

**Stock code: 5288**



**Eurocharm Holdings Co., Ltd.**

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# **2022**

# **Annual Report**

**Corporate website:**

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

**Taiwan Stock Exchange Market Observation System**

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

**Printed on May 4, 2023**

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

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Title: Vice President, Administration and Finance

Tel: +886-2-2208-0151

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### Deputy Spokesperson

Name: Hung-Yi Kao

Title: Senior Financial Manager

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E-mail: [IR@eurocharm.com.tw](mailto:IR@eurocharm.com.tw)

### Subsidiary

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### Corporate Headquarters

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Address: No.15 Lane 315 Xinshu Rd.

Xinzhuang District, New Taipei, Taiwan 242

Tel: +886-2-2208-0151

### Subsidiary

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### Share Transfer Agent

Yuanta Securities

Address: B1 No.210 Sec.3 Chengde Rd. Taipei, Taiwan 103

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### 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: Michael Yu

Nationality: Republic of China

Business Management, National Chung Hsing University

Business Management, National Taipei University of Business

### Independent Director

Name: Yi-Ren Guo

Nationality: Republic of China

Transportation Engineering and Management, National Chiao Tung University

Administrator, China Steel Corporation

Manager, China Steel Aluminum Corporation

President, China Steel Global Trading Corporation

Advisor, China Steel Global Trading Corporation

### Independent Director

Name: Yen-Hsi Lin

Nationality: Republic of China

Philosophy, Fu Jen Catholic University

General Manager, DDI-Asia/Pacific

International Ltd. (Taiwan)

Senior Advisor, Asia/Pacific Region, Caliper Human Strategies

Independent Director, Entire Technology Co., Ltd.

Director, iMotion Inc.

Director, iWaylink Inc.

### Director

Name: Antonio Yu

Nationality: Republic of China

Industrial Engineering, M.S., University of Wisconsin-Madison

Bioengineering, National Taiwan University

### 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: Jen-Tien Yuan

Nationality: Republic of China

MBA, Guanghua School of Management, Peking University

Managing partner, Chih Cheng Law Firm

Executive Vice President, EY Management Services Inc.

Director, Chih Lien Industrial Co., Ltd.

Partner, Yuan, Chen & Partners Attorneys-at-Law

Supervisor, Wenetgroup Ltd.

Director, Yuan Chen Asset Management Co., Ltd.

# Contents

## I. Letter to Shareholders

1.1 2021 Business situation.....	1
1.2 2021 Business Plan .....	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.....	12
3.3 Remuneration of the Chairman, Directors, Managers and Associate Managers .....	24
3.4 Implementation of Corporate Governance.....	31
3.5 Information Regarding the Company's Audit Fee and Independence .....	93
3.6 Replacement of the CPA .....	93
3.7 Recent Employment of the Chairman, General Managers or Financial Managers who were Employed in an Accounting Firm or its Affiliates .....	94
3.8 Evaluation of the CPA's Independence.....	95
3.9 Operational Procedures for Handling Material Inside Information .....	96
3.10 Recent Changes in Equity and Pledged Shares of Directors, Supervisors, Managers and Shareholders Holding Over 10% of the Total Shares.....	96
3.11 Relationship among the Top Ten Shareholders and their Spousal or Kinship Relationships within the Second Degree .....	97
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.....	98

## IV. Capital Overview

4.1 Capital and Shares.....	99
4.2 Bonds.....	106
4.3 Preferred Shares .....	108
4.4 Global Depository Receipts .....	108
4.5 Employee Stock Options.....	108
4.6 Restricted Employee Stock Options.....	108
4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions .....	108
4.8 Financing Plans and Implementation .....	108

## **V. Operational Highlights**

5.1	Business Activities .....	109
5.2	Market and Sales Overview .....	122
5.3	Human Resources.....	131
5.4	Environmental Protection Expenditure .....	132
5.5	Labor Relations .....	133
5.6	Information Security Management .....	137
5.7	Important Contracts.....	139

## **VI. Financial Information**

6.1	Five-Year Financial Summary.....	148
6.2	Financial Analysis .....	152
6.3	Supervisors' or Audit Committee's Report in the Most Recent Year.....	155
6.4	Financial Statements in the Most Recent Year.....	155
6.5	CPA-Audited Financial Statement in the Most Recent Year.....	155
6.6	Financial Difficulties in the Most Recent Year .....	155

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

7.1	Financial Status .....	156
7.2	Analysis of Financial Performance .....	157
7.3	Analysis of Cash Flow .....	158
7.4	Major Capital Expenditure Items .....	159
7.5	Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year.....	159
7.6	Analysis of Risk Management .....	161
7.7	Other Important Matters.....	167

## **VIII. Special Disclosure**

8.1	Summary of Affiliated Companies.....	168
8.2	In the latest year and as of the date when this annual report was published, any cases of securities private placement .....	174
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 .....	174
8.4	Other necessary supplementary explanation .....	174
8.5	Information Disclosure as prescribed in Clause 2, Paragraph 2, Article 36 of Securities of Exchange Law .....	174
8.6	Differences from Republic of China Shareholder equity protection regulations.....	174

## **IX. References**

## I Letter to Shareholders

Hello, Dear Shareholders!

First, welcome everyone to attend this year's shareholders meeting during your busy schedule. On behalf of the company, I would like to express my deepest gratitude to all shareholders for their support and encouragement. The following is our company's 2022 operating conditions and future prospects.

### 1.1 2022 Business situation

#### I. Operating Results

The total consolidated revenue for 2022 was NT\$8,037,354 thousand, and the consolidated operating margin was NT\$1,559,244 thousand. The total net profit after tax was NT\$935,998 thousand, in which vested consolidated net profit after tax to the shareholders of the parent Company was NT\$941,354 thousand. The basic earnings per after-tax share merger were NT\$14.29.

#### II. Net Assets and Liabilities

As of December 31, 2022, the total consolidated assets amounted to NT\$7,708,676 thousand. The total consolidated liabilities were NT\$3,262,742 thousand, which accounted for the merger total consolidated assets of 42.33%. The total consolidated shareholders' equity was NT\$4,445,934 thousand, which marked 57.67% of the total consolidated assets.

#### III. Profitability Analysis

The Company's consolidated financial statements for 2022 showed that basic earnings per share after tax was NT\$14.29. The net profit was 11.65%. The rate of return on assets was 13.64%, and the return on equity was 24.16%.

#### IV. Budget Execution

Not applicable as the Company's 2022 financial forecast is not public.

#### V. Income and Expenditure and Profitability Analysis

Please refer to the Consolidated Financial Statements.

#### VI. Future Development and Strategies

The Company's 2022 research and development expenses accounted for 1.05% of net operating revenue. To expedite the process of product development and reduce the 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.

### 1.2 2022 Business Plan

#### 1. Expansion of Capacity

To cope with the significant growth of our customers' business in the future, the construction of Baishan II was completed in 2022 and was in line with the upcoming business needs in 2022. In addition, the Company will continue to expand the mold factory and related processing equipment, and continue to improve the ratio of mold, inspection and jig's production, and product development speed. The Company will also enhance the speed of automation introduction, in order to reduce the operational risk caused by the growth of wages and labor shortage in Vietnam.

## **2. Emphasis on Medical Equipment Market**

The Company continues to expand cooperation with existing medical equipment manufactures and seek out new product businesses from Europe, the United States and Japan. Regarding the revenue ratio for this sector in 2022, the number of customers has been steadily increasing with new clients joining last year. The Company aims to continue increasing the demand in the upcoming year.

## **3. Development of Electric Scooters and Recreational Vehicles**

As of the end of 2022, several customers have started mass production or development of 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 opportunities. With brands in North America and Europe steadily increasing their output volumes, the Company expects launch of the new products in 2023, and the production will multiply in the upcoming years.

## **4. Development of Automobile Parts**

In response to the growing auto parts business opportunities, the Company is actively engaged in developing new customers, as well as strengthening the relationship with the existing automobile customers. The Company also actively cultivates new businesses in electric auto parts and expects the result to be reflected in the profit growth in the future.

Looking back on 2022, the global economy had been gradually stepping away from the impacts of COVID-19, and production level was also recovering. Despite the fact that a few regions were still affected by wars and inflation, pressure for enterprises was significantly reduced. In addition, costs for raw materials declined quarter by quarter, which made the conditions of management and profits largely improved for the Company in 2022.

Looking forward to 2023, although inflation has made impacts globally, the overall operating environment has gradually recovered, and the new development projects undertaken by the Company in the past and construction of Baishan II will continually contribute to the growth in profits. In addition, the company will continue to improve its management and production technology and diversify the risk for customers. With professional manufacturing ability and high-quality service concept, the Company is striving for the entry of new orders from domestic and foreign customers,

and actively realizing product innovation for customers.

### **1. Perfect Governance Creates Value**

Based on solid corporate governance, Eurocharm actively provides customers with high-quality and diversified precision machinery by applying manufacturing technology and overall solutions to meet the specific product needs of our customers. Eurocharm brings the maximum benefit to our shareholders and to the development of our employees. We strive to become an elite enterprise that is trusted and respected by the society while maintaining good interaction with the stakeholders and continuing to create corporate values.

### **2. Continue to Promote Smart Manufacturing**

In 1983, Eurocharm introduced welding robots to achieve automatic production lines and since then has continued to transform our production in the wake of the Industry 4.0 era. The Company builds intelligent production, equipment and management based on data. Connecting design, production, and services, we have successfully reduced our costs, improved manufacturing efficiency and optimized quality and experience, which facilitates the progress of the industrial environment. Eurocharm continues to develop automatization by introducing TOYOTA lean production, utilizing various aspects such as the system structure, personnel organization, operation methods, and market supply and demand, as well as combining the implementation of the MES project. Our production system can immediately adapt to the rapid changes in user demand and reduce unnecessary waste in the production process to strengthen our production management model.

### **3. Mitigate Environmental Impact**

Natural disasters caused by extreme climate make us profoundly aware of the threat and impact from climate change. The importance of ESG (Environmental, Social, and Governance) has gradually become a global consensus. In November 2022, COP 27 focused on viable solution plans and proposed four major objectives- mitigation, adaptation, finance, and collaboration- to urge all countries to fulfill their commitment to the goals of Paris Agreement, keeping global warming within two degrees Celsius and striving to maintain it within 1.5 degrees Celsius. Extreme climate events such as heat waves and wildfires are becoming increasingly frequent and severe. To reduce their impact, it is necessary to develop preventive and adaptive strategies in advance to allow developing countries to acquire sufficient funds to carry out works of mitigating and adapting to climate change. It is also important to ensure that all stakeholders, especially groups at risk and countries that are vulnerable to the effects of climate change, are involved and transform the achievements of COP 26 into actions. As a responsible corporate citizen, Eurocharm is committed to responding to climate change and actively planning to mitigate climate impacts to protect global environment that we all share.



#### **4. Friendly Environment, Employee Health and Industrial Safety**

We will continue to make improvements on noises, dust, air, sewage treatment systems, lighting, and electrical furnaces while replacing old equipment. We will also strive to keep our factories green and move toward the goal of energy saving and carbon reduction. At the same time, we are continuously making substantial changes in employee participation, safe production, working environment, quality improvement, shortened delivery time, reduction of invalid working hours, and better employee compensation and benefits. We aim to strengthen the cohesiveness of the factory, improve internal factory management, and continuously improve our working environment and labor conditions to protect the legal rights of employees and become an enterprise that brings our employees happiness.

#### **5. Actively Cultivate International Talents and Succession plan**

In order to effectively cultivate management talents at all levels and equip them with the proactive problem-solving ability and international perspectives, the Company continues to develop training programs with external experts and arrange training contents according to individual characteristics and job attributes. Our major goal is to cultivate and retain outstanding management and technical talents, laying a more solid foundation for the company's sustainable development. Looking forward to the future, Eurocharm will continue to actively expand into recreational vehicle components and medical equipment and move strategically towards production internationalization to ensure sustainable growth in performance and profits. Meanwhile, we will follow the blueprint of the sustainable strategy and fulfill our corporate responsibility to achieve sustainable operations. Looking forward to the future, the Company has formulated the following internal execution plans to elevate the management in the new year.

The Company would like to thank all our shareholders for your 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

**Andy Wu/s/**

Chief Accountant

**James Chan/s/**

## II Company Profile

### 2.1 Company and Group

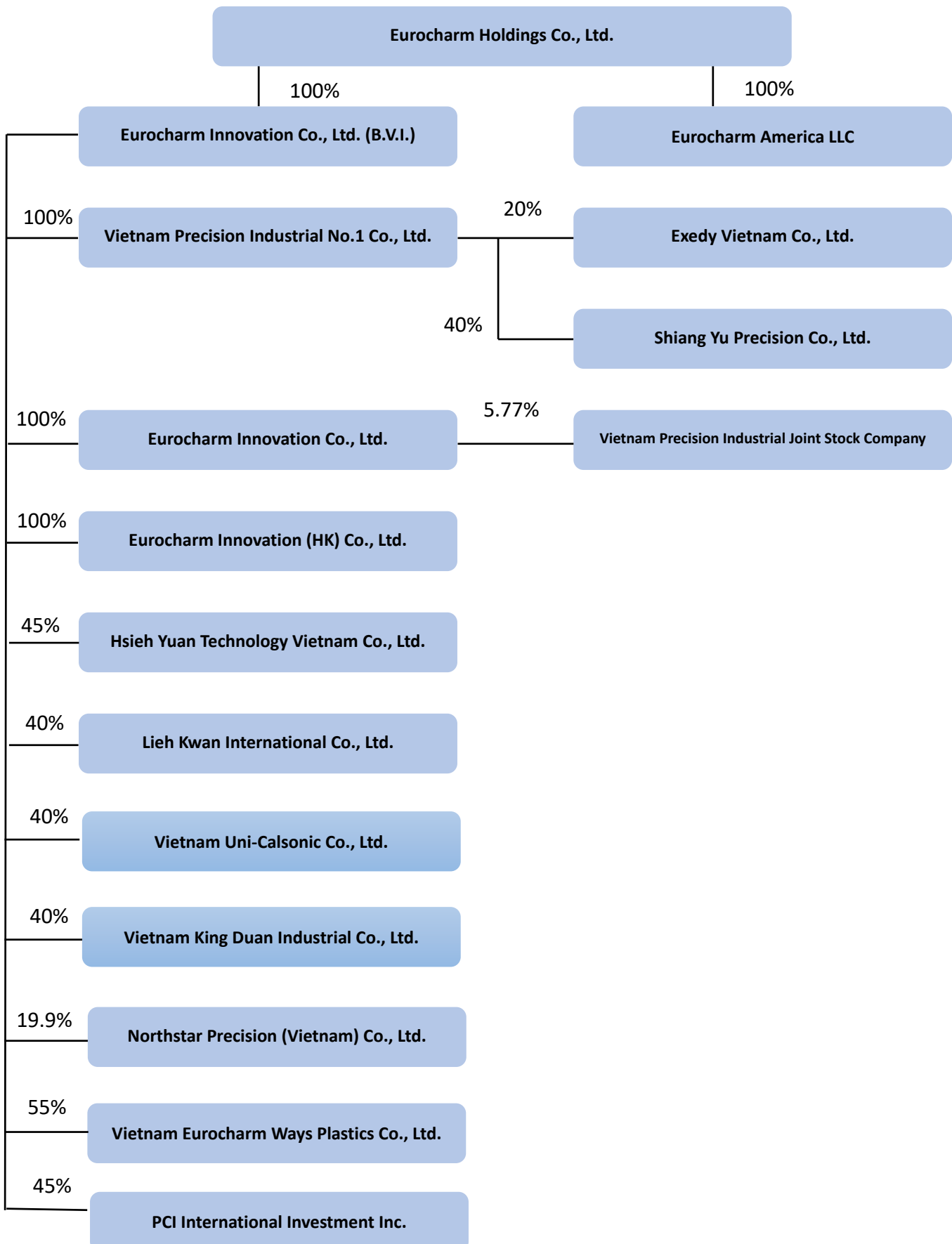
#### 1. Establishment Date and Group Profile

Eurocharm Innovation Co., Ltd. (“Eurocharm TW”) was established on April 19, 1974. The main operating item is the metal processing of motorcycle components. The main customers are Sanyang Industrial and Tailing motorcycles. With the production experience in metal processing of motorcycle components, the customer base has been gradually expanded to Japanese motorcycle brands, and the medical equipment components have been gradually developed. In 2001, Eurocharm TW entered the Vietnamese market following the footsteps of Japanese brand customers, and established Vietnam Precision Industrial No.1 Co., Ltd. (“VPIC1”) in Khai Quang IZ, Vinh Phuc Province. VPIC1 started its mass production in October in 2001. In recent years, it has also entered the market of automotive parts and leisure vehicle components.

Eurocharm Holdings Co., Ltd. (“the Company”), established in the British Cayman Islands on July 18, 2011, acquired Eurocharm Innovation Co., Ltd. (BVI) (“Eurocharm BVI”) and its subsidiaries Eurocharm TW and VPIC1 shares, completed the group equity reorganization.

After the establishment of the company, the main operating bases are the British Virgin Islands, Taiwan, and Vietnam. In 2019, we set up operating bases in the United States and Hong Kong, in order to achieve the benefits of adjusting the investment structure and integrating resources. It will reinvest according to business development needs and strategic layout. In recent years, the company has been developing in multiple directions. With its steady operation, it has taken the lead in the industry and has now entered the manufacturing, processing, trading business of auto and motorcycle parts, health and medical equipment components and leisure vehicle components, hardware components, motorcycle parts and components and assembly business.

## 2. Group Structure (03/31/2023)



## 2.2 Company History

1974	Established Eurocharm Taiwan as a professional manufacturer of motorcycle parts
1983	Introduced and utilized an automated welding robot production line
1988	Initiated the production of healthcare equipment parts and products
1994	Began the production of walkers and rollators
2001	Established Vietnam Precision Industrial No.1 Co., Ltd. ("VPIC1")
2002	Installed stamping, tube bending, robotic welding, as well as, liquid and powder coating production lines, and VPIC1 started mass production.
2003	Launched aluminum die-casting, CNC machining and passed the ISO9001 certification
2004	Stationed epoxy-based e-coating production line
2006	Jointed venture with EXEDY Japan to establish EXEDY Vietnam, main products are motorcycle clutches, holding 20% of the shares.
2007	Passed the ISO/TS16949 and ISO14001 certification
2009	Introduced hydraulic stamping production line up to 1,200 tons
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
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.
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
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 shares in total
2014	Installed a Mitsubishi 3D laser cutting machine
	Awarded with Ford Q1 Preferred Quality Award
	Publicly listed in Taiwan Stock Exchange (TWSE)
2015	Installed TRUMPF TruLaser Tube
	Passed the OHSAS18001 certification
	Established Apex Precision Industrial Ltd.
2016	Established Optimal Victory Ltd.
2017	Construction Completion of the 5 <sup>th</sup> Factory in Vietnam

2018	Acquired 155,000 square meters of land use rights in Baishan II Industrial Zone
	Joint venture with Yuan Yu Ching Yeh Co., Ltd to established Shiang Yu Precision Co., Ltd. in Vietnam, by holding 40% of the shares.
2019	Established Eurocharm Innovation (HK) Co., Ltd.
	Joint venture with Lieh Kwan Enterprises Co., Ltd. to established Lieh Kwan International Co., Ltd., by holding 40% of the shares.
2021	Joint venture with Uni-Calsonic Co., Ltd., to established Vietnam Uni-Clasonic Co., Ltd., by holding 40% of the shares
	Joint venture with King Duan Industrial Co., Ltd. and Lioho Machine Works, Ltd. to established Vietnam King Duan Industrial Co., Ltd., by holding 40% of the shares
	Joint Venture With Ways Technical Corp., Ltd., to established Vietnam Eurocharm Ways Plastics Company Limited, by holding 55% of the shares
	Vietnam Baishan II 6 <sup>th</sup> factory was completed
2022	Established PCI International Investment Inc. with the Company holding 45% of the shares

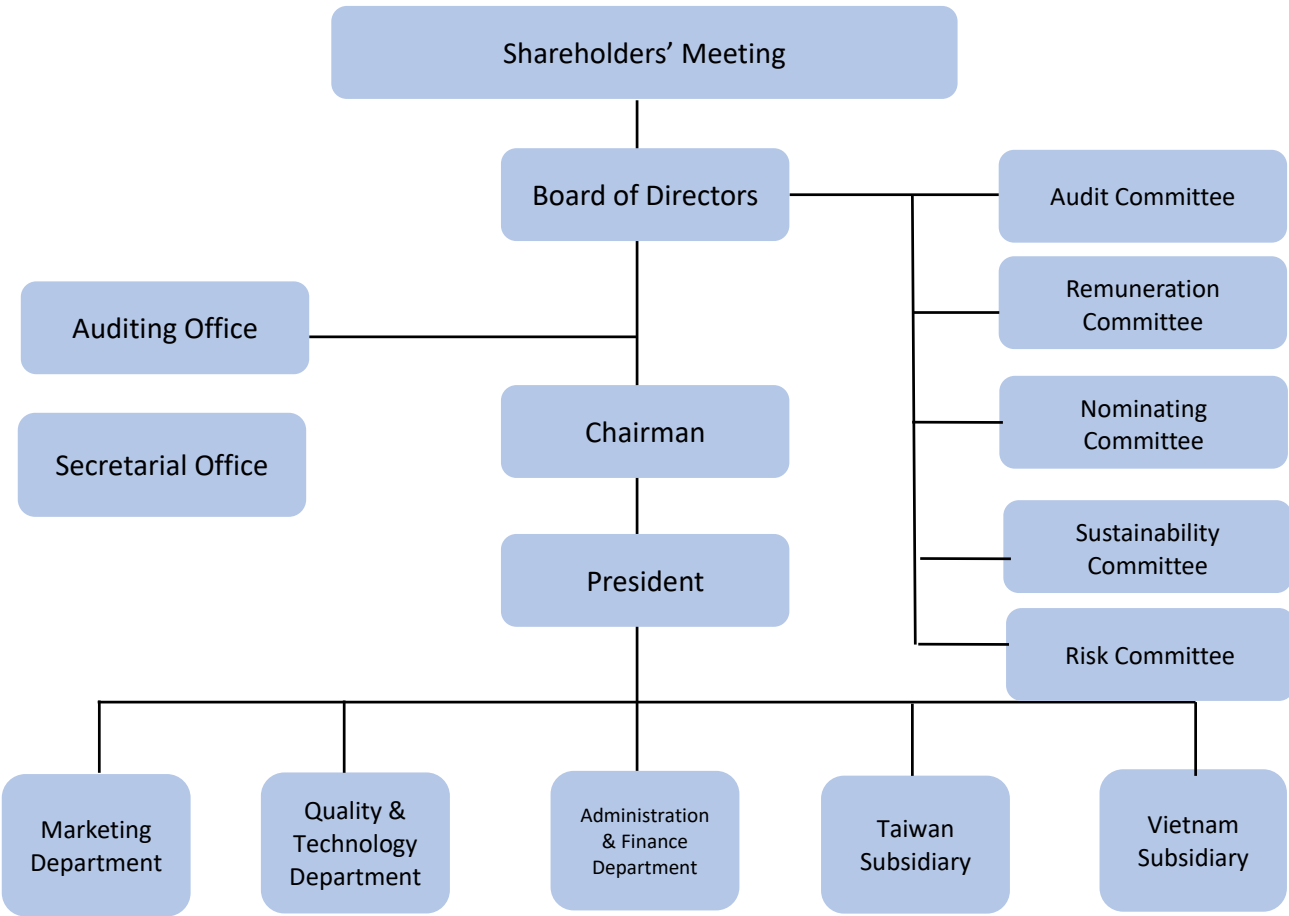
## 2.3 Risk Disclosure

Please see page 161 for details.

### III Corporate Governance Report

#### 3.1 Organization System

##### 3.1.1 Organizational Structure



### 3.1.2 Departments

#### [Chairman]

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

#### [Audit Committee]

Oversees the financial reporting and the implementation of the business.

#### [Compensation Committee]

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

#### [Sustainability Committee]

Develops the direction, strategies, and goals for corporate sustainable development, formulates management policies and specific implementation plans, and promotes and implements the Company's ethical business operation and risk management.

#### [Risk Committee]

Based on the principle of materiality, assesses the potential significant impacts of corporate governance issues, such as economy, environment, and society, on customers, investors, and other stakeholders, and develops risk management strategies and plans.

#### [Nomination Committee]

Develops and regularly reviews director training plans, succession plans for directors

and senior executives, and the Company's corporate governance practices.

#### [President]

Executes the organization's vision and oversees the management.

#### [Auditing Office]

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

#### [Secretarial Office]

Responsible for corporate governance affairs, including providing the necessary information for directors to carry out their duties, handling matters of board meetings, nomination committee meetings, audit committee meetings, compensation committee meetings, and shareholder meetings, and preparing meeting minutes.

#### [Administration & Finance Department]

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

#### [Marketing Department]

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

**[Quality & Technology Department]**

Develops new designs and reviews quality control of the products.

**[Taiwan Subsidiary]**

Responsible for the business of auto and motorcycle parts, medical equipment and other related business in Taiwan.

**[Vietnam Subsidiary]**

Responsible for the business of auto and motorcycle parts, medical equipment, leisure vehicle parts and other related business in Vietnam.



## 3.2 Directors, Supervisors and Management Team

### 3.2.1 Directors and Supervisors

#### 1. Directors

04/02/2023

Unit: Thousand Shares

Title	Name	Gender / Age	Nationality / Companies Registry	Date of First Elected	Date Elected	Term (Years)	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)	New General Limited		Samoa			3	13,833	20.95	13,833	20.95	-	-	-	-	-	-	-	-	-	
Chairman (Legal Representative)	Steven Yu	Male / 60-65	R.O.C.	07/18/2011	05/31/2022	3	-	-	-	-	-	-	-	-	EMBA-National Taiwan University Mechanical Engineering-Lunghwa University of Science and Technology	Note 1	Director	Michael Yu	Brother	Note 3
																	Director	Antonio Yu	Brother	
Director (Corporate Shareholder)	Seashore Group Limited		Samoa			3	24,769	37.51	24,769	37.51	-	-	-	-	-	-	-	-	-	
Director (Legal Representative)	Michael Yu	Male / 60-65	R.O.C.	07/18/2011	05/31/2022	3	117	0.18	117	0.18	-	-	-	-	Business Management-National Chung Hsing University Business Management-National Taipei University of Business	Note 1	Director	Antonio Yu	Brother	
																	Director	Antonio Yu	Brother	
Director	Antonio Yu	Male / 50-55	R.O.C.	05/31/2022	05/31/2022	3	116	0.18	166	0.18	-	-	-	-	Industrial Engineering-University of Wisconsin-Madison Bioengineering- National Taiwan University	Note 1	Director	Steven Yu	Brother	
																	Director	Michael Yu	Brother	

Title	Name	Gender / Age	Nationality / Companies Registry	Date of First Elected	Date Elected	Term (Years)	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 (Natural Person)	Steven Chang	Male / 60-65	R.O.C.	06/19/2013	05/31/2022	3	-	-	-	-	-	-	-	-	PhD in Business and Management- Shanghai Jiao Tong University  MBA-National University of Governance  Business Management- National Chung Hsing University	Note 1	-	-	-	
Independent Director (Natural Person)	Yi-Ren Guo	Male / 65~70	R.O.C.	05/31/2022	05/31/2022	3	-	-	-	-	-	-	-	-	Transportation Engineering and Management, National Chiao Tung University  Administrator, China Steel Corporation Manager, China Steel  Aluminum Corporation President, China Steel Global Trading Corporation  Advisor, China Steel Global Trading Corporation	Note 1				
Independent Director (Natural Person)	Yen-Hsi Lin	Female/ 55~60	R.O.C.	05/31/2022	05/31/2022	3	-	-	-	-	-	-	-	-	Philosophy, Fu Jen Catholic University  General Manager, DDI-Asia/Pacific International Ltd. (Taiwan)	Note 1	-	-	-	

Title	Name	Gender / Age	Nationality / Companies Registry	Date of First Elected	Date Elected	Term (Years)	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	
															Senior Advisor, Asia/Pacific Region, Caliper Human Strategies					
Independent Director (Natural Person)	Jen-Tien Yuan	Male / 60-65	R.O.C.	05/31/2022	05/31/2022	3									MBA, Guanghua School of Management, Peking University  Managing partner, Chih Cheng Law Firm Executive  Vice President, EY Management Services Inc.	Note 1	-	-	-	

Note 1:

Title	Name	Other Position
Chairman	New General Limited: Steven Yu	Chairman, Eurocharm Holdings Co., Ltd. Chairman, Eurocharm Innovation Co., Ltd. Chairman, Shen Yuan Metal Co., Ltd. Chairman, 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, Eurocharm Innovation (HK) Co., Ltd. Director, Vietnam King Duan Industrial Co., Ltd. Director, Vietnam Uni-Clasonic Co., Ltd. Director, Vietnam Eurocharm Ways Plastics Company Limited Director, PCI International Investment Inc. (B.V.I.)
Director	Seashore Group Limited: Michael Yu	Director, Eurocharm Innovation Co., Ltd. Supervisor, Shen Yuan Metal Co., Ltd. Director, Song Fong Development Co., Ltd. Supervisor, 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 Ltd. Director, Eurocharm Innovation (HK) Co., Ltd. Director, Shiang Yu Precision Co., Ltd. Director, Hsieh Yuan Technology Vietnam Co., Ltd. Director, Vietnam King Duan Industrial Co., Ltd. Supervisors, Vietnam Uni-Clasonic Co., Ltd. Supervisor, Vietnam Eurocharm Ways Plastics Company Limited
Director	Antonio Yu	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 Ltd. 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. Supervisor, PCI Vietnam Co., Ltd.
Director	Steven Chang	Chairman, The CID Group Director, Huawei International Investment Co., Ltd. Chairman, Huawei Group Co., Ltd. Director, Taiflex Scientific Co., Ltd. Chairman, Land Mark Optoelectronics Corp. Chairman, i-Motion Group Co., Ltd.
Independent Director	Yi-Ren Guo	Advisor, China Steel Global Trading Corporation
Independent Director	Yen-Hsi Lin	Independent Director, Entire Technology Co., Ltd. Director, iMotion Inc. Director, iWaylink Inc.
Independent Director	Jen-Tien Yuan	Partner, Yuan, Chen & Partners Attorneys-at-Law Supervisor, Wenetgroup Ltd. Director, Yuan Chen Asset Management Co., Ltd.

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

2. Supervisors: The company has set up an audit committee without supervisors.

### 3.2.2 Major Shareholders of the Corporate Shareholders

04/02/2023

Names of Corporate 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

04/02/2023

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 Disclosure of Professional Qualifications of Directors and Independence of Independent Directors

Condition Name	Professional Qualifications	Experience	Independence Criteria (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
New General Limited: Steven Yu	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Note 1	(6)(7)(9)(11)	0
Seashore Group Limited: Michael Yu	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Note 1	(6)(7)(9)(11)	0
Antonio Yu	Have Work Experience in the Areas of	Note 1	(6)(7)(9)(11)	0

Condition Name	Professional Qualifications	Experience	Independence Criteria (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company			
Steven Chang	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Note 1	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	0
Independent Director Yi-Ren Guo	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Note 1	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	0
Independent Director Yen-Hsi Lin	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Note 1	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	1
Independent Director Jen-Tien Yuan	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Note 1	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	0

Note 1: None of the above directors and independent directors has any of the provisions of Article 30 of the Company Law.

Title	Name	Experience
Chairman	New General Limited: Steven Yu	Chairman, Eurocharm Holdings Co., Ltd. Chairman, Eurocharm Innovation Co., Ltd. Chairman, Shen Yuan Metal Co., Ltd. Chairman, 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, Eurocharm Innovation (HK) Co., Ltd. Director, Vietnam King Duan Industrial Co., Ltd. Director, Vietnam Uni-Clasonic Co., Ltd. Director, Vietnam Eurocharm Ways Plastics Company Limited Director, PCI International Investment Inc. (B.V.I.)
Director	Seashore Group Limited: Michael Yu	Director, Eurocharm Innovation Co., Ltd. Supervisor, Shen Yuan Metal Co., Ltd. Director, Song Fong Development Co., Ltd. Supervisor, 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 Ltd. Director, Eurocharm Innovation (HK) Co., Ltd. Director, Shiang Yu Precision Co., Ltd. Director, Hsieh Yuan Technology Vietnam Co., Ltd. Director, Vietnam King Duan Industrial Co., Ltd. Supervisors, Vietnam Uni-Clasonic Co., Ltd. Supervisor, Vietnam Eurocharm Ways Plastics Company Limited
Director	Antonio Yu	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 Ltd. 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. Supervisor, PCI Vietnam Co., Ltd.
Director	Steven Chang	Chairman, The CID Group Director, Huawei International Investment Co., Ltd. Chairman, Huawei Group Co., Ltd. Director, Taiflex Scientific Co., Ltd. Chairman, Land Mark Optoelectronics Corp. Chairman, i-Motion Group Co., Ltd.
Independent Director	Yi-Ren Guo	Advisor, China Steel Global Trading Corporation
Independent Director	Yen-Hsi Lin	Independent Director, Entire Technology Co., Ltd. Director, iMotion Inc. Director, iWaylink Inc.
Independent Director	Jen-Tien Yuan	Partner, Yuan, Chen & Partners Attorneys-at-Law Supervisor, Wenetgroup Ltd. Director, Yuan Chen Asset Management Co., Ltd.

Note 2: the directors during the two years before their election and during their term of office. (Applicants are disclosed

in the table above)

1. Not an employee of the Company or any of its affiliates.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.
7. A director, supervisor or employee of another company or institution that is not the same person or spouse as the chairman, general manager or equivalent of the company (but if the company and its subsidiary company or independent directors of subsidiaries of the same subsidiary company established in accordance with this act or the laws of the local country serve concurrently with each other, this is not the case).
8. Non-directors, supervisors, managers or shareholders holding more than 5% of the shares of a specific company or institution that has financial or business dealings with the company (However, if a specific company or institution holds more than 20%, but not more than 50% of the total issued shares of the company, and is an independent director established by the company and its subsidiary company, in accordance with this law or the laws of the local country those who concurrently serve each other are not limited).
9. 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.
10. Not having a marital relationship or a relative within the second degree of kinship to any other director of the Company.
11. Not being a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.



### 3.2.5 Disclosure of Professional Qualifications of Directors and Independence of Independent Directors

#### 1. Board of Directors' Diversity Policy:

In accordance with the “Code of Practice on Corporate Governance” established by the Company. The company stipulates that the composition of the board of directors should consider diversity. According to its own operation type and development needs, it formulates a diversified policy of basic conditions and professional knowledge and skills. When appointing directors, the company not only considers the professional background of the directors, but also the diversity of directors is an important factor. The company has a total of 7 directors, 3 of them are independent directors. Their backgrounds cover management, finance, law, investment, etc. The members of the board of directors have diverse backgrounds in industry, academia, and knowledge, and can give professional opinions from different areas, which is great to help improve the company's operating performance and management efficiency.

#### 2. Diversity Management Objectives:

The company pays attention to gender equality in the composition of the board of directors, and the target ratio of female directors is more than 30%. The board supports and oversees management's actions to increase the ratio of female senior managers. The Company has a Nomination Committee, which is responsible for ensuring that the Board of Directors has appropriate expertise, experience, and gender diversity. It also conducts regular performance evaluations of the Board of Directors in accordance with its functions and powers, as well as reviewing the training plan for directors and formulating succession plans for directors and senior managers. The current board of directors consists of 7 directors, including 3 independent directors. In addition, the company has increased the ratio of female directors to include 1 female director out of 7 directors, a ratio of 11%, during the general election of directors in 2022. The Company also plans to increase the number of directors to 9 in 2025, including 3 female directors (33%).

Expertise	Related to Eurocharm	Number of Directors
Board / Committee Leadership	Management leadership experience seen as a strategic asset for boards and functional committees	2
Relevant Industry Experience	Assist in reviewing the company's business operations, finances, and investments	7
Public Administration	Bring experience in compliance and stakeholder communication	1
Risk Management	Risk and compliance are the	3

	responsibility of the board	
Accounting Profession	Bringing supervisory, consulting, and operational experience in various professional fields	1
The Law Profession		1

Board members implement diversity:

Item Name	Basic Component								Ability							
	Nationality / Country of Origin	Gender	As An Employee	Age			Term of Independent Directors (year)		Operational Judgment	Accounting and financial analysis	Management	Crisis Management	Industry knowledge	International Market View	Leadership	Decision-Making
				40-50	51-60	61-70	Blow 3	6-9								
Steven Yu	ROC	Male	V			V			V		V	V	V	V	V	V
Michael Yu	ROC	Male	V			V			V	V	V	V	V	V	V	V
Antonio Yu	ROC	Male	V		V				V		V	V	V	V	V	V
Steven Chang	ROC	Male				V			V	V	V	V		V	V	V
Yi-Ren Guo	ROC	Male				V	V		V		V	V	V	V	V	V
Yen-Hsi Lin	ROC	Female			V		V				V	V		V	V	V
Jen-Tien Yuan	ROC	Male				V	V			V	V	V		V	V	V

### 3. Board of Directors' Independence:

There are seven seats on the board of directors of the company, three of which are independent directors, more than 1/3 of the seats on the board of directors. For the independence of the board of directors, please refer to reference, 2.1.1. Director information and reference, and 3.2.4 Disclosure of information on the professional qualifications of directors and the independence of independent directors. As can be seen from the above-mentioned information table of directors, the company has established an audit committee to replace the supervisory position, and none of the seven members of the board of directors has a spouse or family relationship within the second degree of kinship with each other, so there is no Article 26-3 Item 3 and Item 4.

## 3.2.6 Management Team

04/02/2023 (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	Andy Wu	Male	12/20/2016	149,225	0.23%	-	-	-	-	Lee-Ming Institute of Technology Automation Management, Tatting Company	Note 1	-	-	-	
Deputy General Manager	ROC	James Chan	Male	09/23/2013	70,000	0.11%	-	-	-	-	Business Management, National Taipei University of Business Associate Manager, Eurocharm Innovation Co., Ltd.	Note 1	-	-	-	
Deputy General Manager	ROC	Cina-Jin Chan	Male	09/23/2013	148,298	0.22%	-	-	-	-	KaiMing Technical and Commercial Vocational School Manager, Bank SinoPac Shanghai	Note 1	-	-	-	
Deputy General Manager	ROC	Cheng- Wen Wang	Male	12/20/2016	28,015	0.04%	-	-	-	-	Deputy General Manager, Production Line, Vietnam Precision Industrial No.1 Co., Ltd.	Note 1	-	-	-	
Supervisor - Taiwan Office	ROC	Huang- Li Yang	Male	12/24/2019	-	-	-	-	-	-	Manager, Research & Development, Eurocharm Innovation Co., Ltd.	Note 1	-	-	-	
Senior Manager	ROC	Hung-Yi Kao	Male	06/10/2022	50,114	0.08%	111,000	0.17%	-	-	Master of Accounting, Chung Yuan Christian University Team Supervisor, Ernst & Young Accounting Firm	Note 1	-	-	-	

Note 1: Summary of the positions of general manager, deputy general manager, senior manager, departmental and branch managers concurrently serving in other companies

Title	Name	Other Position
General Manager	Andy Wu	General Manager, Vietnam Precision Industrial No.1 Co., Ltd. Chairman & General Manager, Vietnam Eurocharm Ways Plastics Company Limited Chairman, PCI Vietnam Co., Ltd.
Deputy General Manager	James Chan	Deputy General Manager, Administration, Vietnam Precision Industrial No.1 Co., Ltd.
Deputy General Manager	Cina-Jin Chan	Deputy General Manager, Quality & Technology, Vietnam Precision Industrial No.1 Co., Ltd.
Deputy General Manager	Cheng- Wen Wang	Deputy General Manager, Production, Vietnam Precision Industrial No.1 Co., Ltd. General Manager, PCI Vietnam Co., Ltd.
Supervisor - Taiwan Office	Huang- Li Yang	Senior Manager, Eurocharm Innovation Co., Ltd.
Senior Manager	Hung-Yi Kao	Supervisor, Vietnam Precision Industrial No.1 Co., Ltd. Accounting Supervisor, Eurocharm Innovation Co., Ltd. Accounting Supervisor, Eurocharm Innovation Co., Ltd. (BVI) Accounting Supervisor, Eurocharm Innovation (HK) Co., Ltd. Accounting Supervisor, Eurocharm America LLC Accounting Supervisor, Lieh Kwan International Co., Ltd.

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

### 3.3 Remuneration of the Chairman, Directors, General Managers and Deputy General 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)	2,288	2,288	-	-	3,300	3,300	-	-	5,588 0.60	5,588 0.60	-	1,150	-	-	-	-	-	-	5,588 0.60	6,738 0.72	N/A
Director (Legal Representative)	Michael Yu (Note)	-	-	-	-	1,500	1,500	-	-	1,500 0.16	1,500 0.16	1,440	2,542	-	-	2,100	-	2,100	-	5,040 0.54	6,142 0.66	N/A
Director	Antonio Yu	-	-	-	-	1,500	1,500	-	-	1,500 0.16	1,500 0.16	1,730	2,542	-	-	2,100	-	2,100	-	5,330 0.57	6,142 0.66	N/A
Director	Steven Chang	-	-	-	-	1,000	1,000	120	120	1,120 0.12	1,120 0.12	-	-	-	-	-	-	-	-	1,120 0.12	1,120 0.12	N/A
Former Independent Director	Wei-Min Lin	-	-	-	-	1,000	1,000	50	50	1,050 0.11	1,050 0.11	-	-	-	-	-	-	-	-	1,050 0.11	1,050 0.11	N/A
Former Independent Director	Bryan Peng	-	-	-	-	1,000	1,000	50	50	1,050 0.11	1,050 0.11	-	-	-	-	-	-	-	-	1,050 0.11	1,050 0.11	N/A
Former Independent Director	Gen-Yu Fong	-	-	-	-	1,000	1,000	50	50	1,050 0.11	1,050 0.11	-	-	-	-	-	-	-	-	1,050 0.11	1,050 0.11	N/A
Independent Director	Yi-Ren Guo							70	70	70 0.01	70 0.01	-	-	-	-	-	-	-	-	70 0.01	70 0.01	N/A
Independent Director	Yen-Hsi Lin							70	70	70 0.01	70 0.01	-	-	-	-	-	-	-	-	70 0.01	70 0.01	N/A
Independent Director	Jen-Tien Yuan							70	70	70 0.01	70 0.01	-	-	-	-	-	-	-	-	70 0.01	70 0.01	N/A
Total		2,288	2,288	-	-	10,300	10,300	480	480	13,068 1.40	13,068 1.40	3,170	6,234	-	-	4,200	-	4,200	-	20,438 2.19	23,502 2.52	-

Note: Steven Yu is the legal representative of New General Limited; Michael Yu is the legal representative of Seashore Group Limited.

1. 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 provides that the compensation to directors shall be no more than 2% of the annual profits, and compensation payments shall be determined according to factors such as the time invested and the responsibility allocated by the directors. In accordance with the regulations of the Company's Compensation Committee Charter, the performance evaluation and compensation for directors and executives should refer to the industry standards and take into account evaluations of individual performance, time spent, job descriptions, achievement of personal goals, performance in other positions, salaries of equivalent positions offered by the company in recent years, and the evaluation of personal performance in relation to the company's short-term and long-term business goals, financial condition, and future risks. Committee members should explain their decision regarding their personal compensation during the meeting. If a member's decision may be detrimental to the company's interests, that member should not participate in the discussion or vote and should abstain from voting on the matter, and may not act as a proxy for other members of the Compensation Committee.

2. 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	Yi-Ren Guo, Yen-Hsi Lin, Jen-Tien Yuan	Yi-Ren Guo, Yen-Hsi Lin, Jen-Tien Yuan	Yi-Ren Guo, Yen-Hsi Lin, Jen-Tien Yuan	Yi-Ren Guo, Yen-Hsi Lin, Jen-Tien Yuan
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	
NT\$5,000,001 ~ NT\$10,000,000	Steven Yu	Steven Yu	Steven Yu, Antonio 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	10	10	10	10

Note: Directors Yi-Ren Guo, Yen-Hsi Lin, and Jen-Tien Yuan took their offices on May 31, 2022.

## 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 <sup>1</sup>	Andy Wu	772	3,328	-	113	-	251	2,547	-	2,547	-	3,319 0.35%	6,239 0.67	-
Deputy General Manager	James Chan	983	2,543	-	28	-	158	1,368	-	1,368	-	2,351 0.25%	4,097 0.44%	-
Deputy General Manager	Cina-Jin Chan	273	2,255	-	128	-	160	1,490	-	1,490	-	1,763 0.19%	4,033 0.43%	-
Deputy General Manager	Cheng-Wen Wang	317	2,172	-	36	-	179	1,378	-	1,378	-	1,695 0.18%	3,765 0.40%	60



Range of Remuneration	Name of General Manager and Deputy General Manager	
	The Company	Companies in the consolidated financial statements
Under NT\$ 1,000,000		
NT\$1,000,001 ~ NT\$2,000,000	Cina-Jin Chan, Cheng-Wen Wang	
NT\$2,000,001 ~ NT\$3,500,000	James Chan, Andy Wu	
NT\$3,500,001 ~ NT\$5,000,000		Cina- Jin Chan, James Chan, Cheng-Wen Wang
NT\$5,000,001 ~ NT\$10,000,000		Andy Wu
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	4	4

### 3.3.4 Remuneration of The Executive Officers

12/31/2021 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	11,797	11,797	1.26
	Executive Assistant	Antonio Yu				
	General Manager	Andy Wu				
	Deputy General Manager	James Chan				
	Deputy General Manager	Cina-Jin Chan				
	Deputy General Manager	Cheng-Wen Wang				
	Supervisor	Huang-Li Yang				
	Senior Manager	Hung-Yi Kao				

### 3.3.5 Comparison of Remuneration for Directors, General Managers, and Deputy General Managers in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, General Managers, and Deputy General Managers

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	2021				2022			
	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	19,398	22,941	3.11	3.68	19,958	23,501	2.13	2.51
General Manager, Deputy General Managers	7,949	16,930	1.28	2.72	9,129	18,135	0.98	1.94
Net profit after tax	623,422				935,998			

Note 1: The net profits in 2022 and 2021 refer to the after-tax net profits in the financial reports.

B. The policies, standards, and portfolios for the payment of remuneration

(1) The director's remuneration shall be determined in accordance with Article 34.1 of the company's articles of association. The remuneration for performing duties, according to the degree of participation and contribution value of individual directors, shall be determined and negotiated by the Board of Directors referring to other companies in the industry. In addition, if the company has a profit in the current year, according to the provisions of Article 34.1 of the company's articles of association, it may be used as the remuneration of the directors of the current year within the limit of 2% of the profit of the current year. The company regularly evaluates the remuneration of directors in accordance with the "Measures for the Performance Evaluation of the Board of Directors". The performance measurement standard of the chairman is based on the results of the company's annual operating indicators related to operations, governance, and financial results. The evaluation scope includes pre-tax net profit, customer Satisfaction and corporate governance evaluation and other three indicators, related performance evaluation and remuneration rationality are reviewed by the Remuneration Committee and the Board of Directors.

(2) The company's managers' remuneration is based on various work allowances and bonuses specified in the "Remuneration Management Regulations" to show compassion and reward employees for their hard work at work. In addition, if the company makes a profit in the current year, it shall allocate no less than 2% of the net profit as employee compensation in accordance with Article 34.1 of the company's articles of association. The performance evaluation results carried out by the company in accordance with the "Performance Management Regulations" are used as a reference for the issuance of managers' bonuses. Managers' performance evaluation items are divided into two major parts: financial indicators and non-financial indicators, and the remuneration for their operating performance is calculated, and review the remuneration system at any time according to the actual operating conditions and relevant laws and regulations.

#### C. Procedures of Determining the Remuneration

(1) To regularly evaluate the remuneration for directors and senior managers, the assessment results are in accordance with the "Board of Directors Performance Evaluation Method" and "Workload of Each Functional Committee" for the directors, and the "Compensation Management Method" for managers and employees, respectively.

(2) The self-evaluation results of the members of the Board of Directors and the various functional committees for the year 2022 have all significantly exceeded the standards. Despite the continuing impact of the COVID-19 pandemic in 2022, the Company has made great efforts to prevent the spread of the virus and implemented cost-saving measures. As a result, the Company's performance has exceeded expectations, and all the managers' performances have met or exceeded the targets. The Company's annual operational indicators have also reached the highest standards for the year 2022.

(3) The performance assessment and compensation of the directors and managers are evaluated and reviewed annually by the Remuneration Committee and the Board of Directors. In addition to individual performance achievement rate and contribution to the Company, the evaluation also considers the overall operational performance of the Company, future risks in the industry and development trends. The Company also regularly reviews the remuneration system in accordance with the actual business situation and relevant laws and regulations. Furthermore, after considering the current trend of corporate governance, reasonable compensation is provided to achieve a balance between sustainable business and risk management. The actual amount of remuneration for directors and managers for the year 2022 is determined by the Board of Directors based on the proposals from the Remuneration Committee.

#### D. Relevance with the Business Performance and Future Risks

(1) The review of the Company's remuneration policy, payment standards, and system is primarily based on the overall operational status. In addition, the payment standard is associated with performance achievement rates and contribution levels to enhance the team effectiveness of the Board of Directors and the management department. Moreover, to retain outstanding management talents, industry salary standards serve as a reference to ensure that the compensation for our management

level is competitive within the industry.

(2) The performance goals for the managers are combined with the "Risk Control Index" identified by the Risk Management Committee to ensure that risks under managers' job responsibilities are manageable and preventable. The actual performance results are used to determine the evaluation rating, which is linked to relevant policies of human resources and compensation. The important decisions of the management level are all made after considering various risk factors, and the performance derived from these decisions is reflected in the company's profitability. As a result, the remuneration of the management level is associated with its risk control performance.

### 3.4 Implementation of Corporate Governance

#### 3.4.1 Board of Directors

A total of 9 (A) meetings of the Board of Directors were held in the most recent year (2022). The attendance of directors and supervisors was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Chairman	New General Limited Representative: Steven Yu	9	0	100	Elected on 05/31/2019 & 5/31/2022
Director	Seashore Group Ltd. Representative: Michael Yu	9	0	100	Elected on 05/31/2019 & 5/31/2022
Director	Antonio Yu	9	0	100	Elected on 05/31/2019 & 5/31/2022
Director	Steven Chang	9	0	100	Elected on 05/31/2019 & 5/31/2022
Independent Director	Bryan Peng	3	0	100	Elected on 05/31/2019
Independent Director	Wei-Min Lin	3	0	100	Elected on 05/31/2019
Independent Director	Gen-Yu Fong	3	0	100	Elected on 05/31/2019
Independent Director	Yi-Ren Guo	6	0	100	Elected on 5/31/2022

Independent Director	Yen-Hsi Lin	6	0	100	Elected on 5/31/2022
Independent Director	Jen-Tien Yuan	6	0	100	Elected on 5/31/2022

### 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
02/25/2022	23rd; 4 <sup>th</sup> Session	The Company's endorsement and guarantee for the affiliated companies	Unanimous consent
03/25/2022	24th; 4 <sup>th</sup> Session	The release of newly appointed director and their representatives from the non-compete restriction, Loan of the Company's funds, and The plan to issue the Company's first unsecured convertible corporate bonds in Taiwan	
04/28/2022	25th; 4 <sup>th</sup> Session	Replacement of the signing accountant due to internal job rotation at Ernst & Young Accounting Firm and the Company's endorsement and guarantee for the affiliated companies	
06/01/2022	1st; 5 <sup>th</sup> Session	Election of the Chairman	
06/10/2022	2nd; 5 <sup>th</sup> Session	The remuneration for the Company's Chairman, The Company's endorsement and guarantee for the affiliated companies, and Loan of the Company's funds	
08/16/2022	3rd; 5 <sup>th</sup> Session	Remuneration distribution for the Company's Directors in 2021, The Company's endorsement and guarantee for the affiliated companies, The explanation for the changes in the loan of the Company's funds, and Loan of the Company's and the affiliated companies'	

Date	Session	Content	Opinions and Suggestions
		funds	
11/01/2022	5th; 5 <sup>th</sup> Session	The Company's endorsement and guarantee for the affiliated companies	
12/30/2022	6th; 5 <sup>th</sup> Session	The appointment of Ernst & Young LLP as an Independent Accountant for the Company's 2023 Financial Statements and The Company's endorsement and guarantee for the affiliated companies	

- (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: None
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
Every year	2022.1.1~ 2022.12.31	Board performance evaluation	Through Self-evaluation Questionnaire for the Board Performance, filled out by the Directors	Items for evaluation from Self-evaluation Questionnaire for the Board Performance include five aspects: the level of participation in the company's operations, the enhancement of the quality of the board's decision-making, the composition and structure of the board, the selection and continuing education of the directors, and internal control. In total, there are 48 assessment indicators.
Every three years (Completed by an external independent institution)	01/01/2021 - 12/31/2021	Effectiveness of the board of directors to be assessed, analyzed, and reported externally	Ernst & Young Business Advisory Solutions (documents review, self-assessment questionnaire, and field interview)	On Aug. 4, 2020, the Board of Directors approved the revision of the "Measures for Performance Evaluation of the Board of Directors", specifying that an external performance evaluation of the Board of Directors should be carried out at least once every three years. The most recent execution was in 2021, the Company

Cycle	Period	Scope	Method	Evaluation
				<p>appointed Ernst &amp; Young Enterprise Management Consulting Service Company to execute the 2021 external board effectiveness evaluation (period 01/2021 - 12/2021). The agency and executive experts have no business relationship with the Company and are independent. The board structure and process of the board of directors, the composition of the board of directors, the legal person and organizational structure, roles and responsibilities, behavior and culture, director training and development, risk control supervision, reporting / disclosure, and performance supervision, etc. In Jan. 2022, an evaluation report on the effectiveness of the board of directors was issued, and the above-mentioned recommendations and expected measures were submitted to the Board of Directors on 02/25/2022. Please refer to the Company's website: <a href="http://www.eurocharm.com.tw/esg/公司治理/董事會">http://www.eurocharm.com.tw/esg/公司治理/董事會</a> for the relevant evaluation results and reports.</p>
Yearly	01/01/2020 - 12/31/2020	Board performance evaluation	Through Self-evaluation Questionnaire for the Board Performance, filled out by the Directors	<p>Items for evaluation from Self-evaluation Questionnaire for the Board Performance include five aspects: the level of participation in the company's operations, the enhancement of the quality of the board's decision-making, the composition and structure of the board, the selection and continuing</p>

Cycle	Period	Scope	Method	Evaluation
				education of the directors, and internal control. In total, there are 48 assessment indicators.

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

- (1) To strengthen the functions of the board of directors, the Company 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 in 2022.
- (4) The attendance of the independent directors in 2022:

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

2022	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>	9 <sup>th</sup>
Bryan Peng	V	V	V						
Wei-Min Lin	V	V	V						
Gen-Yu Fong	V	V	V						
Yi-Ren Guo				V	V	V	V	V	V
Yen-Hsi Lin				V	V	V	V	V	V
Jen-Tien Yuan				V	V	V	V	V	V

#### 3.4.2 The Audit Committee

The Audit Committee of the Company was established on June 21, 2013, and its members are independent directors (three seats). All members elect an independent director as the convener and **chairperson** of the meeting. The Audit Committee operates in accordance with the Company's "Rules and Regulations of the Audit Committee" and **reviews** 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 the certified public accountants, and the appointment or removal of the financial, accounting or internal auditing officers.



## Audit Committee Professional Qualifications:

Member	Professional Qualifications and Experience
Yi-Ren Guo	Mr. Yi-Ren Guo has over 40 years of experience in the production and sales of materials such as steel and aluminum alloys. He served as the manager and general manager in China Steel Corporation, China Steel Aluminum Corporation, and China Steel Global Trading Corporation. Mr. Guo graduated from the Department of Transportation Engineering and Management at Jiao Tong University.
Yen-Hsi Lin	Ms. Yen Hsi Lin currently serves as the General Manager of DDI-Asia/Pacific International Ltd. (Taiwan) and the Senior Advisor- Asia/Pacific Region of Caliper Human Strategies. She also holds the positions of Directors for iMotion Inc. and iWaylink Inc. Ms. Lin holds a bachelor's degree in philosophy from Fu Jen Catholic University.
Jen-Tien Yuan	Mr. Jen-Tien Yuan graduated from the Department of Law at National Taiwan University and has an M.B.A. degree from Peking Guanghai School of Management. His professional experience includes serving as the Managing Partner at Chih Cheng Law Firm, Executive Vice President at EY Management Services Inc., Director at Chih Lien Industrial Co., Ltd. Mr. Yuan is currently the Partner at Yuan, Chen & Partners Attorneys-at-Law and the Supervisor for Wenetgroup Ltd.

On August 4, 2020, the Board of Directors passed the “Measures for the Performance Evaluation of the Board of Directors”, which stipulated that the Board of Directors should conduct a performance evaluation of the Board of Directors, members of directors and functional committees at least once a year. The internal evaluation shall be conducted at the end of each year, and the performance evaluation of the current year shall be carried out in accordance with these Measures. The Company completed the performance evaluation of the Audit Committee in January 2022 and submitted it to the Board of Directors on February 25, 2022, which also served as a reference of nominating directors for the Nomination Committee on March 25, 2022.

The performance evaluation of the annual audit committee of the Company is conducted by means of self-evaluation questionnaires. Three independent directors have completed the relevant written self-evaluation respectively. The evaluation results are summarized as follows:

“Audit Committee Performance Assessment Self-Assessment Questionnaire”: It includes five aspects and 34 assessment items, which are self-assessed by 4 members.

1. Participation in the company's operations (4 questions in total): All members gave positive comments.
2. Accountability of the Audit Committee's Responsibilities (8 questions in total): All members

gave positive comments.

3. Improve the decision-making quality of the audit committee (7 questions in total): All members gave positive comments.
4. Audit Committee composition and member selection (3 questions in total): All members gave positive comments.
5. Internal control (2 questions in total): All members gave positive comments.

Overall evaluation results: All three members gave positive evaluations.

#### 2022 Annual Major Work:

##### 1. Review of financial reports

The consolidated financial statements for 2021 have been prepared and submitted by the Board of Directors, and Ernst & Young LLP's Ching-Piao Cheng and Guo-Shuai Chen were asked to audit and approve the statements. The business report and proposal of earnings distribution were reviewed and approved by the 11<sup>th</sup> meeting of 3<sup>rd</sup> Audit Committee (02/25/2022) and submitted to the 23<sup>rd</sup> meeting of 4<sup>th</sup> Board of Directors (02/25/2022) for approval and then presented to the 2022 Annual General Meeting of Shareholders (05/31/2022) for recognition.

##### 2. Assessment of internal control effectiveness

The Company determined the effectiveness of the design and implementation of the internal control system in 2022 based on the evaluation items of the effectiveness of the internal control system 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 24, 2022, and no significant deficiencies were found in the design and implementation of the 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 2022 was issued after it was reviewed and approved by the 5<sup>th</sup> meeting of 4<sup>th</sup> Audit Committee (02/24/2023) and submitted to the 7<sup>th</sup> meeting of 5<sup>th</sup> Board of Directors (02/24/2023) for resolution approval.

A total of 7 (A) Audit Committee meetings were held in the most recent year (2022). The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
The 3rd Convener	Wei-Min Lin	3	0	100	Elected on 05/31/2019

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
The 3rd Committee Member	Gen-Yu Fong	3	0	100	Elected on 05/31/2019
The 3rd Committee Member	Bryan Peng	3	0	100	Elected on 05/31/2019
The 4th Convener	Jen-Tien Yuan	4	0	100	Elected on 05/31/2022
The 4th Committee Member	Yen-Hsi Lin	4	0	100	Elected on 05/31/2022
The 4th Committee Member	Yi-Ren Guo	4	0	100	Elected on 05/31/2022

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
02/25/2022	19th; 3 <sup>rd</sup> Session	1.Proposal to approve business report and consolidated financial statements of 2021 2.Distribution of earnings 3.Self-assessment result report of the internal control system of 2021 and discussion of the Statement of Internal Control System 4.The Company's endorsement and guarantee for the affiliated companies	Unanimous consent
03/25/2022	20th; 3 <sup>rd</sup> Session	1.Loan of the Company's funds 2.The plan to issue the Company's first unsecured convertible corporate bonds in Taiwan	
04/18/2022	21st; 3 <sup>rd</sup> Session	1.Replacement of the signing accountant due to internal job rotation at Ernst & Young Accounting Firm 2.The Company's endorsement and guarantee for the affiliated	

Date	Session	Content	Opinions and Suggestions
		companies	
06/10/2022	1st; 4th Session	1. The Company's endorsement and guarantee for the affiliated companies 2. Loan of the Company's funds	
08/16/2022	2nd; 4th Session	1. Proposal to approve the financial statements of 2022 Q2 2. The Company's endorsement and guarantee for the affiliated companies	
11/01/2022	3rd; 4th Session	The Company's endorsement and guarantee for the affiliated companies	
12/30/2022	4th; 4th Session	Appointment of Ernst & Young LLP as an Independent Accountant for the Company's 2023 Financial Statement	
		The Company's endorsement and guarantee for the affiliated companies	

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.

(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 four 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 2022 are summarized as follows:

Audit Committee	Items	Results
19 <sup>th</sup> , 3 <sup>rd</sup> Session	2021 Internal Control System Statement	Notified and understood

<b>Audit Committee</b>	<b>Items</b>	<b>Results</b>
	2021 Internal Control System Self-Assessment Implementation Report	Approved by the Audit Committee and submitted to the Board of Directors for resolution
20 <sup>th</sup> ; 3rd Session	Internal Audit Performance Report for the first quarter of 2022	Notified and understood
	Follow-up report for performance improvement of 2022	Notified and understood
21 <sup>st</sup> ; 3rd Session	Internal Audit Performance Report for the first quarter of 2022	Notified and understood
	Follow-up report for performance improvement of 2022	Notified and understood
1 <sup>st</sup> ; 4th Session	Internal Audit Performance Report for the second quarter of 2022	Notified and understood
	Follow-up report for performance improvement of 2022	Notified and understood
2 <sup>nd</sup> ; 4th Session	Internal Audit Performance Report for the second quarter of 2022	Notified and understood
	Follow-up report for performance improvement of 2022	Notified and understood
3 <sup>rd</sup> ; 4th Session	Internal Audit Performance Report for the third quarter of 2022	Notified and understood
	Follow-up report for performance improvement of 2022	Notified and understood
4 <sup>th</sup> ; 4th Session	Summary of self-assessment for internal control	Notified and understood
	Proposal for internal control plans in 2023	Approved by the Audit Committee and submitted to the Board of Directors for resolution

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

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
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 with undisclosed information?	V		(4) To protect shareholders’ rights and fairly treat shareholders, the Company has established internal rules to forbid insiders trading on the undisclosed information. The Company has also strongly advocated these rules to prevent any violations.	None
3. Composition and Responsibilities of the Board of Directors				
(1) Does the Board develop and implement a diversified policy for the	V		(1) The Company has established the Corporate Governance Best-Practice Principles to specify that composition of the Board of Directors should be	None

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
composition of its members?			diversified and that diversify strategies for basic requirements and technical know-hows should be formulated based on the Company's operational type and developmental need. When appointing directors, the Company not only considers their professional backgrounds but also values diversity. The company has a total of seven directors, including three independent directors. The members' backgrounds include management, finance, law, investment, and other fields. The board of directors have diversified backgrounds in the industry, academics, and knowledge and can provide professional opinions from different perspectives, which is very beneficial to the company's operational performance and management efficiency.	
(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		<p>(See note 1)</p> <p>(2) In addition to the remuneration committee and audit committee in compliance with the law, the company has established a nomination committee in the first quarter of 2022. On May 31, 2022, the company established functional committees, including risk management committee and sustainability committee, in addition to those specified by the laws. There are four members in the risk management committee and the sustainability committee; more than half of them are independent directors with relevant professional capabilities.</p>	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		<p>(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.</p> <p>The results of the most recent (2022) board performance evaluation are as follows:</p> <ol style="list-style-type: none"> <li>1. The achievement rate of the board of director's self-evaluation is 100%</li> <li>2. The achievement rate of board member's self-evaluation is 100%.</li> </ol>	None
(4) Does the company regularly evaluate the independence of CPAs?	V		<p>(4) The Audit Committee evaluates the independence and competency of the Company's CPAs annually. The Committee requires that the signing accountants provide a "Statement of Independence" and "Audit Quality Indicators (AQIs)" and evaluate the accountants based on the standards of the questionnaire and AQI indicators. It is confirmed that the accountants have no other financial interests or business relationships with the</p>	None

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			<p>Company other than fees for signing and tax cases, and that their family members do not violate independence requirements. Based on AQI information, the Committee confirms that the accountants and their firm have better audit experience and training hours than the industry standard. Furthermore, the Company will continue to introduce digital auditing tools to enhance audit quality.</p> <p>The company evaluated Ernst &amp; Young L.L.P.’s accountants Kuo-Shuai Chen and Chih-Ming Chang 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. Their tenure has been discussed, and they passed the assessment of the independence and competence of certified accountants at the 22<sup>nd</sup> meeting of the 4<sup>th</sup> board of directors (12/24/2021) and the 6<sup>th</sup> meeting of the 5<sup>th</sup> board of directors (12/30/2022).</p>	
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>At the 2<sup>nd</sup> meeting of the 5<sup>th</sup> Board of Directors, the Company appointed a corporate governance supervisor to take charge of relevant 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 2022 business development is as follows and reported to the 1<sup>st</sup> board of directors meeting in 2023:</p> <p>(1) According to the “Self-evaluation Policy for Board of Directors’ Performance”, the Company’s overall performance in 2022 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 four times a year. The details of the meetings can be found on the Company’s website: <a href="http://www.eurocharm.com.tw/">http://www.eurocharm.com.tw/</a></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</p>	None



Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			company's finances.	
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 six categories for communication and management:</p> <p>(1) Shareholders</p> <p>Concerns: Economic Performance/ Market Presence/ Anti-corruption / Materials/ Employment/ Occupational Health and Safety/ Non-discrimination/ Customer Health and Safety/ Customer Privacy</p> <p>Communication channels and methods of responding:</p> <ul style="list-style-type: none"> <li>At least five times per year. There were 9 board meetings in 2022.</li> <li>Annual shareholder meeting</li> <li>Regular domestic and overseas legal person briefings are held to allow investors to understand the financial affairs of the Company</li> <li>Regularly announces the Company's operating results on the Company's website, and publishes the Chinese and English financial reports and annual reports for investors' reference</li> <li>Disclose immediate major announcements simultaneously on the Taiwan's MOPS (Market Observation Post System) website</li> <li>The Company's website provides contact information including email and phone number for establishing a smooth communication between the shareholders and</li> </ul>	None

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			<p>the Company.</p> <p>(2) Government Agencies</p> <p>Concerns: All topics</p> <p>Communication channels and methods of responding:</p> <ul style="list-style-type: none"> <li>Follow environmental protection laws and regulations, cooperate with local environmental protection laws and regulations, and regularly publicize them.</li> <li>Follow the personal information laws and regulations, cooperate with the personal information laws and regulations, and regularly publicize them.</li> <li>Follow labor laws and regulations, cooperate with labor laws and regulations and regularly publicize them.</li> </ul> <p>(3) Employees</p> <p>Concerns: Energy/ Water and Effluents/ Employment/ Labor/Management Relations</p> <p>Communication channels and methods of responding:</p> <ul style="list-style-type: none"> <li>Establish employee suggestion boxes and mailboxes so that employees can directly provide feedback to senior managers.</li> <li>The Company values employee rights and takes an active approach in communicating with employees. We regularly hold labor-management meetings and have signed a collective agreement with the labor union.</li> <li>Hold quarterly meetings of the safety and environment committee to review the implementation of labor safety and health.</li> </ul> <p>(4) Customer</p> <p>Concern: All topics</p>	

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>Communication channels and methods of responding:</p> <ul style="list-style-type: none"> <li>• External communication mailbox to understand customer needs and expectations.</li> <li>• Regular communication and discussion meetings, listening to customers’ opinions and making internal adjustments.</li> <li>• Regular customer satisfaction monitoring, regular collected customer satisfaction surveys and statistics.</li> </ul> <p>(5) Suppliers</p> <p>Concerns: Economic Performance/ Materials/ Child Labor / Customer Privacy</p> <p>Communication channels and methods of responding:</p> <ul style="list-style-type: none"> <li>• Annual supplier evaluation is to confirm the implementation status of the supplier’s quality system.</li> <li>• Regularly review suppliers, and cooperate with manufacturers to monitor quality, delivery time, and cooperation.</li> </ul> <p>(6) Media</p> <p>Concerns: Economic Performance/ Market Presence/ Indirect Economic Impacts/Anti-corruption/ Anti-competitive Behavior/ Tax/ Materials/ Energy/ Waste/ Supplier Social Assessment/ Customer Privacy</p> <p>Communication channels and response methods:</p> <ul style="list-style-type: none"> <li>• Proactively respond questions to media.</li> </ul>	
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company designates Yuanta Securities Co., Ltd. to handle shareholder affairs, and there is a Management Regulations for Shareholder Affairs.	None
7. Information Disclosure (1) Does the Company have a corporate website to	V		(1) The Company has set up a website to disclose information regarding the Company’s financials,	None

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
disclose both financial standings and the status of corporate governance?  (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		business, and corporate governance status.  Website: <a href="http://www.eurocharm.com.tw">www.eurocharm.com.tw</a>  (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: <a href="http://www.eurocharm.com.tw/en/">http://www.eurocharm.com.tw/en/</a>  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 and third quarters before the prescribed deadline? Also, the operating conditions of each month?	V		(3) The company's 2022 financial report was announced and filed after being approved by the board of directors on February 24, 2023. 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 prescribed time limit.	None
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		(1) In accordance with the “Key Points of Implementing Training for Directors and Supervisors of the Listed Companies”, the directors of the Company have been devoted in continuing education in 2022:  Chairman Steven Yu- 8 hours of training in “The Road Map for Sustainable Development Promotion Seminar”, “Prevention of Insider Trading 2022”, and “Insider Equity Transaction Legal Compliance Publicity Briefing 2022”  Director Michael Yu- 6 hours of training in “Insider Equity Transaction Legal Compliance Publicity Briefing 2022” and “Prevention of Insider Trading 2022”  Director Antonio Yu- 6 hours of training in “Prevention of Insider Trading 2022” and “Business	None

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			<p>Merge Practice and Care Analysis”</p> <p>Director Steven Chang- 6 hours of training in “Legal Compliance of Companies and Supervising Responsibility of Directors“ and “Analyzing Global Trends: Risks and Opportunities”</p> <p>Independent Director Yen-Hsi Lin- 12 hours of training in “How Do Board of Directors and Senior Executives Review ESG Reports”, “Disputes over Management Rights: from the perspective of corporate governance and the shareholder structure”, “Insider Equity Transaction Legal Compliance Publicity Briefing 2022”, and “Cathay Sustainable Finance and Climate Change Summit Forum 2022”</p> <p>Independent Director Jen-Tien Yuan- 18 hours of training in “Insider Equity Transaction Legal Compliance Publicity Briefing 2022”, “Cathay Sustainable Finance and Climate Change Summit Forum 2022”, and “Evaluation and Identification Accounting Forum 2022”</p> <p>Independent Director Yi-Ren Guo- 15 hours of training in “Publication of Guidelines for Duty Implementation of Independent Directors and the Audit Committee and Promotion Seminar for Directors and Supervisors”, “Prevention of Insider Trading 2022”, and “Cathay Sustainable Finance and Climate Change Summit Forum 2022”</p> <p>(2) Board Meetings: The Company has established regulations regarding board meetings including the specific procedures, directors’ attendances, and voting rights to prevent disputes over resolutions.</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</p>	

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			<p>investors, customers, suppliers and other interested parties. News regarding the company’s finances is announced on “MOPS” to provide timely 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 2022.</p> <p>(7) For more information and disclosures, please visit: <a href="http://www.eurocharm.com.tw">http://www.eurocharm.com.tw</a></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: Implementation status of diversification among board members

Board Member	M/F	Operational judgment	Accounting and financial analysis	Management	Crisis management	Industry know-how	International market perspective	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	V
Yi-Ren Guo	M	V	V	V	V	V	V	V	V
Yen-Hsi Lin	F			V	V		V	V	V
Jen-Tien Yuan	M		V	V	V		V	V	V

### 3.4.4 Structure, Responsibilities and Operations of the Remuneration Committee

1. Structure of the Remuneration Committee: On May 31, 2022, the board of directors has appointed Independent Directors Yen-Hsi Lin, Yi-Ren Guo, and Jen-Tien Yuan as the 4th session of the remuneration committee members and elected Independent Director Yen-Hsi Lin as the convener

and chairman of the remuneration committee. Member information is listed below:

<b>Condition</b>  <b>Name</b>	<b>Professional Qualifications</b>	<b>Experience</b>	<b>Independence Criteria (Note 2)</b>	<b>Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director</b>
Independent Director Yen-Hsi Lin (Convener)	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Note 1	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11) (12)	1
Independent Director Yi-Ren Guo	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Note 1	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10) (11) (12)	0
Independent Director Jen-Tien Yuan	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Note 1	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10) (11) (12)	0

Note 1:

<b>Title</b>	<b>Name</b>	<b>Other Position</b>
Independent Director	Yi-Ren Guo	Mr. Yi-Ren Guo has over 40 years of experience in the production and sales of materials such as steel and aluminum alloys. He served as the manager and general manager in China Steel Corporation, China Steel Aluminum Corporation, and China Steel Global Trading Corporation. Mr. Guo graduated from the Department of Transportation Engineering and

Title	Name	Other Position
		Management at National Chiao Tung University.
Independent Director	Yen-Hsi Lin	Ms. Yen Hsi Lin currently serves as the General Manager of DDI-Asia/Pacific International Ltd. (Taiwan) and the Senior Advisor- Asia/Pacific Region of Caliper Human Strategies. She also holds the positions of Directors for iMotion Inc. and iWaylink Inc. Ms. Lin holds a bachelor's degree in philosophy from Fu Jen Catholic University.
Independent Director	Jen-Tien Yuan	Mr. Jen-Tien Yuan graduated from the Department of Law at National Taiwan University and has an M.B.A. degree from Peking Guanghua School of Management. His professional experience includes serving as the Managing Partner at Chih Cheng Law Firm, Executive Vice President at EY Management Services Inc., Director at Chih Lien Industrial Co., Ltd. Mr. Yuan is currently the Partner at Yuan, Chen & Partners Attorneys-at-Law and the Supervisor for Wenetgroup Ltd. and Director of Yuan Chen Asset Management Co., Ltd.

Note 2: Independence status of each member during the two years prior to being elected or during the term(s) of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) 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.
- (9) 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 NT\$500,000";
- (10) Not been a person of any conditions defined in Article 30 of the Company Law.



2. 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.

- (1) Regularly review the operation and management practices of the Remuneration Committee.
- (2) 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.

The annual performance evaluation of the Remuneration Committee is conducted by self-evaluation questionnaires. Three Committee members completed the relevant written self-evaluation individually in December 2022 and the result was reported to the Board of Directors on February 24, 2023. The evaluation results are summarized as follows:

“Remuneration Committee Performance Assessment Self-Assessment Questionnaire”: five aspects and 34 assessment items, which are self-assessed by 3 members.

1. Participation in the Company's operations (4 questions in total): All members gave positive comments.
2. Understanding of the Remuneration Committee's Responsibilities (8 questions in total): All members gave positive comments.
3. Improve the decision-making quality of the Remuneration Committee (7 questions in total): All members gave positive comments.
4. Remuneration Committee composition and member selection (3 questions in total): All members gave positive comments.
5. Internal control (2 questions in total): All members gave positive comments.

Overall evaluation results: All three members gave positive evaluations.

### 3. Attendance of Members at the Remuneration Committee Meetings

- (1) There are 3 members in the Remuneration Committee.
- (2) A total of 4 (A) Remuneration Committee meetings were held in the term from May 31, 2022, to May 30, 2025. 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	1	0	100	Elected on 05/31/2019
Committee Member	Gen-Yu Fong	1	0	100	Elected on 05/31/2019
Committee Member	Bryan Peng	1	0	100	Elected on 05/31/2019
Convener	Yen-Hsi Lin	3	0	100	Elected on 05/31/2022
Committee Member	Yi-Ren Guo	3	0	100	Elected on 05/31/2022
Committee Member	Jen-Tien Yuan	3	0	100	Elected on 05/31/2022
Other mentionable items:					
1. 2022 Remuneration Committee Meeting Details:					
Date	Session	Content			Opinions and Suggestions
02/25/2022	9 <sup>th</sup> , 3 <sup>rd</sup> Session	The Company’s directors and employees’ distribution of remuneration in 2021			Unanimous consent
06/10/2022	1st; 4th Session	Election of the Convener and the Meeting Chair of the Company’s Remuneration Committee			
		Remuneration for the Company’s Chairman			
		Discussion of travelling expenses for the Company’s Directors and functional directors			
		Remuneration and salary for the Company’s managers			
08/16/2022	2 <sup>nd</sup> , 4 <sup>th</sup> Session	Adjustments for the manager’s salary			
		Distribution of remuneration for the Company’s Directors in 2021			
		Distribution of remuneration for the Company’s managers in 2021			
11/01/2022	3 <sup>rd</sup> , 4 <sup>th</sup> Session	Revisions for the relevant guidelines for the affiliated companies			

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 (e.g., 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 Qualifications of the Nomination Committee Members and operation of the Committee

#### 1. Nomination Committee Responsibilities

In accordance with the authorization of the Board of Directors, the Nomination Committee shall exercise the following duties with due care of a good administrator, be accountable to the Board of Directors, and report or submit the results of its decisions to the Board of Directors for discussion:

- A. Formulating selection criteria, such as composition and qualification requirements, for the Board of Directors members and senior executives, and selecting and reviewing candidates for directors and senior executives.
- B. Planning and executing performance evaluations of the Board of Directors, various functional committees, directors, and senior executives.
- C. Planning and executing continuous training plans for directors and senior executives.
- D. Reviewing and discussing the organizational regulations and corporate governance practices.

The annual performance evaluation of the Nomination Committee is conducted by self-evaluation questionnaires. Four Committee members completed the relevant written self-evaluation individually in December 2022 and the result was reported to the Board of Directors on February 24, 2023. The evaluation results are summarized as follows:

“Nomination Committee Performance Assessment Self-Assessment Questionnaire”: five aspects and 34 assessment items, which are self-assessed by 4 members.

- 1. Participation in the Company's operations (4 questions in total): All members gave positive comments.
- 2. Understanding of the Nomination Committee's Responsibilities (8 questions in total): All members gave positive comments.
- 3. Improve the decision-making quality of the Nomination Committee (7 questions in total): All members gave positive comments.

4. Nomination Committee composition and member selection (3 questions in total): All members gave positive comments.

5. Internal control (2 questions in total): All members gave positive comments.

Overall evaluation results: All 4 members gave positive evaluations.

2. There are 4 members in the Nomination Committee.

3. A total of 2 (A) Nomination Committee meetings were held in the term from May 31, 2022, to May 30, 2025. The attendance record of the Nomination Committee members was as follows:

Title	Name	Professional Qualifications and Experience	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Convener	Wei-Min Lin	Professional and technical personnel with accountant certificate	1	-	100	Note 1
Committee Member	Gen-Yu Fong	Professor of Law, National University of Governance	1	-	100	Note 1
Committee Member	Steven Yu	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	-	100	Note 1
Convener	Yen-Hsi Lin	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	-	100	Note 2
Committee Member	Yi-Ren Guo	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting,	1	-	100	Note 2

Title	Name	Professional Qualifications and Experience	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
		or Otherwise Necessary for the Business of the Company				
Committee Member	Jen-Tien Yuan	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	-	100	Note 2
Committee Member	Steven Yu	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	-	100	Note 2

Note 1: Elected on February 25, 2022.

Note 2: Elected on May 31, 2022.

Other mentionable items:

1. 2022 Nomination Committee Meeting Details:

Date	Session	Content	Opinions and Suggestions
03/25/2022	1 <sup>st</sup> ; 1 <sup>st</sup> Session	Proposal to elect the convener and chairman of the nomination committee.	Unanimous consent
		Nominate directors, independent director candidates and nominees for audit work related matters.	
06/10/2022	1 <sup>st</sup> , 2 <sup>nd</sup> Session	Proposal to elect the convener and chairman of the nomination committee.	
		Appointment of the Company's General Manager	
		Appointment of the Company's managers	

2. If the board of directors declines to adopt or modifies a recommendation of the nomination 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 nomination committee's opinion: None.

3. Resolutions of the nomination 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.

### 3.4.6 Risk Committee

#### 1. Responsibilities of the Risk Committee

The members of Risk Committee should exercise fiduciary duty of care, carry out the following tasks faithfully, hold themselves responsible to the Board of Directors, and submit recommendations for discussion by the Board of Directors.

- A. Review policies for risk management
- B. Review the adequacy of the risk management framework.
- C. Review major risk management strategies, including risk appetite or tolerance.
- D. Review the management reports on significant risk issues and supervise mechanisms for improvement.
- E. Report to the Board of Directors regularly on the implementation of risk management

The annual performance evaluation of the Risk Committee is conducted by self-evaluation questionnaires. Three Committee members completed the relevant written self-evaluation individually in December 2022 and the result was reported to the Board of Directors on February 24, 2023. The evaluation results are summarized as follows:

“Risk Committee Performance Assessment Self-Assessment Questionnaire”: five aspects and 34 assessment items, which are self-assessed by 4 members.

1. Participation in the Company’s operations (4 questions in total): All members gave positive comments.
2. Understanding of the Risk Committee’s Responsibilities (8 questions in total): All members gave positive comments.
3. Improve the decision-making quality of the Risk Committee (7 questions in total): All members gave positive comments.
4. Risk Committee composition and member selection (3 questions in total): All members gave positive comments.
5. Internal control (2 questions in total): All members gave positive comments.

Overall evaluation results: All 4 members gave positive evaluations.

2. There are 4 members on the Risk Committee.

3. A total of 2 (A) Risk Committee meetings were held in the term from May 31, 2022, to May 30, 2025. The attendance record of the Risk Committee members was as follows:

Title	Name	Professional Qualifications and Experience	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Convener	Jen-Tien Yuan	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting	2	-	100	Note 1
Committee Member	Yen-Hsi Lin	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting	2	-	100	Note 1
Committee Member	Yi-Ren Guo	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting	2	-	100	Note 1
Committee Member	Antonio Yu	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting	2	-	100	Note 1

Note 1: Appointed on May 31, 2022

Other items to be specified:

A、Meetings and resolutions of the Risk Committee in 2022:

Date	Session	Content	Opinions and Suggestions
June 10, 2022	The 1 <sup>st</sup> , first session	1. To propose the Convener and meeting chair of the Company's Risk Committee	Unanimous consent
December 30, 2022	The 2 <sup>nd</sup> , first session	1. To propose the establishment of guidelines for risk management practices	Unanimous consent

B、If the board of directors declines to adopt or modifies a recommendation of the risk 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 risk committee's opinion: None.

C、Resolutions of the risk 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.

### 3.4.7 Sustainability Committee

#### 1. Responsibilities of the Sustainability Committee

The Committee assists the Board of Directors in promoting sustainable development and enhancing corporate governance to achieve the goal of sustainable management. The duties of the Committee should include the following.

- A. Formulating the direction and strategic objectives of sustainable development and developing relevant management policies and specific action plans.
- B. Promoting and implementing relevant tasks of corporate ethics and risk management.
- C. Monitoring, reviewing, and revising the implementation and effectiveness of sustainable development in the Company.
- D. Reviewing the Company's sustainability report.
- E. Other matters as determined by the Board of Directors.

The annual performance evaluation of the Sustainability Committee is conducted by self-evaluation questionnaires. Four Committee members completed the relevant written self-evaluation individually in December 2022 and the result was reported to the Board of Directors on February 24, 2023. The evaluation results are summarized as follows:

“Sustainability Committee Performance Assessment Self-Assessment Questionnaire”: five aspects and 34 assessment items, which are self-assessed by 4 members.

- 1. Participation in the Company’s operations (4 questions in total): All members gave positive comments.
- 2. Understanding of the Sustainability Committee’s Responsibilities (8 questions in total): All members gave positive comments.
- 3. Improve the decision-making quality of the Sustainability Committee (7 questions in total): All members gave positive comments.
- 4. Sustainability Committee composition and member selection (3 questions in total): All members gave positive comments.
- 5. Internal control (2 questions in total): All members gave positive comments.

Overall evaluation results: All 4 members gave positive evaluations.

#### 2. There are four members on the Sustainability Committee.

3. A total of 3 (A) Sustainability Committee meetings were held in the term from May 31, 2022, to May 30, 2023. The attendance record of the Risk Committee members was as follows:



Title	Name	Professional Qualifications and Experience	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Convener	Yi-Ren Guo	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	3	-	100	Note 1
Committee Member	Yen-Hsi Lin	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	3	-	100	Note 1
Committee Member	Jen-Tien Yuan	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	3	-	100	Note 1
Committee Member	Michael Yu	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	3	-	100	Note 1

Note 1: Appointed on May 31, 2022

Other items to be specified:

A. Meetings and resolutions of the Sustainability Committee in 2022

Date	Session	Content	Opinions and Suggestions
June 10, 2022	The first, 1 <sup>st</sup> Session	1. To propose the election of the convener and meeting chair of the Sustainability Committee	Unanimous consent
August 16, 2022	The second, 1 <sup>st</sup> Session	1. To propose guidelines for producing, editing, and reporting the sustainability report 2. The Chinese and English versions of the 2021 Sustainability Report of the Company	Unanimous consent
December 30, 2022	The third, 1 <sup>st</sup> Session	1. To amend guidelines for producing, editing, and reporting the sustainability report	Unanimous consent

B、If the board of directors declines to adopt or modifies a recommendation of the sustainability 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 risk committee's opinion: None.

C、Resolutions of the sustainability 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.

### 3.4.8 Implementation of promoting sustainable development and deviations from the corporate social responsibility best-practice principles for TWSE/TPEX listed companies.

Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE / TPEX Listed Companies" and Reasons
	Yes	No	Summary	
1. Has the Company established a governance structure to promote sustainable development and a dedicated (or ad-hoc) sustainability organization while the senior executives are	V		<p>1. The company established a "Sustainability Committee" in 2022 as the highest-level decision-making center for sustainable development within the company. The committee is chaired by an independent director and includes several independent directors and directors from various fields who jointly review the company's mid- to long-term sustainable development plans. Each subsidiary company reports the ESG execution status of their respective task forces, formulates corresponding strategies and work plans, allocates budgets related to sustainability and planning and executes annual programs. Additionally, the committee tracks the effectiveness of the execution to ensure that sustainable development strategies are fully implemented in the company's daily operations.</p> <p>2. The Sustainability Committee hold three meetings in 2022.</p>	None

Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE / TPEX Listed Companies” and Reasons								
	Yes	No	Summary									
authorized by the Board of Directors to handle the relevant matters, which are supervised by the Board of Directors?			Resolutions included (1) supervision of implementing sustainable operations and evaluating status of execution and (2) setting and revising sustainability goals for the next year. 3. The Board of Directors receives quarterly operational reports (including ESG reports) from the management team. The management team of subsidiary companies must propose company strategies to the Board of Directors of the parent company. The Board of Directors must assess the likelihood of success of these strategies and regularly review the progress of the strategies. When necessary, the Board of Directors urges the management team to make adjustments.									
2. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation and establish relevant risk management policy or strategy?	V		<p>The disclosed materials in this report cover the Company’s performance in sustainability at major operating sites during January to December in 2022. The risk assessment boundary is mainly within the Company and includes regions such as Taiwan, Vietnam, and the United States. Through following GRI principles, international sustainability trends, and our operation strategies, we conducted analysis on ESG materiality, developed risk management policies for effective identification, evaluation, monitoring, and controlling and carried out actual action plans to reduce the impact from relevant risks. Based on the risk assessment, the following risk management policies or strategies have been established:</p> <table><tr><th>Materiality</th><th>Risk assessment item</th><th>Risk management policies or strategies</th></tr><tr><td rowspan="2">Environment</td><td>Energy</td><td>The management departments of each factory collect and track energy usage, produce promotional materials, and promote energy conservation and carbon reduction. We are gradually replacing equipment with poor energy efficiency and continuously improving energy efficiency.</td></tr><tr><td>Emissions Waste</td><td>Treated wastewater from the sub-subsidiary in</td></tr></table>	Materiality	Risk assessment item	Risk management policies or strategies	Environment	Energy	The management departments of each factory collect and track energy usage, produce promotional materials, and promote energy conservation and carbon reduction. We are gradually replacing equipment with poor energy efficiency and continuously improving energy efficiency.	Emissions Waste	Treated wastewater from the sub-subsidiary in	None
Materiality	Risk assessment item	Risk management policies or strategies										
Environment	Energy	The management departments of each factory collect and track energy usage, produce promotional materials, and promote energy conservation and carbon reduction. We are gradually replacing equipment with poor energy efficiency and continuously improving energy efficiency.										
	Emissions Waste	Treated wastewater from the sub-subsidiary in										

Item	Implementation Status					Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE / TPEx Listed Companies” and Reasons	
	Yes	No	Summary				
					Vietnam must reach Grade A standard before it can be discharged to the on-site wastewater treatment plant. Our companies in Taiwan and Vietnam track the usage of waste in, promote effective garbage sorting, and increase reuse of resources.		
				Society	Employment		The Company strives to improve internal management and continuously enhance working conditions to maintain the legitimate rights of the employees. Diversity is one of the most critical components of the corporate culture, and hiring a diverse workforce is a long-standing principle based on the concept of placing the right person in the right position.
					Occupational Health and Safety		The sub-subsidiary in Vietnam has established a "Safety and Environment Committee" to identify, assess, and control hazards in the work environment or procedures, strengthen the management of machinery, equipment, or



Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE / TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<div>production bases and products. Monthly management meetings are held to track business performance, and relevant units are asked to improve. Regular board meetings ensure the continuity and suitability of the strategic direction.</div> <div>Procurement practices</div> <div>Since 2016, the proportion of locally sourced materials and components has gradually increased from below 50% to 80%, including joint procurement with customers and the company's own procurement.</div>	
3. Environmental Topics				
(a) Has the Company set an environmental management system designed to industry characteristics?	V		(a) The Company’s sub-subsidary in Vietnam has acquired the ISO 14001 environmental management system and has been passing the third-party verification. The parent company has 100% of the control over the sub-subsidary and conducts annual greenhouse gas audit, tracks results of carbon reduction and disclose the relevant information in the ESG report as well as the Company’s website, following ISO 14064-1 guidelines. ( <a href="https://www.eurocharm.com.tw/esg/環境永續/能源及溫室氣體管理">https://www.eurocharm.com.tw/esg/環境永續/能源及溫室氣體管理</a> )	None
(b) Is the Company committed to improving resource efficiency and to the use of renewable	V		<p>(b) To optimize energy efficiency, the Company actively promotes various energy-saving measures, using equipment with high energy efficiency and energy-saving design to reduce energy consumption for both our business and products.</p> <p>With the reuse of materials and resources as the core of promoting the circular economy, the Company continually improves the efficiency of resource utilization, prioritizing the reuse of raw materials in our internal processes, such as recycling leftover</p>	None

Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE / TPEX Listed Companies” and Reasons								
	Yes	No	Summary									
materials with low environmental impact?			materials, to ensure that resources are effectively utilized.									
(c) Does the Company evaluate current and future climate change potential risks and opportunities and take measures for climate related topics?	V		<p>(c) Eurocharm group established a Risk Committee in June 2022 to conduct risk and opportunity assessments and propose corresponding strategic recommendations for various risks, which are reviewed by the Risk Committee members who report the formulated annual work plan to the Board of Directors. In recent years, in light of losses due to disasters possibly resulted from climate change, such as windstorms, water shortages, floods, transportation and communication interruption, the company requires major suppliers of raw materials to prepare contingency plans to reduce the impact of supply interruptions caused by accidents.</p> <p>Based on the climate-related risks and opportunities specified by the TCFD as well as industry best practices, the Company has identified 159 climate-related risks and opportunities. After reviewing and screening the 159 items, the Company conducted in-depth climate scenario analysis on 6 climate risks and 4 climate opportunities. The management of climate-related risks and opportunities is integrated into the company's management process. A detailed explanation of such analysis is disclosed in the Company’s ESG Report. (<a href="https://www.eurocharm.com.tw/esg/永續發展/esg下載區/">https://www.eurocharm.com.tw/esg/永續發展/esg下載區/</a>)</p>	None								
(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?	V		<p>(d)</p> <p>(1) ISO 14064-1 Scope 1, 2, 3 greenhouse gas inventory was introduced to all the factories and sub-subsidiaries, and third-party verification was conducted using 2022 as the base year. In addition, the Company’s major production bases, sub-subsidiaries in Vietnam and Taiwan are expected to finish the development of ISO 50001 management system and acquire the third-party verification in 2023.</p> <p>Greenhouse gas emission in recent two years: (Information of scope 1, 2, and 3 in 2022 covers all factories and subsidiaries.)</p> <p style="text-align: right;">Unit:10,000 tons CO<sub>2</sub><sup>e</sup></p> <table><tr><th>Year</th><th>Scope 1</th><th>Scope 2</th><th>Scope 3</th></tr><tr><td>2021</td><td>2,006.65</td><td>20,901</td><td>Not yet surveyed</td></tr></table>	Year	Scope 1	Scope 2	Scope 3	2021	2,006.65	20,901	Not yet surveyed	None
Year	Scope 1	Scope 2	Scope 3									
2021	2,006.65	20,901	Not yet surveyed									

Item	Implementation Status						Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE / TPEX Listed Companies” and Reasons	
	Yes	No	Summary					
				2022	10,826.18	38,433.93	1,73,793.54	
			<p>In 2022, greenhouse gas emission of scope 1, 2, and 3 were 1,703,755.63 tons CO2e in total; emission per product unit is 0.019 tons CO2e/1,000 units. Emission is mainly from purchasing steel materials (scope 3), which accounted for 61.21% of top emission, followed by emission of electricity (scope 2), accounting for 17.23%. In 2022, the power consumption of the sub-subsidiary in Taiwan decreased by 38,210 kWh compared to 2021, representing a reduction of 13.33%. Scope 2 greenhouse gas emissions decreased by 19.45 tons of CO2e, a decrease of 13.33% from 2021. Diesel consumption decreased by 1.46 kiloliters, a decrease of 31.43% from 2021, while acetylene consumption decreased by 0.027 metric tons, a decrease of 64.29% from 2021. Since 2016, the local procurement ratio of the Company has gradually increased from below 50% to 80-90%, including joint purchasing with customers and self-procurement. Eurocharm group designates every June and December as environmental protection promotion months to promote various energy-saving and carbon-reducing policies to employees. Specific annual electricity-saving targets are set and managed for each production base, and the emission reduction results are tracked and publicly disclosed on the company's website. The efficiency of resource utilization is continuously improved, such as switching to indirect lighting to reduce daytime lighting demand and replacing the continuous melting furnace for aluminum ingots with a centralized furnace to reduce carbon dioxide emissions.</p> <p>(2) Our water consumption is mainly for the operation of the plants. Each year, the goal is to save 2% on water for each production base. Domestic wastewater is treated through</p>					



Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE / TPEX Listed Companies” and Reasons								
	Yes	No	Summary									
			<p>reverse osmosis (RO) and reused for irrigation and toilet cleaning. Approximately 2,300 tons of wastewater are recycled every month for secondary water usage. Recycled water is used to plant flowers and grass in the morning, which can reduce evaporation caused by high temperatures. The fish tanks use a circulating water supply system. To minimize unnecessary water waste, the Company promotes appropriate water usage habits among employees and encourages them to turn off the taps after use.</p> <p><b>Water consumption in recent two years:</b> <b>(includes plants in Taiwan and Vietnam)</b></p> <p style="text-align: right;"><b>Unit: million tons</b></p> <table><tr><th>Year</th><th>Total water consumption</th><th>Water consumption intensity</th></tr><tr><td>2021</td><td>247,230</td><td>0.00324</td></tr><tr><td>2022</td><td>291,931</td><td>0.00333</td></tr></table> <p>(3) The Company is committed to environmental protection and has established KPIs for waste reduction. The Sustainability Committee conducts quarterly performance reviews and conducts internal and external audits. In 2022, the sub-subsidiary in Vietnam continuously passed the third-party verification of ISO 14001 environmental management system.</p> <p>To address the issue of waste, the first step is to reduce the quantity of the waste and implement sorting and recycling. Waste disposal is a last resort. Eurocharm group has established policies for resource recycling such as water, electricity, and raw materials; project goals and implementation methods comply with the ISO 14001 standards, which are also disclosed on the Company’s website. Eurocharm group follows government regulations by submitting a business waste disposal plan and paying recycling and disposal fees in accordance with the waste disposal law. The waste generated from the group's own operational activities includes wastewater and waste liquid from the coating production line. Qualified waste</p>	Year	Total water consumption	Water consumption intensity	2021	247,230	0.00324	2022	291,931	0.00333
Year	Total water consumption	Water consumption intensity										
2021	247,230	0.00324										
2022	291,931	0.00333										

Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE / TPEX Listed Companies” and Reasons															
	Yes	No	Summary																
			<p>agencies are entrusted for waste transportation and disposal. The sub-subsidiary in Vietnam has set a target to reduce hazardous waste by <math>\geq 3\%</math> in 2023. In addition, among the waste disposal vendors contracted by VPIC1, one collects the heat generated by their incinerator and recirculates it back to their boiler for reuse.</p> <p><b>Quantity of Waste Production in last two years (Information covers factories in Taiwan and Vietnam)</b></p> <p style="text-align: right;">Unit: metric ton</p> <table border="1"> <thead> <tr> <th>Year</th><th>General Waste</th><th>Recyclable Waste</th><th>Hazardous Waste</th><th>Density</th></tr> </thead> <tbody> <tr> <td>2021</td><td>814.80</td><td>12,748.63</td><td>1,505.65</td><td>0.00017</td></tr> <tr> <td>2022</td><td>782.51</td><td>14,627.59</td><td>5,221.92</td><td>0.00023</td></tr> </tbody> </table> <p>In 2022, the quantity of recyclable waste in the sub-subsidiary in Taiwan increased by 12.61 tons compared to 2021, while the quantity of that in the sub-subsidiary in Vietnam increased by 1,866.35 tons. On the other hand, the quantity of general waste in the sub-subsidiary in Vietnam decreased by 32.29 tons, a 4.14% decline compared to 2021.</p>	Year	General Waste	Recyclable Waste	Hazardous Waste	Density	2021	814.80	12,748.63	1,505.65	0.00017	2022	782.51	14,627.59	5,221.92	0.00023	
Year	General Waste	Recyclable Waste	Hazardous Waste	Density															
2021	814.80	12,748.63	1,505.65	0.00017															
2022	782.51	14,627.59	5,221.92	0.00023															
<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>	V		<p>(1) To fulfill corporate social responsibility and ensure the basic human rights of our employees, the Company supports and adheres to internationally recognized human rights norms and principles, such as the “Universal Declaration of Human Rights”, “International Labor Organization Conventions”, and the “United Nations Global Compact”. The Company treats current employees equally and with respect and complies with labor laws and regulations in locations that we operate. The Company has established management policies and procedures related to work rules and environmental health and safety management to ensure that no behavior violates human rights. In 2022, we conducted human rights training for our employees for the first time in the sub-subsidiary in Taiwan. Training hours were 61 hours in total, with 61 colleagues completing the training, which is 1.19% of the total employees. We will continue to focus on human rights protection and promote relevant education and training to raise awareness and reduce the related risks.</p>	None															

Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE / TPEX Listed Companies” and Reasons										
	Yes	No	Summary											
			<p>(2) The Company’s human rights management policies and action plans are summarized as follows.</p> <table><tr><th>Human Rights Management Policy</th><th>Action Plan</th></tr><tr><td rowspan="3">Reasonable work conditions and safe and healthy labor environment</td><td>1. Our company complies with the local Occupational Safety and Health Act and ISO regulations and has established an occupational safety and health management system with the goal of achieving zero work-related injuries.</td></tr><tr><td>2. The Company complies with local fire and environmental regulations and has established an emergency response organization within our company.</td></tr><tr><td>3. The Company has established a management system for evaluating existing suppliers and continuously implements the construction safety and health management system of the contractors.</td></tr><tr><td>Physical and mental health and work-life balance</td><td>1. The company provides regular health checkups for our employees, during which the hospital offers face-to-face consultation. After the checkup reports are issued, employees with abnormalities are classified and tracked accordingly.</td></tr><tr><td>Care for health of employees</td><td>1. To effectively reduce the risks of exposure to harm, occupational</td></tr></table>	Human Rights Management Policy	Action Plan	Reasonable work conditions and safe and healthy labor environment	1. Our company complies with the local Occupational Safety and Health Act and ISO regulations and has established an occupational safety and health management system with the goal of achieving zero work-related injuries.	2. The Company complies with local fire and environmental regulations and has established an emergency response organization within our company.	3. The Company has established a management system for evaluating existing suppliers and continuously implements the construction safety and health management system of the contractors.	Physical and mental health and work-life balance	1. The company provides regular health checkups for our employees, during which the hospital offers face-to-face consultation. After the checkup reports are issued, employees with abnormalities are classified and tracked accordingly.	Care for health of employees	1. To effectively reduce the risks of exposure to harm, occupational	
Human Rights Management Policy	Action Plan													
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Physical and mental health and work-life balance	1. The company provides regular health checkups for our employees, during which the hospital offers face-to-face consultation. After the checkup reports are issued, employees with abnormalities are classified and tracked accordingly.													
Care for health of employees	1. To effectively reduce the risks of exposure to harm, occupational													

Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE / TPEX Listed Companies” and Reasons
	Yes	No	Summary	
				diseases, human hazards, workplace violence, abnormal workloads (overwork), etc., we provide employees with information of consulting physicians.
			Maternal health care	1. The company promotes the parental unpaid leave in accordance with the law.
			Equal employment	1. Our recruitment process remains fair, impartial, and transparent. There is no discrimination based on race, ideology, religion, political affiliation, birthplace, gender, marital status, appearance, disability, or other identities. 2. We provide fair work and equal salary for employees with disabilities based on the same level as newly hired employees at the same position. 3. Equal pay for male and female employees; the Company provides identical salary standards.

Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE / TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>Prohibition of forced labor</p> <p>Prohibition of child labor</p> <p>Clear communication channels between the employer and employees</p> <p>Review of the evaluation system for human rights</p>	<p>1. The Company abides by “Universal Declaration of Human Rights”, “International Labor Organization Conventions”, the “United Nations Global Compact”, “Labor Standards Act” and the Company’s human rights policies. There is no forced labor through coerce, threat, detaining, or any other unlawful methods.</p> <p>1. According to “Labor Standard s Act” and the Company’s human rights policy, there is no employment of child labors.</p> <p>1. Employees can make suggestions through the Welfare Committee, labor-management meetings, etc. 2. A suggestion box is set up for our colleagues to provide various suggestions.</p> <p>The company regularly reviews human rights regulations and systems such as "Work Rules," "Performance Evaluation Procedures," "Salary Management Procedures," and "Job Levels Adjustment Regulations."</p> <p>The Company does not employ child labor or illegal labor, and there is not any discrimination based on ethnicity, gender, religion, political affiliation, sexual orientation, or any incidents of sexual harassment and workplace bullying. Our management regulations, such as selection and employment of new employees and work rules, include provisions for protecting human rights in compliance with international principles. In 2022, we conducted human rights training for our employees in the company and our sub-subsidiary in Taiwan for a total of 61 hours, with 61 colleagues completing the training. We will continue to focus on human rights protection and promote relevant education and training to raise awareness and</p>

Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE / TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(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?	V		<p>reduce the related risks.</p> <p><b>Compensation for employees</b> The company offers equal pay for equal work to male and female employees. Compensation is also higher than the minimum wage required by the local government. Salary and benefits are not discriminated against gender, age, nationality, disability, race, or any other conditions. Pension appropriation also complies with legal regulations. In addition, the "Performance Evaluation Procedures" provides a basis for evaluating adjustments of salary, bonuses, dividends, and other rewards according to individual performance and contributions. The Company also has a comprehensive job classification and rank system that treats male and female employees equally. Our sub-subsidiary in Taiwan conducts two performance evaluations annually, and bonuses for managers and above are directly relevant to the organization's performance. Our sub-subsidiary in Vietnam provides opportunities for promotion and salary adjustments to outstanding employees and distributes monthly and year-end bonuses based on the company's and the employee's performance. These efforts help employees recognize their self-worth, enhance their sense of achievement, and promote diverse employment and social stability.</p> <p><b>The employee welfare system</b> The company has established an Employee Welfare Committee to plan and provide high-quality benefits for the employees. In addition to labor and health insurance, group insurance (accidental injury/medical insurance), and meal allowances, the Company and the sub-subsidiary in Taiwan also provide marriage allowances, funeral subsidies, maternity allowances, employee scholarships, and free parking. Other benefits include domestic travel and year-end parties.</p> <p>The sub-subsidiary in Vietnam collaborates with the labor union to organize various activities for important holidays and provides departmental year-end dinner subsidies. The sub-subsidiary also has an employee cafeteria, fitness center, soccer field, recreation center, and employee parking lot. In addition to meals, the company's facilities are available for free. Furthermore, the company regularly holds group activities such as badminton and soccer matches, employee trips, and sports days every year.</p> <p>The parent company and sub-subsidiary in Taiwan have weekends off and provide annual leave/sick leave (proportional for employees who have worked for less than one year), paternity leave, family care leave, menstrual leave/antenatal check-up leave for female colleagues, and maternity leave for employees who have worked for one year or more. The sub-subsidiary in Vietnam follows</p>	None

Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE / TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>regulations set by the local government.</p> <p><b>Workplace diversity and equality</b></p> <p>The company offers equal pay for equal work to male and female employees. Compensation is also higher than the minimum wage required by the local government. Salary and benefits are not discriminated against gender, age, nationality, disability, race, or any other conditions. The average proportion of female employees in 2022 was 29.39%, while female managers accounted for 7.89%. The Company has established a full training program for career development aimed at helping staff obtain the necessary skills for their work and for promotion opportunities. The program is divided into pre-employment training, pre-employment professional training, on-the-job training (including senior managers), and professional skills training.</p> <p><b>Employees’ compensation reflecting business performance</b></p> <p>According to Article 34.1 of the Company’s Bylaw, if the company makes profits in a given year, a maximum of 2% of the profits for that year may be allocated as compensation to the Directors. The company regularly evaluates the remuneration of Directors in accordance with the "Director Performance Evaluation Guidelines." The evaluation criteria for the Chairman are based on the annual operation indicators in operating, governance, and financial results. The evaluation scope includes pre-tax net profit, customer satisfaction, and corporate governance assessment. The relevant performance assessment and compensation rationality are reviewed by the Remuneration Committee and the Board of Directors. The compensation for the managers is based on the "Salary Management Guidelines", which stipulates various work allowances and bonuses to show appreciation and reward employees' efforts. Bonuses are also granted based on the company's annual business performance, financial situation, operational status, and personal work performance. In addition, if the company is profitable in a given year, a minimum of 2% of the net profit is allocated as compensation to employees in accordance with Article 34.1 of the Company's bylaws. Following the "Performance Management Guidelines", the Company conducts performance evaluation; the results serve as a basis for bonuses to managers. Performance evaluation for managers contains financial and non-financial indicators, and the bonus is calculated accordingly. The company regularly reviews the compensation system based on the actual operating conditions and relevant laws and regulations.</p> <p><b>The policy for overall compensation</b></p> <p>The Company has established a "Compensation Management</p>	

Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE / TPEX Listed Companies” and Reasons												
	Yes	No	Summary													
(c) Does the Company provide employees with a safe and healthy working environment with regular safety and health training?	V		<p>Policy" and conducts an annual salary and benefits survey to provide competitive compensation packages in the industry.</p> <p><b>Safety and health policy</b> Focusing on global safety and health issues, assessing risks, and building a safe working environment, the Company actively cooperates with customers and suppliers to improve supply chain safety and health performance, complying with local and foreign laws and regulations of fire safety, environmental protection, and occupational health and safety. We keep facilitating improvement on environmental safety and health to create a safe and healthy workplace. Through continuous audit activities and environmental health and safety management reviews, the Company identifies management blind spots for continuous improvement to enhance operational safety and environmental quality.</p> <p>In 2022, there were 9 occupational accidents with an injury rate (IR) of 0.155, an absence rate (AR%) of 0.00014, a lost-day rate (LDR) of 3.43, no work-related fatalities, a disability injury frequency rate of 0.35, and a disability injury severity rate (SR) of 16.82. Abiding by the local laws and regulations, the Taiwan sub-subsubsidiary and the Vietnam sub-subsubsidiary supervise the investigation of occupational accidents and handling relevant statistics to grasp the status of employees' occupational accidents in time. When occupational accidents occur, the management department and labor safety unit also immediately initiate accident investigations and conduct analysis and handling, as well as develop improvement measures. Safety and health issues are regularly promoted to prevent reoccurrence of similar situations.</p> <p><b>Monitoring work environment</b> The monitoring of the work environment is implemented through planning, sampling, analysis, or measurement to grasp the reality of the employees' work environment and evaluate the exposure status of the labor. Appropriate strategies must be developed to achieve such a goal. In 2022, the sub-subsubsidiary in Vietnam conducted environmental monitoring for temperature, humidity, wind speed, brightness, noise, respirable dust, carbon dioxide, carbon monoxide, toluene, benzene, xylene, etc. by implementing 645 measurement samples; 606 measurement samples were qualified, and the remaining 39 noise measurement samples were not qualified.</p> <table><tr><th>Environmental monitor indicators</th><th>Quantity of the samples</th><th>Qualified samples</th><th>Not qualified samples</th></tr><tr><td>Temperature</td><td>75</td><td>75</td><td>0</td></tr><tr><td>Humidity</td><td>75</td><td>75</td><td>0</td></tr></table>	Environmental monitor indicators	Quantity of the samples	Qualified samples	Not qualified samples	Temperature	75	75	0	Humidity	75	75	0	None
Environmental monitor indicators	Quantity of the samples	Qualified samples	Not qualified samples													
Temperature	75	75	0													
Humidity	75	75	0													



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	Yes	No	Summary						
				Wind speed	75	75	0		
				Brightness	75	75	0		
				Noise	75	36	39		
				Dust	-	-	-		
				Respirable dust	75	75	0		
				Carbon dioxide	75	75	0		
				Oxygen	75	75	0		
				Toluene	15	15	0		
				Benzene	15	15	0		
				Xylene	15	15	0		
			<b>Hazard and risk assessment</b> The sub-subsidiary in Vietnam regularly evaluates occupational hazards and risks based on the "Hazard and Risk Assessment Procedure" to identify potential safety and health hazards associated with various operations, products, and service processes in a continuous and proactive manner. In 2022, 13 items with high risk, 59 items with moderate risk, and 14 items with low risk were identified, which allows assessment of safety and health risks and opportunities, aiming for zero accidents. By continuously identifying hazards and assessing risks, the Company determines opportunities to eliminate or reduce safety and health risks so that we can achieve safety and health policies and meet the requirements for continuous improvement.						
			<b>Prevention of Occupational Safety Impacts</b> The Company values contractors as important partners. To ensure the safety of contractor personnel, each production site abides by the local occupational safety and health laws and regulations, reviews contractor construction plans, and requires suppliers or customers to wear protective equipment when entering the factory. We also promote various management mechanisms to strengthen contractor construction safety, such as complying with the table of control requirements (including equipment operation training records/professional licenses), and regularly or randomly inspecting construction safety during construction process. A contractor qualification review system is in place to classify contractors with their service projects while establishing a list of qualified contractors. This system will help procurement units to have an initial understanding of contractor backgrounds, while also meeting practical needs such as improving the operation quality and						

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	Yes	No	Summary																		
			<p>construction safety standards. Referring to international regulations, customer requirements, and environmental trends, we have established a registry for 311 chemicals in use.</p> <p><b>Safety inspection</b> At the sub-subsidiary in Vietnam, each production shift is assigned one safety officer, responsible for inspecting equipment and fire safety according to the checklist. The safety department conducts a weekly factory tour to identify deficiencies and reports them for on-site adjustments, and feedbacks are provided upon improvements. The management department inspects one factory area each week, records deficiencies, and reports them for on-site adjustments, and feedbacks provided are upon improvements.</p> <table><tr><th colspan="2">Safety Inspection Routines</th></tr><tr><td>Safety inspection of each shift inspects equipment and fire safety.</td><td>Every shift</td></tr><tr><td>Safety department records deficiencies for on-site improvements.</td><td>Weekly</td></tr><tr><td>Management department records deficiencies for on-site improvements.</td><td>Weekly</td></tr></table> <p><b>Safety management of equipment</b> In 2022, the Company and the sub-subsidiary in Taiwan conducted automatic inspections on a total of 48 registered machines, in accordance with Chapter 4 of the Occupational Safety and Health Management Regulations. Regular inspections were also conducted to ensure safe operation of the equipment. Operators of dangerous equipment receive regular external health and safety education and training. The equipment at the sub-subsidiary in Vietnam is inspected periodically by external inspection companies in accordance with legal requirements.</p> <p><b>Occupational safety training and promotion in recent two years</b></p> <table><tr><th>Year</th><th>Number of people trained</th><th>Total hours of educational training</th></tr><tr><td>2021</td><td>2,921</td><td>9,195</td></tr><tr><td>2022</td><td>6,545</td><td>18,252.5</td></tr></table>	Safety Inspection Routines		Safety inspection of each shift inspects equipment and fire safety.	Every shift	Safety department records deficiencies for on-site improvements.	Weekly	Management department records deficiencies for on-site improvements.	Weekly	Year	Number of people trained	Total hours of educational training	2021	2,921	9,195	2022	6,545	18,252.5	
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Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE / TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p><b>The Company’s status of verification</b></p> <p>The company and its sub-subsidiary in Taiwan currently do not meet the requirement of the Occupational Safety and Health Act for Category 1 businesses with more than 300 employees, which mandates the establishment of an occupational safety and health management system. However, regulations are in place including the Internal Procedures for Hazard identification, Risk Assessment and Determination of Control Measures, Plan for Hazard Education, Guidelines for Measuring and Sampling the Working Environment, Management Guidelines for Automated Inspection, Management Guidelines for Employee Health, Regulations of Safety and Health for Contractors, Regulations for Change Management, and Guidelines for Using Personal Protective Equipment. In addition, the sub-subsidiary in Vietnam hosts a safety room to implement the occupational safety and health management system. We comply with labor laws and regulations, fulfill corporate responsibilities, take good care of our employees, and establish safety and health/environmental safety policies as well as labor safety and health regulations. We hold quarterly labor safety and health meetings. Vietnam VPIC1 has obtained ISO 14001:2015 environmental management system and ISO 45001:2018 occupational safety and health management system certifications.</p>	
(d) Has the Company established effective career development training plans?	V		<p>Eurocharm Group has a comprehensive training program for career development, aiming to provide employees with the necessary skills for their current position and for future promotion opportunities. The training consists of pre-employment training, pre-employment professional training, on-the-job training (including senior managers), and professional skills training. In 2022, the time spent in employee education was 43,255.5 hours in total, which was completed by a total of 5,114 people, with an average of 8.46 hours per person.</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	V		<p>Eurocharm is an original equipment manufacturer (OEM) focusing on professional precision stamping and automotive/motorcycle component manufacturer. All product designs are verified by customers to ensure their safety. During the process development phase, we evaluate materials, environmental protection, and processes. With machinery characteristics and strength issues in mind, the Company search for qualified materials that meet customers’ designs and environmental requirements. To avoid using raw materials that contain hazardous substances, we select suppliers and partners following international RoHS, REACH regulations, and customer requirements. All consumables used in the manufacturing process must also comply with environmental regulations required by the customers. If customers have any concerns about our products, we provide material certifications</p>	None

Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE / TPEX Listed Companies” and Reasons						
	Yes	No	Summary							
and consumer appeal procedures?			<p>proactively.</p> <p>The Company’s information technology security policy aims to create and maintain a secure environment for company information and computer systems. The Information Department is in charge of information security and relevant issues; the Department formulates information security management procedures and conducts regular internal information security checks. In 2022, there was one complaint for Eurocharm Taiwan’s violation of customer privacy or losing customer data. We replaced the firewall and introduced endpoint protection software, and there were no further complaints. On December 1, 2022, the sub-subsidiary in Vietnam held an information security meeting for managers and above, which was attended by 22 people.</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?	V		<p>The Company’s "Supplier Sustainability Policy" effectively manages the quality, delivery, and cooperation of our suppliers to ensure compliance with all relevant laws and regulations, to improve business performance and competitiveness, and to create win-win opportunities for our company and suppliers. Every year, the Company cultivates new suppliers and systematically evaluates existing ones to provide customers with safe products. On November 19, 2021, our sub-subsidiary in Vietnam revised its supplier performance evaluation and audit process, which added audit items such as waste disposal and hazardous waste procedures, human rights protection, employment of child labor, forced labor, and employee compensation.</p> <table><tr><td>Evaluation new suppliers</td><td>Preliminary qualification review: suppliers are required to fill out the "Vendor Information Form" as a reference. On-site investigation: the procurement staff gather the quality assurance department to conduct on-site investigations to understand and audit the manufacturer's production and quality management capabilities.</td></tr><tr><td>Evaluation on existing suppliers</td><td>All manufacturers providing raw materials and semi-finished products are included. The focus of the assessment is to ensure the implementation of the suppliers’ quality systems, and the audit results are classified.</td></tr><tr><td>Honoring suppliers</td><td>Every year, the sub-subsidiary in Vietnam recognizes outstanding suppliers who excel in four aspects: cost, delivery, quality, and being the best suppliers.</td></tr></table>	Evaluation new suppliers	Preliminary qualification review: suppliers are required to fill out the "Vendor Information Form" as a reference. On-site investigation: the procurement staff gather the quality assurance department to conduct on-site investigations to understand and audit the manufacturer's production and quality management capabilities.	Evaluation on existing suppliers	All manufacturers providing raw materials and semi-finished products are included. The focus of the assessment is to ensure the implementation of the suppliers’ quality systems, and the audit results are classified.	Honoring suppliers	Every year, the sub-subsidiary in Vietnam recognizes outstanding suppliers who excel in four aspects: cost, delivery, quality, and being the best suppliers.	None
Evaluation new suppliers	Preliminary qualification review: suppliers are required to fill out the "Vendor Information Form" as a reference. On-site investigation: the procurement staff gather the quality assurance department to conduct on-site investigations to understand and audit the manufacturer's production and quality management capabilities.									
Evaluation on existing suppliers	All manufacturers providing raw materials and semi-finished products are included. The focus of the assessment is to ensure the implementation of the suppliers’ quality systems, and the audit results are classified.									
Honoring suppliers	Every year, the sub-subsidiary in Vietnam recognizes outstanding suppliers who excel in four aspects: cost, delivery, quality, and being the best suppliers.									
5. Does the Company refer to international	V		The Company publishes its 2022 Sustainability Report in compliance with the Global Reporting Initiative Standards (GRI Standards) issued by Global Reporting Initiative (GRI).	None						

Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE / TPEX Listed Companies” and Reasons
	Yes	No	Summary	
reporting rules or guidelines to publish CSR Report to disclose non-financial information of the Company? Has the said Report acquired 3 <sup>rd</sup> certification party verification or statement of assurance?			The Report is assured with Type 2, Moderate Level under AA 1000 v3 standards and is displayed on the Company’s website. ( <a href="https://www.eurocharm.com.tw/esg/永續發展/esg下載區/">https://www.eurocharm.com.tw/esg/永續發展/esg下載區/</a> )	

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: None

7. Other important information to facilitate a better understanding of the company’s implementation of corporate social responsibility:

In addition to the pursuit of product development, the company continues to pursue sustainable management and is committed to the practice of corporate social responsibility, and jointly contribute to caring for the society and changing the society.

The social assistance activities conducted by the Company in the recent year are as follows:

No.	Donation target	Program name	Program overview
1	Disadvantaged employees of the sub-subsidiary in Vietnam	Emergency aid	This year, we redirected the beneficiaries of the aid back to within the Company, providing monetary assistance to employees from financially disadvantaged families. From November 24 to 26, 2022, the Company held a charity festival at the Company's football field while donating an initial amount of VND 26,000 thousand. Employees set up 13 booths that sell goods and play games, with all profits as the funds for disadvantaged employees before the Lunar New Year. With the enthusiastic participation of all employees, a total of VND 113,248 thousand was raised and handed over to the Company's labor union for the exclusive use for the pre-Lunar New Year funds.
2	Bắc Ninh Taiwanese Chamber of Commerce	Participation in charity activities	On September 29, 2022, the Company donated VND 10 million to the scholarships of Bắc Ninh Taiwanese Chamber of Commerce for disadvantaged families in Vinh Phuc Province to help underserved students.
3	Children’s Funds of Vinh Phuc Labor Bureau	Donating bicycles to children in need	On May 22, 2022, the Vinh Phuc Labor Bureau launched "For the Children" fundraising campaign as part of its Children’s Funds activities. The company actively responded by donating 35 bicycles to disadvantaged children in TamDuong County with the value of VND 52,500 thousand. Facing young children who are just half the height of an adult, we hope that this gift can help them persevere in their studies.

Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE / TPEX Listed Companies” and Reasons
	Yes	No	Summary	
4			<p>Helping impoverished families</p> <p>1. For impoverished families, having a good Lunar New Year is a humble but difficult wish. On January 10, 2022, VPIC1 partnered with Vinh Phuc Red Cross to distribute 23 gifts to local families with extreme difficulty with a value of VND 1.7 million.</p> <p>2. On January 21, 2022, the Company cooperated with Vĩnh Yên City Red Cross and went to Khai Quang Industrial Zone in the City with 40 gifts, with a total value of VND 3.2 million, as well as cash of VND 4.9 million to 63 disadvantaged families.</p>	
5			<p>Donating fans to families in need</p> <p>On August 11, 2022, with the help from Vinh Phuc Foreign and Commonwealth Office, the Company reached Yen Thach City and Bo Ly City to donate electrical fans to good students from disadvantaged families, hoping to allow them to feel comfortable and concentrate on studying in the hot summer. The total value of the contribution is VND 33.6 million.</p>	

### 3.4.9 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</p>	V		<p>(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</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	
commitment from its board to implement the policies?			promotional materials.	
(2) 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?	V		(2) 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
(3) 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?	V		(3) The Company has included prevention schemes for unethical conduct in the forementioned regulations as well as in the internal control and signing procedures to effectively prevent and uncover corruptive actions. The Company’s “Ethical Corporate Management Operating Procedures and Code of Conduct” clearly prohibits employees to receive unsupervised gifts from vendors and individuals conducting business with the Company; employees should return or reject any valuable gifts from people with business relations and report such matters to supervisor or the department in-charge, which should return, purchase, confiscate, or donate such gifts to charitable organizations or propose proper actions. The Company has established “Guidelines for Reporting Illegal, Immoral, or Unethical Conducts” to develop a report channel and handling system within and outside the Company. The “Workforce for Promoting Ethical Business Operation” was initiated by the administration/ finance department and convened by the Senior Manager, Hung-Yi Kao. Based on the job responsibilities and scope of each unit, the workforce is responsible for assisting the Board of Directors and management level in formulating and supervising the implementation of ethical corporate management policies and prevention plans, ensuring the implementation of the code of conduct, and the workforce is also in charge of regularly reporting the implementation status to the Board of Directors every year. The most recent reporting was on February 24, 2023.	None
2. Fulfill operations				

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
integrity policy				
(1) Does the Company evaluate business partners’ ethical records and include ethics related clauses in business contracts?	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
(2) Does the Company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	V		(2) The Company has designated the audit office as its 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.  The 2022 business development is as follows and reported to the first board of directors’ meeting in 2023:  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 misconduct.  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.	None
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(3) The Company’s code of conduct for employees is in place to prevent unethical behaviors. When a person of conflict is involved in the business transaction, he/she cannot receive more beneficial conditions than his/her counterparts. The Company also provides a clear communication channel for employees to report unethical conduct to the human resource department through multiple methods.	None
(4) Does the Company regularly hold internal and external educational training on operational integrity?	V		(4) The company has established a code of conduct that incorporates ethical corporate management into its corporate culture, and regularly promotes it at meetings in order to ensure its implementation.	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	
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 ( <a href="http://www.eurocharm.com.tw">http://www.eurocharm.com.tw</a> ) 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 manner, and creates maximum value for all shareholders by operating at a steady pace.				
(d) The Company has set up the “Management Procedures for Preventing Insider Trading”, which specifies that				

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
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.				

### 3.4.10 Corporate Governance Guideline and Regulations

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

### 3.4.11 Other Important Information Regarding Corporate Governance

#### 1. Managers participate in corporate governance related training:

In 2022, managers have no relevant training. We plan to hold relevant training courses when the conditions permit.

#### 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 and complementary industry 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.

The Company has established the Nomination Committee, which oversees ensuring that the independent directors, directors, and managers are equipped with required professional knowledge, know-how, experience, and diversity in gender and that independence standards are met for independent directors. Such criteria are applied to finding, evaluating, and nominating candidates for directors and independent directors. The Nomination Committee also formulates the composition of the Board of Directors and functional committees as well as review the succession planning of the directors and managers. Within the scope of succession plan for the Board of Directors and for continuous operation of the Company, candidates for the directors are selected by the following standards.

1. Honest, responsible, innovative, and capable of making decisions; possessing values consistent with the core values of the Company and management knowledge and skills beneficial for the Company.
2. Equipped with professional experience relevant to the Company's business
3. With the candidate's participation, the Board of Directors are expected to be more effective, diversified, and aligned with the Company's needs.

For the succession planning of major management, in addition to identifying and selecting potential successors, the Company also provides a personal development plan and supervision and counseling system to help candidates effectively enhance their succession ability and shortening the succession time. The training mechanism is designed to have potential successors observe and learn from the Board of Directors of related companies. To cultivate the management talents needed in the future, online management development courses are also provided to strengthen candidates' business management skills, including strategic planning, multinational operations, global marketing, innovation management and new economy.

#### 3.4.12 Implementation of the Internal Control System

##### **Eurocharm Group Co., Ltd.**

##### **Declaration regarding the internal control system**

Date: February 24, 2023

Based on the results of a self-inspection, the Company hereby makes the following declaration regarding the internal control system in 2022:

- 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, 2022 (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 24, 2023. All 7 directors consented to the contents of this declaration as stated herein.

Eurocharm Holdings Co., Ltd.

Chairman: Steven Yu

General Manager: Andy Wu

### 3.4.13 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

### 3.4.14 Major Resolutions of Shareholders' Meeting and Board Meetings

1. Major resolutions of shareholder's meetings in 2022 and implementation status (05/31/2022)

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 2021 Business Report and Consolidated Financial Statements	<p>Voting Result: Approved</p> <p>Total Number of rights held by attending shareholders: 51,396,589 rights</p> <p>In favor: 47,712,488 rights; 92.83%; Against: 44 rights; Abstained / not voted 3,684,057 rights, case passed</p>	Implemented in accordance with the resolution result of the shareholders' meeting
2. Adoption of the Proposal for Distribution of 2021 Profits	<p>Voting Result: Approved</p> <p>Total Number of rights held by attending shareholders: 51,396,589 rights</p> <p>In favor: 47,712,488 rights; 92.83%; Against: 44 rights; Abstained / not voted 3,684,057 rights, case passed</p>	In accordance with the resolution result from the shareholders' meeting, the cash dividend record date was on 09/08/2022 and the payable date was on

		09/28/2022
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Major Resolution - Matter of Discussion	Resolution Result	Implementation
1. Proposal to amend the Company's Bylaw	Voting Result: Approved  Total Number of rights held by attending shareholders: 51,396,589 rights  In favor: 47,712,488 rights; 92.83%; Against: 44 rights; Abstained / not voted 3,684,057 rights, case passed	Revision Implemented
2. Proposal to amend the Procedures for the Shareholders' Meeting	Voting Result: Approved  Total Number of rights held by attending shareholders: 51,396,589 rights  In favor: 47,712,488 rights; 92.83%; Against: 44 rights; Abstained / not voted 3,684,057 rights, case passed	Revision Implemented
3. Proposal to lifting non-competition restrictions for newly appointed directors and their representatives	Voting Result: Approved  Total Number of rights held by attending shareholders: 51,396,589 rights  In favor: 47,712,488 rights; 92.83%; Against: 44 rights; Abstained / not voted 3,684,057 rights, case passed	Implemented in accordance with the resolution result of the shareholders' meeting

2. Major resolutions of board meetings in 2022 as of the printing date of the annual report:

A total number of 10 board meetings were held; major resolutions are as follows,

DATE	SESSION	MAJOR RESOLUTIONS
March 25, 2022	24 <sup>th</sup> , the 4 <sup>th</sup> Session	To amend the business plan and annual budget for the year of 2022
		To propose amendments to the Company's relevant operation procedures
		Nomination of Directors, Independent Directors and the relevant review process of the candidates
		To propose a lift of non-competition restrictions for newly appointed Directors and their representatives
		To propose an investment in PCI Vietnam Co., Ltd. from the subsidiary, Eurocharm Innovation Co., Ltd. (B.V.I.)

DATE	SESSION	MAJOR RESOLUTIONS
		To propose an investment in Amtrust Capital II Group from the subsidiary, Eurocharm Innovation Co., Ltd.
		Loan of the Company's fund
		The plan to issue the Company's first unsecured convertible company bonds in the Republic of China (Taiwan)
April 28, 2022	25 <sup>th</sup> , the 4 <sup>th</sup> Session	Replacement of the signing accountant due to internal job rotation at Ernst & Young Accounting Firm
		To propose to approve the consolidated financial statements for the first quarter of 2022
		To propose that the Company and its subsidiaries should sign a short-term credit limit agreement with the bank
		The Company's endorsement and guarantee for the affiliated companies
		Matters for the Company's to open a saving's account at First Bank
June 1, 2022	1st, the 5th Session	Election of the Chairman
		To propose amendments and additions to the Company's relevant operation procedures
		Appointment of the members of the Remuneration Committee (the 4 <sup>th</sup> session)
		Appointment of the members of the Audit Committee (the 4 <sup>th</sup> session)
		Appointment of the members of the Nomination Committee (the 2 <sup>nd</sup> session)
		Appointment of the members of the Sustainability Committee (the 1 <sup>st</sup> session)
		Appointment of the members of the Risk Management Committee (the 1 <sup>st</sup> session)
June 10, 2022	2 <sup>nd</sup> , the 5th Session	Appointment of the General Manager
		Appointment of the Senior Managers
		Lifting of non-competition restrictions for senior managers
		To propose the remuneration for the Chairman
		To discuss travel expenses for the Directors and functional committee members
		To approve salary and remuneration for senior managers
		To propose that the Company and its subsidiaries should sign a short-term credit limit agreement with the bank
		The Company's endorsement and guarantee for the affiliated

DATE	SESSION	MAJOR RESOLUTIONS
		companies
		Loan of the Company's fund
August 16, 2022	3 <sup>rd</sup> , the 5 <sup>th</sup> Session	To adjust remuneration and salary for the senior managers
		Remuneration distribution for the Company's Directors in 2021
		Remuneration distribution for the Company's employees in 2021
		To propose the guidelines for producing, editing, and reporting the Sustainability Report
		To approve the Chinese and English version of the Sustainability Report for 2021
		To propose to approve the consolidated financial statements of the second quarter of 2022
		Distribution of the Company's profit during the first half of 2022
		To propose that the Company and its subsidiaries should sign a short-term credit limit agreement with the bank
		The Company's endorsement and guarantee for the affiliated companies
		To explain the changes in the loan of the Company's funds
		Loan of the Company's and the affiliated company's funds
September 15, 2022	4 <sup>th</sup> , the 5 <sup>th</sup> Session	To halt the loss of production and compensation
November 1, 2022	5 <sup>th</sup> , the 5 <sup>th</sup> Session	To propose to approve the consolidated financial statements of the third quarter of 2022
		To propose that the subsidiaries should sign a short-term credit limit agreement with the bank
		The Company's endorsement and guarantee for the affiliated companies
		To increase the cash capital of the affiliated company, Vietnam Uni-Calsonic Co., Ltd.
		To propose to amend the relevant operation procedures of the affiliated companies
		Matters of opening a saving account in Taiwan Bank
December 30, 2022	6 <sup>th</sup> , the 5 <sup>th</sup> Session	The business plan and the annual budget of 2023
		The plan for internal audit of 2023
		To propose the procedure and general policy for receiving non-assurance services from Ernst & Young Accounting Firm and its affiliated companies
		To entrust Ernst & Young Accounting Firm as the signing accountant for the Company's financial statements of 2023
		To propose that the subsidiaries should sign a short-term credit



DATE	SESSION	MAJOR RESOLUTIONS
February 24, 2022	7 <sup>th</sup> , the 5 <sup>th</sup> Session	limit agreement with the bank
		The Company's endorsement and guarantee for the affiliated companies
		To propose amendments and additions to the Company's relevant operation procedures
		The Company's distribution of remuneration for the Directors and employees for the year of 2022
		To propose the approvment of the business report and the consolidated financial statements for the year of 2022
		Distribution of the profit in 2022
		To discuss the evaluation for the effectiveness of the internal control system and the Declaration Regarding the Internal Control
		To propose that the Company and its subsidiaries should sign a short-term credit limit agreement with the bank
		The Company's endorsement and guarantee for the affiliated companies
		Loan of the Company's fund
		To propose that the affiliated company, Vietnam Precision Industrial No.1 Co., Ltd. should invest for acquiring share rights
		The acquisition of the land use right for the affiliated company, Vietnam Precision Industrial No.1 Co., Ltd.
		To propose the relevant operation procedures of the subsidiaries
		To propose the relevant operation procedures of the Company
		To propose the Company's Bylaw (special resolution)
		Matters regarding receiving proposals from the shareholders for the shareholders' regular meetings
		Time, place, and proposals for the shareholder meeting of 2023

### 3.4.15 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

### 3.4.16 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

Unit: NT\$ thousands

Accounting Firm	Name of CPA Period Covered		Period Covered by CPA's Audit	Audit Fee	Non-Audit Fee	Total	Note
Ernst & Young	Kuo-Shuai Chen	Chih-Ming Chang	01/01/2022 - 12/31/2022	5,660	90	5,750	None

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

None

#### 3.5.2 Reduction of audit fees by more than 10% compared to the previous year

None

### 3.6 Replacement of the CPA:

#### 3.6.1 For the last two fiscal years and the subsequent period, the Company has changed its accountants, whose information is as follows:

About the former accountants

Replacement Date	04/28/2022		
Reason for Replacement and Explanation	Internal rotation of the accounting 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	None		

and other reasons			
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 Accountants

Accounting Firm	Ernst & Young
Accountant	Chih-Ming Chang and Kuo-Shuai Chen
Date of appointment	04/28/2022
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	V	Yes

Evaluation Items	Evaluation Results	Compliance with independence
value gifts from the Company or its directors, officers or substantial shareholders		

### 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	2022		As of March 31, 2023	
		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
Director	Seashore Group Limited	0	0	0	0
	Representative: Michael Yu	0	0	0	0

Title	Name	2022		As of March 31, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Antonio Yu	0	0	0	0
Director	Steven Chang	0	0	0	0
Independent Director	Yen-His Lin	0	0	0	0
Independent Director	Yi-Ren Guo	0	0	0	0
Independent Director	Jen-Tien Yuan	0	0	0	0
General Manager	Andy Wu	0	0	0	0
Deputy General Manager	James Chan	0	0	0	0
Deputy General Manager	Cina-Jin Chan	0	0	0	0
Deputy General Manager	Cheng-Wen Wang	0	0	0	0
Senior Manager	Huang- Li Yang	0	0	0	0
Senior Manager	Hung-Yi Kao	0	0	0	0

Note: Hung-Yi Kao became an internal member on June 10, 2022.

### 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

04/02/2023 (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	37.51%	-	-	-	-	-	-	-
New General Limited	13,833	20.95%	-	-	-	-	-	-	-
New General Limited Representative: Steven Yu	-	-	-	-	-	-	Seashore Group Limited Representative: Michael Yu	Brother	-
							Antonio Yu	Brother	
Seashore Group Limited Representative: Michael Yu	117	0.18%	-	-	-	-	Seashore Group Limited Representative: Steven Yu	Brother	-
							Antonio Yu	Brother	
Fubon Life Insurance Co., Ltd.	3,878	5.87%	-	-	-	-	-	-	-
Min Zhe Wu	1,345	2.04%	-	-	-	-	-	-	-
Liang-Shan Cai	1,080	1.64%	-	-	-	-	-	-	-
Jhen-Yu Wang	861	1.30%	-	-	-	-	-	-	-
You-Lun He	840	1.27%	-	-	-	-	-	-	-
Wei-Siang Lin	744	1.13%	-	-	-	-	-	-	-
Hong Jin Bu	720	1.09%	-	-	-	-	-	-	-
Cathay Mutual Fund Investment Account fully entrusted by Cathay Life Insurance	672	1.02%	-	-	-	-	-	-	-

### 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

12/31/2022 (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 04/02/2023 (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	-	-
10/2022	10	90,000	NTD\$900,000	65,916	NTD\$659,163	Convertible Bonds	-	-
02/2023	10	90,000	NTD\$900,000	65,961	NTD\$659,607	Convertible Bonds	-	-



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
03/2023	10	90,000	NTD\$900,000	66,030	NTD\$660,300	Convertible Bonds	-	-

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 04/02/2023 (Unit: Share)

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common	66,030,047	23,969,953	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 04/02/2023 (Unit: Person: Share)

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Domestic Natural Persons	Total
Number of Shareholders	-	3	48	38	1,450	1,539
Shareholding (shares)	-	4,577,000	3,020,549	41,512,658	16,919,840	66,030,047
Percentage	-	6.93%	4.57%	62.87%	25.63%	100.0%

#### 4.1.3 Shareholding Distribution Status

As of 04/02/2023 (Unit: Person: Share)

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	281	19,474	0.03
1,000 ~ 5,000	889	1,759,786	2.67
5,001 ~ 10,000	115	890,534	1.35
10,001 ~ 15,000	65	805,496	1.22
15,001 ~ 20,000	28	521,000	0.79
20,001 ~ 30,000	35	888,501	1.35
30,001 ~ 40,000	25	887,209	1.34
40,001 ~ 50,000	17	761,103	1.15
50,001 ~ 100,000	41	3,027,998	4.59
100,001 ~ 200,000	21	3,070,670	4.65
200,001 ~ 400,000	6	1,564,000	2.37
400,001 ~ 600,000	4	1,806,000	2.74
600,001 ~ 800,000	5	3,422,000	5.18
800,001 ~ 1,000,000	2	1,701,000	2.58
1,000,001 or above	5	44,905,276	67.99
Total	1,539	66,030,047	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 04/02/2023 (Unit: Share)

Shareholder's Name	Shareholding	
	Shares	Percentage
New General Limited	13,833,217	20.95%
Seashore Group Limited	24,769,059	37.51%
Fubon Life Insurance Co., Ltd.	3,878,000	5.87%
Min zhe Wu	1,345,000	2.04%
Liang-Shan Cai	1,080,000	1.64%
Jhen-Yu Wang	861,000	1.30%
You-Lun He	840,000	1.27%
Wei-Siang Lin	744,000	1.13%
Hong Jin Bu	720,000	1.09%
Cathay Mutual Fund Investment Account fully entrusted by Cathay Life Insurance	672,000	1.02%

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

(Unit: NT\$: thousand shares)

Items	2021	2022	As of March 31, 2023
Market Price per Share			
Highest Market Price	177	191	190.5
Lowest Market Price	108	141	163.5
Average Market Price	143.51	158.98	176.88
Net Worth per Share			
Before Distribution	50.42	67.45	63.43
After Distribution	46.23	See Note	-
Earnings per Share			
Weighted Average Shares (thousand shares)	65,826 thousand shares	65,863 thousand shares	65,959 thousand shares
Earnings Per Share	9.53	14.29	3.57
Dividends per Share			
Cash Dividends	4.5	7.1 (See Note)	-

Items	2021	2022	As of March 31, 2023
Stock Dividends			
Dividends from Retained Earnings	-	-	-
Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends	-	-	N/A
Return on Investment			
Price / Earnings Ratio	13.77	13.91	12.61
Price / Dividend Ratio	31.89	22.39 (See Note)	-
Cash Dividend Yield	2.64	2.74	3.94

Note: The 2022 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, 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 2022 profits was passed at the meeting of the Board of Directors on August 16, 2022, and February 24, 2023.

- ( 1 ) It is approved that a total amount of NT\$468,005,908 cash dividend will be distributed to the shareholders; hence, a cash dividend of NT\$7.1 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 2022 earnings distribution proposal on August 16, 2022, and February 24, 2023, with a planned distribution of cash dividends amounting to NT\$7.1 per share. 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 2022 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 August 16, 2022, and February 24, 2023, the Company charter prescribes the following for the employee bonus and compensation for directors and supervisors:
    - Employee cash bonus of NT\$35,612,660
    - 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. The actual distribution of employee and director remuneration for the previous year (including the number of shares, amount, and share price), any differences from the recognized employee and director remuneration should be stated, along with the differences, reasons, and handling of the situation:

In the 2022 financial statement, it was stated that the employee bonus was NT\$24,428 thousand dollars and the directors' remuneration was NT\$10,300 thousand dollars. In 2021, the employee bonus distributed was NT\$24,428 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 Corporate Bonds:

Type of Corporate Bonds ( Note 2 )		The first domestic unsecured convertible corporate bonds ( Note 5 )
Date of Issue		June 8, 2022
Face Value		NTD\$100,000
Place of Issue and Transaction ( Note 3 )		N/A
Issue Price		NTD\$103.82
Total Value		NTD\$500,000,000
Interest Rate		0%
Expiration Date		June 8, 2025
Guarantee Institution		None
Trustee		Trust Department, Bank SinoPac
Underwriting Institution		Yuanta Securities Co., Ltd.
Signing Lawyers		Bing-Kun Chang and Jing-Yang Huang
Signing Accountants		Chih-Ming Chang and Kuo-Shuai Chen
Method of Repayment		Repay at maturity
Outstanding Principal		NTD\$469,700,000
Regulations for Redemption or Prepayment		Please refer to Article 17 of Issue and Conversion Regulations
Regulations for Limitations ( Note 4 )		N/A
Institution Name, Date, and the Result for Credit Rating		None
Other annexed rights	The amount of converted (exchanged or subscribed) common stock, overseas depositary receipts, or other securities as of the printing the annual report printing	As of April 2, 2023, a total of NT\$330,300 thousand of convertible corporate bonds have been converted into common stock, with a cumulative total of 203,894 shares of converted common stock.

	The method of issuance and conversion (exchange or subscription)	Regulations for issuance and conversion
The potential dilution effect on equity due to issuance and conversion, regulations for exchange or subscription, requirements for issuance and the impact on the rights of existing shareholders		Based on the current conversion price of NT\$148.6, it is expected to convert 3,160,834 shares of common stock, resulting in a dilution of approximately 3.92% in earnings.
The name of the custodian institution for the exchange target		N/A

Note 1: The status of corporate bonds includes both public and private bonds currently being processed. Public bonds refer to those that have been approved by the authority, while private bonds refer to those that have been approved by the board of directors.

Note 2: The number of columns may vary depending on the actual number of transactions.

Note 3: For overseas corporate bonds only

Note 4: When there are restrictions on cash dividends, external investments, or requirements to maintain a certain asset ratio, etc.

Note 5: Private bonds should be clearly marked.

Note 6: For convertible bonds, exchangeable bonds, comprehensive reporting issued corporate bonds, or bonds with attached stock warrants, the data should be disclosed according to the format in the table according to their nature.

#### 4.2.2 Information of Convertible Corporate Bonds:

Type of Corporate Bonds (Note 1)		The first domestic unsecured convertible corporate bonds	
Item	Year	2022	Current year as of March 31, 2023 (Note 4)
Market Value of the convertible corporate bonds	The highest	128.05	125.00
	The lowest	103.90	113.05
	Average	111.29	121.74
Conversion Price		148.6	148.6
Issue Date		June 8, 2022	
Conversion Price at Issuance		153	



The Method of Fulfilling the Obligation of Conversion ( Note 3 )	Issuance of new shares
---	------------------------

Note 1: The number of columns may vary depending on the actual number of transactions.

Note 2: If an overseas bond has multiple trading locations, they should be listed separately.

Note 3: Delivery of issued shares or issuance of new shares.

Note 4: The data for the current year should be reported up to the date of printing the annual report.

#### **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	2020		2021		2022	
	Total Sales	(%) of Total Sales	Total Sales	(%) of Total Sales	Total Sales	(%) of Total Sales
Motor Parts	2,641,879	56.71%	2,939,992	51.37%	3,983,829	49.57%
Medical Equipment	466,784	10.02%	469,470	8.20%	450,139	5.60%
Recreational Vehicle Parts	1,362,795	29.25%	1,972,542	34.46%	2,701,232	33.61%
Others	187,449	4.02%	341,444	5.97%	902,154	11.22%
Total	4,658,907	100.00%	5,723,448	100.00%	8,037,354	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. Development Status of the Global Auto Industry

In 2022, the global car market was expected to show a downward trend. Among the top five countries in terms of sales, China was affected by the lockdown in Shanghai in the first quarter, which impacted the global automotive component supply chain. In addition, although the global chip shortage has been eased, it still affects the performance of the top three car markets-China, the United States, and Japan. Furthermore, the outbreak of the Russia-Ukraine war also affected the supply chain of components in nearby countries. Although the global trend has been gradually moving towards coexisting with the pandemic, the car market is still showing a downward trend. If India can control and stabilize the pandemic with strict curfews and the implementation of the Disaster Management Act, it is hopeful that the car market can perform steadily. The sales performance of the market will be directly affected by how quickly the chip shortage will ease, how long the Russia-Ukraine war will last, and whether the COVID-19 pandemic in important countries of the automotive industry supply chain will rise again.

Given the electric vehicle market trend in 2022, Hybrid Electric Vehicles (HEV) currently are competitive in terms of cost-effectiveness and the advantage of not requiring users to change their habits. However, with various countries providing more benefits to Battery Electric Vehicles (BEV) and Plug-in Hybrid Electric Vehicles (PHEV), the growth rate of HEV is slowing down, and it is estimated that the sales may be overtaken by BEV for the first time. Consumers can charge their PHEV with the lithium battery on their own, and although in China, the main market of PHEV, sale is gradually slowing down under the increasing emphasis on pure electric vehicles, PHEV are still competitive because of its BEV feature under pure electric mode as well as running through the fuel system when the power is exhausted, considering that charging stations are not widely available yet. BEV, which is powered 100% by the battery, can achieve the highest energy-saving efficiency. Manufacturers put their focus on developing and improving features of long endurance and fast charging technology. Driven by policy benefits offered in various countries, the market share of BEV continues to increase. Fuel cell vehicles have stable sales and have the potential in the commercial vehicle application, with actual sales in ten countries worldwide. Looking ahead to the future, with the extension of battery life, the increased density of charging facility, the maturity of fast charging technology, and the electric vehicle price approaching the market expectation, as well as the benefits driven by various countries' targets for carbon reduction, automaker layouts, and post-pandemic subsidies, it is estimated that the global electric vehicle market will grow by 35.8% in 2022, reaching a scale of 15.408 million vehicles.

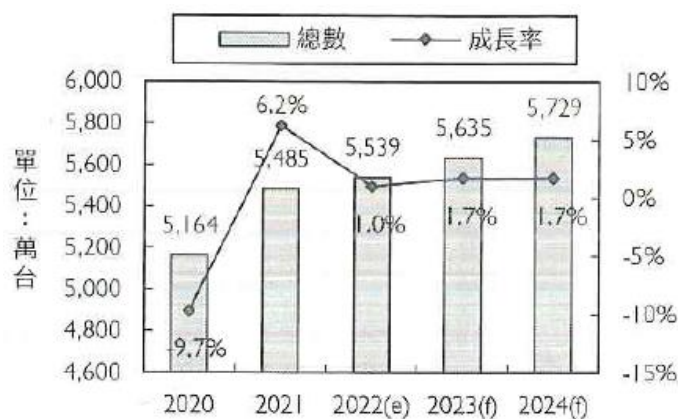
#### B. Global Industry of Motorcycles

The size of global motorcycle market in 2021 was 54.85 million units, with Asia being the largest market in the world, including India, mainland China, Indonesia, Vietnam, the Philippines, and Thailand, each with annual sales exceeding one million units. Taiwan and Japan had a combined sales volume of 1.188 million units. The Chinese and Japanese markets increased by 34.5% and 15.3% respectively in 2021, while the major Southeast Asian markets (Indonesia, the Philippines, Thailand, Vietnam, and Malaysia) declined by 13.1%. In 2021, Asia accounted for 86.8% of the global motorcycle market.

Analyzing the annual sales trends in each major region, Latin America grew by 53.9% annually, while other regions decreased by 75.5%. In 2021, Latin America accounted for 9.4% of the global market; other regions accounted for 0.6%.

North America declined by 3.3% in 2021, and Europe (including only France, Germany, Italy, Spain, the United Kingdom, Belgium, the Netherlands; other countries are without statistical data due to the pandemic) decreased by 2.4%. In 2021, North America accounted for 1.0% of the global market, and Europe (France, Germany, Italy, Spain, the United Kingdom, Belgium, and the Netherlands) accounted for 2.2%.

In 2021, COVID-19 and its variants continued to spread, causing strict lockdowns in markets such as India and Vietnam for several months, which had a significant impact on motorcycle sales in Asia. China, on the other hand, saw a slowing of the pandemic and an increase in sales of electric motorcycles, leading to a 34.5% annual growth in the motorcycle market. The size of global motorcycle market reached 54.85 million units in 2021, a 6.2% increase from 2020.



Source: ITRI Industrial Economics and Knowledge Center (May 2022)

With the promotion of shared micro-mobility vehicles such as shared motorcycles, bicycles, and scooters, and due to market saturation, the demand in some regions declined. The volatile international situation has caused an increase in raw material costs, putting pressure on motorcycle prices. However, thanks to the "post-pandemic" rebound in major motorcycle markets and policies encouraging the replacement for electric motorcycles, the size of global motorcycle market is expected to rebound to 55.39 million vehicles in 2022.

In 2021, the International Energy Agency (IEA) released a special report on the "Net-Zero

Emissions Roadmap for the Global Energy Sector to 2050”, which suggested that countries should stop selling internal combustion engine vehicles by 2035. Japan and California of the United States announced the target of banning the sale of fuel vehicles in 2035. The Japanese government officially announced that it will achieve net zero emissions of greenhouse gases by 2050. France and Spain are expected to complete the ban on sales by 2040. In 2021, the Ministry of Renewable Energy of Indonesia proposed a plan to sell all-electric two-wheelers in 2040, and only sell electric vehicles nationwide in 2050. The Ministry of Renewable Energy of India has invested INR\$950 million since 2011 to subsidize locally made electric vehicles, and even consider banning the sale of 150cc fuel motorcycles from 2025. European countries such as the United Kingdom have announced that they will stop the sale of fuel vehicles as early as 2030. France plans to completely stop the sale of gasoline and diesel vehicles from 2040. Germany, Belgium, Denmark, the United Kingdom, and India will completely ban the sale of new fuel vehicles in 2030. Asian motorcycles major country, Vietnam has also stipulated that fuel vehicles will be banned from entering Hanoi in 2030. Under the premise that advanced countries such as the European Union, the United States, and Japan have committed to net-zero transformation, the wave of electrification is imperative, and global fuel vehicle manufacturers are also striving for transformation to seize the key markets of the next generation. Electric motorcycles and traditional motorcycles have many common components, including body, steering, braking and shock absorber systems. The company mainly produces aluminum parts, stamping parts, welding parts and related locomotive metal parts, which can be shared with electric motorcycles.

### **C. Motorcycle Trends in Vietnam**

Due to factors such as the lack of public transport institutions in Vietnam, the price of cars still higher than the income level. The fact that electric motorcycles with a displacement of 50cc and below can be driven without a driver’s license. Traditional motorcycles have been widely popularized as a means of transportation, and the market has reached a saturated state. Vietnam is the fourth largest motorcycle market in the world. The Vietnamese motorcycle industry is mainly comprised of five major companies, including Honda, Piaggio, Suzuki, SYM, Yamaha. Despite the severe impact of the new crown pandemic, motorcycle sales increased by 29%, indicating that these items are still attractive in the market. In addition, Vietnam has stipulated that the sale of fuel motorcycles will be banned in 2030, with the goal of reducing carbon dioxide emissions by 8% by 2030. According to estimates by Hanoi University, Vietnam’s electric motorcycles account for only 1.5-1.8% of Vietnam’s total motorcycles sales. In the future, problems such as improving charging infrastructure need to be solved.

### **D. Medical Equipment Market**

The company’s medical equipment production, including patient hangers, bath chairs, commode chairs and medical beds, is mainly sold in Japan, Europe and North America.

According to the statistics of BMI in 2021, the global medical equipment market size in 2021 is US\$454.3 billion, an increase of 6.3% over 2020. It is estimated that it will reach US\$535.2 billion in 2024, with a compound annual growth rate of about 5.6% from 2021 to 2024.

In 2021, the global medical equipment regional market is still dominated by the Americas, accounting for 46.7% of the global market. Followed by the Western European market, accounting for 25.6% of the global market. The Asia-Pacific region accounted for 20.5% of the global market. Central and Eastern Europe accounted for 4.3%. The Middle East and Africa accounted for 2.8%. Generally speaking, the overall ranking of regional markets in the future will not change much. The Americas, Western Europe, and Asia-Pacific regions are still the top three markets, but their proportions have increased slightly.

The major markets in the Americas include the United States, Canada, Mexico, and South America. In 2021, the market in the Americas accounted for 46.7%, which was close to the figure in 2020. The growth of the markets in the Americas are mainly linked to that in the United States. Due to factors such as the aging of the baby boomer generation and the continued decline in birth rate, population of the aged 65 and above continues to rise. In addition, chronic diseases have been increasingly prevalent over the years, leading to the continuous growth of overall healthcare spending in the United States. Furthermore, the COVID-19 pandemic also increased healthcare demand. Total healthcare spending in the U.S. reached \$4.2 trillion in 2021, a 9.7% increase from 2020, and overall healthcare spending accounted for 18.4% of GDP. The proportion of healthcare spending to GDP in the U.S. is already the highest in the world.

After President Biden took office in 2021, the "Build Back Better Act" was launched to prevent the spread of COVID-19. One of its key policies is the "American Rescue Plan Act" (ARPA), which allocates \$1.9 trillion for cash payments to households, extended unemployment subsidies, vaccine distribution, as well as incentives for the supply chain to reshore, production in the U.S., and procurement of American-made products. The ARPA, signed into law in March 2021, slightly expanded the scope of the "Affordable Care Act", allowing those who already have medical insurance to save on premiums or purchase more comprehensive coverage through subsidies. The significant investment from ARPA has also led to the highest number of insured Americans in history. Additionally, the ARPA provides \$47.8 billion to expand COVID-19 examination for federal, state, and local government and increase investment in expanding laboratory testing capacity and mobility to strengthen tracking and monitoring of infections. In August 2021, it was announced that billions of dollars from the ARPA would be provided to improve healthcare in the rural areas and to address long-term medical needs due to COVID-19. These measures have provided strong support for the growth of the American market.

Western Europe is still the second largest market in the world, including France, Italy, Greece, Sweden, Spain, Austria, Belgium, Portugal, Finland, Germany, Switzerland, the United Kingdom, Denmark, the Netherlands, Norway, and Ireland. In 2021, the market in Western

Europe accounted for 25.6%, compared to 25.3% in 2020, showing a slight increase. This is mainly related to the huge demand for elderly care in Europe and the growth of the medical device market driven by the needs for pandemic prevention. First, there is a mid- to long-term demand for healthcare due to the fact that Western Europe has the most aged population in the world; the entire region has entered the "super-aged society" with an over 14% aged population. With the continuous increase of the elderly population, the demand for related medical care products continues to grow, which also increases the financial burden on the governments in Western European countries. Second, since the COVID-19 pandemic occurred in 2020, countries had to respond to various control measures and the crisis of possible collapse of the medical system. Even in 2021, the highly infectious Delta variant of the virus prevailed, bringing more uncertainty to the recovering Eurozone economy. As Europe has launched a comprehensive vaccination campaign, the pandemic has gradually come under control, although not yet subsided. With the increase in vaccine coverage, various restrictive measures are gradually being lifted, and European countries are slowly moving towards coexistence with the virus, lives are slowly returning to normal, and the economy is gradually recovering.

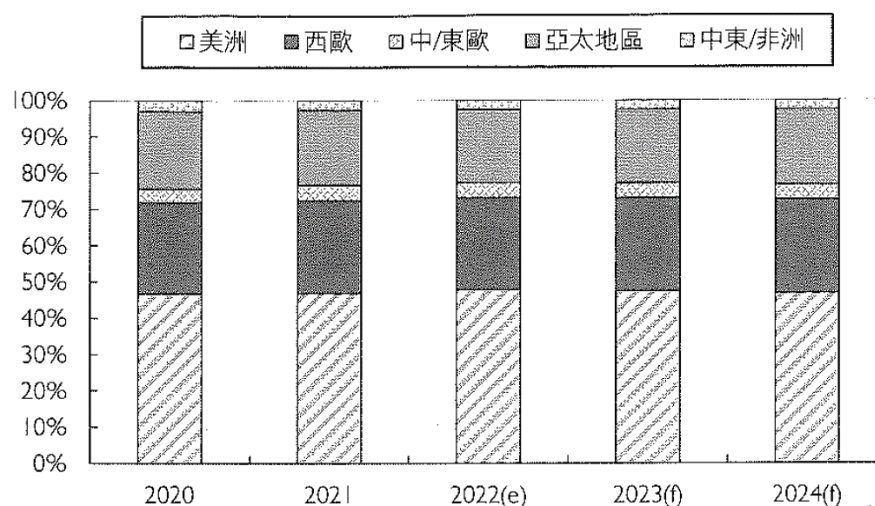
The medical equipment market in the Asia-Pacific region is still dominated by China and Japan. In 2021, the Asia-Pacific market accounted for 20.4%, a slight decrease from 21.4% in 2020. The larger growth momentum came from Japan and China, which were most affected by the pandemic. Japan is the country with the highest level of aging population in the world and its socioeconomic development has been greatly impacted by the aging society. The expenditure on healthcare and care services remains high, and the increasing number of elderly people has further exacerbated Japan's financial pressure from elderly care. In addition, Japan has been affected by the COVID-19 pandemic, leading to a continuous increase in medical expenditures. The hosting of the Tokyo Olympics in 2021 further raised the domestic infection rate and posed a severe challenge to its domestic economy, while also adding uncertainty to the growth of the Japanese medical equipment market. Although the demand for certain medical products has increased, the pressure on medical resources caused by COVID-19 as well as the accompanying decline in economic activities has caused a decrease in the usage of most other medical devices. Moreover, the interruption of the supply chain and external uncertainties have also affected the growth rate of medical equipment exports.

In early 2020, the COVID-19 broke out in China. In 2021, strict prevention policies and that fact that fully vaccinated people reach 85% of the population, COVID-19 has been subsided, resulting in a gradual reduction in overall demand for medical care. However, as the COVID-19 pandemic in China became under control, the demand for medical equipment derived from the pandemic, such as automatic temperature measurement devices, blood oxygen monitors, medical supplies (including medical gloves, protective clothing, medical masks), electrocardiographs, ventilators, disinfectants, and extracorporeal diagnostic medical devices, has gradually decreased; supply of medical equipment in China has gradually returned to

normal. As a result, the demand for advanced clinical imaging scans and clinical surgeries has also returned to pre-COVID levels, driving the sales growth in high-end imaging equipment such as magnetic resonance imaging, and computed tomography. Demand for clinical surgery equipment, mainly orthopedic medical devices and endoscopes, has also returned to pre-COVID level, leading to sustained growth of the overall medical equipment market in China in 2021.

However, as governments worldwide decided to gradually coexist with the COVID-19 virus, China still temporarily maintained strict "zero-COVID policy" in order to avoid the collapse of domestic medical resources caused by a large-scale pandemic. China's international business and domestic economy were seriously affected.

**Distribution of the Global Medical Equipment Market**



Sources: BMI (April 2022); IEK (May 2022)

In 2021, the top ten single markets for medical equipment globally were the United States, Germany, China, Japan, France, the United Kingdom, Italy, Canada, the Netherlands, and South Korea. Compared to the ranking in 2020, China surpassed Japan and moved up to the third place, the Netherlands replaced Spain as the ninth greatest market, while South Korea remained at the tenth place.

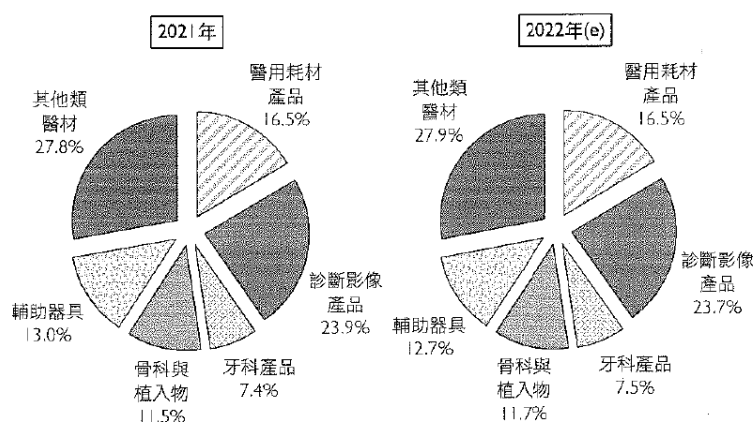
In terms of product sales by category, "other medical equipment" took the highest proportion in 2021, accounting for 27.8% of the market share, which is a slight increase from 27.5% in 2020. This category includes products such as electric and manual wheelchairs, dialysis equipment, endoscopy equipment, anesthesia equipment, blood pressure monitoring products, medical furniture, and ophthalmic equipment. As these products are developed in response to various diseases and essential for treatment, they are part of the basic equipment and consumables in hospitals, and thus, the sales were growing rapidly, driven by the demand for the pandemic. As the pandemic eases, their growth rate



has returned to the normal cycle.

The largest single category is the diagnostic imaging products, accounting for about 23.9%, an increase of 0.3% compared with 23.6% in 2020. Due to its long life cycle of, the replacement period of the diagnostic imaging products in the hospital is about 7-8 years. Although the unit price of the product is high, the overall market size is not as large as the category of other medical materials and medical supplies. Medical supplies accounted for 16.5%, a significant decrease of 4.9%, compared with the proportion in 2020. Such products are proportional to the number of people who need medical care. The major reason for such decrease was because the prevalence of COVID-19 pandemic in 2020 drove the need for necessary medical supplies, resulting in a rapid growth of this market in 2020 that brought a higher market baseline. On the other hand, assistive devices accounted for 13.0%, a decrease of 1.2% from 14.2% in 2020; dental products accounted for about 7.4%, an increase of 2.4% compared with 5.0% in 2020. Orthopedics and implants products accounted for about 11.5%, an increase of 3.2% compared with 8.3% in 2020. Orthopedics and implants as well as dental products are the two categories with the smallest structure. Due to the impact of the COVID-19, medical institutions have suspended non-urgent medical needs to reduce the risk of infection, and non-urgent surgeries and treatments have been postponed. The reductions in non-essential medical treatment and non-life-threatening dental procedures have also been greatly reduced, thus making these two categories even smaller in terms of market size. However, driven by economic growth and the improvement of health awareness, the demand for dentistry and orthopedics is still there. It is expected that after the pandemic, market growth in dental equipment and orthopedics will be accelerated.

#### Analysis of Global Medical Equipment Market Sales by Product Category



Sources: BMI Research (April 2022); IEK (May 2022)

## 2. Relations among Upstream, Midstream, and Downstream of the Industry

Industry	Auto Industry	Motorcycle Industry	Medical Equipment Industry
Upstream	auto parts	Raw materials, motorcycle components	Electronic parts, plastic parts, hardware parts
Midstream	Auto assembly, repair and technical services	Motorcycle assembly, repair and technical services	Medical equipment research, development, design, and manufacturing
Downstream	Auto sales, import and export	Motorcycle sales and service	Medical equipment agent sales and distribution

## 3. Product Trends

### A. Auto Industry

In the next 10 years, the global auto industry will face the most significant change in history, with electric vehicles replacing internal combustion engine vehicles. The overall auto market was underperforming due to chip shortages, while the electric vehicle market is showing substantial growth. DIGITIMES Research predicts that the penetration rate of the electric vehicle market will exceed 30% in 2025, and the compound annual growth rate of electric vehicles will exceed 50% from 2020 to 2025. The development trend of the electric vehicle industry is towards the development of the new four modernizations such as “flattening” supply chain, “friendly” price, “popularization” of charging stations, and “intelligent” electric vehicle design.

The number of components required for pure electric vehicles is estimated to be 30% to 40% less than internal combustion engine vehicles, and the manufacturing process is more simplified and involves fewer suppliers. Therefore, the supply chain is less stratified, and the winner of the supplier should have more bargaining power than the small original equipment manufacturer. In the short term, the price of batteries and traction motors may continue to drive up electric vehicles manufacturing costs. The profit margin of pure electric vehicles for original equipment manufacturer is probably not as profitable as for electric vehicles battery makers and their suppliers of specific components.

In the mid- to long-term, with market concerns over electric vehicles performance (such as battery durability, driving experience and platform construction) receding, future growth will be driven by incentives, regulations, subsidies, local advantages and customer preferences. Likely winners will include electric vehicles suppliers focusing on specific component. These auto

suppliers have established scales in key areas and increased bargaining power. The original equipment manufacturers who can successfully transform between internal combustion engine vehicles and new energy vehicles (including electric vehicles) and acquire a balanced status, and those new entrants that can scale up quickly are also possible winners. Investors need to be mindful of these factors to identify emerging winners and losers and actively reposition their portfolios to grasp on investment opportunities.

## **B. Motorcycle Industry**

As global warming and air pollution continue to simmer, auto 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 midstream 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, with the rise of electric motorcycles in developed countries and the rapid economic growth in Southeast Asian countries, the demand for motorcycles has been increasing annually. Major Japanese motorcycle manufacturers, such as Honda, Yamaha, Piaggio, and Suzuki, have gradually shifted their focus to ASEAN countries in pursuit of related business opportunities. They utilize low-cost local labors and source competitive components and then assemble and sell their products locally. Countries such as Indonesia, Vietnam, and Thailand, which have experienced significant growth in the motorcycle market, have become targets for competitors in the industry. Eurocharm Group has not only become a major supplier in the Vietnamese market but is also actively exploring the potential of other ASEAN Plus Five Trade Area. The Company is adjusting its priority of sales from Vietnam to international markets. Furthermore, following such strategies, the Company has invested in new manufacturing processes and precision equipment to enhance product quality and streamline the production procedure to acquire the competitive advantage for future market development.

## **C. Medical Equipment Industry**

The COVID-19 has rapidly impacted all parts of the world, and the structure of medical demand has greatly affected the medical equipment industry. New demand and the introduction of new technologies have also accelerated the transformation of the industry. At the same time, the global aging population continues to drive up the demand for medical care. Countries are actively seeking more efficient medical solutions, promoting relevant technology and policy in fields such as precision health and digital medicine, hoping to accelerate the development of advanced medical technology to achieve improved medical care. In response to the clinical application of emerging technologies such as artificial intelligence and digital technology,

governments around the world have also begun to revise relevant medical device regulations to ensure the product safety while accelerating the public's access to advanced medical technology. Through cross-disciplinary integration and cooperation with physicians, medical device manufacturers innovate products and solutions that meet clinical needs and expand new opportunities for the medical industry. According to the study report from BMI Research, the market size of the global medical equipment reached US\$454.3 billion in 2021, which was a 6.3% of growth compared to that in 2020. It is estimated that the market will expand to US\$535.2 billion in 2024. The compound growth rate between 2021 to 2024 is about 5.6%.

#### **4. Competition**

VPIC1, the sub-subsidiary of the Company, was established in Vinh Phuc Province, Vietnam in 2001. Its major business 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.

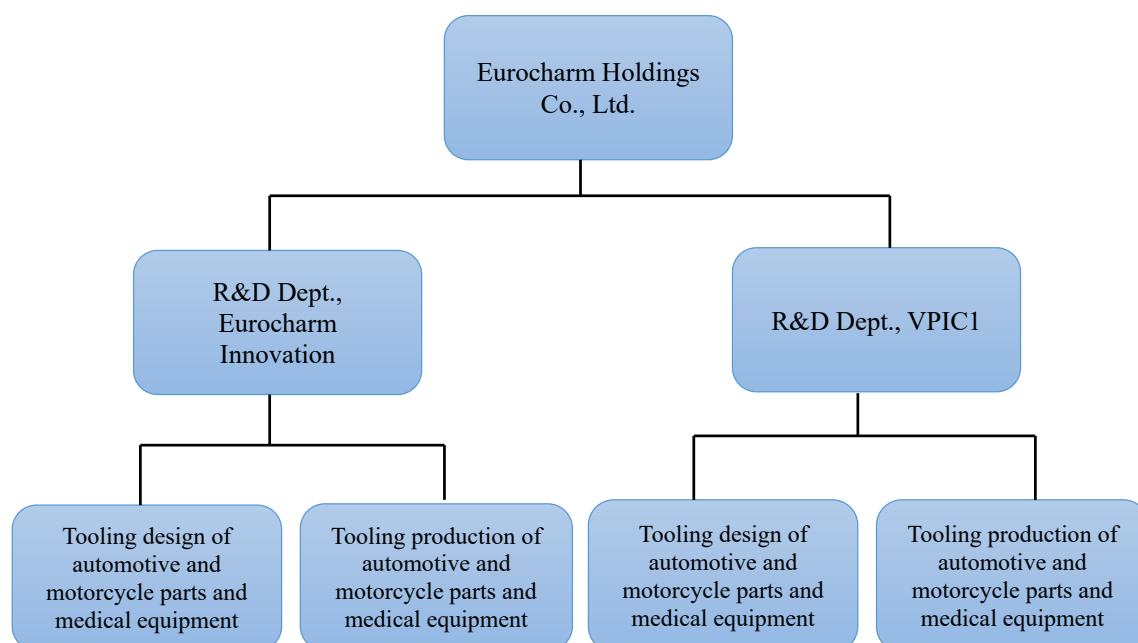
As for the medical equipment market, Eurocharm's primary competition, which manufactures medical beds, rails and lifts in Taiwan is Li Wei Co., Ltd. Founded in 1994, Li Wei operates facilities in both Taiwan and China.

#### **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

<b>Year</b> <b>Education</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
PhD Degree	-	-	-	-
Master's degree	1	1	-	-
Undergraduate Degree	74	85	90	90
College Degree	28	28	31	25
Total	103	114	121	115

## 3. R&D Expenses in Previous 5 Years

Unit: NT\$ thousands; %

<b>Category/Year</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
R&D	45,968	53,394	60,975	90,278	84,123
Net Revenue	4,614,198	5,235,312	4,658,907	5,723,448	8,037,354
%	1.00	1.02	1.31	1.58	1.05

## 4. R&D Achievements in Previous 5 Years

<b>Year</b>	<b>Achievement</b>	<b>Description</b>
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	Imported automated stamping production and rapid

Year	Achievement	Description
	Efficiency	could change
2021	Improved Production Efficiency	Quick mold change, automatic polishing production line
2022	Improved Production Efficiency	Die casting production line automation and automatic polishing production line

The Company's main business is OEM machine parts, and the main direction of R&D investment is the introduction of new processes, automation and process improvement. In the future, the Company will continue to invest in R&D resources, with the goal of no less than 1.5% of the annual revenue, and continue to focus on consistently improving "material expertise", "production process and technology". The Company will also introduce automation production process to achieve production efficiency improvement to meet the demand for automation.

#### 5.1.4 Business Development Plan

##### 1. Short Term:

- A. Increase existing customers' orders as well as seek for new customers,
- B. Develop niche markets for higher profits, e.g., recreational vehicles,
- C. Improve productivity and provide better product consistency, and
- 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	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
Vietnam	2,397,903	51.46	2,626,840	45.90	5,721,225	71.18
Others	2,261,004	48.54	3,096,608	54.10	2,316,129	28.82
Total	4,658,907	100.00	5,723,448	100.00	8,037,354	100.00

#### 2. Market Share

##### A. Motorcycle Industry

In 2022, total units of motorcycles sold from the top five manufacturers in Vietnam were about 3.3 million, and given that the average unit price is about NT\$40,000, total sales of motorcycle in Vietnam was about NT\$120.1 billion. It is estimated that Eurocharm Group's market share in Vietnam is approximately 3.31%.

##### B. Medical Equipment Industry

According to Taiwan's Industrial Economics and Knowledge Centre, the global medical equipment market in 2021 was worth US\$454.3 billion, and the assistive equipment takes up to 13.0% of the market share. Since Eurocharm Group's medical equipment sales in 2022 were US\$450,139 thousand, the Group's global market share was approximately 0.001%.

## 3. Supply, Demand and Future Growth

##### A. Motorcycle Industry

In 2022, the motorcycle market in Vietnam has recovered with the total sales of three million units from the top five foreign manufacturers, about 20% of growth compared with 2021. The main factor was the impact from COVID-19 impact, which weakened the willingness of domestic buyers in 2021. After the pandemic gradually stepped away in 2022, the market showed a significant growth. Currently, supply of electric motorcycle is increasing; the Company also began to sell recreational vehicles to the largest manufacturer in the West. With the supply in electric and recreational vehicles both going up, Eurocharm's sales performance will continue to thrive steadily. 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 top ten medical equipment markets are the United States, Germany, China, Japan, France, the United Kingdoms, Italy, Canada, the Netherlands and South Korea. Among the top ten countries, the United States holds the world's biggest single market, taking up as many as 42.0% of the global market share. In 2021, the size of the medical equipment market in the United States reached \$190.83 billion, showing a growth of 6.1% compared to \$179.86 billion in 2020. The compound growth rate is estimated to be 6.4% from 2020 to 2024.

## **4. Competitive Niche**

- A. Advantages on manufacturing, including diversified product lines, mass production, and management planning to satisfy the customers' demand for one-stop purchasing
- B. The Company keeps well-maintained long-term partnerships with our customers, providing suggestions and requests to expand the market collaboratively.
- C. Competitive pricing: strategic procurement towards globalization in response to the pressure from surging costs; solid production management that brings changes in management by improving know-hows and introducing automatic equipment so that the market demand for cost reduction is met
- D. International certification: safety is the top priority for automobile and motorcycle industry. The Company has been certified with ISO 9001, ISO 14001, ISO/IATF 16949. Our components for vehicles and motorcycles have always been highly acclaimed. In 2010, the Company was also certified with ISO 13485, the certification system for quality management of medical equipment industry.
- E. Trustful relationships between management and employees, high productivity, and stable product quality

## **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 age of the population is 28 years old. With the country's lack of complete infrastructure and public transport systems, motorcycles have become the most popular means of 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 2011, 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. Extraordinary management team at Eurocharm.**

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 aging 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 policies supporting healthcare.**

President Biden continues the Trump administration's approach and aims to return to "Made in America," particularly after experiencing shortages in the US healthcare supply chain after pandemic outbreak. Therefore, the U.S. government is actively promoting the establishment of a domestic medical equipment industry chain and implementing policies that prioritize purchasing American-made goods.

In the past decade, the aging population and labor shortage in Japan have become major factors affecting social and economic growth. Particularly, the issue of aging is expected to increase expenditures on elderly healthcare and long-term care to 5% of GDP by 2050. For Japan, the declining workforce and labor contraction resulting from aging, along with different consumption habits, will constrain both consumer power and growth of productivity. The continuous increase in government spending related to aging, coupled with decline in tax revenue, has become an unresolved issue in Japan's finance strategy. In 2022, due to the rapid spread of the Omicron variant, the Japanese government announced "key measures to prevent the spread" in multiple municipalities in January. As a result, the pace of economic growth in Japan slowed down again. However, the Japanese medical equipment industry possesses high technological capabilities, and with the growth in demand for elderly healthcare, the overall medical equipment industry is expected to grow slowly. The estimated size of the medical equipment market in 2021 was \$27.46 billion (approximately 2.8 trillion yen). Calculated in USD, the annual growth rate from 2020 to 2024 is 8.1%, while in yen, it is 4.1%.

## **(2) Unfavorable Factors and Countermeasures**

### **A. Motorcycle Industry**

#### **a. 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.

**b. 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.

**c. 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 80%. 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**

#### **a. 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 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.

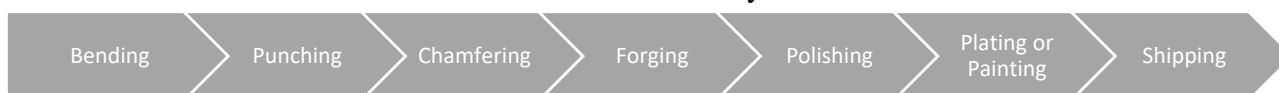
### **5.2.2 Production Process and Major Uses of Primary Products**

#### **1. Major Uses of Primary Products**

<b>Primary Products</b>	<b>Major Uses</b>
Automotive and Motorcycle Parts	Chassis, brake system parts, 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

### Automotive and Motorcycle Part



### Aluminum Die Casting



### Medical Equipment



### 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	2021				2022				2023 (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	486,411	11.88	None	Honda Trading	697,144	14.41	None	Honda Trading	121,270	12.84	None
	Others	3,607,826	88.12		CSMV	580,937	12.00	None	CSMV	105,653	11.18	None
					Others	3,561,282	73.59		Others	717,713	75.98	
	Net Purchases	4,094,237	100.00		Net Purchases	4,839,363	100.00		Net Purchases	944,636	100.00	

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	2021				2022				2023 (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	1,677,869	29.32	None	A	2,278,856	28.35%	None	B	497,764	27.11%	Related
2	B	1,450,794	25.35	Related	B	1,888,239	23.49%	Related	A	473,296	25.78%	None
3	C	477,625	8.35	None	C	836,501	10.41%	None	C	211,249	11.51%	None
	Others	2,117,160	36.98		Others	3,033,758	37.75%		Others	653,676	35.60%	
		5,723,448	100.00			8,037,354	100.00%			1,835,985	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

	2021			2022		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Motorcycle Parts	79,118	72,210	4,063,739	91,318	83,729	5,532,031
Medical Equipment	1,178	727	388,204	1,070	484	336,986
Others	3,575	3,353	523,196	4,940	4,108	739,318
Total	83,871	76,290	4,975,139	97,328	88,321	6,608,335

### 5.2.6 Shipments and Sales in the Last Two Years

Unit: NT\$ thousand/ thousand piece

	2021				2022			
	Local (Vietnam)		Export		Local (Vietnam)		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Motorcycle Parts	58,725	2,553,197	2,440	386,795	63,402	3,505,822	24,472	478,007
Medical Equipment	-	-	600	469,470	-	-	465	450,139
Others	3,042	73,643	12,514	2,240,343	8,205	323,855	13,627	3,279,531
Total	61,767	2,626,840	15,554	3,096,608	71,607	3,829,676	38,564	4,207,677

## 5.3 Human Resources

Unit: person: year: age

Year		2021	2022	2023 (As of March 31)
Number of Employees	Direct Labor	3,831	3,996	3,917
	Indirect Labor	1,125	1,118	1,109
	Total	4,956	5,114	5,026
Average Age		32.35	33.07	33.19
Average Years of Service		6.58	6.96	7.17
Education	Ph.D.	-	-	-
	Masters	7	6	6
	Bachelor's Degree	428	422	418
	College or Below High School	4,521	4,660	4,602



## 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 2022, the Company paid a total of VND\$2,511,046 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.**

12/31/2022; Unit: VND\$ millions

	Facility	Unit Number	Acquired Date	Cost	Book Value	Purpose
1	Wastewater Treatment Plant	3	2018	7,858	5,313	Wastewater Treatment

	Facility	Unit Number	Acquired Date	Cost	Book Value	Purpose
2	Wastewater Treatment Plant	1	2021	1,260	1,162	Wastewater Treatment
3	Wastewater Treatment Plant	2	2019	9,055	5,984	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 2022.

### **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 provides basic health and safety training to all the employees and professional workshops for operational managers who are responsible for specialized machinery and equipment.
- C. The Company's labor safety and health committee holds quarterly meeting to discuss and implement the relevant policies and regulations.
- D. For a safe working environment, the periodic maintenance is implemented on relevant facilities including the fire hydrants.
- E. Organizing safety and health education and training for new recruits, on-the-job safety and health education and training for special operation supervisors, fire safety seminars and

practical training, and on-the-job training on labor safety and health for general personnel.

F. 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 Information Security Management

1. The company has set up information security units in all important subsidiaries, and the general manager is responsible for coordinating the information security policies and governance matters of each subsidiary company. At the same time, each subsidiary has set up a dedicated information security unit and an information security supervisor to comprehensively manage information security policy promotion and resource scheduling. In the future, the deployment of information security defense system will strengthen endpoint detection and response, abnormal network traffic monitoring, intrusion detection and protection, complete system backup and information security monitoring platform, and increase defense depth in management and technical aspects to reduce capital. security risk.
2. The company's 2022 information security risk assessment and countermeasures are shown in the table below. There is no significant operational risk after assessment.

Item	Information Security Risk Project	Current Measures
1	System Corruption Resulting in Data Loss	1. Arrange two hosts to perform data synchronization backup. If the main machine fails, the second backup machine can function immediately. 2. Data is backed up by dedicated line transmission and removable hard disk.
2	Power Interruption and Air Conditioning Abnormal	1. The information room is equipped with a UPS, which can cope with short-term power interruption. 2. Emergency fans are activated as forced convection. If the temperature continues to rise, all equipment in the equipment room will be shut down in sequence.

3	Storage Server Failure	Enable the backup storage server, copy the data from the backup storage server to the primary storage server, and regularly implement the data recovery and import plan.
4	Damaged Network Equipment	After calling the backup network equipment and completing the setting, replace the faulty equipment.

## 5.7 Important Contracts

### 5.7.1 Credit Agreement

Borrower	Lender	Contract Commencement/Termination Date	Amount	Agreement	Restrictive Clauses
Eurocharm Holdings	Yuata Bank	07/31/2022 - 07/30/2023	US\$3 million	Credit loan	None
Eurocharm Holdings	Bank SinoPac	06/27/2022 - 06/30/2024	US\$10 million	Credit loan	None
Eurocharm Holdings	E.SUN Commercial Bank	08/09/2022 - 08/09/2023	US\$4 million	Credit loan	None
Eurocharm Holdings	Mega International Commercial Bank	09/05/2022-09/04/2023	US\$5 million	Credit loan	None
Eurocharm Holdings	The Export-Import Bank of the Republic of China	03/18/2022 - 03/17/2023	US\$5 million	Credit loan	None
Eurocharm Holdings	Cathay United Bank	08/31/2022 - 08/31/2023	US\$2 million	Credit loan	None
Eurocharm Holdings	Fubon Bank	08/04/2022 - 08/04/2023	US\$4.5 million	Credit loan	None
Eurocharm Holdings	Bank of Panhsin	05/18/2022 - 05/18/2023	US\$3 million	Credit loan	None
Eurocharm Holdings	The Shanghai Commercial and Savings Bank	03/10/2022 – 03/10/2023	US\$2 million	Credit loan	None



Borrower	Lender	Contract Commencement/Termination Date	Amount	Agreement	Restrictive Clauses
Eurocharm Innovation	First Commercial Bank	04/15/2022 - 04/15/2023	NT\$160 million	Provided NT\$80 million to Eurocharm Innovation's fixed assets as collateral and NT\$80 million Eurocharm Holdings as guarantor	None
B.V.I.	Taishin International Bank	09/01/2022 - 08/31/2023	US\$4 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
B.V.I.	Shin Kong Bank	02/13/2023 - 02/13/2024	US\$3 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
VPIC1	Bank SinoPac	09/09/2022 - 06/30/2023	US\$8 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
VPIC1	FUBON	09/06/2022 - 08/04/2023	US\$7 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
VPIC1	CTBC	07/22/2022 - 07/22/2023	US\$6 million	Guarantor: Eurocharm Holdings Co., Ltd.	None

Borrower	Lender	Contract Commencement/Termination Date	Amount	Agreement	Restrictive Clauses
VPIC1	CATHAY BANK	08/11/2022 – 08/11/2023	US\$3 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
VPIC1	SHANGHAI	In process	US\$3 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
VPIC1	FIRSTBANK	07/21/2022 - 07/21/2023	US\$7 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
VPIC1	VIETINBANK	06/15/2022 - 05/31/2023	US\$26 million	Providing inventory and accounts receivables as collateral	None
HK	Bank SinoPac	06/27/2022 - 06/30/2023	US\$2.5 million	Guarantor: Eurocharm Holdings Co., Ltd.	None

### 5.7.2 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)	Supply Agreement	Confidential

Supplier	Purchaser	Contract Commencement/Termination Date	Agreement	Restrictive Clauses
		upon writing by both parties		
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

### 5.7.3 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

## 5.7.4 Lease Agreement

Lessee	Lessor	Contract Commencement/Termination Date	Amount	Agreement	Restrictive Clauses
Eurocharm Innovation	Shen Yuan Metal Co., Ltd.	01/16/2022 - 01/15/2024	NT\$168 thousand/month	Rent the land and building at No.10, Lane 315, XinShu Road, XinZhuang District, New Taipei City, Taiwan 242	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	01/01/2022 - 12/31/2022	Section D+C+E+B: VN\$772,951/square meter/year Section Corridor area: VN\$190,033/square meter/year	Lease VPIC1's facilities and factory to Northstar Precision Viet Nam Co., Ltd.	None

Lessee	Lessor	Contract Commencement/Termination Date	Amount	Agreement	Restrictive Clauses
			Cont Bridge area: VN\$190,033/square meter/year		
Northstar Precision (Vietnam) Company Limited	VPIC1	02/01/2022 - 1/31/2023	Workshop and subsidiary office: VN\$1,423,344/square meter/year Toilet, corridor and bridge area: VN\$601,024/square meter/year	Property lease on the land of Factory 6 at Ba Thien 2 Industrial Park, Thien Ke, Binh Xuyen, Vinh Phuc	None
Lieh Kwan Vietnam	VPIC1	12/15/2021 - 12/31/2022 (Automatically renewed for one year)	Area A: VN\$1,234,980/square meter/year Area B: VN\$411,660/square meter/year	Property lease on the land of Factory 6 at Ba Thien 2 Industrial Park, Thien Ke, Binh Xuyen, Vinh Phuc	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 A1: VN\$765,531/square meter/year	Lease VPIC1's facilities and factory to Shiang Yu Precision Co., Ltd.	None

Lessee	Lessor	Contract Commencement/Termination Date	Amount	Agreement	Restrictive Clauses
			Area B: VN\$588,167/square meter/year Area B1: VN\$303,775/square meter/ year		
PCI Viet Nam Co.,Ltd	VPIC1	09/01/2022 – 12/31/2023 (Automatically renewed for one year)	Area A: VN\$1,234,980/square meter/year	Property lease on the land of Factory 6 at Ba Thien 2 Industrial Park, Thien Ke, Binh Xuyen, Vinh Phuc	None
Eurocharm Ways Plastics	VPIC1	12/15/2021 - 12/31/2022 (Automatically renewed for one year)	Area A: VN\$1,234,980/square meter/year Area B: VN\$411,660/square meter/year	Property lease on the land of Factory 6 at Ba Thien 2 Industrial Park, Thien Ke, Binh Xuyen, Vinh Phuc	None

## 5.7.5 Insurance Contract

Insured	Insurance Company	Contract Commencement/Termination Date	Agreement	Restrictive Clauses
Eurocharm Holdings Director and Manager	MSIG Mingtai Insurance Co., Ltd.	09/26/2022 - 09/26/2023	US\$1 million	None
Eurocharm Innovation	Fubon Insurance Co., Ltd.	12/23/2022 - 12/23/2023	Property Insurance of NT\$35 million	None
VPIC1	Bao Minh Vinh Phuc Company & Fubon insurance Viet Nam Co., Ltd	12/15/2022 - 12/15/2023	Mandatory Fire and Explosion Insurance for Building and Equipment VN\$806,378,643,192	None
VPIC1	Fubon insurance Viet Nam Co., Ltd	08/01/2022 - 07/31/2023	Personal Accident Insurance (for death or injury in Vietnam) of 5,018 employees	None
VPIC1	Fubon insurance Viet Nam Co., Ltd	07/31/2022 - 07/31/2023	25 Foreign employees' personal insurance	None
VPIC1	Fubon insurance Viet Nam Co., Ltd & Vietinbank VinhPhuc Insurance Company	07/12/2022 - 07/12/2023	Mandatory Fire and Explosion Insurance for Building and Equipment of VN\$1,667,828,040,861	None
VPIC1	PJICO HA THANH insurance company Product Recall Insurance	10/16/2022 - 4/15/2024	BH thu hồi sp Product Recall Insurance (based on the attachment of the customer list, P-22/HTH/TSA/3304-000037) Maximum claim: Meta system & Harley Davidson for US\$2,000,000;	None

Insured	Insurance Company	Contract Commencement/Termination Date	Agreement	Restrictive Clauses
			US\$1,000,000 for other customers	
VPIC1	PJICO HA THANH insurance company Product liability Insurance	10/16/2022 - 4/15/2024	BH trách nhiệm sp Product Recall Insurance: P-22/HTH/TSA/3304- 000038 Maximum claim: Meta system & Harley Davidson for US\$4,000,000; US\$2,000,000 for other customers	None



## 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, 2023
		2018	2019	2020	2021	2022	
Current assets		2,564,812	2,768,450	3,339,577	3,924,235	4,692,911	4,788,201
Property, Plant and Equipment		1,159,913	1,206,178	1,269,706	1,942,722	2,129,237	2,096,483
Intangible assets		12,230	10,583	6,228	4,835	3,641	3,451
Other assets		479,380	753,557	664,270	755,060	882,887	890,355
Total assets		4,216,335	4,738,768	5,279,781	6,626,852	7,708,676	7,778,490
Current liabilities	Before distribution	1,284,909	1,612,521	2,170,575	3,251,871	2,763,295	-
	After distribution	955,778	1,250,477	1,907,270	2,955,653	2,295,289	3,106,691
Non-current liabilities		44,821	55,412	38,315	35,382	499,447	483,354
Total liabilities	Before distribution	1,329,730	1,667,933	2,208,890	3,287,253	3,262,742	-
	After distribution	1,000,599	1,305,889	1,945,585	2,991,035	2,794,736	3,590,045
Equity attributable to shareholders of the parent company		2,886,605	3,070,835	3,070,891	3,318,986	4,428,939	4,171,818
Capital stock		658,262	658,262	658,262	658,262	659,163	660,300
Capital surplus		836,782	836,782	836,782	836,782	888,652	903,708
Retained earnings	Before distribution	1,611,793	1,908,691	2,099,431	2,465,530	3,114,242	-
	After distribution	1,282,662	1,546,647	1,836,126	2,169,312	2,646,236	2,881,990
Other equity interest		(220,232)	(332,900)	(523,584)	(641,588)	(233,118)	(274,180)
Other components of equity		-	-	-	-	-	-
Non-controlling interest		-	-	-	20,613	16,995	16,627
Total	Before	2,886,605	3,070,835	3,070,891	3,339,599	4,445,934	-

Item \ Year		Financial Summary for The Last Five Years					As of March 31, 2023
		2018	2019	2020	2021	2022	
equity	distribution						
	After distribution	2,557,474	2,708,791	2,807,586	3,043,381	3,977,928	4,188,445

Source: The consolidated financial statements audited or reviewed by CPAs from each year or period

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 2023
	2018	2019	2020	2021	2022	
Operating revenue	4,614,198	5,235,312	4,658,907	5,723,448	8,037,354	1,835,985
Gross profit	807,639	924,001	907,140	1,060,674	1,559,244	409,184
Income from operations	560,867	648,420	614,527	682,951	1,093,404	305,089
Non-operating income and expenses	145,109	105,617	104,080	70,696	32,533	(857)
Income before tax from continuing operations	705,976	754,037	718,607	753,647	1,125,937	304,232
Net income (Loss) from continuing operations	549,798	625,397	553,202	623,422	935,998	235,531
Loss of discontinued operations	-	-	-	-	-	-
Net income (Loss)	549,798	625,397	553,202	623,422	935,998	235,531
Other comprehensive income (income after tax)	30,097	(112,036)	(191,103)	(116,290)	413,784	(41,207)
Total comprehensive income	579,895	513,361	362,099	507,132	1,349,782	194,324
Net income attributable to shareholders of the parent	549,798	625,397	553,202	627,513	941,354	235,754
Net income	-	-	-	(4,091)	(5,356)	(223)

Item	Year	Financial Summary for The Last Five Years					Q1 2023
		2018	2019	2020	2021	2022	
attributable to non-controlling interest							
Comprehensive income attributable to Shareholders of the parent		579,895	513,361	362,099	511,400	1,353,400	194,692
Comprehensive income attributable to non-controlling interest		-	-	-	(4,268)	(3,618)	(368)
Earnings per share		8.35	9.50	8.4	9.53	14.29	3.57

Source: The consolidated financial statements audited or reviewed by CPAs from each year or period

Note 1: Above information has been audited or reviewed by a CPA.

### 6.1.3 Auditors' Opinions from 2018 to 2022

Year	Accounting Firm	CPA	Audit Opinion
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
2021	Ernst & Young	Ching-Piao Cheng & Kuo-Shuai Chen	Unmodified
2022	Ernst & Young	Kuo-Shuai Chen & Chih-Ming Chang	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, 2023
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt ratio	31.54	35.20	41.84	49.61	42.33	46.15
	Ratio of long-term capital to property, plant and equipment	252.73	259.19	244.88	172.66	231.46	222.05
Solvency (%)	Current ratio	199.61	171.68	153.86	120.68	169.83	154.13
	Quick ratio	142.56	130.08	124	78.36	127.14	121.77
	Interest earned ratio (times)	175.23	60.35	43.06	38.91	22.56	14.62
Operating performance	Accounts receivable turnover (times)	6.93	7.27	5.87	5.61	6.12	5.11
	Average collection days	52.67	50.21	62.18	65.06	59.64	71.42
	Inventory turnover (times)	6.77	6.39	5.76	4.68	5.04	5.02
	Account payable turnover (time)	8.08	9.48	11.24	10.59	11.71	11.87
	Average days of sales	53.91	57.12	63.36	77.99	72.42	72.71
	Property, plant and equipment turnover (times)	4.84	4.43	3.76	3.56	3.95	3.48
	Total assets turnover (times)	1.22	1.17	0.93	0.96	1.12	0.95
Profitability	Return on total assets (%)	14.63	14.19	11.32	10.74	13.64	13.09
	Return on equity (%)	20.15	21.00	18.01	19.51	24.16	21.91
	Pre-tax income to paid-in capital (%)	107.25	114.55	109.17	114.49	170.81	184.82

Item	Year	Financial Analysis for the Last Five Years					As of March 31, 2023
		2018	2019	2020	2021	2022	
	Net Income ratio (%)	11.92	11.95	11.87	10.89	11.65	12.83
	Earnings per share (NT\$)	8.35	9.50	8.4	9.53	14.29	3.57
Cash flow	Cash flow ratio (%)	23.17	37.71	31.78	(0.54)	38.35	17.08
	Cash flow adequacy ratio (%)	84.66	91.51	90.49	48.28	56.86	66.50
	Cash reinvestment ratio (%)	0.81	7.03	8.07	(6.31)	12.11	3.87
Leverage	Operating leverage	1.02	1.25	1.25	1.23	1.23	1.21
	Financial leverage	1.01	1.02	1.03	1.03	1.05	1.08

Analysis of financial ratio differences for the last two years.

1. The ratio of long-term capital to property, plant and equipment: the main factor is the issuance of the NT\$0.5 billion convertible debt during the current period.
2. Current ratio: The increase is due to the issuance of the NT\$0.5 billion convertible debt short-term loans in the current period and the decrease of inventory to increase cash, which caused the current assets to rise sharply.
3. Quick ratio: The increase is due to the increase of savings and CDs in the bank, which caused the liquid assets to rise sharply.
4. Interest earned ratio: The increase is due to the rising interest of loans in the current period compared with the same period last year.
5. Return on total assets: Due to the significant increase of the net profit after tax, return on total assets rises greatly.
6. Return on equity: Due to the significant increase of the net profit after tax, return on equity rises greatly.
7. Pre-tax income to paid-in capital: Due to the significant increase of the pre-tax income during the current period, ratio of pre-tax income to paid-in capital rises greatly.
8. Earnings per share: Due to the continuous drop in material prices and the significant growth from revenues of various product lines, earnings per share rises greatly.
9. Cash flow adequacy ratio: Due to the increased cash flow from operating activities, cash flow adequacy ratio rises.

Source: The consolidated financial statements audited or reviewed by CPAs from each year or period

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

#### Audit Committee's Review Report

The Board of Directors has prepared the Company's 2022 Business Report, Financial Statements, and proposal for allocation of profits. Kuo-Shuai Chen & Chih-Ming Chang, the CPAs from Ernst & Young Accounting Firm were retained to audit Eurocharm Holdings Corporation Limited's Financial Statements and have 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. 2022 Annual General Shareholders' Meeting

Eurocharm Holdings Co., Ltd.

Convener of the Audit Committee: Jen-Tien Yuan

February 24, 2023

### 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	2022	2021	Difference	
			Amount	%
Current Assets	4,692,911	3,924,235	768,676	19.59
Property, plant and equipment	2,129,237	1,942,722	186,515	9.60
Intangible Assets	3,641	4,835	(1,194)	(24.69)
Other Assets	882,887	755,060	127,827	16.93
Total Assets	7,708,676	6,626,852	1,081,824	16.32
Current Liabilities	2,763,295	3,251,871	(488,576)	(15.02)
Non-current Liabilities	499,447	35,382	464,065	1,311.58
Total Liabilities	3,262,742	3,287,253	(24,511)	(0.75)
Capital	659,163	658,262	901	0.14
Capital surplus	888,652	836,782	51,870	6.20
Retained Earnings	3,114,242	2,465,530	648,712	26.31
Other Adjustments	(233,118)	(641,588)	408,470	(63.67)
Non-Controlling Interests	16,995	20,613	(3,618)	(17.55)
Total Stockholders' Equity	4,445,934	3,339,599	1,106,335	33.13
<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\$77,087 thousand):</p> <ol style="list-style-type: none"> <li>(1) Current asset: The increase is due to the increase of cash and accounts receivables.</li> <li>(2) Property, plant and equipment: Due to the completion of Baishan II and the addition of mechanical equipment.</li> <li>(3) Other equity: The increase in equity method investments.</li> <li>(4) Current liabilities: The decrease is due to the Company's short-term loans.</li> <li>(5) Non-current liabilities: The increase is due to the issuance of the bonds.</li> <li>(6) Retained earnings: The increase is due to that the net profit after tax is greater than the number of dividends paid.</li> </ol> <p>The differences mentioned above are expected in regular operations and the impact on the Company's financial situation is minimal.</p>				

Source: The consolidated financial statements audited or reviewed by CPAs

## 7.2 Analysis of Financial Performance

### 7.2.1 Financial performance comparison analysis table

Unit: NT\$ thousands: %

Item \ Year	2022	2021	Difference	
			Amount	%
Operating Revenues	8,037,354	5,723,448	2,313,906	40.43
Operating Cost	6,478,110	4,662,774	1,815,336	38.93
Operating Gross Margin	1,559,244	1,060,674	498,570	47.01
Operating Expenses	465,840	377,723	88,117	23.33
Operating Net Income	1,093,404	682,951	410,453	60.10
Non-operating Income and Expenses	32,533	70,696	(38,163)	(53.98)
Income Before Tax	1,125,937	753,647	372,290	49.40
Income After Tax	935,998	623,422	312,576	50.14

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\$77,087 thousand):

- (1) Operating revenues, cost and gross margin: The increase in revenue is due to the recovery of the economy that boosted the domestic and international sales.
- (2) Cost of goods sold: The increase of the number of shipments resulted in a simultaneous increase in the cost of goods sold.
- (3) Operating Expenses: The increase in management expenses caused a substantial increase in overall operating expenses.

The differences mentioned above are expected in regular Company operations and the impact on the Company's financial situation is minimal.

Source: The consolidated financial statements audited or reviewed by CPAs

### 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	2022	2021	Variance	
			Amount	%
Operating Activity	1,059,612	(17,542)	1,077,154	6,140.4
Investment Activity	(759,746)	(457,134)	(302,612)	66.20
Financing Activity	(240,661)	643,253	(883,914)	(137.41)
Analysis of financial ratio change:				
Operating Activity: The decrease in inventory in the current period resulted in an increase in cash flow from operating activities compared to the same period last year.				
Investment Activity: The increase is due to the rise in financial assets measured at the amortized cost.				
Financing Activity: This was resulted from repayment of short-term loan and distribution of dividends in the current period.				

Source: The consolidated financial statements audited or reviewed by CPAs

**7.3.2 Remedy for Cash Deficit and Liquidity Analysis:**

Not Applicable

**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
1,397,304	773,808	(226,750)	(304,855)	1,639,507	—	—
1. Analysis of financial ratio change: 1) Operating Activities: Expected continuous growth and profit resulted in net cash inflow. 2) 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. 3) Financing Activities: The increase is due to the bank loan, which results in net cash outflow. 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

12/31/2022; Unit: NT\$ thousands

Reinvestment	2022 Reinvestment Loss and Gain	Description
Eurocharm (B.V.I)	1,079,539	Operations in Good Condition
Eurocharm (U.S.)	7,409	Operations in Good Condition
Eurocharm (Taiwan)	22,370	Operations in Good Condition
VPIC1	1,061,087	Operations in Good Condition
Eurocharm (H.K.)	29,678	Operations in Good Condition
Eurocharm (Ways)	(6,546)	Operations in Good Condition
VHS	5,763	Operations in Good Condition
Lieh Kwan	(1,210)	Operations in Good Condition
King Duan	924	Operations in Good Condition
Uni-Calsonic	(22)	Operations in Good Condition
Exedy	18,158	Operations in Good Condition
Shiang Yu	584	Operations in Good Condition
PCI	716	Operations in Good Condition
Northstar	-	Financial assets measured at fair value through other comprehensive income. Financial assets not recognized as investment gains and losses.
VPIC	-	Financial assets measured at fair value through other comprehensive income. Financial assets not recognized as investment gains and losses.
AmTrust Capital II Corp.	-	Financial assets measured at fair value through other 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.

IV. Operational situation: In 2022, all departments regularly followed the principle of materiality, considering corporate governance issues such as economic, environmental and social aspects that may have a significant impact on customers, investors and other stakeholders, conducted risk assessment, and formulated risk management strategies and plan. In response to high-risk issues, risk status was regularly reported at the monthly meetings, and strengthening of the control plan was also reported to the board of directors for supervision and review. The Company established the Risk Committee after the full re-election of directors on May 31, 2022, and the relevant report will be presented to the board of directors at least once a year. In 2022, the board of directors has reported high-risk issues including compound disaster risk and data risk management and supervision.

Major Issues	Risk Assessment Program	Risk Management Policy
Environment	Failed Climate Actions	<p>The environment and safety committee sets goals for greenhouse gas management, regularly reviews the achievement of performance, and pays attention to the changes in regulations to formulate response plans immediately.</p> <ol style="list-style-type: none"> <li>The group complies with government regulations by submitting a waste disposal plan and paying recycling and disposal fees as required by the Waste Disposal Act. The waste generated from the group's operational activities includes wastewater and liquid waste from the painting production line. In 2022, the total amount of general industrial waste was 782.51 tons, recyclable waste was</li> </ol>

		<p>14,627.59 tons, and hazardous waste was 5,221.92 tons. All the wastes are regularly removed by qualified disposal agencies. The goal for VPIC1 is to reduce hazardous waste by at least 3% in 2023.</p> <p>2. Optimization of energy efficiency and management mechanisms: To improve efficiency of energy usage, the group has introduced the ISO 50001 Energy Management System, gradually replace outdated facility with high-performance power conversion equipment, and actively cultivate talents specialized in low-carbon technology transformation.</p>
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For more information about the Risk Committee, please check <https://www.eurocharm.com.tw/esg/公司治理/風險管理委員會>

### 7.6.2 Information Security Policy and Management Structure

The company has 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. There is no guarantee that the computer systems that control or maintain important corporate functions such as the company's manufacturing operations and accounting are completely immune to attacks from any third-party paralyzed system. These cyber-attacks illegally invade the Company's internal (external) network systems and carry out activities such as sabotaging the Company's operations and damaging the company's goodwill. In the event of a severe cyber-attack, a company's systems may lose important company data. Therefore, the Company will continuously review and evaluate its cybersecurity regulations and procedures to ensure their appropriateness and effectiveness but there is no guarantee that the Company will not be affected by emerging risks and attacks amid the ever-changing cybersecurity threats.

### 7.6.3 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 2022 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 have no significant effect on the business operation as the Company's 2022 foreign exchange gain is accounted for 0.19% 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.

#### **7.6.4 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, Eurocharm Holdings guaranteed and endorsed the following subsidiaries: Eurocharm Innovation Co., Ltd. (B.V.I.) for NT\$214,956 thousand, Eurocharm Innovation Co., Ltd. for NT\$80,000 thousand, Vietnam Precision Industrial No.1 Co., Ltd. for NT\$1,105,488 thousand, and Eurocharm Innovation (HK) Co., Limited for NT\$76,770 thousand. As of the end of 2022, the amount spent was \$312,026 thousand.

#### **7.6.5 Future Research & Development Projects and Corresponding Budget**

The Company's R&D expenses account for 1.58% and 1.05% of sales amount for 2021 and 2022 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. The R&D expenses that the Company plans to devote are listed below.

Items	Amount (NTD thousand )	Application
Automated polishing equipment	4,000	Automation of polishing process
AOI optical inspection	3,000	Automation of quality inspection
Material research and development	4,000	Introduction of the new aluminum alloy material
Automation of production process	5,000	Introduction of simple automation for the production



		process
Thermal management product design	2,000	Introduction of electric vehicle cooling module products

#### 7.6.6 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.

#### 7.6.7 Effects of and Response to Changes in Technology (including information security risks) 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.

The Company has an information technology security policy to establish and maintain a secure environment for company information and computer systems. However, even if a company has established the above policies, procedures, and many other information security protection measures, there is no guarantee that the computer system that controls or maintains important corporate functions such as the company's manufacturing operations and accounting are completely immune to attacks from any third-party 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, a company's system may lose important company data. Therefore, the company will continuously review and evaluate its cybersecurity regulations and procedures to ensure their appropriateness and effectiveness, but there is no guarantee that the Company will not be affected by emerging risks and attacks amid the ever-changing cybersecurity threats.

#### **7.6.8 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.

#### **7.6.9 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans**

None, no such plans.

#### **7.6.10 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.

#### **7.6.11 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.

As for the sales from individual customers, the operating income of the two customers takes up to 51.85% of the consolidated operating income. Sales from the Company's other clients does not exceed 10%. However, As the Company's largest customers holds 70% of the market share in Vietnam and the Company is 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.

#### **7.6.12 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.

#### **7.6.13 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.

**7.6.14 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.

#### **7.6.15 Other Major Risks:**

##### **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 changes significantly in the market environment at any time, when the demand decreases, the company would temporarily reduce the operation of some production lines or machines and idle capacity would 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.

### **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 12/31/2022

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\$659,163 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	06/2010	Khai Quang Industrial	USD \$1,250	Manufacturing

<b>Name of Enterprise</b>	<b>Date of Establishment</b>	<b>Address</b>	<b>Paid-in Capital</b>	<b>Major Business or Production Items</b>
Technology Vietnam Co., Ltd.		Zone, Vinh Yen City, Vinh Phuc Province, Vietnam	thousand	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 \$7,800 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
Vietnam King Duan Industrial Co., Ltd.	01/2021	Thang Long San Industrial Zone, Binh Chuan County, Vinh Phuc Province, Vietnam	USD \$10,000 thousand	Manufacturing and sales of motor parts
Vietnam Uni-Calsonic Co., Ltd.	01/2021	Thang Long San Industrial Zone, Binh Chuan County, Vinh Phuc Province, Vietnam	USD \$550 thousand	Manufacturing and sales of motor parts
Vietnam Eurocharm Ways Plastics Company Limited.	06/2021	Thang Long San Industrial Zone, Binh Chuan County, Vinh Phuc Province, Vietnam	USD \$2,000 thousand	Plastic dip and sales business
PCI International Investment Inc.	04/2022	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola,	USD \$4,500 thousand	Investment in share holding

Name of Enterprise	Date of Establishment	Address	Paid-in Capital	Major Business or Production Items
		VG1110, British Virgin Islands		

### 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 Information of the Directors, Supervisors, and General Managers of the Affiliated Companies

Name of Enterprise	Title	Name(s)	Shareholding	
			Shares	%
Eurocharm Holdings Co., Ltd.	Director	Steven Yu, Antonio Yu, Michael Yu, Steven Chang, Yi-Ren Guo, Yen-Hsi Lin, Jen-Tien Yuan	233,000	0.36%
	General Manager	Andy Wu	149,225	0.23%
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	–	–

Name of Enterprise	Title	Name(s)	Shareholding	
			Shares	%
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	–	–
Vietnam King Duan Industrial Co., Ltd.	Director	Yi-Jyun Ciou, Han-Zong Jiang, Hong-Jyun Shih, Steven Yu, Michael Yu	–	–
	Supervisor	Antonio Yu, Min-De Chen	–	–
Vietnam Eurocharm Ways Plastics Company Limited	Director	Andy Wu, Shih-Wun Liao, Steven Yu	–	–
	Supervisor	Michael Yu, Shih-Yi Guo	–	–
Vietnam Uni-Calsonic Co., Ltd.	Director	Jing-Hong Wang, Jin-Wun Jhong, Steven Yu	–	–
	Supervisor	Yun-Chu Yeh, Michael Yu	–	–
PCI International Investment Inc.	Director	Steven Yu, Michael Lin, Yuan-Pin Chang	–	–



## 8.1.6 Operating Summary for Respective Subsidiaries

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

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.	659,163	7,708,676	3,262,742	4,445,934	8,037,354	1,093,404	935,998	14.29
Eurocharm Innovation Co., Ltd.(B.V.I.)	615,652	5,788,210	363,067	5,425,143	-	(220)	1,079,539	See Note 1
Eurocharm America LLC	6,282	97,430	89,918	7,512	175,393	7,611	7,409	11.79
Eurocharm Innovation Co., Ltd.	58,500	490,714	299,738	190,976	423,274	(22,056)	16,231	2.77
Vietnam Precision Industrial No.1 Co., Ltd.	629,553	7,058,188	2,436,104	4,622,084	7,965,386	1,133,993	1,039,747	See Note 1
Vietnam Eurocharm Ways Plastics Company Limited	55,292	58,577	20,811	37,766	125	(12,316)	(11,902)	See Note 1
Hsieh Yuan Technology Vietnam Co.,Ltd.	23,179,239	113,764,967	35,260,948	78,504,019	113,345,871	13,976,453	9,973,782	See Note 1
Exedy Vietnam Co., Ltd.	66,083,544	378,334,740	56,143,389	322,191,371	653,294,951	77,392,185	70,709,043	See Note 1
Shiang Yu Precision Co., Ltd.	46,447,360	74,180,187	13,660,713	60,519,474	25,022,304	630,718	1,136,457	See Note 1
Eurocharm Innovation (HK) Co., Ltd.	46,637	155,275	30,659	124,616	328,729	73,201	67,703	14.52
Lieh Kwan International Co., Ltd.	61,030	54,114	-	54,114	-	(7)	(3,026)	(0.50)

Vietnam King Duan Industrial Co., Ltd.	229,230,000	554,534,663	293,512,827	261,021,836	205,289,907	16,180,670	1,798,833	See Note 1
Vietnam Uni-Calsonic Co., Ltd.	12,633,500	12,776,539	240,622	12,535,917	-	(357,429)	(41,871)	See Note 1
PCI International Investment Inc.	130,518	130,706	-	130,706	-	-	1,591	See Note 1

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., Shiang Yu Precision Co., Ltd., Vietnam King Duan Industrial Co., Ltd., Vietnam Uni-Calsonic Co., Ltd. are in VND.

### **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**

Please see the Appendix 2 of the Chinese version of the Annual Report

Annual Report 2022

Appendix 1

Consolidated Financial Statements for the fiscal year 2022

English Translation of Financial Statements and a Report Originally Issued in Chinese

**Ticker: 5288**

**EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**WITH A REPORT OF INDEPENDENT AUDITORS**  
**AS OF DECEMBER 31, 2022 AND 2021**  
**AND FOR THE YEARS THEN ENDED**

Address: PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street,  
George Town KY1-1106, Grand Cayman, Cayman Islands  
Telephone: (02)2208-0151

*The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.*

English Translation of Financial Statements and a Report Originally Issued in Chinese

**Consolidated financial statements**

**Index**

Item	Page numbering
1. Cover page	1
2. Index	2
3. Report of Independent Auditors	3-8
4. Consolidated Balance Sheets	9
5. Consolidated Statements of Comprehensive Income	10
6. Consolidated Statements of Changes in Equity	11
7. Consolidated Statements of Cash Flows	12
8. Notes to the Consolidated Financial Statements	
(1) History and organization	13
(2) Date and procedures of authorization of financial statements for issue	13
(3) Newly issued or revised standards and interpretations	13-17
(4) Summary of significant accounting policies	17-45
(5) Significant accounting judgments, estimates and assumptions	45-47
(6) Contents of significant accounts	47-89
(7) Related party transactions	89-93
(8) Pledged assets	94
(9) Significant contingencies and unrecognized contract commitments	94
(10) Significant disaster loss	94
(11) Significant subsequent events	94
(12) Others	95-108
(13) Other disclosures	
1. Information at significant transactions	109、113-114、119
2. Information on investees	109-110、113、115-118
3. Information on investments in Mainland China	110
4. Information of major shareholders	110
(14) Operating Segment	111-112

English Translation of a Report Originally Issued in Chinese  
REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders  
of Eurocharm Holdings Co., Ltd.

**Opinion**

We have audited the accompanying consolidated balance sheets of Eurocharm Holdings Co., Ltd. (the “Company”) and its subsidiaries as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (collectively referred as “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2022 and 2021, and their consolidated financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key Audit Matters**

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

### Revenue recognition

We determine that revenue recognition is one of the key audit matters. The Company's consolidated revenue amounting to NT\$8,037,354 thousand for the year ended December 31, 2022 is significant to the Company's consolidated financial statements. The Company and its subsidiaries have conducted these sale activities through multi-market places. Furthermore, varieties of sale terms and conditions enacted in the main sale contracts or sale orders judging and determining the performance obligation and the time of satisfaction. We therefore conclude that there are significant risks with respect to the topic of revenue recognition. Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for performance obligation, of revenue recognition assessing and testing the effectiveness of relevant internal controls related to performance obligation of revenue recognition, executing sale cut-off tests, sampling-test of details, including to review the consistency of the fulfillment timing between determining the performance obligation of revenues recognition and the major sales orders or agreements for their terms and conditions. We also evaluated the appropriateness of the related disclosure in Note 6 to the consolidated financial statements.

### Trade receivables – loss allowance

The Company's consolidated gross trade receivables and loss allowance as of December 31, 2022 amounted to NT\$1,488,542 thousand and NT\$43,201 thousand, respectively. The consolidated net trade receivables represented 19% of the Company's total consolidated assets and were significant to the Company's consolidated financial statements. The amount of loss allowance against trade receivable is measured based on expected credit loss during its existing period. For the measurement purpose, underlying receivable should be grouped appropriately and the application of related assumptions, including proper aging intervals, expected loss ratio and forward-looking information for each aging interval, be judged and analyzed. We conclude that the estimation of impairment loss toward trade receivable is one of the key audit matters due to its complexity of judgment, analysis and estimation and its significant impact on carrying value of net trade receivable. Our audit procedures therefore include, but not limit to, analyzing the appropriateness of the methodology to group trade receivable, confirming whether the customers with significantly different loss patterns

(i.e. similar risk characteristics) are appropriately grouped (i.e. by historical experiences, etc.); testing the preparation matrix adopted by the Group, including evaluation on reasonableness of determining aging intervals, and examining the correctness of original document for basic information; reviewing trade receivable subsequent collection for evaluating its recoverability; analyzing long-term variation trend of loss allowance and turnover rate of trade receivable and concluding whether any significant impairment needs to be made at the end of period. We have also evaluated the appropriateness of the disclosure in Note 5 and Note 6 to the consolidated financial statements regarding trade receivables and related risk.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.



## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

/s/Chen, Kuo-Shuai

/s/Chang, Chih-Ming

Ernst & Young, Taiwan

February 24<sup>th</sup>, 2023

Notice to Readers

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

*Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or the Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.*

## English Translation of Consolidated Financial Statements Originally Issued in Chinese

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

As of December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	2022.12.31	2021.12.31	Liabilities and Equity	Notes	2022.12.31	2021.12.31
Accounts				Accounts			
Current assets				Current liabilities			
Cash and cash equivalents	4, 6(1)	\$1,397,304	\$1,146,745	Short-term borrowings	6(12), 8	\$1,642,067	\$2,093,916
Financial assets at fair value through profit or loss	4, 6(2), 6(14)	292	-	Contract liabilities	4, 6(18)	28,486	70,149
Financial assets measured at amortized cost	4, 6(3)	528,379	160,254	Trade payables		525,991	512,240
Trade receivables	4, 6(4), 6(19), 8	1,076,855	794,161	Trade payables-related parties	7	38,252	30,167
Trade receivables-related parties	4, 6(4), 6(19), 7	368,486	326,242	Other payables	6(13)	377,918	390,359
Other receivables		18,371	9,075	Current tax liabilities	4, 6(24)	110,803	121,860
Other receivables-related parties	7	2,729	1,585	Lease liabilities	4, 6(22)	3,725	3,130
Current tax assets		512	725	Lease liabilities-related parties	4, 6(22), 7	1,910	-
Inventories	4, 6(5), 8	1,102,281	1,290,201	Other current liabilities		3,376	1,766
Prepayments	7	77,479	85,793	Refund liabilities		30,767	28,284
Other current assets		120,223	109,454	Total current liabilities		2,763,295	3,251,871
Total current assets		4,692,911	3,924,235				
Non-current assets				Non-current liabilities			
Financial assets measured at fair value through other comprehensive income	4, 6(6)	95,705	55,705	Bonds payable	4, 6(14)	465,295	-
Financial assets measured at amortized cost	4, 6(3)	14,989	13,100	Deferred tax liabilities	4, 6(24)	18,468	16,410
Investment accounted for under the equity method	4, 6(7)	384,101	294,594	Lease liabilities	4, 6(22)	2,528	5,332
Property, plant and equipment	4, 6(8), 7, 8	2,129,237	1,942,722	Other non-current liabilities	6(15), 6(16)	13,156	13,640
Right-of-use assets	4, 6(22), 7	308,396	293,777	Total non-current liabilities		499,447	35,382
Investment property	4, 6(9)	72,997	33,626	Total liabilities		3,262,742	3,287,253
Intangible assets	4, 6(10)	3,641	4,835	Equity attributable to shareholders of the parent			
Deferred tax assets	4, 6(24)	2,900	4,205	Capital	6(17)		
Other non-current assets	6(11), 6(16)	3,799	60,053	Common stock		659,163	658,262
Total non-current assets		3,015,765	2,702,617	Capital surplus	6(17)	888,652	836,782
				Retained earnings	6(17)		
				Legal reserve		218,316	155,069
				Special reserve		307,951	620,146
				Unappropriated Earnings		2,587,975	1,690,315
				Other components of equity		(233,118)	(641,588)
				Non-controlling interests	6(17), 6(26)	16,995	20,613
				Total equity		4,445,934	3,339,599
Total assets		\$7,708,676	\$6,626,852	Total liabilities and equity		\$7,708,676	\$6,626,852

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

## English Translation of Consolidated Financial Statements Originally Issued in Chinese

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

Description	Notes	2022	2021
Operating revenues	4, 6(18), 7	\$8,037,354	\$5,723,448
Operating costs	6(20), 7	(6,478,423)	(4,662,448)
Gross profit		1,558,931	1,061,000
Realized (Unrealized) sales profit	4	313	(326)
Gross profit, net		1,559,244	1,060,674
Operating expenses	6(20), 7		
Sales and marketing		(117,340)	(101,045)
General and administrative		(238,445)	(186,400)
Research and development		(84,123)	(90,278)
Expected credit losses	4, 6(19)	(25,932)	-
Operating expenses total		(465,840)	(377,723)
Operating income		1,093,404	682,951
Non-operating incomes and expenses			
Other incomes	6(21), 7	104,496	88,251
Other gains and losses	6(21), 7	(44,650)	(38,983)
Finance costs	6(21), 7	(52,226)	(19,882)
Share of profit or loss of associates and joint ventures accounted for under the equity method	4, 6(7)	24,913	41,310
Non-operating incomes and expenses total		32,533	70,696
Income before income tax		1,125,937	753,647
Income tax expense	4, 6(24)	(189,939)	(130,225)
Net income		935,998	623,422
Other comprehensive income (loss)	6(23)		
Not to be reclassified to profit or loss in subsequent periods:			
Remeasurements of defined benefit plans		3,576	1,891
May be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		394,062	(112,468)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method		16,146	(5,713)
Total other comprehensive income, net of tax		413,784	(116,290)
Total comprehensive income		\$1,349,782	\$507,132
Net income (loss) attributable to:			
Stockholders of the parent		\$941,354	\$627,513
Non-controlling interests		(5,356)	(4,091)
		\$935,998	\$623,422
Total comprehensive income (loss) attributable to:			
Stockholders of the parent		\$1,353,400	\$511,400
Non-controlling interests		(3,618)	(4,268)
		\$1,349,782	\$507,132
Earnings per share-basic (in NTD)	6(25)	\$14.29	\$9.53
Earnings per share-diluted (in NTD)	6(25)	\$13.91	\$9.51

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollar)

Description	Equity Attributable to Shareholders of the Parent							Non-controlling Interests	Total Equity
	Share capital		Retained Earnings			Other Components of Equity	Total		
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations			
Balance as of January 1, 2021	\$658,262	\$836,782	\$-	\$332,900	\$1,766,531	\$(523,584)	\$3,070,891	\$-	\$3,070,891
Appropriation and distribution of 2020 earnings and earnings for the six-month period ended June 30, 2021:									
Legal reserve			155,069		(155,069)		-		-
Special reserve				287,246	(287,246)		-		-
Cash dividends-common shares					(263,305)		(263,305)		(263,305)
Net income in 2021					627,513		627,513	(4,091)	623,422
Other comprehensive income in 2021					1,891	(118,004)	(116,113)	(177)	(116,290)
Total comprehensive income (loss)	-	-	-	-	629,404	(118,004)	511,400	(4,268)	507,132
Changes in non-controlling interests								24,881	24,881
Balance as of December 31, 2021	658,262	836,782	155,069	620,146	1,690,315	(641,588)	3,318,986	20,613	3,339,599
Appropriation and distribution of 2021 earnings and earnings for the six-month ended June 30, 2022:									
Legal reserve			63,247		(63,247)		-		-
Cash dividends-common shares					(296,218)		(296,218)		(296,218)
Special reserve reversal				(312,195)	312,195		-		-
Equity component of convertible bonds issued by the company		40,024					40,024		40,024
Net income in 2022					941,354		941,354	(5,356)	935,998
Other comprehensive income in 2022					3,576	408,470	412,046	1,738	413,784
Total comprehensive income (loss)	-	-	-	-	944,930	408,470	1,353,400	(3,618)	1,349,782
Conversion of convertible bonds	901	11,846					12,747		12,747
Balance as of December 31, 2022	\$659,163	\$888,652	\$218,316	\$307,951	\$2,587,975	\$(233,118)	\$4,428,939	\$16,995	\$4,445,934

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

## English Translation of Consolidated Financial Statements Originally Issued in Chinese

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Items	2022	2021	Items	2022	2021
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$1,125,937	\$753,647	Acquisition of financial assets measured at fair value through other comprehensive income	(40,000)	(36,274)
Adjustments to reconcile net income before tax to net cash provided by (used in) operating activities:			Decrease (increase) in financial assets measured at amortized cost	(370,014)	558,705
Depreciation (include investment property)	267,535	159,905	Acquisition of investment accounted for under the equity method	(58,733)	(119,504)
Amortization	3,078	4,444	Acquisition of property, plant and equipment	(299,234)	(959,938)
Expected credit losses	25,932	-	Proceeds from disposal of property, plant and equipment	9,700	102,869
Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(103)	-	Acquisition of intangible assets	(1,465)	(2,992)
Interest expense	52,226	19,882	Net cash provided by (used in) investing activities	<u>(759,746)</u>	<u>(457,134)</u>
Interest income	(37,837)	(33,215)			
Dividends	(17,621)	(15,318)	Cash flows from financing activities:		
Share of profit or loss of associates and joint ventures accounted for under the equity method	(24,913)	(41,310)	Increase in (repayment of) short-term borrowings	(451,849)	883,936
Loss (gain) on disposal of property, plant and equipment	(586)	708	Issuance of convertible bonds	512,995	-
Loss on inventory valuation	53,249	3,014	Increase (decrease) in guarantee deposits	35	2,688
Unrealized (realized) sales profit	(313)	326	Repayment of lease liabilities principal	(5,624)	(4,947)
Changes in operating assets and liabilities:			Cash dividends	(296,218)	(263,305)
Trade receivables	(310,233)	(140,550)	Increase (decrease) in non-controlling interests	-	24,881
Trade receivables-related parties	(42,244)	(91,900)	Net cash provided by (used in) financing activities	<u>(240,661)</u>	<u>643,253</u>
Other receivables	(3,184)	(1,888)			
Other receivables-related parties	(1,144)	(757)	Effect of exchange rate changes	<u>191,354</u>	<u>(65,544)</u>
Inventories	129,384	(706,238)			
Prepayments	8,314	(24,627)	Net increase (decrease) in cash and cash equivalents	250,559	103,033
Other current assets	(10,769)	(48,736)	Cash and cash equivalents at beginning of period	<u>1,146,745</u>	<u>1,043,712</u>
Contract liabilities	(41,663)	(16,181)	Cash and cash equivalents at end of period	<u>\$1,397,304</u>	<u>\$1,146,745</u>
Notes payables	-	(4)			
Trade payables	13,751	178,484			
Trade payables-related parties	8,085	25,993			
Other payables	42,866	56,729			
Other current liabilities	1,610	230			
Net defined benefit liabilities	(406)	(454)			
Refund liabilities	2,483	(851)			
Cash generated from (used in) operations	<u>1,243,434</u>	<u>81,333</u>			
Interest received	31,942	41,908			
Dividends received	37,389	32,272			
Interest paid	(51,352)	(19,387)			
Income tax paid	(201,801)	(153,668)			
Net cash provided by (used in) operating activities	<u>1,059,612</u>	<u>(17,542)</u>			

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

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2022 and 2021 and for the years then ended

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

**1. HISTORY AND ORGANIZATION**

Eurocharm Holdings Co., Ltd. (“the Company”) was incorporated on July 18, 2011. The Company’s subsidiaries are engaged in manufacturing and selling motorcycle and auto equipment parts, medical equipment, machine parts, and providing assembling services.

The Company’s common shares were publicly listed on the Taiwan Stock Exchange (TWSE) on September 23, 2014 and started trading on September 25, 2014. The Company’s registered office is at PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town KY1-1106, Grand Cayman, Cayman Islands. The main business locations are Khai Quang Industrial Zone, Vinh Yen City, Vinh Phuc Province, Vietnam and No.15, Ln. 315 and Xinshu Rd., Xinzhuang Dist., New Taipei City, Taiwan (R.O.C.)

**2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE**

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the years ended December 31, 2022 and 2021 were authorized for issue by the board of directors on February 24, 2023.

**3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS**

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended, which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2022. Apart from the nature and impact of the new standard and amendment is described below, the remaining new standards and amendments had no material impact on the Group.



## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

(a) Disclosure Initiative – Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(b) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2023. The Group assesses that there will be no significant impact on the Group’s financial statements then.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
e	Non – current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024

- (a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

## (b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

## (c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

## (d) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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## (e) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Group assesses that there will be no significant impact on the Group.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(1) Statement of compliance**

The consolidated financial statements for the years ended December 31, 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

**(2) Basis of preparation**

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in thousands of New Taiwan Dollars ("NT\$") unless otherwise specified.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (3) Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) recognizes any surplus or deficit in profit or loss; and
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			As of December 31,	
			2022	2021
The Company	Eurocharm Innovation Co., Ltd. (B.V.I.)	Investment activities	100%	100%
The Company	Eurocharm America LLC.	Trading activities, warehouse and logistic service	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation Co., Ltd.	Manufacturing and sales of motor parts and medical equipment	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Precision Industrial No.1 Co., Ltd.	Manufacturing and sales of motor parts and medical equipment	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation (HK) Co., Ltd.	Trading activities	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Eurocharm Ways Plastics Company Limited.	Plastic dipping and processing	55%	55% (Note)

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Note: On April 30, 2021, the Company's board of directors has determined to invest in Vietnam Eurocharm Ways Plastics Company Limited. The Company invested US\$1,100 thousand and acquired 55% of ownership.

## (4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT\$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising from the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

## (6) Current and non-current distinction

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- (b) The Group holds the asset primarily for the purpose of trading.
- (c) The Group expects to realize the asset within twelve months after the reporting period.
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.



## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle.
- (b) The Group holds the liability primarily for the purpose of trading.
- (c) The liability is due to be settled within twelve months after the reporting period.
- (d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial instruments: Recognition and Measurement

The Group accounts for regular way purchases or sales of financial assets on the trade date.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, considering both factors below:

- A. the Group's business model for managing the financial assets and ;
- B. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables, etc., on the balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- A. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- B. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and ;
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described below:

- A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
- i. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified measured at amortized cost or measured at fair value through other comprehensive income based on the aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from re-measurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

## (b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Group measures expected credit losses of a financial instrument in a way that reflects:

- A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- B. the time value of money; and
- C. the reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follow:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (c) Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired.
- ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

## (d) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 Financial Instruments.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or losses including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.



## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

## (10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – At actual purchase cost, using the weighted average method.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

## (11) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing of the associate or joint venture on a prorate basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a prorate basis when the Group disposes of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the ‘share of profit or loss of an associate’ in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	5~50 years
Machinery and equipment	3~15 years
Transportation equipment	3~15 years
Office equipment	3~10 years
Other equipment	1~8 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (13) Investment property

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	10~25 years
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Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group transfers properties to or from investment properties according to the actual use of the properties.

The Group transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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## (14) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.



## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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## (15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (2 to 6 years).

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A summary of the policies applied to the Group's intangible assets is as follows:

	Computer Software	Patents
Useful life	Limited	Limited
Amortization method used	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired

## (16) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

**(17) Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time.

**(18) Revenue recognition**

The Group's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies for the Group's types of revenue are explained as follow:

**Sale of goods**

Revenue from sale of goods, sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is motorcycle and auto equipment parts, medical equipment and machine parts and the Group's revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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The Group estimates the discounts using the expected value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The credit period of the Group's sale of goods is from 15 to 90 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(20) Post-employment benefits

All regular employees of the domestic subsidiary is entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the domestic subsidiary. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the defined contribution plan, the domestic subsidiary will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

## (21) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## 5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (a) Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flow model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.



## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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## (b) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and future salary increases. Please refer to Note 6 for more details.

## (c) Trade receivables-estimation of impairment loss

The Group estimates the impairment loss of trade receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

## (d) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates.

The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

## (1) Cash and cash equivalents

	As of December 31,	
	2022	2021
Cash on hand	\$768	\$725
Checking and saving	561,301	408,188
Time deposits matured within three months	835,235	737,832
Total	<u>\$1,397,304</u>	<u>\$1,146,745</u>

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

	As of December 31,	
	2022	2021
Financial assets at fair value through profit or loss		
Embedded derivatives	<u>\$292</u>	<u>-</u>

The embedded derivative financial instruments (the issuer's redemption options) on the bonds payable which amounted to NT\$292 thousand were recognized as current financial assets at fair value through profit or loss as of December 31, 2022.

No financial assets at fair value through profit or loss was pledged as collateral.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (3) Financial assets measured at amortized cost

	As of December 31,	
	2022	2021
Time deposits	\$543,368	\$173,354
Current	\$528,379	\$160,254
Non-current	14,989	13,100
Total	\$543,368	\$173,354

The Group classifies certain of its financial assets as financial assets measured at amortized cost, which were not pledged. Please refer to Note 12 for more details on credit risk.

## (4) Trade receivables and trade receivables-related parties

(a) Details of trade receivables and trade receivables-related are listed below:

	As of December 31,	
	2022	2021
Trade receivables	\$1,120,056	\$809,823
Less: loss allowance	(43,201)	(15,662)
Subtotal	1,076,855	794,161
Trade receivables from related parties	368,486	326,242
Less: loss allowance	-	-
Subtotal	368,486	326,242
Total	\$1,445,341	\$1,120,403

(b) Please refer to Note 8 for more details on trade receivables under pledge.

(c) Trade receivables are generally on 15~90 days terms. The total carrying amounts were NT\$1,488,542 thousand and NT\$1,136,065 thousand as of December 31, 2022 and 2021, respectively. Please refer to Note 6 (19) for more details on loss allowance of trade receivables for the years ended December 31, 2022 and 2021, respectively. Please refer to Note 12 for more details on credit risk.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (5) Inventories

(a) Details of inventories are listed below:

	As of December 31,	
	2022	2021
Raw materials and Supplies	\$480,311	\$585,930
Work in progress	378,962	408,669
Finished goods	242,847	295,014
Merchandises	161	588
Total	<u>\$1,102,281</u>	<u>\$1,290,201</u>

(b) The cost of inventories recognized in expenses amounted to NT\$6,478,423 thousand and NT\$4,662,448 thousand for the years ended December 31, 2022 and 2021, respectively.

The following losses (gains) were included in cost of sale:

	For the year ended December 31,	
	2022	2021
Loss from inventory market decline	\$53,249	\$3,014
Loss in inventory write-off obsolescence	261,605	24,825
Loss (gain) from physical count	(103)	(39)
Total	<u>\$314,751</u>	<u>\$27,800</u>

(c) Please refer to Note 8 for more details on inventories under pledge.

## (6) Financial assets at fair value through other comprehensive income

	As of December 31,	
	2022	2021
Equity instruments investments measured at fair value through other comprehensive income - Non-current		
Unlisted companies stocks	<u>\$95,705</u>	<u>\$55,705</u>

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (a) The Group classifies certain of its financial assets as financial assets at fair value through other comprehensive income, which were not pledged.
- (b) On September 11, 2017, the board of directors of the Company's subsidiary - Eurocharm Innovation Co., Ltd (B.V.I), resolved to acquire 19.9% share interest on Northstar Precision (Vietnam) Company Limited. In December 2020 and October 2021, Eurocharm Innovation Co., Ltd (B.V.I) participated in Northstar Precision (Vietnam) Company Limited's cash offering proportionately.
- (c) The Group's dividend income related to equity instrument investments measured at fair value through other comprehensive income amount to NT\$17,621 thousand and NT\$15,318 thousand for the years ended December 31, 2022 and 2021, respectively.
- (d) Mid of May 2022, the Company's subsidiary - Eurocharm Innovation Co., Ltd. invested NT\$40,000 thousand for 4,000 thousand shares of AmTrust Capital II Corp. The percentage of ownership was 4%.
- (7) Investments accounted for under the equity method

- (a) Details of investments accounted for under the equity method are listed below:

Investee companies	As of December 31,			
	2022		2021	
	Carrying amount	Percentage of Ownership	Carrying amount	Percentage of Ownership
Investments in associates:				
Exedy Vietnam Co., Ltd.	\$83,770	20.00%	\$73,163	20.00%
Hsieh Yuan Technology Vietnam Co., Ltd.	45,960	45.00%	42,227	45.00%
Shiang Yu Precision Co., Ltd.	31,554	40.00%	28,464	40.00%
Lieh Kwan International Co., Ltd.	21,645	40.00%	21,027	40.00%
Vietnam King Duan Industrial Co., Ltd.	135,830	40.00%	123,696	40.00%
Vietnam Uni-Calsonic Co., Ltd.	6,524	40.00%	6,017	40.00%
PCI International Investment Inc.	58,818	45.00%	-	-%
Total	<u>\$384,101</u>		<u>\$294,594</u>	

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (b) Investments in associates

The Group's investments in above associates are not individually material. The aggregate carrying amounts of the Group's interests in in associates were NT\$384,101 thousand and NT\$294,594 thousand as of December 31, 2022 and 2021, respectively. The aggregate financial information based on the Group's share are as follows:

	For the year ended December 31,	
	2022	2021
Profit from continuing operations	\$24,913	\$41,310
Other comprehensive income (loss) (post-tax)	16,146	(5,713)
Total comprehensive income	\$41,059	\$35,597

The aforementioned associates had no contingent liabilities or capital commitments and were not under pledge as of December 31, 2022 and 2021.

As of December 31, 2022 and 2021, the balances of investments accounted for under the equity method amounted to NT\$384,101 thousand and NT\$294,594 thousand, respectively. For the years ended December 31, 2022 and 2021, shares of investment income from these associates and joint ventures amounted to NT\$24,913 thousand and NT\$41,310 thousand, respectively. For the years ended December 31, 2022 and 2021, share of other comprehensive income from these associates and joint ventures amounted to NT\$16,146 thousand and NT\$(5,713) thousand, respectively.

- (c) Investments accounted for under the equity method were not pledged.
- (d) In 2022 and 2021, Vietnam Precision Industrial No.1 Co., Ltd. received a distribution from Exedy Vietnam Co., Ltd. in the amount of NT\$14,217 thousand and NT\$16,954 thousand, respectively, which was accounted for as a reduction to the carrying amount of the investment.
- (e) On November 3, 2020, the board of directors of the Company's subsidiary - Eurocharm Innovation Co., Ltd. (B.V.I), resolved to invest US\$4,000 thousand in Vietnam King Duan Industrial Co., Ltd. The percentage of ownership was 40%.

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (f) On February 26, 2021, the board of directors of the Company's subsidiary - Eurocharm Innovation Co., Ltd. (B.V.I), resolved to invest US\$220 thousand in Vietnam Uni-Calsonic Co., Ltd. The percentage of ownership was 40%.
- (g) Mid of May 2022, the board of directors of the Company's subsidiary - Eurocharm Innovation Co., Ltd. (B.V.I), resolved to invest US\$2,025 thousand in PCI International Investment Inc. The percentage of ownership was 45%.

(8) Property, plant and equipment

	As of December 31,	
	2022	2021
Owner occupied property, plant and equipment	\$2,129,237	\$1,942,722
Property, plant and equipment leased out under operating leases	-	-
Total	<u>\$2,129,237</u>	<u>\$1,942,722</u>

- (a) Owner occupied property, plant and equipment

## English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Land	Buildings	Machinery and equipment	Transportation	Office Equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of Jan. 1, 2022	\$52,420	\$644,713	\$2,341,662	\$124,297	\$23,267	\$158,511	\$47,068	\$3,391,938
Additions	-	1,694	7,444	13,379	2,619	16,676	261,869	303,681
Disposals	-	(117)	(17,179)	(746)	(1,782)	(5,394)	(386)	(25,604)
Transfers	-	(39,635)	243,725	2,652	190	73	(247,512)	(40,507)
Exchange differences	-	55,967	237,511	10,390	1,819	13,268	5,065	324,020
As of Dec. 31, 2022	<u>\$52,420</u>	<u>\$662,622</u>	<u>\$2,813,163</u>	<u>\$149,972</u>	<u>\$26,113</u>	<u>\$183,134</u>	<u>\$66,104</u>	<u>\$3,953,528</u>
As of Jan. 1, 2021	\$52,420	\$330,673	\$1,851,202	\$110,499	\$16,118	\$156,242	\$132,347	\$2,649,501
Additions	-	3,054	-	5,734	2,489	21,242	930,281	962,800
Disposals	-	(105)	(132,075)	(1,691)	(948)	(17,086)	-	(151,905)
Transfers	-	320,543	669,763	12,796	6,009	2,281	(1,011,570)	(178)
Exchange differences	-	(9,452)	(47,228)	(3,041)	(401)	(4,168)	(3,990)	(68,280)
As of Dec. 31, 2021	<u>\$52,420</u>	<u>\$644,713</u>	<u>\$2,341,662</u>	<u>\$124,297</u>	<u>\$23,267</u>	<u>\$158,511</u>	<u>\$47,068</u>	<u>\$3,391,938</u>
Depreciation and impairment:								
As of Jan. 1, 2022	\$-	\$144,059	\$1,101,321	\$71,959	\$14,239	\$117,638	\$-	\$1,449,216
Depreciation	-	33,122	173,299	10,283	3,168	28,283	-	248,155
Disposals	-	(117)	(8,920)	(746)	(1,782)	(4,925)	-	(16,490)
Transfers	-	(210)	-	-	-	-	-	(210)
Exchange differences	-	12,470	113,530	6,264	1,137	10,219	-	143,620
As of Dec. 31, 2022	<u>-</u>	<u>\$189,324</u>	<u>\$1,379,230</u>	<u>\$87,760</u>	<u>\$16,762</u>	<u>\$151,215</u>	<u>\$-</u>	<u>\$1,824,291</u>
As of Jan. 1, 2021	\$-	\$127,938	\$1,055,745	\$68,089	\$13,595	\$114,428	\$-	\$1,379,795
Depreciation	-	19,960	97,699	7,562	1,957	22,911	-	150,089
Disposals	-	(105)	(29,108)	(1,691)	(948)	(16,476)	-	(48,328)
Transfers	-	-	-	-	-	-	-	-
Exchange differences	-	(3,734)	(23,015)	(2,001)	(365)	(3,225)	-	(32,340)
As of Dec. 31, 2021	<u>\$-</u>	<u>\$144,059</u>	<u>\$1,101,321</u>	<u>\$71,959</u>	<u>\$14,239</u>	<u>\$117,638</u>	<u>\$-</u>	<u>\$1,449,216</u>



## English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

			Machinery and equipment	Transportation	Office Equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
Net carrying amount as of:	Land	Buildings						
Dec. 31, 2022	\$52,420	\$473,298	\$1,433,933	\$62,212	\$9,351	\$31,919	\$66,104	\$2,129,237
Dec. 31, 2021	\$52,420	\$500,654	\$1,240,341	\$52,338	\$9,028	\$40,873	\$47,068	\$1,942,722

## (b) Property, plant and equipment leased out under operating leases

	Machinery and equipment
Cost:	
As of Jan. 1, 2022	\$31,720
Exchange differences	2,785
As of Dec. 31, 2022	\$34,505
As of Jan. 1, 2021	\$32,675
Exchange differences	(955)
As of Dec. 31, 2021	\$31,720
Depreciation and impairment:	
As of Jan. 1, 2022	\$31,720
Exchange differences	2,785
As of Dec. 31, 2022	\$34,505
As of Jan. 1, 2021	\$32,675
Exchange differences	(955)
As of Dec. 31, 2021	\$31,720
Net carrying amount as of:	
Dec. 31, 2022	\$-
Dec. 31, 2021	\$-

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(c) Significant components of buildings primarily comprised the main buildings and the facilities, which are depreciated based on their respective useful economic lives of 50 years and 5 to 20 years.

(d) Please refer to Note 8 for more details on property, plant and equipment under pledge.

## (9) Investment property

The Group's investment properties include owned investment properties. The Group has entered into commercial property leases on its owned investment properties with terms of between one and two years. These leases include a clause to enable the upward revision of the rental charge on an annual basis according to prevailing market conditions.

	<u>Buildings</u>
Cost:	
As of Jan. 1, 2022	\$48,588
Transfers from property, plant and equipment	40,435
Exchange differences	4,265
As of Dec. 31, 2022	<u>\$93,288</u>
As of Jan. 1, 2021	\$50,050
Exchange differences	(1,462)
As of Dec. 31, 2021	<u>\$48,588</u>
Depreciation and impairment:	
As of Jan. 1, 2022	\$14,962
Transfers from property, plant and equipment	210
Depreciation	3,757
Exchange differences	1,362
As of Dec. 31, 2022	<u>\$20,291</u>
As of Jan. 1, 2021	\$13,325
Depreciation	2,046
Exchange differences	(409)
As of Dec. 31, 2021	<u>\$14,962</u>

## English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Buildings	
Net carrying amount as of:		
Dec. 31, 2022	\$72,997	
Dec. 31, 2021	\$33,626	
	For the year ended December 31,	
	2022	2021
Rental income from investment property	\$37,862	\$28,150
Less: Direct operating expenses from investment property generating rental income	(5,338)	(4,705)
Total	\$32,524	\$23,445

- (a) No investment property was pledged.
- (b) Investment properties held by the Group were not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3.
- (c) The fair values of investment properties held by the Group's subsidiary were NT\$398,366 thousand and NT\$167,629 thousand as of December 31, 2022 and 2021, respectively. The determination of fair value was performed by an independent appraiser based on a comparative approach and income approach.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (10) Intangible assets

	<u>Computer software</u>
Cost:	
As of Jan. 1, 2022	\$37,720
Additions-acquired separately	1,465
Transfers from property, plant and equipment	72
Deduction	(244)
Exchange differences	3,201
As of Dec. 31, 2022	<u>\$42,214</u>
As of Jan. 1, 2021	\$35,990
Additions-acquired separately	2,992
Transfers from property, plant and equipment	178
Deduction	(435)
Exchange differences	(1,005)
As of Dec. 31, 2021	<u>\$37,720</u>
Amortization:	
As of Jan. 1, 2022	\$32,885
Amortization	3,078
Deduction	(244)
Exchange differences	2,854
As of Dec. 31, 2022	<u>\$38,573</u>
As of Jan. 1, 2021	\$29,762
Amortization	4,444
Deduction	(435)
Exchange differences	(886)
As of Dec. 31, 2021	<u>\$32,885</u>
Net carrying amount as of:	
Dec. 31, 2022	<u>\$3,641</u>
Dec. 31, 2021	<u>\$4,835</u>

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Amortization of intangible assets is as follows:

	For the year ended December 31,	
	2022	2021
Operating costs	\$32	\$32
Sales and marketing expenses	36	14
General and administrative expenses	2,904	4,293
Research and development expenses	106	105
Total	<u>\$3,078</u>	<u>\$4,444</u>

(11) Other non-current assets

	As of December 31,	
	2022	2021
Advance payments in equipment	\$-	\$59,717
Refundable deposits	336	336
Net defined benefit assets	3,463	-
Total	<u>\$3,799</u>	<u>\$60,053</u>

(12) Short-term borrowings

	Interest Rates (%)	As of December 31,	
		2022	2021
Secured bank loans	0.9%~4.9%	\$325,176	\$502,401
Unsecured bank loans	0.7%~5.02%	1,316,891	1,591,515
Total		<u>\$1,642,067</u>	<u>\$2,093,916</u>

The Group's unused short-term lines of credits amounted to NT\$994,281 thousand and NT\$284,189 thousand as of December 31, 2022 and 2021, respectively.

Please refer to Note 8 for more details on trade receivables, inventories, property, plant and equipment pledged as security for short-term borrowings.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (13) Other payables

	As of December 31,	
	2022	2021
Accrued expense	\$352,519	\$309,653
Accrued interest	872	909
Payables on equipment	24,527	79,797
Total	<u>\$377,918</u>	<u>\$390,359</u>

## (14) Bonds payable

- A. The Group had no balance of the bonds payable as of December 31, 2021. The details of the bonds payable as of December 31, 2022 are as follows:

	<u>Dec. 31, 2022</u>
Liability component:	
Unsecured domestic bonds payable	\$486,600
Discounts on bonds payable	<u>(21,305)</u>
Total	465,295
Less: current portion	<u>-</u>
Net	<u>\$465,295</u>
Embedded derivative	<u>\$292</u>
Equity component-conversion right	<u>\$38,951</u>

For the details of the gain or loss from valuation through profit or loss on embedded derivative - redemption options and the interest expense on the convertible bonds payable, please refer to Note 6 (21) to the consolidated financial statement.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- B. On March 25, 2022, the Company's board of directors' meetings resolved to issued first unsecured convertible bonds. The application has been governmentally approved by FSC in the Order No. Financial-Supervisory-Securities-Corporate-1110340539. The terms of the bonds are as follows:

(A) Issue date: June 8, 2022

(B) Issue amount: NT\$500,000 thousand

(C) Issue price: NT\$103.82

(D) Coupon rate: 0%

(E) Secured or unsecured: Unsecured bonds

(F) Period: June 8, 2022 to June 8, 2025

(G) Terms of Conversion:

- (a) Conversion period: The bondholders will have the right to convert their bonds at any time during the conversion period commencing 9 September, 2022 (the 90th day following the closing date) and ending at the close of business on 8 June ,2025 ( the maturity Date), provided, however, that the conversion right during any closed period shall be suspended and the conversion period shall not include any such closed period, which means (i) the period during which the Company may be required to close its stock transfer books under ROC laws and regulations applicable from time to time;(ii) the period beginning on the 15th trading day prior to the record date for the distribution of stock or cash dividends, or subscription of new shares due to capital increase to the date on (and including )such record; (iii) the period beginning on the record date of a capital reduction to one day prior to the trading day on which the shares of the Company are reissued after such capital reduction ; (iv)No request for conversion other than the starting date of the stop of conversion for the change of stock denomination to the day before the trading day before the start of the new stock exchange.

The starting date of the stop of conversion refers to the one business day before company applicate registration change to MOEA. The company shall announce four business days before the starting date of the stop of conversion.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (b) Conversion price and adjustment: The conversion price was originally at NT\$153.00 per share. The conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

Due to the distribution of cash dividends on ordinary shares in 2022, the Company adjusted the conversion price in accordance with the terms of conversion of the Company's first unsecured convertible bonds. Therefore, the conversion price has been adjusted from NT\$153.00 to NT\$148.60 since September 8, 2022.

- (c) The Company will redeem the bonds in cash if the convertible bonds were not settled by the maturity date.

(H) Redemption clauses:

- (a) The Company may redeem the convertible bonds from the next day (September 9, 2022) following a three-month period after the bonds are issued to 40 days before the maturity date (April 30, 2025) if the following terms are met: when the closing price of the Company's common shares is 30% above the convertible price for 30 consecutive trading days, the Company may, within the following 30 business days (the aforesaid period shall start from the day the letter is delivered by the Company, and the expiry date of the period shall be the measurement date for bond recovery, and the aforesaid period shall not fall in the period of conversion suspension stated in Article 9 of the Regulation), send a bond redemption notification letter via registered mail to the bondholders. (The bondholders list shall be based on the updated list five business days before sending the bond redemption notification letter to the bondholders. Public announcements will be made for bondholders who acquire the convertible bonds subsequently from transactions or other reasons). The redemption price would be set at the face value and the bond is purchased by cash, which would be announced over the Taipei Exchange. When the Company executes the recovery request, it shall redeem the outstanding convertible bonds in cash at the face value within five business days after the bond recovery measurement date.



## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (b) The Company may redeem the convertible bonds from the next day (September 9, 2022) following a three-month period after the bonds are issued to 40 days before the maturity date (April 30, 2025) if the following terms are met: when the total value of outstanding convertible bonds becomes less than 10% of the total principal, the Company may, within the following 30 business days (the aforesaid period shall start from the day the letter is delivered by the Company, and the expiry date of the period shall be the measurement date for bond recovery, and the aforesaid period shall not fall in the period of conversion suspension stated in Article 9 of the Regulation), send a bond redemption notification letter via registered mail to the bondholders. (The bondholders list shall be based on the updated list five business days before sending the bond redemption notification letter to the bondholders. Public announcements will be made for bondholders who acquire the convertible bonds subsequently from transactions or other reasons). The redemption price would be set at the face value and the bond is purchased by cash, which would be announced over the Taipei Exchange. When the Company executes the recovery request, it shall redeem the outstanding convertible bonds in cash at the face value within five business days after the bond recovery measurement date.
- (c) If the bondholders haven't respond bond redemption notification in written before the bond recovery measurement date, the company stock transfer agent shall redeem the outstanding convertible bonds in cash at the face value within five business days after the bond recovery measurement date.

- C. The unsecured convertible bonds in the amount of NT\$13,400 thousand have been converted to 90 thousand common shares as of December 31, 2022. The surplus due to the conversion amounted to NT\$11,846 thousand, recorded under additional paid-in capital.

## (15) Other non-current liabilities

	As of December 31,	
	2022	2021
Net defined benefit liability	\$-	\$519
Guarantee deposits received	8,156	8,121
Other non-current liabilities	5,000	5,000
Total	\$13,156	\$13,640

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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## (16) Post-employment benefits

Defined contribution plan

The Group's Taiwan domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Group's Taiwan domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group's Taiwan domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension benefits for employees of overseas subsidiaries are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT\$1,654 thousand and NT\$1,677 thousand, respectively.

Defined benefits plan

The Group's Taiwan domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Group's Taiwan domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Group's Taiwan domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Group's Taiwan domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Group's Taiwan domestic subsidiaries does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group's Taiwan domestic subsidiaries expects to contribute NT\$641 thousand to its defined benefit plan during the 12 months beginning after December 31, 2022.

As of December 31, 2022 and 2021, the maturities of the Group's Taiwan domestic subsidiaries defined benefit plan were expected in 2024 and 2029, respectively.

Pension costs recognized in profit or loss for the years ended December 31, 2022 and 2021:

	For the year ended December 31,	
	2022	2021
Current period service costs	\$229	\$236
Net interest of defined benefit	7	9
Total	\$236	\$245

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	Dec.31, 2022	Dec.31, 2021	Jan.1, 2021
Defined benefit obligation	\$25,666	\$27,525	\$28,718
Plan assets at fair value	(28,488)	(26,308)	(25,157)
Subtotal	(2,822)	1,217	3,561
Net defined benefit expected to contribute during the 12 months	(641)	(698)	(697)
Other non-current liabilities – net defined benefit liability on the consolidated balance sheets	<u>\$ (3,463)</u>	<u>\$ 519</u>	<u>\$ 2,864</u>

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of Jan. 1, 2021	\$28,718	\$(25,157)	\$3,561
Current period service costs	236	-	236
Net interest expense (revenue)	72	(63)	9
Past service cost, gains and losses arising from settlements	-	-	-
Subtotal	<u>29,026</u>	<u>(25,220)</u>	<u>3,806</u>
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(635)	-	(635)
Actuarial gains and losses arising from changes in financial assumptions	(882)	(390)	(1,272)
Experience adjustments	16	-	16
Re-measurement on defined benefit assets	-	-	-
Subtotal	<u>(1,501)</u>	<u>(390)</u>	<u>(1,891)</u>
Payments from the plan	-	-	-
Contributions by employer	-	(698)	(698)

## English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of Dec. 31, 2021	27,525	(26,308)	1,217
Current period service costs	229	-	229
Net interest expense (revenue)	144	(137)	7
Past service cost, gains and losses arising from settlements	-	-	-
Subtotal	27,898	(26,445)	1,453
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	37	-	37
Actuarial gains and losses arising from changes in financial assumptions	(259)	(2,003)	(2,262)
Experience adjustments	(1,351)	-	(1,351)
Re-measurement on defined benefit assets	-	-	-
Subtotal	(1,573)	(2,003)	(3,576)
Payments from the plan	(659)	659	-
Contributions by employer	-	(699)	(699)
As of Dec. 31, 2022	\$25,666	\$(28,488)	\$(2,822)

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2022	2021
Discount rate	1.09%	0.52%
Expected rate of salary increases	1.00%	1.00%

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A sensitivity analysis for significant assumption as shown below:

	Effect on the defined benefit obligation			
	2022		2021	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	\$-	\$196	\$-	\$496
Discount rate decrease by 0.5%	219	-	1,618	-
Future salary increase by 0.5%	218	-	1,601	-
Future salary decrease by 0.5%	-	198	-	496

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

## (17) Equities

## (a) Common stock

The Company's authorized capitals were both NT\$900,000 thousand as of December 31, 2022 and 2021, divided into 65,916 thousand and 65,826 thousand shares, each at a par value of NT\$10, respectively. Total issued stock capital was NT\$659,163 thousand and NT\$658,262 thousand, respectively. Each share has one voting right and the right to receive dividends.

For the year ended December 31, 2022, the first unsecured convertible bonds in amount of NT\$13,400 thousand were converted into 90 thousand common shares, each at a par value of NT\$10. Total issued stock capital was NT\$901 thousand.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (b) Capital surplus

	As of December 31,	
	2022	2021
Additional paid-in capital	\$836,062	\$836,062
Arising from bond conversion	12,919	-
Share options	38,951	-
Other	720	720
Total	<u>\$888,652</u>	<u>\$836,782</u>

According to the Company Act, capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

## (c) Retained earnings and dividend policies

(1) Retained earnings and dividend policies

According to the Articles of Incorporation, the distribution of profits or covering of losses proposal may be proposed at the close of each half fiscal year. Such distribution of profits or covering of losses proposal shall be made based on the financial statements audited or reviewed by a certified public accountant and such proposal, together with the business reports and financial statements of the Company, shall be submitted to the audit committee for their auditing, and then submitted to the board of directors for approval by resolutions. Prior to distribution of its profits, the Company shall estimate and reserve an amount to be paid for or cover taxes, employee compensations, and losses and set aside a legal reserve (unless the amount of such legal reserve is equal to the total paid-in capital of the Company.) If the Company is to distribute profits in the form of cash, such proposal shall be approved by the board of directors; and if such distribution of profits is to be made in the form of new shares to be issued by the Company, it shall be approved by a special shareholders' meeting.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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Unless otherwise required by law and the applicable public company rules, at the close of each fiscal year, the Company shall distribute profits in accordance 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:

- i. 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).
- ii. 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.
- iii. If there is any profit, it shall set aside no more than 2% of the balance as compensation 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. The board of directors shall determine the exact percentages to be distributed as compensation to directors and the compensation to employees, and such resolution shall be reported in the shareholders' meeting. A director who also serves as an executive officer of the Company may receive a compensation in his capacity as a director and the compensation in his capacity as an employee.
- iv. The Company distributes profits or covering losses at the close of the first half fiscal year (if any).
- v. Any balance left over may be distributed as dividends in accordance with the law and the applicable public company rules and after taking into consideration profits of the current year and capital structure of the Company, the amount of profits distributed to shareholders shall not be lower than 20% of profits (after tax) of the current year and the amount of cash dividends distributed thereupon shall not be less than 50% of the profits proposed to be distributed of the 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.



## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

(2) Legal reserve

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. If the Company does not incur any loss, the portion of legal reserve exceeding 25% of the paid-in capital may be distributed to shareholders by issuing new shares or by cash in proportion to the number of shares held by each shareholder.

(3) Special reserve

When the Company distributes distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

The FSC issued Order No. Jin-Guan-Cheng-Fa-1090150022 on March 31, 2021, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the Company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (4) The appropriations of earnings for the Year 2022 and 2021 were approved through the board of directors' meeting and Shareholders' meeting held on Feb 24, 2023 and May 31, 2022, respectively. The details of the distributions are as follows:

	Appropriation of earnings		Dividend per share (in NT\$)	
	2022	2021	2022	2021
Legal reserve	\$94,493	\$62,940		
Special reserve	(408,470)	118,004		
Common stock – cash dividend(Note)	468,006	296,218	\$7.1	\$4.5
Total	<u>\$154,029</u>	<u>\$477,162</u>		

Note: According to the Articles of Incorporation, the board of directors has approved the appropriation of cash dividends for the year 2022 on February 24, 2023.

The earnings appropriation for the six-month period ended June 30, 2022 was approved through the Board of Director's meeting held on August 16, 2022. The legal reserve and the special reserve reversal set aside were NT\$37,516 thousand and NT\$(333,638) thousand, respectively.

Please refer to Note 6(20) for further details on employees' compensation and remuneration to directors.

## (d) Non-controlling interests

	For the year ended December 31,	
	2022	2021
Beginning balance	\$20,613	\$-
Acquisition of shares issued by subsidiary	-	24,881
Profit (loss) attributable to non-controlling interests	(5,356)	(4,091)
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	1,738	(177)
Ending balance	<u>\$16,995</u>	<u>\$20,613</u>

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (18) Operating revenue

	For the year ended December 31,	
	2022	2021
Revenue from contracts with customer		
Sale of goods	\$8,029,127	\$5,721,710
Revenue arising from rendering of services	8,227	1,738
Total	<u>\$8,037,354</u>	<u>\$5,723,448</u>

Analysis of revenue from contracts with customers during the year ended December 31, 2022 and 2021, respectively, is as follows:

## (a) Disaggregation of revenue

	Single Segment	
	For the year ended December 31,	
	2022	2021
Revenue from contracts with customer		
Sale of goods	\$8,029,127	\$5,721,710
Revenue arising from rendering of services	8,227	1,738
Total	<u>\$8,037,354</u>	<u>\$5,723,448</u>
Timing of revenue recognition:		
At a point in time	<u>\$8,037,354</u>	<u>\$5,723,448</u>

## (b) Contract balances

## Contract liabilities - current

	As of		
	Dec.31, 2022	Dec.31, 2021	Jan.1, 2021
Sales of goods	<u>\$28,486</u>	<u>\$70,149</u>	<u>\$86,330</u>

For the year ended December 31, 2022 and 2021, contract liabilities decreased because certain performance obligations embedded in the beginning contract liability were fulfilled and recognized as revenues.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (c) Transaction price allocated to unsatisfied performance obligations

As of December 31, 2022 and 2021, there was no information of unsatisfied performance obligations provided in the consolidated financial statements because the durations of the Group's revenue contracts were all less than one year.

## (d) Assets recognized from costs to fulfill a contract

None.

## (19) Expected credit losses (gains)

	For the year ended December 31,	
	2022	2021
Operating expenses – Expected credit losses(gains)		
Trade receivables	\$25,932	\$-

The Group does not expects any significant loss against other receivables due to a counterparty being unable to fulfill its obligations. Please refer to Note 12 for more details on credit risk.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Group measures the loss allowance of its trade receivables (including notes receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of December 31, 2022 and 2021, respectively, is as follows:

- (a) The Group considers the grouping of trade receivables by counterparties' credit rating and by geographical region and its loss allowance is measured by using a provision matrix, details are as follows:

As of December 31, 2022

## Group 1

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$691,642	\$92,763	\$27,679	\$21,386	\$5,785	\$839,255
Loss ratio	0.05%	7.57%	25.44%	66.97%	100%	
Lifetime expected credit losses	(362)	(7,026)	(7,043)	(14,323)	(5,785)	(34,539)
Carrying amount of trade receivables	<u>\$691,280</u>	<u>\$85,737</u>	<u>\$20,636</u>	<u>\$7,063</u>	<u>\$-</u>	<u>\$804,716</u>

## Group 2

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$478,372	\$166,292	\$4,597	\$26	\$-	\$649,287
Loss ratio	0.02%	4.94%	6.69%	100%	100%	
Lifetime expected credit losses	(108)	(8,208)	(320)	(26)	-	(8,662)
Carrying amount of trade receivables	<u>\$478,264</u>	<u>\$158,084</u>	<u>\$4,277</u>	<u>\$-</u>	<u>\$-</u>	<u>\$640,625</u>

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of December 31, 2021

Group 1

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$594,187	\$82,292	\$59,128	\$5,711	\$375	\$741,693
Loss ratio	0.04%	4.26%	9.47%	29.57%	100%	
Lifetime expected credit losses	(245)	(3,502)	(5,600)	(1,689)	(375)	(11,411)
Carrying amount of trade receivables	<u>\$593,942</u>	<u>\$78,790</u>	<u>\$53,528</u>	<u>\$4,022</u>	<u>\$-</u>	<u>\$730,282</u>

Group 2

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$361,086	\$33,286	\$-	\$-	\$-	\$394,372
Loss ratio	0.15%	11.13%	10.88%	100%	100%	
Lifetime expected credit losses	(544)	(3,707)	-	-	-	(4,251)
Carrying amount of trade receivables	<u>\$360,542</u>	<u>\$29,579</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$390,121</u>

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (b) The movement in the provision for impairment of notes receivables and trade receivables during the year ended December 31, 2022 and 2021 is as follows:

	Trade receivables
As of Jan.1, 2022	\$15,662
Addition for the current period	25,932
Exchange differences	1,607
As of Dec.31, 2022	<u>\$43,201</u>
As of Jan.1, 2021	\$16,126
Exchange differences	(464)
As of Dec.31, 2021	<u>\$15,662</u>

- (20) Summary statement of employee benefits, depreciation and amortization by function during the years ended December 31, 2022 and 2021:

	For the year ended December 31,					
	2022			2021		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$1,216,499	\$208,631	\$1,425,130	\$1,014,762	\$176,649	\$1,191,411
Labor and health insurance	1,209	3,441	4,650	1,317	3,500	4,817
Pension	443	1,447	1,890	488	1,434	1,922
Other employee benefits expense	9,449	5,079	14,528	9,065	5,414	14,479
Depreciation	242,822	24,713	267,535	144,635	15,270	159,905
Amortization	32	3,046	3,078	32	4,412	4,444

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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According to the Company's Articles of Incorporation, no less than 2% of the profit of the current year is distributable as employees' compensation and no more than 2% of profit of the current year is distributable as remuneration to directors. The Company may have the profit distributable as employees' compensation in the form of shares or cash; in addition, a report of such distribution is submitted to the shareholders' meeting. Information on the board of directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

For the year ended December 31, 2022, the Company recorded the employees' compensation and directors' remuneration in the amount of NT\$35,613 thousand and NT\$10,300 thousand, respectively; while, employees' compensation and directors' remuneration for the year ended December 31, 2021 amounted to NT\$24,428 thousand and NT\$10,300 thousand, respectively. The aforementioned employees' compensation and directors' remuneration were estimated based on post-tax net income of the period and recognized as salary expenses. The number of stocks distributed as employees' compensation, if any, shall be calculated based on the closing price one day earlier than the date of shareholders' meeting and considered the impacts of ex-right/ex-dividend.

The Company's board of directors' meeting has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$35,613 thousand and NT\$10,300 thousand, respectively, in a meeting held on February 24, 2023. No material differences existed between the estimated amount and the actual distribution of the employee' compensation and directors' remuneration and supervisors for the year ended December 31, 2022.

The Company's board of directors' meeting has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$24,428 thousand and NT\$10,300 thousand, respectively, in a meeting held on February 25, 2022. No material differences existed between the estimated amount and the actual distribution of the employee' compensation and directors' remuneration and supervisors for the year ended December 31, 2021.



## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (21) Non-operating income and expenses

## (a) Other incomes

	For the year ended December 31,	
	2022	2021
Interest income		
Financial assets measured at amortized cost	\$37,837	\$33,215
Rental income	37,862	28,150
Dividends income	17,621	15,318
Others	11,176	11,568
Total	<u>\$104,496</u>	<u>\$88,251</u>

## (b) Other gains and losses

	For the year ended December 31,	
	2022	2021
Gains/(losses) on disposal of property, plant and equipment	\$586	\$(708)
Foreign exchange gains/(losses)	(15,487)	23,106
Financial assets at fair value through profit	103	-
Others	(29,852)	(61,381)
Total	<u>\$(44,650)</u>	<u>\$(38,983)</u>

## (c) Finance costs

	For the year ended December 31,	
	2022	2021
Interest on borrowings from bank	\$47,052	\$19,532
Interest on lease liabilities	292	350
Interest on convertible bonds	4,882	-
Total	<u>\$52,226</u>	<u>\$19,882</u>

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (22) Leases

## (a) The group as a lessee

The Group leases various properties, including real estates such as land and buildings. The lease terms range from two to fifty years. The Group is not allowed to lend to others, sub-lease out, sell, authorize others to use in any other way, or transfer to others all or parts of the leases without obtaining consent from the lessors.

The Group's leases effect on the financial position, financial performance and cash flows are as follows:

## A. Amounts recognized in the balance sheet

## (i) Right-of-use asset

The carrying amount of right-of-use assets

	As of December 31,	
	2022	2021
Land	\$300,321	\$285,631
Buildings	8,075	8,146
Total	<u>\$308,396</u>	<u>\$293,777</u>

The additions to the right-of-use assets amounted to NT\$4,693 thousand and NT\$166 thousand for the years ended December 31, 2022 and 2021, respectively.

## (ii) Lease liabilities

	As of December 31,	
	2022	2021
Lease liabilities	<u>\$8,163</u>	<u>\$8,462</u>
Current	<u>\$5,635</u>	<u>\$3,130</u>
Non-current	<u>\$2,528</u>	<u>\$5,332</u>

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Please refer to Note 6(21)(c) for the interest on lease liability recognized during the year ended December 31, 2022 and 2021, and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2022 and 2021.

## B. Amounts recognized in the statement of profit or loss

The depreciation charge for right-of-use assets

	For the year ended December 31,	
	2022	2021
Buildings (Includes land use right)	\$15,623	\$7,770

## C. Income and costs relating to leasing activities

	For the year ended December 31,	
	2022	2021
Short-term leased expense (Rental expense)	\$59	\$806

As of December 31, 2022 and 2021, the portfolio of short-term leases of the Group to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expenses disclosed above. The number of its lease commitments both amounted to NT\$0.

## D. Cash outflow relating to leasing activities

During the year ended December 31, 2022 and 2021, the Group's total cash outflow for leases amounted to NT\$5,683 thousand and NT\$6,103 thousand, respectively.

## (b) The group as lessor

Please refer to Note 6(9) for details on the Group's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer all the risks and rewards incidental to ownership of underlying assets substantially.

## English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Group has entered into leases on certain plants. The leases have average lives between one and two years. These leases are classified as operating leases as they do not transfer all the risks and rewards incidental to ownership of underlying assets substantially.

	For the year ended December 31,	
	2022	2021
Leased income recognized by operating leased		
Fixed leased payment-related income	\$37,682	\$28,150

For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of December 31, 2022 and 2021 are as follow:

	As of December 31,	
	2022	2021
Not later than one year	\$14,734	\$24,669

## (23) Components of other comprehensive income

	For the year ended December 31, 2022				
	Arising during the period	Reclassification adjustments during the period	Subtotal	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$3,576	\$-	\$3,576	\$-	\$3,576
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	394,062	-	394,062	-	394,062

## English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended December 31, 2022					
	Arising during the period	Reclassification adjustments during the period	Subtotal	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	16,146	-	16,146	-	16,146
Total of other comprehensive income	\$413,784	\$-	\$413,784	\$-	\$413,784
For the year ended December 31, 2021					
	Arising during the period	Reclassification adjustments during the period	Subtotal	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$1,891	\$-	\$1,891	\$-	\$1,891
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	(112,468)	-	(112,468)	-	(112,468)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	(5,713)	-	(5,713)	-	(5,713)
Total of other comprehensive income	\$(116,290)	\$-	\$(116,290)	\$-	\$(116,290)

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (24) Income tax

(a) The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	For the year ended December 31,	
	2022	2021
Current income tax expense (income):		
Current income tax charge	\$188,036	\$155,022
Adjustments in respect of current income tax of prior periods	(1,460)	(23,610)
Deferred tax expense (income):		
Deferred tax expense relating to origination and reversal of temporary differences	3,363	(1,187)
Total income tax expense	<u>\$189,939</u>	<u>\$130,225</u>

(b) Income tax relating to components of other comprehensive income:

	For the year ended December 31,	
	2022	2021
Deferred tax expense (income):		
Remeasurements of defined benefit plans	<u>\$-</u>	<u>\$-</u>

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (c) Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2022	2021
Accounting profit before tax from continuing operations	\$1,125,937	\$753,647
Tax payable at the enacted tax rates	\$180,413	\$151,653
Surtax on undistributed retained earnings	483	314
Tax effect of expenses not deductible for tax purposes	10,503	1,868
Adjustments in respect of current income tax of prior periods	(1,460)	(23,610)
Total income tax expense recognized in profit or loss	\$189,939	\$130,225

- (d) Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2022				
	Beginning balance as of Jan. 1, 2022	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of Dec. 31, 2022
Temporary differences				
Unrealized loss on inventory valuation	\$1,333	\$-	\$-	\$1,333
Unrealized exchange loss (gain)	2,665	(4,723)	-	(2,058)
Bonus for unused vacation	207	-	-	207
Revaluation surplus of land	(16,410)	-	-	(16,410)
Expect credit impairment loss	-	1,360	-	1,360
Deferred tax income/(expense)		\$ (3,363)	\$-	
Net deferred tax assets/(liabilities)	\$ (12,205)			\$ (15,568)

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended December 31, 2022				
	Beginning balance as of Jan. 1, 2022	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of Dec. 31, 2022
Reflected in balance sheet as follows:				
Deferred tax assets	\$4,205			\$2,900
Deferred tax liabilities	\$(16,410)			\$(18,468)
For the year ended December 31, 2021				
	Beginning balance as of Jan. 1, 2021	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of Dec. 31, 2021
Temporary differences				
Unrealized loss on inventory valuation	\$1,333	\$-	\$-	\$1,333
Unrealized exchange loss (gain)	1,478	1,187	-	2,665
Bonus for unused vacation	207	-	-	207
Revaluation surplus of land	(16,410)	-	-	(16,410)
Deferred tax income/(expense)		\$1,187	\$-	
Net deferred tax assets/(liabilities)	\$(13,392)			\$(12,205)
Reflected in balance sheet as follows:				
Deferred tax assets	\$3,018			\$4,205
Deferred tax liabilities	\$(16,410)			\$(16,410)



## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (e) The assessment of income tax returns

As of December 31, 2022, the assessment status of income tax returns of the Company and subsidiaries were as follows:

	The assessment of income tax returns
Subsidiary- Eurocharm Innovation Co., Ltd.	Assessed and approved up to 2020
Subsidiary- Vietnam Precision Industrial No.1 Co., Ltd.	Assessed and approved up to 2020

## (25) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity after dilution by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the year ended December 31,	
	2022	2021
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$941,354	\$627,513
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,863	65,826
Basic earnings per share (NT\$)	\$14.29	\$9.53

## English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the year ended December 31,	
	2022	2021
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$941,354	\$627,513
Interest expense on convertible bonds (in thousand NT\$)	4,882	-
Gains on financial assets at fair value through profit or loss	(103)	-
Net income available to common shareholders outstanding after dilution (in thousand shares)	\$946,133	\$627,513
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,863	65,826
Effect of dilution:		
Employee bonus — stock (in thousands)	241	189
Convertible bonds (in thousands)	1,910	-
Weighted average number of ordinary shares outstanding after dilution (in thousands)	68,014	66,015
Diluted earnings per share (NT\$)	\$13.91	\$9.51

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

## (26) Subsidiary that has material non-controlling interests

As of December 31, 2022 and 2021, the financial information of the subsidiary in which the Group has material non-controlling interests is provided as follows:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	As of December 31,	
		2022	2021
Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam	45%	45%

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Accumulated balances of material non-controlling interest:

	As of December 31,	
	2022	2021
Vietnam Eurocharm Ways Plastics Company Limited.	\$16,995	\$20,613

Profit (loss) allocated to material non-controlling interest:

	For the year ended December 31,	
	2022	2021
Vietnam Eurocharm Ways Plastics Company Limited.	\$(5,356)	\$(4,091)

The summarized financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarized information of profit or loss is as follows:

	For the year ended December 31,	
	2022	2021
Operating revenue	\$125	\$551
Profit/loss from continuing operation	(11,902)	(9,091)
Total comprehensive income for the period	(11,902)	(9,091)

Summarized information of financial position is as follows:

	As of December 31,	
	2022	2021
Current assets	\$40,071	\$48,735
Non-current assets	18,507	32,286
Current liabilities	20,811	35,216
Non-current liabilities	-	-

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Summarized information of cash flows is as follows:

	For the year ended December 31,	
	2022	2021
Operating activities	\$7,898	\$(24,033)
Investing activities	(2,857)	(539)
Financing activities	(2,068)	55,292
Net increase/(decrease) in cash and cash equivalents	2,973	30,720

## 7. RELATED PARTY TRANSACTIONS

(1) Deal with related parties as of the end of the reporting period

Related parties and relation

Related parties	Relationship
Exedy Vietnam Co., Ltd.	Associate
Hsieh Yuan Technology Vietnam Co., Ltd.	Associate
Shiang Yu Precision Co., Ltd.	Associate
Vietnam King Duan Industrial Co., Ltd.	Associate
Vietnam Uni-Calsonic Co., Ltd.	Associate
Vietnam Lieh Kwan Co., Ltd.	Associate
PCI Vietnam Company Limited	Associate
Vietnam Precision Industrial Joint Stock Company	Other related party
Northstar Precision (Vietnam) Company Limited	Other related party
Shen Yuan Metal Co., Ltd.	Other related party
Taiwan Techno State Co., Ltd.	Other related party

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (2) Significant transactions with related parties

## (a) Sales

	For the year ended December 31,	
	2022	2021
Associates	\$159,109	\$112,241
Other related party	9	28
Other related party—Northstar Precision (Vietnam) Company Limited	1,888,239	1,450,794
Total	<u>\$2,047,357</u>	<u>\$1,563,063</u>

The sales prices with related parties were decided based on product type, inventory cost, market conditions and other trading terms. Receivables shall be finalized monthly and shall be collected within 15 to 90 days after accounts have been finalized for the general clients. The terms of collection for related parties are within the range of trading terms for general clients.

## (b) Purchases

	For the year ended December 31,	
	2022	2021
Associates	\$275,770	\$168,049
Other related parties	1,756	2,420
Total	<u>\$277,526</u>	<u>\$170,469</u>

The purchases prices with related parties were decided based on product type, market conditions and other trading terms. Payables shall be finalized monthly and shall be paid within 30 to 90 days after accounts have been finalized for the general suppliers. The terms of payment for related parties are within the range of trading terms for general suppliers.

- (c) For the years ended December 31, 2022 and 2021, the Group was charged by associates for processing and therefore recognized processing expense in the amount of NT\$85,123 thousand and NT\$99,322 thousand, respectively.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (d) For the years ended December 31, 2022 and 2021, the Group charged associates for processing and therefore recognized processing income in the amount of NT\$5,778 thousand and NT\$1,738 thousand, respectively, which were recorded under the caption of operating revenues.
- (e) For the years ended December 31, 2022 and 2021, the Group charged other related parties for processing and therefore recognized processing income in the amount of NT\$2,449 thousand and NT\$0, respectively, which were recorded under the caption of operating revenues.
- (f) For the years ended December 31, 2022 and 2021, the Group was charged by associates due to product defect and therefore recognized compensation in the amount of NT\$0 and NT\$1 thousand, respectively, which were recorded under non-operating income and expenses-other gain or loss.
- (g) For the year ended December 31, 2022 and 2021, the Group was charged by other related parties due to product defect and therefore recognized compensation in the amount of NT\$1,449 thousand and NT\$28,761 thousand, which were recorded under non-operating income and expenses-other gain or loss.
- (h) For the year ended December 31, 2022 and 2021, the Group recognized NT\$0 of disposal gain or loss from sale of machine to associates in the amount of NT\$499 thousand and NT\$102,868 thousand, respectively.
- (i) For the year ended December 31, 2022 and 2021, the Group recognized service fee amounted to NT\$548 thousand and NT\$285 thousand, which were recorded under non-operating income, respectively.
- (j) Trade receivables from related parties

	As of December 31,	
	2022	2021
Associates	\$14,500	\$16,646
Other related party-Northstar Precision (Vietnam) Company Limited	353,986	309,596
Total	\$368,486	\$326,242

## English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (k) Other receivables - related parties

	As of December 31,	
	2022	2021
Associates	\$1,449	\$971
Other related parties	1,280	614
Total	<u>\$2,729</u>	<u>\$1,585</u>

## (l) Advance payment

	As of December 31,	
	2022	2021
Associates	<u>\$5,462</u>	<u>\$7,792</u>

## (m) Trade payables to related parties

	As of December 31,	
	2022	2021
Associates	\$38,196	\$29,968
Other related parties	56	199
Total	<u>\$38,252</u>	<u>\$30,167</u>

## (n) Operating lease

## A. Right-of-use asset

Relationship	Property	As of December 31,	
		2022	2021
Other related party	Buildings	<u>\$1,900</u>	<u>\$-</u>

## B. Lease liabilities

Relationship	As of December 31,	
	2022	2021
Other related party	<u>\$1,910</u>	<u>\$-</u>

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## C. Interest on lease liabilities

Relationship	Property	For the year ended December 31,	
		2022	2021
Other related party	Rent office	\$31	\$10

D. For the year ended December 31, 2022 and 2021, the Group paid other related parties for rent expense every month by cash.

## E. Lease transactions with related parties

Lessee	Lease	Duration	Rental income
<u>For the year ended Dec. 31, 2022</u>			
Associate	Property and plant	Jan. 1, 2022 ~ Dec. 31, 2023	\$27,238
Other related party	Property and plant	Jan. 1, 2022 ~ Dec. 31, 2022	10,624
Total			<u>\$37,862</u>
<u>For the year ended Dec. 31, 2021</u>			
Associate	Property and plant	Jan. 1, 2021 ~ Dec. 31, 2021	\$22,307
Other related party	Property and plant	Jan. 1, 2021 ~ Dec. 31, 2021	5,843
Total			<u>\$28,150</u>

## (n) Salaries and rewards to key management of the Group

	For the year ended December 31,	
	2022	2021
Short-term employee benefits	\$33,410	\$29,244
Post-employment benefits	384	327
Total	<u>\$33,794</u>	<u>\$29,571</u>



## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

8. PLEDGED ASSETS

The following table lists assets of the Group pledged as collaterals:

Items	Carrying Amount As of December 31,		Secured liabilities
	2022	2021	
Trade receivables	\$130,100	\$239,200	Short-term borrowings
Inventories	130,100	239,200	Short-term borrowings
Property, plant and equipment – land	52,420	52,420	Short-term borrowings
Property, plant and equipment – buildings	157	228	Short-term borrowings
Total	<u>\$312,777</u>	<u>\$531,048</u>	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Amounts available under unused letters of credit as of December 31, 2022 are USD\$49 thousand and EUR\$91 thousand.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

12. OTHERS

## (1) Financial instruments

Categories of financial instruments

## Financial assets

	As of December 31,	
	2022	2021
Financial assets at fair value through profit or loss	\$292	\$-
financial asset held for trading		
Financial assets at fair value through other	95,705	55,705
comprehensive income		
Financial assets measured at amortized cost		
Cash and cash equivalents (exclude cash on hand)	1,396,536	1,146,020
Financial assets measured at amortized cost	54,368	173,354
Trade receivables (includes related parties)	1,445,341	1,120,403
Other receivables (includes related parties)	21,100	10,660
Refundable deposits	336	336
Total	<u>\$3,013,678</u>	<u>\$2,506,478</u>

## Financial liabilities

	As of December 31,	
	2022	2021
Financial liabilities at amortized cost:		
Short-term borrowings	\$1,642,067	\$2,093,916
Trade payables (includes related parties)	942,161	932,766
Leased liabilities (includes related parties)	8,163	8,462
Guarantee deposits received	8,156	8,121
Bonds payable	465,295	-
Total	<u>\$3,065,842</u>	<u>\$3,043,265</u>

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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## (2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activate. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, the due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

## (3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risks (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables; therefore natural hedge is received. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency USD. The information of the sensitivity analyses is as follows:

When NTD is strengthened/weakened against foreign currency USD by 1%, the profit for the years ended December 31, 2022 and 2021 increased/decreased by NT\$31,429 thousand and NT\$8,091 thousand, respectively.

When VND is strengthened/weakened against foreign currency USD by 1%, the profit for the years ended December 31, 2022 and 2021 decreased/increased by VND\$974,513 thousand and increased/decreased by VND\$3,343,786 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2022 and 2021 to decrease/increase by NT\$274 thousand and NT\$616 thousand, respectively.

Equity price risk

The fair value of the Group's unlisted equity securities to market price risk arising from uncertainties about future values of the investment securities. The Group's unlisted equity securities measured at financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's board of directors reviews and approves all equity investment decisions.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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Please refer to Note 12(8) for sensitivity analysis information of other equity instruments whose fair value measurement is categorized under Level 3.

#### (4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for trade receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counterparties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria, etc. Certain counterparties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2022 and 2021, trade receivables from the top ten customers represent 81.51% and 74.70% of the total trade receivables of the Group, respectively. The credit concentration risk of other trade receivable is relatively not significant.

Credit risk from balances with banks and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counterparties.

The Group adopted IFRS 9 to assess the expected credit losses. Except for trade receivables, the remaining debt instrument investments which are not measured at fair value through profit or loss are purchased based on low credit risk, and the Group makes an assessment on each balance sheet date as to whether the credit risk rises significantly since original recognition and then further determines the method of measuring the loss allowance and the loss rate. As of December 31, 2022 and 2021, the Group did not hold any debt instrument investment measured at fair value through profit or loss.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

## (5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings, etc. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as at the end of the reporting period.

Non-derivative financial liabilities

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Total</u>
<u>As of December 31, 2022</u>			
Short-term borrowings	\$1,656,398	\$-	\$1,656,398
Trade and other payables	942,161	-	942,161
Leased Liabilities	5,785	2,557	8,342
Convertible Bonds	-	486,600	486,600
<u>As of December 31, 2021</u>			
Short-term borrowings	\$2,104,725	\$-	\$2,104,725
Trade and other payables	932,766	-	932,766
Leased Liabilities	3,366	5,490	8,856

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2022:

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Bond payables	Total liabilities from financing activities
As of Jan. 1, 2022	\$2,093,916	\$8,121	\$8,462	\$-	\$2,110,499
Cash flows	(451,849)	35	(5,624)	512,995	55,557
Non-cash changes	-	-	5,325	(47,700)	(42,375)
As of Dec. 31, 2022	\$1,642,067	\$8,156	\$8,163	\$465,295	\$2,123,681

Reconciliation of liabilities for the year ended December 31, 2021:

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Total liabilities from financing activities
As of Jan. 1, 2021	\$1,209,980	\$5,433	\$13,552	\$1,228,965
Cash flows	883,936	2,688	(4,947)	881,677
Non-cash changes	-	-	(143)	(143)
As of Dec. 31, 2021	\$2,093,916	\$8,121	\$8,462	\$2,110,499

## (7) Fair values of financial instruments

(a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- i. The carrying amount of cash and cash equivalents, trade receivables, trade payable and other current liabilities approximate their fair value due to their short maturities.
- ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- iii. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- iv. Fair value of debt instruments without market quotations, bank loans, bonds payables and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.).
- v. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation methods (for example, Monte Carlo Simulation).
- (b) Fair value of financial instruments measured at amortized cost

Except as described in the table below, the carrying amount of the Group's financial assets and liabilities measured at amortized cost approximates their fair value.

	Carrying amount as of December 31,	
	2022	2021
Financial liabilities:		
Bonds payable	\$465,295	\$-



## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Fair value as of December 31,	
	2022	2021
Financial liabilities:		
Bonds payable	\$468,401	\$-

## (c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

## (8) Derivative financial instruments

As of December 31, 2021, the Group doesn't have any derivative financial instruments. As of December 31, 2022, the Group's derivative financial instruments include embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled are as follows:

Embedded derivatives

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6(2) and Note 6(14) for further information on this transaction.

## (9) Fair value measurement hierarchy

## (a) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1– Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

## (b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis.

Fair value measurement hierarchy of the Group's assets measured at fair value on a recurring basis is as follows:

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss-current				
Embedded derivatives	\$-	\$-	\$292	\$292
Equity instrument measured at fair value through other comprehensive income	-	-	95,705	95,705
Total	\$-	\$-	\$95,997	\$95,997

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Equity instrument measured at fair value through other comprehensive income	\$-	\$-	\$55,705	\$55,705

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy

For the years ended December 31, 2022 and 2021, there was a movement of fair value measurements is as follows:

	Assets
	Financial assets at fair value through other comprehensive income
As of Jan. 1, 2021	\$53,468
Acquisition	2,237
As of December. 31, 2021	55,705
Acquisition	40,000
As of December. 31, 2022	\$95,705

	Assets
	Derivatives financial assets at fair value through profit of loss
As of Jan. 1, 2022	\$-
Acquisition	200
Gain or disposal	(11)
Amount recognized in profit or loss (presented in “other gains and losses”	103
As of December 31, 2022	\$292

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
a. Financial assets measured at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	5%	The higher the extent of lacking marketability, the lower the fair value of the stocks.	Increase (decrease) in the extent for lack of marketability by 10% would result in (decrease) increase in the Group's other comprehensive income by NT\$9,571 thousand.
b. Financial assets measured at fair value through profit or loss					
Embedded derivatives	A binomial tree model for convertible bond pricing	Volatility	27.67%	The higher the volatility, the higher the fair value of the embedded derivatives	5% increase (decrease) in the volatility would result in increase (decrease) in the Group's profit or loss by NT\$243 thousand and NT\$(146) thousand.

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets measured at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	5%	The higher the discount for lack of marketability, the lower the fair value of the stocks.	Increase (decrease) in the discount for lack of marketability by 10% would result in (decrease) increase in the Group's other comprehensive income by NT\$5,571 thousand.

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's financial department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies at each reporting date.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (c) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed.

As of December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (Note 6(9))	<u>\$-</u>	<u>\$-</u>	<u>\$398,366</u>	<u>\$398,366</u>
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payable (Note 12(7))	<u>\$-</u>	<u>\$-</u>	<u>\$468,401</u>	<u>\$468,401</u>

As of December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (Note 6(9))	<u>\$-</u>	<u>\$-</u>	<u>\$167,629</u>	<u>\$167,629</u>

- (10) Significant assets and liabilities denominated in foreign currencies (in thousand dollars)

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

<u>As of December 31,</u>						
<u>2022</u>			<u>2021</u>			
<u>Foreign</u>	<u>Exchange</u>		<u>Foreign</u>	<u>Exchange</u>		
<u>currencies</u>	<u>rate</u>	<u>NTD</u>	<u>currencies</u>	<u>rate</u>	<u>NTD</u>	
<u>Financial assets</u>						
Monetary items:						
USD	<u>\$47,203</u>	<u>30.49</u>	<u>\$1,439,294</u>	<u>\$47,547</u>	<u>27.27</u>	<u>\$1,296,797</u>
VND	<u>\$2,013,807,833</u>	<u>0.001301</u>	<u>\$2,620,317</u>	<u>\$998,371,052</u>	<u>0.001196</u>	<u>\$1,194,451</u>

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	As of December 31,					
	2022			2021		
	Foreign currencies	Exchange rate	NTD	Foreign currencies	Exchange rate	NTD
<u>Investments accounted for under the equity method</u>						
VND	<u>\$233,437,338</u>	0.001301	<u>\$303,702</u>	<u>\$229,004,492</u>	0.001196	<u>\$273,889</u>
<u>Financial liabilities</u>						
Monetary items:						
USD	<u>\$51,321</u>	30.68	<u>\$1,574,592</u>	<u>\$75,206</u>	27.58	<u>\$2,074,335</u>
VND	<u>\$545,159,483</u>	0.001301	<u>\$709,252</u>	<u>\$533,803,179</u>	0.001190	<u>\$635,382</u>

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

The Group's entities' functional currency are various and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gain/(loss) were NT\$(15,487) thousand and NT\$23,106 thousand for the years ended December 31, 2022 and 2021, respectively.

## (11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

## (12) Impact of the Covid-19 pandemic on the Group

The Covid-19 outbreak took place in January 2020 and had no significant impact on the Group.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

**13. OTHER DISCLOSURES****(1) Information at significant transactions:**

- (a) Financing provided to others: Please refer to Attachment 1.
- (b) Endorsement/Guarantee provided to others: Please refer to Attachment 2.
- (c) Marketable securities held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): None.
- (d) Individual securities acquired or disposed of with accumulated amount of at least NT\$ 300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.
- (e) Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.
- (f) Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.
- (g) Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.
- (h) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2022: None.
- (i) Derivative instrument transactions: None.
- (j) Intercompany relationships and significant intercompany transactions for the year ended December 31, 2022: Please refer to Attachment 7.

**(2) Information on investees:**

- (a) Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 3.



## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) Investees over which the Company exercises control shall be disclosed of information under Note 13(1):

- i. Financing provided to others: Please refer to Attachment 1.
- ii. Endorsement/Guarantee provided to others: None.
- iii. Marketable securities held as of December 31, 2022. (excluding investments in subsidiaries, associates and joint ventures): Please refer to Attachment 4.
- iv. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.
- v. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.
- vi. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.
- vii. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: Please refer to Attachment 5.
- viii. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2022: Please refer to Attachment 6.
- ix. Derivative instrument transactions: Please refer to Note 12(8).

(3) Information on investments in Mainland China: None.

(4) Information of major shareholders:

Name	Shares	Percentage of ownership
	Number of shares	
SEASHORE GROUP LIMITED	24,769,059	37.57%
New General Limited	13,833,217	20.98%
Fubon Life Insurance Company, Ltd.	3,878,000	5.88%

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

14. OPERATING SEGMENT

(1) The major operating revenues of the Group come from manufacturing and sales of motorcycle and auto equipment parts, medical equipment and machine parts. The chief operating decision maker reviewed the overall operating results to make a decision about resources to be allocated to and evaluated the overall performance. Therefore, the Group was aggregated into a single segment.

## (2) Geographical information

## (a) Revenues from external customers

	For the year ended December 31,	
	2022	2021
Vietnam	\$5,721,225	\$2,626,840
Other	2,316,129	3,096,608
Total	<u>\$8,037,354</u>	<u>\$5,723,448</u>

## (b) Non-current assets

	As of December 31,	
	2022	2021
Vietnam	\$2,844,826	\$2,579,482
Taiwan	72,334	63,225
Total	<u>\$2,917,160</u>	<u>\$2,642,707</u>

(3) Information about major customers: sales from individual customers represent over 10% of the Group's operating revenues is as below:

	For the year ended December 31,	
	2022	2021
Customer A	\$2,278,856	\$1,677,869
Customer B	1,888,239	1,450,794
Customer C	836,501	(Note)

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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Note 1: This year the customer's sale accounted less than 10% of consolidated net sales, so it was not disclosed.

ATTACHMENT 1 (Financing provided to others for the year ended December 31, 2022)

(All the currencies are denominated in Thousands of New Taiwan Dollars, foreign currency)

**EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES**

NO. (Note1)	Lender	Counter-party	Financial accounting account	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing	Amount of sales to (purchases from) counter-party	Reason for financing	Loss allowance	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
												Item	Value		
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	Other receivables -related parties	\$273,785	\$261,018	\$261,018 (Note 4)	1.00%~2.50%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$885,788 (Note 2) (Note 3)	\$1,771,576 (Note 2)
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation (HK) Co., Limited	Other receivables -related parties	\$112,084	\$61,416	\$-	1.00%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$885,788 (Note 2) (Note 3)	\$1,771,576 (Note 2)
0	Eurocharm Holdings Co., Ltd.	Eurocharm America LLC.	Other receivables -related parties	\$6,442	\$-	\$-	1.00%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$885,788 (Note 2) (Note 3)	\$1,771,576 (Note 2)
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd	Other receivables -related parties	\$520,000	\$337,788	\$337,788 (Note 4)	2.50%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$885,788 (Note 2) (Note 3)	\$1,771,576 (Note 2)
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Eurocharm Ways Plastics Company Limited.	Other receivables -related parties	\$28,021	\$-	\$-	1.00%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$1,085,029 (Note 2) (Note 3)	\$2,170,057 (Note 2)
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Precision Industrial No.1 Co., Ltd	Other receivables -related parties	\$209,365	\$199,602	\$199,602 (Note 4)	2.50%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$1,085,029 (Note 2) (Note 3)	\$2,170,057 (Note 2)

Note 1 : Eurocharm Holdings Co., Ltd. is coded "0".

A subsidiary under the company's control is coded "1".

Note 2 : For the Company or subsidiaries lending to other companies, the lending amount shall not exceed 40% of its net equity.

The amount for lending to a single organization shall not exceed 20% of the lender's net equity.

Note 3 : According to the Company's "Procedure to provide financing to others", a public offering company that meets the requirements of Article 3, paragraph 4

in the event of providing financing to directly/indirectly 100%-owned foreign subsidiaries, the lending amount to a single subsidiary shall not exceed 40% of the current net assets of the Company.

Note 4 : Transactions between consolidated entities are eliminated in the consolidated financial statements.

ATTACHMENT 2 (Endorsement/ Guarantee provided to others for the year ended December 31, 2022)

(All the currencies are denominated in Thousands of New Taiwan Dollars, foreign currency)

**EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES**

No. (Note 1)	Endorser/Guarantor	Guaranteed party		Limit of guarantee/endorsement amount to each guaranteed party (Note3)	Maximum balance for the period	Ending balance	Actual actually draw	Amount of collateral for guarantee/ endorsement	Ratio of accumulated guarantee amount to net assets value per latest financial statements	Maximum guarantee/endorsement amount allowed (Note3)	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China
		Company name	Relationship (Note2)										
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd.	2	\$1,771,576	\$80,000	\$80,000	\$69,000	\$-	1.81%	\$2,214,470	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	2	\$1,771,576	\$225,470 (USD 7,000) (Note4)	\$214,956 (USD 7,000) (Note4)	\$92,124 (USD 3,000) (Note4)	\$-	4.85%	\$2,214,470	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	2	\$1,771,576	\$1,159,560 (USD 36,000) (Note4)	\$1,105,488 (USD 36,000) (Note4)	\$150,902 (USD 4,914) (Note4)	\$-	24.96%	\$2,214,470	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation(HK) Co., Limited	2	\$1,771,576	\$125,226 (USD 4,078) (Note4)	\$76,770 (USD 2,500) (Note4)	\$-	\$-	1.73%	\$2,214,470	Y	N	N

Note 1: Eurocharm Holdings Co., Ltd. is coded "0".

Note 2: The relationship between the guarantor of the endorsement and the object to be guaranteed is as follows:

- 1.The company with business contacts.
- 2.The company directly and indirectly holds more than 50% of the shares with voting rights.
- 3.Companies that directly and indirectly holds more than 50% of the shares of the company with voting rights.
- 4.The company directly and indirectly holds more than 90% of the shares with voting rights.
- 5.Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry.
- 6.A company whose co-investment relationship is endorsed by all shareholders in proportion to their shareholding ratio.
- 7.The performance guarantee of the preconstruction real estate contract between the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

Note 3: According to the Company's "Endorsement Procedures", the limitation of endorsement or guarantee for other subsidiaries shall not exceed 50% of the current net value of the Company.

The limitation of endorsement or guarantee for one of the subsidiaries shall not exceed 10% of the current net value of Company.

The limitation of endorsement or guarantee for companies that directly and indirectly holds 100% of the shares with voting rights of a single subsidiary not exceed 40% of the current net value of Company.

Note 4: Foreign currency were exchanged by exchange rate as at balance sheet date.

ATTACHMENT 3 (If an investor has the ability to exercise significant influence on investee or has material controlling power on investee for the year ended December 31, 2022) (Excluding investment in Mainland China)  
(All the currencies are denominated in Thousands of New Taiwan Dollars, foreign currency)

**EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES**

Investor company	Investee company	Address	Main businesses and products	Original Investment Amount		Investments as of Dec. 31, 2022			Net income (loss) of investee company	Investment income (loss) recognized	Note
				As of Dec. 31, 2022	As of Dec. 31, 2021	Number of shares	Percentage of ownership (%)	Book Value			
Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I.)	British Virgin Islands	Investment holding	\$615,652	\$615,652	19,000,000	100.00%	\$5,425,143 (Note 5)	\$1,079,539	\$1,079,539 (Note 5)	Subsidiary
Eurocharm Holdings Co., Ltd.	Eurocharm America LLC.	America	Trading activities, warehouse and logistic service	USD 200	USD 200	200,000	100.00%	7,512 (Note 5)	7,409	7,409 (Note 5)	Subsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation (TW) Co., Limited.	Taiwan	Manufacturing and sales of motor parts and medical equipment	61,425	61,425	5,850,000	100.00%	184,162 (Note 5)	16,231	22,370 (Note 1) (Note 5)	Sub-subsubsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam	Manufacturing and sales of motor parts and medical equipment	USD 8,700	USD 8,700	-	100.00%	4,564,762 (Note 3) (Note 5)	1,039,747	1,061,087 (Note 2) (Note 5)	Sub-subsubsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation (HK) Co., Limited.	Hong Kong	Trading activities	USD 1,500	USD 1,500	1,500,000	100.00%	(63,410) (Note 5)	67,703	29,678 (Note 4) (Note 5)	Sub-subsubsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam	Plastic dipping and processing	USD 1,100	USD 1,100	-	55.00%	20,772 (Note 5)	(11,902)	(6,546) (Note 5)	Sub-subsubsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Hsieh Yuan Technology Vietnam Co., Ltd.	Vietnam	Manufacturing and sales of motor parts and surface plating	USD 562	USD 562	-	45.00%	45,960	12,806	5,763	Investment accounted for under the equity method
Eurocharm Innovation Co., Ltd. (B.V.I.)	Lieh Kwan International Co., Ltd.	British Virgin Islands	Investment holding	USD 800	USD 800	8,000	40.00%	21,645	(3,026)	(1,210)	Investment accounted for under the equity method
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam King Duan Industrial Co., Ltd.	Vietnam	Manufacturing and sales of motor parts	USD 4,000	USD 4,000	-	40.00%	135,830	2,310	924	Investment accounted for under the equity method
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Uni-Calsonic Co., Ltd.	Vietnam	Manufacturing and sales of motor parts	USD 220	USD 220	-	40.00%	6,524	(54)	(22)	Investment accounted for under the equity method
Eurocharm Innovation Co., Ltd. (B.V.I.)	PCI International Investment Inc.	British Virgin Islands	Investment holding	USD 2,025	-	2,025	45.00%	58,818	1,591	716	Investment accounted for under the equity method
Vietnam Precision Industrial No.1 Co., Ltd.	Exedy Vietnam Co., Ltd.	Vietnam	Manufacturing and sales of motor parts	VND 13,212,264	VND 13,212,264	-	20.00%	83,770	90,790	18,158	Investment accounted for under the equity method
Vietnam Precision Industrial No.1 Co., Ltd.	Shiang Yu Precision Co., Ltd.	Vietnam	Design, manufacturing and sales of molds	USD 800	USD 800	-	40.00%	31,554	1,459	584	Investment accounted for under the equity method

Note 1: Including investment gain recognized under equity method amounted to NT\$16,231 thousand and realized profit on transaction between subsidiaries amounted to NT\$6,139 thousand.

Note 2: Including investment gain recognized under equity method amounted to NT\$1,039,747 thousand and realized profit on transaction between subsidiaries amounted to NT\$21,340 thousand.

Note 3: Holding net equity at the end of the period amount to NT\$4,622,083 thousand minus unrealized profit on transaction between subsubsidiaries amounted to NT\$57,321 thousand.

Note 4: Including investment gain recognized under equity method amounted to NT\$67,703 thousand and unrealized profit on transaction between subsidiaries amounted to NT\$38,025 thousand.

Note 5: Transactions between consolidated entities are eliminated in the consolidated financial statements.

## ATTACHMENT 4 (Securities held as of December 31, 2022) (Excluding investments in subsidiaries, associates and joint ventures)

(All the currencies are denominated in Thousands of New Taiwan Dollars)

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

Company	Investee company	Relationship	Financial statement account	Investments as of December 31, 2022					
				Number of shares	Book value	Percentage of ownership (%)	Fair value	Note	Shares as collateral
Eurocharm Innovation (TW) Co., Limited.	Vietnam Precision Industrial Joint Stock Company	-	Financial assets measured at fair value through other comprehensive income	-	\$11,007	6.91%	\$11,007	-	None
Eurocharm Innovation (TW) Co., Limited.	AmTrust Capital II Corp.	-	Financial assets measured at fair value through other comprehensive income	4,000,000	40,000	4.00%	40,000	-	None
Eurocharm Innovation Co., Ltd. (B.V.I.)	Northstar Precision (Vietnam) Company Limited	Other related party	Financial assets measured at fair value through other comprehensive income	-	44,698	19.90%	44,698	-	None
	Total				<u>\$95,705</u>		<u>\$95,705</u>		

ATTACHMENT 5 (Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022)

(All the currencies are denominated in Thousands of New Taiwan Dollars)

**EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES**

Purchase (sales) company	Related party	Relationship	Purchases (Sales)	Transactions			Details of non-arm's length transaction		Notes and trade receivables (payables)		
				Percentage of total purchases			Unit price	Term	Balance	Percentage of total balances (%)	Note
				Amount	(sales) (%)	Term					
Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	Also a subsidiary under the Company's control	Sales	\$361,649	85.44%	60~90 days after monthly closing	By product type, cost, market price and other trading terms.	Non related parties are 60~90 days after monthly closing	Trade receivables \$49,354	74.17%	1
Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	Also a subsidiary under the Company's control	Sales	\$328,729	100.00%	60~90 days after monthly closing	By product type, cost, market price and other trading terms.	Non related parties are 60~90 days after monthly closing	Trade receivables \$81,599	81.60%	1
Eurocharm America LLC.	Vietnam Precision Industrial No.1 Co., Ltd.	Also a subsidiary under the Company's control	Purchase	\$165,061	100.00%	60~90 days after monthly closing	By product type, cost, market price and other trading terms.	Non related parties are 60~90 days after monthly closing	Trade payables \$89,441	100.00%	1
Vietnam Precision Industrial No.1 Co., Ltd.	Northstar Precision (Vietnam) Company Limited	Other related party	Sales	\$1,885,532	23.67%	30~90 days after monthly closing	By product type, cost, market price and other trading terms.	Non related parties are 15~90 days after monthly closing	Trade receivables \$353,399	23.00%	
Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam King Duan Industrial Co., Ltd.	Other related party	Purchase	\$249,467	5.11%	30 days after monthly closing	By product type, cost, market price and other trading terms.	Non related parties are 30~90 days after monthly closing	Trade payables \$29,051	5.85%	

Note 1: Transactions between consolidated entities are eliminated in the consolidated financial statements.



## ATTACHMENT 6 ( Receivables from related of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2022)

(All the currencies are denominated in Thousands of New Taiwan Dollars)

**EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES**

Company name	Related party	Relationships	Ending balance	Turnover rate	Overdue		Amount received in subsequent periods	Loss allowance	Note
					Amount	Action taken			
Vietnam Precision Industrial No.1 Co., Ltd.	Northstar Precision (Vietnam) Company Limited	Other related party	<u>\$353,399</u>	<u>5.69</u>	<u>\$-</u>	-	<u>\$306,916</u>	<u>\$-</u>	

## ATTACHMENT 7 (Intercompany relationships and significant intercompany transactions for the year ended December 31, 2022)

(All the currencies are denominated in Thousands of New Taiwan Dollars)

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

No (Note1)	Company name	Counter party	Nature of relationship (Note 2)	Intercompany transactions			
				Financial Statement Account	Amount	Terms	Percentage of consolidated total gross sales or total assets (Note3)
	<u>2022.01.01~2022.12.31</u>						
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation (HK) Co., Limited	1	Interest incomes	\$14	-	-%
0	Eurocharm Holdings Co., Ltd.	Eurocharm America LLC.	1	Interest incomes	4	-	-%
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	1	Other receivables	263,332	-	3.42%
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	1	Interest incomes	2,342	-	0.03%
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	1	Dividend Receivables	7,455	-	0.10%
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	1	Interest incomes	4,494	-	0.06%
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	1	Other receivables	342,257	-	4.44%
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Precision Industrial No.1 Co., Ltd.	1	Interest incomes	1,878	-	0.02%
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Precision Industrial No.1 Co., Ltd.	1	Other receivables	201,448	-	2.61%
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Precision Industrial No.1 Co., Ltd.	1	Dividend Receivables	546,014	-	7.08%
2	Eurocharm Innovation (TW) Co., Limited.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	361,649	30 days after monthly closing	4.50%
2	Eurocharm Innovation (TW) Co., Limited.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade Receivables	49,354	30 days after monthly closing	0.64%
2	Eurocharm Innovation (TW) Co., Limited.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Other receivables	7	30 days after monthly closing	-%
2	Eurocharm Innovation (TW) Co., Limited.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Other incomes	32	-	-%
2	Eurocharm Innovation (TW) Co., Limited.	Vietnam Eurocharm Ways Plastics Company Limited.	3	Trade Receivables	536	60 days after monthly closing	0.01%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	328,729	30 days after monthly closing	4.09%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade Receivables	81,599	30 days after monthly closing	1.06%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Eurocharm Ways Plastics Company Limited.	3	Trade Receivables	18,399	60~90 days after monthly closing	0.24%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	3	Trade Receivables	89,441	60~90 days after monthly closing	1.16%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	3	Sales	165,061	60~90 days after monthly closing	2.05%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam Eurocharm Ways Plastics Company Limited.	3	Rent incomes	1,933	In accordance with contract	0.02%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam Eurocharm Ways Plastics Company Limited.	3	Other incomes	384	In accordance with contract	-%
5	Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Processing income	115	30 days after monthly closing	-%

Note 1: Eurocharm Holdings Co., Ltd. and subsidiaries are coded as follows:

1. Eurocharm Holdings Co., Ltd. is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows :

1. Investor to investee.
2. Investee to investor.
3. Investee to investee.

Note 3: The percentage base with respect to the total consolidated revenue-weighted average (about income statement accounts) or total assets (about balance sheet accounts).

Note 4: Foreign currencies were converted into New Taiwan dollars based on exchanged rate of balance sheet date.

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