

Stock code: 5288



Eurocharm Holdings Co., Ltd.

2021

Annual Report

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

Taiwan Stock Exchange Market Observation System
<http://mops.twse.com.tw>

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

Introduction

Spokesperson

Name: James Chan

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Deputy Spokesperson

Name: Hung-Yi Kao

Title: Financial Manager

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Subsidiary

Eurocharm Innovation Co., Ltd.

No.15 Lane 315 Xinshu Rd. Xinzhuang

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Corporate Headquarters

Eurocharm Holdings Co., Ltd.

Address: No.15 Lane 315 Xinshu Rd.

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Tel: +886-2-2208-0151

Subsidiary

Vietnam Precision Industrial No.1 Co., Ltd.

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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: Antonio Yu

Nationality: Republic of China

Industrial Engineering - University of
Wisconsin-Madison

Bioengineering - National Taiwan University

Director

Name: Michael Yu

Nationality: Republic of China

Business Management - National Chung Hsing
University

Business Management - National Taipei
University of Business

Director

Name: Steven Chang

Nationality: Republic of China

PhD in Business and Management - Shanghai
Jiao Tong University

MBA - National University of Governance

Business Management - National Chung Hsing
University

Independent Director

Name: Bryan Peng

Nationality: Republic of China

EMBA - Jiao Tong University

Accounting and International Trade - Fu Jen
Catholic University

VP-Finance, EZconn Corp.

Independent Director

Name: Gen-Yu Fong

Nationality: Republic of China

PhD in Law, Cornell University

Professor of Law, National University of
Governance

Independent Director

Name: Wei-Min Lin

Nationality: Republic of China

PhD in Finance and Economics - Jinan
University

Lin Wei Min CPA Firm

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I Letter to Shareholders

Hello, Ms. and Mr. shareholders!

First of all, 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 2021 operating conditions and future prospects.

1.1 2021 Business situation

I. Operating Results

The total consolidated revenue for 2021 was NT\$5,723,448 thousand, and the consolidated operating margin was NT\$1,060,674 thousand. The total net profit after tax was NT\$623,422 thousand, in which vested consolidated net profit after tax to the shareholders of the parent Company was NT\$627,513 thousand. The basic earnings per after-tax share merger were NT\$9.53.

II. Net Assets and Liabilities

For the year ended December 31, 2021, the total consolidated assets amounted to NT\$6,626,852 thousand. The total consolidated liabilities were NT\$3,287,253 thousand, which accounted for the merger total consolidated assets of 49.61%. The total consolidated shareholders' equity was NT\$3,339,599 thousand, which marked 50.39% of the total consolidated assets.

III. Profitability Analysis

The Company's consolidated financial statements for 2021 showed basic earnings per share after tax was NT\$9.53. The net profit was 10.89%. The rate of return on assets was 10.74%, and the return on equity was 19.51%.

IV. Budget Execution

Not applicable as the Company's 2021 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 2021 research and development expenses accounted for 1.58% of net operating revenue. To expedite the process of product development and reduce defect rate, the Company will continue to invest in mold and metal processing research and upgrades. The investment aligns with the Company's vision of expanding capabilities and precisions.

1.2 2021 Business Plan

1. Expansion of Capacity

In order to cope with the significant growth of our customers' business in the future, the construction of Baishan II completed in the fourth quarter of 2021 and will be 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. 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

In the effort to diversify market risks, the Company plans to not only pursue tighter cooperation with existing medical equipment manufactures but also seek out new opportunities from Europe, the United States and Japan. With regard to the revenue ratio on this particular sector in 2021, the Company aims to bring in more demand in the upcoming year as the joining of new customers.

3. Development of Electric Scooters and Recreational Vehicles

As of the end of 2021, the Company has started the mass production or development of many electric scooters. With the solid foundation of motorcycle chassis production, the Company has the advantage of developing further business opportunities in the electric scooter sector. In terms of recreational vehicles, the Company has been actively seeking and acquiring business cooperation with companies in North America and Europe. Based on the steady increase in order volume, the Company expects the production will multiply in the upcoming years.

4. Development of Automobile Parts

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

Looking back on 2021, the global economy has been affected by the COVID-19, which not only is the supply chain at risk of disruption due to the pandemic, but also at the same time, in the face of inflationary pressures from global economic recovery. As the demand for raw materials is expand, resulting in higher cost pressures. The company will actively improve the production process and increase the product price in a timely manner to reflect the rising cost, so as to alleviate the pressure of inflation. With the advent of a COVID-19 vaccine, the global operational order was gradually restored, and the economy gradually returned to normal.

Looking forward to 2022, the overall operating environment will gradually recover, and the new development projects undertaken by the company in the past will also gradually develop results. In addition, the company will continue to improve its management and production technology, and also diversify customers risk. With professional manufacturing ability and high-quality service concept,

strive for the entry of new orders from domestic and foreign customers, and actively product innovation for customers.

1. Perfect Governance Creates Value

Based on perfect corporate governance, Eurocharm actively provides customers with high-quality and diversified precision machinery products through the application of manufacturing technology and overall solutions to meet customer-specific product needs. The greatest benefits to shareholders and the development of employees will become an elite enterprise that trusted and respected by the society. At the same time, maintain good interaction with stakeholders and continue to create corporate value for them.

2. Continue to Promote Smart Manufacturing

In 1983, Eurocharm introduced and utilized an automated welding robot production line. Driven by the era of Industry 4.0, using advanced manufacturing technology, Internet of Things, big data, cloud computing, artificial intelligence (AI), Metaverse and other new generation information technology to combine and transform intelligence. Based on data, build an intelligent production, equipment and management, series design, production and service, so as to reduce costs, improve manufacturing efficiency and optimize quality and experience, and promote the progress of the industrial environment. The company continues to introduce TOYOTA lean production, and uses the system structure, personnel organization, operation methods and market supply and demand, and other aspects of consideration, combined with the implementation of the MES project. The production system can immediately adapt to the rapid changes in user demand, and reduce unnecessary waste in the production process, in order to strengthen the company's production management model.

3. Mitigate Environmental Impact

Natural disasters in extreme climates make us deeply feel the threat and impact of climate change. The importance of ESG (Environmental, Social, and Governance) has gradually become a global consensus. On November 12, 2021, the COP26 climate conference reached the Glasgow Climate Pact for the first time, plans to reduce the use of coal and pledges to provide developing countries with more funding to help them adapt to climate change. Aiming to maintain the temperature rise threshold of 1.5 degrees Celsius, consistent with the global climate target of 1.5 degrees in the Paris Climate Agreement. Urge governments to propose a carbon reduction schedule and positive path. As a responsible corporate citizen, Eurocharm is committed to responding to climate change and actively planning to mitigate climate shocks to protect our shared global environment.

4. Friendly Environment, Employee Health and Industrial Safety

We will continue to carry out environmental improvement and equipment replacement projects for noise, dust, air, sewage treatment systems, lighting and electric furnace usage.

We will continue to improve the environment and replace equipment, and continue to promote green factories and move toward the goal of energy saving and carbon reduction. At the same time, we have made substantial changes in employee participation, safe production, improved working environment, quality improvement, shortened delivery time, reduction of invalid working hours and improved employee compensation and benefits. We strive to strengthen the cohesiveness of the factory, improve internal factory management and continuously improve working environment and labor conditions to protect the legal rights of employees and become a happy enterprise in the hearts of employees.

5. Actively Cultivate International Talents and Succession plan

In order to effectively cultivate cadres at all levels with the ability to proactively solve problems, the company continues to develop training programs with external experts and arrange training contents according to individual characteristics and job attributes, with the main point of cultivating and reserving excellent 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 develop towards the strategic direction of production internationalization to ensure sustainable growth in performance and profits. At the same time, follow the blueprint of the sustainable strategy and fulfill the corporate responsibility to achieve sustainable operation.

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

Sincerely yours,

Chairman

Steven Yu/s/

General Manager

Steven Yu/s/

Chief Accountant

James Chan/s/

II Company Profile

2.1 Company and Group

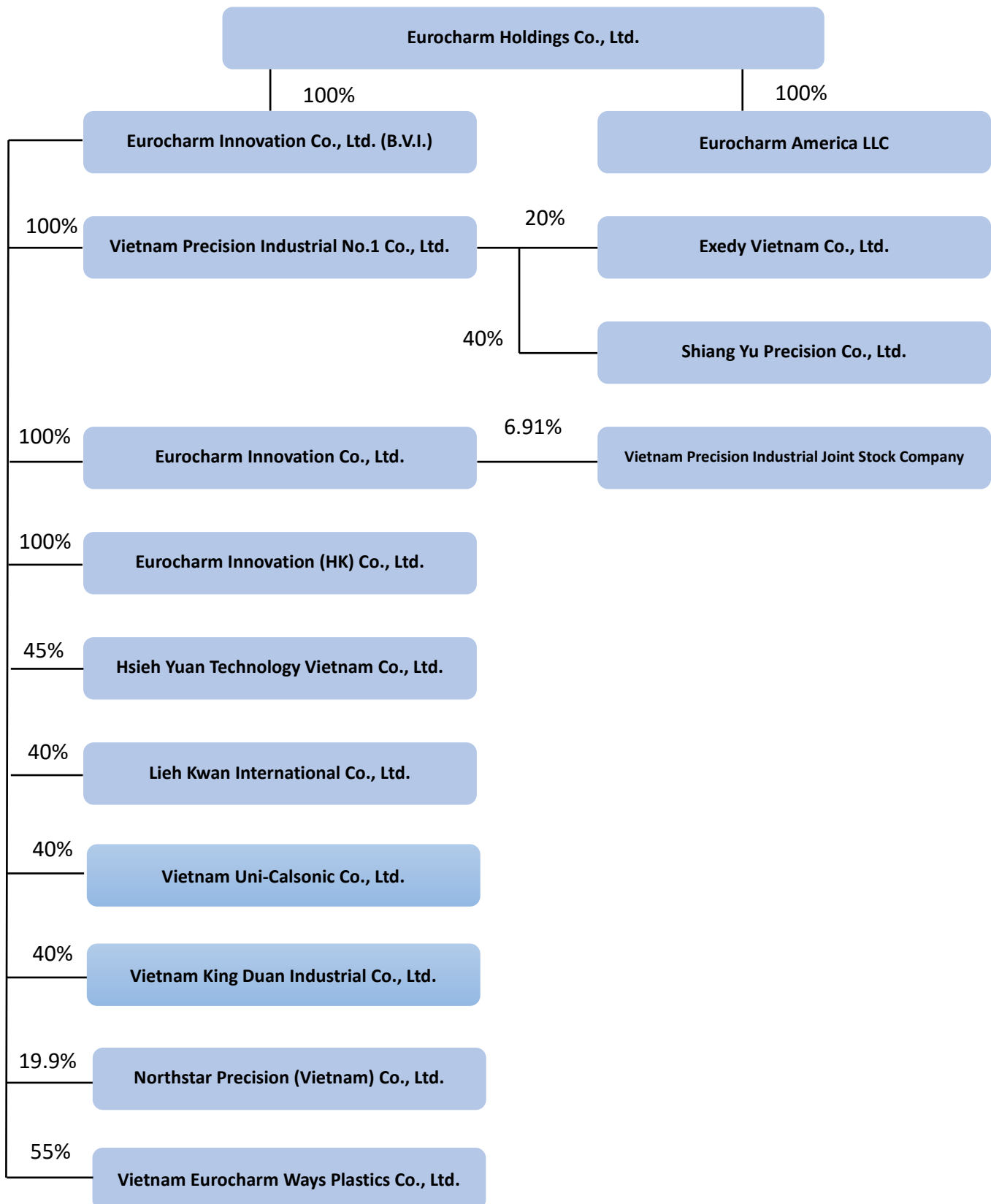
1. Establishment Date and Group Profile

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 will start 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 (03/31/2022)



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 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 th 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-Calsonic 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 th factory was completed

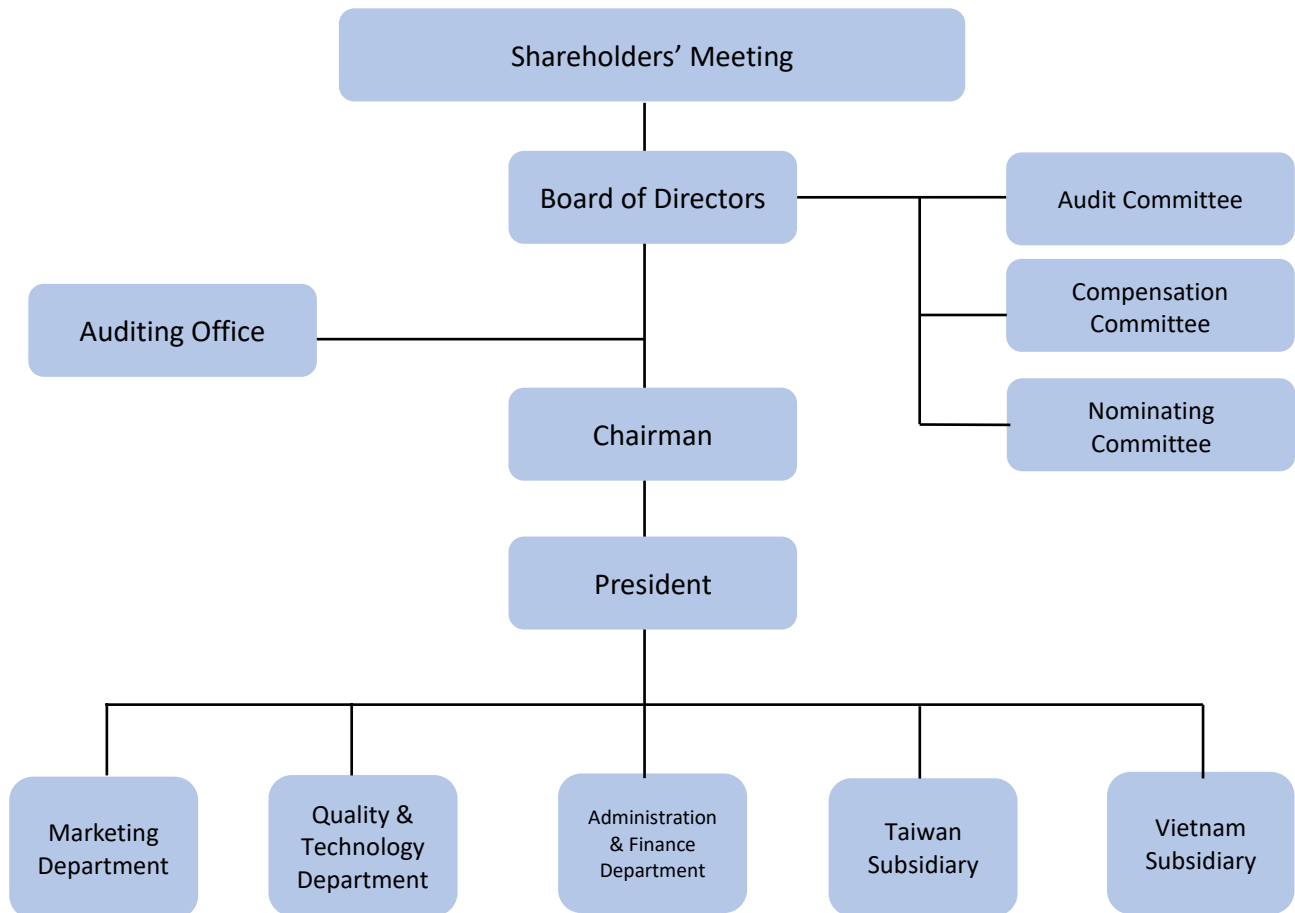
2.3 Risk Disclosure

Please see page 124 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

[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

[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

03/31/2021

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	07/18/2011	05/31/2019	3	-	-	-	-	-	-	-	-	-	-	-	-	-	
Chairman (Legal Representative)	Steven Yu	Male / 60-65	ROC			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	07/18/2011	05/31/2019	3	-	-	-	-	-	-	-	-	-	-	-	-	-	
Director (Legal Representative)	Michael Yu	Male / 60-65	ROC			3	117	0.18	117	0.18	-	-	-	-	Business Management- National Chung Hsing University Business Management- National Taipei University of Business	Note 1	Director	Steven Yu	Brother	
							Director	Antonio Yu	Brother											
Director (Legal Representative)	Antonio Yu	Male / 50-55	ROC	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	ROC	06/19/2013	05/31/2019	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)	Wei-Min Lin	Male / 60-65	ROC	06/19/2013	05/31/2019	3	-	-	-	-	-	-	-	-	PhD in Finance and Economics- Jinan University Lin Wei Min CPA Firm Director and Supervisors, Sunplus Technology Co., Ltd.	Note 1				
Independent Director (Natural Person)	Bryan Peng	Male / 50-55	R.O.C.	06/19/2013	05/31/2019	3	-	-	-	-	-	-	-	-	EMBA-Jiao Tong University Accounting and International Trade-Fu Jen Catholic University Financial Manager, Entire Technology Co., Ltd. VP-Finance, EZconn Corp. Financial Assistant Manager/ Spokesman,	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	
															Megic Corporation Accounting Deputy Manager/ Project Manager, TI-Acer Inc.					
Independent Director (Natural Person)	Gen-Yu Fong	Male / 60-65	R.O.C.	06/19/2013	05/31/2019	3	0	0.00	0	0.00	0	0.00	0	0.00	PhD in Law, Cornell University Professor of Law, National University of Governance	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	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	Seashore Group Limited: 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.
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	Wei-Min Lin	Certified Accountant, Lin Wei Min CPA Firm Director, Sinopac Leasing Corporation Director, SinoPac Capital International (HK) Limited
Independent Director	Bryan Peng	Independent Director, EZconn Corp. Director, Cheng Zhen Corp. Independent Director, Wafer Works (shanghai) Co.,Ltd.
Independent Director	Gen-Yu Fong	Independent Director, OBI Pharma Inc. Independent Director, Chien Kuo Construction Co., Ltd.

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

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

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

3.2.2 Major Shareholders of the Institutional Shareholders

04/02/2022

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

3.2.3 Major Shareholders of the Company's Major Institutional Shareholders

04/02/2022

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

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
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
Seashore Group Limited: Antonio 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
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
Wei-Min Lin	Professional and technical personnel with accountant certificate	Note 1	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	0
Bryan Peng	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
Gen-Yu Fong	Professor of Law, National University of Governance	Note 1	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	2

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	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	Seashore Group Limited: 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.
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	Wei-Min Lin	Certified Accountant, Lin Wei Min CPA Firm Director, Sinopac Leasing Corporation Director, SinoPac Capital International (HK) Limited
Independent Director	Bryan Peng	Independent Director, EZconn Corp. Director, Cheng Zhen Corp. Independent Director, Wafer Works (shanghai) Co.,Ltd.
Independent Director	Gen-Yu Fong	Independent Director, OBI Pharma Inc. Independent Director, Chien Kuo Construction 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 important factor. The company has total 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 area, 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 plans to increase the ratio of female directors to 7 directors, including 1 female director (a ratio of 11%) during the general election of directors in 2022. 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 responsibility of the board	3

Accounting Profession	Bringing supervisory, consulting and operational experience in various professional fields	2
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
Wei-Min Lin	ROC	Male				V		V		V	V	V		V	V	V
Bryan Peng	ROC	Male			V			V		V	V	V		V	V	V
Gen-Yu Fong	ROC	Male				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

04/02/2022 (Book Closure Date); Unit: Share

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
General Manager	ROC	Steven Yu	Male	12/20/2016	-	-	-	-	-	-	EMBA-National Taiwan University Mechanical Engineering- Lunghwa University of Science and Technology	Note 1	-	-	-	Note 2
Deputy General Manager - Vietnam Office	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	0.23%	-	-	-	-	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	-	-	-	

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

Title	Name	Other Position
General Manager	Steven Yu	Chairman, Eurocharm Innovation Co., Ltd. Chairman, Shen Yuan Metal Co., Ltd Supervisor, Song Fong Development Co., Ltd. Director, Taiwan Techno State Co., Ltd. Chairman, Eurocharm Innovation Co., Ltd. (B.V.I.) Director, Exedy Vietnam Co., Ltd. Chairman, Vietnam Precision Industrial No.1 Co., Ltd. Director, New General Ltd. Director, Seashore Group Ltd. Director, Eurocharm Innovation (HK) Co., Ltd. Chairman, Eurocharm America LLC Director, Vietnam King Duan Industrial Co., Ltd. Director, Vietnam Uni-Clasonic Co., Ltd. Director, Vietnam Eurocharm Ways Plastics Company Limited
Deputy General Manager - Vietnam Office	Andy Wu	General Manager, Vietnam Precision Industrial No.1 Co., Ltd. Chairman, Vietnam Eurocharm Ways Plastics Company Limited
Deputy General Manager	James Chan	Vice Manager, Administration, Vietnam Precision Industrial No.1 Co., Ltd.
Deputy General Manager	Cina-Jin Chan	Vice Manager, Quality & Technology, Vietnam Precision Industrial No.1 Co., Ltd.
Deputy General Manager	Cheng- Wen Wang	N/A
Supervisor - Taiwan Office	Huang- Li Yang	Associate Manager, Production, Eurocharm Innovation Co., Ltd.

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

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

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

3.3.1 Remuneration of Directors (Including Independent Directors)

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)						
		The Company	All companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Chairman (Legal Representative)	Steven Yu (Note 1)	2,288	2,288	-	-	3,300	3,300	-	-	0.90	0.90	-	1,150	-	-	-	-	-	-	0.90	1.08	N/A
Chairman (Legal Representative)	Michael Yu (Note 1)	-	-	-	-	1,500	1,500	-	-	0.24	0.24	1,440	2,542	-	-	1,820	-	1,820	-	0.76	0.94	N/A
Chairman (Legal Representative)	Antonio Yu (Note 1)	-	-	-	-	1,500	1,500	-	-	0.24	0.24	1,730	2,542	-	-	1,820	-	1,820	-	0.81	0.94	N/A
Director	Steven Chang	-	-	-	-	1,000	1,000	120	120	0.18	0.18	-	-	-	-	-	-	-	-	0.18	0.18	N/A
Independent Director	Wei-Min Lin	-	-	-	-	1,000	1,000	120	120	0.18	0.18	-	-	-	-	-	-	-	-	0.18	0.18	N/A
Independent Director	Bryan Peng	-	-	-	-	1,000	1,000	120	120	0.18	0.18	-	-	-	-	-	-	-	-	0.18	0.18	N/A
Independent Director	Gen-Yu Fong	-	-	-	-	1,000	1,000	120	120	0.18	0.18	-	-	-	-	-	-	-	-	0.18	0.18	N/A
Total		2,288	2,288	-	-	10,300	10,300	480	480	2.10	2.10	3,170	6,234	-	-	3,640	-	3,640	-	3.19	3.68	-

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

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

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

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

Range of Remuneration

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

3.3.2 Remuneration of Supervisors

N/A, no supervisors at the Company.

3.3.3 Remuneration of the General Manager and the Deputy General Managers

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the president and vice president from an invested company other than the company's subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General Manager ¹	Steven Yu	1,828	9,756	-	328	-	726	6,121	-	6,121	-	1.28	2.72	N/A
Deputy General Manager	James Chan													
Deputy General Manager	Andy Wu													
Deputy General Manager	Cina-Jin Chan													
Deputy General Manager	Cheng-Wen Wang													
Supervisor	Huang-Li Yang													

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

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	9,761	9,761	1.57
	Executive Assistant	Antonio Yu				
	Deputy General Manager	James Chan				
	Deputy General Manager	Andy Wu				
	Deputy General Manager	Cina-Jin Chan				
	Deputy General Manager	Cheng-Wen Wang				
	Supervisor	Huang-Li Yang				

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

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

Title	2020				2021			
	Total remuneration paid to directors, supervisors, presidents and vice presidents (thousands)		Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net profit (%)		Total remuneration paid to directors, supervisors, presidents and vice presidents (thousands)		Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net profit (%)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Directors								
General Manager, Deputy General Managers	25,802	40,119	4.66	7.25	27,347	39,871	4.39	6.40

Note 1: The net profits in 2021 and 2010 referred to the after-tax net profits in the financial reports.

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

- (1) The director's remuneration shall be determined in accordance with the 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 paid by the board of directors at the usual level of the industry and negotiated. 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.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

A total of 11 (A) meetings of the Board of Directors were held in the most recent year (2021). The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Chairman	New General Limited Representative: Steven Yu	11	0	100	Elected on 05/31/2019
Director	Seashore Group Ltd. Representative: Michael Yu	11	0	100	Elected on 05/31/2019
Director	Seashore Group Ltd. Representative: Antonio Yu	11	0	100	Elected on 05/31/2019
Director	Steven Chang	11	0	100	Elected on 05/31/2019
Independent Director	Bryan Peng	11	0	100	Elected on 05/31/2019
Independent Director	Wei-Min Lin	11	0	100	Elected on 05/31/2019
Independent Director	Gen-Yu Fong	11	0	100	Elected on 05/31/2019

Other mentionable items:

- 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:
 - Matters referred to in Article 14-3 of the Securities and Exchange Act.

Date	Session	Content	Opinions and Suggestions
01/29/2021	12 th ; 4 th Session	Fund loan and subsidiary company Eurocharm Innovation (HK) Co., Limited case.	Unanimous consent
02/26/2021	13 th ; 4 th Session	Company's endorsement guarantees for affiliated companies	
03/30/2021	14 th ; 4 th Session	Subsidiary company Vietnam Precision Industrial No. 1 Co., Ltd. disposed of the equipment to Vietnam King Duan Industrial Co., Ltd..	
04/30/2021	16 th ; 4 th Session	Company's endorsement guarantees for affiliated companies	
		The principal amount of the loan and the related supplementary explanations.	
07/02/2021	18 th ; 4 th Session	Company's endorsement guarantees for affiliated companies	
08/09/2021	19 th ; 4 th Session	Company's 2020 directors' remuneration distribution	
08/19/2021	20 th ; 4 th Session	Company's endorsement guarantees for affiliated companies	
11/02/2021	21 th ; 4 th Session	The Company and its subsidiaries funds loan and case.	
		Company's endorsement guarantees for affiliated companies	
12/24/2021	22 th ; 4 th Session	Appointed Ernst & Young LLP as an Independent Accountant for the Company's 2022 Financial Statement	
		The Company's funds loan and case.	

- (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 three years (Complete by an external independent institution)	01/01/2021 - 12/31/2021	Effectiveness of the board of directors to be assessed, analyzed and reported	Ernst & Young Business Advisory Solutions (self-assessment)	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

Cycle	Period	Scope	Method	Evaluation
		externally	questionnaire and field interview)	<p>carried out at least once every three years. The most recent execution is that in 2021, the Company appointed Ernst & 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 will be issued, and the above-mentioned</p> <p>recommendations and expected measures will be submitted to the board of directors' report on 02/25/2022. Please refer to the Company's website: http://www.eurocharm.com.tw/esg/corporate governance/ board of directors for the relevant evaluation results and reports.</p>

Cycle	Period	Scope	Method	Evaluation
Yearly	01/01/2020 - 12/31/2020	Board performance evaluation	Self-evaluation Questionnaire	48 evaluation indicators including the engagement in operations, quality elevation of the board decisions, board structure, continuous training, internal control, etc.
Yearly	01/01/2019 - 12/31/2019	Board performance evaluation	Self-evaluation Questionnaire	

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

- (1) To strengthen the functions of the board of directors, the Company has established an audit committee and a remuneration committee on June 21, 2013. All the committee members are the Company's independent directors.
- (2) For information transparency, the Company fully disclosed various operating and financial information in its annual report, company website and the MOPS.
- (3) The Company has insured all directors and managers with liability insurance in accordance with investor protection and corporate governance in 2021.
- (4) The attendance of the independent directors in 2021:

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

2021	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th	9 th	10 th	11 th
Bryan Peng	V	V	V	V	V	V	V	V	V	V	V
Wei-Min Lin	V	V	V	V	V	V	V	V	V	V	V
Gen-Yu Fong	V	V	V	V	V	V	V	V	V	V	V

3.4.2 Audit Committee

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

Audit Committee Professional Qualifications:

Member	Professional Qualifications and Experience
Wei-Min Lin	He has more than 30 years of practicing experience as a certified public accountant, and has successively served as independent director and supervisor of Sunplus Technology Co., Ltd., Sinopac Leasing Corporation and Sinopac Financial Holdings Co., Ltd. He holds the qualification of an accountant in Taiwan and a doctorate in finance, taxation and economics from Jinan University in Guangzhou.
Bryan Peng	He served as the financial officer of Entire Technology Co., Ltd., and also served as an independent director of Ezconn Corporation, a director of Icometrue Company Ltd, and an independent director of Wafer Works (Shanghai) Co., Ltd. He holds a double bachelor's degree in accounting and international trade from Fu Jen Catholic University and an EMBA degree from National Chiao Tung University.
Gen-Yu Fong	He holds a Law Doctor degree from Cornell University, and served as a professor of the Law Department of National Chengchi University and the director of the Intellectual Property Institute. He is also an independent director of OBI Pharma, Inc. and an independent director of Chien Kuo Construction Co., 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 will complete the performance evaluation of the Audit Committee in January 2022 and submit it to the Board of Directors on February 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.

2021 Annual Major Work:

1. Review of financial reports

The consolidated financial statements for 2020 have been prepared and submitted by the Board of Directors, and ask Ernst & Young LLP's Ching-Piao Cheng and Hsiao Chin Lo to audited and approved. The business report and earnings distribution case has been considered and approved by the 11st meeting of 3rd Audit Committee (02/26/2021) and submitted to the 13th meeting of 4th Board of Directors (02/26/2021) for approval and has been submitted to the 2021 Annual General Meeting of Shareholders (08/25/2021) for recognition.

2. Assessment of internal control effectiveness

The Company judged the effectiveness of the design and implementation of the internal control system in 2021 based on the judgment items of the effectiveness of the internal control system as stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies".

The internal control self-assessment of the Company and its subsidiaries was completed on February 26, 2021, and no significant deficiencies were found in the design and implementation of internal control system. It is assessed that the design and implementation of the Company's internal control system should be effective. The "Statement of Internal Control System" for the year 2021 was issued after it was considered and approved by the 19th meeting of 3rd Audit Committee (02/25/2022) and submitted to the 23th meeting of 4th Board of Directors (02/25/2022) for resolution approval.

A total of 9 (A) Audit Committee meetings were held in the most recent year (2021). The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Convener	Wei-Min Lin	9	0	100	Elected on 05/31/2019
Committee Member	Gen-Yu Fong	9	0	100	Elected on 05/31/2019
Committee Member	Bryan Peng	9	0	100	Elected on 05/31/2019

Other mentionable items:

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

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

Date	Session	Content	Opinions and Suggestions
01/29/2021	10 th ; 3 rd Session	The Company's Fund Loan and Subsidiary Company Case.	Unanimous consent
02/26/2021	11 th ; 3 rd Session	Approval and signing of the 2020 Annual Report and Consolidated Financial Report	
		2020 internal control system self-inspection result report and internal control system statement discussion case.	
		Company's endorsement guarantees for affiliated companies	
03/30/2021	12 th ; 3 rd Session	The subsidiary company VPIC1 intends to dispose of the equipment in the case of VKD.	
04/13/2021	13 th ; 3 rd Session	Earnings Distribution Amendment.	
04/30/2021	14 th ; 3 rd Session	Company's endorsement guarantees for affiliated companies	
		The principal amount of the loan and the related supplementary explanations.	
07/02/2021	15 th ; 3 rd Session	Company's endorsement guarantees for affiliated companies	
08/19/2021	16 th ; 3 rd Session	Approval and signing of financial statements 2021 Q2	
		Company's endorsement guarantees for affiliated companies	
11/02/2021	17 th ; 3 rd Session	The Company's Fund Loan and Subsidiary Company Case.	
		Company's endorsement guarantees for affiliated companies	
12/24/2021	18 th ; 3 rd Session	Appointed Ernst & Young LLP as an Independent Accountant for the Company's 2022 Financial Statement	
		The Company's Fund Loan and Subsidiary Company Case.	

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

- (2) The internal audit supervisor reported to the independent directors on the internal audit execution and internal control operations of the Company at each audit committee meeting. The communication and operation are in good standing. The main communication issues in 2021 are summarized as follows:

Audit Committee	Item	Results
11 th , 3 rd Session	2020 Internal Control System Statement	Understand
	2020 Internal Control System Self-Assessment Implementation Report	Approved by the Audit Committee and submitted to the Board of Directors for resolution
14 th , 3 rd Session	2021 first quarter Internal Audit Performance Report	Understand
	2021 Track improvement performance report	Understand
16 th , 3 rd Session	2021 second quarter Internal Audit Performance Report	Understand
	2021 Track improvement performance report	Understand
17 th , 3 rd Session	2021 third quarter Internal Audit Performance Report	Understand
	2021 Track improvement performance report	Understand
18 th , 3 rd Session	Internal Control Self-Assessment Plan Summary	Understand
	2022 Annual Audit Plan	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 Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”. The information has been disclosed on the Company’s website.	None
2. Shareholding structure & shareholders’ rights				
(1) Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes, and litigations, and implement based on the procedure?	V		1) In addition to the existing hotline and email channels, the Company has established an internal operating procedure and has designated appropriate departments, such as Investor Relations, Public Relations, Legal Department, to handle shareholders’ suggestions, doubts, disputes, and litigation.	None
(2) Does the Company possess the list of its principal shareholders as well as the ultimate owners of those shares?	V		(2) In accordance with Article 25 of the Law on Securities and Exchange of the R.O.C., the Company publicizes information about shareholders with more than 10% of the shares, including directors and managers, on the MOPS website on a monthly basis.	None
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	V		(3) Rules are made to strictly regulate the activities of trading, endorsement, and loans between the Company and its affiliates. Also, the “Criteria of Internal Control Mechanism for a Public Company,” outlined by the Financial Supervisory Commission when drafting the guidelines for the “Supervision and Governance of Subsidiaries,” was followed to implement total risk control on subsidiaries.	None
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	V		(4) To protect shareholders’ rights and fairly treat shareholders, the Company has established the 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	V		(1) Member diversification is considered by the Board members. Factors taken into account include,	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
diversified policy for the composition of its members?			but are not limited to gender, age, cultures, educational background, race, professional experience, skills, knowledge, and terms of service. The Board objectively chooses candidates to meet the goal of member diversification.	
(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 established by law, the company has established a nomination committee in the first quarter of 2022. After the full re-election of directors on May 31, 2022, the company will establish functional committees other than statutory committees such as risk management committee or sustainable development committee in accordance with regulations.</p> <p>The company currently has 3 members of the Nomination Committee, and more than half (inclusive) of them are independent directors and have 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 (2021) board performance evaluation are as follows:</p> <ol style="list-style-type: none"> 1. The achievement rate of the board of director's self-evaluation is 100% 2. The achievement rate of board member's self-evaluation is 100%. 	None
(4) Does the company regularly evaluate the independence of CPAs?	V		<p>(4) The Company evaluates the independence of CPAs annually, ensuring that they are not stakeholders such as a Board member, supervisor, shareholder or person paid by the Company.</p> <p>The company evaluated Ernst & Young L.L.P.'s accountants Ching-Piao Cheng and Kuo-Shuai Chen according to the certified public accountants' appraisal form. Both of them meet the company's independence and competency assessment standards and are qualified to serve as certified accountants of the company. They have discussed and passed the assessment of the independence and competence of certified accountants at the 11th meeting of the 4th board of directors (12/25/2020) and the 22th meeting of the 4th board of directors (12/24/2021).</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
4. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?	V		<p>The Company has set up part-time personnel in the General Administration and Finance Department and the board secretary office to take charge of corporate governance-related matters. These include providing information required for the directors to execute business, handling issues related to meetings of the board of directors, the audit committee, the remuneration committee and the shareholders' meeting, and preparing the minutes, etc.</p> <p>The 2021 business development is as follows and reported to the first board of directors in 2022:</p> <p>(1) According to the “Self-evaluation Policy for Board of Directors' Performance”, the Company's overall performance in 2021 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: http://www.eurocharm.com.tw/</p> <p>(3) The Company regularly publishes the company's operating results on the Company's website and holds briefing sessions for legal entities at home and abroad to allow investors to understand the company's finances.</p>	None
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for regarding corporate social responsibilities?	V		<p>The Company provides detailed contact information, including telephone numbers and email addresses in the “Stakeholder Area” section of the corporate website. Also, personnel are in place to exclusively deal with issues of social responsibility, ensuring that various interested parties have channels to communicate with the Company.</p> <p>The Company is committed to respecting the interests of interested parties; therefore, classifies the stakeholders into the following six categories for communication and management:</p> <p>(1) Shareholders</p> <p>Concerns: Economic Performance / Indirect Economic Shock / Procurement Practice / Anti-Corruption / Anticompetitive Behavior / Raw Material / Energy / Waste / Legal Compliance Regarding Environmental Protection / Labor Relations / Occupational Health and Safety /</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>Customer Privacy</p> <p>Communication channels and response methods:</p> <ul style="list-style-type: none"> • Annual shareholder meeting • Regular domestic and overseas legal person briefings are held to allow investors to understand the financial affairs of the Company • 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 • Disclose immediate major announcements simultaneously on the Taiwan’s MOPS (Market Observation Post System) website • The Company’s website provides contact information including email and phone number for establishing a smooth communication between the shareholders and the Company. <p>(2) Government Agencies</p> <p>Concerns: Economic Performance / Legal Compliance Regarding Environmental Protection / Socio-Economic Compliance</p> <p>Communication channels and response methods:</p> <ul style="list-style-type: none"> • Follow environmental protection laws and regulations, cooperate with local environmental protection laws and regulations, and regularly publicize them. • Follow the personal information laws and regulations, cooperate with the personal information laws and regulations, and regularly publicize them. • Follow labor laws and regulations, cooperate with labor laws and regulations and regularly publicize them. <p>(3) Employees</p> <p>Concerns: Economic Performance / Legal Compliance Regarding Environmental Protection /</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>Labor Relations / Training and Education</p> <p>Communication channels and response methods:</p> <ul style="list-style-type: none"> The Company attaches great importance to the rights and interests of employees, adopts a positive attitude and communicates with employees, regularly holds labor-management conferences, and signs group agreements with trade unions. It also sets up accessible channels (Opinion drop-off box and email communication) for employees to respond directly to the company's top management. Organizes safety and health education and training for newly recruited personnel. Special operations supervisors are engaged in health and safety education, fire safety training, etc. General workers are provided with in-service health and safety training. In addition to the regular training, the Company plans and arranges employees to participate in professional training courses based on job functions for enhancing professional knowledge. Provides regular employee health checkups and for special operations supervisors, specific medical examinations are conducted. <p>(4) Customer</p> <p>Concern: Indirect Economic Shock / Procurement Practice / Anti-Corruption / Anticompetitive Behavior / Energy / Water / Biodiversity / Emission / Waste / Legal Compliance Regarding Environmental Protection / Supplier Environmental Assessment / Labor Relations</p> <p>Communication channels and response methods:</p> <ul style="list-style-type: none"> External communication mailbox to understand customer needs and expectations. Regular communication and discussion meetings, listening to customers' opinions and making internal adjustments. Regular customer satisfaction monitoring, regular collected customer satisfaction surveys and statistics. 	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>(5) Suppliers</p> <p>Concerns: Economic Performance / Procurement Practice / Raw Material / Legal Compliance Regarding Environmental Protection / Supplier Environmental Assessment / Supplier Social Assessment</p> <p>Communication channels and response methods:</p> <ul style="list-style-type: none"> Annual supplier evaluation is to confirm the implementation status of the supplier's quality system. Regularly review suppliers, and cooperate with manufacturers to monitor quality, delivery time, and cooperation. <p>(6) Media</p> <p>Concerns: Economic Performance / Legal Compliance Regarding Environmental Protection / Labor Relations / Socio-Economic Compliance</p> <p>Communication channels and response methods:</p> <ul style="list-style-type: none"> Proactively respond questions to media. 	
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company designates Yuanta Securities Co., Ltd. to deal with shareholder affairs.	None
7. Information Disclosure				
(1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	V		<p>(1) The Company has set up a website to disclose information regarding the Company's financials, business, and corporate governance status.</p> <p>Website: www.eurocharm.com.tw</p>	None
(2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting)	V		<p>(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.</p> <p>English website: http://www.eurocharm.com.tw/en/</p> <p>The Company will also start to publish the news in both English and Chinese simultaneously from 2021.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
investor conferences)?				
(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 2021 financial report was announced and filed after being approved by the board of directors on February 25, 2022. 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		<p>(1) The directors of the Company have been regulated in continuing education in accordance with the “Publications, Directors of OTC Companies, Supervisors’ Training and Implementation Highlights”, following is the directors’ and independent directors’ training records in 2021:</p> <p>Chairman Steven Yu 9H “The 13th Taipei Corporate Governance Forum” and “2021 Insider Equity Transaction Legal Compliance Publicity Briefing”</p> <p>Director Michael Yu 9H “The 13th Taipei Corporate Governance Forum” and “2021 Insider Equity Transaction Legal Compliance Publicity Briefing”</p> <p>Director Antonio Yu 12H “Changes in the 5G: Industrial Upgrading, Future Business Applications”, “The only way for enterprises to operate sustainably _ External Innovation” and “2021 Cathay Pacific Sustainable Finance and Climate Change Summit”</p> <p>Director Steven Chang 9H “Global economic trends and investment strategies in the post-pandemic”, “The value of information security in the post-pandemic and the Sino-US trade war” and “Legal matters that the board of directors supervises enterprises should know: Beware of mistakenly touching the red line of joint behavior”</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>Independent Director Bryan Peng 12H “The first listed company independent director function publicity meeting”, “The 13th Taipei Corporate Governance Forum” and “Trends and Responses of Global Sustainable Finance”</p> <p>Independent Director Wei-Min Lin 13H “The first listed company independent director function publicity meeting”, “Business tax declaration points and doubts”, and “Analysis of the practical case of the company’s capital increase and non-cash offset payment”</p> <p>Independent Director Gen-Yu Fong 9H “The first listed company independent director function publicity meeting”, “Introduction to Insider’s Equity”, and “Cyber-attack incidents are frequently reported, directors and supervisors should face up to information security issues” and “Corporate Governance and Information Disclosure System: On the Important Responsibilities of Insiders”</p> <p>(2) Board Meetings: The Company has established regulations towards board meetings including the specific procedures, directors’ attendances, and the voting rights.</p> <p>(3) Investor Relations: The Company has a spokesperson system, a litigation representative and a non-litigation representative in the territory of the Republic of China for immediate assistance of the investors, customers, suppliers and other interested parties. News regarding the company’s finances is announced on “MOPS” to provide timely information that may affect the decisions of investors.</p> <p>(4) Rights of Interested Parties: The Company maintains positive communication channels with</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			banks, employees, customers, suppliers and stakeholders. (5) Implementation of Risk Management and Evaluation: The Company has established internal regulations and related management practices. (6) The Company has purchased liability insurance for its directors and managers since the year 2021. (7) For more information and disclosures, please visit: http://www.eurocharm.com.tw	
9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.	V		The Company has reported the result of last year’s corporate governance evaluation to the Board of Directors. For significant improvement in the future, the Company had assigned dedicated staff to establish improvement plans targeting the non-scoring items.	None

Note 1: Status of board members’ diversification implementation

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

3.4.4 Structure, Responsibilities and Operations of the Remuneration Committee

1. Structure of the Remuneration Committee: On May 31, 2019, the board of directors has appointed Independent Directors Wei-Min Lin, Bryan Peng and Gen-Yu Fong as the 3rd session of the remuneration committee members and elected Independent Director Wei-Min Lin as the convener and chairman of the remuneration committee. Member information is listed below:

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
Independent Director Wei-Min Lin (Convener)	Professional and technical personnel with accountant certificate	Note 1	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)	0
Independent Director Bryan Peng	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)	1
Independent Director Gen-Yu Fong	Professor of Law, National University of Governance	Note 1	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)	3

Note 1:

Title	Name	Other Position
Independent Director	Wei-Min Lin	Certified Accountant, Lin Wei Min CPA Firm Director, Sinopac Leasing Corporation Director, SinoPac Capital International (HK) Limited
Independent Director	Bryan Peng	Independent Director, EZconn Corp. Director, Cheng Zhen Corp. Independent Director, Wafer Works (shanghai) Co.,Ltd.
Independent Director	Gen-Yu Fong	Independent Director, OBI Pharma Inc. Independent Director, Chien Kuo Construction Co., Ltd.

Note 2: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

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

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Convener	Wei-Min Lin	2	0	100	Elected on 05/31/2019
Committee Member	Gen-Yu Fong	2	0	100	Elected on 05/31/2019
Committee Member	Bryan Peng	2	0	100	Elected on 05/31/2019
Other mentionable items:					
1. 2021 Remuneration Committee Meeting Details:					
Date	Session	Content			Opinions and Suggestions
02/26/2021	7 th ; 3 rd Session	Company’s 2020 directors and employees’ remuneration and distribution case			Unanimous consent
08/09/2021	8 th ; 3 rd Session	Salary adjustment of the company’s managers.			
		Company’s 2020 directors’ remuneration distribution			
		Company’s 2020 managers’ remuneration distribution			
2. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company’s response to the remuneration committee’s opinion (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 Attendance of Members at Nomination Committee Meetings

- There are 3 members in the Nomination Committee.
- A total of 1 (A) Nomination Committee meetings were held in the term from February 25, 2022 to May 31, 2022. The attendance record of the Remuneration 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

Title	Name	Professional Qualifications and Experience	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Committee Member	Gen-Yu Fong	Professor of Law, National University of Governance	1	-	100	Note
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
Note: Elected on February 25, 2022. Other mentionable items: 1. 2022 Nomination Committee Meeting Details:						
Date	Session	Content				Opinions and Suggestions
03/25/2022	1 st ; 1 st 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.				
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 Promote Sustainable Development

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE / TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Does the Company have established a governance structure to promote sustainable development and dedicated (or ad-hoc) CSR organization with Board of Directors authorization for senior	V		The "Administration and Finance Office" is responsible for the sustainable development and operation of the company and assigns full-time staff to promote it. The board of directors authorizes the general manager to handle it, and the board of directors reports the handling situation for the first meeting every year.	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	
management, which reports to the Board of Directors?				
2. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	V		<p>(1) The company has formulated corporate governance policies, work rules, code of conduct and ethics for employees, and codes of practice for corporate social responsibility as guidelines for the implementation of local sustainable development.</p> <p>(2) The company conducts employee integrity management promotion from time to time.</p> <p>(3) The company regularly reviews the feedback from stakeholders and the development trend of sustainable issues, identifies major sustainable issues in accordance with the principle of materiality, and incorporates the spirit of risk management. , social and corporate governance issues, if there is a risk management situation, it should be reported to the superior immediately to reduce the impact of risks on the company. Based on the principle of materiality, the company conducts risk assessments on important issues, and formulates relevant risk management policies or strategies as follows based on the assessed risks:</p> <p>(Note 1)</p>	None
3. Environmental Topic				
(a) Has the Company set an environmental management system designed to industry characteristics?	V		(a) The company has complete specifications for quality management, safety and hygiene and environmental protection. Since 2007, the Vietnam subsidiary company has established an ISO 14001 environmental management system and continues to pass the verification.	None
(b) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	V		(b) The company continuously improves the utilization of various resources such as water, electricity and raw materials, as well as electronic forms or documents, and continuously improves the utilization of various resources to reduce the load on the environment.	None
(c) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?	V		(c) Starting from 2020, the Company will conduct risk and opportunity assessments with reference to the TCFD framework, and put forward corresponding strategic recommendations, which will be publicly disclosed in the Company’s sustainability report.	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							
(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		(d) The Company annually verifies and tracks greenhouse gas emission data based on the ISO 14064-1 standard. With the goal of a 10% emission reduction in ten years in mind, the Company promotes energy-saving measures and builds renewable energy power generation devices in production and publicly discloses on the website. The Company saves 2% of electricity and water and reduces 10% of waste each year.	None						
4. Social Topic										
(a) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	V		<div> <div> (a) The company abides by the laws and regulations of the locations where it operates around the world, and follows internationally recognized human rights standards such as the “International Bill of Human Rights”, the “International Labour Organization - Declaration of Fundamental Principles and Rights at Work”, and the “Ten Principles of the United Nations Global Compact”. Take actions consistent with the Responsible Business Alliance and treat all employees, indentured and temporary staff, interns, etc. with dignity. We implement the company’s human rights policy in accordance with the following implementation guidelines, and formulate the “Supplier Corporate Social Responsibility Policy”, requiring suppliers to abide by the same standard. </div> <table> <tr> <th>Human Rights Management Policy</th> <th>Plan</th> </tr> <tr> <td>Provide a safe and healthy working environment to help employees maintain physical and mental health and work-life balance</td> <td>For details, please refer to “Working Environment and Employee Personal Safety Protection Measures” in Labor Relations on page 107.</td> </tr> <tr> <td>Prohibit forced labor and abide by local government labor laws</td> <td>Implement the vacation system and encourage colleagues to focus on work-life balance.</td> </tr> </table> </div>	Human Rights Management Policy	Plan	Provide a safe and healthy working environment to help employees maintain physical and mental health and work-life balance	For details, please refer to “Working Environment and Employee Personal Safety Protection Measures” in Labor Relations on page 107.	Prohibit forced labor and abide by local government labor laws	Implement the vacation system and encourage colleagues to focus on work-life balance.	None
Human Rights Management Policy	Plan									
Provide a safe and healthy working environment to help employees maintain physical and mental health and work-life balance	For details, please refer to “Working Environment and Employee Personal Safety Protection Measures” in Labor Relations on page 107.									
Prohibit forced labor and abide by local government labor laws	Implement the vacation system and encourage colleagues to focus on work-life balance.									
(b) Has the Company established appropriately managed employee welfare measures (including salary and compensation, leave and	V		(b) The company determines the salary level based on the employee’s academic experience, professional knowledge, seniority experience and personal performance, which is in line with the laws and regulations. The starting salary of employees is equal to men and women, which is also higher than the	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	
others), and link operational performance or achievements with employee salary and compensation?			minimum basic salary regulations of the local government. Salary and benefits do not differ based on gender, age, nationality, physical and mental disability, race or other conditions. The leave system complies with the local regulations. In addition, according to the regulations of the company's articles of association, if the company's annual profit is 2%, it will be used as employee compensation.	
(c) Does the Company provide employees with a safe and healthy working environment with regular safety and health training?	V		(c) The company pay attention to employees' health and safety. In order to create a safe working environment, regular meetings are held to discuss the potential safety hazards reported by various departments, and improvement performance working environment. Since 2015, the Vietnam subsidiary company has established the ISO 45001 occupational safety and health management system and continues to pass the verification. The company regularly organizes safety and health education and training for new employees, on-the-job safety and health education and training for special operation supervisors, fire safety lectures and practical training, and labor safety and health on-the-job training for general personnel; and plans and arranges employees to participate in professional training courses according to their professional functions. Improve professional knowledge.	None
(d) Has the Company established effective career development training plans?	V		(d) The company has a complete training plan for the career development of colleagues, so that colleagues can work in their existing positions, and at the same time acquire the necessary skills for promotion, professional skills training. In addition, employees are provided with various training opportunities to enhance their abilities and work efficiency.	None
(e) Do the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect consumers' rights and consumer appeal procedures?	V		(e) All products produced by our company are produced in accordance with the regulations of ISO 9001:2015, IATF 16949:2016 and ISO 13485:2016. The marketing and labeling of products and services follows international RoHS, REACH related regulations and international standards to protect customers' rights. The company has Taiwan and Vietnam customer complaint mailbox info@eurochm.com.tw or sales@vpic1.com.vn , and the marketing unit handles related affairs.	None
(f) Does the Company set supplier management policy and request	V		(f) The company has a supplier management policy, which requires suppliers to submit material certificates to ensure safety. In addition, there are relevant	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	
suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?			inspection and standard procedures for R&D and production. Before cooperating with suppliers, first understand whether the supplier has a record of affecting the environment and society, and avoid business transactions with suppliers that violate the supplier's management policy, except for regular factory visits. In addition to assessing suitability, existing manufacturers are assessed annually. In addition, all suppliers of the company abide by the company's honesty policy, do not accept gifts, do not take back deductions, and prohibit transactions with related parties. To achieve the goal of the company and suppliers working together to enhance corporate social responsibility.	
5. Does the Company refer to international reporting rules or guidelines to publish CSR Report to disclose non-financial information of the Company? Has the said Report acquired 3 rd certification party verification or statement of assurance?	V		The company's 2021 sustainability report is prepared in accordance with the core options of the GRI Sustainability Reporting Standards issued by the Global Reporting Initiative. The compilation has not been completed. In addition, the report is under application for verification by an external agency.	None
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 company has invested in social assistance activities in the recent year as follows:				
No.	Donate unit	Program name	Program overview	
1	Vinh Phuc Red Cross	Donating hospital beds to help Vietnam fight COVID-19	After the Labor Day holiday, a new wave of COVID-19 broke out in Vietnam. Vinh Phuc Province was one of the outbreak points. The provincial government quickly responded to quarantine and implemented a 10-day social isolation in Vinh An. Pandemic prevention work requires a lot of medical resources, with the empathy of the citizens of Vinh Phuc. VPIC1 donated 20 three-motor high-grade electric hospital beds with a total price of VND\$770 million (approximately NT\$830,000). On June 4, 2021, witnessed by Mr. Thanh, Chairman of Vinh Phuc Province, General Manager AndyWu represent of Vietnam subsidiary VPIC1 donated to Vinh	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE / TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			Phuc Province Red Cross Society. The Red Cross Society arranged to send it to Vinh Phuc San Nhi Hospital for installation and use. It is one of the seven treatment facilities for confirmed patients in Vinh Phuc Province.	
2			Donate to help Vietnam buy vaccines	The pandemic situation has become more and more complicated. Vinh Phuc Province has strict control over the pandemic. On September 21, 2021, the company provided VND\$1,000,000,000 (about NT\$1,208,000) to support the Vinh Phuc provincial government to purchase vaccines to prevent the spread of the pandemic.
3			Vinh Phuc public security unit Vinh Phuc Red Cross New Year's aid to poor families	<p>1. The Lunar New Year is an important festival in Vietnam as well as Taiwan, we all hope to have a good New Year. On the eve of this traditional festival, on January 26, 2021, 20 gifts worth VND\$15 million were presented together with the Vinh Phuc Provincial Public Security Unit. It was given to needy families in Tan Dao County, Vinh Phuc Province. 20 gifts worth VND\$16 million were given to families in need in Vinh Phuc Province, Sanyang County, and An Hoa Community together with the Kaiguang District Public Security Unit. On January 28, 2021, 20 gifts worth VND\$12.6 million were presented together with the Red Cross of Vinh Phuc Province to the families in need in Vinh Phuc Province, Luohe County and Tongsheng Community. 20 gifts worth VND\$10 million were together with the Khai Quang District given to families in need in Vinh Phuc Province, Yong An City and Khai Quang Fang, totaling 80 households with a total of VND\$53.6 million (about NT\$65,000).</p> <p>2. On January 10 and January 21, 2022, the company cooperated with the Red Cross Society of Yongfu Province to go to Song Lo County and Yongan City to provide New Year gifts and cash to poor families, so that they can have a good New Year, a total of 63 households, VND\$49 million.</p>
4			Vinh Phuc foreign and commonwealth office Donate rice cookers to help the poor	In the cold weather, food and clothing are the most basic needs of every family. The company cooperated with the Foreign Affairs Bureau of Vinh Phuc Province to go to Lap Thach County to donate rice cooking to poor families, with a total of 80 households, VND\$50,400,000 (about NT\$60,883).

Note 1:

Major Issues	Risk Assessment Program	Risk Management Policy or Strategy
Environment	Legal Compliance Regarding Environmental Protection	As a member of the earth, the company attaches great importance to environmental protection, puts environmental management thinking into the core of its operations, and abides by local regulations. Since the production process does not produce pollution, Eurocharm Taiwan only needs to entrust qualified manufacturers to dispose of waste in accordance with

		regulations, and there is no need to apply for a pollution prevention permit or set up pollution prevention and control facilities. The Group has obtained ISO 14001 certification for better management of the environment.
	Energy	The company regards natural resources as shared resources, and we are committed to promoting energy conservation and carbon reduction as the goal to avoid the depletion of natural resources caused by excessive use. The management department of each plant area collects and tracks energy usage, and produces literature and publicity to promote energy conservation and carbon reduction. Phase out equipment with poor energy efficiency and continue to improve energy efficiency.
	Emissions, Waste	The company belongs to the metal processing industry, and there may be problems such as emissions and waste during the manufacturing process. Therefore, we create a friendly environment and reduce the impact of pollution on the environment. The wastewater of Vietnam Company can only be discharged to the wastewater treatment plant in the factory area after the treatment equipment reaches the A-level. Taiwan and Vietnam track the use of waste, promote the implementation of waste sorting, and improve resource reuse.
Society	Labor Relations	The conditions for a happy workplace include providing competitive salaries and benefits, allowing employees to work with peace of mind, having two-way communication channels, respecting and listening to employees' opinions, and providing a stage for employees to develop and thrive. Improve the internal management of the factory and continuously improve the working conditions to safeguard the legal rights of employees. Diversity of talents is one of the most important components of corporate culture. Hiring diverse talents is the long-term employment philosophy of Eurocharm.
	Labor Relations	Eurocharm strives to pursue a harmonious labor relationship and attaches great importance to the right of employees to express their opinions. On major labor issues, we give priority to listening to the opinions of labor representatives, and hold regular meetings to fully communicate their opinions to ensure harmonious labor relations and sustainable development of the enterprise. The VPIC1 union was established in accordance with the local labor laws to establish a communication channel for employees' opinions. Labor meetings are held regularly, and the heads of relevant departments are all present and fully communicated with labor representatives.
	Occupational Health and Safety	In order to protect the safety and health of employees and contractors, we are committed to reducing work environment risks, maintaining life safety and physical health, and achieving the goal of zero industrial safety accidents and zero injuries. There is a "Safety and Environment Committee" to identify evaluate and control hazards in the employee's operating environment or operating procedures to strengthen the management of machinery, equipment or appliances. In addition, provide employees with personal protective equipment (e.g.: earplugs / earmuffs, welding goggles). Take effective management measures for the purchase, use and storage of chemicals. Arrange regular health checks for workers, and carry out health promotion and health management projects. Investigation, handling and statistical analysis of occupational accidents. Relevant operations are required to comply with the company's safety and hygiene

		standards, and safety and hygiene education and training are provided.
Governance	Economic Performance	Continue to expand Vietnam's production capacity, step into the medical equipment industry, and establish diversified production bases and products. Hold monthly business meetings to track business performance and require relevant units to improve. Hold regular board meetings to ensure continuity and appropriateness of strategic direction.
	Purchase Practice	The company continues to develop on the good foundation of various metal processing, and has more than 40 years of experience in Taiwan and more than 20 years in Vietnam, gradually shifting import procurement to local procurement. In 2016, the proportion of the local purchase amount has gradually increased from below 50% to 90%, including the customer's unified purchase and the company's own purchase of raw materials and parts.

3.4.7 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	
1. Establishment of ethical corporate management policies and programs				
(1) Does the Company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	V		(1) The Company has already formulated Ethical Corporate Management Best Practice Principles and Supplier Code of Conduct. Ethical management policies have been disclosed in internal regulations, on the corporate website, in annual reports, or other promotional materials.	None
(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	V		(3) The Company has included clearly formulated prevention schemes and relevant handling procedures in its "Ethical Corporate Management Operating Procedures and Code of Conduct" covering the	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	
regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?			prohibition of bribery, illegal political contributions, improper charity donations or sponsorships, improper gifts, entertainment, or other benefits.	
2. Fulfill operations 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 2021 business development is as follows and reported to the first board of directors' meeting in 2022: I. Establishes various methods for reporting including internal and external reporting mailboxes. The Company requires employees and suppliers suspected of improper behavior to report and clarify on their own initiative and reward employees who report misconducts. 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,	V		(3) The board directors uphold a high standard of self-discipline. When a proposal at a given board of directors meeting concerns the personal interest or the interest of the juristic person represented by any director, that director may state his/her opinions and respond to inquiries, but may not participate in the discussion or vote on that proposal and shall recuse	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	
and implement it?			himself or herself from any discussion and voting, where there is a likelihood that the interests of the Company would be prejudiced. In addition, said director may not exercise voting rights as the proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner.	
(4) Has the Company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	V		(4) If in the course of conducting company business, any personnel of the Company discovers that a conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.	None
(5) Does the Company regularly hold internal and external educational training on operational integrity?	V		(5) The Company has established an accounting education for directors, executives, employees, and appointees to provide them with a full understanding of the commitment, policies, and prevention schemes of the Company in the area of ethical corporate management and ward off unethical behavior.	None
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				

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company’s website and MOPS?	V		(1) The Company’s Ethical Corporate Management Best-Practice Principles and the results of our implementation have been posted on the Company’s Chinese / English website (http://www.eurocharm.com.tw) and MOPS.	None
5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. There have been no differences.				
6. Other important information to facilitate a better understanding of the Company’s ethical corporate management policies (e.g., review and amend its policies).				
(a) To implement the basics of ethical corporate management policies, the Company operates under the Company Act, Securities, and Exchange Act, Businesses Entity Accounting Act, related regulations for TWSE/TPEX-Listed Companies, and other laws and decrees concerning business transactions.				
(b) Fulfilling the responsibility of honest trading to customers and suppliers: The company have long appreciated to our customers and respected our suppliers, and we engage in any business transactions in a fair and transparent manner, giving each customer or supplier a fair and reasonable benefit result, thus creating a double win situation.				
(c) Honest management responsibility to shareholders: The Company treats its shareholders with care and loyalty, discloses accurate information in a timely, and creates maximum value for all shareholders by operating at a steady pace.				
(d) The Company has set up the “Management Procedures for Preventing Insider Trading”, which specifies that directors, supervisors, managers, and employees are not allowed to reveal inside information to others or to inquire non-public information that is irrelevant to his/her business scope.				

3.4.8 Corporate Governance Guideline and Regulations

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

3.4.9 Other Important Information Regarding Corporate Governance

1. Managers participate in corporate governance related training:

In 2021, managers have no relevant training.

2. Procedures of internal major information processing:

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

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

None

4. Succession planning for board members and major management:

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

Regarding the succession planning of the Board of Directors, the Company nurtures senior managers to join the Board of Directors to familiarize them with the operation of the Board of Directors and the business of each unit of the Group, and to deepen their industrial experience through job rotation. Currently, the Group has some senior management, so the Company has an abundant pool of talent to elect as future directors. In addition to diversity, no more than one-third of our directors will be managers, and we will emphasize gender equality and the knowledge, skills and qualities necessary to carry out our duties.

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

3.4.10 Implementation of the Internal Control System

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

Declaration regarding the internal control system

Date: February 25, 2022

Based on the results of a self-inspection, the Company hereby makes the following declaration regarding the internal control system in 2021:

- 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, 2021 (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 25, 2022. All 7 directors consented to the contents of this declaration as stated herein.

Eurocharm Holdings Co., Ltd.

Chairman: Steven Yu

General Manager: Steven Yu

3.4.11 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

3.4.12 Major Resolutions of Shareholders' Meeting and Board Meetings

1. Major resolutions of shareholder's meetings in 2021 and implementation status (08/25/2021)

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 2020 Business Report and Consolidated Financial Statements	Voting Result: Approved Total Number of rights held by attending shareholders: 48,975,502 rights In favour: 45,573,384 rights; 93.05%; Against: 4,043 rights; Abstained / not voted 3,398,075 rights, case passed	Implemented in accordance with the resolution result of the shareholders' meeting
2. Adoption of the Proposal for Distribution of 2020 Profits	Voting Result: Approved Total Number of rights held by attending shareholders: 48,975,502 rights In favour: 45,573,384 rights; 93.05%; Against: 4,043 rights; Abstained / not voted: 3,398,075 rights, case passed	In accordance with the resolution result from the shareholders' meeting, the cash dividend record date was on 08/25/2021 and the payable date was on 09/15/2021

Major Resolution - Matter of Discussion	Resolution Result	Implementation
1. Proposal to amend the Precedure for Shareholders' Meetings	Voting Result: Approved Total Number of rights held by attending shareholders: 48,975,502 rights In favour: 45,573,384 rights; 93.05%; Against: 4,043 rights; Abstained / not voted: 3,398,075 rights, case passed	Revision Implemented

Major Resolution - Matter of Discussion	Resolution Result	Implementation
2. Proposal to amend the Procedures for Election of Directors	<p>Voting Result: Approved</p> <p>Total Number of rights held by attending shareholders: 48,975,502 rights</p> <p>In favour: 45,573,384 rights; 93.05%;</p> <p>Against: 4,403 rights; Abstained / not voted: 3,398,075 rights, case passed</p>	Revision Implemented

2. Major resolutions of board meetings in 2021 up to the printing date of the annual report:

A total number of 9 board meetings, as follows,

DATE	SESSION	MAJOR RESOLUTIONS
04/13/2021	15 th ; 4 th Session	2020 Surplus Distribution Amendment.
04/30/2021	16 th ; 4 th Session	Approval of the 2021 Q1 annual business report and consolidated financial statements
		Company's and its subsidiaries' proposal to sign a short-term credit limit case with banks
		Endorsement guarantee for the Company's subsidiary
		Subsidiary company Eurocharm Innovation Co., Ltd. (B.V.I.), intends to acquire a 49% share in Fast Victory Limited.
		Joint Venture Amendment.
05/20/2021	17 th ; 4 th Session	The company's loan and related supplementary explanations.
		Amendments to the Company's 2021 Annual General Shareholders Meeting (change of location).
		Authorization proposal for the company's 2021 Annual General Shareholders. (provisional motion_ Independent Director Gen-Yu Fong Proposal)
07/02/2021	18 th ; 4 th Session	Changes the date of the 2021 Annual General Shareholders and related matters.
		Company's and its subsidiaries' proposal to sign a short-term credit limit case with banks
		Endorsement guarantee for the Company's subsidiary
08/09/2021	19 th ; 4 th Session	The Company's 2020 Director's and Staff's Remuneration Distribution Plan.
		The Company's "2020 Director's Remuneration" plan.
		The Company's "2020 Employee Compensation" plan for managers
		Revision of the Company's 2021 Annual General Shareholders (change of location).

DATE	SESSION	MAJOR RESOLUTIONS
08/19/2021	20 th ; 4 th Session	Approval of the 2021 Q2 annual business report and consolidated financial statements
		Company's and its subsidiaries' proposal to sign a short-term credit limit case with banks
		Endorsement guarantee for the Company's subsidiary
		Case of first half of 2021 surplus distribution
11/02/2021	21 th ; 4 th Session	Cooperated with Ernst & Young Certified Public Accountants internal job transfer and replacement of certified accountants.
		Approval of the 2021 Q3 annual business report and consolidated financial statements
		The Company and its subsidiaries funds loan and case.
		Company's subsidiaries' proposal to sign a short-term credit limit case with banks
		Endorsement guarantee for the Company's subsidiary
12/24/2021	22 th ; 4 th Session	The Company's 2022 business and annual budget plan
		The company's internal audit plan for 2022
		Appointment of Ernst & Young Certified Public Accountants to verify the Company's 2022 Financial Report
		The Company's funds loan and case.
		Update the company's related operating procedures.
02/25/2022	23 th ; 4 th Session	Distribution case of the Company's 2021 Directors and Employee's Remuneration
		Proposed approval of the Company's 2021 Annual Business Report and Consolidated Financial Statements
		Case of the 2021 surplus distribution
		Company's 2021 Internal Control System Self-Inspection Results Report and Internal Control System Statement
		Company's and its subsidiaries' proposal to sign a short-term credit limit case with banks
		Endorsement guarantee for the Company's subsidiary
		Amendment to the Company's Articles of Association.
		Revision of the Company's relevant operating procedures
		Formation of a nomination committee.
		Full re-election of directors.
		The shareholders' meeting shall accept matters related to the nomination of shareholders' director candidates.
		Case of the shareholders' meeting, proposal and relevant issues
		Settlement of the 2022 shareholders' meeting time and location

3.4.13 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

3.4.14 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
Ernst & Young	Ching-Piao Cheng	Hsiao Chin Lo	01/01/2021 - 06/30/2021	5,660	150	5,810
	Ching-Piao Cheng	Kuo-Shuai Chen	01/01/2021 - 12/31/2021			

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

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Ernst and Young	Ching-Piao Cheng	5,660	-	-	-	150	150	01/01/2021 - 12/31/2021	Non-audit public fees - Other refers to internal control project review
	Kuo-Shuai Chen								

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

None

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

None

3.6 Replacement of the CPA:

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

About the former accountant

Replacement Date	11/02/2021		
Reason for Replacement and Explanation	Internal rotation of the firm		
Explanation for the Accountant’s Termination or Appointment Refusal	Situation	Accountant	Delegate
	Appointment Termination	N/A	N/A
	Appointment Refusal	N/A	N/A
Issued unserved opinion within the last two years and other reasons	None		
Disagreement with the Issuer	Yes		Accounting principles or practices
			Financial report disclosure
			Scope or Step Examination
			Others
	No	V	
	Explanation: N/A		
Other disclosures (Article 10-6-1-4 to 10-6-1-7 of this standard should be disclosed)	None		

3.6.2 About Successor Accountant

Accounting Firm	Ernst & Young
Accountant	Ching-Piao Cheng and Kuo-Shuai Chen
Date of appointment	11/02/2021
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

Evaluation Items	Evaluation Results	Compliance with independence
Whether the accountant has no acting as an advocate for the Company or coordinating conflicts with other third parties	V	Yes
Whether the accountant has no received any special significant value gifts from the Company or its directors, officers or substantial shareholders	V	Yes

3.9 Operational Procedures for Handling Material Inside Information

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

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

Unit: Share

Title	Name	2021		As of March 31, 2022	
		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
Director	Seashore Group Limited	0	0	0	0
	Representative: Antonio Yu	0	0	0	0
Director	Steven Chang	0	0	0	0
Independent Director	Wei-Min Lin	0	0	0	0

Title	Name	2021		As of March 31, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Independent Director	Bryan Peng	0	0	0	0
Independent Director	Gen-Yu Fong	0	0	0	0
General Manager	Steven Yu	0	0	0	0
Deputy General Manager	James Chan	0	0	0	0
Deputy General Manager	Andy Wu	0	0	0	0
Deputy General Manager	Cina-Jin Chan	0	0	0	0
Deputy General Manager	Cheng-Wen Wang	0	0	0	0
Supervisor	Huang-Li Yang	(18,000)	0	0	0

3.10.2 Shares Trading with Related Parties:

None

3.10.3 Shares Pledged with Related Parties:

None

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

04/02/2022 (Book closure date) Unit: thousand shares

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

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 Representative: Antonio Yu	116	0.18%	-	-	-	-	New General Limited Representative: Steven Yu	Brother	-
							New General Limited - Representative: Michael Yu	Brother	-
Fubon Life Insurance Co., Ltd.	5,217	7.93%	-	-	-	-	-	-	-
BaoJie Funds in custody of Standard Chartered Bank Main Branch	1,700	2.58%							
Cathay Life Insurance	657	1.00%	-	-	-	-	-	-	-
Min Zhe Wu	1,129	1.72%							
Citi (Taiwan) Commercial Bank is entrusted with the custody of the special investment fund eQ emerging market small-cap fund investment account	671	1.02%							
You-Lun He	795	1.21%	-	-	-	-	-	-	-
Liang-Shan Cai	816	1.24%	-	-	-	-	-	-	-
Hong Jin Bu	713	1.08%							

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

12/31/2021 (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 04/02/2022 (Unit: thousand shares; NT\$ thousands)

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

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

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

As of 04/02/2022 (Unit: Share)

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

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

4.1.2 Status of Shareholders

As of 04/02/2022 (Unit: Person: Share)

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	-	2	30	38	1,232	1,302
Shareholding (shares)	-	5,874,000	2,419,091	43,448,274	14,084,788	65,826,153
Percentage	-	8.92	3.68	66.01	21.39	100.00

4.1.3 Shareholding Distribution Status

As of 04/02/2022 (Unit: Person: Share)

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	187	9,098	0.01
1,000 ~ 5,000	772	1,515,529	2.30
5,001 ~ 10,000	110	865,945	1.32
10,001 ~ 15,000	61	764,177	1.16
15,001 ~ 20,000	32	599,000	0.91
20,001 ~ 30,000	38	966,404	1.47
30,001 ~ 40,000	18	646,091	0.98
40,001 ~ 50,000	11	501,200	0.76
50,001 ~ 100,000	33	2,402,763	3.65
100,001 ~ 200,000	15	2,014,670	3.06
200,001 ~ 400,000	9	2,435,000	3.70
400,001 ~ 600,000	5	2,197,000	3.34
600,001 ~ 800,000	5	3,445,000	5.23
800,001 ~ 1,000,000	1	816,000	1.24
1,000,001 or 999,999,999	5	46,648,276	70.87
Total	1,302	65,826,153	100.00

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

As of 04/02/2022 (Unit: Share)

Shareholder's Name	Shareholding	
	Shares	Percentage
New General Limited	13,833,217	21.01%
Seashore Group Limited	24,769,059	37.63%
Fubon Life Insurance Co., Ltd.	5,217,000	7.93%
BaoJie Funds in custody of Standard Chartered Bank Main Branch	1,700,000	2.58%
Citibank (Taiwan) Commercial Bank Trustee Special Investment Fund eQ Emerging Market Small Cap Fund Investment Account	671,000	1.02%
Cathay Life Insurance	657,000	1.00%
Min zhe Wu	1,129,000	1.72%
You-Lun He	795,000	1.21%
Liang-Shan Cai	816,000	1.24%
Hong Jin Bu	713,000	1.08%

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

(Unit: NT\$: thousand shares)

Items	2020	2021	As of March 31, 2022
Market Price per Share			
Highest Market Price	124.5	177	161.5
Lowest Market Price	81.8	108	142
Average Market Price	103.36	143.51	150.84
Net Worth per Share			
Before Distribution	46.65	50.73	51.23
After Distribution	42.65	See Note	-
Earnings per Share			
Weighted Average Shares (thousand shares)	65,826 thousand shares	65,826 thousand shares	65,826 thousand shares
Earnings Per Share	8.40	9.53	2.68

Items	2020	2021	As of March 31, 2022
Dividends per Share			
Cash Dividends	4	4.5 (See Note)	-
Stock Dividends			
Dividends from Retained Earnings	-	-	-
Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends	-	-	N/A
Return on Investment			
Price / Earnings Ratio	14.61	13.77	16.05
Price / Dividend Ratio	25.84	33.67 (See Note)	-
Cash Dividend Yield	5.12	2.64	2.94

Note: The 2021 annual surplus distribution was approved by the board of directors but not yet been distributed.

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

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

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

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

- a. If there is any profit (after tax) of the current fiscal year after final account, it shall first be

used to offset its losses in previous years which have not been previously offset (include the adjusted amount of undistributed earnings);

- b. Set aside a special capital reserve or reversal, if one is required, in accordance with the Applicable Public Company Rules or as requested by the authorities in charge;
- c. If there is any Profit, it shall be set aside no more than 2% of the balance as a bonus to Directors and no less than 2% of the balance as compensation to employees of the Company, which may be distributed under an incentive program approved pursuant to Article 11.1 above. The board of directors shall adopt the exact percentages to be distributed as bonuses to Directors and the compensation to employees, and such resolution shall be reported at the shareholders meeting. A Director who also serves as an executive officer of the Company may receive a bonus in his capacity as a Director and the compensation in his capacity as an employee;
- d. Distribution of earnings or appropriation of losses, after the end of the first half of the fiscal year (if any); and
- e. Any balance left over may be distributed as Dividends in accordance with the Statute and the Applicable Public Company Rules, and after taking into consideration profits of the current year and capital structure of the Company, unless otherwise explicitly resolved by the board of the Directors and the general meetings, the number of profits distributed to Members shall not be lower than 20% of profits (after tax) of the then-current year and the number of cash dividends distributed thereupon shall not be less than 50% of the profits proposed to be distributed of the then-current year; in the event that the Dividends per share distributed in the current year is less than NT\$1, the Company may determine the Dividends to be distributed partially or entirely by stock dividends or cash dividends.

B. Proposed Distribution of Dividend

The proposal for the distribution of 2021 profits was passed at the meeting of the Board of Directors on August 19, 2021 and February 25, 2022.

- (1) It is approved that a total amount of NT\$296,217,689 cash dividend will be distributed to the shareholders; hence, a cash dividend of NT\$4.5 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 2021 earnings distribution proposal on August 19, 2021 and February 25, 2022, with a planned distribution of cash dividends amounting to NT\$4.5 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 2021 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 19, 2021 and February 25, 2022, the Company charter prescribes the following for the employee bonus and compensation for directors and supervisors:
 - Employee cash bonus of NT\$24,428,465
 - Employee stock bonus of NT\$0
 - Directors' Remuneration of NT\$10,300,000
 - B. Proposed employee stock bonus and proportion of stock bonus to net income after tax as indicated in individual financial statements for this quarter and the total amount of employee bonuses: None
 - C. Profit Distribution for Employees' Directors' and Supervisors' Remuneration for 2019 Approved in Board of Directors Meeting

In the 2021 financial statement, it was stated that the employee bonus was NT\$23,937 thousand dollars and the directors' remuneration was NT\$10,300 thousand dollars. In 2020, the employee bonus distributed was NT\$23,937 thousand dollars, and the directors' remuneration allocated was NT\$10,300 thousand dollars. No discrepancy was found.

4.1.9 Buyback of Treasury Stock:

None

4.2 Bonds

4.2.1 Current Status of Company Bonds:

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

4.3 Preferred Shares:

None

4.4 Global Depositary 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	2019		2020		2021	
	Total Sales	(%) of Total Sales	Total Sales	(%) of Total Sales	Total Sales	(%) of Total Sales
Motor Parts	3,310,472	63.23%	2,641,879	56.71%	2,939,992	51.37%
Medical Equipment	472,114	9.02%	466,784	10.02%	469,470	8.20%
Recreational Vehicle Parts	1,300,091	24.83%	1,362,795	29.25%	1,972,542	34.46%
Others	152,635	2.92%	187,449	4.02%	341,444	5.97%
Total	5,235,312	100.00%	4,658,907	100.00%	5,723,448	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

The auto industry has been hit hard by pandemic, and global car sales have declined by about 20%, only electric vehicles are thriving. According to IEK Consulting of the Industrial Research Institute pointed out that in 2020, the global new energy vehicles (including pure electric vehicles, fuel cell vehicles and plug-in hybrid vehicles) sales reached 2.963 million vehicles, an annual increase of 46%, and it is expected to surpass gasoline vehicles between 2035 to 2040, with a global output value of US\$2.1 trillion. In 2021, global electric vehicle sales will exceed 3 million vehicles, although electric vehicles currently account for less than 5% of global new vehicle sales. As electric vehicles become the new trend in the future, more and more traditional automakers are using strategic alliances to face the large amount of resources, money, and time required for product transformation, accelerate the research and development of electric vehicles or improve the quality of existing auto technologies. As a leader in the Asian auto industry, Toyota has set the sales volume of electric vehicles to reach 5.5 million vehicles in 2025; Mazda plan to achieve the goal of all models of electric vehicles or hybrids by 2030; Honda's All mainstream models in Europe will be electric by 2022. By 2030, two-thirds of Honda's global sales will come from electric vehicles.

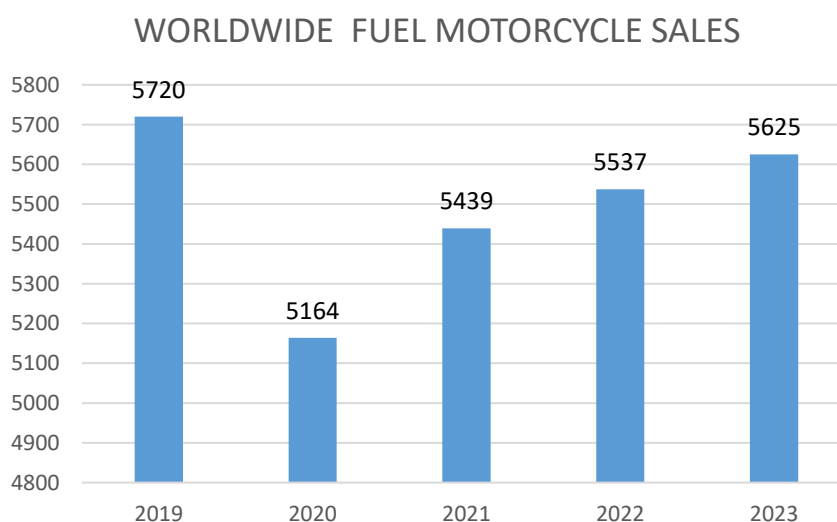
Different from the manufacturing of traditional auto, electric vehicles have also entered the era of professional division of labor like mobile phone manufacturing, which also creates more opportunities for the auto electronics industry, the information and communication industry, and component manufacturers. As the electric vehicle industry is increasingly moving towards professional OEM, having the ability to integrate user experience may also become an important competitiveness in the future electric vehicle market. In terms of the IoT and data analysis software of electric vehicles, the business decision-making ability of logistics industry will be improved by means of intelligent electric vehicles. The global smart fleet management market value will also reach US\$537.53 billion in 2025. The European Transport Environment Federation estimates that in 2022 and 2023, more than 30 electric vehicles will be launched in Europe every year. By 2025, there will be 172 electric vehicles in the European market for consumers to choose from. Research agency IHS Markit also predicts that in the US market, there will be 130 electric vehicles in 2026, provided by 43 different car brand manufacturers. Electric vehicles and traditional vehicles still have many common components, including body, steering, braking and shock absorber systems. The company's main frame, metal parts, body, front fork and related auto metal parts can be shared with electric vehicles.

B. Global Industry of Motorcycles

The size of the global motorcycle market in 2020 is 51.64 million vehicles, and Asia is the world's largest motorcycle sales market, including India, China, Indonesia, Vietnam, Philippines and Thailand with annual sales exceeding one million vehicles. Taiwan and Japan had a combined sale of 1.36 million vehicles. In 2020, the China market declined slightly by 0.4%, while sales in Japan fell by 0.9%. The major markets in Southeast Asia (Indonesia, Philippines, Thailand, Vietnam, and Malaysia) experienced negative growth for the first time in three years, declined 30.0%. In 2020, Asia accounted for 87.9%, the same as in 2019 (87.7% in 2019).

Analyzing the annual sales trends of major regions, Latin America fell by 6.8% year-on-year. Although Mexico regained its growth momentum in the second half of the year, the overall performance was affected by the 14% decline in Brazil, which was mainly due to the nearly 17% decline in Honda sales, other regions fell by 25.9% year-on-year. In 2020, Latin America accounted for 6.5% of the world and other regions accounted for 2.1%.

In 2020, the global motorcycle market is affected by the COVID-19. Due to the shutdown and closure of factories, production capacity will mostly resume in the third quarter, affecting the market sales in the first half of the year. Major cities in Vietnam and China have successively issued motorcycle bans in recent years. The motorcycle market is relatively conservative; while new emission regulations are tightened, consumers are mostly in a wait-and-see state. The above-mentioned reasons have caused most markets to decline. In 2020, the global motorcycle market sales will decline by 9.7% to 51.64 million vehicles.



Sourced from Navigant Research (2021) and Taiwan's Industrial Economics and Knowledge Centre

With the continuous recovery of the global economy, the economic improvement in various regions of the world has led to consumers' willingness to purchase auto higher than motorcycles. In addition, the promotion of shared motorcycles and market saturation have

led to a decline in demand in some regions, but the “post-pandemic” rebound due to the impact of the COVID-19, and the gradual maturity of electric motorcycles under the guidance of policies has become a trend of replacement. In 2022, it is predicted that the global motorcycle market recovered to 55.37 million vehicles, and continued to grow steadily in 2023.

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 2020, the global medical equipment market size in 2020 is US\$427.3 billion, an increase of 5.9% over 2019. It is estimated that it will reach US\$491.4 billion in 2023, with a compound annual growth rate of about 4.8% from 2020 to 2023.

In 2020, the global medical equipment regional market is still dominated by the Americas, accounted for 46.7% of the global market. Followed by the Western European market, accounted for 25.3% of the global market. The Asia-Pacific region accounted for 21.4% of the global market. Central and Eastern Europe accounted for 3.6%. The Middle East and Africa accounted for 3.0%. Overall, 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 2020, the market in the Americas accounted for 46.7%, compared with 48.5% in 2019, with a slight change in the proportion. This is a relative proportion, which is mainly related to the Western European market. Since the Western European market is the region most affected by the pandemic in 2020, which also drives the rapid growth of demand for pandemic prevention and medical care. The major growth drivers in the Americas are linked to the US market. Benefiting from the fact that the US markets has leading global medical material manufacturers to lead the innovation of the medical material industry, drive market development. Coupled with the impact of the steady growth of medical care due to the rising number of elderly people in the United States, it has become an important driving force for the growth of the leading medical material market. The pandemic in the United States is developing rapidly in 2020. President Trump proposed various medical and insurance financial aids and subsidies for the increasingly serious pandemic. In diplomacy, the items and rates of tariffs on products from China have been adjusted. It has also loosened the import of many anti-pandemic medical materials. This move has enabled the United States to quickly respond to demand through the import of medical materials for pandemic prevention from abroad during the pandemic, and will also drive the growth of the US medical materials market in 2020. After the President Biden took office, in the face of the pandemic that has not yet eased, it has expanded and added assistance to the medical industry and the health care, and promoted policy plans such as

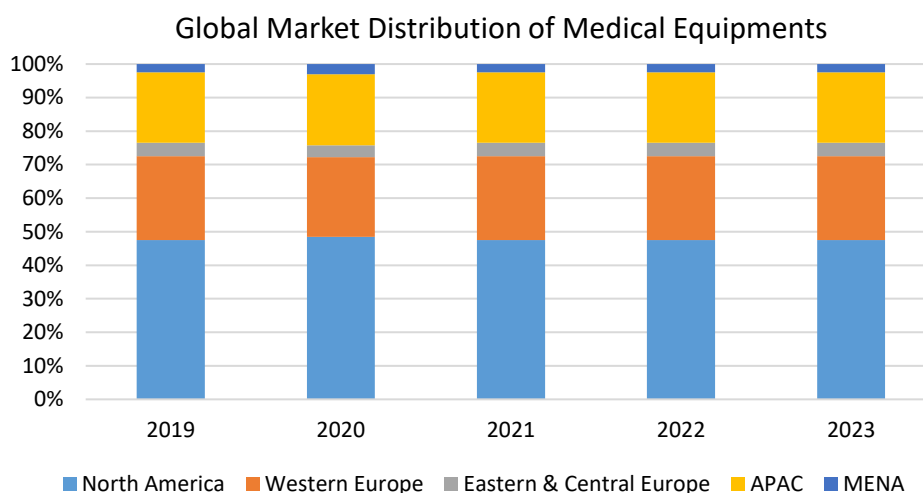
the Defense Production Act and the Buy American Act, to increase the manufacturing and consumption of medical equipment in the United States. Due to the environmental atmosphere and economic recovery after the pandemic, it is expected that the medical equipment market will gradually recover and grow steadily in 2021.

Western Europe is still the second largest market in the world. In 2020, the market in Western Europe accounted for 25.3%, compared with 23.7% in 2019, and the proportion increased rapidly, mainly because the COVID-19 in Europe continued to heat up, and the demand for pandemic prevention drove the growth of the medical materials market. In March 2020, the first wave of COVID-19 outbreaks broke out in many European countries. In the middle of the year, the pandemic be relieved due to the high summer temperature. However, the second wave of the pandemic broke out in Europe in October. Many countries restarted the closure and isolation measures, continuing to the first quarter of 2021. The third wave of the pandemic broke out in France again. According to the data as of April 19, 2021, among the top ten countries with confirmed cases of COVID-19 in the world, Western Europe accounts for five, followed by France, the United Kingdom, Italy, Spain and Germany. The number of new cases continues to rise, and the pandemic situation is severe. It will also affect the performance of the Western European economy and other performances. In 2020, the economic growth rate of Western Europe will decline by 5.0% in Germany, 8.3% in France, 11.0% in Spain, and 8.8% in Italy. In addition to the impact of the pandemic, Brexit, the EU's investment agreement with China, US-EU relations, and internal EU issues have also tested the overall economic and policy direction of the EU. With the outbreak of COVID-19, the demand for medical materials related to the pandemic has skyrocketed. The supply of personal protective equipment, rapid disease screening and testing products, and respiratory treatment equipment is in short supply. Medical resources are rapidly exhausted, medical institutions at all levels are overcrowded, and the medical system is facing a crisis of collapse. The urgent need for such huge medical resources also makes the medical equipment market in Western Europe grow by leaps and bounds. In order to save the EU economy, the European Commission adopted the "Next Generation EU" EUR€750 billion recovery fund to revive the EU economy. However, the pandemic has not yet ended, vaccine administration has not yet become popular, and the demand for medical materials related to the pandemic is still there. However, due to the increase in the base period of the medical materials market in 2020, it is estimated that the size of the medical equipment market in Western Europe will reach US\$1,120 in 2021, an increase of 3.7% over 2020. It is estimated to reach \$124.55 billion by 2023. The CAGR from 2019 to 2023 is 6.9%.

The medical material market in the Asia-Pacific region is still dominated by Japan. In 2020, the Asia-Pacific market accounted for 21.4%, a slight increase from 21.2% in 2019. The larger growth momentum came from Japan and China, which were most affected by the pandemic. In 2020, Japan was greatly affected by the COVID-19. In April 2020, a

medical emergency declaration was issued for the first time. Many business places were forced to suspend operations. COVID The Tokyo Olympics originally scheduled to be held in 2020 were also postponed to 2021. Japan also promote the vaccination program. Due to the reliance on the import of vaccines, the progress of vaccination lags behind other large economies in the world, and the number of confirmed cases of COVID-19 in Japan cannot be reduced in the short term. The demand for pandemic prevention and medical products is still high in the short term. The growth in the medium and long-term is related to the continuous increase in the demand for elderly health and long-term care. Japan also hopes to solve the needs of aging through the introduction of innovative technologies such as the accumulated high-tech energy of medical equipment and artificial intelligence, and promote industrial development and export opportunities. Market development will also have a driving effect.

In October 2019, the COVID-19 broke out in China, which not only hit the economy and finance of China, but also spread to the world. In 2020, the US-China trade war will ease, but due to the impact of the COVID-19, various provinces and cities in China will be lockdown after the year, delayed construction and traffic control measures, which will affect production capacity, supply chain, and also impact the supply of the transportation and logistics industry. In addition, in response to the needs of the pandemic, China has successively opened makeshift hospitals in various regions, increased emergency medical support operations, and mobilized medical resources across the country. Especially due to the impact of various countries' restrictions on the export of anti-pandemic materials during the pandemic period, it has also driven China's medical equipment industry. Affected by the U.S.-China trade war, it has accelerated China's move towards technologically independent development, prompting China to create its own industrial supply chain. COVID-19 is a "new normal" development that has made China more proactive in responding to the economic slowdown. Switch to domestic sales, and gradually respond to the domestic market demand in China. China is the country with the largest population, the number of elderly people over 65 has reached 11.5% of the total population, and the demand and market for elderly health care will continue to rise. China actively promotes "Internet + Medical Health" and implements "Healthy China" Policies and promotion of medical Internet diagnosis and treatment consulting services can not only effectively relieve the pressure of hospital diagnosis and treatment, but also reduce the risk of cross-infection and expand the penetration rate of online diagnosis and treatment. It is expected to open up another wave of development opportunities for the medical materials industry.

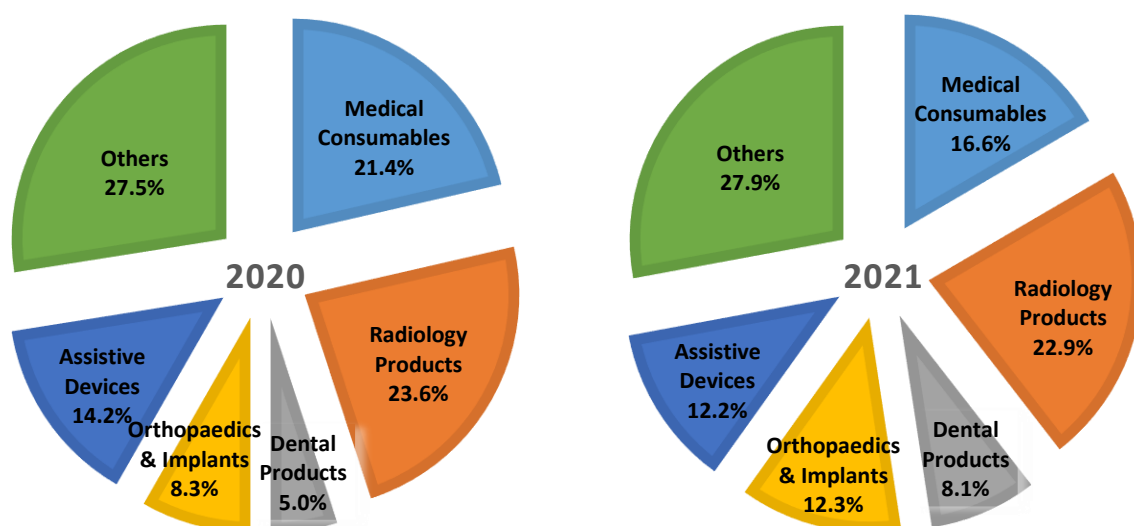


Sources: Espicom BMI (04/2021); IEK (04/2021)

In 2020, the sales ratio of products by product category shows that other types of medical materials have the highest proportion, about 27.5%, which is lower than the 28.1% in 2019. For other types of medical materials, product items include: electric and manual wheelchairs, dialysis equipment, Endoscopic equipment, anesthesia equipment, blood pressure monitoring products, medical furniture and ophthalmic equipment and equipment, etc. These products are developed in response to the development of various diseases and to meet the development of innovative products driven by disease treatment. Other types of medical products and medical consumables are both basic medical equipment for hospitals. Affected by the pandemic, such products are also growing rapidly.

Followed by the largest single category of diagnostic imaging products, accounted for about 23.6%, compared with 23.4% in 2019, a decrease of 0.2%. Due to the long life cycle of diagnostic imaging products, the hospital replacement period is about 7-8 years. Although the unit price of the product is high, but the overall market size is not as large as other types of medical materials and medical consumable products. Medical consumable products accounted for 21.4%, an increase of 5.1% compared with 2019. Such products are proportional to the number of users, which is in line with the trend that the consumption of consumable products is proportional to the number of people in demand. In addition, assistive devices accounted for 14.2%, an increase of 1.4% from 12.7% in 2019; dental products accounted for about 5.0%, a decrease of 2.5% compared with 7.5% in 2019 %; orthopedics and implant products accounted for about 8.3%, and accounted for 11.9% in 2019, a decrease of 3.6%. Orthopedics and implants and dental products are the two categories with the smallest structure. However, due to the impact of the COVID-19, in order to reduce the risk of infection medical institutions have suspended non-urgent medical needs, and related non-urgent surgeries and treatments have been postponed. Most of the reductions in non-essential medical treatment and the inability to take life-threatening

dental treatment or disposal have also greatly reduced, thus making the two categories that were originally smaller in size even worse. However, driven by economic growth and the improvement of people's health awareness, the demand for dentistry and orthopedics is still there. It is expected that after the pandemic, related dental equipment and orthopedics will accelerate the growth momentum.



Sources: Fitch Solutions (04/2021); IEK (05/2021)

3. Current Status and Future Development

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

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, “people-friendly” price, “popularization” of charging station, 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, probably not as profitable as electric vehicles battery makers and their suppliers of specific components.

In the medium 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 scale in key areas, and increased bargaining power. A successful transition between internal combustion engine vehicles and new energy vehicles (including electric vehicles) with balanced original equipment manufacturer, and new entrants that can scale quickly. 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 middle stream companies as they can apply newly developed technologies to manufacture higher quality products and, at the same time, reduce the processing waste to ease off the pollution.

In addition, the demand for motorcycles has been rising over the years as countries in Southeast Asia, starting to develop economically. Manufacturers such as Honda, Yamaha, Piaggio, and Suzuki had already taken this opportunity to invest in factory establishments and

the relatively cheap labor costs in Southeast Asia. Besides supplying the motorcycle needs domestically, the factories also export to neighboring countries with the country's competitive shipping cost.

A few of the fast-growing countries in Southeast Asia, including Indonesia, Vietnam, and Thailand, are valued as markets with the most potential. Their economy and public infrastructures are maturing and would allow them the capacity to consume motorcycles. In Vietnam, Eurocharm has established its place for being the major motorcycle parts supplier. Besides seeking other potential markets for export or investment, the Company has begun to shift its focus from trading domestically to shipping the products internationally. Along with the idea of the Association of Southeast Asian Nations (ASEAN), Eurocharm wishes to increase its competitiveness by adding more machinery such as the laser 3D cutting system to enhance the product quality.

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. The occurrence of new demands 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 the development of technologies such as precision health and digital medicine, and related policies, 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 safety of product use also accelerates 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 data compiled by the Industrial Technology International Strategy Development Institute of the Industrial Technology Research Institute, the global market size is estimated to reach US\$491.4 billion in 2023. Although North America and Europe accounted for nearly 70% of the assistive technology product market, the Asia-Pacific region is the fastest growing market. The compound growth rate in 2020 to 2023 may be higher than the global average.

4. Competition

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

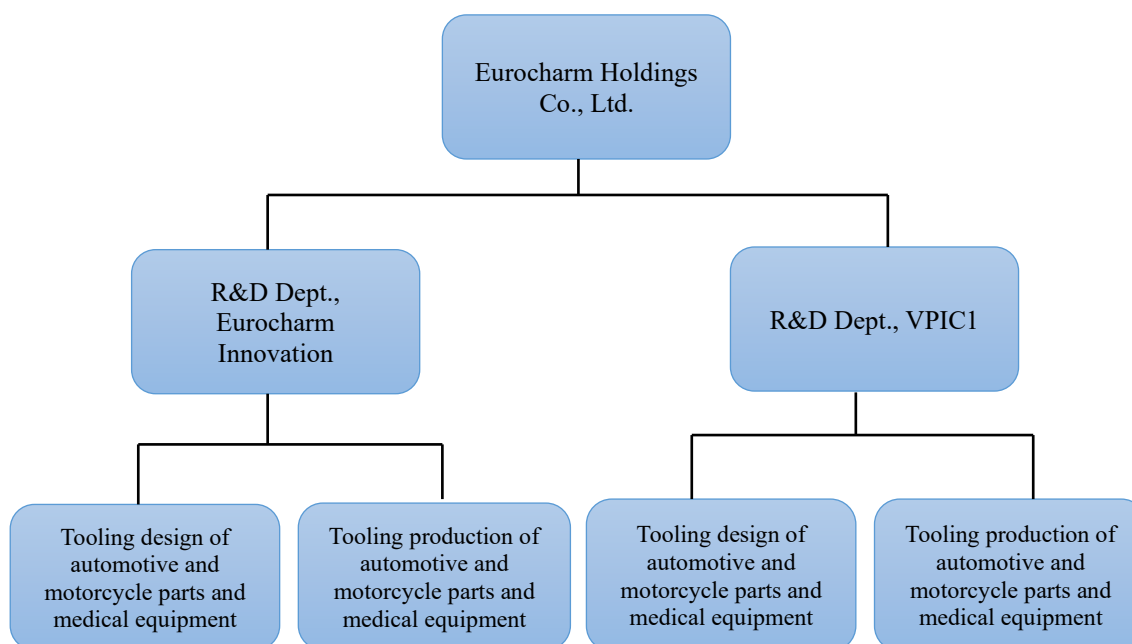
In the medical equipment department, Eurocharm's primary competition, which manufactures medical beds, rails and lifts in Taiwan is Li Wei Co., Ltd. Founded in 1994, Li Wei operates facilities in both Taiwan and China.

5.1.3 Research and Development

1. Technical level and research development of the business

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

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



2. R&D Team

Unit: Person

Year	2018	2019	2020	2021
Education				
PhD Degree	-	-	-	-
Master Degree	1	1	1	-
Undergraduate Degree	63	74	85	90
College Degree	33	28	28	31
Total	97	103	113	121

3. R&D Expenses in Previous 5 Years

Unit: NT\$ thousands: %

Category/Year	2017	2018	2019	2020	2021
R&D	51,192	45,968	53,394	60,975	90,278
Net Revenue	4,062,166	4,614,198	5,235,312	4,658,907	5,723,448
%	1.26	1.00	1.02	1.31	1.58

4. R&D Achievements in Previous 5 Years

Year	Achievement	Description
2017	Improved Production Efficiency	Imported automated stamping production and increased the number of robotic arms to replace manual handling
2018	Improved Production Efficiency	Imported automated processes for stamping and polishing; utilized 3D laser cutting on a larger scale
2019	Improved Production Efficiency	Rapid mold change and die casting production line automation
2020	Improved Production Efficiency	Imported automated stamping production and rapid mold change
2021	Improved Production Efficiency	Quick mold change, 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, and with the goal of not less than 1.5% of revenue per year, continue to focus on "material expertise", "production process and technology" and continuous improvement, and meet "automation needs" to introduce automation production process to achieve production efficiency improvement.

5.1.4 Business Development Plan

1. Short Term:

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

2. Long Term:

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

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

5.2 Market and Sales Overview

5.2.1 Market Analysis

1. Main Products and Sales Regions

Unit: NT\$ thousands

Sales Regions	2019		2020		2021	
	Amount	%	Amount	%	Amount	%
Vietnam	3,042,418	58.11	2,397,903	51.46	2,626,840	45.90
Others	2,192,894	41.89	2,261,004	48.54	3,096,608	54.10
Total	5,235,312	100.00	4,658,907	100.00	5,723,448	100.00

2. Market Share

A. Motorcycle Industry

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

B. Medical Equipment Industry

According to Taiwan's Industrial Economics and Knowledge Centre, the global medical equipment market in 2019 is worth US\$404 billion, and the assistive equipment takes up to 12.7% of the market share. Since Eurocharm Group's 2020 medical equipment sales are US\$467 million, the Group's global market share is approximately 0.032%.

3. Supply, Demand and Future Growth

A. Motorcycle Industry

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

Recently, Vietnam's Ministry of Transport had passed Bill No.39/2013/ TT-BGTVT and No. 41/2013/TT-BGTVT to regulate the technical standards and safety of electric vehicles. The two provisions came into effect on January 1, 2014. With the insurance that all the electric vehicles produced after 2014 are subjected to comply with the regulations, the younger consumers are

encouraged to purchase electric motorcycles for short-distance transport within the city where there will be easily accessed charging stations. Eurocharm is prepared to enter the market of electric vehicle components to respond to market changes.

B. Medical Equipment Industry

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

4. Competitive Niche

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

5. Foreseen Favorable and Unfavorable Factors and Countermeasures

1. Favorable Factors

A. Motorcycle Industry

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

Due to the postwar baby boom, Vietnam has the youngest population in Asia, with approximately 70% of the population aged 15-64. The median community is 28 years old. With the country's lack of complete infrastructure and public transport systems, motorcycles have become most of their means to commute.

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

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

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

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

closer by then. Eurocharm Holdings will make full use of this regional economic advantage to link the sales of products from the single market of Vietnam to other new markets of ASEAN member countries.

c. Eurocharm possesses an extraordinary management team.

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

B. Medical Equipment Industry

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

As the distribution of population shifts towards older ages, governments worldwide have been establishing long-term care facilities, nursing homes, and retirement homes. This then indirectly increases the demand for related medical equipment, including shower chairs and medical beds.

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

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

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

2. Unfavorable Factors and Countermeasures

A. Motorcycle Industry

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

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

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

Countermeasures:

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

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

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

Countermeasures:

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

Since 2013, Eurocharm have introduced aluminum alloy for processes. In recent years,

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

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

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

Countermeasures:

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

B. Medical Equipment Industry

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

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

Countermeasures:

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

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

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

5.2.2 Production Process and Major Uses of Primary Products

1. Major Uses of Primary Products

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

2. Production Process of Primary Products

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	2020				2021				2022 (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	285,868	10.74	None	Honda Trading	486,411	11.88	None	Honda Trading	171,406	18.78	None
	Others	2,375,484	89.26		Others	3,607,826	88.12		Others	741,136	81.22	
	Net Purchases	2,661,352	100.00		Net Purchases	4,094,237	100.00		Net Purchases	912,542	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	2020				2021				2022 (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	1,520,686	32.64	None	A	1,677,869	29.32	None	A	533,042	29.74	None
2	B	1,001,573	21.50	Yes	B	1,450,794	25.35	Yes	B	405,553	22.62	Yes
3	C	357,548	7.67	None	C	477,625	8.35	None	C	171,392	9.56	None
	Others	1,779,100	38.19		Others	2,117,160	36.98		Others	682,525	38.08	
		4,658,907	100.00			5,723,448	100.00			1,792,512	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

	2020			2021		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Motorcycle Parts	76,149	71,490	3,719,249	79,118	72,210	4,063,739
Medical Equipment	1,080	1,054	334,293	1,178	727	388,204
Others	1,970	1,863	240,367	3,575	3,353	523,196
Total	79,199	74,407	4,293,909	83,871	76,290	4,975,139

5.2.6 Shipments and Sales in the Last Two Years

Unit: NT\$ thousand/ thousand piece

	2020				2021			
	Local (Vietnam)		Export		Local (Vietnam)		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Motorcycle Parts	61,241	2,313,207	1,770	328,671	58,725	2,553,197	2,440	386,795
Medical Equipment	-	-	913	466,784	-	-	600	469,470
Others	1,040	84,696	8,943	1,465,549	3,042	73,643	12,514	2,240,343
4Total	62,281	2,397,903	11,626	2,261,004	61,767	2,626,840	15,554	3,096,608

5.3 Human Resources

Unit: person: year: age

Year		2020	2021	2022 (As of March 31)
Number of Employees	Direct Labor	3,154	3,831	3,789
	Indirect Labor	1,029	1,125	1,114
	Total	4,183	4,956	4,903
Average Age		31.42	32.35	33.79
Average Years of Service		6.55	6.58	6.78
Education	Ph.D.	-	-	-
	Masters	6	7	7
	Bachelor's Degree	385	428	420
	College or Below High School	3,792	4,521	4,476

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 2021, the Company paid a total of VND\$2,630,503 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.

12/31/2021; Unit: VND\$ millions

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

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

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

None

5.5 Labor Relations

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

1. Employee Welfare Measures

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

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

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

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

2. Advanced Education and Training

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

A. Onboarding Training

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

B. Onboarding Technical Training

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

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

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

D. On-the-job Technical Training

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

3. Finance Related Certifications & Licenses

There had been no occurrence of license acquirement in 2020.

4. Retirement System and Implementation Status

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

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

(1) Self-retired:

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

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

(2) Mandatory retirement:

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

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

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

(3) Retirement standard:

- (a) The working years before and after the application of the Labor Standards Law and according to the Labor Pension Regulations, choice to continue to apply the “Labor Standards Law” for the retirement pension provisions or retain the working years before the application of the Labor Pensions Regulations. The pension payment standard is based on Article 84-2 and Article 55 of the Labor Standards Law.
- (b) Employees who have the working years of the preceding paragraph and compulsorily retire in accordance with Article 35, Paragraph 1, Paragraph 2, whose physical disability is caused by the performance of their duties shall be in accordance with Article 55, Paragraph 1, Paragraph 2 of the Labor Standards Law stipulate give an 20%.
- (c) For employees who are applicable to the retirement pension requirements of the Labor Pension Regulations, the company pays 6% of their wages to the employee's individual retirement pension account monthly.

(4) Pension payment:

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

5. Labor-Management Agreements

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

6. Code of Conduct and Ethic

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

- A. All employees should be responsible and comply with the Company’s policies, regulations,

and measures.

- B. All employees should protect the company's honor and work with your correspondent teams with Company's interest as the priority.
- C. All the managers should be the role model and provide the necessary guidance. The staff should listen and obey the command given by the supervisors instead of making excuses for misbehaving conducts.
- D. Employees are not allowed to leave work stations without approval.
- E. All employees should report to the correspondent managers based on the company's hierarchy, except emergencies.
- F. Employees are not permitted to photograph, film or record within the premises of the company.
- G. All employees are subject to the trade secret, non-competition and intellectual property law. Employees may not leak confidential information directly or indirectly for personal interest or the interest of others.
- H. All employees are subject to comply the relevant business laws and regulations.
- I. Employees should not behave in any way that can damage personal or Company's reputation.
- J. Employees should not accept bribery of any form including but not limited to money, gifts and irrelevant invitations.
- K. Employees are not authorized to utilize the name of the Company except handling sales related matters.

7. Personal Safety Measures and Work Environment

- A. For the safety of the employees, the Company has covered labor, health and group insurance.
- B. The Company 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 2021 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	08/01/2021 - 07/31/2022	US\$3 million	Credit loan	None
Eurocharm Holdings	Bank SinoPac	07/23/2021 - 05/31/2022	US\$5 million	Credit loan	None
Eurocharm Holdings	E.SUN Commercial Bank	08/09/2021-08/09/2022	US\$4 million	Credit loan	None
Eurocharm Holdings	Mega International Commercial Bank	09/05/2021-09/04/2022	US\$5 million	Credit loan	None
Eurocharm Holdings	The Export-Import Bank of the Republic of China	03/04/2021 - 03/03/2022	US\$5 million	Credit loan	None
Eurocharm Holdings	Cathay United Bank	08/31/2021 - 08/31/2022	US\$2 million	Credit loan	None
Eurocharm Holdings	Fubon Bank	08/04/2021 - 08/04/2022	US\$4.5 million	Credit loan	None
Eurocharm Holdings	Bank of Panhsin	05/14/2021 - 05/14/2022	US\$3 million	Credit loan	None
Eurocharm Innovation	First Commercial Bank	04/07/2021 - 04/07/2022	NT\$160 million	Provided NT\$80 million Eurocharm Innovation's fixed assets as collateral and NT\$80 million Eurocharm Holdings as guarantor	None
B.V.I.	Taishin International Bank	08/20/2021 - 08/31/2022	US\$4 million	Guarantor: Eurocharm Holdings Co., Ltd.	None

Borrower	Lender	Contract Commencement/Termination Date	Amount	Agreement	Restrictive Clauses
B.V.I.	Shin Kong Bank	01/25/2022 - 01/25/2023	US\$3 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
VPIC1	Bank SinoPac	06/03/2021 - 05/31/2022	US\$6 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
VPIC1	FUBON	09/27/2021 - 08/31/2022	US\$7 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
VPIC1	CTBC	09/14/2021 - 09/14/2022	US\$8 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
VPIC1	VIETINBANK	08/11/2021 - 08/11/2022	US\$3 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
VPIC1	SHANGHAI	11/09/2021 - 12/08/2022	US\$3 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
HK	Bank SinoPac	07/23/2021 - 05/31/2022	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 upon writing by both parties)	Supply Agreement	Confidential
VPIC1	Kyoei Manufacturing Vietnam	04/21/2004 (Automatically renewed)	General Agreement for Sale and	Confidential

Supplier	Purchaser	Contract Commencement/Termination Date	Agreement	Restrictive Clauses
	Co., Ltd.		Purchasing, Supply Agreement and Outsourcing Agreement	
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
Eurocharm Innovation	Taiwan San Wa Co., Ltd	03/15/2021 - 03/14/2022	NT\$7.35 thousand/month	Rent the land and building a No. 630, Zhongshan N. Rd., Yongkang Dist., Tainan City, Taiwan 710	None
Exedy Vietnam Co., Ltd.	VPIC1	01/01/2021 - 12/31/2021 (Automatically renewed for one year)	Section A: VN\$727,615/square meter/year Section B: VN\$265,859/square meter/year	Lease VPIC1's facilities and factory to Exedy Vietnam Co., Ltd.	None
Hsieh Yuan Technology Vietnam Co., Ltd.	VPIC1	01/01/2021 - 12/31/2022 (Automatically renewed for two year)	VN\$727,615/square meter/year	Lease VPIC1's facilities and factory to Hsieh Yuan Technology VietnamCo., Ltd.	None
Northstar Precision Vietnam Co., Ltd.	VPIC1	01/01/2021 - 12/31/2021 (Automatically renewed for one year)	Section D+E+B: VN\$727,615/square meter/year Section Corridor area:	Lease VPIC1's facilities and factory to Northstar Precision Viet Nam Co., Ltd.	None

Lessee	Lessor	Contract Commencement/Termination Date	Amount	Agreement	Restrictive Clauses
			VN\$265,859/square meter/year		
Northstar Precision (Vietnam) Company Limited	VPIC1	05/01/2021 - 12/31/2021	Workshop and subsidiary office: VN\$772,951/square meter/year Toilet, corridor and bridge area: VN\$190,033/square meter/year	VPIC1 studio rental area (revise for No.5 above)	None
Northstar Precision (Vietnam) Company Limited	VPIC1	09/13/2021 - 12/31/2022	Cont Bridge area: VN\$1,234,980/square meter/year	From 09/13/2021, an additional 514 square meters of cont bridge will be rented as the delivery location of VPIC1	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	Leasehold property on the land of Factory 6 in 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	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		
Eurocharm Ways Plastics	VPIC1	12/15/2021 - 12/31/2021 (Automatically renewed for one year)	Area A: VN\$1,234,980/square meter/year Area B: VN\$411,660/square meter/year	Leasehold property on the land of Factory 6 in 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	Fubon Insurance Co., Ltd.	09/25/2021 - 09/24/2022	US\$1 million	None
Eurocharm Innovation	Fubon Insurance Co., Ltd.	12/23/2021 - 12/23/2022	Property Insurance of NT\$35 million	None
VPIC1	Vietinbank VinhPhuc insurance company	07/12/2021 - 07/12/2022	Fire Insurance of VN\$3,748,208,877,967 (Complement 1 st dated 01/20/2022)	None
VPIC1	Bao Minh Vinh Phuc Company & Fubon insurance Viet Nam Co., ltd	12/15/2021 - 12/15/2022	Fire Insurance of VN\$886,218,925,210 (Complement 1 st dated 01/19/2022)	None
VPIC1	Fubon insurance Viet Nam Co., ltd	08/01/2021 - 07/31/2022	Personal Accident Insurance of 4,544 employees	None
VPIC1	Fubon insurance Viet Nam Co., ltd	07/31/2021 - 07/31/2022	25 Foreign employees' personal insurance	None
VPIC1	Fubon insurance Viet Nam Co., ltd & Vietinbank VinhPhuc insurance Company	11/30/2021 - 07/12/2022	Fire Insurance of VN\$1,008,320,037,112	None
VPIC1	PJICO HA THANH insurance company	04/16/2021 - 10/15/2022	Product Recall Insurance (Complement 1 st dated 01/11/2021)	None
VPIC1	PJICO HA THANH insurance company	04/16/2021 - 10/15/2022	Product Recall Insurance Maximum claim: US\$4,000,000 (Complement 1 st dated 01/11/2021)	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, 2022
		2017	2018	2019	2020	2021	
Current assets		2,459,694	2,564,812	2,768,450	3,339,577	3,924,235	4,042,788
Property, Plant and Equipment		747,936	1,159,913	1,206,178	1,269,706	1,942,722	2,072,746
Intangible assets		5,343	12,230	10,583	6,228	4,835	4,637
Other assets		130,572	479,380	753,557	664,270	755,060	765,570
Total assets		3,343,545	4,216,335	4,738,768	5,279,781	6,626,852	6,885,741
Current liabilities	Before distribution	732,933	1,284,909	1,612,521	2,170,575	3,251,871	-
	After distribution	469,628	955,778	1,250,477	1,907,270	2,955,653	3,476,578
Non-current liabilities		41,175	44,821	55,412	38,315	35,382	36,580
Total liabilities	Before distribution	774,108	1,329,730	1,667,933	2,208,890	3,287,253	-
	After distribution	510,803	1,000,599	1,305,889	1,945,585	2,991,599	3,513,158
Equity attributable to shareholders of the parent		2,569,437	2,886,605	3,070,835	3,070,891	3,318,986	3,353,188
Capital stock		658,092	658,262	658,262	658,262	658,262	658,262
Capital surplus		836,374	836,782	836,782	836,782	836,782	836,782
Retained earnings	Before distribution	1,324,620	1,611,793	1,908,691	2,099,431	2,465,530	-
	After distribution	1,061,315	1,282,662	1,546,647	1,836,126	2,169,312	2,345,594
Other equity interest		-	-	-	-	-	-
Other components of equity		(249,649)	(220,232)	(332,900)	(523,584)	(641,588)	(487,450)
Non-controlling interest		-	-	-	-	20,613	19,395
Total	Before	2,569,437	2,886,605	3,070,835	3,070,891	3,339,599	-

Item \ Year		Financial Summary for The Last Five Years					As of March 31, 2022
		2017	2018	2019	2020	2021	
equity	distribution						
	After distribution	2,306,132	2,557,474	2,708,791	2,807,586	3,43,381	3,372,583

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

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

6.1.2 Condensed Statement of Comprehensive Income/Condensed Statement of Income

Consolidated Condensed Statement of Comprehensive Income-Based on IFRS

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

Item \ Year	Financial Summary for The Last Five Years					Q1 2022
	2017	2018	2019	2020	2021	
Operating revenue	4,062,166	4,614,198	5,235,312	4,658,907	5,723,448	1,792,512
Gross profit	726,878	807,639	924,001	907,140	1,060,674	324,193
Income from operations	495,079	560,867	648,420	614,527	682,951	222,221
Non-operating income and expenses	106,814	145,109	105,617	104,080	70,696	2,507
Income before tax from continuing operations	601,893	705,976	754,037	718,607	753,647	224,728
Net income (Loss) from continuing operations	459,718	549,798	625,397	553,202	623,422	174,357
Loss of discontinued operations	-	-	-	-	-	-
Net income (Loss)	459,718	549,798	625,397	553,202	623,422	174,357
Other comprehensive income (income after tax)	(215,855)	30,097	(112,036)	(191,103)	(116,290)	154,845
Total comprehensive income	243,863	579,895	513,361	362,099	507,132	329,202
Net income attributable to shareholders of the parent	459,718	549,798	625,397	553,202	627,513	176,282
Net income	-	-	-	-	(4,091)	(1,925)

Item \ Year	Financial Summary for The Last Five Years					Q1 2022
	2017	2018	2019	2020	2021	
attributable to non-controlling interest						
Comprehensive income attributable to Shareholders of the parent	243,863	579,895	513,361	362,099	511,400	330,420
Comprehensive income attributable to non-controlling interest	-	-	-	-	(4,268)	(1,218)
Earnings per share	6.99	8.35	9.50	8.4	9.53	2.68

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

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

6.1.3 Auditors' Opinions from 2017 to 2021

Year	Accounting Firm	CPA	Audit Opinion
2017	Ernst & Young	Mars Hong & Ching-Piao Cheng	Unmodified
2018	Ernst & Young	Ching-Piao Cheng & Yi-Hui Huang	Unmodified
2019	Ernst & Young	Ching-Piao Cheng & Yi-Hui Huang	Unmodified
2020	Ernst & Young	Ching-Piao Cheng & Hsiao Chin Lo	Unmodified
2021	Ernst & Young	Ching-Piao Cheng & Kuo-Shuai Chen	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, 2022
		2017	2018	2019	2020	2021	
Financial structure (%)	Debt ratio	23.15	31.54	35.20	41.84	49.61	51.02
	Ratio of long-term capital to property, plant and equipment	349.04	252.73	259.19	244.88	172.66	163.54
Solvency (%)	Current ratio	335.60	199.61	171.68	153.86	120.68	116.29
	Quick ratio	262.23	142.56	130.08	124.00	78.36	77.24
	Interest earned ratio (times)	858.40	175.23	60.35	43.06	38.91	33.49
Operating performance	Accounts receivable turnover (times)	7.12	6.93	7.27	5.87	5.61	5.88
	Average collection days	51.26	52.67	50.21	62.18	65.06	62.07
	Inventory turnover (times)	8.10	6.77	6.39	5.76	4.68	4.47
	Account payable turnover (time)	45.06	53.91	57.12	63.36	77.99	81.66
	Average days of sales	9.72	8.08	9.48	11.24	10.59	11.95
	Property, plant and equipment turnover (times)	5.81	4.84	4.43	3.76	3.56	3.57
	Total assets turnover (times)	1.22	1.22	1.17	0.93	0.96	1.06
Profitability	Return on total assets (%)	13.88	14.63	14.19	11.32	10.74	10.65
	Return on equity (%)	17.85	20.15	21.00	18.01	19.51	20.91
	Pre-tax income to paid-in capital (%)	91.46	107.25	114.55	109.17	114.49	136.56

Item	Year	Financial Analysis for the Last Five Years					As of March 31, 2022
		2017	2018	2019	2020	2021	
	Net Income ratio (%)	11.32	11.92	11.95	11.87	10.89	9.73
	Earnings per share (NT\$)	6.99	8.35	9.50	8.40	9.53	2.68
Cash flow	Cash flow ratio (%)	81.13	23.17	37.71	31.78	(0.54)	(2.99)
	Cash flow adequacy ratio (%)	125.99	84.66	91.51	90.49	48.28	35.10
	Cash reinvestment ratio (%)	8.70	0.81	7.03	8.07	(6.31)	(8.76)
Leverage	Operating leverage	1.29	1.02	1.25	1.25	1.23	1.25
	Financial leverage	1.00	1.01	1.02	1.03	1.03	1.03

Analysis of financial ratio differences for the last two years.

1. Debt ratio: The increase is due to the short-term loans in response to operational needs.
2. Current ratio: The increase is due to the short-term loans in the current period, which caused the current liabilities rise sharply.
3. Quick ratio: The increase is due to the short-term loans in the current period, which caused the current liabilities rise sharply.
4. Interest earned ratio: The increase is due to the number of loans in the current period and the rise in interest expenses compared with the same period last year.
5. Accounts receivable turnover rate: The rebound is due to the in sales at the end of the period, which caused the accounts receivable increased at the end of the period.
6. Inventory turnover rate: Due to the COVID-19, in order to avoid material shortages and price increases, the increase in material inventory.
7. Average days of sales: The decrease is due to the inventory turnover rate, which cause the number of inventory turnover days' increase.
8. Cash flow ratio: The decrease is due to cash flow from operating activities, which caused a decrease in cash flow ratio.
9. Cash flow adequacy ratio: The decrease is due to the cash flow from operating activities, which caused a decrease in the allowable ratio of cash flow.
10. Cash reinvestment ratio: The increase in cash flow from operating activities is less than the growth of the number of cash dividend payments in the current period, making the cash reinvestment ratio decrease.

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

Calculation formulas are as follows:

1. Financial Structure

(1) Debt Ratio = Total Liabilities / Total Assets

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

2. Liquidity

(1) Current Ratio = Current Assets / Current Liabilities

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

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

3. Operating Performance

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

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

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

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

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

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

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

4. Profitability

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

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

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

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

5. Cash Flow

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

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

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

6. Leverage

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

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

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

2021 Audit Committee's Review Report

The Board of Directors has prepared the Company's 2021 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of Ernst & Young was retained to audit Eurocharm Holdings Corporation Limited's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Eurocharm Holdings Corporation Limited. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

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

Eurocharm Holdings Co., Ltd.

Chairman of the Audit Committee: Wei-Ming Lin

February 25, 2022

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	2021	2020	Difference	
			Amount	%
Current Assets	3,924,235	3,339,577	584,658	17.51
Property, plant and equipment	1,942,722	1,269,706	673,016	53.01
Intangible Assets	4,835	6,228	(1,393)	(22.37)
Other Assets	755,060	664,270	90,790	13.67
Total Assets	6,626,852	5,279,781	1,347,071	25.51
Current Liabilities	3,251,871	2,170,575	1,081,296	49.82
Non-current Liabilities	35,382	38,315	(2,933)	(7.65)
Total Liabilities	3,287,253	2,208,890	1,078,363	48.82
Capital	658,262	658,262	-	-
Capital surplus	836,782	836,782	-	-
Retained Earnings	2,465,530	2,099,431	366,099	17.44
Other Adjustments	(641,588)	(523,584)	(118,004)	22.54
Non-Controlling Interests	20,613	-	20,613	-
Total Stockholders' Equity	3,339,599	3,070,891	268,708	8.75

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\$66,269 thousand):

- 1) Current asset: The increase is due to the materials price, which cause the rise in inventory.
- 2) Property, plant and equipment: Due to the completion of Baishan II and the addition of mechanical equipment.
- 3) Other equity: The increase in equity method investments.
- 4) Current liabilities: The increase is due to the Company's short-term loans.
- 5) Retained earnings: The increase is due to that the net profit after tax is greater than the number of dividends paid.
- 6) Other adjustments: The decrease is due to the appreciation of the Taiwan dollar exchange rate.

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

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

7.2 Analysis of Financial Performance

7.2.1 Financial performance comparison analysis table

Unit: NT\$ thousands: %

Item \ Year	2021	2020	Difference	
			Amount	%
Operating Revenues	5,723,448	4,658,907	1,064,541	22.85
Operating Cost	4,662,774	3,751,767	911,007	24.28
Operating Gross Margin	1,060,674	907,140	153,534	16.93
Operating Expenses	377,723	292,613	85,110	29.09
Operating Net Income	682,951	614,527	68,424	11.13
Non-operating Income and Expenses	70,696	104,080	(33,384)	(32.08)
Income Before Tax	753,647	718,607	35,040	4.88
Income After Tax	623,422	553,202	70,220	12.69

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\$66,269 thousand):

- 1) Operating revenues, cost and gross margin: The recovery of the economy is due to the main foreign recreational vehicle customers, which cause a substantial increase in revenue.
- 2) Cost of goods sold: The increase of cost of raw materials such as steel and aluminum alloys, which cause the increase in the number of shipments, resulting in a simultaneous increase in the cost of goods sold.
- 3) Operating Expenses: The increase in export shipments and the substantial growth in research and development expenses, which cause a substantial increase in overall operating expenses.

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

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

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

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

7.2.3 Future Response Actions:

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

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ thousands: %

Item \ Year	2021	2020	Variance	
			Amount	%
Operating Activity	(17,192)	689,824	(707,016)	(102.49)
Investment Activity	(457,134)	(647,113)	189,979	(29.36)
Financing Activity	642,903	(20,998)	663,901	(3,161.73)
<p>Analysis of financial ratio change:</p> <p>Operating Activity: The increase in accounts receivable and inventory in the current period resulted in a decrease in cash flow from operating activities compared with the same period.</p> <p>Investment Activity: The decrease is due to the rise in financial assets measured after the amortization of the fixed deposit for more than three months.</p> <p>Financing Activity: The dividends payment is increase, and the short-term loan is repaid in the current period.</p>				

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

7.3.2 Remedy for Cash Deficit and Liquidity Analysis:

None

7.3.3 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands:

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow from Investment Activities (3)	Estimated Cash Outflow from Financing Activities (4)	Cash Surplus (Deficit) (1)+(2)(3)+(4)	Leverage of Cash Surplus (Deficit)	
					Investment Plans	Financing Plans
1,146,745	173,738	(538,412)	293,142	1,075,213	-	-
<p>1. Analysis of financial ratio change:</p> <p>1) Operating Activities: It is estimated to see an increase as the Company expects growth in operating profits.</p> <p>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.</p> <p>3) Financing Activities: The increase is due to the bank loan, which resulting in net cash inflows.</p> <p>2. Remedy for expected shortfall of cash and liquidity analysis: N/A</p>						

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

12/31/2021; Unit: NT\$ thousands

Reinvestment	2020 Reinvestment Loss and Gain	Description
Eurocharm (B.V.I)	683,662	Operations in Good Condition
Eurocharm (U.S.)	(2,986)	Operations in Good Condition
Eurocharm (Taiwan)	5,929	Operations in Good Condition
VPIC1	693,384	Operations in Good Condition
Eurocharm (H.K.)	21,453	Operations in Good Condition
Eurocharm (Ways)	(5,000)	Operations in Good Condition
VHS	7,527	Operations in Good Condition
Lieh Kwan	(1,024)	Operations in Good Condition
King Duan	14,493	Operations in Good Condition
Uni-Calsonic	(27)	Operations in Good Condition
Exedy	14,145	Operations in Good Condition
Shiang Yu	6,196	Operations in Good Condition
Northstar	-	Financial assets measured at fair value through comprehensive income. Financial assets not recognized as investment gains and losses.
VPIC	-	Financial assets measured at fair value through comprehensive income. Financial assets not recognized as investment gains and losses.

7.5.2 Reinvestment Plan for the Upcoming Year

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

7.6 Analysis of Risk Management

7.6.1 Risk Management and Structure

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

Risk Management policies:

I. Any associated risk events should be reported to the immediate supervisors, audit committee, general managers, chairman and the board of directors.

II. The risk assessment is carried out by the general manager and used as a record of tracking business performance.

III. The Company has established policies and implementations towards Internal Control, Internal Audit Implementation and Self-Assessed Internal Control Procedures. Department managers are each responsible for closely monitoring the associated risks. The audit committee is to perform risk assessment and report directly to the direct supervisors if any irregularities were discovered.

IV. Operational situation: In 2022, all departments will regularly follow the principle of materiality every year, consider those corporate governance issues such as economic, environmental and social aspects that may have a significant impact on customers, investors and other stakeholders, conduct risk assessment and formulate risk management strategies and plan. For high-risk issues, in addition to reporting the risk status and strengthening the control plan at the regular monthly meeting, they are also reported to the board of directors for supervision and review. The company expects to establish a risk management committee after the full re-election of directors on May 31, 2022, and is expected to report to the board of directors at least once a year. In 2021, 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	Climate Action Failure	<p>The environmental and safety committee of the specialized unit sets greenhouse gas management goals, regularly reviews the achievement of performance and pays attention to the laws and regulations, and formulates response plans in real time.</p> <p>1. Eurocharm submits a business waste disposal plan in accordance with government regulations, and pays recycling and disposal fees in accordance with the Waste Disposal Law. Set a specific goal of reducing waste by 10% every year to manage each production base. In 2021, the amount of general business waste generated are 780.29 tons, recyclable waste are 12,752.63 tons, and hazardous waste are 1,406.2 tons. Qualified removal and treatment agencies will be entrusted to carry out waste removal operations.</p> <p>2. Optimize energy use efficiency and management mechanism: Optimize energy management and control systems, introduce high-efficiency conversion power equipment, eliminate outdated equipment, etc. to improve energy use efficiency, and actively cultivate low-carbon technology transformation talents.</p>

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 can't 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 2021 annual interest income and interest expense have minimal influences on the pre-tax net profit.
- II. Foreign exchange rate: The changes in foreign exchange rate has no significant effect on the business operation as the Company's 2021 foreign exchange gain is accounted for 0.40% 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, subsidiaries Eurocharm Innovation Co., Ltd. (B.V.I.) guaranteed endorsement of NT\$193,830 thousand; Eurocharm Innovation Co., Ltd. NT\$80,000 thousand; Vietnam Precision Industrial No.1 Co., Ltd. NT\$747,630 thousand; Eurocharm

Innovation(HK) Co., Limited guaranteed endorsement of NT\$124,605 thousand. At the end of 2021, the amount spent was \$853,408 thousand.

7.6.5 Future Research & Development Projects and Corresponding Budget

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

The Company's R&D expenses account for 1.31% and 1.58% of sales amount for 2020 and 2021 respectively. Future R&D expenditure is mainly for collaboration with customers in developing new products and production process, enhancement of molds and increasing operational productivity. As such, related R&D expenditure will be invested in accordance with actual needs.

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

7.6.8 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.

Concerning the issue with excessive customer concentration, percentages of the Company's sales to its largest and second largest clients does not exceed 10%. However, the operating income of the two customers takes up to 54.77% of the consolidated operating income. As the Company's largest and second largest customers hold 70% of the market share in Vietnam and the Company being their main supplier, the situation of excessive customer concentration is expected. As a result, the Company has been actively developing new customers to diversify and lower the impact of excessive customer concentration.

7.6.12 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:

a. Possible risks of capacity expansion and countermeasures:

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

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 10 of the annual report.

8.1.2 Subsidiary Basic Information

As of 12/31/2020

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

Name of Enterprise	Date of Establishment	Address	Paid-in Capital	Major Business or Production Items
Vietnam Co., Ltd.		Phuc Province, Vietnam		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

8.1.3 Private Placement Securities in the Most Recent Years

None

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

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

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

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

8.1.6 Operating Summary for Respective Subsidiaries

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

Name of Enterprise	Paid in Capital	Total Asset	Total Liability	Net Value	Operating Income	Operating Benefit	Current Income (Loss)	Earnings Per Share (NTD)
Eurocharm Holdings Co., Ltd.	658,262	6,626,852	3,287,253	3,339,599	5,723,448	682,951	623,422	9.53
Eurocharm Innovation Co., Ltd.(B.V.I.)	615,652	4,326,215	182,463	4,143,751	-	(121)	683,662	See Note 1
Eurocharm America LLC	6,282	54,474	54,564	(90)	4,579	(2,986)	(2,986)	(4.75)
Eurocharm Innovation Co., Ltd.	58,500	496,928	323,760	171,168	598,046	3,706	8,839	1.51
Vietnam Precision Industrial No.1 Co., Ltd.	629,553	5,945,966	2,163,457	3,782,509	5,697,750	712,391	619,200	See Note 1
Vietnam Eurocharm Ways Plastics Company Limited	55,292	81,021	35,216	45,805	551	(8,493)	(9,091)	See Note 1
Hsieh Yuan Technology Vietnam Co.,Ltd.	23,179,239	118,091,675	39,632,237	78,459,438	112,115,294	16,811,880	13,844,957	See Note 1
Exedy Vietnam Co., Ltd.	66,083,544	370,916,620	64,795,506	306,121,114	489,878,718	71,535,070	58,548,797	See Note 1
Northstar Precision (Vietnam) Co., Ltd.	7,800,000	27,786,794	17,295,745	10,491,049	63,634,014	1,590,986	2,301,238	See Note 1
Shiang Yu Precision Co., Ltd.	46,447,360	73,538,965	14,155,948	59,383,017	41,833,022	12,818,059	12,815,073	See Note 1

Eurocharm Innovation (HK) Co., Ltd.	46,637	324,381	108,593	215,788	783,532	149,363	148,515	31.85
Lieh Kwan International Co., Ltd.	61,030	52,568	-	52,568	-	(42)	(2,559)	(0.42)
Vietnam King Duan Industrial Co., Ltd.	229,230,000	527,536,234	268,313,231	259,223,003	133,267,336	35,875,791	29,993,003	See Note 1
Vietnam Uni-Calsonic Co., Ltd.	12,633,500	12,633,783	55,995	12,577,788	-	(55,712)	(55,712)	See Note 1
Vietnam Eurocharm Ways Plastics Company Limited	45,824,500	67,743,095	29,444,419	38,298,676	456,520	(7,030,713)	(7,525,824)	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.

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

8.1.7 Affiliated Enterprise Consolidated Financial Statements

Please refer to appendix 1.

8.1.8 Affiliation Report

None

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

None

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

None

8.4 Other necessary supplementary explanation

None

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

None

8.6 Differences from Republic of China Shareholder equity protection regulations

None

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, 2021 AND 2020
AND FOR THE YEARS THEN ENDED**

Address: PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street,
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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 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, 2021 and 2020, 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, 2021 and 2020, 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 auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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 2021 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\$5,723,448 thousand for the year ended December 31, 2021 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, 2021 amounted to NT\$1,136,065 thousand and NT\$15,662 thousand, respectively. The consolidated net trade receivables represented 17% 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 2021 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.

Cheng, Ching-Piao

Chen, Kuo-Shuai

Ernst & Young, Taiwan

February 25, 2021

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 generally accepted 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 auditing standards generally accepted in 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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2021 and 2020

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	2021.12.31	2020.12.31	Liabilities and Equity	Notes	2021.12.31	2020.12.31
Accounts				Accounts			
Current assets				Current liabilities			
Cash and cash equivalents	4, 6(1)	\$1,146,745	\$1,043,712	Short-term borrowings	6(11), 8	\$2,093,916	\$1,209,980
Financial assets measured at amortized cost	4, 6(2)	160,254	681,862	Contract liabilities	4, 6(16)	70,149	86,330
Trade receivables	4, 6(3), 6(17), 8	794,161	653,147	Notes payables		-	4
Trade receivables-related parties	4, 6(3), 6(17), 7	326,242	234,342	Trade payables		512,240	333,756
Other receivables		9,075	16,100	Trade payables-related parties	7	30,167	4,174
Other receivables-related parties	7	1,585	828	Other payables	6(12)	390,359	354,862
Current tax assets		725	725	Current tax liabilities	4, 6(22)	121,860	145,854
Inventories	4, 6(4), 8	1,290,201	586,977	Lease liabilities	4, 6(20)	3,130	3,034
Prepayments	7	85,793	61,166	Lease liabilities-related parties	4, 6(20), 7	-	1,910
Other current assets		109,454	60,718	Other current liabilities		1,766	1,536
Total current assets		<u>3,924,235</u>	<u>3,339,577</u>	Refund liabilities		28,284	29,135
				Total current liabilities		<u>3,251,871</u>	<u>2,170,575</u>
Non-current assets				Non-current liabilities			
Financial assets measured at fair value through other comprehensive income	4, 6(5)	55,705	53,468	Deferred tax liabilities	4, 6(22)	16,410	16,410
Financial assets measured at amortized cost	4, 6(2)	13,100	50,197	Lease liabilities	4, 6(20)	5,332	8,608
Investment accounted for under the equity method	4, 6(6)	294,594	159,938	Other non-current liabilities	6(13), 6(14)	13,640	13,297
Property, plant and equipment	4, 6(7), 8	1,942,722	1,269,706	Total non-current liabilities		<u>35,382</u>	<u>38,315</u>
Right-of-use assets	4, 6(20), 7	293,777	310,336				
Investment property	4, 6(8)	33,626	36,725	Total liabilities		<u>3,287,253</u>	<u>2,208,890</u>
Intangible assets	4, 6(9)	4,835	6,228				
Deferred tax assets	4, 6(22)	4,205	3,018	Equity attributable to shareholders of the parent			
Other non-current assets	6(10)	60,053	50,588	Capital	6(15)		
Total non-current assets		<u>2,702,617</u>	<u>1,940,204</u>	Common stock		658,262	658,262
				Capital surplus	6(15)	836,782	836,782
				Retained earnings	6(15)		
				Legal reserve		155,069	-
				Special reserve		620,146	332,900
				Unappropriated Earnings		1,690,315	1,766,531
				Other components of equity		(641,588)	(523,584)
				Non-controlling interests	6(24)	20,613	-
				Total equity		<u>3,339,599</u>	<u>3,070,891</u>
Total assets		<u>\$6,626,852</u>	<u>\$5,279,781</u>	Total liabilities and equity		<u>\$6,626,852</u>	<u>\$5,279,781</u>

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2021 and 2020

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

Items	Notes	2021	2020
Operating revenues	4, 6(16), 7	\$5,723,448	\$4,658,907
Operating costs	6(18), 7	(4,662,448)	(3,751,757)
Gross profit		1,061,000	907,150
Realized (Unrealized) sales profit	4	(326)	(10)
Gross profit, net		1,060,674	907,140
Operating expenses	6(18), 7		
Sales and marketing		(101,045)	(61,076)
General and administrative		(186,400)	(167,705)
Research and development		(90,278)	(60,975)
Expected credit losses	4, 6(17)	-	(2,857)
Operating expenses total		(377,723)	(292,613)
Operating income		682,951	614,527
Non-operating incomes and expenses			
Other incomes	6(19), 7	88,251	100,156
Other gains and losses	6(19), 7	(38,983)	1,663
Finance costs	6(19), 7	(19,882)	(17,086)
Share of profit or loss of associates and joint ventures accounted for under the equity method	4, 6(6)	41,310	19,347
Non-operating incomes and expenses total		70,696	104,080
Income before income tax		753,647	718,607
Income tax expense	4, 6(22)	(130,225)	(165,405)
Net income		623,422	553,202
Other comprehensive income (loss)	6(21)		
Not to be reclassified to profit or loss in subsequent periods:			
Remeasurements of defined benefit plans		1,891	(419)
May be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		(112,468)	(188,559)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method		(5,713)	(2,125)
Total other comprehensive income, net of tax		(116,290)	(191,103)
Total comprehensive income		\$507,132	\$362,099
Net income (loss) attributable to:			
Stockholders of the parent		\$627,513	\$553,202
Non-controlling interests		(4,091)	-
		\$623,422	\$553,202
Total comprehensive income (loss) attributable to:			
Stockholders of the parent		\$511,400	\$362,099
Non-controlling interests		(4,268)	-
		\$507,132	\$362,099
Earnings per share-basic (in NTD)	6(23)	\$9.53	\$8.40
Earnings per share-diluted (in NTD)	6(23)	\$9.51	\$8.37

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2021 and 2020

(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, 2020	\$658,262	\$836,782	\$-	\$220,232	\$1,688,459	\$(332,900)	\$3,070,835	\$-	\$3,070,835
Appropriation and distribution of 2019 earnings:									
Special reserve				112,668	(112,668)		-		-
Cash dividends-common shares					(362,043)		(362,043)		(362,043)
Net income in 2020					553,202		553,202		553,202
Other comprehensive income in 2020					(419)	(190,684)	(191,103)		(191,103)
Total comprehensive income (loss)	-	-	-	-	552,783	(190,684)	362,099	-	362,099
Balance as of December 31, 2020	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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020

(Amounts Expressed in Thousands of New Taiwan Dollars)

Items	2021	2020	Items	2021	2020
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$753,647	\$718,607	Acquisition of financial assets measured at fair value through other comprehensive income	(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	558,705	(376,242)
Depreciation (include investment property)	159,905	159,218	Acquisition of investment accounted for under the equity method	(119,504)	(24,412)
Amortization	4,444	5,177	Acquisition of property, plant and equipment	(959,938)	(255,376)
Expected credit losses	-	2,857	Proceeds from disposal of property, plant and equipment	102,869	2,309
Interest expense	19,882	17,086	Acquisition of intangible assets	(2,992)	(874)
Interest income	(33,215)	(54,210)	Disposal of right-of-use assets	-	7,482
Dividends	(15,318)	(13,775)	Net cash provided by (used in) investing activities	(457,134)	(647,113)
Share of profit or loss of associates and joint ventures accounted for under the equity method	(41,310)	(19,347)			
Loss on disposal of property, plant and equipment	708	1,862			
Unrealized (realized) sales profit	326	10			
Changes in operating assets and liabilities:			Cash flows from financing activities:		
Notes receivables	-	69	Increase in (repayment of) short-term borrowings	883,936	359,618
Trade receivables	(140,550)	(120,332)	Increase (decrease) in guarantee deposits	2,688	(13,158)
Trade receivables-related parties	(91,900)	(99,434)	Repayment of lease liabilities principal	(4,947)	(4,841)
Other receivables	(1,888)	(1,288)	Cash dividends	(263,305)	(362,043)
Other receivables-related parties	(757)	(645)	Increase (decrease) in non-controlling interests	24,881	-
Inventories	(703,224)	30,805	Net cash provided by (used in) financing activities	643,253	(20,424)
Prepayments	(24,627)	(7,999)			
Other current assets	(48,736)	29,005	Effect of exchange rate changes	(65,544)	(104,885)
Contract liabilities	(16,181)	47,830			
Notes payables	(4)	3	Net increase (decrease) in cash and cash equivalents	103,033	(83,172)
Trade payables	178,484	17,139	Cash and cash equivalents at beginning of period	1,043,712	1,126,884
Trade payables-related parties	25,993	(8,913)	Cash and cash equivalents at end of period	\$1,146,745	\$1,043,712
Other payables	56,729	4,427			
Other current liabilities	230	647			
Net defined benefit liabilities	(454)	(430)			
Refund liabilities	(851)	19,200			
Cash generated from (used in) operations	81,333	727,569			
Interest received	41,908	52,994			
Dividends received	32,272	32,775			
Interest paid	(19,387)	(17,099)			
Income tax paid	(153,668)	(106,989)			
Net cash provided by (used in) operating activities	(17,542)	689,250			

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, 2021 and 2020 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, 2021 and 2020 were authorized for issue by the board of directors on February 25, 2022.

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, 2021. 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	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022

- (a) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

C. Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

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, 2022. 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, 2023
d	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

- (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 fulfillment 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 was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); providing additional transition reliefs; simplifying 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 or after January 1, 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) Disclosure Initiative – Accounting Policies – Amendments to IAS 1

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

The amendments introduce the definition of accounting estimates and included 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.

(f) 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 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, 2021 and 2020 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,	
			2021	2020
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% (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 resolved to invest in Vietnam Eurocharm Ways Plastics Company Limited. The amount was US\$1,100 thousand and the percentage of ownership was 55%.

(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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(a) Financial instruments: Recognition and Measurement

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

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.

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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.
- 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.

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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.
- 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.

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(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.

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.

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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.

(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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

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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.

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.

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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.

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.

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(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.

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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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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.

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 prorata basis.

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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 prorata 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.

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*.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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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.

(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.

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

(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.

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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.

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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.

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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.

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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).

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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.

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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.

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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)

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)

(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,	
	2021	2020
Cash on hand	\$725	\$792
Checking and saving	408,188	290,358
Time deposits matured within three months	737,832	752,562
Total	<u>\$1,146,745</u>	<u>\$1,043,712</u>

(2) Financial assets measured at amortized cost

	As of December 31,	
	2021	2020
Time deposits	<u>\$173,354</u>	<u>\$732,059</u>
Current	\$160,254	\$681,862
Non-current	13,100	50,197
Total	<u>\$173,354</u>	<u>\$732,059</u>

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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(3) Trade receivables and trade receivables-related parties

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

	As of December 31,	
	2021	2020
Trade receivables	\$809,823	\$669,273
Less: loss allowance	(15,662)	(16,126)
Subtotal	794,161	653,147
Trade receivables from related parties	326,242	234,342
Less: loss allowance	-	-
Subtotal	326,242	234,342
Total	\$1,120,403	\$887,489

(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\$1,136,065 thousand and NT\$903,615 thousand as of December 31, 2021 and 2020, respectively. Please refer to Note 6(17) for more details on loss allowance of trade receivables for the years ended December 31, 2021 and 2020, respectively. Please refer to Note 12 for more details on credit risk.

(4) Inventories

(a) Details of inventories are listed below:

	As of December 31,	
	2021	2020
Raw materials and Supplies	\$585,930	\$249,299
Work in progress	408,669	250,492
Finished goods	295,014	85,695
Merchandises	588	1,491
Total	\$1,290,201	\$586,977

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 cost of inventories recognized in expenses amounted to NT\$4,662,448 thousand and NT\$3,751,757 thousand for the years ended December 31, 2021 and 2020, respectively.

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

	For the year ended December 31,	
	2021	2020
Loss on inventory valuation	\$3,014	\$19,722
Loss in inventory write-off obsolescence	24,825	24,695
Gain from physical counts	(39)	(31)
Total	\$27,800	\$44,386

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

(5) Financial assets at fair value through other comprehensive income

	As of December 31,	
	2021	2020
Equity instruments investments measured at fair value through other comprehensive income - Non-current		
Unlisted companies stocks	\$55,705	\$53,468

- (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 October 2021 and December 2020, 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\$15,318 thousand and NT\$13,775 thousand for the years ended December 31, 2021 and 2020, respectively.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(6) 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,			
	2021		2020	
	Carrying amount	Percentage of Ownership	Carrying amount	Percentage of Ownership
Investments in associates:				
Exedy Vietnam Co., Ltd.	\$73,163	20.00%	\$78,414	20.00%
Hsieh Yuan Technology Vietnam Co., Ltd.	42,227	45.00%	35,822	45.00%
Shiang Yu Precision Co., Ltd.	28,464	40.00%	23,001	40.00%
Lieh Kwan International Co., Ltd.	21,027	40.00%	22,701	40.00%
Vietnam King Duan Industrial Co., Ltd.	123,696	40.00%	-	-%
Vietnam Uni-Calsonic Co., Ltd.	6,017	40.00%	-	-%
Total	<u>\$294,594</u>		<u>\$159,938</u>	

(b) Investments in associates

The Group's investments in Exedy Vietnam Co., Ltd., Hsieh Yuan Technology Vietnam Co., Ltd., Shiang Yu Precision Co., Ltd., Lieh Kwan International Co., Ltd., Vietnam King Duan Industrial Co., Ltd. and Vietnam Uni-Calsonic Co., Ltd. are not individually material. The aggregate carrying amounts of the Group's interests in Exedy Vietnam Co., Ltd., Hsieh Yuan Technology Vietnam Co., Ltd., Shiang Yu Precision Co., Ltd., Lieh Kwan International Co., Ltd., Vietnam King Duan Industrial Co., Ltd. and Vietnam Uni-Calsonic Co., Ltd. were NT\$294,594 thousand and NT\$159,938 thousand as of December 31, 2021 and 2020, respectively. The aggregate financial information based on the Group's share are as follows:

	For the year ended December 31,	
	2021	2020
Profit from continuing operations	\$41,310	\$19,347
Other comprehensive income (loss) (post-tax)	(5,713)	(2,125)
Total comprehensive income	<u>\$35,597</u>	<u>\$17,222</u>

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The aforementioned associates had no contingent liabilities or capital commitments and were not under pledge as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the balances of investments accounted for under the equity method amounted to NT\$294,594 thousand and NT\$159,938 thousand, respectively. For the years ended December 31, 2021 and 2020, shares of investment income from these associates and joint ventures amounted to NT\$41,310 thousand and NT\$19,347 thousand, respectively. For the years ended December 31, 2021 and 2020, share of other comprehensive income from these associates and joint ventures amounted to NT\$(5,713) thousand and NT\$(2,125) thousand, respectively.

- (c) Investments accounted for under the equity method were not pledged.
- (d) For the years ended December 31, 2021 and 2020, Vietnam Precision Industrial No.1 Co., Ltd. received a distribution from Exedy Vietnam Co., Ltd. in the amount of NT\$16,954 thousand and NT\$19,000 thousand, respectively, which were 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%.
- (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. As of December 31, 2021. The percentage of ownership was 40%. The Group has remitted the investment funds.

(7) Property, plant and equipment

	As of December 31,	
	2021	2020
Owner occupied property, plant and equipment	\$1,942,722	\$1,269,706
Property, plant and equipment leased out under operating leases	-	-
Total	\$1,942,722	\$1,269,706

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)

(a) Owner occupied property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation	Office Equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
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>
As of Jan. 1, 2020	\$52,420	\$347,841	\$1,868,628	\$108,891	\$18,970	\$132,480	\$17,637	\$2,546,867
Additions	-	1,994	9,902	2,700	950	45,825	217,875	279,246
Disposals	-	(1,390)	(13,764)	(1,759)	(3,024)	(16,316)	-	(36,253)
Transfers	-	-	95,549	6,000	-	190	(102,069)	(330)
Exchange differences	-	(17,772)	(109,113)	(5,333)	(778)	(5,937)	(1,096)	(140,029)
As of Dec. 31, 2020	<u>\$52,420</u>	<u>\$330,673</u>	<u>\$1,851,202</u>	<u>\$110,499</u>	<u>\$16,118</u>	<u>\$156,242</u>	<u>\$132,347</u>	<u>\$2,649,501</u>
Depreciation and impairment:								
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>
As of Jan. 1, 2020	\$-	\$116,580	\$1,024,759	\$66,458	\$13,962	\$124,749	\$-	\$1,346,508
Depreciation	-	19,069	107,253	6,974	3,322	11,824	-	148,442
Disposals	-	(1,390)	(13,412)	(1,759)	(3,024)	(16,316)	-	(35,901)
Transfers	-	-	-	-	-	-	-	-
Exchange differences	-	(6,321)	(62,855)	(3,584)	(665)	(5,829)	-	(79,254)
As of Dec. 31, 2020	<u>\$-</u>	<u>\$127,938</u>	<u>\$1,055,745</u>	<u>\$68,089</u>	<u>\$13,595</u>	<u>\$114,428</u>	<u>\$-</u>	<u>\$1,379,795</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

						Construction in progress and equipment awaiting examination	Total
	Land	Buildings	Machinery and equipment	Transportation	Office Equipment	Other Equipment	
	Land	Buildings	Machinery and equipment	Transportation	Office Equipment	Other Equipment	Total
Net carrying amount as of:							
Dec. 31, 2021	\$52,420	\$500,654	\$1,240,341	\$52,338	\$9,028	\$40,873	\$1,942,722
Dec. 31, 2020	\$52,420	\$202,735	\$795,457	\$42,410	\$2,523	\$41,814	\$1,269,706

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

	Machinery and equipment
Cost:	
As of Jan. 1, 2021	\$32,675
Exchange differences	(955)
As of Dec. 31, 2021	\$31,720
As of Jan. 1, 2020	\$72,653
Disposals	(37,411)
Exchange differences	(2,567)
As of Dec. 31, 2020	\$32,675
Depreciation and impairment:	
As of Jan. 1, 2021	\$32,675
Exchange differences	(955)
As of Dec. 31, 2021	\$31,720
As of Jan. 1, 2020	\$66,834
Depreciation	1,883
Disposals	(33,592)
Exchange differences	(2,450)
As of Dec. 31, 2020	\$32,675

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Net carrying amount as of:

Dec. 31, 2021	\$-
Dec. 31, 2020	\$-

(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.

(8) 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.

	Buildings
Cost:	
As of Jan. 1, 2021	\$50,050
Exchange differences	(1,462)
As of Dec. 31, 2021	\$48,588
As of Jan. 1, 2020	\$52,813
Exchange differences	(2,763)
As of Dec. 31, 2020	\$50,050
Depreciation and impairment:	
As of Jan. 1, 2021	\$13,325
Depreciation	2,046
Exchange differences	(409)
As of Dec. 31, 2021	\$14,962
As of Jan. 1, 2020	\$11,694
Depreciation	2,319

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	<u>Buildings</u>	
Exchange differences	(688)	
As of Dec. 31, 2020	<u>\$13,325</u>	
Net carrying amount as of:		
Dec. 31, 2021	<u>\$33,626</u>	
Dec. 31, 2020	<u>\$36,725</u>	
	<u>For the year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Rental income from investment property	\$28,150	\$27,395
Less: Direct operating expenses from investment property generating rental income	(4,705)	(7,671)
Total	<u>\$23,445</u>	<u>\$19,724</u>

(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) All of the fair values of investment properties held by the Group's subsidiary were both NT\$167,629 thousand as of December 31, 2021 and December 31, 2020. The determination of fair value was performed by an independent appraiser based on a comparative approach and income approach.

(9) Intangible assets

	<u>Computer software</u>
Cost:	
As of Jan. 1, 2021	\$35,990
Additions-acquired separately	2,992
Transfers from property, plant and equipment	178

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	<u>Computer software</u>
Cost:	
Deduction	(435)
Exchange differences	(1,005)
As of Dec. 31, 2021	<u>\$37,720</u>
As of Jan. 1, 2020	\$36,714
Additions-acquired separately	874
Transfers from property, plant and equipment	330
Deduction	(45)
Exchange differences	(1,883)
As of Dec. 31, 2020	<u>\$35,990</u>
Amortization:	
As of Jan. 1, 2021	\$29,762
Amortization	4,444
Deduction	(435)
Exchange differences	(886)
As of Dec. 31, 2021	<u>\$32,885</u>
As of Jan. 1, 2020	\$26,131
Amortization	5,177
Deduction	(45)
Exchange differences	(1,501)
As of Dec. 31, 2020	<u>\$29,762</u>
Net carrying amount as of:	
Dec. 31, 2021	<u>\$4,835</u>
Dec. 31, 2020	<u>\$6,228</u>

Amortization of intangible assets is as follows:

<u>For the year ended December 31,</u>	
<u>2021</u>	<u>2020</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Operating costs	\$32	\$31
Sales and marketing expenses	14	7
General and administrative expenses	4,293	4,957
Research and development expenses	105	182
Total	<u>\$4,444</u>	<u>\$5,177</u>

(10) Other non-current assets

	As of December 31,	
	2021	2020
Advance payments in equipment	\$59,717	\$50,252
Refundable deposits	336	336
Total	<u>\$60,053</u>	<u>\$50,588</u>

(11) Short-term borrowings

		As of December 31,	
	Interest Rates (%)	2021	2020
Secured bank loans	0.9%~4.5%	\$502,401	\$307,783
Unsecured bank loans	0.7%~3.3%	1,591,515	902,197
Total		<u>\$2,093,916</u>	<u>\$1,209,980</u>

The Group's unused short-term lines of credits amounted to NT\$284,189 thousand and NT\$375,420 thousand as of December 31, 2021 and 2020, respectively.

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

(12) Other payables

	As of December 31,	
	2021	2020
Accrued expense	\$309,653	\$252,924
Payables on equipment	79,797	67,470
Accrued interest	909	431
Payables for investments	-	34,037

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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Total	\$390,359	\$354,862
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(13) Other non-current liabilities

	As of December 31,	
	2021	2020
Net defined benefit liability	\$519	\$2,864
Guarantee deposits received	8,121	5,433
Other non-current liabilities	5,000	5,000
Total	\$13,640	\$13,297

(14) 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. The Group's Taiwan domestic subsidiaries have made monthly contributions of 6% of each individual the employee's salaries or wages to the employees' individual 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, 2021 and 2020 were NT\$1,677 thousand and NT\$1,628 thousand, respectively.

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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.

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\$698 thousand to its defined benefit plan during the 12 months beginning after December 31, 2021.

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As of December 31, 2021 and 2020, the maturities of the Group's Taiwan domestic subsidiaries defined benefit plan were expected in 2029 and 2031, respectively.

Pension costs recognized in profit or loss for the years ended December 31, 2021 and 2020:

	For the year ended December 31,	
	2021	2020
Current period service costs	\$236	\$228
Net interest of defined benefit	9	25
Total	\$245	\$253

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

	As of		
	Dec.31, 2021	Dec.31, 2020	Jan.1, 2020
Defined benefit obligation	\$27,525	\$28,718	\$27,619
Plan assets at fair value	(26,308)	(25,157)	(24,031)
Subtotal	1,217	3,561	3,588
Net defined benefit expected to contribute during the 12 months	(698)	(697)	(713)
Other non-current liabilities – net defined benefit liability on the consolidated balance sheets	\$519	\$2,864	\$2,875

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, 2020	\$27,619	\$ (24,031)	\$3,588
Current period service costs	228	-	228
Net interest expense (revenue)	193	(168)	25

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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Past service cost, gains and losses arising from settlements	-	-	-
Subtotal	28,040	(24,199)	3,841
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	1,244	(826)	418
Experience adjustments	1	-	1
Re-measurement on defined benefit assets	-	-	-
Subtotal	1,245	(826)	419
Payments from the plan	(567)	567	-
Contributions by employer	-	(699)	(699)
As of Dec. 31, 2020	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	29,026	(25,220)	3,806
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	-	-	-

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(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)
Subtotal	(1,501)	(390)	(1,891)
Payments from the plan	-	-	-
Contributions by employer	-	(698)	(698)
As of Dec. 31, 2021	\$27,525	\$(26,308)	\$1,217

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

	As of December 31,	
	2021	2020
Discount rate	0.52%	0.25%
Expected rate of salary increases	1.00%	1.00%

A sensitivity analysis for significant assumption as shown below:

	Effect on the defined benefit obligation			
	2021		2020	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	\$-	\$496	\$-	\$1,327
Discount rate decrease by 0.5%	1,618	-	1,949	-
Future salary increase by 0.5%	1,601	-	1,924	-
Future salary decrease by 0.5%	-	496	-	1,325

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

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compared to the previous period.

(15) Equities

(a) Common stock

The Company's authorized capitals were both NT\$900,000 thousand as of December 31, 2021 and 2020. Total issued stock capital was NT\$658,262 thousand, divided into both 65,826 thousand shares, each at a par value of NT\$10, respectively. Each share has one voting right and the right to receive dividends.

(b) Capital surplus

	As of December 31,	
	2021	2020
Additional paid-in capital	\$836,062	\$836,062
Other	720	720
Total	<u>\$836,782</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. In addition, capital surplus derived from long-term investment accounted for under equity method shall not be used under any circumstances.

(c) Retained earnings and dividend policies

(1) Retained earnings and dividend policies

According to the amended Articles of Incorporation approved at the Company's shareholders' meeting held on May 29, 2020, 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

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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.

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 covers 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

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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.

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 consider 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

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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.

- (4) The appropriations of earnings for the Year 2021 and 2020 were approved through the board of directors' meeting and Shareholders' meeting held on February 25, 2022 and August 25, 2021, respectively. The details of the distributions are as follows:

	Appropriation of earnings		Dividend per share (in NT\$)	
	2021	2020	2021	2020
Legal reserve	\$62,940	\$117,860		
Special reserve	118,004	190,684		
Common stock – cash dividend	296,218	263,305	\$4.5	\$4.0
Total	<u>\$477,162</u>	<u>\$571,849</u>		

Note: According to the Articles of Incorporation, the board of directors has approved the appropriation of cash dividends for the year 2021 on February 25, 2022.

The earnings appropriation for the six-month period ended June 30, 2021 was approved through the Board of Director's meeting held on August 19, 2021. The legal reserve and the special reserve set aside were NT\$37,209 thousand and NTS\$96,562 thousand, respectively.

Please refer to Note 6(18) for further details on employees' compensation and remuneration to directors.

(d) Non-controlling interests

	For the year ended December 31,	
	2021	2020
Beginning balance	\$-	\$-

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Acquisition of shares issued by subsidiary	24,881	-
Profit (loss) attributable to non-controlling interests	(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	(177)	-
Ending balance	<u>\$20,613</u>	<u>\$-</u>
(16) Operating revenue		

	For the year ended December 31,	
	2021	2020
Revenue from contracts with customer		
Sale of goods	\$5,721,710	\$4,652,822
Revenue arising from rendering of services	1,738	6,085
Total	<u>\$5,723,448</u>	<u>\$4,658,907</u>

Analysis of revenue from contracts with customers during the year ended December 31, 2021 and 2020, respectively, is as follows:

(a) Disaggregation of revenue

	Single Segment	
	For the year ended December 31,	
	2021	2020
Revenue from contracts with customer		
Sale of goods	\$5,721,710	\$4,652,822
Revenue arising from rendering of services	1,738	6,085
Total	<u>\$5,723,448</u>	<u>\$4,658,907</u>
Timing of revenue recognition:		
At a point in time	<u>\$5,723,448</u>	<u>\$4,658,907</u>

(b) Contract balances

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Contract liabilities - current

	As of		
	Dec.31, 2021	Dec.31, 2020	Jan.1, 2020
Sales of goods	\$70,149	\$86,330	\$38,500

For the year ended December 31, 2021, contract liabilities decreased because certain performance obligations embedded in the beginning contract liability were fulfilled and recognized as revenues.

For the year ended December 31, 2020, contract liabilities increased because part of the consideration was received from customers and the underlying obligations/services should be provided afterwards.

(c) Transaction price allocated to unsatisfied performance obligations

As of December 31, 2021 and 2020, there were 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.

(17) Expected credit losses (gains)

	For the year ended December 31,	
	2021	2020
Operating expenses – Expected credit losses		
Trade receivables	\$-	\$2,857

The Group expects no 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.

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The Group measures the loss allowance of its trade receivables at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of December 31, 2021 and 2020, 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, 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

	Overdue			
Not yet	Less than	31-90	91-270	More than

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	due	30 days	days	days	271 days	Total
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>

As of December 31, 2020

Group 1

		Overdue				
	Not yet due	Less than 30 days	31-90 days	91-270 days	More than 271 days	Total
Gross carrying amount	\$444,416	\$52,123	\$41,323	\$1,798	\$521	\$540,181
Loss ratio	0.50%	2.41%	8.41%	32.44%	100%	
Lifetime expected credit losses	(2,209)	(1,256)	(3,476)	(583)	(521)	(8,045)
Carrying amount of trade receivables	<u>\$442,207</u>	<u>\$50,867</u>	<u>\$37,847</u>	<u>\$1,215</u>	<u>\$-</u>	<u>\$532,136</u>

Group 2

		Overdue				
	Not yet due	Less than 30 days	31-90 days	91-270 days	More than 271 days	Total
Gross carrying amount	\$323,738	\$38,480	\$1,216	\$-	\$-	\$363,434
Loss ratio	0.97%	11.69%	35.86%	100%	100%	
Lifetime expected credit losses	(3,148)	(4,497)	(436)	-	-	(8,081)
Carrying amount of trade receivables	<u>\$320,590</u>	<u>\$33,983</u>	<u>\$780</u>	<u>\$-</u>	<u>\$-</u>	<u>\$355,353</u>

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- (b) The movement in the provision for impairment of notes receivables and trade receivables during the year ended December 31, 2021 and 2020 is as follows:

	Trade receivables
As of Jan.1, 2021	\$16,126
Exchange rate impact	(464)
As of Dec.31, 2021	<u>\$15,662</u>
As of Jan.1, 2020	\$14,026
Addition to the current period	2,857
Exchange rate impact	(757)
As of Dec.31, 2020	<u>\$16,126</u>

- (18) Summary statement of employee benefits, depreciation and amortization by function during the years ended December 31, 2021 and 2020:

	For the year ended December 31,					
	2021			2020		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$1,014,762	\$176,649	\$1,191,411	\$837,678	\$151,734	\$989,412
Labor and health insurance	1,317	3,500	4,817	1,525	2,994	4,519
Pension	488	1,434	1,922	575	1,306	1,881
Other employee benefits expense	9,065	5,414	14,479	8,939	4,740	13,679
Depreciation	144,635	15,270	159,905	141,297	17,921	159,218
Amortization	32	4,412	4,444	31	5,146	5,177

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 directors' remuneration. 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 directors'

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remuneration can be obtained from the “Market Observation Post System” on the website of the TWSE.

For the year ended December 31, 2021, the Company recorded the employees’ compensation and directors’ remuneration in the amount of NT\$24,428 thousand and NT\$10,300 thousand, respectively; While, employees’ compensation and directors’ remuneration for the year ended December 31, 2020 amounted to NT\$23,937 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\$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 for the year ended December 31, 2021.

The Company’s board of directors’ meeting has determined the employees’ compensation and directors’ remuneration, all in cash, to be NT\$23,937 thousand and NT\$10,300 thousand, respectively, in a meeting held on February 26, 2021. No material differences existed between the estimated amount and the actual distribution of the employee’ compensation and directors’ remuneration for the year ended December 31, 2020.

(19) Non-operating income and expenses

(a) Other incomes

	For the year ended December 31,	
	2021	2020
Interest income		

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Financial assets measured at amortized cost	\$33,215	\$54,210
Rental income	28,150	27,395
Dividends income	15,318	13,775
Others	11,568	4,776
Total	<u>\$88,251</u>	<u>\$100,156</u>

(b) Other gains and losses

	For the year ended December 31,	
	2021	2020
Gains (losses) on disposal of property, plant and equipment	\$(708)	\$(1,862)
Foreign exchange gains	23,106	14,214
Others	(61,381)	(10,689)
Total	<u>\$(38,983)</u>	<u>\$1,663</u>

(c) Finance costs

	For the year ended December 31,	
	2021	2020
Interest on borrowings from bank	\$19,532	\$16,512
Interest on lease liabilities	350	574
Total	<u>\$19,882</u>	<u>\$17,086</u>

(20) 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.

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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,	
	2021	2020
Land	\$285,631	\$297,045
Buildings	8,146	13,291
Total	<u>\$293,777</u>	<u>\$310,336</u>

For the years ended December 31, 2021 and 2020, the group's additions to right-of-use assets amounted to NT\$166 thousand and NT\$3,800 thousand, respectively.

(ii) Lease liabilities

	As of December 31,	
	2021	2020
Lease liabilities	<u>\$8,462</u>	<u>\$13,552</u>
Current	<u>\$3,130</u>	<u>\$4,944</u>
Non-current	<u>\$5,332</u>	<u>\$8,608</u>

Please refer to Note 6(19)(c) for the interest on lease liability recognized during the year ended December 31, 2021 and 2020, and refer to Note 12(5) Liquidity Risk

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Management for the maturity analysis for lease liabilities as of December 31, 2021 and 2020.

B. Amounts recognized in the statement of profit or loss

The depreciation charge for right-of-use assets

	For the year ended December 31,	
	2021	2020
Buildings (Includes the right to use land)	\$7,770	\$6,574

C. Income and costs relating to leasing activities

	For the year ended December 31,	
	2021	2020
Short-term leased expense (rental expense)	\$806	\$55

As of December 31, 2021 and 2020, 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, 2021 and 2020, the Group's total cash outflow for leases amounted to NT\$6,103 thousand and NT\$5,470 thousand, respectively.

(b) The group as lessor

Please refer to Note 6(8) 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.

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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,	
	2021	2020
Leased income recognized by operating leased		
Fixed leased payment related income	\$28,150	\$27,395

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, 2021 and 2020 are as follow:

	As of December 31,	
	2021	2020
Not later than one year	\$24,669	\$18,431

(21) Components of other comprehensive income

	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	(112,468)	-	(112,468)	-	(112,468)

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translation of foreign operations					
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	<u>\$(116,290)</u>	<u>\$-</u>	<u>\$(116,290)</u>	<u>\$-</u>	<u>\$(116,290)</u>
For the year ended December 31, 2020					
				Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
	Arising during the period	Reclassification adjustments during the period	Subtotal		
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(419)	\$-	\$(419)	\$-	\$(419)
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	(188,559)	-	(188,559)	-	(188,559)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	(2,125)	-	(2,125)	-	(2,125)
Total of other comprehensive income	<u>\$(191,103)</u>	<u>\$-</u>	<u>\$(191,103)</u>	<u>\$-</u>	<u>\$(191,103)</u>

(22) Income tax

(a) The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

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	For the year ended December 31,	
	2021	2020
Current income tax expense (income):		
Current income tax charge	\$155,022	\$168,470
Adjustments in respect of current income tax of prior periods	(23,610)	(1,036)
Deferred tax expense (income):		
Deferred tax expense relating to origination and reversal of temporary differences	(1,187)	(2,029)
Total income tax expense	\$130,225	\$165,405
(b) Income tax relating to components of other comprehensive income:		
	For the year ended December 31,	
	2021	2020
Deferred tax expense (income):		
Remeasurements of defined benefit plans	\$-	\$-
(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,	
	2021	2020
Accounting profit before tax from continuing operations	\$753,647	\$718,607
Tax payable at the enacted tax rates	\$151,653	\$143,947
Surtax on undistributed retained earnings	314	20
Tax effect of expenses not deductible for tax purposes	1,868	23,446
Adjustments in respect of current income tax of prior periods	(23,610)	(1,036)
The effect of tax rate change	-	(972)
Total income tax expense recognized in profit or loss	\$130,225	\$165,405

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(d) Deferred tax assets (liabilities) relate to the following:

	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)		<u>\$1,187</u>	<u>\$-</u>	
Net deferred tax assets/(liabilities)	<u>\$(13,392)</u>			<u>\$(12,205)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$3,018</u>			<u>\$4,205</u>
Deferred tax liabilities	<u>\$(16,410)</u>			<u>\$(16,410)</u>

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For the year ended December 31, 2020				
	Beginning balance as of Jan. 1, 2020	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of Dec. 31, 2020
Temporary differences				
Unrealized loss on inventory valuation	\$1,033	\$300	\$-	\$1,333
Unrealized exchange loss (gain)	(251)	1,729	-	1,478
Bonus for unused vacation	207	-	-	207
Revaluation surplus of land	(16,410)	-	-	(16,410)
Deferred tax income/(expense)		\$2,029	\$-	
Net deferred tax assets/(liabilities)	<u>\$(15,421)</u>			<u>\$(13,392)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$1,240</u>			<u>\$3,018</u>
Deferred tax liabilities	<u>\$(16,661)</u>			<u>\$(16,410)</u>

(e) The assessment of income tax returns

As of December 31, 2021, the assessment status of income tax returns of the Company and subsidiaries were as follows:

The assessment of income tax
returns

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Subsidiary–Eurocharm Innovation Co., Ltd.	Assessed and approved up to 2019
Subsidiary– Vietnam Precision Industrial No.1 Co., Ltd.	Assessed and approved up to 2016

(23) 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,	
	2021	2020
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$627,513	\$553,202
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,826	65,826
Basic earnings per share (NT\$)	\$9.53	\$8.40
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$627,513	\$553,202
Weighted average number of ordinary shares outstanding for basic earnings per share (in	65,826	65,826

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	For the year ended December 31,	
	2021	2020
thousands)		
Effect of dilution:		
Employee's compensation — stock (in thousands)	189	250
Weighted average number of ordinary shares outstanding after dilution (in thousands)	66,015	66,076
Diluted earnings per share (NT\$)	\$9.51	\$8.37

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.

(24) Subsidiary that has material non-controlling interests

As of December 31, 2020, the Group had no non-controlling interests. As of December 31, 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,	
		2021	2020
Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam	45%	-%

Accumulated balances of material non-controlling interest:

	As of December 31,	
	2021	2020
Vietnam Eurocharm Ways Plastics Company Limited.	\$20,613	\$-

Profit (loss) allocated to material non-controlling interest:

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	For the year ended December 31,	
	2021	2020
Vietnam Eurocharm Ways Plastics Company Limited.	<u><u>\$(4,091)</u></u>	<u><u>\$-</u></u>

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 for the year ended December 31, 2021 is as follows:

	For the year ended December 31, 2021
Operating revenue	\$551
Profit/loss from continuing operation	(9,091)
Total comprehensive income for the period	(9,091)

Summarized information of financial position as of December 31, 2021 is as follows:

	As of December 31, 2021
Current assets	\$48,735
Non-current assets	32,286
Current liabilities	35,216
Non-current liabilities	-

Summarized information of cash flows for the year ended December 31, 2021 is as follows:

	For the year ended December 31, 2021
Operating activities	\$(24,033)
Investing activities	539
Financing activities	55,292
Net increase (decrease) in cash and cash equivalents	30,720

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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
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

(2) Significant transactions with related parties

(a) Sales

	For the year ended December 31,	
	2021	2020
Associates	\$112,241	\$105,520

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Other related party	28	4
Other related party — Northstar Precision (Vietnam) Company Limited	1,450,794	1,000,369
Total	<u>\$1,563,063</u>	<u>\$1,105,893</u>

The sales prices for related parties were not comparable. Terms of collection for related parties shall be the same for those applied to general clients. Receivables shall be finalized on a monthly basis and shall be collected within 15 to 90 days after accounts have been finalized.

(b) Purchases

	For the year ended December 31,	
	2021	2020
Associates	\$168,049	\$36,275
Other related parties	2,420	2,492
Total	<u>\$170,469</u>	<u>\$38,767</u>

The purchasing prices to related parties were not comparable. Terms of payment to related parties shall be the same for those applied to general suppliers. Payables shall be finalized on a monthly basis and shall be paid within 30 to 90 days after monthly closing.

- (c) For the years ended December 31, 2021 and 2020, the Group was charged by associates for processing and therefore recognized processing expense in the amount of NT\$99,322 thousand and NT\$51,088 thousand, respectively.
- (d) For the years ended December 31, 2021 and 2020, the Group charged associates for processing and therefore recognized processing income in the amount of NT\$1,738 thousand and NT\$3,364 thousand, respectively, which were recorded under the caption of operating revenues.
- (e) For the years ended December 31, 2021 and 2020, the Group charged other related parties for processing and therefore recognized processing income in the amount of NT\$0 and NT\$2,721 thousand, respectively, which were recorded under the caption of operating revenues.

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- (f) For the years ended December 31, 2021 and 2020, the Group was charged by associates due to product defect and therefore recognized compensation in the amount of NT\$1 and NT\$0 thousand, respectively, which were recorded under non-operating income and expenses-other gain or loss.
- (g) For the year ended December 31, 2021, the Group was charged by other related parties due to product defect and therefore recognized compensation in the amount of NT\$28,761 thousand, which were recorded under non-operating income and expenses-other gain or loss.
- (h) For the year ended December 31, 2021, the Group recognized NT\$0 of disposal gain or loss from sale of machine to associates in the amount of NT\$102,868 thousand.
- (i) For the year ended December 31, 2021, the Group recognized service fee amounted to NT\$285 thousand, which were recorded under non-operating income.
- (j) Trade receivables - related parties

	As of December 31,	
	2021	2020
Associates	\$16,646	\$13,749
Other related party-Northstar Precision (Vietnam) Company Limited	309,596	220,593
Total	<u>\$326,242</u>	<u>\$234,342</u>

- (k) Other receivables - related parties

	As of December 31,	
	2021	2020
Associates	\$971	\$828
Other related parties	614	-
Total	<u>\$1,585</u>	<u>\$828</u>

- (l) Prepayments

As of December 31,

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	2021	2020
Associates	\$7,792	\$4,312

(m) Trade payables-related parties

	As of December 31,	
	2021	2020
Associates	\$29,968	\$3,928
Other related parties	199	246
Total	\$30,167	\$4,174

(n) Operating lease

A. Right-of-use asset

		As of December 31,	
Relationship	Property	2021	2020
Other related party	Buildings	\$-	\$1,900

B. Lease liabilities

	As of December 31,	
Relationship	2021	2020
Other related party	\$-	\$1,910

C. Interest on lease liabilities

		For the year ended December 31,	
Relationship	Property	2021	2020
Other related party	Rent office	\$10	\$31

D. For the years ended December 31, 2021 and 2020, the Group paid other related parties for rent expense every month by cash.

E. Lease transactions with related parties

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Lessee	Lease	Duration	Rental income
<u>For the year ended Dec. 31, 2021</u>			
Associate	Property and plant	Jan. 1, 2021~Dec. 31, 2021	\$9,863
Associate	Property and plant	Jan. 1, 2021~Dec. 31, 2021	7,953
Associate	Property and plant	Jan. 1, 2021~Dec. 31, 2021	1,996
Associate	Property and plant	Apr. 1, 2021~Dec. 31, 2021	1,715
Associate	Property and plant	Dec. 15, 2021~Dec. 31, 2021	780
Other related parties	Property and plant	Jan. 1, 2021~Dec. 31, 2021	5,843
Total			<u>\$28,150</u>
Associate	Property and plant	Jan. 1, 2019~Dec. 31, 2021	\$10,323
Associate	Property and plant	Jan. 1, 2019~Dec. 31, 2021	8,369
Associate	Property and plant	May 1, 2019~Apr. 30, 2021	2,032
Other related parties	Property and plant	Aug. 1, 2018~Jul. 31, 2020	6,671
		Aug. 1, 2020~Dec. 31, 2020	
Total			<u>\$27,395</u>

(o) Salaries and rewards to key management of the Group

	<u>For the year ended December 31,</u>	
	2021	2020
Short-term employee benefits	\$29,244	\$29,492
Post-employment benefits	327	327
Total	<u>\$29,571</u>	<u>\$29,819</u>

8. PLEDGED ASSETS

The following table lists assets of the Group pledged as collaterals:

Items	<u>Carrying Amount As of December 31,</u>		<u>Secured liabilities</u>
	2021	2020	
Trade receivables	\$239,200	\$246,400	Short-term borrowings
Inventories	239,200	246,400	Short-term borrowings

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Property, plant and equipment - land	52,420	52,420	Short-term borrowings
Property, plant and equipment - buildings	228	316	Short-term borrowings
Total	<u>\$531,048</u>	<u>\$545,536</u>	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Amounts available under unused letters of credit as of December 31, 2021 are USD658 thousand and EUR1,236 thousand.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Financial instruments

Categories of financial instruments

Financial assets

	As of December 31,	
	2021	2020
Financial assets at fair value through other comprehensive income	\$55,705	\$53,468
Financial assets measured at amortized cost		
Cash and cash equivalents (exclude cash on hand)	1,146,020	1,042,920
Financial assets measured at amortized cost	173,354	732,059
Trade receivables (includes related parties)	1,120,403	887,489
Other receivables (includes related parties)	10,660	16,928
Refundable Deposits	336	336
Total	<u>\$2,506,478</u>	<u>\$2,733,200</u>

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Financial liabilities

	As of December 31,	
	2021	2020
Financial liabilities at amortized cost:		
Short-term borrowings	\$2,093,916	\$1,209,980
Trade payables (includes related parties)	932,766	692,796
Leased liabilities (includes related parties)	8,462	13,552
Guarantee deposits received	8,121	5,433
Total	<u>\$3,043,265</u>	<u>\$1,921,761</u>

(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,

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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.

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, 2021 and 2020 increased/decreased by NT\$8,091 thousand and decreased/increased NT\$582 thousand, respectively.

When VND is strengthened/weakened against foreign currency USD by 1%, the profit for the years ended December 31, 2021 and 2020 increased/decreased by VND\$3,343,786 thousand and decreased/ increased by VND\$864,070 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will

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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, 2021 and 2020 to decrease/increase by NT\$616 thousand and NT\$354 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.

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.

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As of December 31, 2021 and 2020, trade receivables from the top ten customers represent 74.70% and 79.65% 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 the loss allowance of trade receivables is measured at lifetime expected credit losses, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories as of December 31, 2021 and 2020, respectively.

The Group makes an assessment of each reporting date as to whether the credit risk still meets the conditions of low credit risk and then further determines the method of measuring the loss allowance and the loss ratio.

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

	Less than 1 year	1 to 5 years	Total
<u>As of December 31, 2021</u>			

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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

As of December 31, 2020

Short-term borrowings	\$1,213,466	\$-	\$1,213,466
Trade and other payables	692,796	-	692,796
Leased Liabilities	5,300	9,013	14,313

(6) Reconciliation of liabilities arising from financing activities

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

Reconciliation of liabilities for the year ended December 31, 2020:

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Total liabilities from financing activities
As of Jan. 1, 2020	\$850,362	\$18,591	\$15,297	\$884,250
Cash flows	359,618	(13,158)	(4,841)	341,619
Non-cash changes	-	-	3,096	3,096
As of Dec. 31, 2020	\$1,209,980	\$5,433	\$13,552	\$1,228,965

(7) Fair values of financial instruments

(a) The methods and assumptions applied in determining the fair value of financial instruments:

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 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.
- 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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

The carrying amount of the Group's financial assets and liabilities measure at amortized cost approximates their fair value.

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) 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

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.

As of December 31, 2021 and 2020, fair value measurement hierarchy of the Group's assets measured at fair value on a recurring basis is as follows:

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

	Level 1	Level 2	Level 3	Total
Financial assets:				
Equity instrument measured at fair value through other comprehensive income	\$-	\$-	\$55,705	\$55,705

As of December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets:				
Equity instrument measured at fair value through other comprehensive income	\$-	\$-	\$53,468	\$53,468

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy

The movement of fair value measurements is as follows:

	Equity instrument measured at fair value through other comprehensive income
	Stock
As of Jan. 1, 2020	\$19,431
Acquisition for the year ended Dec. 31, 2020	34,037
As of Dec. 1, 2020	53,468
Acquisition for the year ended Dec. 31, 2021	2,237
As of Dec. 31, 2021	\$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)

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, 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 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 increase (decrease) in the Group's other comprehensive income by NT\$5,571 thousand.

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, 2020

	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 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 increase (decrease) in the Group's other comprehensive income by NT\$5,347 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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

policies at each reporting date.

- (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, 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(8))	<u>\$-</u>	<u>\$-</u>	<u>\$167,629</u>	<u>\$167,629</u>

As of December 31, 2020

	<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(8))	<u>\$-</u>	<u>\$-</u>	<u>\$167,629</u>	<u>\$167,629</u>

- (9) 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:

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					
	Dec. 31, 2021			Dec. 31, 2020		
	Foreign currencies	Exchange rate	NTD	Foreign currencies	Exchange rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$47,547	27.27	\$1,296,797	\$38,659	28.38	\$1,097,138
VND	\$998,371,052	0.001196	\$1,194,451	\$1,308,851,122	0.001232	\$1,612,505
<u>Investments accounted for under the equity method</u>						
VND	\$229,004,492	0.001196	\$273,889	\$109,854,398	0.001232	\$135,341
<u>Financial liabilities</u>						
Monetary items:						
USD	\$75,206	27.58	\$2,074,335	\$40,500	28.54	\$1,155,877
VND	\$533,803,179	0.001190	\$635,382	\$477,451,472	0.001232	\$588,220

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 gains were NT\$23,106 thousand and NT\$14,214 thousand for the years ended December 31, 2021 and 2020, respectively.

(10) 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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(11) 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.

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, 2021 (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, 2021: 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, 2021: 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, 2021: 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, 2021: None.
- (h) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2021: None.
- (i) Derivative instrument transactions: None.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

- (j) Intercompany relationships and significant intercompany transactions for the year ended December 31, 2021: 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.

- (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, 2021. (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, 2021: 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, 2021: 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, 2021: 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, 2021: 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, 2021: Please refer to Attachment 6.

ix. Derivative instrument transactions: None.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(3) Information on investments in Mainland China: None.

(4) Information of major shareholders:

Shares		
Name	Number of shares	Percentage of ownership
SEASHORE GROUP LIMITED	24,769,059	37.62%
New General Limited	13,833,217	21.01%
Fubon Life Insurance Company, Ltd.	5,217,000	7.92%

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,	
	2021	2020
Vietnam	\$2,626,840	\$2,397,903
Other	3,096,608	2,261,004
Total	\$5,723,448	\$4,658,907

(b) Non-current assets

	As of December 31,	
	2021	2020
Vietnam	\$2,579,482	\$1,816,570
Taiwan	63,225	67,148
Total	\$2,642,707	\$1,883,718

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)

- (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,	
	2021	2020
Customer A	\$1,677,869	\$1,520,686
Customer B	1,450,794	1,003,090

ATTACHMENT 1 (Financing provided to others for the year ended December 31, 2021)

(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	\$71,328	\$-	\$-	1.00%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$663,797 (Note 2) (Note 3)	\$1,327,594 (Note 2)
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation (HK) Co., Limited	Other receivables -related parties	\$110,760	\$110,760	\$27,690 (Note 4)	1.00%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$663,797 (Note 2) (Note 3)	\$1,327,594 (Note 2)
0	Eurocharm Holdings Co., Ltd.	Eurocharm America LLC.	Other receivables -related parties	\$5,538	\$5,538	\$831 (Note 4)	1.00%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$663,797 (Note 2) (Note 3)	\$1,327,594 (Note 2)
1	Eurocharm Holdings Co., Ltd.	Vietnam Eurocharm Ways Plastics Company Limited.	Other receivables -related parties	\$27,690	\$27,690	\$-	1.00%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$828,750 (Note 2) (Note 3)	\$1,657,500 (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.

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 amount drawn	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	\$1,327,594	\$80,000	\$80,000	\$69,000	\$-	2.41%	\$1,659,493	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	2	\$1,327,594	\$193,830 (USD 7,000) (Note4)	\$193,830 (USD 7,000) (Note4)	\$182,200 (USD 6,580) (Note4)	\$-	5.84%	\$1,659,493	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	2	\$1,327,594	\$747,630 (USD 27,000) (Note4)	\$747,630 (USD 27,000) (Note4)	\$602,208 (USD 21,748) (Note4)	\$-	22.53%	\$1,659,493	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation(HK) Co., Limited	2	\$1,327,594	\$124,605 (USD 4,500) (Note4)	\$124,605 (USD 4,500) (Note4)	\$-	\$-	3.75%	\$1,659,493	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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

Investor company	Investee company	Address	Main businesses and products	Original investment amount		Investments as of Dec. 31, 2021			Net income (loss) of investee company	Investment income (loss) recognized	Note
				As of Dec. 31, 2021	As of Dec. 31, 2020	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%	\$4,143,751 (Note 5)	\$683,662	\$683,662 (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%	(90) (Note 5)	(2,986)	(2,986) (Note 5)	Subsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation Co., Ltd.	Taiwan	Manufacturing and sales of motor parts and medical equipment	61,425	61,425	5,850,000	100.00%	158,216 (Note 5)	8,839	5,929 (Note 1) (Note 5)	Subsidiary
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%	3,703,846 (Note 3) (Note 5)	619,200	693,384 (Note 2) (Note 5)	Subsidiary
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%	65,787 (Note 5)	148,515	21,453 (Note 4) (Note 5)	Subsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam	Plastic dipping and processing	USD 1,100	-	-	55.00%	25,193 (Note 5)	(9,091)	(5,000)	Subsidiary
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%	42,227	16,725	7,527	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%	21,027	(2,559)	(1,024)	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	-	-	40.00%	123,696	36,232	14,493	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	-	-	40.00%	6,017	(67)	(27)	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%	73,163	70,727	14,145	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%	28,464	15,490	6,196	Investment accounted for under the equity method

Note 1: Including investment gain recognized under equity method amounted to NT\$8,839 thousand and unrealized profit on transaction between subsidiaries amounted to NT\$2,910 thousand.

Note 2: Including investment gain recognized under equity method amounted to NT\$619,200 thousand and realized profit on transaction between subsidiaries amounted to NT\$74,184 thousand.

Note 3: Holding net equity at the end of the period amount to NT\$3,782,509 thousand minus unrealized profit on transaction between subsidiaries amounted to NT\$78,663 thousand.

Note 4: Including investment gain recognized under equity method amounted to NT\$148,515 thousand and unrealized profit on transaction between subsidiaries amounted to NT\$127,602 thousand.

Note 5: Transactions between consolidated entities are eliminated in the consolidated financial statements.

ATTACHMENT 4 (Securities held as of December 31, 2021) (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, 2021				Note	Shares as collateral
				Number of shares	Book value	Percentage of ownership (%)	Fair value		
Eurocharm Innovation Co., Ltd.	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 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>\$55,705</u>		<u>\$55,705</u>		

(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)		
				Amount	Percentage of total purchases (sales) (%)	Term	Unit price	Term	Balance	Percentage of total balances (%)	Note
Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	Also a subsidiary under the Company's control	Sales	\$518,975	86.78%	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 \$54,578	74.10%	1
Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	Also a subsidiary under the Company's control	Sales	\$755,385	96.41%	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 \$186,808	87.02%	1
Vietnam Precision Industrial No.1 Co., Ltd.	Northstar Precision (Vietnam) Company Limited	Other related party	Sales	\$1,446,580	25.39%	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 \$308,950	26.50%	

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, 2021)

(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 ratio	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>\$308,950</u>	<u>5.47</u>	<u>\$-</u>	-	<u>\$148,317</u>	<u>\$-</u>	
Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	Also a subsidiary under the Company's control	<u>\$186,808</u>	<u>7.80</u>	<u>\$-</u>	-	<u>\$4,678</u>	<u>\$-</u>	1

Note 1: Transactions between consolidated entities are eliminated in the consolidated financial statements.

(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>2021.01.01~2021.12.31</u>						
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation (HK) Co., Limited	1	Other receivables	\$27,690	-	0.42%
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation (HK) Co., Limited	1	Interest incomes	462	-	0.01%
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	1	Interest incomes	115	-	-%
0	Eurocharm Holdings Co., Ltd.	Eurocharm America LLC.	1	Other receivables	832	-	0.01%
0	Eurocharm Holdings Co., Ltd.	Eurocharm America LLC.	1	Interest incomes	1	-	-%
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Precision Industrial No.1 Co., Ltd.	2	Dividend receivables	110,908	-	1.67%
2	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	518,975	60~90 days after monthly closing	9.07%
2	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade receivables	54,578	60~90 days after monthly closing	0.82%
2	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Other incomes	219	-	-%
2	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Other expenses	13	-	-%
2	Eurocharm Innovation Co., Ltd.	Vietnam Eurocharm Ways Plastics Company Limited.	3	Sales	3,334	60~90 days after monthly closing	0.06%
2	Eurocharm Innovation Co., Ltd.	Vietnam Eurocharm Ways Plastics Company Limited.	3	Trade Receivables	536	60~90 days after monthly closing	0.01%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	755,385	60~90 days after monthly closing	13.20%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade Receivables	186,808	60~90 days after monthly closing	2.82%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Eurocharm Ways Plastics Company Limited.	3	Sales	28,146	60~90 days after monthly closing	0.49%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Eurocharm Ways Plastics Company Limited.	3	Trade Receivables	27,864	60~90 days after monthly closing	0.42%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	3	Sales	54,675	60~90 days after monthly closing	0.96%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	3	Trade Receivables	52,147	60~90 days after monthly closing	0.79%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	3	Other receivables	651	15 days after monthly closing	0.01%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam Eurocharm Ways Plastics Company Limited.	3	Other receivables	1,570	15 days after monthly closing	0.02%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam Eurocharm Ways Plastics Company Limited.	3	Rental Income	1,058	In accordance with contract terms	0.02%
5	Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	494	30 days after monthly closing	0.01%
5	Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Advance Payment	451	In accordance with contract terms	0.01%

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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