditions and weakening business confidence. The U.S. market as a whole continues to focus on the demand for medical and health care services generated by the rising elderly population, positive overall population growth, and high prevalence of chronic diseases, as well as the new models and opportunities that may arise from Trump's health care reform. In addition, the rising number of elderly in the U.S. has led to a rapid increase in spending on diseases such as cardiovascular disease, osteoarthritis, osteoporosis, Alzheimer's disease, hypertension, and diabetes, all of which are prevalent, driving up spending on treatment and follow-up care. In conclusion, the pressure on the overall financial burden of the U.S. will cause the health care system to shift to a new model that is value-based and efficiency-oriented. Trump's new health care reform plan will also drive the need for medical device manufacturers and providers to place greater emphasis on quality and efficiency, which is expected to lead to more innovative technology development, more effective solutions, and a positive cycle of integrated services and new forms of insurance payment models. The local medical device market is expected to continue to thrive, leading medical device manufacturers to develop more efficient and innovative solutions.

4. Competitive Niche

- A. Diversified product lines to satisfy the demand for one-stop purchasing
- B. Mass production for cost-effective and competitive products
- C. Globalization vision with product management and investment in improved automated production
- D. Trusting employee relations and high productivity
- E. Well-maintained long-term partnerships with customers
- F. International certification (ISO 9001, ISO 14001, ISO/TS 16949, ISO 13485, OHSAS 18001)

5. Foreseen Favorable and Unfavorable Factors and Countermeasures

1. Favorable Factors

A. Motorcycle Industry

a. The infrastructure in Vietnam is still at the development stage. The day-to-day transport relies mostly on motorcycles.

Due to the postwar baby boom, Vietnam has the youngest population in Asia, with approximately 70% of the population aged 15-64. The median community is 28 years old. With the country's lack of complete

infrastructure and public transport systems, motorcycles have become most of their means to commute.

b. The scale of the ASEAN economy continues to grow, along with the demand for motorcycles.

Founded in Bangkok on August 8, 1967, the Association of Southeast Asian Nation (ASEAN) was established with the primary objective of accelerating the economic growth of the participated countries. It is to promote stability and peace among countries and respect one another's laws and regulations.

Since then, countries including Singapore, Thailand, Cambodia, Indonesia, Malaysia, Vietnam, Brunei, Myanmar, Laos and the Philippines have joined and benefited from the organization. In 2010, the ASEAN-China Free Trade Area (ACFTA) came into effect, which allows the ASEAN members to trade with the People's Republic of China at reduced tariffs. The potential market is estimated to reach NT\$ 2 trillion.

According to the Vietnamese Ministry of Industry and Trade information Centre, ASEAN has become an important trading partner of Vietnam. The average annual trade volume has grown 17% in recent years. Also, the trade between Vietnam and ASEAN has preceded the amount between Vietnam and ASEAN countries, including the European Union, Japan, and the United States. Later, it will be developed into ASEAN plus three (10 countries plus China, Japan and Korea) or even ASEAN plus six (10 countries plus China, Japan, Korea, New Zealand, Australia and India). Driving by ASEAN, continue to serve as the main mechanism to promote the East Asian Community, with tariff-free or low-tariff preferences for intra-regional product trade. Among the ASEAN member countries, apart from Singapore and Malaysia, which are important trading partners of Vietnam, Thailand ranks third. The amount of bilateral trade between Vietnam and Thailand has increased year by year, from US\$540 million in 1995 to US\$8.6 billion in 2012. Among them, Vietnam's exports to Thailand have increased 28 times, while imports have increased 13 times. Other member countries such as Cambodia, Philippines and Laos have an average annual trade with Vietnam of about US\$3 billion. By 2016, the economic community will be formed, and the economic cooperation between Vietnam and other ASEAN member countries will be even closer by then. Eurocharm Holdings will make full use of this regional economic advantage to link the sales of products from the single market of Vietnam to other new markets of ASEAN member countries.

c. Eurocharm possesses an extraordinary management team.

Eurocharm has rooted in Vietnam for over 10 years. The management team has a keen eye for market forecast and can swiftly strategize and adapt to the market changes. Besides, the Company has the industry's leading tooling design and stamping technology. Along with the trusted service and quality, Eurocharm received the Ford Q1 Quality Certification.

B. Medical Equipment Industry

a. Due to the ageing population, the demand for medical assistive equipment continues to increase.

As the distribution of population shifts towards older ages, governments worldwide have been establishing long-term care facilities, nursing homes, and retirement homes. This then indirectly increases

the demand for related medical equipment, including shower chairs and medical beds.

b. American and Japanese medical equipment markets continue to expand as the government implements healthcare supporting policies.

U.S. Trump's policy measures since taking office, such as withdrawal from the Trans-Pacific Strategic Economic Partnership (TPP), domestic protectionism, tariff hikes, demands for the repatriation of U.S. manufacturing, and the new U.S.-Mexico-Canada Free Trade Agreement, have changed the global economic and trade structure and brought new variables and operational models to the medical device market. In addition, permanent repeal the 2.3% of medical device excise tax, the relaxation and acceleration of medical device regulations, and the improvement of regulatory measures or new guidelines will bring positive development opportunities for the medical device industry and enterprises.

With the rising awareness of health and the growing demand for healthcare in Japan, industry-academia-research are working together to promote the development of new medical technologies and innovative medical materials, and it is expected that the size of the Japanese medical and healthcare market will expand in the future. In the next three years, Japan's medical policy will shift from treatment to preventive medicine, prevention of disease deterioration, early diagnosis, and early treatment, so that people can maintain their health and reduce the occurrence of disease through prevention. These policy directions will also enable the development of AI smart healthcare and IoT connected technologies in Japan, linking hospital-based healthcare, clinics and personalized healthcare. Japan's policy of promoting smart medical care and responding to the aging population will drive the overall demand for medical devices. It is estimated that the market size will reach US\$33.2 billion (Japanese¥ 3.6 trillion) by 2022, with a compound annual growth rate of 4.8% in USD and 4.6% in JPY from 2018 to 2022.

2. Unfavorable Factors and Countermeasures

A. Motorcycle Industry

1. The growth in Vietnam's motorcycle market has slowed.

In order to compete for the domestic motorcycle market, Vietnamese motorcycle assembly companies have been announcing expansion plans to increase their capacity to assemble motorcycles, including Company A. In 2012, Company A increased its annual production capacity from 1.5 million to 2 million units in Vinh Phuc. At the same time, invested in a third motorcycle assembly plant in Henan second Industrial Zone, with an investment of over US\$120 million to reach the target of producing 2.5 million motorcycles. Company B has also increased its annual production capacity for motorcycle assembly to 1.5 million units. In addition, Italian company C has increased its capital to expand its motorcycle assembly plant in Vinh Phuc, Vietnam, to increase its annual production capacity to 300,000 units and to upgrade Company C to become one of the Asian major centers of excellence development, production and sale of motorcycle.

At present, the expansion of motorcycle factory capacity has been completed, and the total annual production capacity of motorcycle in Vietnam is about 5 million units. The local motorcycle market has shown signs of saturation, so the motorcycle manufacturers in Vietnam have gradually developed export

sales and achieved stable growth.

Countermeasures:

Besides exporting automotive and motorcycle parts as a source of income, Eurocharm also coordinated with Honda, Yamaha and Piaggio to explore completely built up (CBU) automobile export opportunities. In 2019, the number of CBU automobiles, from the three manufacturers, imported in Taiwan reached 300 thousand. Relatively, since the exported products are CBU automobiles instead of parts, the standard for quality control is also much higher. As Eurocharm continues to deliver on quality and reliability, customers, likewise, began to invest trust in the Company.

2. The core product design capability still lies in the hands of OBMs.

At the current stage, Eurocharm is an original equipment manufacturer (OEM). The original product designs are provided by the original brand manufacturers (OBM). Capable of manufacturing and processing according to customers' designs, the Company, however; does not have the necessary talents to develop engineering designs.

Countermeasures:

In upcoming years, Eurocharm is prepared to strengthen the R&D department with product design capability, adding R&D equipment for drawing and product characteristics verification, and continuously investing in R&D of new products to improve product quality and provide integrated and high value-added products to make our products more competitive.

Since 2013, Eurocharm have introduced aluminum alloy for processes. In recent years, Eurocharm have successfully entered into mass production and have been gradually expanding our business with major medical equipment manufacturers in Europe and the U.S. and leisure vehicle customers in North America. In 2015, Polaris has expanded its business to include high value-added customers such as Ducati and Harley-Davidson, while exporting products from iron parts to high-end aluminum products.

3. The cost of largely imported raw materials could be fluctuated by the exchange rate.

To ensure the quality of the automotive and motorcycle parts, Eurocharm's raw materials are supplied by customer certified supplier. As a result, this US dollar denominated imported materials could influence the pricing of the products sold in Vietnamese dollars greatly as the exchange rate fluctuates.

Countermeasures:

In 2016, Eurocharm began domestic procurement along with importing customer certified raw materials. The ratio of local raw materials has gradually increased from 50% to 90%. Due to this shift, the exchange rate has only minimal effect on Company's operation cost. In addition, with the unified purchase system every quarter, the Company is able to easily manage materials and reduce the risk of running low or waste.

B. Medical Equipment Industry

1. The Company juggles between producing high-quality refined medical equipment while competing with low-quality affordable products.

After the financial crisis in 2008, most countries are unable to support medical expenses as much as they used to. Under the pressure of limited budget, health care institutions gradually move towards importing equipment from China which is relatively cheaper.

Countermeasures:

Eurocharm's medical equipment are supplied to a niche market which specializes in long-term home care or patient care. The customers are located in various developed countries including France, Japan, and the United States.

Under the circumstances that the target markets are consumers in economically developed countries, the product quality is considered more important than price competitiveness. From the sales growth year after year, it is believed that the customers trust and rely on Eurocharm's products.

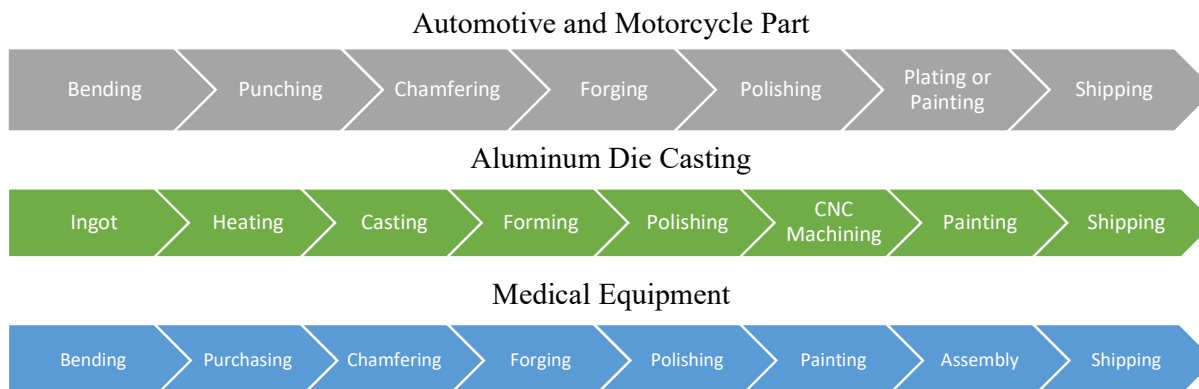
Also, as the minimum wages and social insurance expenditure increase in China, Eurocharm has a comparative advantage manufacturing medical equipment in Vietnam. If the competition chooses to source cheaper materials, it should eventually reflect on the quality of the equipment. Additionally, the Company has the capacity of developing medical equipment tooling which sets it apart from the rest of competition. Eurocharm has, on various occasions, co-developed with customers or self-developed tooling or products

5.2.2 Production Process and Major Uses of Primary Products

1. Major Uses of Primary Products

Primary Products	Major Uses
Automotive and Motorcycle Parts	Chassis, brakesystemparts, clutch parts, shock absorbers, engine components, fuel tanks and others
Medical Equipment	Medical beds, patient lifting, shower and commode chairs

2. Production Process of Primary Products



5.2.3 Condition of Raw Material Suppliers

Primary Raw Material	Primary Supplier	Supply Condition
Iron Plate	Company A's Subsidiary, Vulcan, Hanoi Steel Centre, CSMV, VNTEC, SMC	Good
Iron Pipe/Iron Bar	Company A's Subsidiary, Vulcan, Xin Yong Cheng	Good
Aluminum Ingot	Company A's Subsidiary, Company B's Subsidiary	Good

5.2.4 The names of customers who have accounted for more than 10% of the total purchases (sales) in any one of the last two years and their sales amount and proportion

a. Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2019				2020				2021 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Honda Trading	396,617	12.92	None	Honda Trading	285,868	10.74	None	Honda Trading	109,866	12.64%	None
	Others	2,674,221	87.08		Others	2,375,484			Others	759,396		
	Net Purchases	3,070,838	100.00		Net Purchases	2,661,352			Net Purchases	869,262		

Note: Net purchases are net purchases of consolidated financial statements for the latest year.

b. Major Customers in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2019				2020				2021 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	A	2,085,121	39.83%	None	A	1,520,686	32.64%	None	A	428,454	32.52%	None
2	B	942,268	18.00%	Yes	B	1,001,573	21.50%	Yes	B	276,445	20.98%	Yes
3	C	337,725	6.45%	None	C	357,548	7.67%	None	C	123,448	9.37%	None
		1,870,198	35.72%			1,779,100	38.19%		Others	489,246	37.13%	
		5,235,312	100.00			4,658,907	100.00			1,317,593	100.00	

Note: Net sales are net sales of consolidated financial statements for the latest year.

5.2.5 Production in the Last Two Years

Unit: NT\$ thousand/ thousand piece

	2019			2020		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Motorcycle Parts	92,143	87,122	3,896,152	76,149	71,490	3,719,249
Medical Equipment	654	635	434,464	1,080	1,054	334,293
Others	2,330	2,255	252,631	1,970	1,863	240,367
Total	95,127	90,012	4,583,247	79,199	74,407	4,293,909

5.2.6 Shipments and Sales in the Last Two Years

Unit: NT\$ thousand/ thousand piece

	2019				2020			
	Local (Vietnam)		Export		Local (Vietnam)		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Motorcycle Parts	75,415	2,944,802	2,573	365,671	61,241	2,313,207	1,770	328,671
Medical Equipment	-	-	552	472,114	-	-	913	466,784
Others	1,104	97,616	7,570	1,355,109	1,040	84,696	8,943	1,465,549
4Total	76,519	3,042,418	10,695	2,192,894	62,281	2,397,903	11,626	2,261,004

5.3 Human Resources

Unit: person: year: age

Year		2019	2020	2021 (As of March 31)
Number of Employees	Direct Labor	3,238	3,154	3,516
	Indirect Labor	927	1,029	1,053
	Total	4,165	4,183	4,569
Average Age		31.42	32.18	32.75
Average Years of Service		6.55	7.08	6.62
Education	Ph.D.	-	-	-
	Masters	7	6	8
	Bachelor's Degree	346	385	400
	College or Below High School	3,812	3,792	4,161

5.4 Environmental Protection Expenditure

5.4.1 According to laws and regulations if it is required to apply for a permit for installing anti-pollution facilities, or permit of pollution drainage, or to pay anti-pollution fees, or to organize and set up an exclusively responsible unit/office for environmental issues, the description of the status of such applications, payment or establishment shall be made.

A. Pollution Control Facility and Pollutant Discharge Permit

Acquired Organization	License	Acquired Date	License Number
VPIC1	Approved Environmental Impact Assessment	04/29/2003	1462/QD-CT
	Approved Environmental Impact Assessment	06/30/2011	1515/QD-CT
	Approved Environmental Impact Assessment	08/26/2013	2289/QD-UBND
	Wastewater Discharge Permit	03/06/2007	700/GP-UBND
	Hazardous Waste Producer Registration	11/12/2013	QLCTNH26.000010.T

Above licenses do not specify dates of expiry. Aside from following the waste disposal guidelines, Eurocharm in Taiwan is not required to install pollution control facility or apply for a pollutant discharge permit because the Company does not produce pollution during the production process.

B. Pollution Control Expenses

When VPIC1 first established its operating facilities in Khai Quang Industrial Zone, the Company had agreed to pay wastewater treatment fee. In 2020, the Company paid a total of VND\$1,733,381 thousand.

5.4.2 Setting forth the Company's investment in the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced.

12/31/2020; Unit: VND\$ millions

	Facility	Unit Number	Acquired Date	Cost	Book Value	Purpose
1	Wastewater Treatment Plant	2	2018	7,274	6,624	Wastewater Treatment
2	Wastewater Treatment Plant	3	2019	9,055	7,717	Wastewater Treatment

5.4.3 For the most recent year and up to the prospectus' publishing date, the losses as a result of pollution of the environment, and the estimated amount of current and possible future occurrence and the response measures should be disclosed, and if it can't be reasonably estimated, it should state the fact that can't be reasonably estimated.

None

5.5 Labor Relations

5.5.1 Setting forth all employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees.

1. Employee Welfare Measures

Eurocharm values employees as valuable assets and they key to a successful business. In order to fully take care of the employees, the Company has established the following welfare measures:

For the employees employed at the subsidiary in Taiwan, Eurocharm provides the mandatory health and labor insurance in accordance with the Labor Standard Law in Taiwan as well as travel and accident insurance for the employees going on business trips. In addition, the Company has set up a system for individual retirement accounts to protect employee benefits.

For the employees employed at the subsidiary in Vietnam, Eurocharm provides the mandatory medical and unemployment insurance by the Labor Law in Vietnam. In addition, the Company has established a periodic evaluation for promotions, salary adjustments, and bonuses as an incentive to raise overall productivity and performance. On special occasions or holidays, the Company collaborates with the trade union hosting activities and dinner parties for employee entertainment.

The company's Vietnam factory has a staff restaurant, coffee machine, fitness room, football field, social center and staff parking lot. In addition to providing food for free, the company's equipment can be used for free. In addition, the company regularly organizes badminton competitions, employee travel, and sports competition every year. It also regularly subsidizes various banquet activities such as departmental dinners and annual meetings.

2. Advanced Education and Training

Eurocharm regards employee training as highly as the attitude of an employee. In order to accomplish better productivity, both the onboarding training and on-the-job training are essential.

A. Onboarding Training

All the newly hired employees are subject to attend onboarding training. The training includes understanding the Company's history, culture, management, safety, workplace environment, production process, quality control and regulatory, legal content.

B. Onboarding Technical Training

Newly hired technical specialists or employees with responsibilities of potentially dangerous attributes are required to attend onboarding technical training and pass the necessary examinations.

C. On-the-job Training (Including higher management)

The Company, periodically, provides external training program or educational TV programs for the employees and executives.

D. On-the-job Technical Training

Aside from the foundation of onboarding technical training, additional on-the-job technical training is provided to employees to enhance their current level of skills.

3. Finance Related Certifications & Licenses

There had been no occurrence of license acquirement in 2020.

4. Retirement System and Implementation Status

In order to stabilize the life of employees after retirement, the company's Taiwan subsidiary has established labor retirement measures in accordance with the law, and regularly allocates retirement reserves at a rate of 2% of the total salary costs and deposits them in a special account of the Central Trust Bureau to protect labor rights. The new government retirement method will be adopted in parallel, and 6% will be allocated to the employee's personal retirement pension account based on the total labor salary start from July 1, 2015. Those who have voluntarily withdrew their pensions will be withheld from the employees' monthly salary to the individual pension account of the Bureau of Labor Insurance.

The company's applicable regulations in accordance with the Labor Pension Regulations are as follows:

(1) Self-retired:

Workers can apply for retirement under one of the following: (for those who choose to apply the labor pension regulations, they shall be handled in accordance with the provisions of the same regulations)

- (a) Work for over 15 years and ages 55 or over
- (b) Work for over 25 years
- (c) Work for over 10 years and age 60 or over

(2) Mandatory retirement:

The company shall not force employees to retire if they are not in one of the following:

- (a) Age 65 or over
- (b) Physically disabled and incapable of being a qualified worker.

For the age specified in the first paragraph of the preceding paragraph, large companies may apply to the central competent authority for approval and adjustment with special characteristics such as dangerous and strong physical strength, but not less than 55 years old.

(3) Retirement standard:

- (a) The working years before and after the application of the Labor Standards Law and according to the Labor Pension Regulations, choice to continue to apply the "Labor Standards Law" for the retirement pension provisions or retain the working years before the application of the Labor

Pensions Regulations. The pension payment standard is based on Article 84-2 and Article 55 of the Labor Standards Law.

- (b) Employees who have the working years of the preceding paragraph and compulsorily retire in accordance with Article 35, Paragraph 1, Paragraph 2, whose physical disability is caused by the performance of their duties shall be in accordance with Article 55, Paragraph 1, Paragraph 2 of the Labor Standards Law stipulate give an 20%.
 - (c) For employees who are applicable to the retirement pension requirements of the Labor Pension Regulations, the company pays 6% of their wages to the employee's individual retirement pension account monthly.
- (4) Pension payment:

The company shall pay employees' pensions within 30 days of the employee's retirement. In addition, the company's main operating base is located in Vietnam. It has been allocated monthly and paid premiums to the local Social Insurance Bureau for employees. After employees reach the retirement age, they can apply for retirement benefits from the Social Insurance Bureau.

5. Labor-Management Agreements

In addition to labor contracts concluded in accordance with relevant laws after employees assume their duties, the Company has also established a grievance channel via email and a labor union to provide open communication channels between labor and management.

6. Code of Conduct and Ethic

The Company safeguards employee rights and interests in accordance with the law and has formulated welfare management guidelines that clearly state various benefits, rights, and interests. Actual implementation is based on these guidelines,

- A. All employees should be responsible and comply with the Company's policies, regulations, and measures.
- B. All employees should protect the company's honor and work with your correspondent teams with Company's interest as the priority.
- C. All the managers should be the role model and provide the necessary guidance. The staff should listen and obey the command given by the supervisors instead of making excuses for misbehaving conducts.
- D. Employees are not allowed to leave work stations without approval.
- E. All employees should report to the correspondent managers based on the company's hierarchy, except emergencies.
- F. Employees are not permitted to photograph, film or record within the premises of the company.
- G. All employees are subject to the trade secret, non-competition and intellectual property law. Employees may not leak confidential information directly or indirectly for personal interest or the

interest of others.

- H. All employees are subject to comply the relevant business laws and regulations.
- I. Employees should not behave in any way that can damage personal or Company's reputation.
- J. Employees should not accept bribery of any form including but not limited to money, gifts and irrelevant invitations.
- K. Employees are not authorized to utilize the name of the Company except handling sales related matters.

7. Personal Safety Measures and Work Environment

- A. For the safety of the employees, the Company has covered labor, health and group insurance.
- B. The Company's labor safety and health committee holds quarterly meeting to discuss and implement the relevant policies and regulations
- C. For a safe working environment, the periodic maintenance is implemented on relevant facilities including the fire hydrants.
- D. The Company provides basic health and safety training to all the employees and professional workshops for operational managers who are responsible for specialized machinery and equipment.
- E. The Company supervises the investigation and statistics of the occupational accidents within the organization.

5.5.2 Describing the loss suffered by the Company due to labor disputes occurring in the most recent years and up to the prospectus' publishing date, and disclosing the estimated amount expected to be incurred for the present and future as well as the preventive measures. If a reasonable estimate cannot be made, an explanation of why it cannot be made shall be provided.

The Company's labor disputes are primarily caused by mishandling of the equipment and traffic collisions while employees travel to work. All the past and current disputes have been settled and compensated. A number of compensations are minimal and does not affect the Company's overall operation.

5.6 Important Contracts

5.6.1 Credit Agreement

Borrower	Lender	Contract Commencement/Termination Date	Amount	Agreement	Restrictive Clauses
Eurocharm Holdings	Yuata Bank	07/31/2020-07/31/2021	US\$ 3 million	Credit loan	None
Eurocharm Holdings	Bank SinoPac	04/17/2020-04/30/2021	US\$ 5 million	Credit loan	None
Eurocharm Holdings	E.SUN Commercial Bank	08/10/2020-08/10/2021	US\$ 4 million	Credit loan	None
Eurocharm Holdings	Mega International Commercial Bank	09/05/2020-09/04/2021	US\$ 3 million	Credit loan	None
Eurocharm Holdings	The Export-Import Bank of the Republic of China	03/04/2020-03/03/2021	US\$ 5 million	Credit loan	None
Eurocharm Holdings	Cathay United Bank	08/12/2020-08/11/2021	US\$ 2 million	Credit loan	None
Eurocharm Holdings	Fubon Bank	08/04/2020-08/03/2021	US\$ 3 million	Credit loan	None
Eurocharm Holdings	Bank of Panhsin	03/15/2021-03/14/2022	US\$ 3 million	Credit loan	None
Eurocharm Innovation	First Commercial Bank	04/07/2021-04/07/2022	NT \$ 160 million	Provided Eurocharm Innovation's fixed assets as collateral and Eurocharm Holdings as guarantor	None
B.V.I.	Taishin International Bank	10/30/2020-10/31/2021	US\$ 4 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
B.V.I.	Shin Kong Bank	11/09/2020-11/08/2021	US\$ 3 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
VPIC1	Bank SinoPac	05/07/2020-04/30/2021	US\$ 6 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
VPIC1	FUBON	02/01/2021-11/30/2021	US\$ 5 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
VPIC1	CTBC	08/12/2020-08/12/2021	US\$ 8 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
VPIC1	VIETINBANK	08/25/2020-08/25/2021	US\$ 8 million	Provided inventory and trade receivables as guarantee	None

5.6.2 Sales Agreement

Supplier	Purchaser	Contract Commencement/Termination Date	Agreement	Restrictive Clauses
VPIC1	Honda Vietnam Co., Ltd.	06/05/2009 (Automatically renewed)	General Agreement for Purchase of Parts	Confidential
VPIC1	Yamaha Motor Vietnam Co., Ltd.	01/01/2003 (Automatically renewed)	Supply Agreement	Confidential
VPIC1	Exedy Vietnam Co., Ltd.	02/09/2006 (Termination will only be decided upon writing by both parties)	Supply Agreement	Confidential
VPIC1	Kyoei Manufacturing Vietnam Co., Ltd.	04/21/2004 (Automatically renewed)	General Agreement for Sale and Purchasing, Supply Agreement and Outsourcing Agreement	Confidential
VPIC1	Piaggio Vietnam Co., Ltd.	11/05/2007 (Automatically renewed)	General Purchase-Supply Agreement	Confidential
VPIC1	Nissin Brake Vietnam Co., Ltd.	09/15/2008 (Automatically renewed)	General Agreement for Purchase of Parts	Confidential
VPIC1	France Bed Co., Ltd.	07/28/2010 (Automatically renewed)	General Agreement of Trade	Confidential
VPIC1	Piaggio & C.S.P.A.	07/11/2012 (Perpetual Contract)	General terms of Purchase	Confidential
VPIC1	Honda Italia Industriale S.P.A.	03/31/2021 (Automatically renewed for another year)	Supply Agreement	Confidential
VPIC1	Polaris Industries Inc.	12/05/2014 (Perpetual Contract)	Master Supply Agreement	Confidential
VPIC1	Northstar Precision Vietnam Co., Ltd.	10/22/2018 (Perpetual Contract)	Master Supply Agreement	Confidential
VPIC1	Jiang su France Bed Co., Ltd.	07/2014 (Automatically renewed)	General Agreement of Trade	Confidential

5.6.3 Purchase Agreement

Supplier	Purchaser	Contract Commencement/Termination Date	Agreement	Restrictive Clauses
Honda Trading Vietnam Company Ltd.	VPIC1	05/01/2011 (Automatically renewed)	Retaining Sale and Purchase Agreement	None
Hanoi Steel Centre Company Ltd.	VPIC1	01/03/2014 (Automatically renewed)	Principle Contracts	None

5.6.4 Lease Agreement

Lessee	Lessor	Contract Commencement/Termination Date	Amount	Agreement	Restrictive Clauses
Eurocharm Innovation	Shen Yuan Metal Co., Ltd.	01/16/2020 - 01/15/2022	NT\$ 168 thousand/month	Rent the land and building at No.10 , Lane 315, XinShu Road,XinZhuang District, New Taipei City, Taiwan 242	None
Eurocharm Innovation	Taiwan San Wa Co., Ltd	03/15/2021 - 03/14/2022	NT\$ 7.35 thousand/month	Rent the land and building a No. 630, Zhongshan N. Rd., Yongkang Dist., Tainan City, Taiwan 710	None
Exedy Vietnam Co., Ltd.	VPIC1	01/01/2021 - 12/31/2021 (Automatically renewed for one year)	Section A: VN\$ 727,615/square meter/year Section B: VN\$265,859/square meter/year	Lease VPIC1's facilities and factory to Exedy Vietnam Co., Ltd.	None
Hsieh Yuan Technology Vietnam Co., Ltd.	VPIC1	01/01/2021 - 12/31/2022 (Automatically renewed for two year)	VN\$727,615/square meter/year	Lease VPIC1's facilities and factory to Hsieh Yuan Technology VietnamCo., Ltd.	None
Northstar Precision Vietnam Co., Ltd.	VPIC1	01/01/2021 - 12/31/2021 (Automatically renewed for one year)	Section D+E+B: VN\$727,615/square meter/year Section Corridor area: VN\$265,859/square meter/year	Lease VPIC1's facilities and factory to Northstar Precision Viet Nam Co., Ltd.	None
Shiang Yu Precision Co., Ltd.	VPIC1	01/01/2021 - 12/31/2021 (Automatically renewed for one year)	Area A: VN\$1,049,923/square meter/year Area B: VN\$588,167/square meter/year	Lease VPIC1's facilities and factory to Shiang Yu Precision Co., Ltd.	None

5.6.5 Insurance Contract

Insured	Insurance Company	Contract Commencement/Termination Date	Agreement	Restrictive Clauses
Eurocharm Holdings Director and Manager	Fubon Insurance Co., Ltd.	09/25/2020 - 09/24/2021	US\$ 1 million	None
Eurocharm Innovation	Fubon Insurance Co., Ltd.	12/23/2020 - 12/23/2021	Property Insurance of NT\$ 35 million	None
VPIC1	Vietin bank VinhPhuc insurance company	07/12/2020 - 07/12/2021	BH cháy nổ bắt buộc & mọi rủi ro tài sản-HTK, giá trị: VND 458,998,041,436	None
VPIC1	VinhPhucBao Minh Co.	12/01/2020 - 11/30/2021	Fire Insurance of VN\$ 324,046,548,777 (Complement 1 st dated 09/04/2021)	None
VPIC1	Fubon Insurance Vietnam Co., Ltd.	08/02/2020 - 08/01/2021	Personal Accident Insurance of 3,870 employees	None
VPIC1	Fubon Insurance Vietnam Co., Ltd.	07/31/2020 - 07/31/2021	25 Foreign employees' personal insurance Bảo hiểm cho người nước ngoài: 25 người	None
VPIC1	Fubon Insurance Vietnam Co., Ltd.	11/30/2020 - 11/30/2021	Fire Insurance of VN\$ 450,582,484,363 (Complement 1 st dated 08/04/2021)	None
VPIC1	Vietin bank VinhPhuc insurance company	11/30/2020 - 11/30/2021	Inventory Insurance of VN\$ 224,661,037,265 (Complement 1 st 2 nd dated 07/04/2021)	None
VPIC1	PJICO HA THANH Insurance Company	10/09/2019 - 04/08/2021	Product Recall Insurance (Piaggio, MSY, in the case of lapsed previous contract) Maximum claim: US\$ 2,000,000 for Metasystem and US\$ 1,000,000 for other customers	Not yet finish discussion for new contract
VPIC1	PJICO HA THANH Insurance Company	10/09/2019 - 04/08/2021	Product Recall Insurance (Piaggio, Polaris, MSY, in the case of lapsed previous contract) Maximum claim: US\$ 4,000,000 for Metasystem & Harley Davidson and US\$ 2,000,000 for other customers	Not yet finish discussion for new contract

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet

Consolidated Condensed Balance Sheet - Based on IFRS

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years					As of March 31, 2021
		2016	2017	2018	2019	2020	
Current assets		2,496,319	2,459,694	2,564,812	2,768,450	3,339,577	3,503,912
Property, Plant and Equipment		651,041	747,936	1,159,913	1,206,178	1,269,706	1,239,704
Intangible assets		5,437	5,343	12,230	10,583	6,228	5,915
Other assets		135,785	130,572	479,380	753,557	664,270	779,917
Total assets		3,288,582	3,343,545	4,216,335	4,738,768	5,279,781	5,529,448
Current liabilities	Before distribution	660,217	732,933	1,284,909	1,612,521	2,170,575	2,523,091
	After distribution	397,205	469,628	955,778	1,250,477	1,907,270	-
Non-current liabilities		46,327	41,175	44,821	55,412	38,315	36,945
Total liabilities	Before distribution	706,544	774,108	1,329,730	1,667,933	2,208,890	2,560,036
	After distribution	443,532	510,803	1,000,599	1,305,889	1,945,585	-
Equity attributable to shareholders of the parent		2,582,038	2,569,437	2,886,605	3,070,835	3,070,891	2,969,412
Capital stock		655,492	658,092	658,262	658,262	658,262	658,262
Capital surplus		832,426	836,374	836,782	836,782	836,782	836,782
Retained earnings	Before distribution	1,128,919	1,324,620	1,611,793	1,908,691	2,099,431	2,013,034
	After distribution	865,907	1,061,315	1,282,662	1,546,647	1,836,126	-
Other equity interest		-	-	-	-	-	-
Other components of equity		(34,799)	(249,649)	(220,232)	(332,900)	(523,584)	(538,666)
Non-controlling interest		-	-	-	-	-	-
Total equity	Before distribution	2,582,038	2,569,437	2,886,605	3,070,835	3,070,891	2,969,412
	After distribution	2,319,026	2,306,132	2,557,474	2,708,791	2,807,586	-

Reference: Every consolidated financial statement has been audit or review by a CPA.

Note 1: The numbers above are the amounts after distribution based on the shareholder meetings' decisions

6.1.2 Condensed Statement of Comprehensive Income/Condensed Statement of Income

Consolidated Condensed Statement of Comprehensive Income-Based on IFRS

Unit: NT\$ thousands (except earnings per share)

Item	Year	Financial Summary for The Last Five Years					Q1 2021
		2016	2017	2018	2019	2020	
Operating revenue		4,164,779	4,062,166	4,614,198	5,235,312	4,658,907	1,317,593
Gross profit		748,384	726,878	807,639	924,001	907,140	294,693
Income from operations		513,020	495,079	560,867	648,420	614,527	207,838
Non-operating income and expenses		128,687	106,814	145,109	105,617	104,080	16,528
Income before tax from continuing operations		641,707	601,893	705,976	754,037	718,607	224,366
Net income (Loss) from continuing operations		471,793	459,718	549,798	625,397	553,202	176,908
Loss of discontinued operations		-	-	-	-	-	-
Net income (Loss)		471,793	459,718	549,798	625,397	553,202	176,908
Other comprehensive income (income after tax)		(87,218)	(215,855)	30,097	(112,036)	(191,103)	(15,082)
Total comprehensive income		384,575	243,863	579,895	513,361	362,099	161,826
Net income attributable to shareholders of the parent		471,793	459,718	549,798	625,397	553,202	176,908
Net income attributable to non-controlling interest		-	-	-	-	-	-
Comprehensive income attributable to Shareholders of the parent		384,575	243,863	579,895	513,361	362,099	161,826
Comprehensive income attributable to non-controlling interest		-	-	-	-	-	-
Earnings per share		7.25	6.99	8.35	9.50	8.4	2.69

Reference: Every consolidated financial statement has been audit or review by a CPA.

Note 1: Above information has been audit or review by a CPA.

6.1.3 Auditors' Opinions from 2016 to 2020

Year	Accounting Firm	CPA	Audit Opinion
2016	Ernst & Young	Mars Hong & Steven Chang	Unmodified
2017	Ernst & Young	Mars Hong & Ching-Piao Cheng	Unmodified
2018	Ernst & Young	Ching-Piao Cheng & Yi-Hui Huang	Unmodified
2019	Ernst & Young	Ching-Piao Cheng & Yi-Hui Huang	Unmodified
2020	Ernst & Young	Ching-Piao Cheng & Hsiao Chin Lo	Unmodified

6.2 Financial Analysis for the Past 5 Fiscal Years

A. Consolidated Financial Analysis – Based on IFRS

Item	Year	Financial Analysis for the Last Five Years					As of March 31, 2021
		2016	2017	2018	2019	2020	
Financial structure (%)	Debt ratio	21.48	23.15	31.54	35.20	41.84	46.30
	Ratio of long-term capital to property, plant and equipment	403.72	349.04	252.73	259.19	244.88	242.51
Solvency (%)	Current ratio	378.11	335.60	199.61	171.68	153.86	138.87
	Quick ratio	302.37	262.23	142.56	130.08	124.00	107.26
	Interest earned ratio (times)	779.77	858.40	175.23	60.35	43.06	65.96
Operating performance	Accounts receivable turnover (times)	6.95	7.12	6.93	7.27	5.87	5.88
	Average collection days	52.00	51.26	52.67	50.21	62.18	62.07
	Inventory turnover (times)	8.70	8.10	6.77	6.39	5.76	5.70
	Average days of sales	42.00	45.06	53.91	57.12	63.36	64.00
	Account payable turnover (time)	10.15	9.72	8.08	9.48	11.24	11.02
	Property, plant and equipment turnover (times)	6.30	5.81	4.84	4.43	3.76	4.20
	Total assets turnover (times)	1.28	1.22	1.22	1.17	0.93	0.98
Profitability	Return on total assets (%)	14.48	13.88	14.63	14.19	11.32	13.30
	Return on equity (%)	18.58	17.85	20.15	21.00	18.01	23.43
	Pre-tax income to paid-in capital (%)	97.90	91.46	107.25	114.55	109.17	136.34
	Net Income ratio (%)	11.33	11.32	11.92	11.95	11.87	13.43
	Earnings per share (NT\$)	7.25	6.99	8.35	9.50	8.40	2.69
Cash flow	Cash flow ratio (%)	100.51	81.13	23.17	37.71	31.78	3.20
	Cash flow adequacy ratio (%)	151.66	125.99	84.66	91.51	90.49	73.79
	Cash reinvestment ratio (%)	8.89	8.70	0.81	7.03	8.07	2.03
Leverage	Operating leverage	1.31	1.29	1.02	1.25	1.25	1.19
	Financial leverage	1.00	1.00	1.01	1.02	1.03	1.02

Analysis of financial ratio differences for the last two years.

1. Debt ratio: The increase is due to the short-term loans in response to operational needs.
2. Current ratio: The increase is due to the short-term loans in the current period, which caused the current liabilities on the account to rise sharply.
3. Quick ratio: The increase is due to the short-term loans in the current period, which caused the current liabilities on the account to rise sharply.
4. Interest earned ratio: The increase is due to the number of loans in the current period and the rise in interest expenses compared with the same period last year.
5. Accounts receivable turnover rate: The decrease is due to the number of sales in the current period, and then increase in the end of the period, which caused the recovery of accounts receivable.
6. Inventory turnover rate: Due to the COVID-19, which caused the cost of goods sold decrease.

Item	Year	Financial Analysis for the Last Five Years					As of March 31, 2021
		2016	2017	2018	2019	2020	
<p>7. Average days of sales: Due to the COVID-19, which caused the cost of goods sold decrease, and the inventory turnover rate to decline.</p> <p>8. Account payable turnover ratio: The decrease is due to the average accounts payable than last period.</p> <p>9. Total Assets Turnover rate: Due to the increase in total assets in the current period</p> <p>10. Pre-tax income to paid-in capital: Due to the COVID-19, which caused in decrease in net profit before tax.</p> <p>11. Earnings per share: The operation of the current period was affected by COVID-19, which caused in a decrease in earnings per share compare to the same period last year.</p> <p>12. Cash flow ratio: The increase is due to the short-term liabilities in the current period, which caused a decrease in cash flow ratio.</p> <p>13. Cash reinvestment ratio: The increase in cash flow from operating activities is greater than the growth of the number of cash dividend payments in the current period, making the cash reinvestment ratio increase.</p>							

Reference: Every consolidated financial statement has been audit or review by a CPA.

Calculation formulas are as follows:

1. Financial Structure

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long Term Fund to Fixed Asset Ratio = (Total Equities + Non-Current Liability) / Net Fixed Asset

2. Liquidity

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Interest Earned Ratio = Net Income before Income Tax and Interest Expense / Current Interest Expense

3. Operating Performance

(1) Account Receivable (including Account Receivable and Operating Notes Receivables) Turnover Rate = Net Sales / Average Account Receivable (including Account Receivable and Operating Notes Receivables) Balance

(2) Average Collection Days = 365 / Account Receivable Turnover Rate

(3) Inventory Turnover Rate = Cost of Sales / Average Inventory

(4) Account Payable (including Account Payable and Operating Notes Payables) Turnover Rate = Cost of Sales / Average Account Payable (including Account Payable and Operating Notes Payables) Balance

(5) Average Days of Sales = 365 / Inventory Turnover Rate

(6) Property, Plant and Equipment Turnover Rate = Net Sales / Net Average Property, Plant and Equipment

(7) Total Asset Turnover Rate = Net Sales / Average Total Asset

4. Profitability

(1) Return on Asset [Income After Tax + Interest Expense × (1 - Tax Rate)] / Average Total Asset

(2) Return on Equity = Income After Tax / Average Total Equity

(3) Net Income Rate = Income After Tax / Net Sales

(4) Earnings Per Share = (Income Attributed to Parent Company Owner - Preferred Share Dividend) / Weighted Average Number of Outstanding Shares

5. Cash Flow

(1) Cash Flow Ratio = Operating Activity Net Cash Flow / Current Liability

(2) Net Cash Flow Adequacy Ratio = Operating Net Cash Flow for the Last Five Years / (Capital Expenditure + Increased Inventory + Cash Dividend) for the Last Five Years

(3) Cash Re-Investment Ratio = (Operating Activity Net Cash Flow - Cash Dividend) / (Gross Fixed Asset + Long Term Investment + Other Non-Current Asset + Working Capital)

6. Leverage

(1) Operating Leverage = (Net Sales - Variable Operating Cost & Expense) / Operating Income

(2) Financial Leverage = Operating Income / (Operating Income - Interest Expense)

6.3 Supervisors' or Audit Committee's Report in the Most Recent Year

2020 Audit Committee's Review Report

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of Ernst & Young was retained to audit Eurocharm Holdings Corporation Limited's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Eurocharm Holdings Corporation Limited. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

To Eurocharm Holdings Co., Ltd. 2021 Annual General Shareholders' Meeting

Eurocharm Holdings Co., Ltd.

Chairman of the Audit Committee: Wei-Ming Lin

February 26, 2021

6.4 Financial Statements in the Most Recent Year

Please refer to Appendix 1.

6.5 CPA-Audited Financial Statement in the Most Recent Year

None

6.6 Financial Difficulties in the Most Recent Year

None

VII. Review of Financial Conditions, Operating Results, and Risk Management

7.1 Financial Status

Unit: NT\$ thousands: %

Item	Year	2020	2019	Difference	
				Amount	%
Current Assets		3,339,577	2,768,450	571,127	20.63
Property, plant and equipment		1,269,706	1,206,178	63,528	5.27
Intangible Assets		6,228	10,583	(4,355)	(41.15)
Other Assets		664,270	753,557	(89,287)	(11.85)
Total Assets		5,279,781	4,738,768	541,013	11.42
Current Liabilities		2,170,575	1,612,521	558,054	34.61
Non-current Liabilities		38,315	55,412	(17,097)	(30.85)
Total Liabilities		2,208,890	1,667,933	540,957	32.43
Capital		658,262	658,262	-	-
Capital surplus		836,782	836,782	-	-
Retained Earnings		2,099,431	1,908,691	190,740	9.99
Other Adjustments		(523,584)	(332,900)	(190,684)	57.28
Total Stockholders' Equity		3,070,891	3,070,835	56	-
<p>Analysis of changes in financial ratios (increase/decrease by over 10%; total amounts of increases/decreases are equivalent to 1% of the total asset value of the respective year NT\$52,798 thousand):</p> <ol style="list-style-type: none"> 1) Current asset: The increase is due to the rise in financial assets measured at amortized cost. 2) Other equity: The decrease is due to the non-current financial assets measured at amortized cost. 3) Current liabilities: The increase is due to the Company's short-term loans. 4) Retained earnings: The increase is due to that the net profit after tax is greater than the number of dividends paid. 5) Other adjustments: The decrease is due to the appreciation of the Taiwan dollar exchange rate. <p>The above differences are expected in regular Company operations and the impact on the Company's financial situation is minimal.</p>					

Reference: Every consolidated financial statement has been certified by a CPA

7.2 Analysis of Financial Performance

7.2.1 Financial performance comparison analysis table

Unit: NT\$ thousands: %

Item	Year	2020	2019	Difference	
				Amount	%
Operating Revenues		4,658,907	5,235,312	(576,405)	(11.01)
Operating Cost		3,751,767	4,311,311	(559,544)	(12.98)
Operating Gross Margin		907,140	924,001	(16,861)	(1.82)
Operating Expenses		292,613	275,581	17,032	6.18
Operating Net Income		614,527	648,420	(33,893)	(5.23)
Non-operating Income and Expenses		104,080	105,617	(1,537)	(1.46)
Income Before Tax		718,607	754,037	(35,430)	(4.70)
Income After Tax		553,202	625,397	(72,195)	(11.54)
<p>Analysis of changes in financial ratios (increase/decrease by over 10%; total amounts of increases/decreases are equivalent to 1% of the total asset value of the respective year NT\$52,798 thousand):</p> <p>1) Operating revenues, cost and gross margin: The company is affected by COVID-19 in the current period, which caused to decline.</p> <p>2) Non-operating income and expenses: The company is affected by COVID-19 in 2020, which caused the overall business scale to decline.</p> <p>The above differences are expected in regular Company operations and the impact on the Company's financial situation is minimal.</p>					

Reference: Every consolidated financial statement has been certified by a CPA

7.2.2 Effect of Change on the Company's future business:

The Company establishes sales goals based on the global economy, industry condition, customer's assembling plan and other relevant metrics.

7.2.3 Future Response Actions:

According to the business growth shown in the above tables, the Company will require additional working capital to finance the business going forward. Therefore, the teams will continue to budget the cash flow and study every expenditure.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ thousands: %

Item	Year	2020	2019	Variance	
				Amount	%
Operating Activity		689,824	608,130	81,694	13.43
Investment Activity		(647,113)	(356,679)	(290,434)	81.43
Financing Activity		(20,998)	262,073	(283,071)	(108.01)

Analysis of financial ratio change:

Operating Activity: The decrease in accounts receivable and inventory in the current period resulted in an increase in cash flow from operating activities compared with the same period.

Investment Activity: The increase is due to the rise in financial assets measured after the amortization of the fixed deposit for more than three months.

Financing Activity: The dividends payment is increase, and the short-term loan is repaid in the current period..

Reference: Every consolidated financial statement has been certified by a CPA

7.3.2 Remedy for Cash Deficit and Liquidity Analysis:

None

7.3.3 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands:

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow from Investment Activities (3)	Estimated Cash Outflow from Financing Activities (4)	Cash Surplus (Deficit) (1)+(2)(3)+(4)	Leverage of Cash Surplus (Deficit)	
					Investment Plans	Financing Plans
1,775,771	356,765	(1,004,691)	150,714	1,278,559	-	-

1. Analysis of financial ratio change:

- Operating Activities: It is estimated to see an increase as the Company expects growth in operating profits.
- Investment Activities: The increase is due to that the Company expects to increase the plant and purchase equipment for Baishan Second Industrial Zone, resulting in net cash outflow.
- Financing Activities: The increase is due to the bank loan, which resulting in net cash inflows.

2. Remedy for expected shortfall of cash and liquidity analysis: N/A

7.4 Major Capital Expenditure Items

7.4.1 Major Capital Expenditure Items and Source of Capita:

None

7.4.2 Expected Benefits:

None

7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

7.5.1 The reinvestment policy in the most recent year, the main reason for its profit or loss, and the improvement plan:

A. Reinvestment Plan

The Company's reinvestment plan is primarily targeted at the relevant automotive and industrial manufacturing industries. The execution is carried out by based on the Subsidiary Operation Policy, Investment Cycle from the internal control and Asset's Acquisition and Disposal Program. The other implementation and measures will be discussed by the board of directors or at the shareholders meeting.

B. Primary Reason for Reinvestment Loss and Gain

12/31/2020; Unit: NT\$ thousands

Reinvestment	2020 Reinvestment Loss and Gain	Description
Eurocharm (B.V.I)	585,244	Operations in Good Condition
Eurocharm (U.S.)	(2,594)	Operations in Good Condition
Eurocharm (Taiwan)	5,813	Operations in Good Condition
VPIC1	569,194	Operations in Good Condition
APEX	8,563	Operations in Good Condition
OPTIMAL	1,810	Operations in Good Condition
Eurocharm (H.K.)	2,999	Operations in Good Condition
VHS	504	Operations in Good Condition
Lieh Kwan	(1,554)	Operations in Good Condition
Exedy	18,603	Operations in Good Condition
Shiang Yu	1,794	Operations in Good Condition
Northstar	-	Financial assets measured at fair value through comprehensive income. Financial assets not recognized as investment gains and losses.
VPIC	-	Financial assets measured at fair value through comprehensive income. Financial assets not recognized as investment gains and losses.

7.5.2 Reinvestment Plan for the Upcoming Year

In order to meet the existing customers' needs, Eurocharm plans to coordinate with them and expands its operating facilities towards other ASEAN countries. Besides the initial plan of acquiring factory plant in the south of Vietnam, the Company will continue to purchase new technology and machinery for productivity growth. Depending on the direction of business development, the Company will expand its size of the operation and raise its scale of capital after careful evaluations.

7.6 Analysis of Risk Management

7.6.1 Risk Management and Structure

The Company's risk management's organizational structure is divided into the execution department (managers and audit committee) and the management department (board of directors).

Risk Management policies:

- I. Any associated risk events should be reported to the immediate supervisors, audit committee, general managers, chairman and the board of directors.
- II. The risk assessment is carried out by the general manager and used as a record of tracking business performance.
- III. The Company has established policies and implementations towards Internal Control, Internal Audit Implementation and Self-Assessed Internal Control Procedures. Department managers are each responsible for closely monitoring the associated risks. The audit committee is to perform risk assessment and report directly to the direct supervisors if any irregularities were discovered.

7.6.2 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

- I. Interest rate: The changes in interest rate has no significant effect on the business operation as the Company's 2020 annual interest income and interest expense have minimal influences on the pre-tax net profit.
- II. Foreign exchange rate: The changes in foreign exchange rate has no significant effect on the business operation as the Company's 2020 foreign exchange gain is accounted for 0.31% of the consolidated revenue. In addition, the Company monitors the exchange rate movement closely to minimize the risk of an exchange rate.
- III. Inflation: In recent years, the high demand for raw materials from emerging countries has inflated the global markets significantly. In order to reduce the inflation risk and lower the production cost, the Company will be actively seeking methods to improve processing and adjusting product pricing accordingly.

7.6.3 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

1. The Company did not engage in any high-risk or high-leveraged investments. The transactions and procedures related to lending and endorsement are based on the Company's "Procedures for Lending" and "Procedures for Endorsement Guarantee." Furthermore, derivative transactions follow the "Procedures for Acquisition and Disposal of Assets."
2. Approved by the board of directors, the Company guaranteed endorsement of NT\$199,556 thousand, NT\$80,000 thousand and NT\$541,652 thousand respectively to its subsidiaries Eurocharm Innovation Co., Ltd. (B.V.I.), Eurocharm Innovation Co., Ltd. and Vietnam Precision Industrial No.1 Co., Ltd. At the end of 2020, the amount spent was \$342,631 thousand.

7.6.4 Future Research & Development Projects and Corresponding Budget

The Company's future R&D plan utilizes new auxiliary materials to enhance casting product quality, reduce defected product, enhance casting product material conversion rate and develop high power wind power products.

The Company's R&D expenses account for 1.02% and 1.31% of sales amount for 2019 and 2020 respectively. Future R&D expenditure is mainly for collaboration with customers in developing new products and production process, enhancement of molds and increasing operational productivity. As such, related R&D expenditure will be invested in accordance with actual needs.

7.6.5 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company is registered in the Cayman Islands while its subsidiaries are registered in Taiwan, Vietnam and the British Virgin Islands. The Company does not operate in the Cayman Islands. Fluctuation in Vietnam's internal exchange rate is stable. The political relationship between Taiwan and Vietnam is stable. The Company and its important subsidiaries conduct all their businesses in accordance with regulations of their respective territories. The Company's major products including automotive and motorcycle parts and medical equipment are not considered part of the restricted industry. Therefore, in the latest year and as of the date when annual report was published, critical policy changes or regulation changes in Taiwan, Vietnam, the Cayman Islands and the British Virgin Islands are not expected to pose significant influences on the Company's finances and sales.

However, due to the Company has customers and suppliers across the world, in the event of changes in respective government's policy, economy, tax or interest rate, or in the event of incidents involving politics, diplomacy or society, a business of the Company's client or the Company might be affected accordingly.

7.6.6 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

The Company's clients include leading vendors across the world. Given the close collaboration relationship between both parties now, the Company is, therefore, able to access to information of the latest technology through such relationship. Losing such important clients is equal to losing critical sources to understand changes in technology as well as shifts in the industry. Failure to master market trend and the trend for future product development will keep the Company from launching products needed by the market and operation may suffer from a significant and adverse impact. As such, the Company continuously pursues the advancement of metal processing and tooling. On the other hand, the Company also follows clients' steps closely in order to obtain, at any time, the latest technology information in the market, understand future changes in the industry and master market trend as well as product future development direction.

At current phase, the Company focuses its development on automotive, motorcycle and recreational vehicle parts and medical assistive equipment. With the popularity of environmental protection consciousness, the security need for lightweight vehicle products is in demand. This allows the Company's business to enjoy continued growth. There is no replacing technology or product in a short time going forward. Therefore,

changes in technology and industry are not expected to pose significant influence on the Company's finance business.

7.6.7 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

The Company enjoys a good business reputation in the international market, and this has established the Company's credibility and position in this industry. After being listed, the emphasis on corporate image is larger than ever. The Company will continue to expand its international sales territory and maximize its profit through high productivity. There is no change of company image which leads to crisis management in the latest year and as of the date when annual report was published.

7.6.8 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

None, no such plans.

7.6.9 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

All of the Company's plant expansions have gone through complete, careful and assessment processes by responsible units, and have already taken comprehensive considerations of investment benefits and potential risks.

7.6.10 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

The main raw materials the Company uses are iron pipes, iron, iron rolls, aluminum, steel, coating, etc. The purchasing decisions are made based on the factors including quality, price, delivery and flexibility. These suppliers are replaceable, and none of the raw materials is exclusive. Therefore, there is no risk or concern over an excessive concentration of purchasing.

Concerning the issue with excessive customer concentration, percentages of the Company's sales to its largest and second largest clients does not exceed 10%. However, the operating income of the two customers takes up to 54.14% of the consolidated operating income. As the Company's largest and second largest customers hold 70% of the market share in Vietnam and the Company being their main supplier, the situation of excessive customer concentration is expected. As a result, the Company has been actively developing new customers to diversify and lower the impact of excessive customer concentration.

7.6.11 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

No aforementioned cases in the latest year and as of the date when annual report was published.

7.6.12 Effects of, Risks Relating to and Response to the Changes in Management Rights

In the latest year and as of the date when annual report was published, the management rights has not changed. The Company has also established a professional management system. Therefore, the changes in management rights should have minimal effect on the Company.

7.6.13 The Company and the Company's director, supervisor, general manager, actual responsible person and major shareholders holding more than 10% of shares shall prescribed litigation or non-litigation incidents. With respect to subsidiary's finalized or pending major litigation, non-litigation and administrative dispute incidents, the disputed facts, target amount, litigation commencement date, major parties involved and processing status as of annual report publish date shall all be disclosed if results for aforementioned incidents may have significant influence over shareholder's equity or securities price.

None.

7.6.14 Other Major Risks:

a. Possible risks of capacity expansion and countermeasures:

The company regularly conducts long-term market demand forecasts for its products and services in order to make overall plans for production capacity. Because the demand forecast will change significantly in the market environment at any time, when the demand decreases, the company will temporarily reduce the operation of some production lines or machines and idle capacity will be generated. In response to the above possible risks, the company will continue to observe market changes and work closely with customers. If market demand is not as expected, the company will adjust its production capacity plan in a timely manner to reduce the negative impact on the company's financial performance.

b. Information technology security risks and management measures

The company has established an information technology security policy to establish and maintain a secure environment for company information and computer systems. However, even if the company has established the above policies, procedures, and many other information security protection measures, it can't guarantee that its computer system that controls or maintains the company's important corporate functions such as manufacturing operations and accounting can completely avoid attacks from any third-party paralyzed systems. These cyber-attacks illegally invade the company's internal (external) network systems, disrupt the company's operations and damage the company's goodwill and other activities. In the event of a severe cyber-attack, the company's system may lose important company data. Therefore, the company will continue to review and evaluate its cyber security regulations and procedures to ensure their appropriateness and effectiveness, but it can't guarantee that the company will not be affected by innovative risks and attacks in the ever-changing cyber security threats.

7.7 Other Important Matters:

None

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Enterprise Organization Chart

Please refer to page 9 of the annual report.

8.1.2 Subsidiary Basic Information

As of 12/31/2020

Name of Enterprise	Date of Establishment	Address	Paid-in Capital	Major Business or Production Items
Eurocharm Holdings Co., Ltd.	07/2011	No. 15, Lane 315, Xinshu Rd, XinZhuang District, New Taipei City, Taiwan 242	NT\$643,492 thousand	Investment in share holding
Eurocharm Innovation Co., Ltd.(B.V.I.)	08/2001	P.O. BOX957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	US\$17,000 thousand	Investment in share holding
Eurocharm America LLC	05/2019	1730 Logan St, Roselle, IL, 60172, USA	US\$200 thousand	Trading activities, warehouse and logistic services
Eurocharm Innovation Co., Ltd.	04/1974	No. 15, Lane 315, Xinshu Rd, XinZhuang District, New Taipei City, 242	NT\$58,500 thousand	Manufacturing and sales of motor parts and medical equipment
Vietnam Precision Industrial No.1 Co., Ltd.	12/2001	Khai Quang Industrial Zone, Vinh Yen City, Vinh Phuc Province, Vietnam	USD \$12,000 thousand	Manufacturing and sales of motor parts and medical equipment
Eurocharm Innovation(HK) Co., Limited	07/2019	Office1108, 11/F Hang Bong Comm Ctr 28 Shanghai ST Jordan Hong Kong	USD \$1,500 thousand	Import and export trade
Hsieh Yuan Technology Vietnam Co., Ltd.	06/2010	Khai Quang Industrial Zone, Vinh Yen City, Vinh Phuc Province, Vietnam	USD \$1,250 thousand	Manufacturing and sales of motor parts and medical equipment
Exedy Vietnam Co., Ltd.	02/2006	Khai Quang Industrial Zone, Vinh Yen City, Vinh Phuc Province, Vietnam	USD \$4,000 thousand	Manufacturing and sales of motor parts and medical equipment
Northstar Precision (Vietnam) Co., Ltd.	04/2018	Khai Quang Industrial Zone, Vinh Yen City, Vinh Phuc Province, Vietnam	USD \$1,400 thousand	Import and export trade
Shiang Yu Precision Co., Ltd.	10/2018	Khai Quang Industrial Zone, Vinh Yen City, Vinh Phuc Province, Vietnam	USD \$2,000 thousand	Mold design and manufacturing
Lieh Kwan International Co., Ltd.	11/2019	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	USD \$2,000 thousand	Investment in share holding

8.1.3 Private Placement Securities in the Most Recent Years

None

8.1.4 The industries covered by the business of the overall relationship enterprise:

The main business items of the company and relationship enterprise are the production and sales of automobile parts and medical equipment, and the design, manufacturing and sales of related products.

8.1.5 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years

Name of Enterprise	Title	Name(s)
Eurocharm Holdings Co., Ltd.	Director	Steven Yu, Antonio Yu, Michael Yu, Steven Chang, Bryan Peng, Wei-Min Lin, Gen-Yu Fong
	General Manager	Steven Yu
Eurocharm Innovation Co., Ltd.(B.V.I.)	Director	Steven Yu, Antonio Yu, Michael Yu
Eurocharm America LLC	Director	Steven Yu
Eurocharm Innovation Co., Ltd.	Director	Steven Yu, Antonio Yu, Michael Yu
	Supervisor	Shun-Wei Yeh
	General Manager	Steven Yu
Vietnam Precision Industrial No.1 Co., Ltd.	Director	Steven Yu, Antonio Yu, Michael Yu
	Supervisor	Hung-Yi Kao
	General Manager	Andy Wu
Hsieh Yuan Technology Vietnam Co.,Ltd.	Director	Zheng-Long Wang, Zheng-Zhou Wang, Steven Yu, Michael Yu, Wei-Quan Chen
Exedy Vietnam Co., Ltd.	Director	Mitsuhiko Takenaka, Shogo Okamura, Hideki Kanai, Y. Osanai, Steven Yu
Northstar Precision (Vietnam) Company Limited	Director	Michael Todd Speetzen, Michael Douglas Dougherty, Kenneth Joseph Pucel, John Boyle Dwyer, Antonio Yu
Shiang Yu Precision Co., Ltd.	Director	Fu-Yuan Lin, Shu-Hui Wang, Michael Yu
Eurocharm Innovation (HK) Co., Ltd.	Director	Steven Yu, Michael Yu
Lieh Kwan International Co., Ltd.	Director	Hog-Ren Liao, Gong-Hui He, Antonio Yu

8.1.6 Operating Summary for Respective Subsidiaries

Unit: In addition to Earnings Per Share being NT\$, the other is NT/VND\$ thousands

Name of Enterprise	Paid in Capital	Total Asset	Total Liability	Net Value	Operating Income	Operating Benefit	Current Income (Loss)	Earnings Per Share (NTD)
Eurocharm Holdings Co., Ltd.	658,262	5,279,781	2,208,890	3,070,891	4,658,907	614,527	553,202	8.40
Eurocharm Innovation Co., Ltd.(B.V.I.)	615,652	3,877,983	148,182	3,729,801	-	(211)	585,244	See Note 1
Eurocharm America LLC	6,282	3,258	307	2,951	-	(2,629)	(2,594)	(4.13)
Eurocharm Innovation Co., Ltd.	58,500	423,645	263,207	160,438	480,715	3,910	7,399	1.26
Vietnam Precision Industrial No.1 Co., Ltd.	629,553	4,716,370	1,166,300	3,550,070	4,538,500	622,765	546,930	See Note 1
Hsieh Yuan Technology Vietnam Co.,Ltd.	23,179,239	124,872,625	60,258,145	64,614,480	93,993,108	893,172	878,397	See Note 1
Exedy Vietnam Co., Ltd.	66,083,544	380,460,129	62,009,489	318,450,639	474,583,957	67,098,092	73,011,054	See Note 1
Northstar Precision (Vietnam) Co., Ltd.	1,400,000	14,675,052	12,885,241	1,789,811	39,429,043	593,454	591,612	See Note 1
Shiang Yu Precision Co., Ltd.	46,447,360	56,571,483	10,055,565	46,559,999	26,199,573	3,446,532	3,519,282	See Note 1
Eurocharm Innovation (HK) Co., Ltd.	46,637	81,034	10,238	70,796	125,939	22,477	22,037	4.73
Lieh Kwan International Co., Ltd.	61,030	56,760	7	56,753	-	-	(3,884)	(0.64)

Note 1: Earnings per share cannot be calculated because this is not an incorporated company.

Note 2: Numbers for Hsieh Yuan Technology Vietnam Co., Ltd., Exedy Vietnam Co., Ltd. and Shiang Yu Precision Co., Ltd. are in VND.

Note 3: Numbers for Northstar Precision (Vietnam) Co., Ltd. are in USD.

8.1.7 Affiliated Enterprise Consolidated Financial Statements

Please refer to appendix 1.

8.1.8 Affiliation Report

None

8.2 In the latest year and as of the date when this annual report was published, any cases of securities private placement

None

8.3 In the latest year and as of the date when this annual report was published, cases of subsidiary holding or disposing the Company's shares

None

8.4 Other necessary supplementary explanation

None

8.5 Information Disclosure as prescribed in Clause 2, Paragraph 2, Article 36 of Securities of Exchange Law

None

8.6 Differences from Republic of China Shareholder equity protection regulations

None

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