

Stock code: 5288



Eurocharm Holdings Co., Ltd.

2023 Annual Report

Corporate website:

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

Taiwan Stock Exchange Market Observation System

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

Printed on May 4, 2024

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

Introduction

Spokesperson

Name: James Chan

Title: Vice President, Administration and Finance

Tel: +886-2-2208-0151

E-mail: IR@eurocharm.com.tw

Deputy Spokesperson

Name: Hung-Yi Kao

Title: Senior Financial Manager

Tel: +886-2-2208-0151

E-mail: IR@eurocharm.com.tw

Subsidiary

Eurocharm Innovation Co., Ltd.

No.15 Lane 315 Xinshu Rd. Xinzhuang District, New
Taipei, Taiwan 242

Tel: +886-2-2202-8393

Corporate Headquarters

Eurocharm Holdings Co., Ltd.

Address: No.15 Lane 315 Xinshu Rd. Xinzhuang
District, New Taipei, Taiwan 242

Tel: +886-2-2208-0151

Subsidiary

Vietnam Precision Industrial No.1 Co., Ltd.

Address: Khai Quang Industrial Zone, Vinh Yen,
Vinh Phuc, Vietnam

Tel: +84-211-3842-897

Accountant Contacts for the Latest Annual Financial Report

Ernst & Young L.L.P.

Name: Guo-Shuai Chen & Chih-Ming Chang

Address: No. 333, Section 1, Keelung Rd, Xinyi
District, Taipei, Taiwan 110

Website: <http://www.ey.com/home>

Tel: +886-2-2757-8888

Share Transfer Agent

Yuanta Securities

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

Tel: +886-2-2586-5859

website: <http://www.yuanta.com.tw>

Corporate Website

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

Board of Directors

Chairman

Name: Steven Yu

Nationality: Republic of China

EMBA, National Taiwan University

**Mechanical Engineering, Lunghwa University of
Science and Technology**

Director

Name: Michael Yu

Nationality: Republic of China

**Business Management, National Chung Hsing
University**

**Business Management, National Taipei University of
Business**

Independent Director

Name: Yi-Ren Guo

Nationality: Republic of China

**Transportation Engineering and Management,
National Chiao Tung University**

Administrator, China Steel Corporation

Manager, China Steel Aluminum Corporation

President, China Steel Global Trading Corporation

Advisor, China Steel Global Trading Corporation

Independent Director

Name: Yen-Hsi Lin

Nationality: Republic of China

Philosophy, Fu Jen Catholic University

**General Manager, DDI-Asia/Pacific International
Ltd. (Taiwan)**

**Senior Advisor, Asia/Pacific Region, Caliper Human
Strategies**

Independent Director, Entire Technology Co., Ltd.

Director, iMotion Inc.

Director, iWaylink Inc.

Director

Name: Antonio Yu

Nationality: Republic of China

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

Bioengineering, National Taiwan University

Director

Name: Steven Chang

Nationality: Republic of China

**PhD in Business and Management, Shanghai Jiao
Tong University**

MBA, National University of Governance

**Business Management, National Chung Hsing
University**

Independent Director

Name: Jen-Tien Yuan

Nationality: Republic of China

**MBA, Guanghai School of Management, Peking
University**

Managing partner, Chih Cheng Law Firm Executive

Vice President, EY Management Services Inc.

Director, Chih Lien Industrial Co., Ltd.

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

Supervisor, Wenetgroup Ltd.

Director, Yuan Chen Asset Management Co., Ltd.

Contents

I. Letter to Shareholders

1.1 2023 Business situation.....	1
1.2 2024 Business Plan	2

II. Company Profile

II.1 Company and Group	5
II.2 Company History	7
II.3 Risk Disclosure	8

III. Corporate Governance Report

III.1 Organization.....	9
III.2 Directors, Supervisors and Management Team.....	12
III.3 Remuneration of the Chairman, Directors, Managers and Associate Managers	26
III.4 Implementation of Corporate Governance.....	33
III.5 Information Regarding the Company's Audit Fee and Independence	104
III.6 Replacement of the CPA	104
III.7 Recent Employment of the Chairman, General Managers or Financial Managers who were Employed in an Accounting Firm or its Affiliates.....	105
III.8 Evaluation of the CPA's Independence	105
III.9 Operational Procedures for Handling Material Inside Information	106
III.10 Recent Changes in Equity and Pledged Shares of Directors, Supervisors, Managers and Shareholders Holding Over 10% of the Total Shares	107
III.11 Relationship among the Top Ten Shareholders and their Spousal or Kinship Relationships within the Second Degree.....	108
III.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 .	109

IV. Capital Overview

IV.1 Capital and Shares.....	110
IV.2 Bonds	117

IV.3	Preferred Shares	119
IV.4	Global Depository Receipts	119
IV.5	Employee Stock Options.....	119
IV.6	Restricted Employee Stock Options.....	119
IV.7	Status of New Shares Issuance in Connection with Mergers and Acquisitions	119
IV.8	Financing Plans and Implementation	119

V. Operational Highlights

V.1	Business Activities	120
V.2	Market and Sales Overview	133
V.3	Human Resources.....	142
V.4	Environmental Protection Expenditure	143
V.5	Labor Relations	144
V.6	Information Security Management	149
V.7	Important Contracts.....	151

VI. Financial Information

VI.1	Five-Year Financial Summary	159
VI.2	Financial Analysis	163
VI.3	Supervisors' or Audit Committee's Report in the Most Recent Year.....	166
VI.4	Financial Statements in the Most Recent Year.....	166
VI.5	CPA-Audited Financial Statement in the Most Recent Year.....	166
VI.6	Financial Difficulties in the Most Recent Year	166

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

VII.1	Financial Status	167
VII.2	Analysis of Financial Performance	168
VII.3	Analysis of Cash Flow	169
VII.4	Major Capital Expenditure Items	170
VII.5	Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year.....	170
VII.6	Analysis of Risk Management	172
VII.7	Other Important Matters.....	179

VIII. Special Disclosure

VIII.1 Summary of Affiliated Companies.....	180
VIII.2 In the latest year and as of the date when this annual report was published, any cases of securities private placement	186
VIII.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.....	186
VIII.4 Other necessary supplementary explanation	186
VIII.5 Information Disclosure as prescribed in Clause 2, Paragraph 2, Article 36 of Securities of Exchange Law	186
VIII.6 Differences from Republic of China Shareholder equity protection regulations	186

IX. References

I. Letter to Shareholders

Hello, Dear Shareholders!

First, welcome everyone to attend shareholders meeting of the year 2023 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. Our company's 2023 operating conditions and future prospects are as follows.

1.1 2023 Business situation

I. Operating Results

The total consolidated revenue for 2023 was NT\$7,267,327 thousand, and the consolidated operating margin was NT\$1,522,587 thousand. The total net profit after tax was NT\$1,031,525 thousand, in which vested consolidated net profit after tax to the shareholders of the parent Company was NT\$1,032,845 thousand. The basic earnings per after-tax share merger was NT\$15.60.

II. Net Assets and Liabilities

As of December 31, 2023, the total consolidated assets amounted to NT\$6,756,085 thousand. The total consolidated liabilities were NT\$1,724,639 thousand, which accounted for the merger total consolidated assets of 25.53%. The total consolidated shareholders' equity was NT\$5,031,446 thousand, which marked 74.47% of the total consolidated assets.

III. Profitability Analysis

The Company's consolidated financial statements for 2023 showed that basic earnings per share after tax was NT\$15.60. The net profit was 14.19%. The rate of return on assets was 14.99%, and the return on equity was 21.84%.

IV. Budget Execution

Not applicable as the Company's 2023 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 2023 research and development expenses accounted for 1.18% of net operating revenue. To expedite the process of product development and reduce the defect rate, the Company will continue to invest in mold and metal processing research and upgrades.

1.2 2024 Business Plan

a. Expansion of Production Capacity

To support the future growth of our clients' businesses, our company will continue to invest in equipment and expand production capacity according to their needs. Furthermore, the company will expand its mold factory and related processing equipment. It will also improve the production ratio of molds, inspections, and jigs, as well as increase the speed of product development. Additionally, efforts will be made to accelerate the introduction of automation to mitigate operational risks stemming from rising wages and labor shortages in Vietnam.

b. Increase of the Proportion of Health and Medical products

Equipment manufactures in Europe, the United States, and Japan and seek opportunities for introducing new products. This year, the impact of economic fluctuations in Europe and the United States has led to delays in the mass production of several new development projects. However, all mass production plans are expected to initiate in 2024, and it is expected that the growth of this business can be restored this year.

c. Development of Electric Scooters and Recreational Vehicles

As of the end of 2023, several customers have started mass production or development of their electric scooters. And it is hoped that by leveraging the group's experience and advantages in the production of scooter frames, new business opportunities in the electric scooter sector can be continuously explored. In terms of recreational vehicles, the Company has been actively investing resources to expand business opportunities. The existing brands in North America and Europe are steadily increasing their output volumes, the Company also expects to launch new products in 2024. The relevant business is expected to maintain a high level of growth in the coming years.

d. Development of Automobile Parts

In response to the opportunities presented by electric vehicles and automobile components, our company is not only strengthening cooperation with existing customers but also actively pursuing business development with other manufacturers. Additionally, we are actively expanding into the electric vehicle component business, aiming to contribute to future revenue and profit growth.

Looking back on 2023, the global economy had been gradually stepping away from the impacts of COVID-19, and the production order was also recovering. The operational pressure for our company has significantly decreased, coupled with the quarterly decline in material prices, resulting in a significant improvement in the Company's operation and profitability in 2023. However, affected by the global inflation, manufacturing sectors in most developed countries, such as Europe and the United States, are still in a sluggish state, keeping the general consumer demand relatively low.

Looking ahead to 2024, despite the global impact of inflation, the operating environment has been gradually recovering. The Company's past new development projects and the construction of Baishan II will continue to contribute to a growing profit. Additionally, the Company will enhance its management and production technology while diversifying risks for customers. With professional manufacturing capabilities and a high-quality service concept, the Company is working towards securing new orders from domestic and foreign customers, actively pursuing the following goals:

1. Creating Values through Solid Corporate Governance

To align with the policy of the Financial Supervisory Commission, Eurocharm has launched "Corporate Governance 3.0 - Sustainable Development Blueprint." Based on robust corporate governance, our company actively delivers high-quality and diversified precision machinery to customers by applying advanced manufacturing technology and comprehensive solutions tailored to meet their specific product needs. Eurocharm aims to maximize benefits for shareholders and foster the development of its employees. We aspire to become an esteemed enterprise trusted by society, maintaining strong interactions with stakeholders, and consistently creating corporate value.

2. Constant Promotion of Smart Manufacturing

Since 1983, Eurocharm has been utilizing welding robots and continuously introducing automatic production. During the Industry 4.0 era, we have been constantly progressing. The Company focuses on building intelligent production systems, equipment, and management process based on data. By integrating design, production, and services, we have successfully reduced costs, improved manufacturing efficiency, and enhanced product quality and customer experience, contributing to advancements in the industrial landscape. Moving forward, Eurocharm will further develop automation by implementing TOYOTA lean production principles. This involves optimizing the system structure, personnel organization, operational methods, and market supply and demand. We will also integrate the MES project to ensure our production system can quickly adapt to changing demands, eliminating unnecessary processes and strengthening our production management model.

3. Mitigating the Environmental Impact

COP28, also known as the United Nations Climate Change Conference kicked off on November 30, 2023, in the United Arab Emirates (UAE), one of the world's top ten oil-producing countries. This marked the first "Global Stocktake" in eight years since the 2015 Paris Agreement, reviewing the climate actions of 200 countries. The purpose of the Global Stocktake is to ensure that countries not only commit to their NDCs and submit plans but also to verify if they are on track to meet their commitments. As a responsible corporate citizen, Eurocharm initiated a group-wide greenhouse gas inventory in September 2022 and completed the inventory for 2022 in June 2023. We are committed to continuing carbon reduction efforts to mitigate the impacts of climate change on businesses. Additionally, we are actively evaluating the feasibility of solar energy installation to align with the global need for a rapid transition to clean energy, aiming to significantly reduce

greenhouse gas emissions by 2030.

4. Providing a Friendly Environment and Ensuring Employee Health and Industrial Safety

Our environmental improvement and equipment replacement projects are being carried out for noise, dust, air, sewage treatment systems, lighting, and electric furnace usage. We will also strive to maintain our factories as green facilities and work towards energy conservation and carbon reduction goals. Simultaneously, we are continuously implementing significant changes in employee engagement, safe production practices, work environment enhancement, quality improvement, reduced delivery times, decreased non-productive working hours, and enhanced employee compensation and benefits. Our objective is to enhance the cohesion of the factory, improve internal management, and continually enhance our work environment and labor conditions to safeguard the legal rights of our employees and create a workplace that brings them happiness.

5. Diversity, Inclusion, and Cultivation of International Talents

Diversity, Equity, and Inclusion (DEI) has become a mainstream trend among multinational corporations, inevitably facing this wave in the era of globalization. We aim to embrace a more diverse range of perspectives as well as to effectively cultivate proactive problem-solving abilities and international viewpoints among all levels of management. The Company continues to collaborate with external experts to develop training programs tailored to individual traits and job attributes, aiming to cultivate and retain outstanding management and technical talents. This focus lays a more solid foundation for the Company's sustainable development. Looking ahead, we will continue to actively expand into leisure vehicle components and medical equipment and pursue international strategies, ensuring sustainable growth in performance and profits. Meanwhile, we will adhere to the sustainable strategy blueprint, fulfilling corporate responsibilities to achieve sustainable operations.

The Company would like to thank all our shareholders for your persistent support and trust. We uphold the value of “challenging excellence and cherishing each opportunity”, which has taken the Company from its humble origin to the accomplishments which we all share. Eurocharm Group will continue to live up to all shareholders’ expectations by improving our competitiveness and creating profits. Finally, we would like to thank all our shareholders and dedicated colleagues once again for their long-standing support and encouragement. We extend our highest respect to all of you!

Sincerely yours,

Chairman

Steven Yu/s/

General Manager

Andy Wu/s/

Chief Accountant

James Chan/s/

II Company Profile

2.1 Company and Group

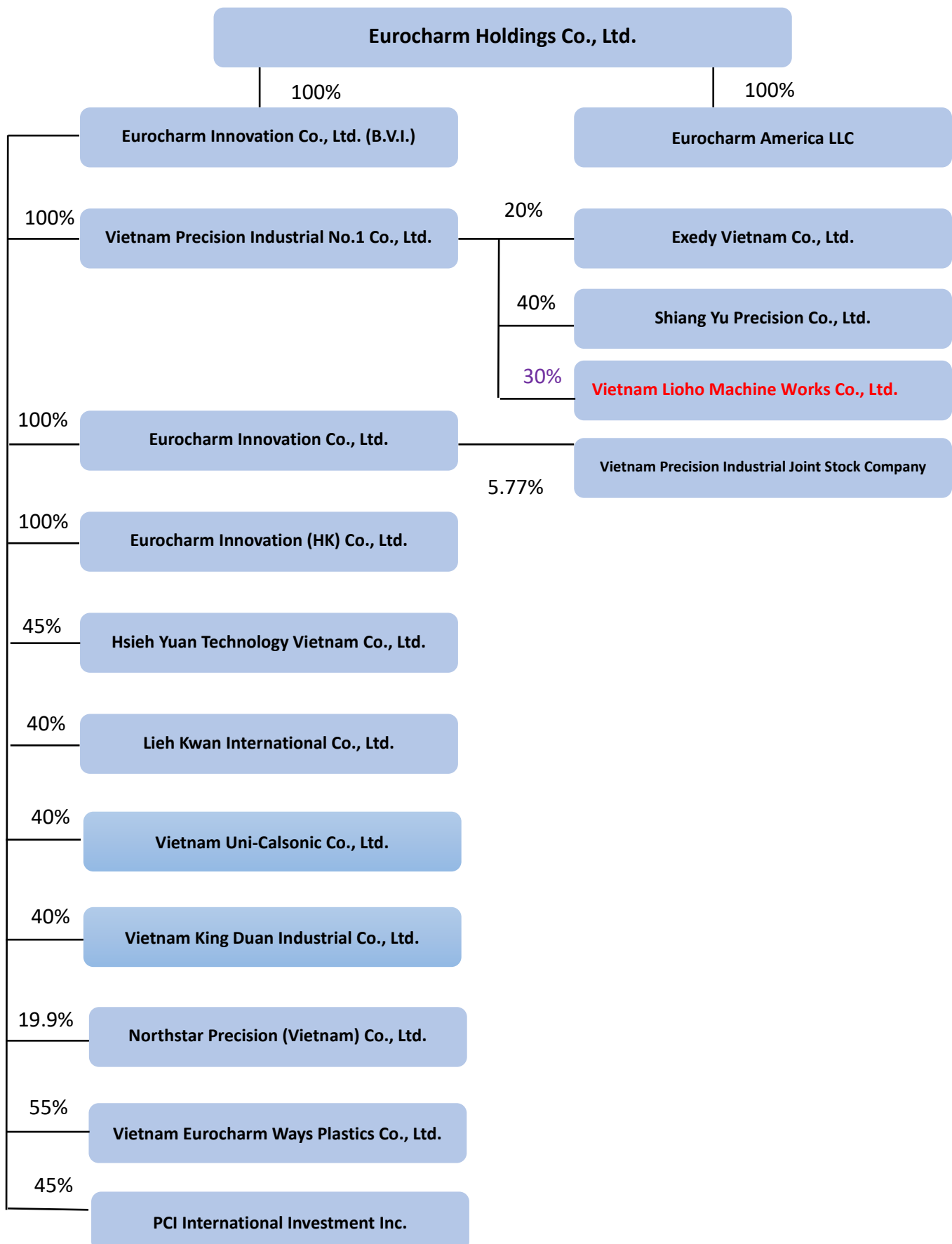
1. Date of Establishment and the Group Profile

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

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

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

2. Group Structure (03/31/2024)



2.2 Company History

1974	Established Eurocharm Taiwan as a professional manufacturer of motorcycle parts
1983	Introduced and utilized an automated welding robot production line
1988	Initiated the production of healthcare equipment parts and products
1994	Began the production of walkers and rollators
2001	Established Vietnam Precision Industrial No.1 Co., Ltd. (“VPIC1”)
2002	Installed stamping, tube bending, robotic welding, as well as, liquid and powder coating production lines, and VPIC1 started mass production.
2003	Launched aluminum die-casting, CNC machining and passed the ISO9001 certification
2004	Stationed epoxy-based e-coating production line
2006	Jointed venture with EXEDY Japan to establish EXEDY Vietnam, main products are motorcycle clutches, holding 20% of the shares.
2007	Passed the ISO/TS16949 and ISO14001 certification
2009	Introduced hydraulic stamping production line up to 1,200 tons
2010	Jointed venture to establish Hsieh Yuan Technology Vietnam Co, Ltd. which specializes in zinc, nickel, chromium, and hard chrome plating
	Passed the ISO13485 certification
2011	Restructured the organization of the group to establish Eurocharm Holdings Co., Ltd. Eurocharm Holdings Co., Ltd. issued a US\$17,000,000 stake in acquiring the shares of Eurocharm Innovation Co., Ltd. 100% owned by New General Ltd. and Seashore Group Ltd.
2012	After a capital increase of US\$473,537, the Company's share capital was US\$17,473,537, US\$1 per share, 17,473,537 shares in total
2013	Introduced liquid painting production line
	Re-elected the 7 directors including 3 independent directors. Set up the Audit and Remuneration Committees. The share capital of Eurocharm Holdings Co., Ltd. was converted from US\$17,473,537 with the ratio of 1: 3.2548746 into denomination of NT shares per share on October 25, 2013, at the provisional shareholders' meeting. After the conversion, the Company's capital was NT\$568,741,530, each denomination was NT\$10, 56,874,153 shares in total
2014	Installed a Mitsubishi 3D laser cutting machine
	Awarded with Ford Q1 Preferred Quality Award
	Publicly listed in Taiwan Stock Exchange (TWSE)
2015	Installed TRUMPF TruLaser Tube
	Passed the OHSAS18001 certification
	Established Apex Precision Industrial Ltd.
2016	Established Optimal Victory Ltd.
2017	Construction Completion of the 5 th Factory in Vietnam
2018	Acquired 155,000 square meters of land use rights in Baishan II Industrial Zone

Annual Report 2023

	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
2022	Established PCI International Investment Inc. with the Company holding 45% of the shares
2023	Acquired the land use right for the 100,000-square-meter Baishan II Industrial Zone
	Joint venture to establish Vietnam Lioho Machine Works Co., Ltd. by holding 30% of the shares

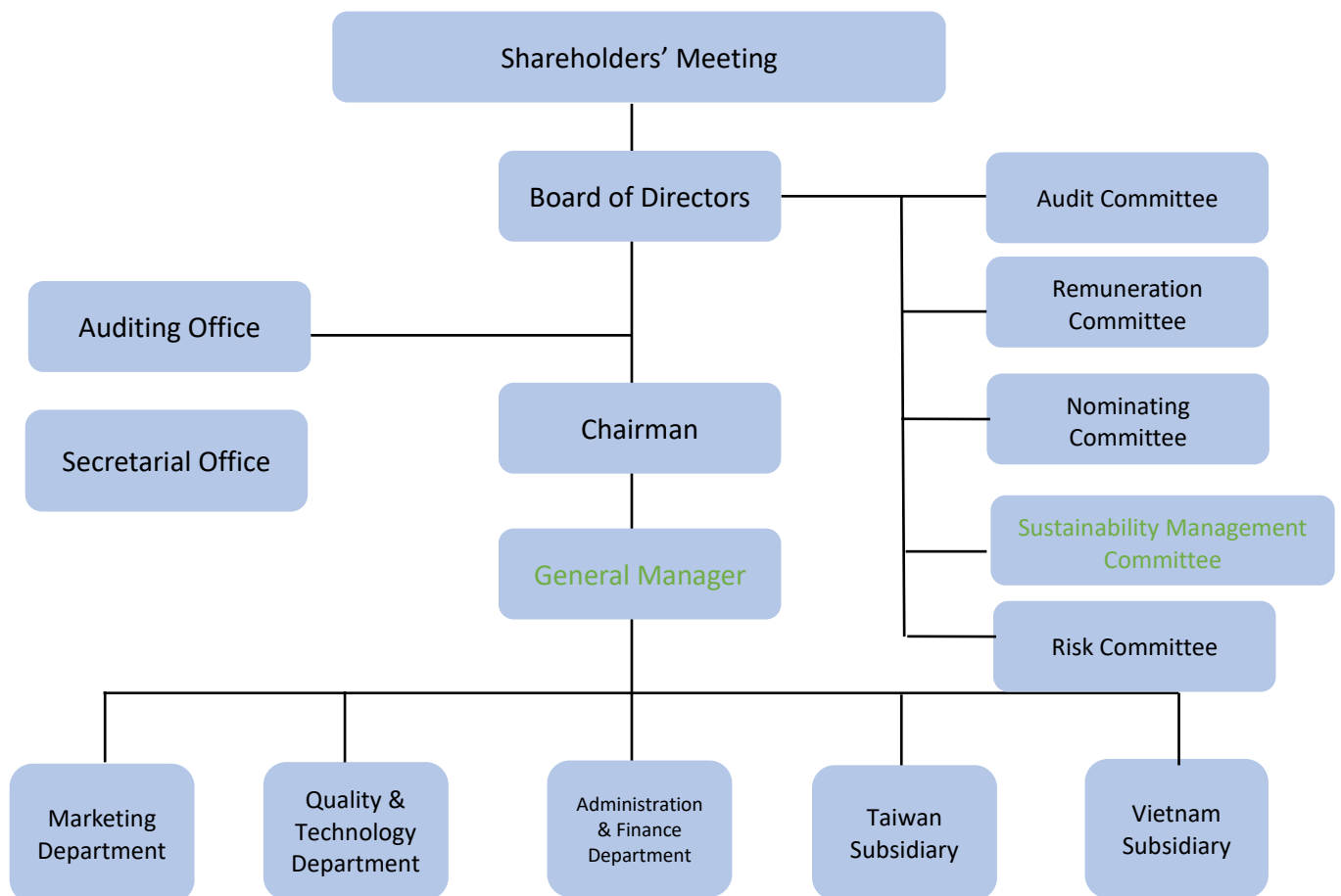
2.3 Risk Disclosure

Please see page 172 for details.

III Corporate Governance Report

3.1 Organization System

3.1.1 Organizational Structure



3.1.2 Departments

[Chairman]

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

[Audit Committee]

Oversees the financial reporting and the implementation of the business.

[Compensation Committee]

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

[Sustainability Management Committee]

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

[Risk Committee]

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

[Nomination Committee]

Develops and regularly reviews director training plans, succession plans for directors and senior executives, and the Company's corporate governance practices.

[General Manager]

Executes the organization's vision and oversees the management.

[Auditing Office]

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

[Secretarial Office]

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

[Administration & Finance Department]

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

Manages the information security governance system as well as formulates and plans the information security protection mechanism; develops, coordinates, and supervises the operation of information security management systems in various subsidiaries, overseeing the overall information security risks and implementation.

[Marketing Department]

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

[Quality & Technology Department]

Annual Report 2023

Develops new designs and reviews quality control of the products.

[Taiwan Subsidiary]

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

[Vietnam Subsidiary]

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

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

1. Directors

04/02/2024

Unit: Thousand Shares

Title	Name	Gender / Age	Nationality / Companies Registry	Date of First Elected	Date Elected	Term (Years)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director (Corporate Shareholder)	New General Limited		Samoa			3	13,833	20.72	13,833	20.72	-	-	-	-	-	-	-	-	-	
Chairman (Legal Representative)	Steven Yu	Male / 60-65	R.O.C.	07/18/2011	05/31/2022	3	-	-	-	-	-	-	-	-	EMBA-National Taiwan University Mechanical Engineering-Lunghwa University of Science and Technology	Note 1	Director	Michael Yu	Brother	Note 3
																	Director	Antonio Yu	Brother	
Director (Corporate Shareholder)	Seashore Group Limited		Samoa			3	24,769	37.11	24,769	37.11	-	-	-	-	-	-	-	-	-	
Director (Legal Representative)	Michael Yu	Male / 60-65	R.O.C.	07/18/2011	05/31/2022	3	117	0.18	117	0.18	-	-	-	-	Business Management-National Chung Hsing University Business Management-	Note 1	Director	Steven Yu	Brother	
																	Director	Antonio Yu	Brother	

Annual Report 2023

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	
															National Taipei University of Business					
Director	Antonio Yu	Male / 50-55	R.O.C.	05/31/2022	05/31/2022	3	116	0.17	166	0.17	-	-	-	-	Industrial Engineering-University of Wisconsin-Madison Bioengineering-National Taiwan University	Note 1	Director	Steven Yu	Brother	
																	Director	Michael Yu	Brother	
Director (Natural Person)	Steven Chang	Male / 60-65	R.O.C.	06/19/2013	05/31/2022	3	-	-	-	-	-	-	-	-	PhD in Business and Management-Shanghai Jiao Tong University MBA-National University of Governance Business Management-National Chung Hsing University	Note 1	-	-	-	
Independent Director (Natural Person)	Yi-Ren Guo	Male / 65~70	R.O.C.	05/31/2022	05/31/2022	3	-	-	-	-	-	-	-	-	Transportation Engineering and Management, National Chiao Tung University Administrator, China Steel Corporation Manager, China Steel Aluminum Corporation	Note 1				

Annual Report 2023

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	
															President, China Steel Global Trading Corporation					
Independent Director (Natural Person)	Yen-Hsi Lin	Female/ 55~60	R.O.C.	05/31/2022	05/31/2022	3	-	-	-	-	-	-	-	-	Philosophy, Fu Jen Catholic University General Manager, DDI-Asia/Pacific International Ltd. (Taiwan) Senior Advisor, Asia/Pacific Region, Caliper Human Strategies	Note 1	-	-	-	
Independent Director (Natural Person)	Jen-Tien Yuan	Male / 60-65	R.O.C.	05/31/2022	05/31/2022	3									MBA, Guanghua School of Management, Peking University Managing partner, Chih Cheng Law Firm Executive Vice President, EY Management Services Inc.	Note 1	-	-	-	

Annual Report 2023

Note 1: Summary table of directors' concurrent positions in the company and other companies

Title	Name	Other Positions
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-Calsonic Co., Ltd. Director, Vietnam Eurocharm Ways Plastics Company Limited Director, PCI International Investment Inc. (B.V.I.) Director, Vietnam Lioho Machine Works Co., Ltd.
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-Calsonic Co., Ltd. Supervisor, Vietnam Eurocharm Ways Plastics Company Limited
Director	Antonio Yu	Director, Eurocharm Innovation Co., Ltd. Director, Song Fong Development Co., Ltd. Chairman, Taiwan Techno State Co., Ltd. Director, Eurocharm Innovation Co., Ltd. (B.V.I.) Director, Vietnam Precision Industrial No.1 Co., Ltd.

Annual Report 2023

		Director, New General Ltd. Director, Seashore Group Ltd. Director, Lien Kwan International Co., Ltd. Director, Northstar Precision (Vietnam) Co., Ltd. Director, Vietnam Lih Kwan Co., Ltd. Supervisors, Vietnam King Duan Industrial Co., Ltd. Supervisor, PCI Vietnam Co., Ltd. Supervisor, Vietnam Lioho Machine Works 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, Jetway Information Co. Ltd. Director, Entire Technology Co., Ltd.
Independent Director	Yi-Ren Guo	Advisor, China Steel Global Trading Corporation
Independent Director	Yen-Hsi Lin	Independent Director, Entire Technology Co., Ltd. Director, iMozen Group Independent Director, LandMark Optoelectronics Corporation Representative Director, Commonwealth Education Media and Publishing Co., Ltd. Director, Teach for Taiwan
Independent Director	Jen-Tien Yuan	Partner, Yuan, Chen & Partners Attorneys-at-Law Director, Yuan Chen Asset Management Co., Ltd. Director, Fu DingYu Co., Ltd. Supervisor, Laichun Investment Co.,Ltd. Supervisor, Ma He Investment Co.,Ltd. Supervisor, HERMIND Co., Ltd. Director, Innoprime international technology Co., Ltd. Independent Director, Techzone Technology Material Co., Ltd.

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

2. Supervisors: The Company has set up an audit committee, and there were no supervisors.

3.2.2 Major Shareholders of the Corporate Shareholders

04/02/2024

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

3.2.3 Major Shareholders of the Company's Major Institutional Shareholders

04/02/2024

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

3.2.4 Disclosure of Professional Qualifications of Directors and Independence of Independent Directors

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

Annual Report 2023

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
	for the Business of the Company			

Note 1: None of the directors and independent directors mentioned above has been involved in any of the circumstances specified in the provisions of Article 30 of the Company Act.

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-Calsonic Co., Ltd. Director, Vietnam Eurocharm Ways Plastics Company Limited Director, PCI International Investment Inc. (B.V.I.) Director, Vietnam Lioho Machine Works Co., Ltd.
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-Calsonic Co., Ltd. Supervisor, Vietnam Eurocharm Ways Plastics Company Limited
Director	Antonio Yu	Director, Eurocharm Innovation Co., Ltd. Director, Song Fong Development Co., Ltd. Chairman, Taiwan Techno State Co., Ltd. Director, Eurocharm Innovation Co., Ltd. (B.V.I.) Director, Vietnam Precision Industrial No.1 Co., Ltd. Director, New General Ltd. Director, Seashore Group Ltd. Director, Lien Kwan International Co., Ltd. Director, Northstar Precision (Vietnam) Co., Ltd. Director, Vietnam Lieh Kwan Co., Ltd. Supervisors, Vietnam King Duan Industrial Co., Ltd. Supervisor, PCI Vietnam Co., Ltd.

Title	Name	Experience
		Supervisor, Vietnam Lioho Machine Works 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, Jetway Information Co. Ltd. Director, Entire Technology Co., Ltd.
Independent Director	Yi-Ren Guo	Advisor, China Steel Global Trading Corporation
Independent Director	Yen-Hsi Lin	Independent Director, Entire Technology Co., Ltd. Director, iMozen Group Independent Director, LandMark Optoelectronics Corporation Representative Director, Commonwealth Education Media and Publishing Co., Ltd. Director, Teach for Taiwan
Independent Director	Jen-Tien Yuan	Partner, Yuan, Chen & Partners Attorneys-at-Law Director, Yuan Chen Asset Management Co., Ltd. Director, Fu DingYu Co., Ltd. Supervisor, Laichun Investment Co., Ltd. Supervisor, Ma He Investment Co., Ltd. Supervisor, HERMIND Co., Ltd. Director, Innoprime international technology Co., Ltd. Independent Director, Techzone Technology Material Co., Ltd.

Note 2: The independence status of directors during the two years prior to their appointment and during their term of office. (Those meeting the criteria 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 the Directors and Independence of the Independent Directors

1. Diversity Policies of the Board of Director:

In accordance with the “Practical Guidelines on Corporate Governance” established by the Company, it is stipulated that the composition of the board of directors should be diversified. According to the operation type and development needs, the Company formulates a diversified policy for basic qualification and professional knowledge and skills. When appointing directors, the Company not only considers the professional background of the directors, but also diversity. The Company has a total of 7 directors, 3 of them are independent directors. Their backgrounds cover management, finance, law, investment, etc. The members of the board of directors have diverse backgrounds in industry, academia, and knowledge and can give professional opinions from different areas, which is greatly beneficial for improving the Company’s operating performance and management efficiency.

2. Objectives of our Diversity Management:

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

Expertise	Relevant Experience	Number of Directors
Board/Committee Leadership	Management and leadership experience is seen as a strategic asset for the board of directors 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	1
The Law Profession		1

Diversity Status of the Board Members:

Item Name \	Basic Component								Ability							
	Natio nality / Count ry of Origin	Gender	As An Empl oyee	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	< 3	6-9								
Steven Yu	ROC	Male	V			V			V		V	V	V	V	V	V
Michael Yu	ROC	Male	V			V			V	V	V	V	V	V	V	V
Antonio Yu	ROC	Male	V		V				V		V	V	V	V	V	V
Steven Chang	ROC	Male				V			V	V	V	V		V	V	V
Yi-Ren Guo	ROC	Male				V	V		V	V	V	V	V	V	V	V
Yen-Hsi Lin	ROC	Female			V		V				V	V		V	V	V
Jen-Tien Yuan	ROC	Male				V	V			V	V	V		V	V	V

3. Independence of the Board of Directors:

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 3.2.1 Directors information and 3.2.4, Disclosure of information on

Annual Report 2023

the professional qualifications of directors and the independence of independent directors. As specified in the directors information table mentioned above, 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 are no circumstances specified in the Item 3 and 4, Article 26-3 of the Securities and Exchange Act.

Annual Report 2023

3.2.6 The Management Team

04/02/2024 (Book Closure Date); Unit: Share

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
General Manager	ROC	Andy Wu	Male	12/20/2016	107,225	0.16%	-	-	-	-	Lee-Ming Institute of Technology Automation Management, Tatting Company	Note 1	-	-	-	
Deputy General Manager	ROC	James Chan	Male	09/23/2013	50,000	0.07%	-	-	-	-	Business Management, National Taipei University of Business Associate Manager, Eurocharm Innovation Co., Ltd.	Note 1	-	-	-	
Deputy General Manager	ROC	Chien-Chin Chan	Male	09/23/2013	148,298	0.22%	-	-	-	-	KaiMing Technical and Commercial Vocational School Manager, Bank SinoPac Shanghai	Note 1	-	-	-	
Deputy General Manager	ROC	Cheng-Wen Wang	Male	12/20/2016	28,015	0.04%	-	-	-	-	Deputy General Manager, Production Line, Vietnam Precision Industrial No.1 Co., Ltd.	Note 1	-	-	-	
Supervisor - Taiwan Office	ROC	Huang-Li Yang	Male	12/24/2019	-	-	-	-	-	-	Manager, Research & Development, Eurocharm Innovation Co., Ltd.	Note 1	-	-	-	
Senior Manager	ROC	Hung-Yi Kao	Male	06/10/2022	73,114	0.11%	146,000	0.22%	-	-	Master of Accounting, Chung Yuan Christian University Team Supervisor, Ernst & Young Accounting Firm	Note 1	-	-	-	

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

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

Note 1: Cases of employed managers having worked in the audit and signing accounting firm or its affiliates: None

3.3 Remuneration of the Chairman, Directors, General Managers and Deputy General Managers

3.3.1 Remuneration of Directors (Including Independent Directors)

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)						
		The Company	All companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	Cash	Stock	Cash	Stock	The company	Companies in the consolidated financial statements	
Chairman (Legal Representative)	Steven Yu (Note)	2,288	2,288	-	-	4,500	4,500	-	-	6,788 0.66	6,788 0.66	-	1,150	-	-	-	-	-	-	6,788 0.66	7,938 0.77	N/A
Director (Legal Representative)	Michael Yu (Note)	-	-	-	-	1,500	1,500	-	-	1,500 0.15	1,500 0.15	1,440	2,542	-	-	2,604	-	2,604	-	5,544 0.54	6,646 0.64	N/A
Director	Antonio Yu	-	-	-	-	1,900	1,900	-	-	1,900 0.18	1,900 0.18	1,730	2,542	-	-	2,604	-	2,604	-	6,234 0.60	7,046 0.68	N/A
Director	Steven Chang	-	-	-	-	1,000	1,000	120	120	1,120 0.11	1,120 0.11	-	-	-	-	-	-	-	-	1,120 0.11	1,120 0.11	N/A
Independent Director	Yi-Ren Guo					1,030	1,030	120	120	1,150 0.11	1,150 0.11	-	-	-	-	-	-	-	-	1,150 0.11	1,150 0.11	N/A
Independent Director	Yen-Hsi Lin					1,030	1,030	120	120	1,150 0.11	1,150 0.11	-	-	-	-	-	-	-	-	1,150 0.11	1,150 0.11	N/A
Independent Director	Jen-Tien Yuan					1,040	1,040	120	120	1,160 0.11	1,160 0.11	-	-	-	-	-	-	-	-	1,160 0.11	1,160 0.11	N/A
Total		2,288	2,288	-	-	12,000	12,000	480	480	14,768 1.43	14,768 1.43	3,170	6,234	-	-	5,208	-	5,208	-	23,146 2.24	26,210 2.53	-

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

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

a. According to the Company's Articles of Incorporation, the Board of Directors is authorized to determine the salary for the Chairman and Directors, taking into account the extent and value of

Annual Report 2023

the services provided for the management of the Corporation and the standards of the industry within the R.O.C. and overseas.

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

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

Annual Report 2023
Ranges of Remuneration

Ranges of Remuneration	Name of the Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial statements H	The Company	Companies in the consolidated financial statements I
Under NT\$ 1,000,000				
NT\$1,000,001 ~ NT\$2,000,000	Michael Yu, Antonio Yu, Steven Chang, Yi-Ren Guo, Yen-Hsi Lin, Jen-Tien Yuan	Michael Yu, Antonio Yu, Steven Chang, Yi-Ren Guo, Yen-Hsi Lin, Jen-Tien Yuan	Steven Chang, Yi-Ren Guo, Yen-Hsi Lin, Jen-Tien Yuan	Steven Chang, Yi-Ren Guo, Yen-Hsi Lin, Jen-Tien Yuan
NT\$2,000,001 ~ NT\$3,500,000	-	-		-
NT\$3,500,001 ~ NT\$5,000,000				
NT\$5,000,001 ~ NT\$10,000,000	Steven Yu	Steven Yu	Steven Yu, Michael 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

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

3.3.2 Remuneration of Supervisors

N/A, no supervisors at the Company.

3.3.3 Remuneration of the General Manager and the Deputy General Managers

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the president and vice president from an invested company other than the company's subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General Manager ¹	Andy Wu	1,037	3,668	-	113	-	239	3,348	-	3,348	-	4,385 0.43%	7,368 0.71 %	-
Deputy General Manager	James Chan	1,343	2,501	-	-	-	150	2,088	-	2,088	-	3,431 0.33%	4,739 0.46%	-
Deputy General Manager	Chien-Chin Chan	633	2,662	-	128	-	152	2,243	-	2,243	-	2,876 0.28%	5,185 0.50%	-
Deputy General Manager	Cheng-Wen Wang	842	2,749	-	36	-	155	2,126	-	2,126	-	2,968 0.29%	5,066 0.49%	187

Note: 2023 Target implementation status: The General Manager and senior executives have performance targets set with sustainability performance indicators, which are reflected in variable compensation.

Annual Report 2023

Ranges of Remuneration	Names of the General Manager and Deputy General Manager	
	The Company	Companies in the consolidated financial statements
Under NT\$ 1,000,000		
NT\$1,000,001 ~ NT\$2,000,000		
NT\$2,000,001 ~ NT\$3,500,000	James Chan, Chien-Chin Chan, Cheng-Wen Wang	
NT\$3,500,001 ~ NT\$5,000,000	Andy Wu	James Chan
NT\$5,000,001 ~ NT\$10,000,000		Andy Wu, Chien-Chin Chan, Cheng-Wen Wang
NT\$10,000,001 ~ NT\$15,000,000		
NT\$15,000,001 ~ NT\$30,000,000		
NT\$30,000,001 ~ NT\$50,000,000		
NT\$50,000,001 ~ NT\$100,000,000		
Total	4	4

3.3.4 Remuneration of The Executive Officers

12/31/2023 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	16,140	16,140	1.56
	Executive Assistant	Antonio Yu				
	General Manager	Andy Wu				
	Deputy General Manager	James Chan				
	Deputy General Manager	Chien-Chin Chan				
	Deputy General Manager	Cheng-Wen Wang				
	Supervisor	Huang-Li Yang				
	Senior Manager	Hung-Yi Kao				

3.3.5 Analysis of the total amount of remuneration paid to directors, general managers, and deputy general managers of the Company and all companies on the consolidated statements in the past two years as a percentage of net profit after tax, with an explanation of the policy, standards and composition of remuneration, the process of setting remuneration, and its relevance to operational performance and future risks:

A. Analysis of the total amount of remuneration paid to directors, general managers, and deputy general managers of the Company and all companies on the consolidated statements in the past two years as a percentage of net profit after tax:

Title	2022				2023			
	Total remuneration paid to directors, supervisors, presidents and vice presidents (thousands)		Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net profit (%)		Total remuneration paid to directors, supervisors, presidents and vice presidents (thousands)		Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net profit (%)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Directors	19,958	23,501	2.13	2.51	20,966	24,509	2.03	2.38
General Manager, Deputy General Managers	9,129	18,135	0.98	1.94	13,661	22,359	1.32	2.17
Net profit after tax	935,998				1,031,525			

Note 1: The net profits in 2023 and 2022 refer to the after-tax net profits in the financial reports.

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

(1) The director's remuneration shall be determined in accordance with Article 34.1 of the Company's articles of association. The remuneration for performing duties, according to the degree of participation and contribution value of individual directors, shall be determined and negotiated by the Board of Directors referring to other companies in the industry. In addition, if the Company has a profit in the current year, according to the provisions of Article 34.1 of the Company's articles of association, it may be used as the remuneration of the directors of the current year within the limit of 2% of the profit of the current year. The Company regularly evaluates the remuneration of directors in accordance with the "Measures for the Performance Evaluation of the Board of Directors". The performance measurement standard of the chairman is based on the results of the Company's annual

operating indicators related to operations, governance, and financial results. The evaluation scope includes pre-tax net profit, customer Satisfaction and corporate governance evaluation and other three indicators, related performance evaluation and remuneration rationality are reviewed by the Remuneration Committee and the Board of Directors.

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

C. Procedures of Determining the Remuneration

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

(2) The self-evaluation results of the members of the Board of Directors and the various functional committees for the year 2023 all significantly exceeded the standards. In addition, measures to prevent unnecessary spending were carried out. As a result, the Company's profit has exceeded expectations, and all performances of all managers have met or exceeded the targets in 2023. The Company's annual operational indicators have also reached the highest standards for the year 2023.

(3) The performance assessment and compensation of the directors and managers are evaluated and reviewed annually by the Remuneration Committee and the Board of Directors. In addition to individual performance achievement rate and contribution to the Company, the evaluation also considers the overall operational performance of the Company, future risks in the industry and development trends. The Company also regularly reviews the remuneration system in accordance with the actual business situation and relevant laws and regulations. Furthermore, after considering the current trend of corporate governance, reasonable compensation is provided to achieve a balance between sustainable business and risk management. The actual amount of remuneration for directors and managers for the year 2023 is determined by the Board of Directors based on the proposals from the Remuneration Committee.

D. Relevance to the Business Performance and Future Risks

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

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

E. Measures on the relevance of remuneration to ESG

To motivate senior managers, outstanding key professionals, and all employees to focus on long-term comprehensive performance and achieve sustainable operations, the six major sustainable development strategies and goals will be linked to the short-term and long-term incentive compensation of the general manager, senior managers, and department heads starting from 2023.

1. General Manager: Performance Indicators- Sustainable development (20%), implementation method (weights): innovation of green products (2%), transition to low emission production (10%), occupational health and safety (4%), and others (4%)
2. Senior managers: Performance Indicators- Sustainable development (15%): transition to low emission production (10%), sustainably responsible procurement (5%)
3. Department heads: Performance Indicators- Sustainable development (15%): transition to low emission production (10%), circular economy (5%)

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

A total of 6 (A) meetings of the Board of Directors were held in the most recent year (2023). The attendance of directors and supervisors was as follows:

Annual Report 2023

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Chairman	New General Limited Representative: Steven Yu	6	0	100	Elected on 5/31/2022
Director	Seashore Group Ltd. Representative: Michael Yu	5	1	83.33	Elected on 5/31/2022
Director	Antonio Yu	5	1	83.33	Elected on 5/31/2022
Director	Steven Chang	6	0	100	Elected on 5/31/2022
Independent Director	Yi-Ren Guo	6	0	100	Elected on 5/31/2022
Independent Director	Yen-Hsi Lin	6	0	100	Elected on 5/31/2022
Independent Director	Jen-Tien Yuan	6	0	100	Elected on 5/31/2022

Other noteworthy items:

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

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

Meeting Date	Session	Content of the Proposals	Opinions and Suggestions from the Independent Directors and the Measures in Response
02/24/2023	The 7th of the 5th Session	<p>The distribution of the earnings for the year 2022.</p> <p>The Company's endorsement and guarantee for the subsidiary companies.</p> <p>The Company's loan financing.</p> <p>The proposed acquisition of share rights through investment from the subsidiary company, Vietnam Precision Industrial No. 1 Co., Ltd.</p> <p>The acquisition of the right to land use of the subsidiary company, Vietnam Precision Industrial No. 1 Co., Ltd.</p>	

Annual Report 2023

Meeting Date	Session	Content of the Proposals	Opinions and Suggestions from the Independent Directors and the Measures in Response
		The Amendment of the guidelines for managing subsidiary companies.	Unanimous consent
05/09/2023	The 8th of the 5th Session	The Company's endorsement and guarantee for the subsidiary companies. The amendment of the acquisition of the land usage right of the subsidiary company, Vietnam Precision Industrial No. 1 Co., Ltd.	
06/20/2023	The 9th of the 5th Session	The Company's endorsement and guarantee for the subsidiary companies. The addition to relevant management guidelines of the Company.	
08/08/2023	The 10th of the 5th Session	The Company's distribution of remuneration for the directors of the year 2022. The Company's earnings distribution for the first half year of 2023. The Company's endorsement and guarantee for the subsidiary companies. The proposed investment in Treasure Zone Developments Ltd. from the subsidiary company, Eurocharm Innovation Co., Ltd. (B.V.I.)	
10/31/2023	The 11th of the 5th Session	The appointment of the Company's internal audit supervisor.	
12/26/2023	The 12th of the 5th Session	The appointment of Ernst & Young LLP as an Independent Accountant for the Company's 2024 Financial Statements. The Company's endorsement and guarantee for the subsidiary companies.	

(b) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that requires a resolution by the board of directors: None.

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

Annual Report 2023

3. Performance Evaluation of the Board of Directors

Cycle	Period	Scope	Method	Evaluation
Every year	01/01/2023 – 12/31/2023	Performance evaluation of the Board of Directors	Through the “Self-evaluation Questionnaire for Performance”, filled out by the Board of Directors	The “Self-evaluation Questionnaire for Performance of the Board of Directors” includes five aspects: the level of participation in the Company's operations, the enhancement of the quality of the board's decision-making, the composition and structure of the board, the selection and continuing education of the directors, and internal control. In total, there are 48 assessment indicators.
Every year	01/01/2022 – 12/31/2022	Performance evaluation of the Board of Directors	Through the “Self-evaluation Questionnaire for Performance”, filled out by the Board of Directors	The “Self-evaluation Questionnaire for Performance of the Board of Directors” includes five aspects: the level of participation in the Company's operations, the enhancement of the quality of the board's decision-making, the composition and structure of the board, the selection and continuing education of the directors, and internal control. In total, there are 48 assessment indicators.
Every three years (completed by an external independent institution)	01/01/2021 – 12/31/2021	Effectiveness of the Board of Directors to be assessed, analyzed, and reported externally	Performed by Ernst & Young Business Advisory Solutions (documents review, self-assessment questionnaire, and field interview)	On Aug. 4, 2020, the Board of Directors approved the revision of the “Measures for Performance Evaluation of the Board of Directors”, specifying that an external performance evaluation of the Board of Directors should be carried out at least once every three years. The most recent execution was in 2021, the Company 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 evaluation reviews aspects such as the board structure and process of the board of directors, the composition of the board of directors, the legal person and organizational structure, roles and responsibilities, behavior and culture, director training and development, risk control supervision, reporting / disclosure, and performance supervision, etc. In Jan. 2022, an evaluation report on the effectiveness of the board of directors was issued, and the above-mentioned recommendations and expected measures were submitted to the Board of Directors on 02/25/2022. Please refer to the Company's website: http://www.eurocharm.com.tw/esg/公司治理/董事會 for the relevant evaluation results and reports.

4. Goals and assessment of the implementation of enhancing the functions of the Board of Directors for the current and recent fiscal years:

- (1) To strengthen the functions of the board of directors, the Company established an audit committee and a

Annual Report 2023

remuneration committee on June 21, 2013. All the committee members are the Company's independent directors.

- (2) For information transparency, the Company has 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 2023.
- (4) The attendance of the independent directors in 2023:

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

2023	1 st	2 nd	3 rd	4 th	5 th	6 th
Yi-Ren Guo	V	V	V	V	V	V
Yen-Hsi Lin	V	V	V	V	V	V
Jen-Tien Yuan	V	V	V	V	V	V

3.4.2 The Audit Committee

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

Professional Qualification of the Audit Committee Members:

Member	Professional Qualification and Experiences
Yi-Ren Guo	Mr. Yi-Ren Guo has over 40 years of experience in the production and sales of materials such as steel and aluminum alloys. He served as the manager and general manager in China Steel Corporation, China Steel Aluminum Corporation, and China Steel Global Trading Corporation. Mr. Guo graduated from the Department of Transportation Engineering and Management at Jiao Tong University.
Yen-Hsi Lin	Ms. Yen Hsi Lin currently serves as the General Manager of DDI-Asia/Pacific International Ltd. (Taiwan) and the Senior Advisor- Asia/Pacific Region of Caliper Human Strategies. She also holds several other positions, including Independent Director of the Entire Technology, Director for iMozen Group, Independent Director of LandMark Optoelectronics Corporation, Director of the Commonwealth Education Media and Publishing Co., Ltd., and Director of Teach for Taiwan organization. Ms. Lin holds a bachelor's degree in philosophy from Fu Jen Catholic University.
Jen-Tien Yuan	Mr. Jen-Tien Yuan graduated from the Department of Law at National Taiwan University

	and has an M.B.A. degree from Peking Guanghua School of Management. His professional experience includes serving as the Managing Partner at Chih Cheng Law Firm, Executive Vice President at EY Management Services Inc., Director at Chih Lien Industrial Co., Ltd. Mr. Yuan is currently the Partner at Yuan, Chen & Partners Attorneys-at-Law, Director of Yuan Chen Asset Management Co., Ltd., Director of Fu DingYu Co., Ltd., and Supervisor of Laichun Investment 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 completed the performance evaluation of the Audit Committee in January 2023 and submitted it to the Board of Directors on February 24, 2023.

The performance evaluation of the annual audit committee of the Company is conducted by 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.

Annual Major Tasks in 2023:

1. Review of financial reports

The consolidated financial statements for 2022 have been prepared and submitted by the Board of Directors, and Ernst & Young LLP’s Guo-Shuai Chen and Chih-Ming Chang and were asked to audit and approve the statements. The business report and proposal of earnings distribution were reviewed and approved by the 5th meeting of 4th session of the Audit Committee (02/24/2023) and submitted to the 7th meeting of 5th session of the Board of Directors

Annual Report 2023

(02/24/2023) for approval and then presented to the 2023 Annual General Meeting of Shareholders (05/31/2023) for recognition.

2. Assessment of internal control effectiveness

The Company determined the effectiveness of the design and implementation of the internal control system in 2023 based on the evaluation items of the effectiveness of the internal control system stipulated in the “Regulations Governing Establishment of Internal Control Systems of Public Companies”.

The internal control self-assessment of the Company and its subsidiaries was completed on February 29, 2024, and no significant deficiencies were found in the design and implementation of the internal control system. It is assessed that the design and implementation of the Company’s internal control system should be effective. The “Declaration Regarding the Internal Control System” for the year 2023 was issued after it was reviewed and approved by the 11th meeting of the 4th session of the Audit Committee (02/29/2024) and subsequently, the 13rd meeting of the 5th session of the Board of Directors (02/29/2024).

A total of 6 (A) Audit Committee meetings were held in the most recent year (2023). The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Convener of the 4th Session	Jen-Tien Yuan	6	0	100	Elected on 05/31/2022
Committee Member of the 4th Session	Yen-Hsi Lin	6	0	100	Elected on 05/31/2022
Committee Member of the 4th Session	Yi-Ren Guo	6	0	100	Elected on 05/31/2022

Other noteworthy items:

- A. 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 specified in the Article 14-5 of the Securities and Exchange Act.

Dates	Sessions	Content	Opinions and Suggestions from the Independent Directors and the Measures in Response
02/24/2023	The 5th meeting of the 4th	Proposal to approve the business report and consolidated financial statements of 2022.	Unanimous consent

Annual Report 2023

Dates	Sessions	Content	Opinions and Suggestions from the Independent Directors and the Measures in Response
	Session	<p>Distribution of earnings.</p> <p>Self-assessment result of the internal control system and the Declaration Regarding the Internal Control System for the year 2022.</p> <p>The Company's endorsement and guarantee for the subsidiary companies.</p> <p>The Company's loan financing.</p> <p>The proposed acquisition of share rights through investment from the subsidiary company, Vietnam Precision Industrial No. 1 Co., Ltd.</p> <p>The acquisition of the right to land use of the subsidiary company, Vietnam Precision Industrial No. 1 Co., Ltd.</p> <p>The Amendment of the guidelines for managing subsidiary companies.</p>	
05/09/2023	The 6th meeting of the 4th Session	<p>The Company's loan financing.</p> <p>The amendment of the acquisition of the land usage right of the subsidiary company, Vietnam Precision Industrial No. 1 Co., Ltd.</p>	
06/20/2023	The 7th meeting of the 4th Session	<p>The Company's endorsement and guarantee for the subsidiary companies.</p> <p>The addition to relevant management guidelines of the Company.</p>	
08/08/2023	The 8th meeting of the 4th Session	<p>Proposal to approve the consolidated financial statements of the second quarter.</p> <p>The Company's earnings distribution.</p> <p>The Company's endorsement and guarantee for the subsidiary companies.</p> <p>The proposed investment in Treasure Zone Developments Ltd. from the subsidiary company, Eurocharm Innovation Co., Ltd. (B.V.I.)</p>	
10/13/2023	The 9th meeting of the 4th Session	<p>The appointment of the Company's internal audit supervisor.</p>	

Annual Report 2023

Dates	Sessions	Content	Opinions and Suggestions from the Independent Directors and the Measures in Response
12/26/2023	The 10th meeting of the 4th Session	The appointment of Ernst & Young LLP as an Independent Accountant for the Company's 2024 Financial Statements. The Company's endorsement and guarantee for the subsidiary companies.	

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

- B. 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
- C. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods, and results of audits of corporate finance or operations, etc.)
- (1) The independent directors and CPAs conduct at least four annual regular meetings at the audit committee meeting. The CPAs reported to the independent directors on the audit of the Company and its subsidiaries at home and abroad, and communicated whether there were major adjustments. The communication was in good standing.
- (2) The internal audit supervisor reported to the independent directors on the internal audit execution and internal control operations of the Company at each audit committee meeting. The communication and operation are in good standing. The main communication issues in 2023 are summarized as follows.

Audit Committee	Items	Results
The 5th Meeting of the 4th Session	2022 Statemen of Internal Control System	Notified and understood
	2022 Internal Control System Self-Assessment Implementation Report	Approved by the Audit Committee and submitted to the Board of Directors for resolution
The 6th Meeting of the 4th Session	Internal Audit Performance Report for the first quarter of 2023	Notified and understood
	Follow-up report for performance improvement of 2023	Notified and understood
The 8th Meeting of the 4th Session	Internal Audit Performance Report for the first quarter of 2023	Notified and understood
	Follow-up report for performance improvement of 2023	Notified and understood
The 9th Meeting of the 4th Session	Internal Audit Performance Report for the third quarter of 2023	Notified and understood

Audit Committee	Items	Results
	Follow-up report for performance improvement of 2023	Notified and understood
The 10th Meeting of the 4th Session	Summary of self-assessment for internal control	Notified and understood
	Proposal for internal control plans in 2024	Approved by the Audit Committee and submitted to the Board of Directors for resolution
	Internal Audit Performance Report for the fourth quarter of 2023	
	Follow-up report for performance improvement of 2023	

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

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

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	V		and Governance of Subsidiaries,” was followed to implement total risk control on subsidiaries. (4) To protect shareholders’ rights and fairly treat shareholders, the Company has established internal rules to forbid insiders trading on the undisclosed information. The Company has also strongly advocated these rules to prevent any violations.	None
3.Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	V		(1) The Company has established the Corporate Governance Best-Practice Principles to specify that composition of the Board of Directors should be diversified and that diversify strategies for basic requirements and technical know-hows should be formulated based on the Company’s operational type and developmental need. When appointing directors, the Company not only considers their professional backgrounds but also values diversity. The company has a total of seven directors, including three independent directors. The members' backgrounds include management, finance, law, investment, and other fields. The board of directors have diversified backgrounds in the industry, academics, and knowledge and can provide professional opinions from different perspectives, which is very beneficial to the company's operational performance and management efficiency. (See note 1)	None
(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		(2) In addition to the remuneration committee and audit committee in compliance with the law, the company has established a nomination committee in the first quarter of 2022. On May 31, 2022, the company established functional committees, including risk management committee and sustainability committee, in addition to those specified by the laws. There are four members in the risk management committee and the sustainability committee; more than half of them are independent directors with relevant professional capabilities.	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	V		(3) The Company has formulated rules and procedures for evaluating the Board’s performance and conducts it annually. The Company uses two methods to evaluate the performance of the Board. The results of the most recent (2023) board performance evaluation are as follows:	None

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
<p>results?</p> <p>(4) Does the company regularly evaluate the independence of CPAs?</p>	V		<p>1. The achievement rate of the board of director's self-evaluation is 100%</p> <p>2. The achievement rate of board member's self-evaluation is 100%.</p> <p>(4) The Audit Committee evaluates the independence and competency of the Company's CPAs annually. The Committee requires that the signing accountants provide a "Statement of Independence" and "Audit Quality Indicators (AQIs)" and evaluate the accountants based on the standards of the questionnaire and AQI indicators. It is confirmed that the accountants have no other financial interests or business relationships with the Company other than fees for signing and tax cases, and that their family members do not violate independence requirements. Based on AQI information, the Committee confirms that the accountants and their firm have better audit experience and training hours than the industry standard. Furthermore, the Company will continue to introduce digital auditing tools to enhance audit quality.</p> <p>The company evaluated Ernst & Young L.L.P.'s accountants Kuo-Shuai Chen and Chih-Ming Chang according to the certified public accountants' appraisal form. Both of them meet the company's independence and competency assessment standards and are qualified to serve as certified accountants of the company. Their tenure has been discussed, and they passed the assessment of the independence and competence of certified accountants at the 12nd meeting of the 5th session of the Board of Directors (12/26/2023).</p>	None
<p>4. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings</p>	V		<p>At the 2nd meeting of the 5th session of the Board of Directors on June 10, 2022, the Company appointed a corporate governance supervisor to take charge of relevant matters. These include providing information required for the directors to execute business, handling issues related to meetings of the board of directors, the audit committee, the remuneration committee, and the shareholders' meeting, and preparing the minutes, etc.</p> <p>The 2023 business development is as follows and reported to the first board of directors meeting in 2024.</p> <p>(1) According to the “Self-evaluation Policy for Board of Directors' Performance”, the Company's</p>	None

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
and shareholders’ meetings)?			<p>overall performance in 2022 was good.</p> <p>(2) The independent directors, accountants, and supervisors of auditors and auditors conduct regular meetings at the audit committee meeting at least four times a year. The details of the meetings can be found on the Company’s website: 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> <p>(4) The Company's ESG performance includes waste management, climate change, energy management, employee safety, social assistance, gas emissions management, etc.</p>	
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 an email address in the “Stakeholder Area” section on the corporate website. Also, the spokesperson of the Company is responsible for ensuring that various interested parties have proper channels to communicate with the Company.</p> <p>The Company is committed to respecting the interests of relevant parties; therefore, it classifies the stakeholders into the following six categories for communication and management:</p> <p>(1) Shareholders</p> <p>Topics of concern: waste management/ biodiversity/ sustainable supply chain management/ water management / talent recruitment and retention</p> <p>Communication channels and response methods:</p> <ul style="list-style-type: none"> At least five times per year; There were 6 meetings in 2023. Through quarterly board meetings and annual general meetings, the Company communicates with shareholders on the current operations and future development. The Company collects and integrates information from quarterly domestic and overseas investor conferences to report to the Company's directors and senior management 	None

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>team, serving as a reference for improving corporate governance and operations.</p> <ul style="list-style-type: none"> Monthly revenues, quarterly financial statements, and annual reports are all uploaded in real-time to the webpage for investors. The Company’s website provides contact information including email and phone number for establishing immediate communication between the investors as well as analysts and the Company. <p>(2) Government Agencies</p> <p>Topics of concern: waste management/ water management/ anti-corruption/ occupational health and safety/ material efficiency/ customer relations management/ human rights/ climate change/ talents recruitment and retention</p> <p>Communication channels and response methods:</p> <ul style="list-style-type: none"> Collaborate with government agencies through irregular communications to understand and assist in promoting environmental protection, personal information protection, and labor regulations. No violations of environmental, personal information, or labor regulations occurred in 2023. <p>(3) Customers</p> <p>Topics of concern: climate change/ material efficiency/ waste management</p> <p>Communication channels and response methods:</p> <ul style="list-style-type: none"> Every month, the Company learns about customer needs and expectations through an external mailbox. The Company listens to customers’ opinions through regular discussion and meetings to make internal adjustments. Regular monitoring of customer satisfaction: The Company constantly conducts customer satisfaction surveys and statistical analysis. The establishment of the Supplier Quality Management (SQM) enhances supplier quality management, providing fast, efficient, and high-quality products and services, and reporting supplier management status to customers. Protection of customer privacy: Monitoring by 	

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>our customers is welcomed at any time.</p> <ul style="list-style-type: none"> The Company's and the customers' senior managers visit each other, strengthening the partnership and creating a win-win situation. On average, Eurocharm TW scores 85 on half-year customer satisfaction (quarterly goal is 78 out of 100.); VPIC1 scores 36.34 on quarterly customer satisfaction (quarterly goal is 35.75 out of 40.) <p>(4) Suppliers</p> <p>Topics of concern: waste management/ occupational health and safety/ water management/ talents recruitment and retention/ biodiversity/ human rights</p> <p>Communication channels response methods:</p> <ul style="list-style-type: none"> The Company conducts annual supplier evaluations and periodic reviews to assess supplier performance, focusing on the implementation of the quality system (quality, delivery time, cooperation). In 2023, among the 109 suppliers making transactions with Eurocharm TW, one was a new supplier (qualified). Evaluation on the existing 109 suppliers revealed that all the suppliers were graded B; among the 425 suppliers making transactions with VPIC1, five of them were new (one was graded A and the other four graded B.) Evaluation on the existing 115 suppliers revealed that 92 of them were graded A, 21 graded B, one was graded C, and another one was graded D. <p>(5) Employees</p> <p>Topics of concern: waste management/ climate change/ water management/ customer relations management/ occupational health and safety</p> <p>Communication channels and response methods:</p> <ul style="list-style-type: none"> Through the employees opinion box, our colleagues can raise their concern directly to the senior level of the Company. In 2023, the average score of the half-year employees satisfaction survey at Vietnam VPIC1 was 90.5. Labor/management meetings were held quarterly. Group contract was signed with the union. 	

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<ul style="list-style-type: none"> Safety and environment committee meetings were held quarterly, aiming to review the implementation of labor safety and hygiene issues. Through various communication channels, the Company communicates its policies and direction to employees and is always open to feedback from employees. In this way, the Company can adjust strategies and propose corresponding measures, shaping a talent-oriented corporate culture. Regular training sessions are held for different professions and management levels, as well as for safety and health education and fire drills. In 2023, the safety and environment committee organized four meetings to discuss three issues relevant to the environment, four occupational safety and hygiene issues, and three other issues involving carbon reduction, solar energy, and the response to EU CBAM. In 2023, the labor safety educational training for Eurocharm TW employees totaled 1,508.5 hours; at Vietnam VPIC1, the total training hours was 9,804 hours with 4,140 people participating in the events. <p>(6) Media</p> <p>Topics of Concern: Economic Performance/ anti-corruption/ product quality and safety/ climate change/ water management/ waste management/ materials efficiency/ talent recruitment and retention</p> <p>Communication channels and response methods:</p> <ul style="list-style-type: none"> Through responding media inquiries proactively and publishing press releases, we present the Company's plans for current operations and future development, with press releases promptly posted on our website. Collection of media focuses and reports are presented to the senior management team as a reference for enhancing the Company's operations. 	
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company designates Yuanta Securities Co., Ltd. to handle shareholder affairs, and there is a Management Regulations for Shareholder Affairs.	None
7. Information Disclosure (1) Does the Company have a corporate website to	V		(1) The Company has set up a website to disclose information regarding the Company's finance,	None

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
disclose both financial standings and the status of corporate governance?			business, and corporate governance status. Website: www.eurocharm.com.tw	
(2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		(2) The Company has a designated person to handle information collection and disclosure as well as a spokesman system. Investor conference information is disclosed on the corporate website. English website: http://www.eurocharm.com.tw/en/ The Company will also publish corporate news in both English and Chinese.	None
(3) Does the company announce and report the annual financial report within two months after the end of the fiscal year, and announce the financial report for the first, second and third quarters before the prescribed deadline? Also, the operating conditions of each month?	V		(3) The Company’s 2023 financial report was announced and filed after being approved by the Board of Directors on February 29, 2024. The remaining financial reports for the first, second and third quarters and the monthly operating conditions were also announced and filed within the designated time period.	None
8. Is there any other important information to facilitate a better understanding of the Company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		(1) In accordance with the “Key Points of Implementing Training for Directors and Supervisors of the Listed Companies”, the directors of the Company have been devoted in continuing education: Chairman Steven Yu- total 6 hours of training from attending the seminars, "Action Plans for Sustainable Development of the Listed Companies" and “Legal Compliance of Insider Equity Transactions Public Briefing 2023” Director Michael Yu- total 6 hours of training from attending the seminars, "Action Plans for Sustainable Development of the Listed Companies" and ”Practice and Case Analysis of Financial and Tax Planning for International Diversified Businesses” Director Antonio Yu- total 6 hours training from attending the seminars, “Corporate Governance 3.0: Practical Analysis for Sustainability Reports” and “Strategies of Corporate Growth and External Innovation” Director Steven Chang- total 6 hours of training from attending the seminars, “Unlawful Securities Cases and the Responsibilities of Directors and Supervisors” and “Trends and Benchmark Practices	None

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>of Corporate Governance and Social Responsibility”</p> <p>Independent Director Yen-Hsi Lin- total 6 hours of training from attending “Audit and Compliance Practices of Designating Corporate Governance Personnel Required by the Supervisory Agencies”</p> <p>Independent Director Jen-Tien Yuan- total 9 hours of training from attending seminars, “2023 The Civil and Administrative Liability within Securities and Exchange Act”, “Statute of Limitations for Claims under Engineering Contracts”, and “Corporate Governance and Securities Regulations”</p> <p>Independent Director Yi-Ren Guo- total 6 hours of training through attending “Legal Compliance of Insider Equity Transactions Public Briefing 2023” and “Unveiling Background Scenes of Corporate Governance: Practices of Corporate Governance Professionals”</p> <p>(2) Board Meetings: The Company has established regulations regarding board meetings including the specific procedures, directors’ attendances, and voting rights to prevent disputes over resolutions.</p> <p>(3) Investor Relations: The Company has a spokesperson system, a litigation representative, and a non-litigation representative in the territory of the Republic of China for immediate assistance of the investors, customers, suppliers and other interested parties. News regarding the company’s finances is announced on “MOPS” to provide timely information that may affect the decisions of investors.</p> <p>(4) Rights of Interested Parties: The Company maintains positive communication channels with banks, employees, customers, suppliers, and stakeholders.</p> <p>(5) Implementation of Risk Management and Evaluation: The Company has established internal regulations and related management practices.</p> <p>(6) The Company has purchased liability insurance for its directors and managers since the year 2023.</p> <p>(7) For more information and disclosures, please visit: http://www.eurocharm.com.tw</p>	
9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.	V		The Company has reported the result of corporate governance evaluation of last year 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

Annual Report 2023

Note 1: Implementation status of diversification among board members

Board Member	M/F	Operational judgment	Accounting and financial analysis	Management	Crisis management	Industry know-how	International market perspective	Leadership	Decision-making
Steven Yu	M	V		V	V	V	V	V	V
Michael Yu	M	V	V	V	V	V	V	V	V
Antonio Yu	M	V		V	V	V	V	V	V
Steven Chang	M	V	V	V	V		V	V	V
Yi-Ren Guo	M	V	V	V	V	V	V	V	V
Yen-Hsi Lin	F			V	V		V	V	V
Jen-Tien Yuan	M		V	V	V		V	V	V

3.4.4 Structure, Responsibilities and Operations of the Remuneration Committee

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

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

Annual Report 2023

Criterion Name	Professional Qualifications	Experience	Independence Status (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Director Jen-Tien Yuan	Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company		(12)	

Note 1:

Title	Name	Other Positions
Independent Director	Yi-Ren Guo	Mr. Yi-Ren Guo has over 40 years of experience in the production and sales of materials such as steel and aluminum alloys. He served as the manager and general manager in China Steel Corporation, China Steel Aluminum Corporation, and China Steel Global Trading Corporation. Mr. Guo graduated from the Department of Transportation Engineering and Management at National Chiao Tung University.
Independent Director	Yen-Hsi Lin	Ms. Yen Hsi Lin currently serves as the General Manager of DDI-Asia/Pacific International Ltd. (Taiwan) and the Senior Advisor-Asia/Pacific Region of Caliper Human Strategies. She also holds several other positions, including Independent Director of the Entire Technology, Director for iMozen Group, Independent Director of LandMark Optoelectronics Corporation, Director of the Commonwealth Education Media and Publishing Co., Ltd., and Director of Teach for Taiwan organization. Ms. Lin holds a bachelor's degree in philosophy from Fu Jen Catholic University.
Independent Director	Jen-Tien Yuan	Mr. Jen-Tien Yuan graduated from the Department of Law at National Taiwan University and has an M.B.A. degree from Peking Guanghua School of Management. His professional experience includes serving as the Managing Partner at Chih Cheng Law Firm, Executive Vice President at EY Management Services Inc., Director at Chih Lien Industrial Co., Ltd. Mr. Yuan is currently the Partner at Yuan, Chen & Partners Attorneys-at-Law, Director of Yuan Chen Asset Management Co., Ltd., Director of Fu DingYu Co., Ltd., and Supervisor of Laichun Investment Co., Ltd.

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

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company or any subsidiary as appointed by the Act or with the laws of the country of the parent or subsidiary.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

Annual Report 2023

- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
 - (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
 - (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified Company or institution which has a financial or business relationship with the Company.
 - (7) Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, Company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or any affiliate of the Company, or a spouse thereof.
 - (8) Not a person whose cumulative amount of remuneration in the past two years has not exceeded NT\$500,000 including sole proprietorships, partnerships, business owners of companies or institutions that do not provide audits for companies or related enterprises or have obtained business-related services, business partners, directors, supervisors, managers, and their spouses. This clause does not include the members of Remuneration Committee, Public Acquisition Review Committee, or M&A Special Committee that perform duties in accordance with the relevant laws and regulations.
 - (9) Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an “audit service” or a “non-audit service which total compensation within the recent two years exceeds NT\$500,000”;
 - (10) Not been a person of any conditions defined in Article 30 of the Company Law.
2. The responsibility of the Remuneration Committee: According to Article 7 of the Rules of the Company’s Remuneration Committee Organization, the following duties shall be faithfully performed, and suggestions shall be made for the following matters and submitted to the Board for discussion.
- (1) Regularly review the operation and management practices of the Remuneration Committee.
 - (2) Formulate and periodically review the annual and long-term performance targets and compensation policies, systems, standards and structures of the directors and managers of the Company.
 - (3) Regularly assess the achievement of performance targets of the directors and managers of the company and determine the content and amount of their compensation.

The annual performance evaluation of the Remuneration Committee is conducted by self-evaluation questionnaires. Three Committee members completed the relevant written self-evaluation individually in December 2023, and the result was reported to the Board of Directors on February 29, 2024. The evaluation results are summarized as follows.

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

Annual Report 2023

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

Overall evaluation results: All three members gave positive evaluations.

3. Attendance of Members at the Remuneration Committee Meetings

- (1) There are 3 members in the Remuneration Committee.
- (2) The term of office for this committee: from May 31, 2022, to May 30, 2025. In the most recent year, 2 (A) meetings were held. 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	Yen-Hsi Lin	2	0	100	Elected on 05/31/2022
Committee Member	Yi-Ren Guo	2	0	100	Elected on 05/31/2022
Committee Member	Jen-Tien Yuan	2	0	100	Elected on 05/31/2022
Other noteworthy items:					
1. 2023 Remuneration Committee Meeting Details:					
Date	Session	Content			Opinions and Suggestions from the Remuneration Committee and the Measures in Response
02/24/2023	The 4th meeting of the 4th session	Distribution of Directors' and employees' remuneration in 2022 Revisions for the relevant guidelines of the subsidiary companies			Unanimous consent

Annual Report 2023

08/08/2023	The 5th meeting of the 4th session	Distribution of remuneration for the Directors in 2022 Distribution of remuneration for the Company's managers in 2022	
2. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.			
3. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, a content of the motion, all members' opinions and the response to members' opinion should be specified: None.			

3.4.5 Qualifications of the Nomination Committee Members and Operations of the Nomination Committee

1. Responsibilities of the Nomination Committee

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

A. Formulate selection criteria, such as composition and qualification requirements, for the Board of Directors members and senior executives, and select and review candidates for directors and senior executives,

B. Plan and conduct performance evaluations of the Board of Directors, various functional committees, directors, and senior executives,

C. Plan and conduct continuous training plans for the directors, and

D. Review and discuss the organizational regulations and corporate governance practices.

The annual performance evaluation of the Nomination Committee is conducted by self-evaluation questionnaires. Four Committee members completed the written self-evaluation individually in December 2023 and the result was reported to the Board of Directors on February 29, 2024. The evaluation results are summarized as follows.

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

1. Participation in the Company's operations (4 questions in total): All members gave positive comments.

Annual Report 2023

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

Overall evaluation results: All 4 members gave positive evaluations.

2. There are 4 members in the Nomination Committee.
3. The term of office for this committee: from May 31, 2022, to May 30, 2025. A total of 1 (A) Nomination Committee meeting was held in the most recent year. The attendance record of the Nomination Committee members is as follows.

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

Note 1: Elected on May 31, 2022

Other noteworthy items:

1. Details of the Nomination Committee Meeting in 2023

Date	Session	Content	Opinions and Suggestions from the Nomination Committee and the Measures in Response
12/26/2023	The 2nd meeting of the 2nd session	The proposal to amend the “Points for Implementing Continuing Education for the Board of Directors”	Unanimous consent
2. If the board of directors declines to adopt or modifies a recommendation of the nomination committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company’s response to the nomination committee’s opinion: None.			
3. Resolutions of the nomination committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, a content of the motion, all members’ opinions and the response to members’ opinion should be specified: None.			

3.4.6 Risk Committee

1. Responsibilities of the Risk Committee

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

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

The annual performance evaluation of the Risk Committee is conducted by self-evaluation questionnaires. Four Committee members completed the written self-evaluation individually in December 2023 and the result was reported to the Board of Directors on February 29, 2024. The evaluation results are summarized as follows.

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

1. Participation in the Company’s operations (4 questions in total): All members gave positive comments.
2. Understanding of the Risk Committee’s Responsibilities (8 questions in total): All

Annual Report 2023

members gave positive comments.

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

Overall evaluation results: All 4 members gave positive evaluations.

2. There are 4 members on the Risk Committee.

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

Title	Name	Professional Qualifications and Experience	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Convener	Jen-Tien Yuan	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting	2	-	100	Note 1
Committee Member	Yen-Hsi Lin	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting	2	-	100	Note 1
Committee Member	Yi-Ren Guo	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting	2	-	100	Note 1
Committee Member	Antonio Yu	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting	1	-	50	Note 1

Note 1: Appointed on May 31, 2022

Other noteworthy items:

A 、Meetings and resolutions of the Risk Committee in 2023

Date	Session	Content	Opinions and Suggestions from the Risk Committee and the Measures in Response
February 24, 2023	The 3rd meeting of the first session	Evaluation report of the risk management	Unanimous consent

December 26, 2023	The 4th meeting of the first session	Evaluation report of the risk management	Unanimous consent
----------------------	---	--	----------------------

B、If the board of directors declines to adopt or modifies a recommendation of the risk committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the risk committee's opinion: None.

C、Resolutions of the risk committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, a content of the motion, all members' opinions and the response to members' opinion should be specified: None.

3.4.7 Sustainability Management Committee

1. Responsibilities of the Sustainability Management Committee

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

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

The annual performance evaluation of the Sustainability Management Committee is conducted by self-evaluation questionnaires. Four Committee members completed the written self-evaluation individually in December 2023 and the result was reported to the Board of Directors on February 29, 2024. The evaluation results are summarized as follows:

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

1. Participation in the Company's operations (4 questions in total): All members gave positive comments.
2. Understanding of the Sustainability Management Committee's Responsibilities (8 questions in total): All members gave positive comments.

Annual Report 2023

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

Overall evaluation results: All 4 members gave positive evaluations.

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

3. The term of office for this committee: from May 31, 2022, to May 30, 2025. A total of 4 (A) Sustainability Management Committee meetings were held in the most recent year. The attendance record of the Sustainability Management Committee members was as follows.

Title	Name	Professional Qualifications and Experience	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Convener	Yi-Ren Guo	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	4	-	100	Note 1
Committee Member	Yen-Hsi Lin	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	4	-	100	Note 1
Committee Member	Jen-Tien Yuan	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	4	-	100	Note 1
Committee Member	Michael Yu	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	4	-	100	Note 1

Note 1: Appointed on May 31, 2022

Other noteworthy issues:

A. Meetings and resolutions of the Sustainability Management Committee in 2023

Date	Session	Content	Opinions and Suggestions from the Sustainability Management Committee and the Measures in Response
May 9, 2023	The 4th meeting of the 1st Session	The implementation results of the ESG policies of the Company and its subsidiary companies in 2023	Unanimous consent
June 20, 2023	The 5th meeting of the 1st Session	The Chinese and English versions of the 2022 Sustainability Report of the Company	Unanimous consent
August 8, 2023	The 6th meeting of the 1st Session	The implementation results of the ESG policies of the Company and its subsidiary companies in 2023	Unanimous consent
December 26, 2023	The 7th meeting of the 1st Session	The implementation results of the ESG policies of the Company and its subsidiary companies in 2023 Revisions of the ESG indicators of the Company and its subsidiary companies in 2024	Unanimous consent

B 、 If the board of directors declines to adopt or modifies a recommendation of the sustainability management committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the risk committee's opinion: None.

C 、 Resolutions of the sustainability management committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, a content of the motion, all members' opinions and the response to members' opinion should be specified: None.

3.4.8 Implementation of promoting sustainable development and deviations from the sustainable development practices guidelines for TWSE/TPEX listed companies and reasons

Implementation Details	Implementation Status			Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons						
	Yes	No	Summary							
1. Has the Company established a governance structure to promote sustainable development and a dedicated (or ad-hoc) sustainability organization while the senior executives are authorized by the Board of Directors to handle the relevant matters, which are supervised by the Board of Directors?	V		<p>1. Authorized by the Board of Directors, the Company established its "Sustainability Management Committee" on June 10, 2022, as the highest-level decision-making center for sustainable development within the company. The committee is chaired by an independent director and includes several independent directors and directors from various fields who jointly review the company's mid- to long-term sustainable development plans. Each subsidiary company reports the ESG execution status of their respective task forces, formulates corresponding strategies and work plans, allocates budgets related to sustainability and planning and executes annual programs. Additionally, the committee tracks the effectiveness of the execution to ensure that sustainable development strategies are fully implemented in the company's daily operations.</p> <p>2. The Sustainability Management Committee hold 4 meetings in 2023. Resolutions included (1) supervision of implementing sustainability operations and evaluating status of execution and (2) setting and revising sustainability goals for the next year.</p> <p>3. The Board of Directors receives quarterly operational reports (including ESG reports) from the management team. The management team of subsidiary companies must propose company strategies to the Board of Directors of the parent company. The Board of Directors must assess the likelihood of success of these strategies and regularly review the progress of the strategies. When necessary, the Board of Directors urges the management team to make adjustments.</p>	None						
2. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation and establish relevant risk management policy or strategy?	V		<p>The disclosed materials in this report cover the Company’s performance in sustainability at major operating sites from January 2023 to December 2023. The risk assessment boundary is mainly within the Company and includes regions such as Taiwan, Vietnam, and the United States. Through following GRI principles, international sustainability trends, and our operation strategies, we conducted analysis on ESG materiality, developed risk management policies for effective identification, evaluation, monitoring, and controlling and carried out actual action plans to reduce the impact from relevant risks. Based on the risk assessment, the following risk management policies or strategies have been established:</p> <table> <tr> <td>Materiality</td> <td>Risk assessment item</td> <td>Risk management policies or strategies</td> </tr> <tr> <td>Environment</td> <td>Climate change</td> <td>Assessing the feasibility of installing solar equipment at the Vietnam</td> </tr> </table>	Materiality	Risk assessment item	Risk management policies or strategies	Environment	Climate change	Assessing the feasibility of installing solar equipment at the Vietnam	None
Materiality	Risk assessment item	Risk management policies or strategies								
Environment	Climate change	Assessing the feasibility of installing solar equipment at the Vietnam								

Implementation Details	Implementation Status					Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons	
	Yes	No	Summary				
					<p>VPIC1.</p> <p>Introducing management systems such as ISO 14064-1, ISO 50001, and ISO 14067 to comply with CBAM reporting requirements.</p> <p>The management departments of each plant collect and track energy usage, create promotional materials, and promote energy conservation and carbon reduction.</p> <p>The group gradually replaces equipment with low energy efficiency to continuously improve energy efficiency.</p>		
				Environment	Waste Management		The Taiwan branch and the Vietnam branch track the use of waste, promote the implementation of waste sorting, and enhance resource reuse.
					Water Resources Management		The wastewater from Vietnam VPIC1 must reach Grade B standard after being processed by the treatment equipment before being discharged to the wastewater treatment plant in the factory.
					Material Efficiency		When the raw materials are found to be non-conforming during

Implementation Details	Implementation Status					Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary			
					incoming inspection and cannot be rectified in-house, the Quality Control unit shall label the inspection results with the reason for non-conformance, notify the supplier for return, and the Production Management unit shall be responsible for tracking the return. If the materials can be rectified in-house, the Quality Control unit shall notify the supplier to rectify them on-site. In the event of non-conformance, the Quality Control unit shall fill out a "Quality Abnormality Handling Form" to request the supplier to propose a solution. If the customer urgently needs the products, the Production Management unit may fill out a "Special Procurement Request Form" according to the "Special Procurement Management Operation Regulations." For non-conforming products found during the process, the Production unit shall decide whether to rectify them or send them for	

Implementation Details	Implementation Status					Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons	
	Yes	No	Summary				
					inspection.		
				Society	Talent Recruitment and Retention	The Company has established the "Salary Management Measures" and conducts an annual salary and benefits survey to maintain a competitive salary level. We offer equal pay for equal work for both men and women, with starting salaries higher than the minimum basic salary required by the local government. Salary and benefits are not differentiated based on gender, age, nationality, disability, race, or other conditions. The allocation to retirement funds also follows legal requirements. The Company has established the "Performance Assessment Measures". Every year, we evaluate salary adjustments, variable bonuses, dividends, and other rewards based on individual performance contributions. The Company has also developed a comprehensive job ranking and grading	

Implementation Details	Implementation Status					Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary			
					<p>system that does not differentiate between male and female employees. Two performance assessments are conducted each year, and the rewards for managers and above are directly linked to organizational performance. The group aims to enhance internal management within the factory and continually improve labor conditions to uphold the legal rights of employees. The Company provides staff with educational training and opportunities for overseas rotation, aiming to promote outstanding talents from within the company, demonstrating the transparent and well-established internal promotion system and opportunities.</p>	
				Occupational Health and Safety	<p>The Company has established a "Safety and Environment Committee" to identify and assess hazards in the working environment or procedures, and to control</p>	

Implementation Details	Implementation Status					Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary			
					and strengthen the management of machinery, equipment, or tools. Personal protective equipment is provided to employees (e.g., earplugs/earmuffs, welding goggles). Effective management measures are taken for the procurement, use, and storage of chemicals. Regular health checks are conducted for workers, and health promotion and health management programs are implemented. The Company also investigates, handles, and statistically analyzes occupational accidents. Compliance with safety and health standards are ensured, and safety and health education and trainings are provided.	
				Customer Relations Management	The Company has implemented the following measures: Conducting regular information security training to enhance the cybersecurity awareness of the internal employees. Establishment of a	

Implementation Details	Implementation Status					Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary			
					<p>vulnerability management mechanism to regularly scan and fix system vulnerabilities.</p> <p>Conducting regular risk assessments; updating and optimizing information security policies and procedures.</p> <p>Participating in relevant cybersecurity compliance activities to ensure compliance with regulations and standards.</p> <p>Working closely with our customers as well as participating regularly in customer-supplier conferences, meetings, and surveys to understand and respond to customer needs and feedback and to provide the best customer service.</p>	
				Governance	Sustainable Supply Chain Management	

Implementation Details	Implementation Status					Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary			
					<p>evaluation and audit procedure to include items such as waste disposal and hazardous waste management processes, human rights protection, employment of child labors, forced labor, and employee salary and benefits.</p> <p>Eurocharm TW has completed the revision of its supplier management procedures, including investigations into protection of basic labor rights, differences in employment conditions, provision of a healthy working environment, and handling of occupational injuries and illnesses.</p> <p>VPIC1 in Vietnam requires its suppliers to comply with the Supplier Code of Conduct.</p>	
				Economic Performance	<p>The Group is continuously expanding the production capacity of the Vietnam factory and entering the medical equipment industry, establishing diversified production sites and products.</p> <p>Monthly management meetings are held to track</p>	

Implementation Details	Implementation Status					Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary			
					operational performance and request improvements from relevant departments. Regular board meetings are held to ensure the continuity and appropriateness of the strategic direction.	
3. Environmental Topics						
(a) Has the Company set an environmental management system designed to industry characteristics?	V		(a) VPIC1 in Vietnam established its ISO 14001 Environmental Management System on July 20, 2016, and first obtained third-party verification. It obtained re-certification on July 26, 2019, valid until July 20, 2025. (https://www.eurocharm.com.tw/esg/ 環境永續/環境管理/)			None
(b) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	V		(b) Since September 2022, VPIC1 in Vietnam and Eurocharm TW have sequentially introduced and established a systematic energy management system, setting up an "Energy Promotion Team." The team reviews the planning and improvement of management programs based on energy goals and accountabilities to ensure the timely implementation and progress tracking of the energy management plans. It also ensures that operations comply with energy management system requirements. In 2023, third-party verification was obtained by both subsidiary companies, and the energy-saving achievements were disclosed in the sustainability report and on the Company's website. (https://www.eurocharm.com.tw/esg/ 環境永續/能源管理/) With the reuse of materials and resources as the core of promoting the circular economy, the Company continually improves the efficiency of resource utilization by prioritizing the reuse of raw materials in our internal processes, such as recycling leftover materials, to ensure effective resource utilization. During the production process, the aluminum scrap generated is directly recycled and reused, accounting for 2.17% of the total.			None
(c) Does the Company evaluate current and future climate change	V		(c) The Group established the Sustainability Management Committee and the Risk Committee in June 2022. The Sustainability Management Committee is responsible for formulating sustainable development policies, systems, or relevant management guidelines, as well as specific implementation plans. The meetings are convened			None

Implementation Details	Implementation Status			Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
potential risks and opportunities and take measures for climate related topics?			<p>at least once every quarter to report to the Sustainability Management Committee on the monitoring, review, and revision of the implementation and effectiveness of corporate sustainable development. The Risk Committee is responsible for reviewing risk management policies, risk management frameworks, significant risk management strategies, and management reports on significant risk issues, and supervising improvement mechanisms, and regularly reporting on the implementation of risk management to the board of directors.</p> <p>The Group incorporates climate change into its risk issues and holds meetings at least twice a year to report to the Risk Committee. The Board of Directors is responsible for approving sustainable development policies, systems, or relevant management guidelines, as well as specific implementation plans. It also approves risk management policies, procedures, and frameworks to ensure alignment with operational strategic directions and risk management policies. The Board establishes appropriate risk management mechanisms and a risk management culture, oversees, and ensures the effective operation of the overall risk management mechanism, and allocates and assigns adequate and appropriate resources to ensure effective risk management.</p> <p>Based on the climate-related risks and opportunities specified by TCFD as well as learning from benchmark companies, 141 climate-related risks and opportunities were identified. These were further narrowed down to 9 climate risks and 5 climate opportunities for in-depth climate scenario analysis. The management of climate-related risks and opportunities has been integrated into the Company's management processes. The impact of climate change risks and opportunities on the Company's strategies, operations, and financial planning is disclosed in the sustainability report and on the company's website. (https://www.eurocharm.com.tw/esg/環境永續/氣候變遷管理/)</p>	
(d) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste	V		<p>(d)</p> <p>(1) The Company and its subsidiaries conducted Scope 1, 2, and 3 greenhouse gas inventories in accordance with ISO 14064-1 and commissioned third parties, SGS and BSI, for assurance. Due to changes in operational activities resulting from lifting COVID-19 prevention measures, the baseline year was adjusted to 2023. In addition, the main production bases, VPIC1 in Vietnam and Eurocharm in Taiwan, completed the establishment of ISO 50001 management systems and obtained third-party verification from SGS and BSI in 2023.</p> <p>Greenhouse gas emission in the last two years: (Information of scope 1, 2, and 3 in 2023 includes all factories</p>	None

Implementation Details	Implementation Status			Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons															
	Yes	No	Summary																
management policies?			<p>and subsidiaries.)</p> <p>Unit: 10,000 tons CO₂e; tons CO₂e/million-dollar revenue</p> <table border="1"> <thead> <tr> <th>Year</th><th>Scope 1</th><th>Scope 2</th><th>Scope 3</th><th>Emission Density</th></tr> </thead> <tbody> <tr> <td>2022</td><td>10,826.1825</td><td>38,432.9266</td><td>173,793.5423</td><td>27.75</td></tr> <tr> <td>2023</td><td>9,595.7665</td><td>28,115.8831</td><td>125,225.2865</td><td>22.42</td></tr> </tbody> </table> <p>In 2023, greenhouse gas emission of scope 1, 2, and 3 totaled 162,936.9361 tons CO₂e; emission per product unit is 22.42 tons CO₂e/million-dollar revenue. Emission is mainly from purchasing products and services (Scope 3), which accounted for 75.69% of the total emission, followed by emission of electricity (Scope 2), which totaled 125,225.2865 tons CO₂e, accounting for 17.26%. Eurocharm TW's gasoline usage decreased by 0.1742 kiloliters, equivalent to 0.4245 metric tons CO₂e, representing a decrease of 0.09% compared to 2022; Eurocharm TW's acetylene usage decreased by 0.0079 metric tons, equivalent to 0.0268 metric tons CO₂e and a decrease of 52.76% compared to 2022; Eurocharm TW's electricity usage decreased by 15.3437 kilowatt-hours, equivalent to 10.3055 metric tons of CO₂e and a decrease of 2.23% compared to 2022; VPIC1 in Vietnam's diesel usage was 422.17 kiloliters, a decrease of 146.24 kiloliters, representing a decrease of 25.73% compared to 2022; VPIC1 in Vietnam's acetylene usage was 2.77 metric tons, a decrease of 0.50 metric tons or 15.29% compared to 2022; VPIC1 in Vietnam's carbon dioxide usage was 2,690.44 metric tons, a decrease of 602.21 metric or 18.29%, compared to 2022; VPIC1 in Vietnam's electricity usage was 41,384,117 kilowatt-hours, a decrease of 11,664,574 kilowatt-hours or 21.99% compared to 2022; it also means a decrease of 10,305.97 metric tons CO₂e or 26.90%. Total emission from VPIC1 in Vietnam's in 2023 decreased by 60,234.33 metric tons CO₂e compared to 2022, achieving the 2% reduction target.</p> <p>Starting from May 2023, the equipment management department of VPIC1 in Vietnam conducted inspections for gas leakage in various departments, identifying types of leaks, including fast joint leaks, gas pipe joint leaks, and electromagnetic valve leaks, with the number of leakage locations totaling 1,872. Improvements were made by installing air pipe valves on the production line. In August 2023, VPIC1 in Vietnam replaced fuel-powered business vehicles with one electric car. Calculated by the accumulated mileage of 2,511 kilometers in September 2023, this change is estimated to save 6,883,727 Vietnamese Dong per month and reduce emissions by 0.35 tons of CO₂e.</p> <p>(2) Our water consumption is mainly from our factory operations. Each year, our goal is to reach 1% reduction on water usage for</p>	Year	Scope 1	Scope 2	Scope 3	Emission Density	2022	10,826.1825	38,432.9266	173,793.5423	27.75	2023	9,595.7665	28,115.8831	125,225.2865	22.42	
Year	Scope 1	Scope 2	Scope 3	Emission Density															
2022	10,826.1825	38,432.9266	173,793.5423	27.75															
2023	9,595.7665	28,115.8831	125,225.2865	22.42															

Implementation Details	Implementation Status			Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons								
	Yes	No	Summary									
			<p>each production facility. Domestic wastewater is treated through reverse osmosis (RO) and is reused for irrigation and toilet cleaning. In 2023, the volume of the recycled water totaled 26,705 tons, used for watering flowers and grass in the morning to reduce evaporation caused by high temperatures. The fish tanks are equipped with a circulating water supply system. To minimize unnecessary water waste, the Company promotes appropriate water usage habits among employees and encourages them to turn off taps after use.</p> <p>Water consumption in the last two years:</p> <p>(Information includes our production sites in Taiwan and Vietnam)</p> <p>Unit: metric tons/ million-dollar revenue</p> <table><tr><th>Year</th><th>Total water consumption</th><th>Water consumption intensity</th></tr><tr><td>2022</td><td>291,931</td><td>36.32</td></tr><tr><td>2023</td><td>214,305</td><td>29.49</td></tr></table> <p>(3) The Company is committed to environmental protection and has established KPIs for waste reduction. The Sustainability Management Committee conducts quarterly performance reviews. VPIC1 in Vietnam has established an ISO 14001 environmental management system and obtained re-certification on July 26, 2019, valid until July 20, 2025.</p> <p>To address the waste issue, the first step is to reduce waste generation, followed by sorting for recycling, and waste disposal is the final step. The Group has established policies for resource recycling, including water, electricity, and raw materials. We have also developed plans, objectives, and implementation methods in accordance with ISO 14001 requirements, which are disclosed on our company website. We comply with government regulations and pay recycling and disposal fees as required by waste management laws. The waste impact from our group's operations primarily comes from wastewater and waste liquids from the painting production line. Eurocharm TW and Vietnam VPIC1 supervise, manage, and inspect waste disposal contractors through document review. In 2023, the general business waste amounted to 761.83 tons, recyclable waste was 12,544.28 tons, and hazardous waste was 5,043.94 tons. All waste removal operations are conducted by qualified disposal contractors. Kitchen waste from the employee restaurant is collected by specialized livestock industry vendors for recycling, with the weight not yet included in the statistics; it is expected to be included into waste statistics in the future. The 2023 goal for Vietnam VPIC1 is to reduce hazardous waste by at least 3%, with an actual reduction</p>	Year	Total water consumption	Water consumption intensity	2022	291,931	36.32	2023	214,305	29.49
Year	Total water consumption	Water consumption intensity										
2022	291,931	36.32										
2023	214,305	29.49										

Implementation Details	Implementation Status			Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons															
	Yes	No	Summary																
			<p>of 3.4%. Vietnam VPIC1 plans to conduct on-site inspections of hazardous waste disposal contractors starting in 2024.</p> <p>Quantity of Waste Production in the last two years (Information includes factories in Taiwan and Vietnam)</p> <p>Unit: metric tons/ million-dollar revenue</p> <table><tr><th>Year</th><th>General Waste</th><th>Recyclable Waste</th><th>Hazardous Waste</th><th>Density</th></tr><tr><td>2022</td><td>782.51</td><td>14,627.59</td><td>5,221.92</td><td>2.57</td></tr><tr><td>2023</td><td>761.83</td><td>12,544.28</td><td>5,043.94</td><td>2.53</td></tr></table> <p>In 2023, the amount of hazardous waste generated by VPIC1 was 5,043.94 tons, a decrease of 177.98 tons or 3.41% compared to 2022.</p>	Year	General Waste	Recyclable Waste	Hazardous Waste	Density	2022	782.51	14,627.59	5,221.92	2.57	2023	761.83	12,544.28	5,043.94	2.53	
Year	General Waste	Recyclable Waste	Hazardous Waste	Density															
2022	782.51	14,627.59	5,221.92	2.57															
2023	761.83	12,544.28	5,043.94	2.53															
4. Social Topic (a) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	V		<p>(1) To fulfill corporate social responsibility and ensure the basic human rights of our employees, the Company supports and adheres to internationally recognized human rights norms and principles, including the “Universal Declaration of Human Rights”, “International Labor Organization Conventions”, and the “United Nations Global Compact”. The Company treats our employees equally and respectfully while compiling with labor laws and regulations where we operate, so that we can establish management policies and procedures related to work rules as well as environmental health and safety management to ensure that no behavior violates human rights.</p> <p>(2) The Company’s human rights management policies and action plans are summarized as follows.</p> <table><tr><th>Human Rights Management Policy</th><th>Action Plans</th></tr><tr><td>Reasonable work conditions and safe and healthy labor environment</td><td><p>1. Our company complies with the local Occupational Safety and Health Act and ISO regulations and has established an occupational safety and health management system with the goal of achieving zero work-related injuries.</p><p>2. The Company complies with local fire and environmental regulations and has established an emergency response organization within our company.</p><p>3. The Company has established a</p></td></tr></table>	Human Rights Management Policy	Action Plans	Reasonable work conditions and safe and healthy labor environment	<p>1. Our company complies with the local Occupational Safety and Health Act and ISO regulations and has established an occupational safety and health management system with the goal of achieving zero work-related injuries.</p> <p>2. The Company complies with local fire and environmental regulations and has established an emergency response organization within our company.</p> <p>3. The Company has established a</p>	None											
Human Rights Management Policy	Action Plans																		
Reasonable work conditions and safe and healthy labor environment	<p>1. Our company complies with the local Occupational Safety and Health Act and ISO regulations and has established an occupational safety and health management system with the goal of achieving zero work-related injuries.</p> <p>2. The Company complies with local fire and environmental regulations and has established an emergency response organization within our company.</p> <p>3. The Company has established a</p>																		

Implementation Details	Implementation Status			Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<div>management system for evaluating existing suppliers and continuously implements the construction safety and health management system of the contractors.</div> <div>Physical and mental health and work-life balance</div> <div>Care for employees' health</div> <div>Maternal health care</div> <div>Equal employment</div>	<div>1. The Company provides regular health checkups for our employees, during which the hospital offers face-to-face consultation. After the checkup reports are issued, employees with abnormalities are classified and tracked accordingly.</div> <div>1. To effectively reduce the risks of exposure to harm, occupational diseases, human hazards, workplace violence, abnormal workloads (overwork), etc., we provide employees with information of psychologists.</div> <div>1. The company promotes parental unpaid leave in accordance with the law.</div> <div>1. Our recruitment process remains fair, impartial, and transparent. There is no discrimination based on race, ideology, religion, political affiliation, birthplace, gender, marital status, appearance, disability, or other identities. 2. We provide fair work and equal salary for employees with disabilities based on the same level as newly hired employees at the same position. 3. Equal pay for male and female employees; the Company provides identical salary standards.</div>

Implementation Details	Implementation Status			Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			Prohibition of forced labor	<p>1. The Company abides by "Universal Declaration of Human Rights", "International Labor Organization Conventions", the "United Nations Global Compact", "Labor Standards Act", and the Company's human rights policies. There is no forced labor through coerce, threat, detaining, or any other unlawful methods.</p> <p>1. According to "Labor Standard s Act" and the Company's human rights policy, there is no employment of child labor.</p> <p>1. Employees can make suggestions through the Welfare Committee, labor-management meetings, etc. 2. A suggestion box is set up for our colleagues to provide various suggestions.</p> <p>The company regularly reviews human rights regulations and systems such as "Work Rules," "Performance Evaluation Procedures," "Salary Management Procedures," and "Job Levels Adjustment Regulations."</p> <p>The Company does not employ child labor or illegal labor, and there is no discrimination based on ethnicity, gender, religion, political affiliation, sexual orientation, or any incidents of sexual harassment and workplace bullying. Our management regulations, such as selection and employment of new employees and work rules, include provisions for protecting human rights in compliance with international principles. In 2023, for the first time, a human rights advocacy program was conducted for employees of VPIC1 in Vietnam, totaling 4,324 hours, with a total of 4,720 new and existing colleagues (4,720 individuals) completing the training. Going forward, we will continue to focus on human rights protection issues, promote relevant education and training, and raise awareness of human rights protection to reduce risks for relevant violations.</p>
			Prohibition of child labor	
			Clear communication channels between the employer and employees	
			Review of the evaluation system for human rights	
(b) Has the Company established appropriately managed employee welfare	V		<p>Compensation for employees</p> <p>The company offers equal pay for equal work to male and female employees. Compensation is also higher than the minimum wage required by the local government. Salary and benefits are not discriminated against gender, age, nationality, disability, race, or any other conditions. Pension appropriation also complies with legal regulations. In addition, the "Performance Evaluation Procedures"</p>	None

Implementation Details	Implementation Status			Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
measures (including salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?			<p>provides a basis for evaluating adjustments of salary, bonuses, dividends, and other rewards according to individual performance and contributions. The Company also has a comprehensive job classification and rank system that treats male and female employees equally. Eurocharm TW conducts two performance evaluations annually, and bonuses for managers and above are directly correlated to the organization's performance. VPIC1 in Vietnam provides opportunities for promotion and salary adjustments to outstanding employees and distributes monthly and year-end bonuses based on the company's and the employee's performance. These efforts help employees recognize their self-worth, enhance their sense of achievement, and promote diverse employment and social stability.</p> <p>The employee welfare measures</p> <p>The Company has established the Employee Welfare Committee to plan and provide high-quality benefits for the employees. In addition to labor and health insurance, group insurance (accidental injury/medical insurance), and meal allowances, the Company and Eurocharm TW also provide marriage allowances, funeral subsidies, maternity allowances, employee scholarships, and free parking. Other benefits include domestic travel and year-end parties.</p> <p>VPIC1 in Vietnam collaborates with its labor union to organize various activities for important holidays and provides departmental year-end gathering subsidies. VPIC1 in Vietnam also has an employee cafeteria, a fitness center, a soccer field, a recreation center, and employee parking lots. In addition to meals, these facilities are available for free. Furthermore, the company regularly holds group activities such as badminton and soccer matches, employee trips, and sports days every year.</p> <p>The Company and Eurocham TW provide additional benefits to employees who have completed one year of service, in addition to the standard two-day weekends. These benefits include annual leave (proportionate for those whose tenure is less than one year), paternity leave, family care leave, women's health check-up leave/menstrual leave, and maternity leave. VPIC1 in Vietnam follows regulations set by the local government.</p> <p>Workplace diversity and equality</p> <p>The Company offers equal starting salary for equal work to both male and female employees. Compensation is also higher than the minimum wage required by the local government. Salary and benefits are not differentiated against gender, age, nationality, disability, race, or any other conditions. The average proportion of female employees in 2023 was 31.00%, while female managers accounted for 8.00%. The Company has established a full training program for career development, aiming to help staff obtain the necessary skills for their work and for promotion. The program</p>	

Implementation Details	Implementation Status			Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
(c) Does the Company provide employees with a safe and healthy working environment with regular safety and health	V		<p>consists of pre-employment training, pre-employment professional training, on-the-job training (including senior managers), and professional skills training.</p> <p>Compensation correlates to business performance.</p> <p>According to Article 34.1 of the Company's Bylaw, when the Company makes profits in any given year, a maximum of 2% of the profits for that year may be allocated to the compensation for Directors. The Company regularly evaluates the remuneration for Directors in accordance with the "Director Performance Evaluation Guidelines." The evaluation criteria for the Chairman are based on the results of the annual operation indicators for operation, governance, and financial results. The evaluation scope includes pre-tax net profit, customer satisfaction, and corporate governance assessment. The relevant performance assessment and the appropriateness of the compensation are reviewed by the Remuneration Committee and the Board of Directors. The compensation for the managers is based on the "Compensation Management Guidelines", which stipulates various work allowances and bonuses for appreciating and rewarding employees' efforts. Bonuses are also granted based on the Company's annual business performance, financial situation, operational status, and personal work performance. In addition, if the Company is profitable in a given year, a minimum of 2% of the net profit is allocated to the compensation in accordance with Article 34.1 of the Company's bylaws. Following the "Performance Management Guidelines", the Company conducts performance evaluation; the results serve as a basis for bonuses to managers. Performance evaluation for managers contains financial and non-financial indicators, and the bonus is calculated accordingly. The Company regularly reviews the compensation system based on the actual operating conditions and relevant laws and regulations.</p> <p>Overall compensation Policies</p> <p>The Company has established a "Compensation Management Guidelines" and conducts an annual salary and benefits survey to ensure a competitive overall compensation in the industry.</p> <p>Safety and health policy</p> <p>Eurocharm cares for global safety and health issues by assessing risks and building a safe working environment. The Company actively cooperates with customers and suppliers to improve supply chain safety and health performance, complying with local and foreign laws and regulations of fire safety, environmental protection, as well as occupational health and safety. We keep improving environmental safety and health to create a safe and healthy workplace. Through continuous audit activities and environmental</p>	None

Implementation Details	Implementation Status			Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
training?			<p>health and safety management reviews, the Company identifies management blind spots for continuous improvement to enhance operational safety and environmental quality.</p> <p>In 2023, there were 7 occupational accidents with an injury rate (IR) of 0.165 and a lost-day rate (LDR) of 5.30; there was no work-related fatality. The disability injury frequency rate was 0.590, with the disability injury severity rate (SR) of 27.300. In 2023, there was 1 occupational accident among suppliers, with an IR of 2.064, Lost LDR of 4.13, 0 fatalities, a Disability Injury Frequency Rate of 0, and a SR of 30.96.</p> <p>Eurocharm TW and Vietnam VPIC1 supervise the handling of occupational accidents in accordance with local regulations, conduct statistical analysis of occupational accidents to promptly understand the status of employee occupational accidents. When an occupational accident occurs, the management department and occupational safety unit immediately initiate an accident investigation, conduct accident investigation analysis, and propose improvement measures. They regularly promote relevant safety and health matters to prevent similar situations from happening again. In 2023, there was one employee injury incident among suppliers, mainly due to crushing injuries. Vietnam VPIC1 experienced a total of 7 occupational accidents, mostly related to crushing injuries. Apart from establishing relevant operational regulations and enhancing education and awareness, necessary safeguards were also implemented for potentially dangerous machinery and equipment. Efforts were made to actively and properly handle injuries caused by employee accidents and assist employees in returning to the workplace.</p> <p>Monitoring work environment</p> <p>The monitoring of the work environment is to understand the true on-site condition and to evaluate the exposure status of the labor through planning, sampling, analysis, or measurement. Strategies must be developed accordingly to achieve such goal. In 2023, VPIC1 in Vietnam conducted an environmental monitoring on noises, respirable dusts, carbon dioxide, carbon monoxide, xylene, toluene, brightness, temperature, etc. by measuring 588 samples; among them, 444 samples of noises, respirable dusts, oxygen, carbon dioxide, xylene, and toluene met the standards, and 51 noise samples, 21 brightness samples, and 72 temperature samples failed to meet the standards.</p>	

Implementation Details	Implementation Status				Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons																																			
	Yes	No	Summary																																					
			<table><tr><th>Environmental Monitoring Indicators</th><th>Sample Quantities</th><th>Samples that Met the Standards</th><th>Samples that Failed to Meet the Standards</th></tr><tr><td>Noises</td><td>90</td><td>39</td><td>51</td></tr><tr><td>Respirable dust</td><td>90</td><td>90</td><td>0</td></tr><tr><td>Carbon dioxide</td><td>90</td><td>90</td><td>0</td></tr><tr><td>Carbon monoxide</td><td>90</td><td>90</td><td>0</td></tr><tr><td>Xylene</td><td>24</td><td>24</td><td>0</td></tr><tr><td>Toluene</td><td>24</td><td>24</td><td>0</td></tr><tr><td>Brightness</td><td>90</td><td>69</td><td>21</td></tr><tr><td>Temperature</td><td>90</td><td>18</td><td>72</td></tr></table>	Environmental Monitoring Indicators	Sample Quantities	Samples that Met the Standards	Samples that Failed to Meet the Standards	Noises	90	39	51	Respirable dust	90	90	0	Carbon dioxide	90	90	0	Carbon monoxide	90	90	0	Xylene	24	24	0	Toluene	24	24	0	Brightness	90	69	21	Temperature	90	18	72	
Environmental Monitoring Indicators	Sample Quantities	Samples that Met the Standards	Samples that Failed to Meet the Standards																																					
Noises	90	39	51																																					
Respirable dust	90	90	0																																					
Carbon dioxide	90	90	0																																					
Carbon monoxide	90	90	0																																					
Xylene	24	24	0																																					
Toluene	24	24	0																																					
Brightness	90	69	21																																					
Temperature	90	18	72																																					
			<p>Hazard and risk assessment</p> <p>VPIC1 in Vietnam regularly evaluates occupational hazards and risks based on the "Hazard and Risk Assessment Procedure" to identify potential safety and health hazards associated with various operations, products, and service processes in a continuous and proactive manner. Eurocharm TW identified 1 high-risk item (forklift crushing injuries), 30 medium-high-risk items, and 20 medium-risk items in 2023. Regular retraining for forklift operators is conducted for high-risk items. Vietnam VPIC1 conducts regular identification of occupational hazards and risk assessments based on the "Hazard and Risk Assessment Procedure," continuously and actively identifying hazards and assessing risks in various operational activities, products, and service processes for potential safety and health hazards. In 2023, 14 high-risk items were identified (such as elevator/crane cable or chain breakage, collision, brake hook to cable/chain, crushing injuries, electric shock, splash of mold/spring/parts, etc.), along with 62 medium-risk items and 15 low-risk items, to assess safety and health risks and opportunities, aiming for zero accidents.</p> <p>Prevention of Occupational Safety Impacts</p> <p>The Company values contractors as important partners. To ensure the safety of our contractors, each production site abides by the local occupational safety and health laws and regulations, reviews contractor construction plans, and requires suppliers or customers to wear protective equipment when entering the factory. We also promote various management mechanisms to strengthen contractor construction safety, such as complying with the table of contractor management (including equipment operation training</p>																																					

Implementation Details	Implementation Status			Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons														
	Yes	No	Summary															
			<p>records/professional licenses), and regularly or randomly inspect construction safety during construction processes. A contractor qualification review system is in place to classify contractors by their service projects while establishing a list of qualified contractors. This system will help procurement units to have an initial understanding of contractor backgrounds while also meeting practical needs such as improving the operation quality and construction safety standards. Referring to international regulations, customer requirements, and environmental trends, we have established a registry for 254 chemicals in use.</p> <p>Safety inspection</p> <p>At VPIC1 in Vietnam, each production shift is assigned one safety officer, responsible for inspecting equipment and fire safety according to the checklist. The safety department conducts a weekly factory tour to identify deficiencies and reports them for on-site adjustments, and the feedback are provided upon improvements. The management department inspects one factory area each week, records deficiencies, and reports them for on-site adjustments.</p> <table><tr><th colspan="2">Safety Inspection Routines</th></tr><tr><td>Safety inspection staff of each shift inspects equipment and fire safety.</td><td>Every shift</td></tr><tr><td>Safety department records deficiencies for on-site improvements.</td><td>Weekly</td></tr><tr><td>Management department records deficiencies for on-site improvements.</td><td>Weekly</td></tr></table> <p>Safety management of the equipment</p> <p>In 2023, the Company and Eurocharm TW conducted automatic inspections on a total of 49 registered machines, all of which were carried out in accordance with Chapter 4 of the Occupational Safety and Health Management Regulations. Regular inspections were also conducted to ensure the safe operation of the equipment. Operators of hazardous equipment receive regular external safety and health education and training. The safety of equipment at Vietnam VPIC1 is regularly inspected by external inspection companies as required by law.</p> <p>Occupational safety training and promotion in recent two years</p> <table><tr><th>Year</th><th>Number of people</th><th>Total hours of</th></tr><tr><td></td><td></td><td></td></tr></table>	Safety Inspection Routines		Safety inspection staff of each shift inspects equipment and fire safety.	Every shift	Safety department records deficiencies for on-site improvements.	Weekly	Management department records deficiencies for on-site improvements.	Weekly	Year	Number of people	Total hours of				
Safety Inspection Routines																		
Safety inspection staff of each shift inspects equipment and fire safety.	Every shift																	
Safety department records deficiencies for on-site improvements.	Weekly																	
Management department records deficiencies for on-site improvements.	Weekly																	
Year	Number of people	Total hours of																

Implementation Details	Implementation Status			Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons									
	Yes	No	Summary										
			<table><tr><td></td><td>trained</td><td>educational training</td></tr><tr><td>2022</td><td>6,545</td><td>18,252.5</td></tr><tr><td>2023</td><td>4,294</td><td>9,228</td></tr></table>		trained	educational training	2022	6,545	18,252.5	2023	4,294	9,228	
				trained	educational training								
			2022	6,545	18,252.5								
			2023	4,294	9,228								
(d) Has the Company established effective career development training plans?	V		<p>Status of verification</p> <p>The Company and Eurocharm TW currently do not meet the requirement of the Occupational Safety and Health Act for Category 1 businesses, which mandates businesses with more than 300 people the establishment of an occupational safety and health management system. However, regulations are in place including the Internal Procedures for Hazard identification, Risk Assessment and Determination of Control Measures, Plan for Hazard Education, Guidelines for Measuring and Sampling the Working Environment, Management Guidelines for Automated Inspection, Management Guidelines for Employee Health, Regulations of Safety and Health for Contractors, Regulations for Change Management, and Guidelines for Using Personal Protective Equipment. In addition, the safety office at VPIC1 in Vietnam implements the occupational safety and health management system. We comply with labor laws and regulations, fulfill corporate responsibilities, take good care of our employees, and establish safety and health/ environmental safety policies as well as labor safety and health regulations. We hold quarterly labor safety and health meetings. Vietnam VPIC1 has obtained ISO 14001:2015 environmental management system and ISO 45001:2018 occupational safety and health management system certifications.</p> <p>In 2023, Vietnam VPIC1 experienced two fires. The first occurred in the factory rented to VHS, where an electroplating line caught fire, resulting in a loss of 5,055 thousand . The second fire happened in the sandblasting machine at Plant 6 in the Bai-Shan II Industrial Park. The equipment was promptly extinguished, cleaned, and rearranged for continued use without any injuries. Both fires were caused by overloaded circuits and dust. Improvement measures included enhanced dust cleaning, safety inspections of circuits, and collaboration with suppliers for equipment optimization.</p> <p>The Company has a comprehensive training program for career development, aiming to provide employees with the necessary skills for their current position and for future promotion opportunities. The training consists of pre-employment training, pre-employment professional training, on-the-job training (including senior managers), and professional skills training. In 2023, total time spent on employee education was 65,951.5 hours, which was completed by a total of 4,619 people, with an average of 14.28 hours per person.</p>	None									
(e) Do the Company's	V		<p>The Company is an original equipment manufacturer (OEM) focusing on professional precision stamping and</p>	None									

Implementation Details	Implementation Status			Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
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?			<p>automotive/motorcycle component manufacturer. All product designs are verified by customers to ensure their safety. During the process development phase, we evaluate materials, environmental protection, and processes. With machinery characteristics and strength issues in mind, the Company search for qualified materials that meet customers' designs and environmental requirements. To avoid using raw materials that contain hazardous substances, we select suppliers and partners following international RoHS, REACH regulations, and customer requirements. All consumables used in the manufacturing process must also comply with environmental regulations required by the customers. If customers have any concerns about our products, we provide material certifications proactively.</p> <p>To realize information security management, our company has established a dedicated information security unit consisting of 1 information security manager and 2 information security personnel responsible for information security management. The scope of information security management focuses on operational processes, compliance with information security laws and regulations, personnel information security awareness training, automated production processes, personal privacy protection, customer information security requirements, and the prevention of information security risks associated with emerging technologies. Following the Taiwan Information and Communication Security Management Act and the Financial Supervisory Commission's "Guidelines for Information and Communication Security Management for Listed and OTC Companies," the Company regularly conducts internal information security checks to confirm the effectiveness and maturity of information security management. In 2023, there were no complaints of privacy breaches or loss of customer data. In November and December 2023, the Company added information security units to offices in Taiwan and Vietnam, respectively, and regularly receives external information security intelligence such as product vulnerabilities, hacker group attacks, and detection of information security attack within the group's domain. By leveraging external alliances, the Company strengthens its sources of information security intelligence, enabling information security teams to protect the group's information assets, network security, production security, and information security more comprehensively. To ensure the establishment of information security, the Company has implemented an extensive information security management system. In November 2023, the Company introduced the ISO 27001:2022 Information Security Management System, with plans to complete the implementation and obtain independent third-party external verification by 2024. On December 11, 2023, VPIC1 in Vietnam conducted ISO 27001:2022 Information Security Management System training for Vietnamese information security officers from various departments, with a total of 59 participants.</p> <p>The Company's "Supplier Sustainability Policy" effectively manages the quality, delivery, and cooperation of our suppliers to ensure</p>	
(f) Does the Company set	V			None

Implementation Details	Implementation Status			Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons						
	Yes	No	Summary							
supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?			<div>compliance with all relevant laws and regulations as well as to improve business performance and competitiveness, creating win-win opportunities for our company and suppliers. Every year, the Company cultivates new suppliers and systematically evaluates existing ones to provide customers with safe products. On November 19, 2021, VPIC1 in Vietnam revised its supplier performance evaluation and audit process, which added audit items such as waste disposal and hazardous waste procedures, human rights protection, employment of child labor, forced labor, and employee compensation.</div> <table><tr><td>Evaluation new suppliers</td><td>Preliminary qualification review: suppliers are required to fill out the "Vendor Information Form" as a reference. On-site investigation: the procurement staff gather the quality assurance department to conduct on-site investigations to understand and audit the manufacturer's production and quality management capabilities.</td></tr><tr><td>Evaluation on existing suppliers</td><td>All manufacturers providing raw materials and semi-finished products are included. The focus of the assessment is to ensure the implementation of the suppliers' quality systems, and the audit results are classified.</td></tr><tr><td>Honoring suppliers</td><td>Every year, VPIC1 in Vietnam recognizes outstanding suppliers who excel in four aspects: cost, delivery, quality, and being the best suppliers.</td></tr></table>	Evaluation new suppliers	Preliminary qualification review: suppliers are required to fill out the "Vendor Information Form" as a reference. On-site investigation: the procurement staff gather the quality assurance department to conduct on-site investigations to understand and audit the manufacturer's production and quality management capabilities.	Evaluation on existing suppliers	All manufacturers providing raw materials and semi-finished products are included. The focus of the assessment is to ensure the implementation of the suppliers' quality systems, and the audit results are classified.	Honoring suppliers	Every year, VPIC1 in Vietnam recognizes outstanding suppliers who excel in four aspects: cost, delivery, quality, and being the best suppliers.	
Evaluation new suppliers	Preliminary qualification review: suppliers are required to fill out the "Vendor Information Form" as a reference. On-site investigation: the procurement staff gather the quality assurance department to conduct on-site investigations to understand and audit the manufacturer's production and quality management capabilities.									
Evaluation on existing suppliers	All manufacturers providing raw materials and semi-finished products are included. The focus of the assessment is to ensure the implementation of the suppliers' quality systems, and the audit results are classified.									
Honoring suppliers	Every year, VPIC1 in Vietnam recognizes outstanding suppliers who excel in four aspects: cost, delivery, quality, and being the best suppliers.									
5. Does the Company refer to international 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		<div>The Company publishes its 2022 Sustainability Report in compliance with the Global Reporting Initiative Standards (GRI Standards) issued by Global Reporting Initiative (GRI). The Report is assured with Type 2, Moderate Level under AA 1000 v3 standards and is published on the Company's website. (https://www.eurocharm.com.tw/esg/永續發展/esg下載區/)</div>	None						
6. If the company has established its corporate social responsibility code of practice according to "Listed Companies										

Implementation Details	Implementation Status			Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
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, contributing to caring for and changing society.				
The social assistance activities conducted by the Company in the recent year are as follows.				
No.	Beneficiaries	Program name	Program overview	
1	Disadvantaged employees of Eurocharm Taiwan	Emergency aid	An Eurocharm TW employee stationed in Taichung passed away during his vacation due to acute myocardial infarction. Our colleagues initiated a fundraising effort, pooling their love and support to provide immediate care and assistance to the employee's family, helping them through this difficult time. The donations, stemming from voluntary contributions from our employees, accumulated to a total of NT\$166,000.	
2	Disadvantaged employees of VPIC1 in Vietnam	Emergency aid	Vietnam VPIC1 has redirected its assistance internally, providing financial support to employees from impoverished families. For the second consecutive year, the company sponsored a charity fair with an initial fund of 24,000,000 VND. Held at the company's football field, the fair allowed employees to set up stalls to sell goods and organize games. All profits from the fair were used to assist impoverished employees before the Lunar New Year. With enthusiastic participation from all employees, the 2023 fair raised a total of 143,000,000 VND, bringing the cumulative total to 256,248,000 VND. This initiative has already helped 87 impoverished employees, with funds managed by the company's union and dedicated to specific use before the Lunar New Year.	
3	The Union of the Industrial Zone Red Cross - Vĩnh Phúc Province	Blood drives	VPIC1 in Vietnam organized two blood drives. On July 2, 2023, in response to an initiative of the industrial zone union, 130 Vietnam VPIC1 employees rolled up their sleeves and donated blood, with each person donating 250c.c., totaling 32,500c.c. On December 1, 2023, in collaboration with the Red Cross of Vinh Phuc Province, Vietnam, a blood drive was held in the education and training room of the Vietnam VPIC1. A total of 224 employees participated, with each person donating 250c.c., totaling 56,000c.c.	
4	Vĩnh Phúc Provincial Technical College Agricultural Technical College	Charitable activities	On September 5, 2023, Vietnam VPIC1 helped 15 underprivileged students attending the Vinh Phuc Technical College by presenting them with scholarships of 1,000,000 Vietnamese Dong; the total donation amounted to 15,000,000 Vietnamese Dong. Additionally, for the agricultural college that started classes in October, Vietnam VPIC1 granted 15 scholarships, totaling 15,000,000 Vietnamese Dong.	
5	Tudu Town, Vĩnh Phúc Province	Promoting water safety for young children	In response to the Vietnamese government's efforts to promote water safety for young children, on May 24, 2023, we donated backpacks and swimming vouchers to underprivileged children in TuDu town, Vinh Phuc Province, with a donation of 51,000,000	

Implementation Details	Implementation Status			Deviations from the Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
				Vietnamese Dong.
6			<p>Vietnam Red Cross</p> <p>Red Cross - Vĩnh Phúc Province</p> <p>Helping impoverished families</p>	<p>On Lunar New Year, every family hopes to have a good year. However, this small wish is often difficult for impoverished families. On January 10, 2023, VPIC1 in Vietnam collaborated with the Vietnam Red Cross in Vĩnh Phúc Province to visit Song Lo County and Vĩnh Yên City, delivering Lunar New Year gifts and cash to 60 impoverished families to support their wish for a good year. The total donation amounted to 51,000,000 Vietnamese Dong.</p> <p>On September 9, 2023, in response to the International First Aid Day event organized by the Vĩnh Phúc Red Cross and the provincial government, the General Manager of VPIC1 in Vietnam and 30 employee representatives attended a commemoration ceremony at Ho Chi Minh Square in Vĩnh Phúc Province. They donated 50 safety helmets and 17,712,000 Vietnamese Dong to impoverished families. Additionally, Khai Quang District where VPIC1 is located initiated a fundraising campaign to build a house for a particularly impoverished family. The company donated 10,000,000 Vietnamese Dong to ensure that the family has a warm home during the winter. Collaborating with two suppliers (Hanoi Steel and Minh Dũng), the company partnered with the Tam Đảo Red Cross to donate blankets to three towns (Minh Quang, Hồ Sơn, and Hợp Châu), benefiting 35 households with a total value of 16,000,000 Vietnamese Dong.</p>

3.4.9 Climate-Related Information of Listed and OTC Companies

1. Implementation Status of the Climate-Related Information

Projects	Implementation Status
<ol style="list-style-type: none"> 1. Indicate the oversight and governance on climate-related risks and opportunities by the Board of Directors and the management level. 2. Indicate how climate risks and opportunities identified by the Company affect its business, strategy, and finance (short-term, medium-term, long-term). 3. Indicate the financial impact from extreme weather events and transition actions. 4. Indicate how the process of identifying, assessing, and managing climate risks is integrated into the overall risk management system. 5. If scenario analysis is used to assess resilience to climate change risks, explain the scenarios, parameters, assumptions, analysis factors, and key financial impacts. 6. If there is a transformation plan to manage climate-related risks, describe the contents of the plan, as well as the indicators and objectives used to identify and manage physical risks and transition risks. 7. If internal carbon pricing is used as a planning tool, explain the basis for price setting. 8. If climate-related targets are set, describe the relevant activities, greenhouse gas emission scopes, planning timeframe, annual progress, etc. If carbon offsetting or Renewable Energy Certificates (RECs) are used to achieve these targets, explain the source and quantity of the carbon offset credits or the quantity of RECs used. 9. Greenhouse gas inventory and verification status, reduction targets, strategies, and specific action plans (to be filled in sections 1-1 and 1-2). 	<p>The Company established the Sustainability Management Committee and the Risk Committee in June 2022. The Sustainability Management Committee is responsible for formulating sustainability policies, systems, or relevant management guidelines, as well as specific implementation plans. Meetings are held at least quarterly to report to the Sustainability Management Committee on the implementation status and the tracking, reviews, and revisions of the results. The Risk Committee is responsible for reviewing risk management policies, risk management frameworks, major risk management strategies, and management reports on major risk issues, as well as supervising improvement mechanisms. It regularly reports on the implementation of risk management to the Board of Directors. Climate change is included in risk topics, and at least two meetings are held annually for reporting to the Risk Management Committee. The Board of Directors is responsible for approving sustainability policies, systems, or related management guidelines and specific implementation plans. It also approves risk management policies, procedures, and frameworks to ensure the alignment of operational strategies with risk management policies. The committee establishes appropriate risk management mechanisms and risk management culture, supervises as well as ensures the effective operation of the overall risk management mechanism, and allocates and assigns ample and appropriate resources to ensure effective risk management operation.</p> <p>The General Administration Department is responsible for identifying climate risks and opportunities, assessing them based on three major aspects: Potential Impact, Potential Vulnerability, and Likelihood of Risk Occurrence. By creating a climate risk matrix, the Company completes the management of climate risks and develops responsive measures. The climate risk matrix helps the Company better understand the impact of climate change on its business and guides the Company on how to respond to and manage risks facing future climate changes. Please refer to the Climate Change Risk and Opportunity Matrix in the 2023 Sustainability Report.</p> <p>Based on the climate-related risks and opportunities proposed by TCFD and learning from benchmark companies, we have identified a total of 141 climate risks and opportunities. From these, we selected 9 climate risks and 5 climate opportunities for in-depth scenario analysis. The management of climate risks and opportunities is</p>

	<p>integrated into the Company's management processes. Please refer to the impact of climate change risks and opportunities on our strategies, operations, and financial planning.</p> <p>Regarding transition risks, as many countries consider Carbon Pricing Schemes as the necessary policy to achieve net zero emissions, our company has referred to the World Energy Outlook 2022 (WEO 2022) published by the International Energy Agency (IEA), as well as the Stated Policies Scenario (STEPS), Announced Pledges Scenario (APS), and the future carbon pricing analyzed by Net Zero Emissions by 2050 Scenario (NZE) to assess the impact of carbon pricing schemes on our operations in different countries.</p> <p>Regarding physical risks, the IPCC began releasing its Sixth Assessment Report (AR6) in 2021, which uses the latest Global Climate Models (GCMs) to estimate long-term climate change. It incorporates greenhouse gas emissions from different societal and economic scenarios known as Shared Socioeconomic Pathways (SSPs). This assessment provides a comprehensive evaluation of climate change across global regions and can be downscaled to provide a more detailed impact assessment for our company's operational locations.</p> <p>The Company follows the TCFD framework to identify risks/opportunities that have impacts on operation, strategy, and financial planning. Risks/opportunities are defined and listed by the General Administration Department, and the Company quotes from the IPCC AR6 SSP scenarios, SSP1-2.6, and SSP5-8.5 climate scenarios to conduct risk assessments on transition risks, immediate physical risks, and long-term physical risks. We identify and analyze short-term, mid-term, and long-term climate risks and opportunities within our operational scope.</p> <p>To address climate change risks, the Company has developed response plans based on risk scenario analyses to formulate strategies for coping with physical climate risks. Additionally, we have established specific response strategies to mitigate and adapt to the potential impacts of climate change, such as sea-level rise due to increasing average temperatures, rise of sea level and floods caused by the increased precipitation, and droughts induced by extreme weather. Furthermore, we focus on water usage inventory and storage days as key indicators to improve the rate of process water recycling. The Company established a Risk Committee in June 2022 to conduct annual risk identification and assessment, implement preventive and mitigation measures for high-risk projects, and conduct regular monitoring.</p> <p>The Company has included greenhouse gas emissions as one of the energy-saving and carbon-reduction performance indicators, reporting quarterly to the Sustainability</p>
--	--

Annual Report 2023

	<p>Management Committee. The EU Carbon Border Adjustment Mechanism (CBAM) came into effect on May 17, 2023, with a transition period for its implementation from October 1, 2023, to December 31, 2025. In June 2022, the U.S. Senate introduced the Clean Competition Act (CCA) draft, which has not yet been formally passed. If enacted, the U.S. will begin levying a carbon tax in 2024, covering locally produced goods and products imported from other countries. Taiwan's Climate Act has been passed, with the current carbon fee collection targeting manufacturing and electricity industries with annual emissions exceeding 25,000 metric tons, expected to commence in 2025. Currently, the emission from Eurocharm TW does not exceed the 25,000 metric ton threshold, thus it is not affected by carbon fee collection in Taiwan, but the possibility of future reductions in the threshold is being closely monitored.</p> <p>To effectively manage the impact of climate change-related risks and opportunities on the Company, we completed the first greenhouse gas inventory and third-party verification in 2022. In September 2022 and May 2023, our Taiwan and Vietnam operation sites completed the introduction of the ISO 50001 Energy Management System and third-party verification. From September to December 2023, VPIC1 in Vietnam implemented ISO 14067 Product Carbon Footprint, continuously improving the setting of climate change goals and indicators to enhance corporate resilience as well as drive industry innovation. Our responses to climate change are disclosed in the sustainability report and on the corporate website. (https://www.eurocharm.com.tw/esg/環境永續/氣候變遷管理/)</p>
--	---

1-1 The greenhouse gas inventory and verification status of the company in the past two years.

<p>The Company Profile</p> <p><input type="checkbox"/> Companies with a capital of over NT\$10 billion or in the steel industry or cement industry</p> <p><input type="checkbox"/> Companies with a capital over NT\$5 billion but less than NT\$10 billion</p> <p><input checked="" type="checkbox"/> Companies with a capital less than NT\$5 billion</p>	<p>According to the Sustainability Development Roadmap for listed companies, the following items should be disclosed.</p> <p><input type="checkbox"/> Inventory of the parent company</p> <p><input type="checkbox"/> Assurance for the parent company</p> <p><input type="checkbox"/> Inventory of the subsidiaries included in the consolidated financial reports</p> <p><input checked="" type="checkbox"/> Assurance of the subsidiaries included in the consolidated financial reports</p>
---	---

1-1-1 Information of the greenhouse gas inventory

Scope 1	Total Emission (metric ton CO2e)	Density (metric ton CO2e/million-dollar) (Note 2)	Institutions Conducting Assurance	Assurance Conditions (Note 3)
---------	-------------------------------------	--	-----------------------------------	----------------------------------

Annual Report 2023

Eurocharm Holdings Co., Ltd.	0	1.32	SGS Taiwan	The Scope 1 greenhouse gas emission disclosed by the Company and its subsidiaries amounted to 9,447.67 metric tons CO2e (5.76% of the total emissions). The result was assured in accordance with the ISO 14064-3 standard, with reasonable assurance.
Eurocharm Innovation Co., Ltd. (B.V.I.)	0			
Eurocharm America LLC	0			
Eurocharm TW	64.9665			
Eurocharm Innovation (HK) Co., Ltd.	0			
Vietnam Precision Industrial No. 1 Co., Ltd.	9,530.80			
Total	9,595.7665	1.32	SGS Taiwan BSI	
Scope 2	Total Emission (metric ton CO2e)	Density (metric ton CO2e/million-dollar) (Note 2)	Institutions Conducting Assurance	Assurance Conditions (Note 3)
Eurocharm Holdings Co., Ltd.	0	3.87	SGS Taiwan	The Scope 2 greenhouse gas emission disclosed by the Company and its subsidiaries amounted to 29,998.86 metric tons CO2e (18.27% of the total emissions). The result was assured
Eurocharm Innovation Co., Ltd. (B.V.I.)	0			
Eurocharm America LLC	0			
Eurocharm TW	115.3931			
Eurocharm Innovation (HK) Co., Ltd.	0			
Vietnam Precision Industrial No. 1 Co., Ltd.	28,000.49			
Total	28,115.8831	3.87	SGS Taiwan BSI	

Annual Report 2023

				in accordance with the ISO 14064-3 standard, with reasonable assurance.
Scope 3	Total Emission (metric ton CO2e)	Density (metric ton CO2e/million-dollar) (Note 2)	Institutions Conducting Assurance	Assurance Conditions (Note 3)
Eurocharm Holdings Co., Ltd.	0	17.23	SGS Taiwan	The Scope 3 greenhouse gas emission disclosed by the Company and its subsidiaries amounted to 124,710.74 metric tons CO2e (75.97% of the total emissions). The result was assured in accordance with the ISO 14064-3 standard, with reasonable assurance.
Eurocharm Innovation Co., Ltd. (B.V.I.)	0			
Eurocharm America LLC	17.8103			
Eurocharm TW	210.7362			
Eurocharm Innovation (HK) Co., Ltd.	0			
Vietnam Precision Industrial No. 1 Co., Ltd.	124,996.74		British Standards Institution (BSI)	
Total	125,225.2865	17.23	SGS Taiwan BSI	

Note 1: Direct emissions (Scope 1, from sources owned or controlled by the company), indirect energy emissions (Scope 2, from purchased electricity, heat, or steam), and other indirect emissions (Scope 3, emissions generated by company activities that are not energy indirect emissions, but rather come from other emission sources owned or controlled by the company).

Note 2: The scope of direct emissions and indirect energy emissions data shall be in accordance with the schedule specified in Article 10, paragraph 2 of this guideline, and information on other indirect emissions may be disclosed voluntarily.

Note 3: Greenhouse gas inventory standard: Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 published by the International Organization for Standardization (ISO).

Annual Report 2023

Note 4: The density of greenhouse gas emissions may be calculated per unit of product/service or revenue, but the calculation based on revenue (in million New Taiwan Dollars) should be provided.

1-1-2 Information of the greenhouse gas assurance

Describe the assurance status in recent two years from the date of the publication of the annual report, including the scope, assurance provider, assurance standard, and assurance conclusion.
<p>The scope of assurance in 2022 includes the parent company, Eurocharm Holdings Co., Ltd., subsidiaries B.V.I., Eurocharm TW, Eurocharm U.S., Eurocharm H.K., and Vietnam VPIC1; the assurance provider are TUV NORD and BSI, following the ISO 14064-3 standard. The assurance conclusions are reasonable assurance for Scope 1, and limited assurance for Scope 2 and 3.</p> <p>The scope of assurance in 2023 includes the parent company, Eurocharm Holdings Co., Ltd., subsidiaries B.V.I., Eurocharm TW, Eurocharm U.S., Eurocharm H.K., and Vietnam VPIC1; the assurance provider are SGS Taiwan and BSI, following the ISO 14064-3 standard. The assurance conclusions are reasonable assurance for Scope 1, and limited assurance for Scope 2 and 3.</p>

Note 1: The company should comply with the schedule specified in Article 10(2) of the guideline. If the company fails to obtain a complete greenhouse gas assurance opinion by the date of the annual report printing, it should indicate that "complete assurance information will be disclosed in the sustainability report." If the company does not prepare a sustainability report, it should indicate that "complete assurance information will be disclosed on the Market Observation Post System," and disclose the complete assurance information in the annual report of the following year.

Note 2: The assurance institution should comply with the relevant provisions of the Taiwan Stock Exchange Corporation and the Taipei Exchange regarding the assurance institution for the sustainability report.

Note 3: Refer to the best practice examples on the Taiwan Stock Exchange Corporate Governance Center website for the content of disclosure.

1-2 Targets, strategies, and action plans for greenhouse gas reduction

Specify the baseline year and data for greenhouse gas reduction, reduction targets, strategies, specific action plans, and the status of achieving targets
<p>1. The baseline year and its data</p> <p>The baseline year was originally set as 2022, with emissions of 223,052.6420 tons CO₂e. Due to changes in operational activities following the lifting of pandemic restrictions and the impact of the overall economic downturn, the baseline year was changed to 2023, with emissions of 162,756.9360 tons CO₂e.</p> <p>2. Target for reduction</p> <p>The greenhouse gas reduction target for 2023 is an overall reduction of 1% for each company. The mid-term targets (2024-2030) are annual reduction of 3% for the main production base, VPIC1 in Vietnam, and 2% reduction per year for Eurocharm TW. The long-term reduction targets (2031-2050) are annual reduction of 5% for the main production base, VPIC1 in Vietnam, and 3% reduction per year for Eurocharm TW.</p> <p>3. Strategies and action plans</p>

Annual Report 2023

- (1) The parent company and its subsidiaries have implemented ISO 14064-1 greenhouse gas inventory and obtained third-party verification, conducting the inventory annually.
- (2) The main production bases, VPIC1 in Vietnam, and Eurocharm TW, have implemented ISO 50001 energy management systems and obtained third-party verification, continuing to promote energy-saving and carbon reduction initiatives annually.
- (3) In response to the EU ETS declaration under the EU CBAM, VPIC1 in Vietnam has implemented ISO 14067 product carbon footprint inventory and completed the first CBAM declaration by the end of January 2024. The system for product carbon footprint inventory will be established by February 2024, and verification will be conducted once the official verification standards are announced.
- (4) VPIC1 in Vietnam is currently assessing the possibility of building its own solar power or purchasing green energy, gradually moving towards net-zero emissions.

4. Status of target achievements

Due to changes in operational activities following the lifting of pandemic restrictions and the impact of an economic downturn, emissions in 2023 decreased by 60,295.7060 tons CO₂e compared to 2022, achieving the reduction target. The greenhouse gas emission density decreased by 5.36 tons CO₂e per million in revenue in 2023 compared to 2022, representing a reduction of 19.30% from the same period last year.

Note 1: The schedule should be implemented in accordance with the regulations specified in Article 10, Clause 2 of the guidelines.

Note 2: The baseline year should be the year in which the greenhouse gas inventory is completed within the scope of the consolidated financial statements. For example, according to the regulations specified in Article 10, Clause 2 of the guidelines, companies with a capital of over 10 billion NT dollars should complete the inventory for the fiscal year 113 in the fiscal year 114. Therefore, the baseline year is 113. If a company has completed the inventory of consolidated financial statements earlier, the earlier year may be used as the baseline year.

Additionally, the data for the baseline year may be calculated as a single year or as an average of several years.

3.4.10 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 regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	V		(3) The Company has included prevention schemes for unethical conduct in the forementioned regulations as well as in the internal control and signing procedures to effectively prevent and uncover corruptive actions. The Company’s “Ethical Corporate Management Operating Procedures and Code of Conduct” clearly prohibits employees to receive unsupervised gifts from vendors and individuals conducting business with the Company; employees should return or reject any valuable gifts from people with business relations and report such matters to supervisor or the department in-charge, which should return, purchase, confiscate, or donate such gifts to charitable organizations or propose proper actions. The Company has established “Guidelines for Reporting Illegal, Immoral, or Unethical Conducts” to develop a report channel and handling system within and outside the Company. The “Workforce for Promoting Ethical Business Operation” was initiated by the	None

Annual Report 2023

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			administration/ finance department and convened by the Senior Manager, Hung-Yi Kao. Based on the job responsibilities and scope of each unit, the workforce is responsible for assisting the Board of Directors and management level in formulating and supervising the implementation of ethical corporate management policies and prevention plans, ensuring the implementation of the code of conduct, and the workforce is also in charge of regularly reporting the implementation status to the Board of Directors every year. The most recent reporting was on February 29, 2024.	
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		<p>(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.</p> <p>The 2023 business development is as follows and reported to the first board of directors’ meeting in 2024:</p> <p>I. Independent directors and accountants shall hold regular meetings at least twice a year in the Audit Committee. The accountant shall report to the independent directors on the audit of the Company and its domestic and overseas subsidiaries and shall communicate fully regarding any significant adjustments to the entries. The signing accountant attended two Audit Committee meetings and two Board meetings in 2023, discussing the results of the financial statement audit and regulatory updates.</p> <p>II. Establishes various methods for reporting including internal and external reporting mailboxes. The Company requires employees and suppliers</p>	None

Annual Report 2023

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		<p>suspected of improper behavior to report and clarify on their own initiative and reward employees who report misconduct.</p> <p>III. When assessing the involved parties of business transactions, the Company fully understands the other party's business integrity and prohibits commissions, rebates, or other benefits.</p> <p>(3) The Company's code of conduct for employees is in place to prevent unethical behaviors. When a person of conflict is involved in the business transaction, he/she cannot receive more beneficial conditions than his/her counterparts. The Company also provides a clear communication channel for employees to report unethical conduct to the human resource department through multiple methods.</p>	None
(4) Has the company established effective accounting systems and internal control systems to implement business integrity? Does the internal audit unit develop relevant audit plans based on the assessment results of the risk of dishonest behavior and audit the compliance with the anti-dishonesty action plan, or commission an accountant to conduct the audit?	V		(4) The Company has established rigorous accounting systems and designated accounting units. Financial reports are audited or reviewed by certified accountants to ensure the fairness of the financial statements. Each transaction amount must be approved by the authorized level of management, in compliance with relevant laws and internal operating procedures.	None
(5) Does the Company regularly hold internal and external educational training on operational integrity?	V		(5) The company has established a code of conduct that incorporates ethical corporate management into its corporate culture, and regularly promotes it at meetings in order to ensure its implementation.	None
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	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

Annual Report 2023

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
follow up?				
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	V		(2) The audit office carries out investigations of reported contents and reports the final results to the Chairman in accordance with confidentiality principles.	None
(3) Does the company provide proper whistleblower protection?	V		(3) The Company is responsible for the confidentiality of the identity of the whistle-blower to prevent inappropriate dismissal or retaliation at the workplace against the whistle-blower.	None
4.Strengthening information disclosure				
(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	V		(1) The Company has published its Procedures and Behavioral Guidelines of Ethical Corporate Management on the corporate official website (http://www.eurocharm.com.tw) and the Market Observation Post System (MOPS).	None
5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: There have been no discrepancies.				
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 has been constantly showing appreciation to our customers and respecting 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 win-win situation.				
(c) Ethical corporate management responsibility to shareholders: The Company treats its shareholders with care and loyalty, discloses accurate information in a timely manner, and creates maximum value for all shareholders by operating at a steady pace.				
(d) The Company has established the "Prevention of Insider Trading Management Procedures," "Board Meeting Regulations," "Code of Conduct and Operation Guidelines for Ethical Corporate Management," and has established an internal control system. It regularly assesses the moral integrity of its employees to ensure that directors, executives, or employees faithfully execute their duties, avoiding the direct or indirect provision, promise, request, or receipt of any form of improper benefits, including kickbacks, commissions, facilitation fees, or other means of providing or receiving improper benefits to or from customers, agents, contractors, suppliers, public officials, or other stakeholders.				

3.4.11 Corporate Governance Guideline and Regulations

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

3.4.12 Other Important Information Regarding Corporate Governance

1. Managers participate in corporate governance related training:

In 2023, managers have no relevant training. We plan to hold relevant training courses when the conditions permit.

2. Procedures of processing internal major information:

The Company has established the “Prevention of Insider Trading Management Procedures” and the “Code of Conduct and Operation Guidelines for Ethical Corporate Management” 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 the board. Currently, there are seven directors (including three independent directors) with diversified and complementary industry experience and professional capabilities in finance and accounting. Two of them are also senior management of the Company. The Company’s Board of Directors and the experience background of the members will continue to be the same in the future.

The Company has established the Nomination Committee, which oversees ensuring that the independent directors, directors, and managers are equipped with required professional knowledge, know-how, experience, and diversity in gender and that independence standards are met

Annual Report 2023

for independent directors. Such criteria are applied to finding, evaluating, and nominating candidates for directors and independent directors. The Nomination Committee also formulates the composition of the Board of Directors and functional committees as well as review the succession planning of the directors and managers. Within the scope of succession plan for the Board of Directors and for continuous operation of the Company, candidates for the directors are selected by the following standards.

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

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

3.4.13 Implementation of the Internal Control System

Eurocharm Group Co., Ltd.

Declaration Regarding the Internal Control System

Date: February 29, 2024

Based on the results of a self-inspection, the Company hereby makes the following declaration regarding the internal control system in 2023:

- 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, 2023 (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 29, 2024. All 7 directors consented to the contents of this declaration as stated herein.

Eurocharm Holdings Co., Ltd.

Chairman: Steven Yu

General Manager: Andy Wu

3.4.14 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.

3.4.15 Major Resolutions of Shareholders' Meeting and Board Meetings

1. Major resolutions of the shareholder's meetings in 2023 and implementation status (05/31/2023)

Attendance: Steven Yu (Director), Michael Yu (Director), Antonio Yu (Director), Jen-Tien Yuan (Independent Director), and Yi-Ren Guo (Independent Director)

Major Resolutions - Adoption	Resolution Results	Implementation Status
1. Adoption of the 2022 Business Report and the Consolidated Financial Statements	<p>Voting Result: Approved</p> <p>Total Number of rights held by attending shareholders: 49,591,717 rights</p> <p>In favor: 46,760,503 rights (94.29%)</p> <p>Against: 125 rights</p> <p>Abstained/ not voted 2,831,089 rights</p> <p>The resolution was passed.</p>	Implemented in accordance with the resolution result of the shareholders' meeting
2. Adoption of the Proposal for Distribution of the Profits in 2022	<p>Voting Result: Approved</p> <p>Total Number of rights held by attending shareholders: 49,591,717 rights</p> <p>In favor: 46,760,503 rights (94.29%)</p> <p>Against: 125 rights</p> <p>Abstained/ not voted 2,831,089 rights</p> <p>The resolution was passed.</p>	In accordance with the resolution result from the shareholders' meeting, the cash dividend record date was on August 19, 2023, and the payable date was on September 11, 2023

Major Resolutions - Matters of Discussion	Discussion Results	Implementation Status
1. Proposal to amend the Company's Bylaw	Voting Result: Approved Total Number of rights held by attending shareholders: 49,591,717 rights In favor: 46,749,503 rights (94.26%) Against: 11,125 rights Abstained/ not voted 2,831,089 rights The resolution was passed.	Revision Implemented

2. Major resolutions of the board meetings in 2023 as of the printing date of the annual report:

A total number of 6 board meetings were held; major resolutions are as follows.

DATE	SESSION	MAJOR RESOLUTIONS
May 29, 2023	The 8th meeting of the 5th Session	To propose the approval of the consolidated financial statements for the first quarter of 2023
		To propose that the Company and its subsidiaries should sign a short-term credit limit agreement with the bank
		Loan of the fund of the Company and its subsidiaries
		To propose amendments to the Company's relevant operation procedures
		To amend the content of acquisition of the land use right for the subsidiary company, Vietnam Precision Industrial No.1 Co., Ltd.
June 20, 2023	The 9th meeting of the 5th Session	To propose that the Company and its subsidiaries should sign a short-term credit limit agreement with the bank
		The Company's endorsement and guarantee for the subsidiary companies
		To approve the Chinese and English versions of the Sustainability Report 2022
		To add items into and amend the Company's relevant operation procedures
August 8, 2023	The 10th meeting of the 5th Session	The Company's remuneration distribution for the directors of the year 2022
		The Company's employee remuneration distribution for the managers of the year 2022
		To propose the approval of the consolidated financial statements for the second quarter of 2023
		The distribution of the Company's earnings for the first half of year 2023
		To propose that the Company and its subsidiaries should sign a short-term credit limit agreement with the bank
		The Company's endorsement and guarantee for the subsidiary companies
		To propose that the subsidiary company, Eurocharm Innovation Co., Ltd. (B.V.I.) should invest in Treasure Zone Developments Ltd.

Annual Report 2023

DATE	SESSION	MAJOR RESOLUTIONS
October 31, 2023	The 11th meeting of the 5th Session	To propose the approval of the consolidated financial statements for the second quarter of 2023
		Appointment of the internal audit supervisor
		Appointment of the information security supervisor
December 26, 2023	The 12th meeting of the 5th Session	The business plan and the annual budget for the year 2024
		The internal audit plan for the year 2024
		To propose a process and general policy for obtaining prior consent for non-assurance services from Ernst & Young Accounting Firm and its affiliated companies
		To entrust Ernst & Young Accounting Firm as the signing accountant for the Company's financial statements of 2024
		To propose that the subsidiary companies should sign a short-term credit limit agreement with the bank
		The Company's endorsement and guarantee for the subsidiary companies
		To propose additions and amendments to the "Continuing Education for the Board of the Directors Guidelines"
February 29, 2024	The 13th meeting of the 5th Session	The Company's distribution of remuneration for the Directors and employees for the year of 2023
		To propose the approvement for the business report and the consolidated financial statements for the year of 2023
		Distribution of the earnings for the year of 2023
		To discuss the evaluation on the effectiveness of the internal control system and the Declaration Regarding the Internal Control for the year 2023
		To propose that the Company and its subsidiaries should sign a short-term credit limit agreement with the bank
		To propose that the Company issue restricted stock awards for employees in 2024
		To propose amendments to the Company's relevant operation procedures
		To propose amendments to the Company's Bylaws
		Matters regarding receiving proposals from the shareholders for the shareholders regular meetings
		Time, place, and proposals for the shareholder meetings of 2024

3.4.16 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

3.4.17 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman,

CEO, and Heads of Accounting, Finance, Internal Audit and R&D

Mr. Chang Ming-yuan, the former audit manager of our company, resigned on September 30, 2023, due to personal career planning.

3.5 Information Regarding the Company's Audit Fee

Unit: NT\$ thousands

Accounting Firm	Name of CPA Period Covered		Period Covered by CPA's Audit	Audit Fee	Non-Audit Fee	Total	Note
Ernst & Young	Kuo-Shuai Chen	Chih-Ming Chang	01/01/2023 - 12/31/2023	5,860		5,860	None

(1) Reduction of audit fees after replacement of the accounting firm and accounting year compared to the year preceding replacement: None

(2) Reduction of audit fees by more than 10% compared to the previous year: None

3.6 Replacement of the CPAs:

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

About the former accountants

Replacement Date	04/28/2022		
Reason for Replacement and Explanation	Internal rotation of the accounting firm		
Explanation for the Accountant's Termination or Appointment Refusal	Situation	Accountant	Delegate
	Appointment Termination	N/A	N/A
	Appointment Refusal	N/A	N/A
Issued unserved opinion within the last two years and other reasons	None		
Disagreement with the Issuer	Yes		Accounting principles or practices
			Financial report disclosure
			Scope or Step Examination
			Others

Annual Report 2023

	No	V	
	Remark: Not applicable		
Other disclosures (Article 10-6-1-4 to 10-6-1-7 of this standard should be disclosed)	None		

3.6.2 About the Successor Accountants

Accounting Firm	Ernst & Young
Accountant	Chih-Ming Chang and Kuo-Shuai Chen
Date of appointment	04/28/2022
Pre-commissioning accounting approaches or accounting principles for specific transactions and opinions on the possible issuance of financial report consultation and results	None
Successor accountant's written disagreement to the former accountant	None

3.6.3 Response from the former accountant regarding Article 10-6-1 and 10-6-2-3:

None

3.7 Chairman, General Manager, or Financial Managers who were Employed in the signing Accounting Firm or its Affiliates in the most recent year:

None

3.8 Evaluation of the CPA's Independence

Each year, the Audit Committee monitors the independence of the Company's signing accountants by conducting the evaluations below and reporting the results 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 shares or other securities issued 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 that do not have significant influence on the audit	V	Yes
Whether the accountant has not provided non-audit services to the Company that may directly affect the audit work	V	Yes
Whether the accountant is related to any of the Company's directors, officers or personnel who do not have significant influence on the audit	V	Yes
Whether the accountant has no acting as an advocate for the Company or not coordinating conflicts with other third parties	V	Yes
Whether the accountant has received no special significant value gifts from the Company or its directors, officers, or substantial shareholders	V	Yes

3.9 Operational Procedures for Handling Material Information

The Company has established relevant procedures for managing and disclosing material information. The designated department regularly reminds 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

(1) Transfer and pledge changes in the equity ownership of directors, managers, and major shareholders

Unit: Share

Title	Name	2023		As of March 31, 2024	
		Increase (Decrease) of Shares Held	Increase (Decrease) of Pledged Shares	Increase (Decrease) of Shares Held	Increase (Decrease) of Shares Held
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	Antonio Yu	0	0	0	0
Director	Steven Chang	0	0	0	0
Independent Director	Yen-His Lin	0	0	0	0
Independent Director	Yi-Ren Guo	0	0	0	0
Independent Director	Jen-Tien Yuan	0	0	0	0
General Manager	Steven Yu	0	0	0	0
Deputy General Manager	James Chan	(35,000)	0	15,000	0
Deputy General Manager	Andy Wu	(42,000)	0	0	0
Deputy General Manager	Chien-Chin Chan	0	0	0	0
Deputy General Manager	Cheng-Wen Wang	0	0	0	0
Senior Manager	Huang- Li Yang	0	0	0	0
Senior Manager	Hung-Yi Kao	15,000	40,000	8,000	0

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

(2) Shares Trading with Related Parties: None

(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

04/02/2024 (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	37.11%	-	-	-	-	-	-	-
New General Limited	13,833	20.72%	-	-	-	-	-	-	-
New General Limited Representative: Steven Yu	-	-	-	-	-	-	Seashore Group Limited Representative: Michael Yu	Brother	-
							Antonio Yu	Brother	
Seashore Group Limited Representative: Michael Yu	117	0.18%	-	-	-	-	Seashore Group Limited Representative: Steven Yu	Brother	-
							Antonio Yu	Brother	
Fubon Life Insurance Co., Ltd.	3,355	5.03%	-	-	-	-	-	-	-
Liang-Shan Cai	1,400	2.10%	-	-	-	-	-	-	-
Min-Zhe Wu	1,359	2.04%	-	-	-	-	-	-	-
Wei-Siang Lin	1,318	1.97%	-	-	-	-	-	-	-
Wen-Feng Chien	1,120	1.68%	-	-	-	-	-	-	-
Hung-Chin Pu	841	1.26%	-	-	-	-	-	-	-
You-Lun He	840	1.26%	-	-	-	-	-	-	-
Cathay Mutual Fund Investment Account fully entrusted by Cathay Life Insurance	672	1.01%	-	-	-	-	-	-	-

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

12/31/2023 (Unit: Share)

Affiliated Enterprises (See Note 1)	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
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 investment accounted for using the equity method by the Company.

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 Sources of Capital

As of 04/02/2024 (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	US\$17,000	17,000	US\$17,000	Evaluation	-	-
04/2012	USD1	30,000	US\$30,000	17,000	US\$17,000	Authorized Stock Increase	-	-
07/2012	USD1	30,000	US\$30,000	17,474	US\$17,474	Cash Capital Increase	-	Note 1
09/2013	-	90,000	NT\$900,000	56,874	NT\$568,742	Equity Currency Conversion	-	Note 2
09/2014	58	90,000	NT\$900,000	63,984	NT\$639,842	Cash Capital Increase	-	-
09/2014	40	90,000	NT\$900,000	64,340	NT\$643,402	Employee Stock Option Implementation	-	-
10/2014	40	90,000	NT\$900,000	64,349	NT\$643,492	Employee Stock Option Implementation	-	-
02/2015	40	90,000	NT\$900,000	64,370	NT\$643,702	Employee Stock Option Implementation	-	-
04/2015	40	90,000	NT\$900,000	64,488	NT\$644,882	Employee Stock Option Implementation	-	-
05/2015	40	90,000	NT\$900,000	64,503	NT\$645,032	Employee Stock Option Implementation	-	-
09/2015	38	90,000	NT\$900,000	64,583	NT\$645,832	Employee Stock Option Implementation	-	-
10/2015	38	90,000	NT\$900,000	64,932	NT\$649,322	Employee Stock Option Implementation	-	-
08/2016	36	90,000	NT\$900,000	64,956	NT\$649,562	Employee Stock Option Implementation	-	-
09/2016	36	90,000	NT\$900,000	65,196	NT\$651,962	Employee Stock Option Implementation	-	-
10/2016	36	90,000	NT\$900,000	65,399	NT\$653,992	Employee Stock Option Implementation	-	-
11/2016	36	90,000	NT\$900,000	65,456	NT\$654,562	Employee Stock Option Implementation	-	-
12/2016	36	90,000	NT\$900,000	65,549	NT\$655,492	Employee Stock Option Implementation	-	-
01/2017	36	90,000	NT\$900,000	65,688	NT\$656,882	Employee Stock Option Implementation	-	-
02/2017	36	90,000	NT\$900,000	65,745	NT\$657,452	Employee Stock Option Implementation	-	-
03/2017	36	90,000	NT\$900,000	65,753	NT\$657,532	Employee Stock Option Implementation	-	-
09/2017	34	90,000	NT\$900,000	65,799	NT\$657,992	Employee Stock Option Implementation	-	-

Annual Report 2023

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
12/2017	34	90,000	NT\$900,000	65,809	NT\$658,092	Employee Stock Option Implementation	-	-
03/2018	34	90,000	NT\$900,000	65,826	NT\$658,266	Employee Stock Option Implementation	-	-
10/2022	10	90,000	NT\$900,000	65,916	NT\$659,163	Convertible Bonds	-	-
02/2023	10	90,000	NT\$900,000	65,961	NT\$659,607	Convertible Bonds	-	-
03/2023	10	90,000	NT\$900,000	66,030	NT\$660,300	Convertible Bonds	-	-
06/2023	10	90,000	NT\$900,000	66,214	NT\$662,137	Convertible Bonds	-	-
07/2023	10	90,000	NT\$900,000	66,336	NT\$663,355	Convertible Bonds	-	-
08/2023	10	90,000	NT\$900,000	66,385	NT\$663,853	Convertible Bonds	-	-
10/2023	10	90,000	NT\$900,000	66,414	NT\$664,140	Convertible Bonds	-	-
11/2023	10	90,000	NT\$900,000	66,467	NT\$664,666	Convertible Bonds	-	-
12/2023	10	90,000	NT\$900,000	66,473	NT\$664,729	Convertible Bonds	-	-
01/2024	10	90,000	NT\$900,000	66,475	NT\$664,750	Convertible Bonds	-	-
02/2024	10	90,000	NT\$900,000	66,494	NT\$664,939	Convertible Bonds	-	-
03/2024	10	90,000	NT\$900,000	66,682	NT\$666,824	Convertible Bonds	-	-

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

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

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common	66,682,393	23,317,607	90,000,000	-

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

4.1.2 Shareholders Structure

As of 04/02/2024 (Unit: Person; Share)

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Domestic Natural Persons	Total
Number of Shareholders	-	3	32	41	1,569	1,645
Shareholding (shares)	-	4,064,000	2,543,448	40,548,107	19,596,913	66,752,468
Percentage	-	6.09%	3.81%	60.74%	29.36%	100.0%

4.1.3 Shareholding Distribution Status

As of 04/02/2024 (Unit: Person; Share)

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	376	30,746	0.05
1,000 ~ 5,000	859	1,752,676	2.63
5,001 ~ 10,000	148	1,132,705	1.70
10,001 ~ 15,000	59	737,236	1.10
15,001 ~ 20,000	31	557,301	0.83
20,001 ~ 30,000	38	975,575	1.46
30,001 ~ 40,000	35	1,238,900	1.86
40,001 ~ 50,000	15	682,830	1.02
50,001 ~ 100,000	43	3,055,576	4.58
100,001 ~ 200,000	18	2,387,680	3.58
200,001 ~ 400,000	9	2,735,000	4.10
400,001 ~ 600,000	3	1,334,967	2.00
600,001 ~ 800,000	2	1,296,000	1.94
800,001 ~ 1,000,000	2	1,681,000	2.52
1,000,001 or above	7	47,154,276	70.63
Total	1,645	66,752,468	100.00

4.1.4 The list of major shareholders whose shareholding percentage exceeding 5%. If there are fewer than ten such shareholders, the names, shareholding amounts, and percentages of the top ten shareholders by ownership shall be disclosed.

As of 04/02/2024 (Unit: Share)

Shareholder's Names	Shareholding	
	Shares	Percentage
New General Limited	13,833,217	20.72%
Seashore Group Limited	24,769,059	37.11%
Fubon Life Insurance Co., Ltd.	3,355,000	5.03%
Liang-Shan Cai	1,400,000	2.10%
Min-Zhe Wu	1,359,000	2.04%
Wei-Siang Lin	1,318,000	1.97%
Wen-Feng Chien	1,120,000	1.68%
Hung-Chin Pu	841,000	1.26%
You-Lun He	840,000	1.26%
Cathay Mutual Fund Investment Account fully entrusted by Cathay Life Insurance	672,000	1.01%

4.1.5 The market price, net worth, earnings and dividends per share in the previous two fiscal years

(Unit: NT\$; thousand shares)

Items	2022	2023	As of March 31, 2024
Market Price per Share			
Highest Market Price	191	204	201
Lowest Market Price	141	163.5	171
Average Market Price	158.98	178.56	182.93
Net Worth per Share			
Before Distribution	67.45	75.69	
After Distribution	60.35	67.89 (See Note)	-
Earnings per Share			
Weighted Average Shares (thousand shares)	65,863 thousand shares	66,206 thousand shares	66,501 thousand shares
Earnings Per Share	14.29	15.60	
Dividends per Share			
Cash Dividends	7.1	7.81 (See Note)	-

Annual Report 2023

Items	2022	2023	As of March 31, 2024
Stock Dividends			
Dividends from Retained Earnings	-	-	-
Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends	-	-	N/A
Return on Investment			
Price / Earnings Ratio	13.91	11.76	12.58
Price / Dividend Ratio	22.39	22.89 (See Note)	-
Cash Dividend Yield	2.74	3.88	3.99%

Note: The 2023 annual earnings distribution was approved by the board of directors but not yet been distributed.

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

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

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

- b. In accordance with the Applicable Public Company Rules or as required by regulatory authorities, record or reverse special surplus reserves.
- c. If the company generates profits during the year, up to 2% shall be allocated for director remuneration, and not less than 2% shall be allocated for employee remuneration, which may be distributed under an incentive program approved pursuant to Article 11.1. The board of directors shall adopt the exact percentages to be distributed as bonuses to the Directors and as compensation to the 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 compensations in his/her 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 the Dividend for the Year 2023

The proposal for the distribution of 2023 earnings was passed at the meeting of the Board of Directors on August 8, 2023, and February 29, 2024.

- (1) It is approved that a total amount of NT\$513,153,115 cash dividend will be distributed to the shareholders; hence, a cash dividend of NT\$7.81 per share.

C. Any expectation of significant changes in the dividend policy: None

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 2023 earnings distribution proposal on August 8, 2023, and February 29, 2024, with a planned distribution of cash dividends amounting to NT\$7.81 per share. Since only cash dividends are distributed, the overall business performance of the Company will not be affected.

4.1.8 Remuneration for employees, board of directors, and supervisors

- 1. Percentages or range of the remuneration for employees, board of directors, and supervisors

specified in the Company's bylaw: Please refer to 4.1.6 Dividend Policy and Implementation Status Section A.

2. The estimation basis for compensations of employees and directors, the basis for calculating the number of shares for employee remuneration in the form of stock dividends, and accounting procedures for any differences between the actual distribution amount and the estimated figures: The remuneration for employees and directors for the year 2023 is calculated based on a ratio that may be distributed according to the profit, with the allocation range set between a minimum of 2% for employee remuneration and a maximum of 2% for director and supervisor remuneration. After the end of the fiscal year, if there is a significant change in the amount approved for distribution by the Board of Directors, the originally provisioned annual expenses shall be adjusted accordingly. If there are further changes in the amount by the date of the shareholder meeting, these adjustments will be handled based on the accounting estimates and recorded in the fiscal year of the shareholder meeting resolution. If the shareholder meeting resolves to distribute employee remuneration in the form of shares, the number of shares shall be determined by dividing the approved dividend amount by the fair value of the shares, which is the closing price of the shares on the day before the shareholder meeting (adjusted after considering ex-rights and ex-dividends).
3. Proposed distribution of employee remuneration approved by the Board of Directors:
 - A. On August 8, 2023, and February 29, 2024, the Company proposed the following for the employee compensation and remuneration for directors and supervisors:
 - Employee cash compensation: NT\$40,287,980
 - Employee compensation (stocks): NT\$0
 - Directors' Remuneration: NT\$12,000,000
 - B. Proposed employee compensation in the form of stock shares and proportion of this compensation to net income after tax as indicated in individual financial statements for this accounting period and the total amount of employee bonuses: None
 - C. The actual distribution of the employees' and directors' remuneration for the previous year (including the number of shares, amount, and share price), any differences from the recognized employee and director remuneration should be stated, along with the differences, reasons, and handling of the situation:

In the 2022 financial statement, it was stated that the employee compensation was NT\$35,613 thousand dollars and the directors' remuneration was NT\$10,300 thousand dollars. In 2023, the actual employee compensation distributed was NT\$35,613 thousand dollars, and the directors' remuneration distributed was NT\$10,300 thousand dollars. No discrepancy was found.

4.1.9 Buyback of the Treasury Stock:

None

4.2 Bonds**4.2.1 Current Status of the Corporate Bonds:**

Type of Corporate Bonds (Note 2)	The first domestic unsecured convertible corporate bonds (Note 5)
Date of Issue	June 8, 2022
Face Value	NT\$100,000
Place of Issue and Transaction (Note 3)	N/A
Issue Price	NT\$103.82
Total Value	NT\$500,000,000
Interest Rate	0%
Maturity Date	June 8, 2025
Guarantee Institution	None
Trustee	Trust Department, Bank SinoPac
Underwriting Institution	Yuantan Securities Co., Ltd.
Signing Lawyers	Bing-Kun Chang and Jing-Yang Huang
Signing Accountants	Chih-Ming Chang and Kuo-Shuai Chen
Method of Repayment	Repay at maturity
Outstanding Principal	NT\$374,800,000
Regulations for Redemption or Prepayment	Please refer to Article 17 of the Regulations for Issuance or Conversion
Regulations for Limitations (Note 4)	N/A
Institution Name, Date, and the Result for Credit Rating	None

Other annexed rights	The amount of converted (exchanged or subscribed) common stock, overseas depositary receipts, or other securities as of the publication date of the annual report	As of March 31, 2024, a total of NT\$125,200 thousand of convertible corporate bonds have been converted into common stock, with a cumulative total of 856,240 shares of converted common stock.
	The method of issuance and conversion (exchange or subscription)	Regulations for Issuance or Conversion
The potential dilution effect on equity due to issuance and conversion, regulations for exchange or subscription, requirements for issuance and the impact on the rights of existing shareholders		Based on the current conversion price of NT\$142.7, it is expected to convert 2,626,489 shares of common stock, resulting in a dilution of approximately 3.58% in earnings.
The name of the custodian institution for the exchange target		N/A

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

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

Note 3: For overseas corporate bonds only

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

Note 5: Private bonds should be clearly marked.

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

4.2.2 Information of Convertible Corporate Bonds

Type of Corporate Bonds (Note 1)		The first domestic unsecured convertible corporate bonds	
Item	Year	2023	Current year as of March 31, 2024 (Note 4)
Market Value of the	The highest	133.00	138.00
	The lowest	113.05	123.00

Annual Report 2023

convertible corporate bonds	Average	123.11	128.99
Conversion Price		142.7	142.7
Issue Date		June 8, 2022	
Conversion Price at Issuance		153	
The Method of Fulfilling the Obligation of Conversion (Note 3)		Issuance of new shares	

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

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

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

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

4.3 Preferred Shares:

None

4.4 Global Depositary Receipts:

None

4.5 Employee Stock Options:

None

4.6 Restricted Stock Awards:

None

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

None

4.8 Financing Plans and Implementation

The Company has not issued or privately placed any securities for which the plan has not yet been completed, or which have been completed within the past three years with insignificant results.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1. Main areas of business operations

The Company's main business operations include manufacturing, processing, and trading of automobile and motorcycle parts, specialty vehicles, and medical equipment, as well as hardware components, mechanical components, and assembly services.

2. Revenue Distribution

Unit: NT\$ thousand

Major Divisions	2021		2022		2023	
	Total Sales	(%) of Total Sales	Total Sales	(%) of Total Sales	Total Sales	(%) of Total Sales
Motorcycle Parts	2,939,992	51.37%	3,983,829	49.57%	3,398,924	46.77%
Medical Equipment	469,470	8.20%	450,139	5.60%	470,923	6.48%
Recreational Vehicle Parts	1,972,542	34.46%	2,701,232	33.61%	2,826,349	38.89%
Others	341,444	5.97%	902,154	11.22%	571,131	7.86%
Total	5,723,448	100.00%	8,037,354	100.00%	7,267,327	100.00%

3. Main Products and Services

- A. Automobile and Motorcycle Parts: chassis, metal parts, bodyworks, front forks, and other relevant metal parts
- B. Medical Equipment: medical beds, patient lifters, shower chairs, and commode chairs
- C. Recreational Vehicle Parts: motorcycles, snowmobiles, jet skis and other recreational vehicle parts

4. New Product (Service) Development

In Taiwan, the Company utilizes the advantage of local 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 referrals from existing international clients, we aim to penetrate various international markets for metal processing, thereby expanding our market base and customer sources.

5.1.2 Market and Sales Overview

1. Current Status and Future Development

A. Development Status of the Global Automobile Industry

In 2023, the global automobile market is expected to show signs of recovery. With the easing of the global chip shortage and the revival of economic activities as the pandemic subsides, it is beneficial to the performance of top countries in sales such as China, the United States, and Japan. In the wake of the ongoing Russia-Ukraine conflict, automobile manufacturers have partially shifted production capacities (such as wiring harnesses) from Russia and Ukraine to other countries. This may also prompt manufacturers to redesign future electric vehicles (such as wiring harnesses), thereby accelerating the phase-out of their petrol vehicles. The sales performance of the automobile market will be affected by the pace at which the chip shortage eases, the duration of the US-China trade war, and the accelerated adoption of electric vehicle driven by the net-zero carbon trend.

Looking at the global market trend for electric vehicles in 2023, Battery Electric Vehicles (BEVs) are a key focus for manufacturers due to their batteries as a 100% power source, enabling high energy efficiency, long duration, and fast charging technology. BEVs continue to increase their market share compared to Hybrid Electric Vehicles (HEVs), driven by policy incentives in various countries. While Hybrid Electric Vehicles (HEVs) currently remain competitive in terms of cost-effectiveness and user familiarity, their sales growth rate is slowing down as countries are providing more incentives for BEVs and Plug-in Hybrid Electric Vehicles (PHEVs). However, HEVs still play a significant role in supporting sales volume. PHEVs, which can recharge their lithium batteries by plugging in, are gradually losing growth momentum in their main market, China, as the country focuses more on pure electric vehicles. However, PHEVs, with their ability to switch to fuel operation when the battery is depleted, remain competitive in the absence of widespread charging infrastructure, with potential for a growing market share. Sales of fuel cell vehicle remain stable with potential applications in the commercial vehicle sector, and sales records have been solid in ten countries. Looking ahead, with the extension of battery duration, increased density of charging infrastructure, maturation of fast charging technology, and electric vehicle prices approaching market expectations, along with factors such as carbon reduction goals in various countries, strategic planning of manufacturers, and the easing of chip shortage, the

global electric vehicle market is estimated to grow by 28.18% in 2023, reaching a scale of 20.16 million vehicles.

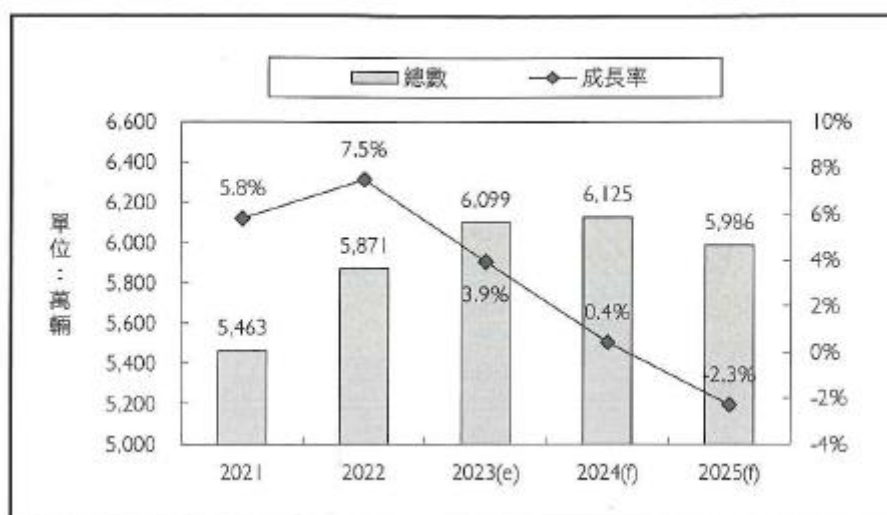
B. Global Industry of Motorcycles

The size of global motorcycle market in 2022 was 58.712 million units, with Asia being the largest market in the world, including India, mainland China, Indonesia, Vietnam, the Philippines, and Thailand, each with annual sales exceeding one million units. Taiwan and Japan had a combined sales volume of 1.096 million units. The Chinese market increased by 6.1%, and Japanese markets decreased by 4.5% in 2022, while the major Southeast Asian markets (Indonesia, the Philippines, Thailand, Vietnam, and Malaysia) grew by 10.6%. In 2022, Asia accounted for 87.3% of the global motorcycle market.

Analyzing the annual sales trends in each major region, Latin America grew by 3.6%, while other regions decreased by 11.9%. In 2022, Latin America accounted for 9.1% of the global market; other regions accounted for 0.5%.

North America market grew by 11.6% in 2022, and Europe (including only France, Germany, Italy, Spain, the United Kingdom, Belgium, the Netherlands) decreased slightly by 0.3%. In 2022, North America accounted for 1.1% of the global market, and Europe (France, Germany, Italy, Spain, the United Kingdom, Belgium, and the Netherlands) accounted for 2.1%.

In 2022, as the pandemic eased, outdoor activities increased, leading to a resurgence of interest in the motorcycle market. However, due to international turmoil, increasing raw material costs, and the effects on electric motorcycle products caused by the chip shortage, prompting some manufacturers to stock up early. A few manufacturers responded to the cost increase by raising prices, and consumers returned to rational purchases. The market in China was affected by zero-COVID policies. Meanwhile, the markets in Southeast Asia and India continued to recover in the post-pandemic era. The global motorcycle market in 2022 totaled 58.71 million vehicles.



Source: Industry, Science and Technology International Strategy Center (ISTI), ITRI (May 2023)

The global motorcycle market continued to gradually improve in 2023, returning to the volume before the pandemic. In China, the end of the buffer period before the implementation of the new national targets, coupled with the gradual relaxation of zero-COVID policies, motorcycle sales figure was boosted. The main sales drivers in 2023 are expected to come from China, India, and Latin America, with the size of the global motorcycle market estimated at 60.99 million vehicles.

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 Vietnam's underdeveloped public transportation institutions, high car prices compared to income levels, and the ability to drive electric motorcycles with a displacement of 50cc or less without a license, traditional motorcycles remain a widely common mode of transportation. As a result, the market has reached the saturation point. 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, and Yamaha. Despite the severe impact of the COVID-19 pandemic, motorcycle sales increased by 29%, indicating that these products 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 products, including lifting hangers for patients, bath chairs, commode chairs, and medical beds, is mainly sold in Japan, Europe, and North America. According to the statistics by BMI in 2022, the global medical equipment market size in 2021 is US\$483.27 billion, an increase of 6.4% over 2021. It is estimated that it will reach US\$589.68 billion in 2025, with a compound annual growth rate of about 6.7% from 2021 to 2025.

In 2022, the medical equipment market is still dominated by the Americas, accounting for 51.7% of the global market. The second largest market was Western Europe, accounting for 23.5%, followed by Asia-Pacific region, which accounted for 18.2% of the global market. Central and Eastern Europe accounted for 3.8%. The Middle East and Africa accounted for 2.8%. It is expected that the overall ranking of the regional markets in the future will not change much. The Americas, Western Europe, and Asia-Pacific regions are still the top three markets, but the proportion varies slightly among them.

The major markets in the Americas include the United States, Canada, Mexico, and South America countries. In 2022, the market in the Americas accounted for 51.7%, The size of the American market is 249.69 billion, an increase of 17.6% from 2021, with an estimated compound annual growth rate of 8.4% from 2021 to 2025. With strong US dollars, the market size has gained more growth compared to that in 2021. The US market has accounted for about 90% of the American market over the years, serving as the main growth driver in the Americas. Due to factors such as the aging of the baby boomer generation and the continued decline in birth rate, population of the aged 65 and above

continues to rise, reaching 17.1% in 2022. In addition, chronic diseases have been increasingly prevalent over the years, leading to the continuous growth of overall healthcare spending in the United States. Furthermore, the COVID-19 pandemic also increased healthcare demand. Total healthcare spending in the U.S. reached \$4.7 trillion in 2022, a 11.2% increase from 2021, and overall healthcare spending accounted for 18.4% of the GDP. In 2022, the average healthcare expenditure in the United States reached US\$13,874.1, representing a 9.5% growth from 2021. Both healthcare expenditures and their proportion to GDP are the highest in the world.

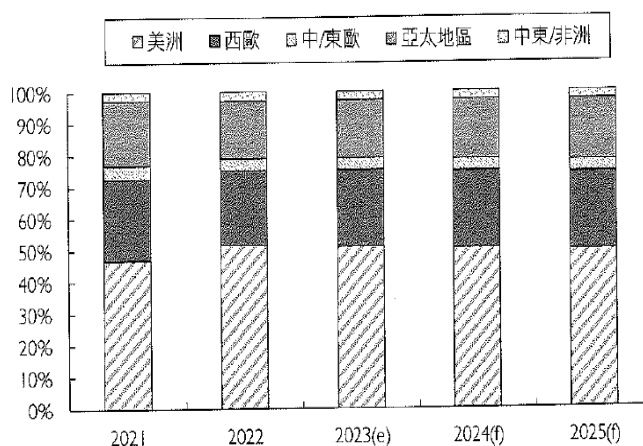
In 2022, the healthcare market in the Americas experienced a post-pandemic recovery, showing overall rapid market growth. On the other hand, negative factors included the financial difficulties faced by many hospitals post-pandemic, as well as a wave of healthcare worker resignations due to prolonged pandemic stress. In March 2022, the US Department of Health and Human Services announced it would provide an additional \$4.13 billion in relief funds from the Provider Relief Fund (PRF) to over 3,600 healthcare service providers affected during the pandemic. This funding covers costs related to Covid-19 testing, diagnosis, treatment, and vaccines, aimed at compensating smaller healthcare facilities that suffered greater losses during the pandemic. This relief effort, the fourth round since it began in November 2021, has disbursed a total of \$13.5 billion, benefiting approximately 86,000 facilities. Additionally, the Health Resources & Services Administration (HRSA) has distributed nearly \$7.5 billion to over 44,000 healthcare facilities across the US through the American Rescue Plan rural payments, which will help recruit or retain healthcare workers, enabling them to continue operations and care for patients. These policies aim to maintain the stability of the healthcare system, as the enormous healthcare demand in the US will continue to be a key driving force for the growth of the healthcare equipment market in the Americas.

The Western European region remains the world's second-largest market. In terms of market size, countries include Germany, France, the United Kingdom, Italy, Spain, the Netherlands, Switzerland, Belgium, Austria, Sweden, Denmark, Norway, Ireland, Finland, Portugal, and Greece, among others. The top four countries have consistently been among the world's top 10 single-country medical equipment markets, accounting for approximately two-thirds of the Western European market. In 2022, the Western European market was valued at \$113.59 billion, a decrease of 2.5% from 2021. The compound annual growth rate from 2021 to 2025 is estimated to be 5.4%. The Western European market accounted for 23.5% of the global market in 2022, a slight decrease from 25.7% in 2021. The main factors contributing to this decrease were the significant depreciation of Euro and Pound in 2022. When priced in Euro, the Western European medical equipment market grew by 9.4% compared to 2021. This growth was driven by the significant demand for healthcare equipment in Europe due to its aging population and the rebound in demand for

medical materials as pandemic restrictions eased. Western Europe has the highest level of aging population in the world, with over 85 million elderly people. Many Western European countries have already entered an aged society where the proportion of elderly people exceeds 14%. In 2022, the Netherlands joined Italy, Finland, Portugal, Greece, Germany, France, Denmark, and Sweden as the ninth Western European country to enter the "super-aged society" with an over 20% elderly population. The aging population has led to an increase in the prevalence of chronic diseases, driving continuous growth in demand for medical care products. Additionally, as vaccination rates increase and the pandemic subsides in European countries, various medical measures are gradually returning to normal, leading to a more active Western European medical equipment market. In response to the long-term medical needs of an aging society. The "Innovative MEDICAL devices of Tomorrow" initiative of France has included medical device innovation as a strategic blueprint item for 2030, allocating €400 million to accelerate innovation and commercialization in areas such as in-vitro diagnosis, surgical robotics, implants, prosthetics, and digital healthcare, aiming to make France a leading European country in medical innovation. These favorable policy factors are expected to be key drivers of growth in the European medical equipment market.

In 2022, the Asia-Pacific medical equipment market was valued at \$88.1 billion, accounting for 18.2% of the global market. Due to the depreciation of exchange rates against the US dollar, this share decreased slightly from 20.5% in 2021. The market size decreased by 5.5% compared to 2021. The compound annual growth rate from 2021 to 2025 is estimated to be 5.1%. The medical equipment market in the Asia-Pacific region is primarily driven by China and Japan, which accounted for 36.1% and 26.9% of the Asia-Pacific market in 2022, respectively. The combined share of China and Japan in the Asia-Pacific market has consistently been over 60% in recent years. South Korea, Australia, and India each accounted for between 10% and 5%. Other countries in the Asia-Pacific region accounted for less than 5% each. Among the ASEAN countries, Malaysia has the largest share of the medical market at around 2%, while Thailand, Vietnam, Indonesia, and Singapore each account for less than 2% of the Asia-Pacific market. In sum, the development of the Asia-Pacific medical equipment market is mainly driven by China and Japan.

Distribution of the Global Medical Equipment Market



Sources: BMI (April 2023); ISTI at ITRI (May 2023)

In 2022, the top ten single markets for medical equipment globally were the United States, Germany, China, Japan, France, the United Kingdom, Italy, Canada, South Korea, and Spain. Compared to the ranking in 2021, South Korea has risen from the 10th to 9th place, while Spain has replaced the Netherlands in the 10th place.

In terms of product sales by category, "other medical equipment" took the highest proportion in 2022, accounting for 29% of the market share, which is a slight increase from 27.8% in 2021. This category includes products such as electric and manual wheelchairs, dialysis equipment, endoscopy equipment, anesthesia equipment, blood pressure monitoring products, medical furniture, and ophthalmic equipment. As these products are developed in response to various diseases and essential for treatment, they are part of the basic equipment and consumables in hospital. Due to the impact of the pandemic, many hospitals have postponed the replacement and upgrading of their basic equipment. It was not until 2022, as the economy gradually returned to normal, that the rebound in demand drove sales growth. As the product market was originally relatively large, its share also increased accordingly.

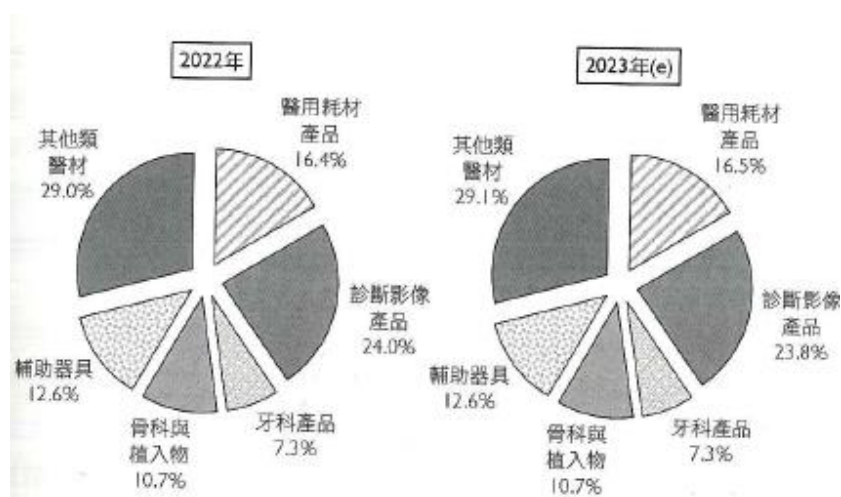
The largest single category is the diagnostic imaging products, accounting for about 24.0%, an increase of 0.4% compared with 23.9% in 2021.

Medical consumables accounted for 16.4%, a slight decrease of 0.1% compared to 2021. Such products are proportional to the number of people who need medical care. The COVID-19 pandemic drove the need for essential medical consumables, resulting in a rapid growth of the medical consumables market that brought a higher market baseline.

On the other hand, assistive devices accounted for 12.6%, a decrease of 0.3% from 13.0% in 2021; dental products accounted for about 7.3%, a decrease of 0.1% compared to 2021. Orthopedics and implants products accounted for about 10.7%, a decrease of 0.8% compared with the 11.5% in 2021. Orthopedic and dental products are often considered deferrable medical procedures. During the COVID-19 pandemic, healthcare facilities

postponed non-urgent medical procedures, resulting in delays for non-urgent surgeries and treatments. Additionally, due to concerns about infection, people voluntarily reduced non-essential healthcare visits, such as non-life-threatening dental treatments or procedures, affecting the growth of these two categories of products, which already had smaller market sizes. After the pandemic eased in 2021, there was a rebound in demand for dental and orthopedic care, with a higher growth rate and a higher base. In 2022, although demand remained strong, the dental equipment market was hampered by generally poor economic conditions, leading to a slowdown in its growth. The orthopedic market was affected by a wave of healthcare worker resignations and the bulk purchasing policy in mainland China, which lowered product prices, resulting in slower market growth compared to 2021.

Analysis of Global Medical Equipment Market Sales by Product Category



Sources: BMI Research (April 2023); ISTI at ITRI (May 2023)

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

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

			distribution
--	--	--	--------------

3. Product Trends

A. Automobile Industry

In the next 10 years, the global automobile industry will face the most significant change in history, with electric vehicles replacing internal combustion engine vehicles. The overall automobile 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 four directions, including flattening of supply chain, a more friendly price, popularization of charging stations, and intelligent electric vehicle design.

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

In the mid- to long-term, with market concerns over electric vehicles performance (such as battery durability, driving experience and platform construction) receding, future growth will be driven by incentives, regulations, subsidies, local advantages, and customer preferences. Likely winners will include electric vehicles suppliers focusing on specific component. These auto suppliers have established scales in key areas and increased bargaining power. The original equipment manufacturers who can successfully transform between internal combustion engine vehicles and new energy vehicles (including electric vehicles) and acquire a balanced status, and those new entrants that can scale up quickly are also possible winners. Investors need to be mindful of these factors to identify emerging winners and losers and actively reposition their portfolios to grasp on investment opportunities.

B. Motorcycle Industry

As global warming and air pollution continue to simmer, automotive manufacturers are launching environmentally friendly products to help preserve the planet. With the current research and development towards advanced technology, automotive manufacturers are exchanging ideas with their long-term suppliers who are the parts manufacturers. This is beneficial to both the upstream and midstream companies as they can apply newly developed

technologies to manufacture higher quality products and, at the same time, reduce the processing waste to ease off the pollution.

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

C. Medical Equipment Industry

COVID-19 has rapidly impacted all parts of the world, and the structure of medical demand has greatly affected the medical equipment industry. New demand and the introduction of new technologies have also accelerated the transformation of the industry. At the same time, the global aging population continues to drive up the demand for medical care. Countries are actively seeking more efficient medical solutions, promoting relevant technology and policy in fields such as precision health and digital medicine, hoping to accelerate the development of advanced medical technology to achieve improved medical care. In response to the clinical application of emerging technologies such as artificial intelligence and digital technology, governments around the world have also begun to revise relevant medical device regulations to ensure the product safety while accelerating the public's access to advanced medical technology. Through cross-disciplinary integration and cooperation with physicians, medical device manufacturers innovate products and solutions that meet clinical needs and expand new opportunities for the medical industry. According to the study report from BMI Research, the market size of the global medical equipment reached US\$483.27 billion in 2022, which was a 6.4% of growth compared to that in 2021. It is estimated that the market will expand to US\$589.68 billion in 2025. The compound growth rate between 2021 to 2025 is about 6.7%.

4. Competition

VPIC1, the sub-subsidiary of the Company, was established in Vinh Phuc Province, Vietnam in 2001. Its major business is manufacturing of motorcycle parts. There are two major domestic competitors, Cosmos Industrial Co., Ltd and Kyoei Manufacturing Co., Ltd. Established in 2005,

Cosmos produces metal components in the same province. Kyoei, headquartered in Japan, manufactures motorcycle and recreational chassis locally in Vietnam.

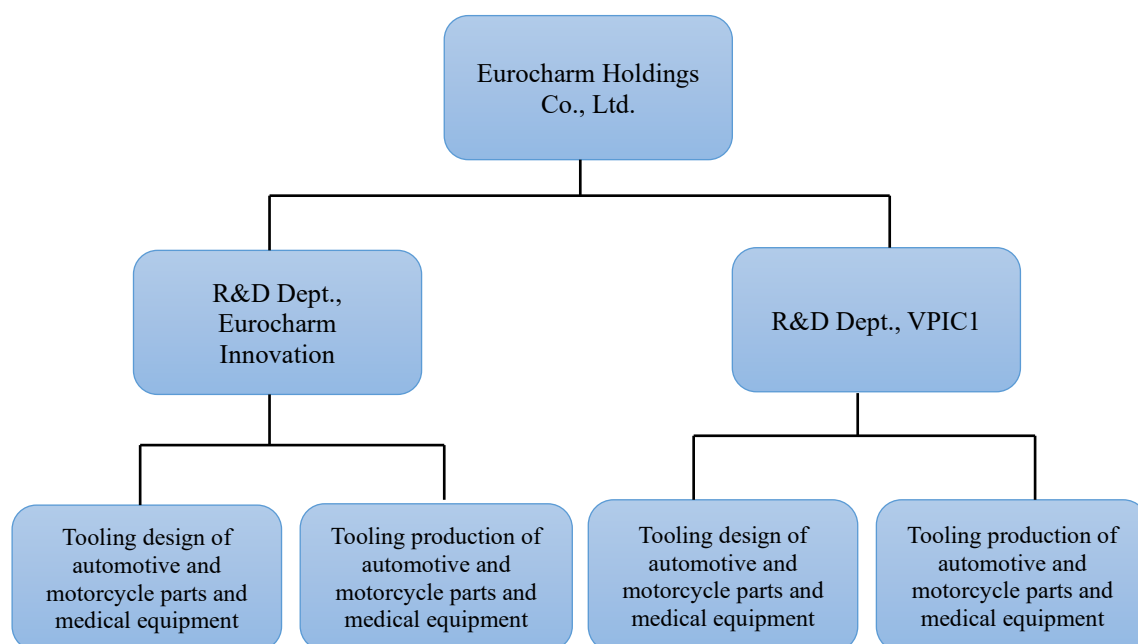
As for the medical equipment market, Eurocharm's primary competition is Li Wei Co., Ltd., which manufactures medical beds as well as hangers, rails, and tables for medical beds, rails. Founded in 1994, Li Wei operates facilities in both Taiwan and China.

5.1.3 Research and Development

1. Technical level and research development of our 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	2020	2021	2022	2023
Education				
PhD Degree	-	-	-	1
Master's degree	1	-	-	2

Undergraduate Degree	85	90	90	89
College Degree	28	31	25	30
Total	114	121	115	122

3. R&D Expenses in Previous 5 Years

Unit: NT\$ thousands; %

Category/Year	2019	2020	2021	2022	2023
R&D	53,394	60,975	90,278	84,123	85,790
Net Revenue	5,235,312	4,658,907	5,723,448	8,037,354	7,267,327
%	1.02	1.31	1.58	1.05	1.18

4. R&D Achievements in Previous 5 Years

Year	Achievement	Description
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
2022	Improved Production Efficiency	Die casting production line automation and automatic polishing production line
2023	Improved Production Efficiency	Automated production line, friction stir welding

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

5.1.4 Business Development Plan

1. Short-term Plans:

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

2. Long-term Plans:

- 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	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
Vietnam	2,626,840	45.90	3,837,561	47.75	3,232,031	44.47
Others	3,096,608	54.10	4,199,793	52.25	4,035,296	55.53
Total	5,723,448	100.00	8,037,354	100.00	7,267,327	100.00

2. Market Share

A. Motorcycle Industry

In 2023, total units of motorcycles sold from the top five manufacturers in Vietnam were about 2.516 million and given that the average unit price is about NT\$40,000, total sales of motorcycle in Vietnam was about NT\$100.6 billion. It is estimated that our market share in Vietnam is approximately 2.96%.

B. Medical Equipment Industry

According to Taiwan's Industrial Economics and Knowledge Centre, the global medical equipment market in 2022 was worth US\$483.27 billion, and the assistive equipment takes up to 12.6% of the market share. Since the Company's medical equipment sales in 2023 were US\$470,923 thousand, the Company's global market share was approximately 0.003%.

3. Supply, Demand and Future Growth

A. Motorcycle Industry

In 2023, the motorcycle market in Vietnam has sold a total of 2.516 million units from the top five foreign manufacturers, declining by about 16% compared to 2022. The main factor was the global downturn in the manufacturing sector and weak domestic demand in Vietnam in 2023, resulting a significant decline in overall sales volume for the year. Currently, supply of electric motorcycles is increasing; the Company also began to sell recreational vehicles to the largest manufacturer in Europe and the Americas. With the supply in electric and recreational vehicles both going up, our sales performance is going to continue to thrive steadily. Recently, Vietnam's Ministry of Transport passed Bill No.39/2013/ TT-BGTVT and No. 41/2013/TT-BGTVT to regulate the technical standards and safety of electric vehicles, respectively. The two provisions came into effect on January 1, 2014. Due to this policy announcement, all production of electric vehicles must comply with national technical standards and be affixed with a certification label. With Vietnam's population becoming younger and the per capita GDP increasing year by year, the demand for motorcycles has been relatively increasing. In recent years, due to the emergence of electric vehicles, there has been a trend among Vietnamese people to gradually replace traditional motorcycles with electric ones for short-distance travel. The Company has already actively entered the market for electric vehicle components to respond to the changing market demand.

B. Medical Equipment Industry

The top ten medical equipment markets are the United States, Germany, China, Japan, France, the United Kingdoms, Italy, Canada, the Netherlands, and South Korea. Among the top ten countries, the United States holds the world's biggest single market, taking up as many as 46.5% of the global share. In 2022, the size of the medical equipment market in the United States reached \$224.91 billion, showing a growth of 17.9% compared to \$190.83 billion in 2021. The compound growth rate is estimated to be 8.5% from 2021 to 2025.

4. Competitive Niche

- A. Advantages on manufacturing, including diversified product lines, mass production, and management planning to satisfy the customers' demand for one-stop purchasing,
- B. The Company's well-maintained long-term partnerships with our customers, providing suggestions and requests to expand the market collaboratively,
- C. Competitive pricing: strategic procurement towards globalization in response to the pressure from surging costs; solid production management that brings changes in management by improving know-hows and introducing automatic equipment so that the market demand for cost reduction is met,
- D. International certification: safety is the top priority for automobile and motorcycle

industry. The Company has been certified with ISO 9001, ISO 14001, ISO/IATF 16949. Our components for vehicles and motorcycles have always been highly acclaimed. In 2010, the Company was also certified with ISO 13485, the certification system for quality management of medical equipment industry, and

- E. Trustful relationships between management and employees, high productivity, and stable product quality.

5. Foreseen Favorable and Unfavorable Factors and Countermeasures

(1) Favorable Factors

A. Motorcycle Industry

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

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

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

Founded in Bangkok on August 8, 1967, the Association of Southeast Asian Nation (ASEAN) was established with the primary objective of accelerating the economic growth of the participated countries. It is to promote stability and peace among countries and respect one another's laws and regulations. Vietnam officially became a member of ASEAN on July 28, 1995. Member countries of the ASEAN includes Singapore, Thailand, Cambodia, Indonesia, Malaysia, Vietnam, Brunei, Myanmar, Laos, and the Philippines. In 2011, the ASEAN-China Free Trade Area (ACFTA) was established, marking the formation of the regional economic entity around China. This expansion transformed the original market of 500 million people into a rapidly expanding market of 1.8 billion people, with the economic scale approaching 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, South Korea, New Zealand, Australia, and India). Driven by ASEAN, Southeast Asia continues 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. Our extraordinary management team

The Company 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. With the trusted service and quality, we received the Ford Q1 Quality Certification, which demonstrates our quick adaptability and ability to swiftly respond to customer needs.

B. Medical Equipment Industry

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

As the distribution of population shifts towards older ages, governments worldwide have been establishing long-term care facilities, nursing homes, and retirement homes. The purpose of these institutions is to allow the elderly residents to age in place properly, enjoy their golden years, and lead an active life. As a result, the demand for related medical equipment, including shower chairs and medical beds.

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

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

In the past decade, Japan's aging population and labor shortages have become major factors affecting social and economic growth. The aging population, in particular, is expected to increase healthcare and long-term care spending to 5% of GDP by 2050. For Japan, the decline in workforce due to aging, along with changes in consumption patterns, will also inhibit consumption and productivity growth. Additionally, the continuous

increase in government spending related to aging, coupled with tax revenue decline, poses unresolved issues for Japan's fiscal strategy. The medical equipment market is estimated to be \$23.67 billion (approximately 3.1 trillion yen) in 2022, with an annual growth rate of 2.9% in USD and 12.6% in JPY from 2021 to 2025.

(2) Unfavorable Factors and Countermeasures

A. Motorcycle Industry

a. The growth in Vietnam's motorcycle market has slowed down.

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 while investing 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, helping Company C to become one of the Asian major centers of development, production, and sale of motorcycles.

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 automobile and motorcycle parts as a source of income, the Company also coordinated with Honda, Yamaha and Piaggio to explore completely built up (CBU) automobile export opportunities. In 2019, the number of exported CBU automobiles from our three customers reached more than 300 thousand units. Since the exported products are CBU automobiles instead of parts, the standard for quality control is also much higher. Due to the Company's overall competitiveness in quality, delivery time, and price, it has gradually gained recognition from customers, and the contract amount for each exported model has increased year by year. In addition, there is an increasing opportunity in the electric motorcycle market, and the sales quantity of exported electric motorcycle parts is gradually increasing as well.

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

At the current stage, the Company 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, the Company is prepared to strengthen the R&D department with product design capability, adding R&D equipment for drawing and verification of product characteristics and continuously invest in R&D of new products to improve product quality in addition to providing integrated and high value-added products to make our products more competitive.

Since 2013, the Company has introduced aluminum alloy processes. In recent years, we have successfully entered mass production and have been gradually expanding our business with major medical equipment manufacturers in Europe and the U.S. as well as leisure vehicle customers in North America. In 2015, the Company successfully started partnerships with a North American leisure vehicle manufacturer, Polaris. Subsequently, we have gradually added high-value customers such as Ducati and Harley-Davidson. Our exported products have also expanded from iron parts to high-end aluminum products.

- c. The proportion of imported raw materials is high and is greatly affected by the exchange rate.

As the Company's main raw materials include iron coils, iron plates, and aluminum ingots, which have a significant impact on the safety of the final products, the suppliers of our main raw materials also need to be certified by our customers. To control quality, VPIC1's raw materials are mostly from imports and priced in US dollars. In addition, since our sales are primarily to domestic motorcycle assembly plants in Vietnam and priced in Vietnamese Dong, we are more susceptible to fluctuations in exchange rates.

Countermeasures:

In 2016, the ratio of local procurement in Vietnam, including both materials purchased through customer and those procured by the Company itself, increased gradually from below 50% to 80%. The shift in procurement locations has gradually reduced the impact of exchange rate fluctuations on the Company's operations. Additionally, after adopting a unified procurement system, the Company adjusts prices for suppliers/customers every three months in line with fluctuations in raw material prices while also strengthening inventory management to reduce the risk of shortages and insufficient stocking.

B. Medical Equipment Industry

- a. Competition from low-priced 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 relatively cheap equipment to maintain their competitiveness. Furthermore, products from mainland Chinese manufacturers have the advantage of low-cost production. Therefore, cost pressure will be a challenge that needs to be addressed in the future.

Countermeasures:

The Company's medical equipment is supplied to a niche market which specializes in long-term home care or patient care. The customers are in various developed countries including Europe, as well as Japan and the United States. Under the circumstances that the target markets are consumers in developed countries, product quality is considered more important than price competitiveness. The annual growth in sales of medical equipment products indicates a high level of trust from customers in the quality of our products. Also, as the minimum wages and social insurance expenditure are increasing in China, the Company has a comparative advantage manufacturing medical equipment in Vietnam. If a competitor chooses to source cheaper materials, it will eventually reflect on the product quality. Additionally, the Company has the capacity of developing medical equipment tooling which sets it apart from the rest of competition. The Company has, on various occasions, self-developed or co-developed with customers tooling or products.

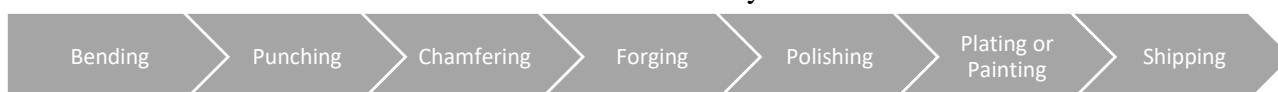
5.2.2 Major Applications and Production Process of the Primary Products

1. Major Applications of the Primary Products

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

2. Production Process of Primary Products

Automotive and Motorcycle Part



Aluminum Die Casting



Medical Equipment



5.2.3 Conditions of the Raw Material Suppliers

Primary Raw Materials	Primary Suppliers	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, Yamaha's Subsidiary	Good

Annual Report 2023

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: thousand units; NT\$ thousands

Item	2022				2023				2024 (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	697,144	14.41	None	Honda Trading	576,630	14.98	None	Honda Trading	144,746	14.68	None
	CSMV	580,937	12.00	None	CSMV	392,788	10.20	None	CSMV	87,554	8.88	None
	Others	3,561,282	73.59		Others	2,880,627	74.82		Others	754,038	76.44	
	Net Purchases	4,839,363	100.00		Net Purchases	3,850,045	100.00		Net Purchases	986,338	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: thousand units; NT\$ thousands

Item	2022				2023				2024 (As of March 31)			
	Company Name	Amount	Percent	Relation with the Issuer	Company Name	Amount	Percent	Relation with the Issuer	Company Name	Amount	Percent	Relation with the Issuer
1	A	2,278,856	28.35%	None	A	2,075,292	28.56%	None	A	519,100	29.24%	None
2	B	1,888,239	23.49%	Related	B	1,758,269	24.19%	Related	B	354,305	19.96%	Related
3	C	836,501	10.41%	None	C	640,377	8.81%	None	C	145,236	8.18%	None
	Others	3,033,758	37.75%		Others	2,793,389	38.44%		Others	756,513	42.62%	
		8,037,354	100.00%			7,267,327	100.00%			1,775,154	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: thousand units; NT\$ thousands

	2022			2023		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Motorcycle Parts	91,318	83,729	5,532,031	74,614	66,417	4,823,440
Medical Equipment	1,070	484	336,986	964	381	322,100
Others	4,940	4,108	739,318	3,727	2,280	640,160
Total	97,328	88,321	6,608,335	79,305	69,078	5,785,700

5.2.6 Sales Quantity and Amount in the Last Two Years

Unit: thousand units; NT\$ thousands

	2022				2023			
	Vietnam		Other Regions		Vietnam		Other Regions	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Motorcycle Parts	63,402	3,505,822	24,472	478,007	53,256	2,987,114	2,628	420,810
Medical Equipment	-	-	465	450,139	-	-	381	470,923
Others	8,205	331,739	13,627	3,271,647	2,167	244,917	12,088	3,143,563
Total	71,607	3,837,561	38,564	4,199,793	55,423	3,232,031	15,097	4,035,296

5.3 The employee data for the last two fiscal years and as of the printing date of the annual report

Unit: person; year; age

Year		2022	2023	2024 (As of March 31)
Number of Employees	Direct Labor	3,996	3,512	3,441
	Indirect Labor	1,118	1,107	1,090
	Total	5,114	4,619	4,531
Average Age		33.07	35.51	35.38
Average Years of Service		6.96	8.36	8.57
Education	Ph.D.	-	2	2
	Masters	6	17	14
	Bachelor's Degree	422	431	428
	College or Below High School	4,660	4,169	4,087

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

Entity	Name of the Permit	Acquired Date	Permit 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
	Environmental Protection Permit (Bai-shan)	12/22/2023	2904/GPMT-UBND
	Environmental Protection Permit (Khai Quang)	01/04/2024	07/GPMT-UBND

The above certifications do not have an expiration date. As the production process of Eurocharm TW does not generate pollution, it is only required to commission qualified vendors for waste disposal in accordance with regulations. There is no need to apply for pollution prevention permits or install pollution prevention facilities.

B. Required Pollution Control Fees

When VPIC1 first established its operating facilities in Khai Quang Industrial Zone, the

Company had agreed to pay wastewater treatment fee. In 2023, the Company paid a total of VND 2,079,409 thousand.

5.4.2 Specifying the Company's investment in the major anti-pollution facilities and their purposes as well as the possible benefits generated

12/31/2023; Unit: VND millions

	Facility	Unit Number	Acquired Date	Cost	Book Value	Purpose
1	Wastewater Treatment Plant	3	2018	7,858	4,809	Wastewater Treatment
2	Wastewater Treatment Plant	1	2021	1,260	1,078	Wastewater Treatment
3	Wastewater Treatment Plant	2	2019	9,055	5,117	Wastewater Treatment

5.4.3 During the most recent fiscal year and as of the date of printing of the annual report, the losses incurred due to environmental pollution (including compensation and the results of environmental protection inspections showing violations of environmental regulations). The report should specify the date of the penalty, the penalty reference number, the violated articles of law, the nature of the violations, and the details of the penalties imposed. The report should also disclose the estimated amounts and mitigation measures for current and potential future losses. If it is not reasonably possible to estimate these amounts, the report should explain the factual basis for the inability to make a reasonable estimate.

None

5.5 Labor Relations

5.5.1 Employee benefits, continuing education, training, retirement systems, and the status of implementation, as well as the status of various agreements between employees and the management level and all measures aimed at preserving the rights and interests of the employees

The Company values its employees as valuable assets and the key to a successful business. To fully take care of the employees, the Company has established the following welfare measures:

1. Employee Welfare Measures

For the employees of the subsidiary in Taiwan, the Company 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 at the subsidiary in Vietnam, the Company provides the mandatory medical and unemployment insurance, abiding 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 labor union, hosting activities and dinner parties for employee entertainment. The Company implements an improvement proposal program, in which bonuses are awarded to encourage proposals that effectively enhance efficiency or reduce costs.

The Company's factory in Vietnam has staff restaurants, coffee machines, fitness rooms, a football field, social centers, and staff parking lots. In addition to providing food for free, the Company's equipment can be used for free. Moreover, the Company organizes badminton competitions, employee trips, and sports competition every year. It also regularly subsidizes various banquet activities such as departmental dinners and year-end parties.

2. Continuing Education and Training

The Company values cultivating employees as well as training them, aiming to foster better productivity and capabilities through on-the-job training and continuing education.

A. Pre-job Training

New employees receive pre-job training from the management department based on their job functions and individual situations. This training helps them understand the Company's history, corporate culture, management rules, industrial safety, environmental management, production processes, quality control, as well as training on relevant laws and regulations and concepts.

B. Pre-job Technical Training

Specialized and professional personnel, as well as employees in positions with higher risks or special duties according to national regulations, must undergo professional pre-job training led by the management department and implemented by the hiring department before formally starting their work. They may also receive external training. Only after passing the training can they assume their roles. The management department is responsible for keeping and managing records of their relevant training and qualification assessments for transfers or changes in position.

C. On-the-job Training (including senior managers)

The Company periodically provides external training program or educational TV programs to employees and managers at all levels.

D. On-the-job Technical Training

Current development or equipment management personnel should maintain their proficiency in relevant basic skills and receive training. This ensures that they can meet or maintain the required abilities, focusing primarily on improving existing skills.

3. Personnel responsible for financial transparency and their acquisition of relevant certifications as specified by regulatory authorities: As of the end of 2023, there are two colleagues who passed the national CPA exam and another two colleagues who obtained the Certified Internal Auditor (CIA) certification.

4. Retirement System

In order to stabilize the life of employees after retirement, the Company's subsidiary in Taiwan 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. Starting from July 1, 2015, the new government retirement method was adopted in parallel, and 6% will be allocated to the employee's personal retirement pension account based on the total labor salary. For those who have voluntarily withdrew their pensions, this fund 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) Voluntary retirement:

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

- (a) Have been working for over 15 years and aged 55 or above,
- (b) Have been working for over 25 years, or
- (c) Have been working for over 10 years and aged 60 or above.

- (2) Mandatory retirement:

The Company shall not force employees to retire unless they meet any of the following conditions:

- (a) Aged 65 or above, or
- (b) Physically and mentally disabled that resulting in incompetence for work.

For employees in special positions requiring risk or strong physical abilities, the retirement age limit specified in the preceding paragraph may be adjusted by large companies through application to the central competent authority, provided that the age shall not be lower than fifty-five years old.

- (3) Retirement benefits standard:

- (a) If an employee qualifies for both the labor standards before and after the Labor

Standards Act and chooses to continue to apply the retirement pension regulations of the Labor Standards Act or chooses to retain the working years before the Labor Retirement Pension Regulations, the retirement benefits standard shall be calculated and provided according to Article 84-2 and Article 55 of the Labor Standards Act.

- (b) Employees who have the working years mentioned above and are forcibly retired under the provisions of Article 35-1-2 and suffer from mental loss or physical disability due to the performance of their duties shall be entitled to an additional 20 percent of the retirement pension according to Article 55-1-2 of the Labor Standards Act.
- (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 operation base is in Vietnam. The Company allocates and pays premiums to the local Social Insurance Bureau every month. After employees reach the retirement age, they can apply for retirement benefits from the Social Insurance Bureau.

(5) Agreements between labor and the management level and measures to protect employee rights

The Company adheres to relevant regulations regarding labor agreements. Additionally, the Company has long emphasized employee rights, aiming to strengthen labor relations and enhance employee morale. It adopts an active approach to communicate with employees and strives for human-centric management. Apart from establishing complaint channels and handling teams, employees can also provide feedback through email or suggestion boxes at any time. Currently, the communication channels between labor and management are smooth, and the implementation is good.

(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 the following 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 their own teams with Company's interest as their priority.
- C. All the managers should be the role model and provide 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 workstations without approval.
- E. All employees should report to their managers based on the Company's hierarchy, except for 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. 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 provides employees with insurance coverage including labor, health, and group insurance.
- B. The Company provides basic health and safety training to all the employees and professional workshops to operational managers who are responsible for specialized machinery and equipment.
- C. The Company has a labor safety and health committee that holds quarterly meeting to discuss and implement relevant policies and regulations.
- D. The Company regularly conducts fire safety and public equipment inspections to ensure a safe working environment.
- E. The Company organizes safety and health education training for new employees, on-the-job safety and health education training for supervisors of special operations, fire safety lectures and practical training, and on-the-job safety and health training for general employees and workers.
- F. The Company supervises the investigation and statistics of the occupational accidents within the organization.

5.5.2 Specify the losses incurred due to labor disputes (including violations of labor laws as identified in labor inspections, indicating the date of sanction, sanction reference number, violated law articles, the nature of violations, and the nature of sanctions) for the most recent

fiscal year and up to the printing date of the annual report. Disclose the estimated amount and corresponding measures for current and potential future losses. If it is not possible to make a reasonable estimate, explain the reasons for the inability to do so.

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 management 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 information security risk.
2. The Company's 2023 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 host computers to perform data synchronization backup. If the main machine fails, the second backup machine can function immediately. 2. Data backup is transmitted through a dedicated line and stored in a removable hard disk.
2	Power Interruption and Air Conditioning Dysfunction	1. The information room is equipped with a UPS, which can cope with short-term power interruption. 2. Emergency fans are activated to force 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, copying 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.

Annual Report 2023

In the most recent fiscal year and up to the date of printing, there have been no significant information security incidents, potential impacts, or response measures.

5.7 Important Contracts

5.7.1 Credit and Guarantee Contracts

Borrower	Lender	Contract Commencement/Termination Date	Amount	Agreement	Restrictive Clauses
Eurocharm Holdings	Yuanta Bank	08/16/2023 - 08/15/2024	US\$3 million	Credit loan	None
Eurocharm Holdings	Bank SinoPac	06/27/2022 - 06/30/2024	US\$10 million	Credit loan	None
Eurocharm Holdings	E.SUN Commercial Bank	08/09/2023 - 08/09/2024	US\$4 million	Credit loan	None
Eurocharm Holdings	Mega International Commercial Bank	09/05/2023-09/04/2024	US\$5 million	Credit loan	None
Eurocharm Holdings	The Export-Import Bank of the Republic of China	04/11/2023 - 04/11/2024	US\$8 million	Credit loan	None
Eurocharm Holdings	Cathay United Bank	08/31/2023 - 08/31/2024	US\$2 million	Credit loan	None
Eurocharm Holdings	Taipei Fubon Bank	08/07/2023 - 08/04/2024	US\$6 million	Credit loan	None
Eurocharm Holdings	Bank of Panhsin	05/18/2023 - 05/18/2024	US\$3 million	Credit loan	None
Eurocharm Holdings	The Shanghai Commercial and Savings Bank	03/09/2023 – 03/09/2024	US\$2 million	Credit loan	None
Eurocharm Innovation	First Commercial Bank	04/13/2023 - 04/13/2024	NT\$160 million	Provided NT\$80 million to Eurocharm Innovation's land and	None

Annual Report 2023

Borrower	Lender	Contract Commencement/Termination Date	Amount	Agreement	Restrictive Clauses
				buildings as collateral and NT\$80 million; Eurocharm Holdings as the guarantor	
B.V.I.	Taishin International Bank	08/31/2023 - 08/31/2024	US\$4 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
B.V.I.	Shin Kong Bank	02/13/2023 - 02/13/2024	US\$3 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
VPIC1	Bank SinoPac	08/24/2023 - 07/31/2024	US\$8 million	Bank SinoPac	None
VPIC1	FUBON	08/07/2023 - 08/04/2024	US\$7 million	FUBON	None
VPIC1	CTBC	08/15/2023 - 08/15/2024	US\$6 million	CTBC	None
VPIC1	CATHAY BANK	08/30/2023 – 08/10/2024	US\$3 million	CATHAY BANK	None
VPIC1	FIRSTBANK	12/07/2023 - 12/07/2024	US\$7 million	FIRSTBANK	None
VPIC1	VIETINBANK	07/28/2023 - 05/31/2024	US\$26 million	VIETINBANK	None
Eurocharm Hong Kong	Bank SinoPac	07/06/2023 - 07/31/2024	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

Annual Report 2023

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

5.7.3 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.	01/16/2024 - 01/15/2026	NT\$168 thousand/month	Rent the whole building at No.10, Lane 315, XinShu Road, XinZhuang District, New Taipei City, Taiwan	None
Exedy Vietnam Co., Ltd.	VPIC1	01/01/2023 - 12/31/2024 (Automatically renewed for one year after termination)	Section A: US\$2.9/square meter/month Section B: US\$1.0/square meter/month	Lend VPIC1's factory areas to Exedy Vietnam Co., Ltd.	None
Hsieh Yuan Technology Vietnam Co., Ltd.	VPIC1	01/01/2023 - 12/31/2023 (Automatically renewed for one year after termination)	US\$2.9/square meter/month	Lend VPIC1's factory areas to Hsieh Yuan Technology Vietnam Co., Ltd.	None
Northstar Precision (Vietnam) Co., Ltd.	VPIC1	01/01/2023 - 12/31/2024	Section D+C+E+B: US\$3.06/square meter/month Section Corridor area: US\$0.78/square meter/month Cont Bridge area: US\$0.78/square meter/month	Lend VPIC1's factory areas to Northstar Precision Vietnam Co., Ltd.	None
Northstar Precision (Vietnam)	VPIC1	01/01/2023 - 12/31/2024	Factory area and the	Property lease on the land of	None

Annual Report 2023

Lessee	Lessor	Contract Commencement/Termination Date	Amount	Agreement	Restrictive Clauses
Company Limited			attached office: US\$5.19/square meter/year Toilet, hallway, and bridge area: US\$2.19/square meter/month	Factory 6 at Ba Thien 2 Industrial Park, Thien Ke, Binh Xuyen, Vinh Phuc	
Lieh Kwan Vietnam	VPIC1	01/01/2024 - 12/31/2024 (Automatically renewed for one year after termination)	Area A: VN\$1,234,980/square meter/year Area B: VN\$411,660/square meter/year	Property lease on the land of Factory 6 at Ba Thien 2 Industrial Park, Thien Ke, Binh Xuyen, Vinh Phuc	None
Shiang Yu Precision Co., Ltd.	VPIC1	01/01/2023 - 12/31/2024 (Automatically renewed for one year after termination)	Area A: US\$3.9/square meter/month Area A1: US\$2.9/square meter/ month Area B: US\$2.0/square meter/month Area B1: US\$1.0/square meter/ month	Lend VPIC1's factory areas to Shiang Yu Precision Co., Ltd.	None
PCI Viet Nam Co.,Ltd	VPIC1	09/01/2022 – 12/31/2023	Area A:	Property lease on the land of	None

Annual Report 2023

Lessee	Lessor	Contract Commencement/Termination Date	Amount	Agreement	Restrictive Clauses
		(Automatically renewed for one year after termination)	VN\$1,234,980/square meter/year Area B: VN\$411,660/square meter/year	Factory 6 at Ba Thien 2 Industrial Park, Thien Ke, Binh Xuyen, Vinh Phuc	
Eurocharm Ways Plastics	VPIC1	01/01/2024 – 12/31/2024 (Automatically renewed for one year after termination)	Area A: VN\$1,234,980/square meter/year	Property lease on the land of Factory 6 at Ba Thien 2 Industrial Park, Thien Ke, Binh Xuyen, Vinh Phuc	None
LIOHO MACHINE WORKS VIETNAM	VPIC1	06/01/2023 – 05/31/2024	Area A: US\$2.9/square meter/ month	Lend VPIC1's factory areas to LIOHO MACHINE WORKS Vietnam	None
UNI-CALSONIC	VPIC1	05/01/2023 – 12/31/2023 (Automatically renewed for one year after termination)	Area A: VN\$1,234,980/square meter/year Area B: VN\$411,660/square meter/year	Property lease on the land of Factory 6 at Ba Thien 2 Industrial Park, Thien Ke, Binh Xuyen, Vinh Phuc	None

5.7.5 Insurance Contract

Insured	Insurance Company	Contract Commencement/Termination Date	Agreement	Restrictive Clauses
Eurocharm Holdings Director and Managers	MSIG Mingtai Insurance Co., Ltd.	09/26/2023 - 09/26/2024	US\$1 million	None
Eurocharm Innovation	Fubon Insurance Co., Ltd.	12/23/2023 - 12/23/2024	Property insurance of NT\$35 million	None
VPIC1	Bao Minh Vinh Phuc Company & Fubon insurance Viet Nam Co., ltd	12/15/2023 - 12/15/2024	Mandatory fire and explosion insurance for buildings and equipment of VND\$704,100,888,370	None
VPIC1	Fubon insurance Viet Nam Co., ltd	08/01/2023 - 07/31/2024	Personal accident insurance (for death or injury in Vietnam) of 4,663 employees	None
VPIC1	Fubon insurance Viet Nam Co., ltd	07/31/2023 - 07/31/2024	23 foreign employees' personal insurance	None
VPIC1	Fubon insurance Viet Nam Co., ltd & Vietinbank VinhPhuc Insurance Company	07/12/2023 - 07/12/2024	Mandatory fire and explosion insurance for buildings and equipment of VN\$1,620,859,878,273	None
VPIC1	PJICO HA THANH insurance company Product Recall Insurance	10/16/2022 - 4/15/2024	BH thu hồi sp product recall insurance (based on the attachment of the customer list, P-22/HTH/TSA/3304-000037) Maximum claim: US\$2,000,000 for Meta system & Harley Davidson; US\$1,000,000 for other customers	None
VPIC1	PJICO HA THANH insurance company Product liability Insurance	10/16/2022 - 4/15/2024	BH trách nhiệm sp product recall insurance: P-22/HTH/TSA/3304-000038 Maximum claim: US\$4,000,000 for Meta	None

Annual Report 2023

Insured	Insurance Company	Contract Commencement/Termination Date	Agreement	Restrictive Clauses
			system & Harley Davidson; US\$2,000,000 for other customers	

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, 2024
		2019	2020	2021	2022	2023	
Current assets		2,768,450	3,339,577	3,924,235	4,692,911	3,256,137	3,438,524
Property, Plant and Equipment		1,206,178	1,269,706	1,942,722	2,129,237	1,994,080	2,110,036
Intangible assets		10,583	6,228	4,835	3,641	6,635	6,088
Other assets		753,557	664,270	755,060	882,887	1,499,233	1,534,558
Total assets		4,738,768	5,279,781	6,626,852	7,708,676	6,756,085	7,089,206
Current liabilities	Before distribution	1,612,521	2,170,575	3,251,871	2,763,295	1,299,616	-
	After distribution	1,974,565	2,433,880	3,548,089	3,231,301	1,818,769	1,698,103
Non-current liabilities		55,412	38,315	35,382	499,447	425,023	401,420
Total liabilities	Before distribution	1,667,933	2,208,890	3,287,253	3,262,742	1,724,639	-
	After distribution	2,029,977	2,472,195	3,583,471	3,730,748	2,243,792	2,099,523
Equity attributable to shareholders of the parent company		3,070,835	3,070,891	3,318,986	4,428,939	5,015,921	4,974,558
Capital stock		658,262	658,262	658,262	659,163	664,729	666,824
Capital surplus		836,782	836,782	836,782	888,652	962,026	989,146
Retained earnings	Before distribution	1,908,691	2,099,431	2,465,530	3,114,242	3,679,523	-
	After distribution	1,546,647	1,836,126	2,169,312	2,646,236	3,160,370	3,420,570
Other equity interest		(332,900)	(523,584)	(641,588)	(233,118)	(290,357)	(101,982)
Other components of equity		-	-	-	-	-	-

Annual Report 2023

<div> <div>Item</div> <div>Year</div> </div>		Financial Summary for The Last Five Years					As of March 31, 2024
		2019	2020	2021	2022	2023	
Non-controlling interest		-	-	20,613	16,995	15,525	15,125
Total equity	Before distribution	3,070,835	3,070,891	3,339,599	4,445,934	5,031,446	-
	After distribution	2,708,791	2,807,586	3,043,381	3,977,928	4,512,293	4,989,683

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

Note 1: The numbers above are the amounts after distribution based on the board meetings' decisions in the next year.

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 2024
	2019	2020	2021	2022	2023	
Operating revenue	5,235,312	4,658,907	5,723,448	8,037,354	7,267,327	1,775,154
Gross profit	924,001	907,140	1,060,674	1,559,244	1,522,587	384,583
Income from operations	648,420	614,527	682,951	1,093,404	1,080,015	267,446
Non-operating income and expenses	105,617	104,080	70,696	32,533	175,072	69,190
Income before tax from continuing operations	754,037	718,607	753,647	1,125,937	1,255,087	336,635
Net income (Loss) from continuing operations	625,397	553,202	623,422	935,998	1,031,525	259,267
Loss of discontinued operations	-	-	-	-	-	-
Net income (Loss)	625,397	553,202	623,422	935,998	1,031,525	259,267
Other comprehensive income (income after tax)	(112,036)	(191,103)	(116,290)	413,784	(56,947)	188,908
Total comprehensive income	513,361	362,099	507,132	1,349,782	974,578	448,175
Net income attributable to shareholders of the parent	625,397	553,202	627,513	941,354	1,032,845	260,200
Net income attributable to non-controlling interest	-	-	(4,091)	(5,356)	(1,320)	(933)
Comprehensive income attributable to Shareholders of	513,361	362,099	511,400	1,353,400	976,048	448,575

Annual Report 2023

Item	Year	Financial Summary for The Last Five Years					Q1 2024
		2019	2020	2021	2022	2023	
the parent							
Comprehensive income attributable to non-controlling interest		-	-	(4,268)	(3,618)	(1,470)	(400)
Earnings per share		9.50	8.40	9.53	14.29	15.60	3.91

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

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

6.1.3 Auditors' Opinions in the Most Recent Five Years

Year	Accounting Firm	CPA	Audit Opinion
2019	Ernst & Young	Ching-Piao Cheng & Yi-Hui Huang	Unmodified
2020	Ernst & Young	Ching-Piao Cheng & Hsiao Chin Lo	Unmodified
2021	Ernst & Young	Ching-Piao Cheng & Kuo-Shuai Chen	Unmodified
2022	Ernst & Young	Kuo-Shuai Chen & Chih-Ming Chang	Unmodified
2023	Ernst & Young	Kuo-Shuai Chen & Chih-Ming Chang	Unmodified

6.2 Financial Analysis for the Past Five Fiscal Years

A. Consolidated Financial Analysis – Based on IFRS

Item \ Year		Financial Analysis for the Last Five Years					As of March 31, 2024
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt ratio	35.20	41.84	49.61	42.33	25.53	29.62
	Ratio of long-term capital to property, plant and equipment	259.19	244.88	172.66	231.46	272.85	254.78
Solvency (%)	Current ratio	171.68	153.86	120.68	169.83	250.55	202.49
	Quick ratio	130.08	124	78.36	127.14	188.46	153.46
	Interest earned ratio (times)	60.35	43.06	38.91	22.56	20.11	65.26
Operating performance	Accounts receivable turnover (times)	7.27	5.87	5.61	6.12	5.64	6.05
	Average collection days	50.21	62.18	65.06	59.64	64.71	60.33
	Inventory turnover (times)	6.39	5.76	4.68	5.04	5.51	6.35
	Account payable turnover (time)	9.48	11.24	10.59	11.71	12.25	12.76
	Average days of sales	57.12	63.36	77.99	72.42	66.24	57.48
	Property, plant and equipment turnover (times)	4.43	3.76	3.56	3.95	3.52	3.46
	Total assets turnover (times)	1.17	0.93	0.96	1.12	1.00	1.03
Profitability	Return on total assets (%)	14.19	11.32	10.74	13.64	14.99	15.22
	Return on equity (%)	21.00	18.01	19.51	24.16	21.84	20.76
	Pre-tax income to paid-in capital	114.55	109.17	114.49	170.81	188.81	201.93

Annual Report 2023

Item	Year	Financial Analysis for the Last Five Years					As of March 31, 2024
		2019	2020	2021	2022	2023	
	(%)						
	Net Income ratio (%)	11.95	11.87	10.89	11.65	14.19	14.61
	Earnings per share (NT\$)	9.50	8.4	9.53	14.29	15.60	3.91
Cash flow	Cash flow ratio (%)	37.71	31.78	(0.54)	38.35	157.97	12.28
	Cash flow adequacy ratio (%)	91.51	90.49	48.28	56.86	91.59	83.24
	Cash reinvestment ratio (%)	7.03	8.07	(6.31)	12.11	24.22	(4.72)
Leverage	Operating leverage	1.25	1.25	1.23	1.23	1.25	1.25
	Financial leverage	1.02	1.03	1.03	1.05	1.06	1.02
<p>Analysis of differences in financial ratios for the last two years:</p> <ol style="list-style-type: none"> 1. The ratio of liabilities to assets: primarily caused by significant repayments of bank loans. 2. Proportion of long-term funds to property, plant, and equipment: mainly due to a significant increase in net shareholder equity. 3. Current ratio: primarily due to a significant recovery of accounts receivable, reduced inventory levels, and repayment of short-term loans. 4. Quick ratio: primarily due to a significant recovery of accounts receivable, reduced inventory levels, and repayment of short-term loans. 5. Accounts receivable turnover ratio: mainly due to a decrease in sales revenue compared to the previous period. 6. Average collection days: mainly affected by an increase in the accounts receivable turnover ratio. 7. Return on Assets: The significant increase in net profit after tax for the period resulted in a substantial increase in the return on assets. 8. Return on Equity: The increase in shareholders' equity for the period exceeded the increase in net profit after tax, leading to a higher return on equity. 9. Pre-tax Net Income to Paid-in Capital Ratio: The increase in pre-tax net income for the period resulted in a higher ratio of pre-tax net income to paid-in capital. 10. Net Profit Margin: The significant increase in foreign exchange gains and dividend income for the period led to a substantial increase in the proportion of net profit after tax to revenue. 11. Cash Flow Ratio: The increase in cash flows from operating activities for the period resulted in a higher cash flow ratio. 12. Cash Flow Adequacy Ratio: The significant increase in cash flows from operating activities over the past five years led to a higher cash flow adequacy ratio. 13. Cash Reinvestment Ratio: The significant increase in cash flows from operating activities after deducting dividends led to a higher cash reinvestment ratio. 							

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

Annual Report 2023

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 \times (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 Audit Committee's Review Report on the Financial Statements in the Most Recent Year

Audit Committee's Review Report

To Eurocharm Holdings Co., Ltd. 2023 Annual Shareholder General Meeting:

The Board of Directors has prepared the Company's 2023 Annual Business Report, consolidated financial statements, and proposal for profit distribution. The consolidated financial statements have been audited by Kuo-Shuai Chen and Chih-Ming Chang, CPAs from Ernst & Young Accounting Firm, who have also issued an audit report. The Audit Committee have been thoroughly reviewed the aforementioned business report, consolidated financial statements, and profit distribution proposal and confirmed their accuracy. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report for your review and verification.

Jen-Tien Yuan, Convener

The Audit Committee of the Eurocharm Holdings Co., Ltd.

February 29, 2024

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	2023	2022	Difference	
			Amount	%
Current Assets	3,256,137	4,692,911	(1,436,774)	(30.62)
Property, plant and equipment	1,994,080	2,129,237	(135,157)	(6.35)
Intangible Assets	6,635	3,641	2,994	82.23
Other Assets	1,499,233	882,887	616,346	69.81
Total Assets	6,756,085	7,708,676	(952,591)	(12.36)
Current Liabilities	1,299,616	2,763,295	(1,463,679)	(52.97)
Non-current Liabilities	425,023	499,447	(74,424)	(14.90)
Total Liabilities	1,724,639	3,262,742	(1,538,103)	(47.14)
Capital	664,729	659,163	5,566	0.84
Capital surplus	962,026	888,652	73,374	8.26
Retained Earnings	3,679,523	3,114,242	565,281	18.15
Other Adjustments	(290,357)	(233,118)	(57,239)	24.55
Non-Controlling Interests	15,525	16,995	(1,470)	(8.65)
Total Stockholders' Equity	5,031,446	4,445,934	585,512	13.17

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\$67,561 thousand):

- (1) The increase in current assets is primarily due to decreases in cash, accounts receivable, and inventory.
- (2) The increase in other assets is primarily due to the acquisition of the right for land usage of Baishan II Industrial Zone.
- (3) The decrease in current liabilities is primarily due to a decrease in short-term borrowings.
- (4) The increase in non-current liabilities is primarily due to the conversion of convertible bonds into equity by investors.
- (5) The increase in retained earnings is primarily due to the net profit after tax being greater than the dividend payment for the period.

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

Source: The consolidated financial statements audited or reviewed by CPAs

7.2 Analysis of Financial Performance

7.2.1 Financial Performance Comparison Analysis

Unit: NT\$ thousands: %

Item \ Year	2023	2022	Difference	
			Amount	%
Operating Revenues	7,267,327	8,037,354	(770,027)	(9.58)
Operating Cost	5,744,740	6,478,110	(733,370)	(11.32)
Operating Gross Margin	1,522,587	1,559,244	(36,657)	(2.35)
Operating Expenses	442,572	465,840	(23,268)	(4.99)
Operating Net Income	1,080,015	1,093,404	(13,389)	(1.22)
Non-operating Income and Expenses	175,072	32,533	142,539	438.14
Income Before Tax	1,255,087	1,125,937	129,150	11.47
Income After Tax	1,031,525	935,998	95,527	10.21
<p>Analysis of changes in financial ratios (increase/decrease by over 10%; total amounts of increases/decreases are equivalent to 1% of the total asset value of the respective year, NT\$67,561 thousand):</p> <p>(1) Operating revenues: The decrease in revenue is because both domestic and export customers were affected by the economic conditions, resulting in a slight decrease in revenue.</p> <p>(2) Cost of goods sold: The decline of the number of shipments resulted in a slight decrease in the cost of goods sold.</p> <p>(3) Non-operating Income and Expenses: The significant increase was due to gains from foreign exchange and dividend income.</p> <p>The differences mentioned above are expected in regular Company operations and the impact on the Company's financial situation is minimal.</p>				

Source: The consolidated financial statements audited or reviewed by CPAs

7.2.2 Expected Sales Amount and Its Rationale:

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

7.2.3 Potential Impacts on Future Financial Operations and Corresponding Plans:

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 control the cash flow and examine every expenditure.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Most Recent Year

Unit: NT\$ thousands: %

Item \ Year	2023	2022	Variance	
			Amount	%
Operating Activity	2,052,950	1,059,612	993,338	93.75
Investment Activity	(690,969)	(759,746)	68,777	(9.05)
Financing Activity	(1,756,358)	(240,661)	(1,515,697)	629.81
Analysis of the changes:				
Operating cash flow: The decrease in inventory and accounts receivable has resulted in an increase in cash flow from operating activities compared to the same period last year.				
Investing cash flow: The decrease in acquisition of property, plant and equipment resulted in an increase in cash flow from investing activities.				
Financing cash flow: The increase in repayment of short-term borrowings and dividends paid during this period resulted in an increase in cash flow from financing activities.				

Source: The consolidated financial statements audited or reviewed by CPAs

7.3.2 Remedy for Cash Deficit and Liquidity Analysis:

Not Applicable

7.3.3 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands:

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow from Investment Activities (3)	Estimated Cash Outflow from Financing Activities (4)	Cash Surplus (Deficit) (1)+(2)-(3)-(4)	Leverage of Cash Surplus (Deficit)	
					Investment Plans	Financing Plans
1,483,655	959,292	(248,505)	(583,020)	1,611,422	—	—
<p>1. Analysis of changes in cash flow:</p> <p>1) Operating Activities: Expected continuous growth and profit resulted in net cash inflow.</p> <p>2) Investment Activities: The increase is due to the purchase of equipment, resulting in net cash outflow.</p> <p>3) Financing Activities: The increase is due to continuous payment of the bank loan, which results in net cash outflow.</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 Capital:**

None

7.4.2 Expected Potential Benefits:

None

7.5 Investment Policy in the Most Recent 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 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

12/31/2023; Unit: NT\$ thousands

Reinvestment	2023 Reinvestment Loss and Gain	Description
Eurocharm (B.V.I)	1,104,341	Operations in Good Condition
Eurocharm (U.S.)	6,100	Operations in Good Condition
Eurocharm (Taiwan)	23,239	Operations in Good Condition
VPIC1	1,106,955	Operations in Good Condition
Eurocharm (H.K.)	(26,485)	Operations in Good Condition
Eurocharm (Ways)	(1,613)	Operations in Good Condition
VHS	(4,576)	Operations in Good Condition
Lieh Kwan	(3,603)	Operations in Good Condition
King Duan	(143)	Operations in Good Condition
Uni-Calsonic	(1,573)	Operations in Good Condition
Exedy	15,409	Operations in Good Condition
Shiang Yu	(3,578)	Operations in Good Condition
PCI	(3,616)	Operations in Good Condition
Lioho	324	Operations in Good Condition
Northstar	-	Financial assets measured at fair value through other comprehensive income are not recognized as investment gains or losses.
VPIC	-	Financial assets measured at fair value through other comprehensive income are not recognized as investment gains or losses.
AmTrust Capital II Corp.	-	Financial assets measured at fair value through other comprehensive income are not recognized as investment gains or losses.

7.5.2 The Investment Plan for the Upcoming Year

To meet the strategic demands of our clients and in anticipation of the growth in the ASEAN region, the Company's investment plan for the next year will include the expansion of our factory in Vietnam and the continuous acquisition of various production equipment. This will increase the production capacity of each metal processing section, and we will gradually expand our operations according to future development. Other subsidiaries will propose capital increases based on operational needs, and these plans will undergo investment evaluation and relevant decision-making processes before implementation.

7.6 Analysis of Risk Management

7.6.1 Risk Management and Structure

The Company's organizational structure for risk management:

- A. The execution department: managers and audit offices
- B. The management department: board of directors
- C. 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 measures such as "Internal Control System," "Internal Audit Implementation Rules," and "Company Internal Control System Self-Assessment Procedures" and strictly implements them to control risks. Each department manager closely monitors relevant risks, and the audit department continuously controls and audits the above-mentioned risk items through risk assessment. In the event of a major violation or potential significant damage to the Company, a report should be immediately prepared and submitted for review, and the supervisors should be notified. A board meeting may also be convened immediately if necessary.
- D. Operational situation: In 2023, all departments regularly assessed events that could have significant impacts on customers, investors, and other stakeholders under the principles of materiality, considering economic, environmental, and social aspects of corporate governance issues. All departments conducted risk assessments and developed risk management strategies and plans accordingly. In response to high-risk issues, the status of risks was regularly reported at monthly meetings, and the strengthening of the control plan was also reported to the board of directors for supervision and review. The Company established the Risk Committee after the full re-election of directors on May 31, 2022, and the relevant report are presented to the board of directors at least once a year. In 2023, the board of directors has reported high-risk issues including compound disaster risk as well as data risk management and supervision.

Major Issues	Risk Assessment Program	Risk Management Policy
Environment	Failed Climate Actions	<p>In August 2022, each of our subsidiary companies established a Greenhouse Gas Inventory Promotion Team, setting greenhouse gas management goals, regularly reviewing achievements, and monitoring regulatory developments to promptly develop response plans.</p> <p>Each subsidiary company disseminated energy-saving and carbon reduction policies to employees through internal communication channels. In 2022, ISO 14064-1 was officially introduced for greenhouse gas inventories, and the Company commissioned a third party for verification. Due to changes in operational activities resulting from the lifting of pandemic restrictions, the base year was adjusted to be 2023. Inventories and verifications are conducted annually to track emission reduction effectiveness, and the results are publicly disclosed on the Company's website. In 2023, each subsidiary company set an overall carbon reduction target of 1%, with Eurocharm TW and VPIC1 in Vietnam targeting 1% energy savings per year. Additionally, since September 2022, the Company has been gradually implementing a systematic energy management system and established an "Energy Promotion Team" to review, implement, and improve management plans based on energy goals and responsibilities, ensuring timely execution and progress of the energy management plans as well as compliance with energy management system requirements. The Company has obtained ISO 50001 certification, following the ISO 50001 management system for energy management and control. This helps reduce greenhouse gas emissions, thereby achieving energy-saving and carbon reduction goals. To ensure the continuous improvement and effective implementation of the ISO 50001 energy management system, VPIC1 in Vietnam added and revised a total of 25 manuals, procedures, and operational guidelines in 2023. An</p>

		<p>action plan was implemented to improve air compressor leak points with continuous follow-ups on its implementation and effectiveness after its completion in the same year. In August 2023, VPIC1 passed the ISO 50001:2018 third-party verification by BSI. Eurocharm TW added and revised a total of 28 manuals, procedures, and operational guidelines in 2023. Two action plans were conducted to replace air conditioning equipment in the same year. After these are completed in 2024, the team will continue to track their implementation and effectiveness. On December 25, 2023, Eurocharm TW obtained ISO 50001:2018 third-party verification from SGS. Various preventive measures are being taken to fulfill our commitment to energy management for our customers.</p> <p>Additionally, in response to the EU Carbon Border Adjustment Mechanism (CBAM) declaration starting in October 2023, VPIC1 began implementing the ISO 14067 Product Carbon Footprint in September 2023.</p>
--	--	--

For more information about the Risk Committee, please check <https://www.eurocharm.com.tw/esg/公司治理/風險管理委員會>

7.6.2 Information Security Policy and Management Structure

The Company's information technology security policy is in place to establish and maintain a secure environment for its information and computer systems. However, despite the implementation of these policies, procedures, and various other information security measures, there is no guarantee that the computer systems controlling or maintaining critical corporate functions, such as the Company's manufacturing operations and accounting, are entirely immune to attacks from third parties attempting to disrupt the system. These cyber-attacks illegally breach the Company's internal or external network systems and engage in activities that disrupt the Company's operations and damage its reputation. In the event of a severe cyber-attack, the Company's systems may lose critical company data. Therefore, the Company will continuously review and evaluate its cybersecurity regulations and procedures to ensure their adequacy and effectiveness. However, there is no guarantee that the Company will be immune to emerging risks and attacks in the face of the constantly evolving 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 amount of interest income and interest expense of the Company in 2023 is relatively low compared to its operating income and pre-tax net profit. Therefore, future changes in interest rates are not expected to have a significant impact on the Company's operations.

II. Foreign exchange rate: The Company's exchange gain in 2023 accounted for approximately 1.21% of the consolidated net revenue, which did not have a significant impact on the Company's profitability. The Company will closely monitor the trend of exchange rate fluctuations, adjust its positions in Vietnamese Dong and US dollars timely, and utilize appropriate hedging operations to reduce the impact of exchange rate fluctuations.

III. Inflation: In recent years, the high demand for raw materials from emerging countries has inflated the global markets significantly. In order to reduce the inflation risk and lower the production cost, the Company will be actively seeking methods to improve processing and adjusting product pricing accordingly.

7.6.4 Policies, Main Causes of Gain or Loss, and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

1. The Company did not engage in any high-risk or high-leveraged investments. The transactions and procedures related to lending and endorsement are based on the Company's "Procedures for Lending" and "Procedures for Endorsement Guarantee". Furthermore, derivative transactions follow the "Procedures for Acquisition and Disposal of Assets."
2. Approved by the board of directors, Eurocharm Holdings guaranteed and endorsed the following subsidiaries: Eurocharm Innovation Co., Ltd. (B.V.I.) for NT\$215,145 thousand, Eurocharm Innovation Co., Ltd. for NT\$80,000 thousand, Vietnam Precision Industrial No.1 Co., Ltd. for NT\$1,106,460 thousand, and Eurocharm Innovation (HK) Co., Limited for NT\$76,838 thousand. As of the end of 2023, the amount spent was \$0.

7.6.5 Future Research & Development Projects and Corresponding Budget

The Company's R&D expenses account for 1.05% and 1.18% of sales amount for 2022 and 2023 respectively. Future R&D expenditure is mainly for collaboration with customers in developing new products and production process, enhancement of molds and increasing operational productivity. The R&D expenses that the Company plans to devote are listed below.

Items	Amount (NTD thousand)	Application
Friction stir welding	2,000	Introduction of the new production process
AOI optical inspection	3,000	Automation of quality inspection
Material research and development	2,000	Introduction of the new aluminum alloy material
Automation of production process	2,000	Introduction of simple automation for the production process

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 on Corporate Finance due to Changes in Technology (including information security risks) and the Industry and Responsive Measures

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 important clients is equal to losing critical sources that help us 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 as well as medical assistive equipment. As global environmental awareness rises, and the market demands for lightweight products and reinforced vehicle safety, the Company's business continues to grow. There are currently no technologies or products that can replace our offerings in the short term. Therefore, technological changes and industry developments are not expected to have a significant impact on our financial operations.

The Company's information technology security policy is in place to establish and maintain a secure environment for its information and computer systems. However, despite the implementation of these policies, procedures, and various other information security measures, there is no guarantee that the computer systems controlling or maintaining critical corporate functions, such as the Company's manufacturing operations and accounting, are entirely immune to attacks from third parties attempting to disrupt the system. These cyber-attacks illegally breach the Company's internal or external network systems and engage in activities that disrupt the Company's operations and damage its reputation. In the event of a severe cyber-attack, the Company's systems may lose critical company data. Therefore, the Company will continuously review and evaluate its cybersecurity regulations and procedures to ensure their adequacy and effectiveness. However, there is no guarantee that the Company will be immune to emerging risks and attacks in the face of the constantly evolving cybersecurity threats.

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

The company has always maintained a good corporate image. Since its listing, the Company has enjoyed better reputation and image, strengthened internal controls, improved management practices, and positive impact on our sustainable operation. In the future, we will strive to expand our international business, achieve optimal operational efficiency, and maximize profits, sharing the business results with all shareholders and employees. The listing of the stock will further enhance the Company's image.

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

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 undergone comprehensive considerations of investment benefits and potential risks.

7.6.11 Risks Related 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. As these raw material suppliers are not monopolistic and there are at least two or more suppliers for the same raw material, the sources of supply are considered sufficient. Therefore, there is no risk of excessive concentration in purchasing.

As for the sales from individual customers, the operating income of the top two customers takes up to 52.75% of the consolidated operating income. Sales from the Company's other clients does not exceed 10%. However, As the Company's largest customers holds 70% of the market share in Vietnam and the Company is their main supplier, the situation of excessive customer concentration is expected. As a result, the Company has been actively developing new customers to diversify and lower the impact of excessive customer concentration.

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

No such cases in the most recent 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 most recent 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, its directors, general manager, substantial shareholders holding more than ten percent of the shares, and subsidiary companies involved in litigation or non-litigation matters, should be disclosed. Describe any major litigation, non-litigation, or administrative disputes that have been finally adjudicated or are still pending, and

whose outcomes may have a significant impact on shareholder equity or security prices.

None.

7.6.15 Other Major Risks:

Possible risk of capacity expansion and its countermeasures:

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

7.7 Other Important Matters:

None

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Enterprise Organization Chart

Please refer to II. Company Profile

8.1.2 Basic Information of the Affiliated Companies

As of 12/31/2023

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\$664,729 thousand	Investment in share holding
Eurocharm Innovation Co., Ltd. (B.V.I.)	08/2001	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, 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	US\$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	US\$1,500 thousand	Import and export trade
Hsieh Yuan Technology	06/2010	Khai Quang Industrial Zone, Vinh Yen City, Vinh Phuc	US\$1,250 thousand	Manufacturing and sales of motor parts

Annual Report 2023

Name of Enterprise	Date of Establishment	Address	Paid-in Capital	Major Business or Production Items
Vietnam Co., Ltd.		Province, Vietnam		and medical equipment
Exedy Vietnam Co., Ltd.	02/2006	Khai Quang Industrial Zone, Vinh Yen City, Vinh Phuc Province, Vietnam	US\$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	US\$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	US\$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	US\$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	US\$10,000 thousand	Manufacturing and sales of motor parts
Vietnam Uni-Calsonic Co., Ltd.	01/2021	Baishan II Industrial Zone, Binh Chuan County, Vinh Phuc Province, Vietnam	US\$2,500 thousand	Manufacturing and sales of motor parts
Vietnam Eurocharm Ways Plastics Company Limited.	06/2021	Baishan II Industrial Zone, Binh Chuan County, Vinh Phuc Province, Vietnam	USD \$2,000 thousand	Plastic dip and sales business
PCI International Investment Inc.	04/2022	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	USD \$4,500 thousand	Investment in share holding
Vietnam Lioho Machine Works Co., Ltd.	2023.07	Thang Long San Industrial Zone, Binh Chuan County, Vinh Phuc Province, Vietnam	US\$15,000 thousand	Manufacturing and sales of motor parts

8.1.3 Information of the identical shareholders for those presumed to have a controlling or subsidiary relationship:

None

8.1.4 The industries covered by the business operations of the affiliated companies:

The primary operations of the Company and its affiliates include the production and sale of automotive and motorcycle components, as well as medical equipment, along with relevant activities such as mold design, manufacturing, and sales of these products.

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

Name of Enterprise	Title	Name(s)	Shareholding	
			Shares	%
Eurocharm Holdings Co., Ltd.	Director	Steven Yu, Antonio Yu, Michael Yu, Steven Chang, Yi-Ren Guo, Yen-Hsi Lin, Jen-Tien Yuan	233,000	0.35%
	General Manager	Andy Wu	107,225	0.16%
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,	–	–

Annual Report 2023

Name of Enterprise	Title	Name(s)	Shareholding	
			Shares	%
		Antonio Yu		
Shiang Yu Precision Co., Ltd.	Director	Fu-Yuan Lin, Shu-Hui Wang, Michael Yu	–	–
Eurocharm Innovation (HK) Co., Ltd.	Director	Steven Yu, Michael Yu	–	–
Lieh Kwan International Co., Ltd.	Director	Hog-Ren Liao, Gong-Hui He, Antonio Yu	–	–
Vietnam King Duan Industrial Co., Ltd.	Director	Yi-Jyun Ciou, Han-Zong Jiang, Hong-Jyun Shih, Steven Yu, Michael Yu	–	–
	Supervisor	Antonio Yu, Min-De Chen	–	–
Vietnam Eurocharm Ways Plastics Company Limited	Director	Andy Wu, Shih-Wun Liao, Steven Yu	–	–
	Supervisor	Michael Yu, Shih-Yi Guo	–	–
Vietnam Uni-Calsonic Co., Ltd.	Director	Jing-Hong Wang, Jin-Wun Jhong, Steven Yu	–	–
	Supervisor	Yun-Chu Yeh, Michael Yu	–	–
PCI International Investment Inc.	Director	Steven Yu, Michael Lin, Yuan-Pin Chang	–	–
Vietnam Lioho Machine Works Co., Ltd.	Director	Hsu-Shun Tsung, Yi-Chun Chiu, Chin-Jung Lo, Wen-Tsan Liao, Yun-Cheng Tseng, Steven Yu, Andy Wu	–	–
	Supervisor	Chun-Ming Huang, Michael Yu	–	–

Annual Report 2023

8.1.6 Operating Summary of the Affiliated Companies

Unit: Except for Earnings Per Share being NT\$, the other is TWD/VND thousands; USD

Name of Enterprise	Paid in Capital	Total Asset	Total Liability	Net Value	Operating Income	Operating Benefit	Current Income (Loss)	Earnings Per Share (NTD)
Eurocharm Holdings Co., Ltd.	664,729	6,756,085	1,724,639	5,031,446	7,267,327	1,080,015	1,031,525	15.60
Eurocharm Innovation Co., Ltd.(B.V.I.)	615,652	5,777,431	-	5,777,431	-	(151)	1,104,341	See Note 1
Eurocharm America LLC	6,282	168,702	155,162	13,540	360,630	8,810	6,100	9.71
Eurocharm Innovation Co., Ltd.	58,500	310,275	97,573	212,702	291,741	(7,884)	21,285	3.64
Vietnam Precision Industrial No.1 Co., Ltd.	766,555	6,151,458	816,731	5,334,726	7,166,362	1,122,392	1,098,075	See Note 1
Vietnam Eurocharm Ways Plastics Company Limited	55,292	34,778	277	34,501	-	(5,004)	(2,933)	See Note 1
Hsieh Yuan Technology Vietnam Co.,Ltd.	23,179,239	101,533,420	30,803,498	70,729,922	77,796,817	(3,613,532)	(7,774,098)	See Note 1
Exedy Vietnam Co., Ltd.	66,083,544	358,654,359	46,217,696	312,436,683	514,422,207	57,966,936	58,901,696	See Note 1
Shiang Yu Precision Co., Ltd.	46,447,360	65,899,897	12,218,177	53,681,720	33,783,521	(7,174,375)	(6,837,754)	See Note 1
Eurocharm Innovation (HK) Co., Ltd.	46,637	160,721	95,440	65,281	62,287	(65,019)	(60,214)	(12.91)
Lieh Kwan International Co., Ltd.	61,030	44,701	-	44,701	-	-	(9,010)	(1.48)
Vietnam King Duan Industrial Co., Ltd.	229,230,000	504,750,137	244,000,239	260,749,898	209,214,695	17,416,521	(271,937)	See Note 1

Annual Report 2023

Vietnam Uni-Calsonic Co., Ltd.	58,312,250	57,673,735	2,464,324	55,209,411	808,876	(4,769,135)	(3,005,256)	See Note 1
PCI International Investment Inc.	130,518	121,491	-	121,491	-	(80)	8,035	See Note 1
Vietnam Lioho Machine Works Co., Ltd.	352,590,000	354,250,753	836,350	353,414,403	-	(5,111,731)	824,404	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. and Vietnam Lioho Machine Works Co., Ltd. are in VND.

8.1.7 Consolidated Financial Statements of the Affiliated Companies

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 with the Shareholder Equity Protection Regulations of the Republic of China

Please see Appendix 2

Appendix 1

Consolidated Financial Statements for the fiscal year 2023

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, 2023 AND 2022
AND FOR THE YEARS THEN ENDED**

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

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

English Translation of 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, 2023 and 2022, 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 material 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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditor’s 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 2023 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\$7,267,327 thousand for the year ended December 31, 2023 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, 2023 amounted to NT\$1,086,782 thousand and NT\$55,757 thousand, respectively. The consolidated net trade receivables represented 15% of the Company's total consolidated assets and were significant to the Company's consolidated financial statements. The amount of loss allowance against trade receivable is measured based on expected credit loss during its existing period. For the measurement purpose, underlying receivable should be grouped appropriately and the application of related assumptions, including proper aging intervals, expected loss ratio and forward-looking information for each aging interval, be judged and analyzed. We conclude that the estimation of impairment loss toward trade receivable is one of the key audit matters due to its complexity of judgment, analysis and estimation and its significant impact on carrying value of net trade receivable. Our audit procedures therefore include, but not limit to, analyzing the appropriateness of the methodology to group trade receivable, confirming whether the customers with significantly different loss patterns

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

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

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

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

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

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

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 2023 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

/s/Chen, Kuo-Shuai

/s/Chang, Chih-Ming

Ernst & Young, Taiwan

February 29th, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the 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 practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2023 and 2022
(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets				Liabilities and Equity			
Accounts	Notes	2023.12.31	2022.12.31	Accounts	Notes	2023.12.31	2022.12.31
Current assets				Current liabilities			
Cash and cash equivalents	4, 6(1)	\$974,048	\$1,397,304	Short-term borrowings	6(12), 8	\$360,459	\$1,642,067
Financial assets at fair value through profit or loss	4, 6(2), 6(14)	41	292	Contract liabilities	4, 6(18)	58,056	28,486
Financial assets measured at amortized cost	4, 6(3)	382,990	528,379	Trade payables		347,508	525,991
Trade receivables	4, 6(4), 6(19), 8	772,155	1,076,855	Trade payables-related parties	7	26,168	38,252
Trade receivables-related parties	4, 6(4), 6(19), 7	258,870	368,486	Other payables	6(13)	353,170	377,918
Other receivables		8,992	18,371	Current tax liabilities	4, 6(24)	119,615	110,803
Other receivables-related parties	7	3,691	2,729	Lease liabilities	4, 6(22)	2,502	3,725
Current tax assets	4, 6(24)	512	512	Lease liabilities-related parties	4, 6(22), 7	-	1,910
Inventories	4, 6(5), 8	737,881	1,102,281	Other current liabilities		1,678	3,376
Prepayments	7	69,056	77,479	Refund liabilities		30,460	30,767
Other current assets		47,901	120,223	Total current liabilities		1,299,616	2,763,295
Total current assets		3,256,137	4,692,911				
Non-current assets				Non-current liabilities			
Financial assets measured at fair value through other comprehensive income	4, 6(6)	95,705	95,705	Bonds payable	4, 6(14)	394,184	465,295
Financial assets measured at amortized cost	4, 6(3)	126,617	14,989	Deferred tax liabilities	4, 6(24)	18,608	18,468
Investment accounted for under the equity method	4, 6(7)	521,082	384,101	Lease liabilities	4, 6(22)	-	2,528
Property, plant and equipment	4, 6(8), 7, 8	1,994,080	2,129,237	Other non-current liabilities	6(15)	12,231	13,156
Right-of-use assets	4, 6(22), 7	645,163	308,396	Total non-current liabilities		425,023	499,447
Investment property	4, 6(9)	81,196	72,997	Total liabilities		1,724,639	3,262,742
Intangible assets	4, 6(10)	6,635	3,641				
Deferred tax assets	4, 6(24)	1,540	2,900	Equity attributable to shareholders of the parent			
Other non-current assets	6(11), 6(16)	27,930	3,799	Capital	6(17)		
Total non-current assets		3,499,948	3,015,765	Common stock		664,729	659,163
				Capital surplus	6(17)	962,026	888,652
				Retained earnings	6(17)		
				Legal reserve		321,016	218,316
				Special reserve		233,118	307,951
				Unappropriated Earnings		3,125,389	2,587,975
				Other components of equity		(290,357)	(233,118)
				Non-controlling interests	6(17), 6(26)	15,525	16,995
				Total equity		5,031,446	4,445,934
Total assets		\$6,756,085	\$7,708,676	Total liabilities and equity		\$6,756,085	\$7,708,676

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2023 and 2022

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

Description	Notes	2023	2022
Operating revenues	4, 6(18), 7	\$7,267,327	\$8,037,354
Operating costs	6(20), 7	(5,744,734)	(6,478,423)
Gross profit		1,522,593	1,558,931
Realized (Unrealized) sales profit	4	(6)	313
Gross profit, net		1,522,587	1,559,244
Operating expenses	6(20), 7		
Sales and marketing		(98,952)	(117,340)
General and administrative		(244,606)	(238,445)
Research and development		(85,790)	(84,123)
Expected credit gains (losses)	4, 6(19)	(13,224)	(25,932)
Operating expenses total		(442,572)	(465,840)
Operating income		1,080,015	1,093,404
Non-operating incomes and expenses			
Other incomes	6(21), 7	162,397	104,496
Other gains and losses	6(21), 7	79,699	(44,650)
Finance costs	6(21), 7	(65,668)	(52,226)
Share of profit or loss of associates and joint ventures accounted for under the equity method	4, 6(7)	(1,356)	24,913
Non-operating incomes and expenses total		175,072	32,533
Income before income tax		1,255,087	1,125,937
Income tax expense	4, 6(24)	(223,562)	(189,939)
Net income		1,031,525	935,998
Other comprehensive income (loss)	6(23)		
Not to be reclassified to profit or loss in subsequent periods:			
Remeasurements of defined benefit plans		442	3,576
May be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		(54,998)	394,062
Share of other comprehensive income of associates and joint ventures accounted for under the equity method		(2,391)	16,146
Total other comprehensive income, net of tax		(56,947)	413,784
Total comprehensive income		\$974,578	\$1,349,782
Net income (loss) attributable to:			
Stockholders of the parent		\$1,032,845	\$941,354
Non-controlling interests		(1,320)	(5,356)
		\$1,031,525	\$935,998
Total comprehensive income (loss) attributable to:			
Stockholders of the parent		\$976,048	\$1,353,400
Non-controlling interests		(1,470)	(3,618)
		\$974,578	\$1,349,782
Earnings per share-basic (in NTD)	6(25)	\$15.60	\$14.29
Earnings per share-diluted (in NTD)	6(25)	\$14.95	\$13.91

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2023 and 2022

(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, 2022	\$658,262	\$836,782	\$155,069	\$620,146	\$1,690,315	\$(641,588)	\$3,318,986	\$20,613	\$3,339,599
Appropriation and distribution of 2021 earnings and earnings for the six-month period ended June 30, 2022:									
Legal reserve			63,247		(63,247)		-		
Cash dividends-common shares					(296,218)		(296,218)		(296,218)
Special reserve reversal				(312,195)	312,195		-		-
Equity component of convertible bonds issued by the Company		40,024					40,024		40,024
Net income (loss) in 2022					941,354		941,354	(5,356)	935,998
Other comprehensive income in 2022					3,576	408,470	412,046	1,738	413,784
Total comprehensive income (loss)	-	-	-	-	944,930	408,470	1,353,400	(3,618)	1,349,782
Conversion of convertible bonds	901	11,846					12,747		12,747
Balance as of December 31, 2022	659,163	888,652	218,316	307,951	2,587,975	(233,118)	4,428,939	16,995	4,445,934
Appropriation and distribution of 2022 earnings and earnings for the six-month ended June 30, 2023:									
Legal reserve			102,700		(102,700)		-		-
Cash dividends-common shares					(468,006)		(468,006)		(468,006)
Special reserve reversal				(74,833)	74,833		-		-
Net income (loss) in 2023					1,032,845		1,032,845	(1,320)	1,031,525
Other comprehensive income in 2023					442	(57,239)	(56,797)	(150)	(56,947)
Total comprehensive income (loss)	-	-	-	-	1,033,287	(57,239)	976,048	(1,470)	974,578
Conversion of convertible bonds	5,566	73,374					78,940		78,940
Balance as of December 31, 2023	\$664,729	\$962,026	\$321,016	\$233,118	\$3,125,389	\$(290,357)	\$5,015,921	\$15,525	\$5,031,446

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2023 and 2022
(Amounts Expressed in Thousands of New Taiwan Dollars)

Items	2023	2022	Items	2023	2022
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$1,255,087	\$1,125,937	Acquisition of financial assets measured at fair value through other comprehensive income	-	(40,000)
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	33,761	(370,014)
Depreciation (include investment property)	284,771	267,535	Acquisition of investment accounted for under the equity method	(165,261)	(58,733)
Amortization	2,614	3,078	Acquisition of property, plant and equipment	(198,205)	(299,234)
Expected credit losses	13,224	25,932	Proceeds from disposal of property, plant and equipment	45	9,700
Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	186	(103)	Acquisition of intangible assets	(5,608)	(1,465)
Interest expense	65,668	52,226	Acquisition of right-of-use assets	(355,701)	-
Interest income	(70,335)	(37,837)	Net cash provided by (used in) investing activities	(690,969)	(759,746)
Dividends	(27,744)	(17,621)			
Share of profit or loss of associates and joint ventures accounted for under the equity method	1,356	(24,913)	Cash flows from financing activities:		
Loss (gain) on disposal of property, plant and equipment	1,878	(586)	Increase in (repayment of) short-term borrowings	(1,281,608)	(451,849)
Loss on inventory valuation	13,224	53,249	Issuance of convertible bonds	-	512,995
Unrealized (realized) sales profit	6	(313)	Increase (decrease) in guarantee deposits	(925)	35
Changes in operating assets and liabilities:			Repayment of lease liabilities principal	(5,819)	(5,624)
Trade receivables	292,144	(310,233)	Cash dividends	(468,006)	(296,218)
Trade receivables-related parties	109,616	(42,244)	Net cash provided by (used in) financing activities	(1,756,358)	(240,661)
Other receivables	6,825	(3,184)			
Other receivables-related parties	(962)	(1,144)	Effect of exchange rate changes	(28,879)	191,354
Inventories	352,485	129,384			
Prepayments	8,423	8,314	Net increase (decrease) in cash and cash equivalents	(423,256)	250,559
Other current assets	72,322	(10,769)	Cash and cash equivalents at beginning of period	1,397,304	1,146,745
Contract liabilities	29,570	(41,663)	Cash and cash equivalents at end of period	\$974,048	\$1,397,304
Trade payables	(178,483)	13,751			
Trade payables-related parties	(12,084)	8,085			
Other payables	(11,827)	42,866			
Other current liabilities	(1,698)	1,610			
Net defined benefit liabilities	(482)	(406)			
Refund liabilities	(307)	2,483			
Cash generated from (used in) operations	2,205,477	1,243,434			
Interest received	72,851	31,942			
Dividends received	45,430	37,389			
Interest paid	(57,767)	(51,352)			
Income tax paid	(213,041)	(201,801)			
Net cash provided by (used in) operating activities	2,052,950	1,059,612			

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, 2023 and 2022 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, 2023 and 2022 were authorized for issue by the board of directors on February 29, 2024.

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 the Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2023. The adoption of these new standards and amendments and interpretations of initial application has 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, and not yet adopted by the Group as of the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	January 1, 2024

(a) 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.

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

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

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

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, 2024. The remaining standards and interpretations have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as of 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	Lack of Exchangeability – Amendments to IAS 21	January 1, 2025

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

(b) IFRS 17 “Insurance Contracts”

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

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

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

(c) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after January 1, 2025.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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 remaining new or amended standards and interpretations have no material impact on the Group.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements for the years ended December 31, 2023 and 2022 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.

(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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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.

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) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss, or transfer directly to retained earnings if required by other IFRSs; and
- (f) recognizes any resulting difference 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 consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			As of December 31,	
			2023	2022
The Company	Eurocharm Innovation Co., Ltd. (B.V.I.)	Investment activities	100%	100%
The Company	Eurocharm America LLC.	Trading activities, warehouse and logistic service	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation Co., Ltd.	Manufacturing and sales of motor parts and medical equipment	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Precision Industrial No.1 Co., Ltd.	Manufacturing and sales of motor parts and medical equipment	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation (HK) Co., Ltd.	Trading activities	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Eurocharm Ways Plastics Company Limited.	Plastic dipping and processing	55%	55%

(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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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.

(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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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.

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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

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

(8) Financial instruments

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

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

(a) Financial instruments: Recognition and Measurement

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

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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Financial assets measured at amortized cost

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

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

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

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Financial asset measured at fair value through other comprehensive income

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

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

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

Financial asset measured at fair value through profit or loss

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

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

(b) Impairment of financial assets

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

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

The loss allowance is measured as follow:

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

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

(c) Derecognition of financial assets

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 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 of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

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

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

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

Financial liabilities

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

Financial liabilities at amortized cost

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

Derecognition of financial liabilities

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

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

(e) Offsetting of financial instruments

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

(9) Fair value measurement

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

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

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

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

(10) Inventories

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

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

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

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

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(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 prorate basis.

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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*.

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(12) Property, plant and equipment

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

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

Buildings	5~50 years
Machinery and equipment	2~15 years
Transportation equipment	3~15 years
Office equipment	2~10 years
Other equipment	1~10 years

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(13) Investment property

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

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

Buildings	10~25 years
-----------	-------------

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

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(14) Leases

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

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

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

Group as a lessee

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

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

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

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

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

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

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

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

Group as a lessor

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

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(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 (3 to 8 years).

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

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

(16) Impairment of non-financial assets

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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.

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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(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.

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 has 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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(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.

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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.

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; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

- 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; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- 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.

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.

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 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.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

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.

(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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(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.

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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of December 31,	
	2023	2022
Cash on hand	\$826	\$768
Checking and saving	669,355	561,301
Time deposits matured within three months	303,867	835,235
Total	<u>\$974,048</u>	<u>\$1,397,304</u>

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

	As of December 31,	
	2023	2022
Financial assets at fair value through profit or loss		
Embedded derivatives	<u>\$41</u>	<u>\$292</u>

The embedded derivative financial instruments (the issuer's redemption options) on the bonds payable which amounted to NT\$41 thousand and NT\$292 thousand were recognized as current financial assets at fair value through profit or loss as of December 31, 2023 and 2022.

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

(3) Financial assets measured at amortized cost

	As of December 31,	
	2023	2022
Time deposits	<u>\$509,607</u>	<u>\$543,368</u>
Current	\$382,990	\$528,379
Non-current	126,617	14,989
Total	<u>\$509,607</u>	<u>\$543,368</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

(4) Trade receivables and trade receivables-related parties

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

	As of December 31,	
	2023	2022
Trade receivables	\$827,912	\$1,120,056
Less: loss allowance	(55,757)	(43,201)
Subtotal	772,155	1,076,855
Trade receivables from related parties	258,870	368,486
Less: loss allowance	-	-
Subtotal	258,870	368,486
Total	\$1,031,025	\$1,445,341

(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\$1,086,782 thousand and NT\$1,488,542 thousand as of December 31, 2023 and 2022, respectively. Please refer to Note 6 (19) for more details on loss allowance of trade receivables for the years ended December 31, 2023 and 2022, respectively. Please refer to Note 12 for more details on credit risk.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(5) Inventories

(a) Details of inventories are listed below:

	As of December 31,	
	2023	2022
Raw materials and Supplies	\$239,863	\$480,311
Work in progress	251,765	378,962
Finished goods	246,077	242,847
Merchandises	176	161
Total	\$737,881	\$1,102,281

(b) The cost of inventories recognized in expenses amounted to NT\$5,744,734 thousand and NT\$6,478,423 thousand for the years ended December 31, 2023 and 2022, respectively.

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

	For the year ended December 31,	
	2023	2022
Loss from inventory market decline	\$13,224	\$53,249
Loss in inventory write-off obsolescence	53,594	261,605
Loss (gain) from physical count	14	(103)
Total	\$66,831	\$314,751

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

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

	As of December 31,	
	2023	2022
Equity instruments investments measured at fair value through other comprehensive income - Non-current		
Unlisted companies stocks	\$95,705	\$95,705

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

- (a) The Group classifies certain of its financial assets as financial assets at fair value through other comprehensive income, which were not pledged.
- (b) On September 11, 2017, the board of directors of the Company's subsidiary - Eurocharm Innovation Co., Ltd (B.V.I), resolved to acquire 19.9% share interest on Northstar Precision (Vietnam) Company Limited. In December 2020 and October 2021, Eurocharm Innovation Co., Ltd (B.V.I) participated in Northstar Precision (Vietnam) Company Limited's cash offering proportionately.
- (c) The Group's dividend income related to equity instrument investments measured at fair value through other comprehensive income amount to NT\$27,744 thousand and NT\$17,621 thousand for the years ended December 31, 2023 and 2022, respectively.
- (d) Mid of May 2022, the Company's subsidiary - Eurocharm Innovation Co., Ltd. invested NT\$40,000 thousand for 4,000 thousand shares of AmTrust Capital II Corp. The percentage of ownership was 4%.

(7) Investments accounted for under the equity method

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

Investee companies	As of December 31,			
	2023		2022	
	Carrying amount	Percentage of Ownership	Carrying amount	Percentage of Ownership
Investments in associates:				
Exedy Vietnam Co., Ltd.	\$80,408	20.00%	\$83,770	20.00%
Hsieh Yuan Technology Vietnam Co., Ltd.	40,995	45.00%	45,960	45.00%
Shiang Yu Precision Co., Ltd.	27,716	40.00%	31,554	40.00%
Lieh Kwan International Co., Ltd.	17,881	40.00%	21,645	40.00%
Vietnam King Duan Industrial Co., Ltd.	134,338	40.00%	135,830	40.00%
Vietnam Uni-Calsonic Co., Ltd.	28,444	40.00%	6,524	40.00%
PCI International Investment Inc.	54,671	45.00%	58,818	45.00%
Vietnam Lioho Machine Works Co., Ltd.	136,629	30.00%	-	-%
Total	<u>\$521,082</u>		<u>\$384,101</u>	

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(b) Investments in associates

The Group's investments in above associates are not individually material. The aggregate carrying amounts of the Group's interests in in associates were NT\$521,082 thousand and NT\$384,101 thousand as of December 31, 2023 and 2022, respectively. The aggregate financial information based on the Group's share are as follows:

	For the year ended December 31,	
	2023	2022
Profit from continuing operations	\$(1,356)	\$24,913
Other comprehensive income (loss) (post-tax)	(2,391)	16,146
Total comprehensive income	\$(3,747)	\$41,059

The aforementioned associates had no contingent liabilities or capital commitments and were not under pledge as of December 31, 2023 and 2022.

As of December 31, 2023 and 2022, the balances of investments accounted for under the equity method amounted to NT\$521,082 thousand and NT\$384,101 thousand, respectively. For the years ended December 31, 2023 and 2022, shares of investment income from these associates and joint ventures amounted to NT\$(1,356) thousand and NT\$24,913 thousand, respectively. For the years ended December 31, 2023 and 2022, share of other comprehensive income from these associates and joint ventures amounted to NT\$(2,391) thousand and NT\$16,146 thousand, respectively.

(c) Investments accounted for under the equity method were not pledged.

(d) In 2023 and 2022, Vietnam Precision Industrial No.1 Co., Ltd. received a distribution from Exedy Vietnam Co., Ltd. in the amount of NT\$17,686 thousand and NT\$14,217 thousand, respectively, which was accounted for as a reduction to the carrying amount of the investment.

(e) On February 26, 2021, the board of directors of the Company's subsidiary - Eurocharm Innovation Co., Ltd. (B.V.I), resolved to invest US\$220 thousand in Vietnam Uni-Calsonic Co., Ltd. The percentage of ownership was 40%.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

In February 2023, the Group participated in Vietnam Uni-Calsonic Co., Ltd.'s cash offering by proportionately and invested NT\$23,448 thousand.

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

(g) On February 23, 2023, the board of directors of the Company's subsidiary - Vietnam Precision Industrial No. 1 Co., resolved to invest US\$4,500 thousand in Vietnam Lioho Machine Works Co., Ltd.. The percentage of ownership was 30%.

(8) Property, plant and equipment

	As of December 31,	
	2023	2022
Owner occupied property, plant and equipment	\$1,994,080	\$2,129,237
Property, plant and equipment leased out under operating leases	-	-
Total	<u>\$1,994,080</u>	<u>\$2,129,237</u>

(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, 2023	\$52,420	\$662,622	\$2,813,163	\$149,972	\$26,113	\$183,134	\$66,104	\$3,953,528
Additions	-	9,948	95,828	9,903	3,652	14,396	28,505	162,232
Disposals	-	(622)	(48,053)	(873)	(900)	(6,096)	-	(56,544)
Reclassify of Transfers	-	(3,747)	(6,279)	2,615	1,595	246	(7,223)	(12,793)
Exchange differences	-	(6,550)	(31,685)	(1,364)	(227)	(1,737)	(824)	(42,387)
As of Dec. 31, 2023	<u>\$52,420</u>	<u>\$661,651</u>	<u>\$2,822,974</u>	<u>\$160,253</u>	<u>\$30,233</u>	<u>\$189,943</u>	<u>\$86,562</u>	<u>\$4,004,036</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

			Machinery and equipment	Transportation	Office Equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
	Land	Buildings						
As of Jan. 1, 2022	\$52,420	\$644,713	\$2,341,662	\$124,297	\$23,267	\$158,511	\$47,068	\$3,391,938
Additions	-	1,694	7,444	13,379	2,619	16,676	261,869	303,681
Disposals	-	(117)	(17,179)	(746)	(1,782)	(5,394)	(386)	(25,604)
Reclassify of Transfers	-	(39,635)	243,725	2,652	190	73	(247,512)	(40,507)
Exchange differences	-	55,967	237,511	10,390	1,819	13,268	5,065	324,020
As of Dec. 31, 2022	<u>\$52,420</u>	<u>\$662,622</u>	<u>\$2,813,163</u>	<u>\$149,972</u>	<u>\$26,113</u>	<u>\$183,134</u>	<u>\$66,104</u>	<u>\$3,953,528</u>
Depreciation and impairment:								
As of Jan. 1, 2023	\$-	\$189,324	\$1,379,230	\$87,760	\$16,762	\$151,215	\$-	\$1,824,291
Depreciation	-	33,241	194,637	11,571	3,635	21,674	-	264,758
Disposals	-	(622)	(48,023)	(873)	(900)	(4,203)	-	(54,621)
Exchange differences	-	(2,330)	(19,176)	(996)	(196)	(1,774)	-	(24,472)
As of Dec. 31, 2023	<u>\$-</u>	<u>\$219,613</u>	<u>\$1,506,668</u>	<u>\$97,462</u>	<u>\$19,301</u>	<u>\$166,912</u>	<u>\$-</u>	<u>\$2,009,956</u>
As of Jan. 1, 2022	\$-	\$144,059	\$1,101,321	\$71,959	\$14,239	\$117,638	\$-	\$1,449,216
Depreciation	-	33,122	173,299	10,283	3,168	28,283	-	248,155
Disposals	-	(117)	(8,920)	(746)	(1,782)	(4,925)	-	(16,490)
Transfers	-	(210)	-	-	-	-	-	(210)
Exchange differences	-	12,470	113,530	6,264	1,137	10,219	-	143,620
As of Dec. 31, 2022	<u>\$-</u>	<u>\$189,324</u>	<u>\$1,379,230</u>	<u>\$87,760</u>	<u>\$16,762</u>	<u>\$151,215</u>	<u>\$-</u>	<u>\$1,824,291</u>
Net carrying amount as of:								
Dec. 31, 2023	<u>\$52,420</u>	<u>\$442,038</u>	<u>\$1,316,306</u>	<u>\$62,791</u>	<u>\$10,932</u>	<u>\$23,031</u>	<u>\$86,562</u>	<u>\$1,994,080</u>
Dec. 31, 2022	<u>\$52,420</u>	<u>\$473,298</u>	<u>\$1,433,933</u>	<u>\$62,212</u>	<u>\$9,351</u>	<u>\$31,919</u>	<u>\$66,104</u>	<u>\$2,129,237</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

	<u>Machinery and equipment</u>
Cost:	
As of Jan. 1, 2023	\$34,505
Exchange differences	(345)
As of Dec. 31, 2023	<u>\$34,160</u>
As of Jan. 1, 2022	\$31,720
Exchange differences	2,785
As of Dec. 31, 2022	<u>\$34,505</u>
Depreciation and impairment:	
As of Jan. 1, 2023	\$34,505
Exchange differences	(345)
As of Dec. 31, 2023	<u>\$34,160</u>
As of Jan. 1, 2022	\$31,720
Exchange differences	2,785
As of Dec. 31, 2022	<u>\$34,505</u>
Net carrying amount as of:	
Dec. 31, 2023	<u>\$-</u>
Dec. 31, 2022	<u>\$-</u>

(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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(9) Investment property

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

	Buildings
Cost:	
As of Jan. 1, 2023	\$93,288
Transfers from property, plant and equipment	12,793
Exchange differences	(932)
As of Dec. 31, 2023	<u>\$105,149</u>
As of Jan. 1, 2022	\$48,588
Transfers from property, plant and equipment	40,435
Exchange differences	4,265
As of Dec. 31, 2022	<u>\$93,288</u>
Depreciation and impairment:	
As of Jan. 1, 2023	\$20,291
Depreciation	3,924
Exchange differences	(262)
As of Dec. 31, 2023	<u>\$23,953</u>
As of Jan. 1, 2022	\$14,962
Transfers from property, plant and equipment	210
Depreciation	3,757
Exchange differences	1,362
As of Dec. 31, 2022	<u>\$20,291</u>
Net carrying amount as of:	
Dec. 31, 2023	<u>\$81,196</u>
Dec. 31, 2022	<u>\$72,997</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	For the year ended December 31,	
	2023	2022
Rental income from investment property	\$50,444	\$37,862
Less: Direct operating expenses from investment property generating rental income	(7,178)	(5,338)
Total	<u>\$43,266</u>	<u>\$32,524</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) The fair values of investment properties held by the Group's subsidiary were NT\$413,448 thousand and NT\$398,366 thousand as of December 31, 2023 and 2022, respectively. The determination of fair value was performed by an independent appraiser based on a comparative approach and income approach.

(10) Intangible assets

	<u>Computer software</u>
Cost:	
As of Jan. 1, 2023	\$42,214
Additions-acquired separately	5,608
Deduction	(675)
Exchange differences	(412)
As of Dec. 31, 2023	<u>\$46,735</u>
As of Jan. 1, 2022	\$37,720
Additions-acquired separately	1,465
Transfers from property, plant and equipment	72
Deduction	(244)
Exchange differences	3,201
As of Dec. 31, 2022	<u>\$42,214</u>

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>
Amortization:	
As of Jan. 1, 2023	\$38,573
Amortization	2,614
Deduction	(675)
Exchange differences	(412)
As of Dec. 31, 2023	<u>\$40,100</u>
As of Jan. 1, 2022	\$32,885
Amortization	3,078
Deduction	(244)
Exchange differences	2,854
As of Dec. 31, 2022	<u>\$38,573</u>
Net carrying amount as of:	
Dec. 31, 2023	<u>\$6,635</u>
Dec. 31, 2022	<u>\$3,641</u>

Amortization of intangible assets is as follows:

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Operating costs	\$20	\$32
Sales and marketing expenses	34	36
General and administrative expenses	2,472	2,904
Research and development expenses	88	106
Total	<u>\$2,614</u>	<u>\$3,078</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(11) Other non-current assets

	As of December 31,	
	2023	2022
Advance payments in equipment	\$23,207	\$-
Refundable deposits	336	336
Net defined benefit assets	4,387	3,463
Total	<u>\$27,930</u>	<u>\$3,799</u>

(12) Short-term borrowings

	Interest Rates (%)	As of December 31,	
		2023	2022
Secured bank loans	1.675% ~ 4.9%	\$115,003	\$325,176
Unsecured bank loans	1.1% ~ 6.15%	245,456	1,316,891
Total		<u>\$360,459</u>	<u>\$1,642,067</u>

The Group's unused short-term lines of credits amounted to NT\$2,857,673 thousand and NT\$994,281 thousand as of December 31, 2023 and 2022, respectively.

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

(13) Other payables

	As of December 31,	
	2023	2022
Accrued expense	\$340,692	\$352,519
Accrued interest	717	872
Payables on equipment	11,761	24,527
Total	<u>\$353,170</u>	<u>\$377,918</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(14) Bonds payable

A. The details of the bonds payable as of December 31, 2023 and 2022 are as follows:

	As of December 31,	
	2023	2022
Liability component:		
Unsecured domestic bonds payable	\$404,700	\$486,600
Discounts on bonds payable	(10,516)	(21,305)
Total	394,184	465,295
Less: current portion	-	-
Net	\$394,184	\$465,295
Embedded derivative	\$41	\$292
Equity component-conversion right	\$32,395	\$38,951

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

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

(A) Issue date: June 8, 2022

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

(C) Issue price: NT\$103.82

(D) Coupon rate: 0%

(E) Secured or unsecured: Unsecured bonds

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

(G) Terms of Conversion:

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

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

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

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

Due to the distribution of cash dividends on ordinary shares in 2023, the Company adjusted the conversion price in accordance with the terms of conversion of the Company's first unsecured convertible bonds. Therefore, the conversion price has been adjusted from NT\$148.60 to NT\$142.70 since August 19, 2023.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

(H) Redemption clauses:

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

transactions or other reasons). The redemption price would be set at the face value and the bond is purchased by cash, which would be announced over the Taipei Exchange. When the Company executes the recovery request, it shall redeem the outstanding convertible bonds in cash at the face value within five business days after the bond recovery measurement date.

- (c) If the bondholders haven't respond bond redemption notification in written before the bond recovery measurement date, the company stock transfer agent shall redeem the outstanding convertible bonds in cash at the face value within five business days after the bond recovery measurement date.

- C. The unsecured convertible bonds in the amount of NT\$95,300 thousand have been converted to 647 thousand common shares as of December 31, 2023. The surplus due to the conversion amounted to NT\$85,220 thousand, recorded under additional paid-in capital.

(15) Other non-current liabilities

	As of December 31,	
	2023	2022
Guarantee deposits received	\$7,231	\$8,156
Other non-current liabilities	5,000	5,000
Total	<u>\$12,231</u>	<u>\$13,156</u>

(16) Post-employment benefits

Defined contribution plan

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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, 2023 and 2022 were NT\$1,436 thousand and NT\$1,654 thousand, respectively.

Defined benefits plan

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

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 mandate, 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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

expects to contribute NT\$646 thousand to its defined benefit plan during the 12 months beginning after December 31, 2023.

As of December 31, 2023 and 2022, the maturities of the Group's Taiwan domestic subsidiaries defined benefit plan were expected in 2025 and 2024, respectively.

Pension costs recognized in profit or loss for the years ended December 31, 2023 and 2022:

	For the year ended December 31,	
	2023	2022
Current period service costs	\$199	\$229
Net interest of defined benefit	(30)	7
Total	\$169	\$236

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

	As of		
	Dec.31, 2023	Dec.31, 2022	Jan.1, 2022
Defined benefit obligation	\$25,882	\$25,666	\$27,525
Plan assets at fair value	(29,623)	(28,488)	(26,308)
Subtotal	(3,741)	(2,822)	1,217
Net defined benefit expected to contribute during the 12 months	(646)	(641)	(698)
Other non-current – net defined benefit liability (assets) on the consolidated balance sheets	<u>\$ (4,387)</u>	<u>\$ (3,463)</u>	<u>\$ 519</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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, 2022	\$27,525	\$(26,308)	\$1,217
Current period service costs	229	-	229
Net interest expense (revenue)	144	(137)	7
Past service cost, gains and losses arising from settlements	-	-	-
Subtotal	27,898	(26,445)	1,453
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	37	-	37
Actuarial gains and losses arising from changes in financial assumptions	(259)	(2,003)	(2,262)
Experience adjustments	(1,351)	-	(1,351)
Re-measurement on defined benefit assets	-	-	-
Subtotal	(1,573)	(2,003)	(3,576)
Payments from the plan	(659)	659	-
Contributions by employer	-	(699)	(699)
As of Dec. 31, 2022	25,666	(28,488)	(2,822)
Current period service costs	199	-	199
Net interest expense (revenue)	280	(310)	(30)
Past service cost, gains and losses arising from settlements	-	-	-
Subtotal	26,145	(28,798)	(2,653)
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	8	(179)	(171)

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Experience adjustments	(271)	-	(271)
Re-measurement on defined benefit assets	-	-	-
Subtotal	(263)	(179)	(442)
Payments from the plan	-	-	-
Contributions by employer	-	(646)	(646)
As of Dec. 31, 2023	\$25,882	\$(29,623)	\$(3,741)

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

	As of December 31,	
	2023	2022
Discount rate	1.07%	1.09%
Expected rate of salary increases	1.00%	1.00%

A sensitivity analysis for significant assumption as shown below:

	Effect on the defined benefit obligation			
	2023		2022	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	\$-	\$189	\$-	\$196
Discount rate decrease by 0.5%	211	-	219	-
Future salary increase by 0.5%	210	-	218	-
Future salary decrease by 0.5%	-	190	-	198

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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

(17) Equities

(a) Common stock

The Company's authorized capitals were both NT\$900,000 thousand as of December 31, 2023 and 2022, divided into 66,473 thousand and 65,916 thousand shares, each at a par value of NT\$10, respectively. Total issued stock capital was NT\$664,729 thousand and NT\$659,163 thousand, respectively. Each share has one voting right and the right to receive dividends.

For the year ended December 31, 2023, the first unsecured convertible bonds in amount of NT\$81,900 thousand were converted into 557 thousand common shares, each at a par value of NT\$10. Total issued stock capital was NT\$5,566 thousand.

(b) Capital surplus

	As of December 31,	
	2023	2022
Additional paid-in capital	\$836,062	\$836,062
Arising from bond conversion	92,849	12,919
Share options	32,395	38,951
Other	720	720
Total	<u>\$962,026</u>	<u>\$888,652</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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(c) Retained earnings and dividend policies

(1)Retained earnings and dividend policies

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

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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

- iii. If there is any profit, it shall set aside no more than 2% of the balance as compensation to directors and no less than 2% of the balance as compensation to employees of the Company, which may be distributed under an incentive program approved. The board of directors shall determine the exact percentages to be distributed as compensation to directors and the compensation to employees, and such resolution shall be reported in the shareholders' meeting. A director who also serves as an executive officer of the Company may receive a compensation in his capacity as a director and the compensation in his capacity as an employee.
- iv. The Company distributes profits or covering losses at the close of the first half fiscal year (if any).
- v. Any balance left over may be distributed as dividends in accordance with the law and the applicable public company rules and after taking into consideration profits of the current year and capital structure of the Company, the amount of profits distributed to shareholders shall not be lower than 20% of profits (after tax) of the current year and the amount of cash dividends distributed thereupon shall not be less than 50% of the profits proposed to be distributed of the current year; in the event that the dividends per share distributed in the current year is less than NT\$1, the Company may determine the dividends to be distributed partially or entirely by stock dividends or cash dividends.

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

(2) Legal reserve

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(3) Special reserve

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

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

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

- (4) The appropriations of earnings for the Year 2023 and 2022 were approved through the board of directors' meeting and Shareholders' meeting held on Feb 29, 2024 and May 31, 2023, respectively. The details of the distributions are as follows:

	<u>Appropriation of earnings</u>		<u>Dividend per share (in NT\$)</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Legal reserve	\$103,329	\$94,493		
Special reserve	57,239	(408,470)		
Common stock – cash dividend(Note)	519,153	468,006	\$7.8	\$7.1
Total	<u>\$679,721</u>	<u>\$154,029</u>		

Note: According to the Articles of Incorporation, the board of directors has approved the appropriation of cash dividends for the year 2023 on February 29, 2024.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

The earnings appropriation for the six-month period ended June 30, 2023 was approved through the Board of Director's meeting held on August 8, 2023. The legal reserve set aside was NT\$45,723 thousand.

Please refer to Note 6(20) for further details on employees' compensation and remuneration to directors.

(d) Non-controlling interests

	For the year ended December 31,	
	2023	2022
Beginning balance	\$16,995	\$20,613
Profit (loss) attributable to non-controlling interests	(1,320)	(5,356)
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	(150)	1,738
Ending balance	\$15,525	\$16,995

(18) Operating revenue

	For the year ended December 31,	
	2023	2022
Revenue from contracts with customer		
Sale of goods	\$7,241,527	\$8,029,127
Revenue arising from rendering of services	25,800	8,227
Total	\$7,267,327	\$8,037,354

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Analysis of revenue from contracts with customers during the year ended December 31, 2023 and 2022, respectively, is as follows:

(a) Disaggregation of revenue

	Single Segment	
	For the year ended December 31,	
	2023	2022
Revenue from contracts with customer		
Sale of goods	\$7,241,527	\$8,029,127
Revenue arising from rendering of services	25,800	8,227
Total	<u>\$7,267,327</u>	<u>\$8,037,354</u>
Timing of revenue recognition:		
At a point in time	<u>\$7,267,327</u>	<u>\$8,037,354</u>

(b) Contract balances

Contract liabilities - current

	As of		
	Dec.31, 2023	Dec.31, 2022	Jan.1, 2022
Sales of goods	<u>\$58,056</u>	<u>\$28,486</u>	<u>\$70,149</u>

For the year ended December 31, 2023, contract liabilities increased because part of the consideration was received from customers and the underlying obligations/ services should be provided afterwards.

For the year ended December 31, 2022, contract liabilities decreased because certain performance obligations embedded in the beginning contract liability were fulfilled and recognized as revenues.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(c) Transaction price allocated to unsatisfied performance obligations

As of December 31, 2023 and 2022, there was no information of unsatisfied performance obligations provided in the consolidated financial statements because the durations of the Group's revenue contracts were all less than one year.

(d) Assets recognized from costs to fulfill a contract

None.

(19) Expected credit losses (gains)

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Operating expenses – Expected credit losses(gains)		
Trade receivables	<u>\$13,224</u>	<u>\$25,932</u>

The Group does not expects any significant loss against other receivables due to a counterparty being unable to fulfill its obligations. Please refer to Note 12 for more details on credit risk.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

The Group measures the loss allowance of its trade receivables at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of December 31, 2023 and 2022, 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, 2023

Group 1

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$570,658	\$72,592	\$24,289	\$6,749	\$-	\$674,288
Loss ratio	1.51%	15.21%	26.06%	100%	100%	
Lifetime expected credit losses	(8,599)	(11,041)	(6,331)	(6,749)	-	(32,720)
Carrying amount of trade receivables	<u>\$562,059</u>	<u>\$61,551</u>	<u>\$17,958</u>	<u>\$-</u>	<u>\$-</u>	<u>\$641,568</u>

Group 2

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$318,924	\$59,696	\$33,588	\$286	\$-	\$412,494
Loss ratio	1.78%	17.29%	20.06%	100%	100%	
Lifetime expected credit losses	(5,692)	(10,322)	(6,737)	(286)	-	(23,037)
Carrying amount of trade receivables	<u>\$313,232</u>	<u>\$49,374</u>	<u>\$26,851</u>	<u>\$-</u>	<u>\$-</u>	<u>\$389,457</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

As of December 31, 2022

Group 1

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$691,642	\$92,763	\$27,679	\$21,386	\$5,785	\$839,255
Loss ratio	0.05%	7.57%	25.44%	66.97%	100%	
Lifetime expected credit losses	(362)	(7,026)	(7,043)	(14,323)	(5,785)	(34,539)
Carrying amount of trade receivables	<u>\$691,280</u>	<u>\$85,737</u>	<u>\$20,636</u>	<u>\$7,063</u>	<u>\$-</u>	<u>\$804,716</u>

Group 2

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$478,372	\$166,292	\$4,597	\$26	\$-	\$649,287
Loss ratio	0.02%	4.94%	6.69%	100%	100%	
Lifetime expected credit losses	(108)	(8,208)	(320)	(26)	-	(8,662)
Carrying amount of trade receivables	<u>\$478,264</u>	<u>\$158,084</u>	<u>\$4,277</u>	<u>\$-</u>	<u>\$-</u>	<u>\$640,625</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

- (b) The movement in the provision for impairment of trade receivables during the year ended December 31, 2023 and 2022 is as follows:

	Trade receivables
As of Jan.1, 2023	\$43,201
Addition for the current period	13,224
Exchange differences	(668)
As of Dec.31, 2023	<u>\$55,757</u>
As of Jan.1, 2022	\$15,662
Addition for the current period	25,932
Exchange differences	1,607
As of Dec.31, 2022	<u>\$43,201</u>

- (20) Summary statement of employee benefits, depreciation and amortization by function during the years ended December 31, 2023 and 2022:

	For the year ended December 31,					
	2023			2022		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$1,095,965	\$216,862	\$1,312,827	\$1,216,499	\$208,631	\$1,425,130
Labor and health insurance	1,083	3,169	4,252	1,209	3,441	4,650
Pension	369	1,236	1,605	443	1,447	1,890
Other employee benefits expense	8,989	5,179	14,168	9,449	5,079	14,528
Depreciation	260,064	24,707	284,771	242,822	24,713	267,535
Amortization	20	2,594	2,614	32	3,046	3,078

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

According to the Company's Articles of Incorporation, no less than 2% of the profit of the current year is distributable as employees' compensation and no more than 2% of profit of the current year is distributable as remuneration to directors. The Company may have the profit distributable as employees' compensation in the form of shares or cash; in addition, a report of such distribution is submitted to the shareholders' meeting. Information on the board of directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

For the year ended December 31, 2023, the Company recorded the employees' compensation and directors' remuneration in the amount of NT\$40,553 thousand and NT\$12,000 thousand, respectively; while, employees' compensation and directors' remuneration for the year ended December 31, 2022 amounted to NT\$35,613 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\$40,553 thousand and NT\$12,000 thousand, respectively, in a meeting held on February 29, 2024. No material differences existed between the estimated amount and the actual distribution of the employee' compensation and directors' remuneration and supervisors for the year ended December 31, 2023.

The Company's board of directors' meeting has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$35,613 thousand and NT\$10,300 thousand, respectively, in a meeting held on February 24, 2023. No material differences existed between the estimated amount and the actual distribution of the employee' compensation and directors' remuneration and supervisors for the year ended December 31, 2022.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(21) Non-operating income and expenses

(a) Other incomes

	For the year ended December 31,	
	2023	2022
Interest income		
Financial assets measured at amortized cost	\$70,335	\$37,837
Rental income	50,444	37,862
Dividends income	27,744	17,621
Others	13,874	11,176
Total	<u>\$162,397</u>	<u>\$104,496</u>

(b) Other gains and losses

	For the year ended December 31,	
	2023	2022
Gains/(losses) on disposal of property, plant and equipment	\$(1,878)	\$586
Foreign exchange gains/(losses)	88,046	(15,487)
Gains (losses) on financial assets and liability at fair value through profit or loss	(186)	103
Others	(6,283)	(29,852)
Total	<u>\$79,699</u>	<u>\$(44,650)</u>

(c) Finance costs

	For the year ended December 31,	
	2023	2022
Interest on borrowings from bank	\$57,610	\$47,052
Interest on lease liabilities	164	292
Interest on convertible bonds	7,894	4,882
Total	<u>\$65,668</u>	<u>\$52,226</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(22) Leases

(a) The group as a lessee

The Group leases various properties, including real estates such as land and buildings. The lease terms range from two to fifty years. The Group is not allowed to lend to others, sub-lease out, sell, authorize others to use in any other way, or transfer to others all or parts of the leases without obtaining consent from the lessors.

The Group's leases effect on the financial position, financial performance and cash flows are as follows:

A. Amounts recognized in the balance sheet

(i) Right-of-use asset

The carrying amount of right-of-use assets

	As of December 31,	
	2023	2022
Land	\$642,740	\$300,321
Buildings	2,423	8,075
Total	\$645,163	\$308,396

The additions to the right-of-use assets amounted to NT\$355,701 thousand and NT\$4,693 thousand for the years ended December 31, 2023 and 2022, respectively.

(ii) Lease liabilities

	As of December 31,	
	2023	2022
Lease liabilities	\$2,502	\$8,163
Current	\$2,502	\$5,635
Non-current	\$-	\$2,528

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Please refer to Note 6(21)(c) for the interest on lease liability recognized during the year ended December 31, 2023 and 2022, and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2023 and 2022.

B. Amounts recognized in the statement of profit or loss

The depreciation charge for right-of-use assets

	For the year ended December 31,	
	2023	2022
Buildings (Includes land use right)	\$16,089	\$15,623

C. Income and costs relating to leasing activities

	For the year ended December 31,	
	2023	2022
Short-term leased expense (Rental expense)	\$1,429	\$59

As of December 31, 2023 and 2022, 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, 2023 and 2022, the Group's total cash outflow for leases amounted to NT\$7,084 thousand and NT\$5,683 thousand, respectively.

(b) The group as lessor

Please refer to Note 6(9) for details on the Group's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer all the risks and rewards incidental to ownership of underlying assets substantially.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

The Group has entered into leases on certain plants. The leases have average lives between one and two years. These leases are classified as operating leases as they do not transfer all the risks and rewards incidental to ownership of underlying assets substantially.

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Leased income recognized by operating leased		
Fixed leased payment-related income	<u>\$50,444</u>	<u>\$37,682</u>

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, 2023 and 2022 are as follow:

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Not later than one year	<u>\$37,797</u>	<u>\$14,734</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(23) Components of other comprehensive income

	For the year ended December 31, 2023				
	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	\$442	\$-	\$442	\$-	\$442
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	(54,998)	-	(54,998)	-	(54,998)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	(2,391)	-	(2,391)	-	(2,391)
Total of other comprehensive income	<u>\$(56,947)</u>	<u>\$-</u>	<u>\$(56,947)</u>	<u>\$-</u>	<u>\$(56,947)</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	For the year ended December 31, 2022				
	Arising during the period	Reclassification adjustments during the period	Subtotal	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$3,576	\$-	\$3,576	\$-	\$3,576
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	394,062	-	394,062	-	394,062
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	16,146	-	16,146	-	16,146
Total of other comprehensive income	\$413,784	\$-	\$413,784	\$-	\$413,784

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(24) Income tax

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

Income tax expense (income) recognized in profit or loss

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Current income tax expense (income):		
Current income tax charge	\$222,024	\$188,036
Adjustments in respect of current income tax of prior periods	38	(1,460)
Deferred tax expense (income):		
Deferred tax expense relating to origination and reversal of temporary differences	1,500	3,363
Total income tax expense	<u>\$223,562</u>	<u>\$189,939</u>

(b) Income tax relating to components of other comprehensive income:

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Deferred tax expense (income):		
Remeasurements of defined benefit plans	<u>\$-</u>	<u>\$-</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

- (c) Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2023	2022
Accounting profit before tax from continuing operations	\$1,255,087	\$1,125,937
Tax payable at the enacted tax rates	\$217,195	\$180,413
Surtax on undistributed retained earnings	891	483
Tax effect of expenses not deductible for tax purposes	5,438	10,503
Adjustments in respect of current income tax of prior periods	38	(1,460)
Total income tax expense recognized in profit or loss	\$223,562	\$189,939

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

For the year ended December 31, 2023				
	Beginning balance as of Jan. 1, 2023	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of Dec. 31, 2023
Temporary differences				
Unrealized loss on inventory valuation	\$1,333	\$-	\$-	\$1,333
Unrealized exchange loss (gain)	(2,058)	(140)	-	(2,198)
Bonus for unused vacation	207	-	-	207
Revaluation surplus of land	(16,410)	-	-	(16,410)
Expect credit impairment loss	1,360	(1,360)	-	-
Deferred tax income/(expense)		<u>\$ (1,500)</u>	<u>\$-</u>	
Net deferred tax assets/(liabilities)	<u>\$ (15,568)</u>			<u>\$ (17,068)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$2,900</u>			<u>\$1,540</u>
Deferred tax liabilities	<u>\$ (18,468)</u>			<u>\$ (18,608)</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

For the year ended December 31, 2022				
	Beginning balance as of Jan. 1, 2022	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of Dec. 31, 2022
Temporary differences				
Unrealized loss on inventory valuation	\$1,333	\$-	\$-	\$1,333
Unrealized exchange loss (gain)	2,665	(4,723)	-	(2,058)
Bonus for unused vacation	207	-	-	207
Revaluation surplus of land	(16,410)	-	-	(16,410)
Expect credit impairment loss	-	1,360	-	1,360
Deferred tax income/(expense)		<u>\$(3,363)</u>	<u>\$-</u>	
Net deferred tax assets/(liabilities)	<u>\$ (12,205)</u>			<u>\$ (15,568)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$4,205</u>			<u>\$2,900</u>
Deferred tax liabilities	<u>\$(16,410)</u>			<u>\$(18,468)</u>

(e) The assessment of income tax returns

As of December 31, 2023, the assessment status of income tax returns of the Company and subsidiaries were as follows:

	The assessment of income tax returns
Subsidiary- Eurocharm Innovation Co., Ltd.	Assessed and approved up to 2021
Subsidiary- Vietnam Precision Industrial No.1 Co., Ltd.	Assessed and approved up to 2020

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(25) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity after dilution by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the year ended December 31,	
	2023	2022
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$1,032,845	\$941,354
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	66,206	65,863
Basic earnings per share (NT\$)	\$15.60	\$14.29
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$1,032,845	\$941,354
Interest expense on convertible bonds (in thousand NT\$)	7,894	4,882
Gains on financial assets at fair value through profit or loss	186	(103)
Net income available to common shareholders outstanding after dilution (in thousand shares)	\$1,040,925	\$946,133
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	66,206	65,863
Effect of dilution:		
Employee bonus — stock (in thousands)	253	241
Convertible bonds (in thousands)	3,190	1,910

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	For the year ended December 31,	
	2023	2022
Weighted average number of ordinary shares outstanding after dilution (in thousands)	69,649	68,014
Diluted earnings per share (NT\$)	\$ 14.95	\$13.91

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

(26) Subsidiary that has material non-controlling interests

As of December 31, 2023 and 2022, 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,	
		2023	2022
Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam	45%	45%

Accumulated balances of material non-controlling interest:

	As of December 31,	
	2023	2022
Vietnam Eurocharm Ways Plastics Company Limited.	\$15,525	\$16,995

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

	For the year ended December 31,	
	2023	2022
Vietnam Eurocharm Ways Plastics Company Limited.	\$(1,320)	\$(5,356)

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

The summarized financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarized information of profit or loss is as follows:

	For the year ended December 31,	
	2023	2022
Operating revenue	\$-	\$125
Profit/loss from continuing operation	(2,933)	(11,902)
Total comprehensive income for the period	(2,933)	(11,902)

Summarized information of financial position is as follows:

	As of December 31,	
	2023	2022
Current assets	\$18,526	\$40,071
Non-current assets	16,251	18,507
Current liabilities	277	20,811
Non-current liabilities	-	-

Summarized information of cash flows is as follows:

	For the year ended December 31,	
	2023	2022
Operating activities	\$9,773	\$7,898
Investing activities	(28,382)	(2,857)
Financing activities	-	(2,068)
Net increase/(decrease) in cash and cash equivalents	(18,609)	2,973

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)

7. RELATED PARTY TRANSACTIONS

(1) Deal with related parties as of the end of the reporting period

Related parties and relation

<u>Related parties</u>	<u>Relationship</u>
Exedy Vietnam Co., Ltd.	Associate
Hsieh Yuan Technology Vietnam Co., Ltd.	Associate
Shiang Yu Precision Co., Ltd.	Associate
Vietnam King Duan Industrial Co., Ltd.	Associate
Vietnam Uni-Calsonic Co., Ltd.	Associate
Vietnam Lieh Kwan Co., Ltd.	Associate
PCI Vietnam Company Limited	Associate
Vietnam Lioho Machine Works 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
JENN FENG TRADING INC.	Other related party

(2) Significant transactions with related parties

(a) Sales

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Associates	\$116,343	\$159,109
Other related party	-	9
Other related party — Northstar Precision (Vietnam) Company Limited	1,758,269	1,888,239
Total	<u>\$1,874,612</u>	<u>\$2,047,357</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

The sales prices with related parties were decided based on product type, inventory cost, market conditions and other trading terms. Receivables shall be finalized monthly and shall be collected within 15 to 90 days after accounts have been finalized for the general clients. The terms of collection for related parties are within the range of trading terms for general clients.

(b) Purchases

	For the year ended December 31,	
	2023	2022
Associates	\$287,778	\$275,770
Other related parties	1,547	1,756
Total	<u>\$289,325</u>	<u>\$277,526</u>

The purchases prices with related parties were decided based on product type, market conditions and other trading terms. Payables shall be finalized monthly and shall be paid within 30 to 90 days after accounts have been finalized for the general suppliers. The terms of payment for related parties are within the range of trading terms for general suppliers.

- (c) For the years ended December 31, 2023 and 2022, the Group was charged by associates for processing and therefore recognized processing expense in the amount of NT\$54,148 thousand and NT\$85,123 thousand, respectively.
- (d) For the years ended December 31, 2023 and 2022, the Group charged associates for processing and therefore recognized processing income in the amount of NT\$24,298 thousand and NT\$5,778 thousand, respectively, which were recorded under the caption of operating revenues.
- (e) For the years ended December 31, 2023 and 2022, the Group charged other related parties for processing and therefore recognized processing income in the amount of NT\$1,502 thousand and NT\$2,449 thousand, respectively, which were recorded under the caption of operating revenues.
- (f) For the years ended December 31, 2023, the Group was charged by associates for repairing and therefore recognized expense in the amount of NT\$415 thousand, which were recorded under operating expenses.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

- (g) For the year ended December 31, 2022, the Group was charged by other related parties due to product defect and therefore recognized compensation in the amount of NT\$1,449 thousand, which were recorded under non-operating income and expenses-other gain or loss.
- (h) For the year ended December 31, 2022, the Group recognized NT\$0 of disposal gain or loss from sale of machine to associates in the amount of NT\$499 thousand.
- (i) For the year ended December 31, 2023 and 2022, the Group recognized service fee amounted to NT\$1,813 thousand and NT\$548 thousand, which were recorded under non-operating income, respectively.
- (j) Trade receivables from related parties

	As of December 31,	
	2023	2022
Associates	\$8,707	\$14,500
Other related party-Northstar Precision (Vietnam) Company Limited	250,163	353,986
Total	<u>\$258,870</u>	<u>\$368,486</u>

- (k) Other receivables - related parties

	As of December 31,	
	2023	2022
Associates	\$2,334	\$1,449
Other related parties	1,357	1,280
Total	<u>\$3,691</u>	<u>\$2,729</u>

- (l) Advance payment

	As of December 31,	
	2023	2022
Associates	<u>\$-</u>	<u>\$5,462</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(m) Trade payables to related parties

	As of December 31,	
	2023	2022
Associates	\$26,093	\$38,196
Other related parties	75	56
Total	<u>\$26,168</u>	<u>\$38,252</u>

(n) Operating lease

A. Right-of-use asset

Relationship	Property	As of December 31,	
		2023	2022
Other related party	Buildings	<u>\$-</u>	<u>\$1,900</u>

B. Lease liabilities

Relationship	As of December 31,	
	2023	2022
Other related party	<u>\$-</u>	<u>\$1,910</u>

C. Interest on lease liabilities

Relationship	Property	For the year ended December 31,	
		2023	2022
Other related party	Rent office	<u>\$10</u>	<u>\$31</u>

D. For the year ended December 31, 2023 and 2022, the Group paid other related parties for rent expense every month by cash.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

E. Lease transactions with related parties

Lessee	Lease	Duration	Rental income
<u>For the year ended Dec. 31, 2023</u>			
Associate	Property and plant	Jan. 1, 2022 ~ Dec. 31, 2024	\$38,497
Other related party	Property and plant	Jan. 1, 2023 ~ Dec. 31, 2024	11,947
Total			<u>\$50,444</u>
<u>For the year ended Dec. 31, 2022</u>			
Associate	Property and plant	Jan. 1, 2022 ~ Dec. 31, 2023	\$27,238
Other related party	Property and plant	Jan. 1, 2022 ~ Dec. 31, 2022	10,624
Total			<u>\$37,862</u>

(o) Transactions of assets— Prepaid equipment (Recorded under Non-Current assets)

	As of December 31,	
	2023	2022
Other related parties	<u>\$19,048</u>	<u>\$-</u>

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

	For the year ended December 31,	
	2023	2022
Short-term employee benefits	\$39,489	\$33,410
Post-employment benefits	376	384
Total	<u>\$39,865</u>	<u>\$33,794</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

8. PLEDGED ASSETS

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

Items	Carrying Amount As of December 31,		Secured liabilities
	2023	2022	
Trade receivables	\$128,800	\$130,100	Short-term borrowings
Inventories	128,800	130,100	Short-term borrowings
Property, plant and equipment – land	52,420	52,420	Short-term borrowings
Property, plant and equipment – buildings	338,638	157	Short-term borrowings
Total	<u>\$648,658</u>	<u>\$312,777</u>	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of December 31, 2023, the Group's outstanding contracts relating to purchased property, plant and equipment were as follows (foreign currencies: in thousands):

The nature of the contract	Contract amount	Amount paid	Outstanding balance
Electroplating equipment	<u>USD2,066</u>	<u>USD620</u>	<u>USD1,446</u>

Amount paid were recorded under prepayments for equipment.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

12. OTHERS

(1) Financial instruments

Categories of financial instruments

Financial assets

	As of December 31,	
	2023	2022
Financial assets at fair value through profit or loss	\$41	\$292
financial asset held for trading		
Financial assets at fair value through other	95,705	95,705
comprehensive income		
Financial assets measured at amortized cost		
Cash and cash equivalents (exclude cash on hand)	973,222	1,396,536
Financial assets measured at amortized cost	509,607	543,368
Trade receivables (includes related parties)	1,031,025	1,445,341
Other receivables (includes related parties)	12,683	21,100
Refundable deposits	336	336
Subtotal	2,526,873	3,406,681
Total	\$2,622,619	\$34,502,678

Financial liabilities

	As of December 31,	
	2023	2022
Financial liabilities at amortized cost:		
Short-term borrowings	\$360,459	\$1,642,067
Trade payables (includes related parties)	726,846	942,161
Leased liabilities (includes related parties)	2,502	8,163
Guarantee deposits received	7,231	8,156
Bonds payable	394,184	465,295
Total	\$1,491,222	\$3,065,842

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activate. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, the due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risks (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables; therefore natural hedge is received. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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, 2023 and 2022 decreased/increased by NT\$10,539 thousand and increased/decreased by NT\$31,429 thousand, respectively.

When VND is strengthened/weakened against foreign currency USD by 1%, the profit for the years ended December 31, 2023 and 2022 decreased/increased by VND\$8,594,044 thousand and VND\$974,513 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2023 and 2022 to increase/decrease by NT\$424 thousand and decrease/increase by NT\$274 thousand, respectively.

Equity price risk

The fair value of the Group's unlisted equity securities to market price risk arising from uncertainties about future values of the investment securities. The Group's unlisted equity securities measured at financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's board of directors reviews and approves all equity investment decisions.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Please refer to Note 12(8) for sensitivity analysis information of other equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for trade receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counterparties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria, etc. Certain counterparties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2023 and 2022, trade receivables from the top ten customers represent 74.93% and 81.51% of the total trade receivables of the Group, respectively. The credit concentration risk of other trade receivable is relatively not significant.

Credit risk from balances with banks and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counterparties.

The Group adopted IFRS 9 to assess the expected credit losses. Except for trade receivables, the remaining debt instrument investments which are not measured at fair value through profit or loss are purchased based on low credit risk, and the Group makes an assessment on each balance sheet date as to whether the credit risk rises significantly since original recognition and then further determines the method of measuring the loss allowance and the loss rate. As of December 31, 2023 and 2022, the Group did not hold any debt instrument investment measured at fair value through profit or loss.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings, etc. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as at the end of the reporting period.

Non-derivative financial liabilities

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Total</u>
<u>As of December 31, 2023</u>			
Short-term borrowings	\$366,053	\$-	\$366,053
Trade and other payables	726,846	-	726,846
Leased Liabilities	2,532	-	2,532
Convertible Bonds	-	404,700	404,700
<u>As of December 31, 2022</u>			
Short-term borrowings	\$1,656,398	\$-	\$1,656,398
Trade and other payables	942,161	-	942,161
Leased Liabilities	5,785	2,557	8,342
Convertible Bonds	-	486,600	486,600

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2023:

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Bond payables	Total liabilities from financing activities
As of Jan. 1, 2023	\$1,642,067	\$8,156	\$8,163	\$465,295	\$2,123,681
Cash flows	(1,281,608)	(925)	(5,655)	-	(1,288,188)
Non-cash changes	-	-	(6)	(71,111)	(71,117)
As of Dec. 31, 2023	\$360,459	\$7,231	\$2,502	\$394,184	\$764,376

Reconciliation of liabilities for the year ended December 31, 2022:

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Bond payables	Total liabilities from financing activities
As of Jan. 1, 2022	\$2,093,916	\$8,121	\$8,462	\$-	\$2,110,499
Cash flows	(451,849)	35	(5,624)	512,995	55,557
Non-cash changes	-	-	5,325	(47,700)	(42,375)
As of Dec. 31, 2022	\$1,642,067	\$8,156	\$8,163	\$465,295	\$2,123,681

(7) Fair values of financial instruments

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- i. The carrying amount of cash and cash equivalents, trade receivables, trade payable and other current liabilities approximate their fair value due to their short maturities.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

- 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

Except as described in the table below, the carrying amount of the Group's financial assets and liabilities measured at amortized cost approximates their fair value.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	Carrying amount as of December 31,	
	2023	2022
Financial liabilities:		
Bonds payable	\$394,184	\$465,295
	Fair value as of December 31,	
	2023	2022
Financial liabilities:		
Bonds payable	\$395,675	\$468,401

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instruments

As of December 31, 2023 and 2022, the Group's derivative financial instruments include embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled are as follows:

Embedded derivatives

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6(2) and Note 6(14) for further information on this transaction.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(9) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1– Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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.

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 measurement hierarchy of the Group's assets measured at fair value on a recurring basis is as follows:

As of December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss-current				
Embedded derivatives	\$-	\$-	\$41	\$41
Equity instrument measured at fair value through other comprehensive income	-	-	95,705	95,705
Total	\$-	\$-	\$95,746	\$95,746

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss-current				
Embedded derivatives	\$-	\$-	\$292	\$292
Equity instrument measured at fair value through other comprehensive income	-	-	95,705	95,705
Total	\$-	\$-	\$95,997	\$95,997

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

For the years ended December 31, 2023 and 2022, there was a movement of fair value measurements is as follows:

	Assets
	Financial assets at fair value through other comprehensive income
As of Jan. 1, 2022	\$55,705
Acquisition	40,000
As of December. 31, 2022	95,705
Acquisition	-
As of December. 31, 2023	\$95,705

	Assets
	Derivatives financial assets at fair value through profit of loss
As of Jan. 1, 2022	\$-
Acquisition	200
Gain or disposal	(11)
Amount recognized in profit or loss (presented in “other gains and losses”	103
As of December 31, 2022	\$292

	Assets
	Derivatives financial assets at fair value through profit of loss
As of Jan. 1, 2023	\$292
Acquisition	
Gain or disposal	(65)
Amount recognized in profit or loss (presented in “other gains and losses”	(186)
As of December 31, 2023	\$41

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, 2023

	Valuation	Significant	Quantitative	Relationship	Sensitivity of the input
	techniques	unobservable	information	between inputs	to fair value
		inputs		and fair value	
Financial assets:					
a. Financial assets measured at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	5%	The higher the extent of lacking marketability, the lower the fair value of the stocks.	Increase (decrease) in the extent for lack of marketability by 10% would result in (decrease) increase in the Group's other comprehensive income by NT\$9,571 thousand.
b. Financial assets measured at fair value through profit or loss					
Embedded derivatives	A binomial tree model for convertible bond pricing	Volatility	18.71%	The higher the volatility, the higher the fair value of the embedded derivatives	5% increase (decrease) in the volatility would result in increase (decrease) in the Group's profit or loss by NT\$121 thousand and NT\$(40) 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, 2022

	Valuation	Significant	Quantitative	Relationship	Sensitivity of the input
	techniques	unobservable	information	between inputs	to fair value
		inputs		and fair value	
Financial assets:					
a. Financial assets measured at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	5%	The higher the extent of lacking marketability, the lower the fair value of the stocks.	Increase (decrease) in the extent for lack of marketability by 10% would result in (decrease) increase in the Group's other comprehensive income by NT\$9,571 thousand.
b. Financial assets measured at fair value through profit or loss					
Embedded derivatives	A binomial tree model for convertible bond pricing	Volatility	27.67%	The higher the volatility, the higher the fair value of the embedded derivatives	5% increase (decrease) in the volatility would result in increase (decrease) in the Group's profit or loss by NT\$243 thousand and NT\$(146) thousand.

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's financial department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies at each reporting date.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

- (c) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed.

As of December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (Note 6(9))	<u>\$-</u>	<u>\$-</u>	<u>\$413,448</u>	<u>\$413,448</u>
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payable (Note 12(7))	<u>\$-</u>	<u>\$-</u>	<u>\$395,675</u>	<u>\$395,675</u>

As of December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (Note 6(9))	<u>\$-</u>	<u>\$-</u>	<u>\$398,366</u>	<u>\$398,366</u>
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payable (Note 12(7))	<u>\$-</u>	<u>\$-</u>	<u>\$468,401</u>	<u>\$468,401</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(10) Significant assets and liabilities denominated in foreign currencies (in thousand dollars)

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of December 31,					
	2023			2022		
	Foreign currencies	Exchange rate	NTD	Foreign currencies	Exchange rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$45,706	30.94	\$1,414,156	\$47,203	30.49	\$1,439,294
VND	\$989,415,350	0.001288	\$1,247,367	\$2,013,807,833	0.001301	\$2,620,317
<u>Investments accounted for under the equity method</u>						
VND	\$348,291,902	0.001288	\$448,600	\$233,437,338	0.001301	\$303,702
<u>Financial liabilities</u>						
Monetary items:						
USD	\$15,577	30.76	\$479,143	\$51,321	30.68	\$1,574,592
VND	\$544,034,031	0.001288	\$700,716	\$545,159,483	0.001301	\$709,252

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

The Group's entities' functional currency are various and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gain/(loss) were NT\$88,046 thousand and NT\$(15,487) thousand for the years ended December 31, 2023 and 2022, respectively.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

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, 2023 (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, 2023: 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, 2023: 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, 2023: 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, 2023: None.
- (h) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2023: None.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(i) Derivative instrument transactions: Please refer to Note 12(8).

(j) Intercompany relationships and significant intercompany transactions for the year ended December 31, 2023: Please refer to Attachment 8.

(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, 2023. (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, 2023: Please refer to Attachment 5.

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, 2023: 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, 2023: 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, 2023: Please refer to Attachment 6.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

viii. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2023: Please refer to Attachment 7.

ix. Derivative instrument transactions: Please refer to Note 12(8).

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

(4) Information of major shareholders:

Name	Shares	Percentage of ownership
	Number of shares	
SEASHORE GROUP LIMITED	24,769,059	37.26%
New General Limited	13,833,217	20.81%
Fubon Life Insurance Company, Ltd.	3,725,000	5.60%

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,	
	2023	2022
Vietnam	\$3,232,031	\$3,837,561
USA	2,511,267	2,407,559
Other	1,524,029	1,792,234
Total	\$7,267,327	\$8,037,354

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(b) Non-current assets

	As of December 31,	
	2023	2022
Vietnam	\$3,331,076	\$2,844,826
Taiwan	71,627	72,334
Total	\$3,402,703	\$2,917,160

- (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,	
	2023	2022
Customer A	\$2,075,292	\$2,278,856
Customer B	1,758,269	1,888,239
Customer C	(Note 1)	836,501

Note 1: This year the customer's sale accounted less than 10% of consolidated net sales, so it was not disclosed.

ATTACHMENT 1 (Financing provided to others for the year ended December 31, 2023)

(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	\$320,040	\$61,470	\$-	2.50%~5.20%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$1,003,184 (Note 2) (Note 3)	\$2,006,368 (Note 2)
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation (HK) Co., Limited	Other receivables -related parties	\$60,960	\$-	\$-	1.00%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$1,003,184 (Note 2) (Note 3)	\$2,006,368 (Note 2)
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co , Ltd	Other receivables -related parties	\$356,609	\$338,085	\$-	2.50%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$1,003,184 (Note 2) (Note 3)	\$2,006,368 (Note 2)
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Precision Industrial No.1 Co , Ltd	Other receivables -related parties	\$210,724	\$199,778	\$-	2.50%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$1,155,486 (Note 2) (Note 3)	\$2,310,972 (Note 2)

Note 1 : Eurocharm Holdings Co., Ltd. is coded "0".

A subsidiary under the company's control is coded "1".

Note 2 : For the Company or subsidiaries lending to other companies, the lending amount shall not exceed 40% of its net equity.

The amount for lending to a single organization shall not exceed 20% of the lender's net equity.

Note 3 : According to the Company's "Procedure to provide financing to others", a public offering company that meets the requirements of Article 3, paragraph 4

in the event of providing financing to directly/indirectly 100%-owned foreign subsidiaries, the lending amount to a single subsidiary shall not exceed 40% of the current net assets of the Company.

Note 4 : Transactions between consolidated entities are eliminated in the consolidated financial statements.

ATTACHMENT 2 (Endorsement/ Guarantee provided to others for the year ended December 31, 2023)

(All the currencies are denominated in Thousands of New Taiwan Dollars, foreign currency)

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

No. (Note 1)	Endorser/Guarantor	Guaranteed party		Limit of	Amount of			Ratio of accumulated	Maximum	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China	
		Relationship (Note2)	to each guaranteed party (Note3)	guarantee/endorsement amount	collateral for guarantee/ endorsement	guarantee amount to net assets value per latest financial statements	guarantee/endorsement amount allowed (Note3)						
Ending balance	draw												
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd.	2	\$2,006,368	\$80,000	\$80,000	\$-	\$-	1.59%	\$2,507,961	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	2	\$2,006,368	\$226,933 (USD 7,000) (Note4)	\$215,145 (USD 7,000) (Note4)	\$-	\$-	4.29%	\$2,507,961	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	2	\$2,006,368	\$1,167,084 (USD 36,000) (Note4)	\$1,106,460 (USD 36,000) (Note4)	\$-	\$-	22.06%	\$2,507,961	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation(HK) Co., Limited	2	\$2,006,368	\$81,048 (USD 2,500) (Note4)	\$76,838 (USD 2,500) (Note4)	\$-	\$-	1.53%	\$2,507,961	Y	N	N

Note 1: Eurocharm Holdings Co., Ltd. is coded "0".

Note 2: The relationship between the guarantor of the endorsement and the object to be guaranteed is as follows:

- 1.The company with business contacts.
- 2.The company directly and indirectly holds more than 50% of the shares with voting rights.
- 3.Companies that directly and indirectly holds more than 50% of the shares of the company with voting rights.
- 4.The company directly and indirectly holds more than 90% of the shares with voting rights.
- 5.Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry.
- 6.A company whose co-investment relationship is endorsed by all shareholders in proportion to their shareholding ratio.
- 7.The performance guarantee of the preconstruction real estate contract between the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

Note 3: According to the Company's "Endorsement Procedures", the limitation of endorsement or guarantee for other subsidiaries shall not exceed 50% of the current net value of the Company.

The limitation of endorsement or guarantee for one of the subsidiaries shall not exceed 10% of the current net value of Company.

The limitation of endorsement or guarantee for companies that directly and indirectly holds 100% of the shares with voting rights of a single subsidiary not exceed 40% of the current net value of Company.

Note 4: Foreign currency were exchanged by exchange rate as at balance sheet date.

ATTACHMENT 3 (If an investor has the ability to exercise significant influence on investee or has material controlling power on investee for the year ended December 31, 2023) (Excluding investment in Mainland China)
(All the currencies are denominated in Thousands of New Taiwan Dollars, foreign currency)

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

Investor company	Investee company	Address	Main businesses and products	Original Investment Amount		Investments as of Dec. 31, 2023			Net income (loss) of investee company	Investment income (loss) recognized	Note
				As of Dec. 31, 2023	As of Dec. 31, 2022	Number of shares	Percentage of ownership (%)	Book Value			
Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I.)	British Virgin Islands	Investment holding	\$615,652	\$615,652	19,000,000	100.00%	\$5,777,431 (Note 5)	\$1,104,341	\$1,104,341 (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%	13,540 (Note 5)	6,100	6,100 (Note 5)	Subsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation (TW) Co., Limited.	Taiwan	Manufacturing and sales of motor parts and medical equipment	61,425	61,425	5,850,000	100.00%	207,842 (Note 5)	21,285	23,239 (Note 1) (Note 5)	Sub-subsubsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam	Manufacturing and sales of motor parts and medical equipment	USD 8,700	USD 8,700	-	100.00%	5,286,284 (Note 3) (Note 5)	1,098,075	1,106,955 (Note 2) (Note 5)	Sub-subsubsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation (HK) Co., Limited.	Hong Kong	Trading activities	USD 1,500	USD 1,500	1,500,000	100.00%	(89,016) (Note 5)	(60,214)	(26,485) (Note 4) (Note 5)	Sub-subsubsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam	Plastic dipping and processing	USD 1,100	USD 1,100	-	55.00%	18,976 (Note 5)	(2,933)	(1,613) (Note 5)	Sub-subsubsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Hsieh Yuan Technology Vietnam Co., Ltd.	Vietnam	Manufacturing and sales of motor parts and surface plating	USD 562	USD 562	-	45.00%	40,995	(10,169)	(4,576)	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%	17,881	(9,010)	(3,603)	Investment accounted for under the equity method
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam King Duan Industrial Co., Ltd.	Vietnam	Manufacturing and sales of motor parts	USD 4,000	USD 4,000	-	40.00%	134,338	(356)	(143)	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 1,000	USD 220	-	40.00%	28,444	(3,931)	(1,573)	Investment accounted for under the equity method
Eurocharm Innovation Co., Ltd. (B.V.I.)	PCI International Investment Inc.	British Virgin Islands	Investment holding	USD 2,025	USD 2,025	2,025	45.00%	54,671	(8,035)	(3,616)	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%	80,408	77,043	15,409	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%	27,716	(8,944)	(3,578)	Investment accounted for under the equity method
Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam Lioho Machine Works Co., Ltd.	Vietnam	Manufacturing and sales of motor parts	USD 4,500	-	-	30.00%	136,629	1,078	324	Investment accounted for under the equity method

Note 1: Including investment gain recognized under equity method amounted to NT\$21,285 thousand and realized profit on transaction between subsidiaries amounted to NT\$1,954 thousand.
Note 2: Including investment gain recognized under equity method amounted to NT\$1,098,075 thousand and realized profit on transaction between subsidiaries amounted to NT\$8,880 thousand.
Note 3: Holding net equity at the end of the period amount to NT\$5,334,726 thousand minus unrealized profit on transaction between subsubsidiaries amounted to NT\$48,442 thousand.
Note 4: Including investment loss recognized under equity method amounted to NT\$60,214 thousand and realized profit on transaction between subsidiaries amounted to NT\$33,729 thousand.
Note 5: Transactions between consolidated entities are eliminated in the consolidated financial statements.

ATTACHMENT 4 (Securities held as of December 31, 2023) (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, 2023				Note	Shares as collateral
				Number of shares	Book value	Percentage of ownership (%)	Fair value		
Eurocharm Innovation (TW) Co., Limited.	Vietnam Precision Industrial Joint Stock Company	-	Financial assets measured at fair value through other comprehensive income	-	\$11,007	5.77%	\$11,007	-	None
Eurocharm Innovation (TW) Co., Limited.	AmTrust Capital II Corp.	-	Financial assets measured at fair value through other comprehensive income	4,000,000	40,000	4.00%	40,000	-	None
Eurocharm Innovation Co., Ltd. (B.V.I.)	Northstar Precision (Vietnam) Company Limited	Other related party	Financial assets measured at fair value through other comprehensive income	-	44,698	19.90%	44,698	-	None
	Total				<u>\$95,705</u>		<u>\$95,705</u>		

ATTACHMENT 5 (Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 percent of paid-in capital or more for the year ended December 31, 2023)

(All the currencies are denominated in Thousands of New Taiwan Dollars)

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

Purchase (sales) company	Type and name of securities (Note 1)	Financial statement account	Counter- party (Note 2)	Relationship (Note 2)	Beginning balance		Addition (Note 3)		Disposal (Note 3)				Ending balance	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Cost	Gain (Loss) from disposal	Number of shares	Amount (Note 5)
Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam Lioho Machine Works Co., Ltd.	Investments accounted for under the equity method	Not applicable	Other related party	-	\$-	-	\$141,813	-	\$-	\$-	\$-	-	\$136,629

Note 1 : Marketable securities in the table refer to shares, bonds, beneficiary certificates and other related securities of the above items.

Note 2 : Investors who use the equity method in their securities accounts are required to fill in these two fields.

Note 3 : The cumulative purchase and sale amount should be calculated separately according to the market price, whether it reaches 300 million yuan or 20% of the paid-up capital.

Note 4 : The amount of paid-up capital refers to the paid-up capital of the parent company. If the stock has no par value or the denomination per share is not NT\$10,

the transaction amount of 20% of the paid-up capital is required to be calculated in 10% of the equity attributable to the owners of the parent company in the balance sheet.

Note 5 : It is composed of NT\$324 thousand in a share of profit of associates and joint ventures accounted for under the equity method and a balance of NT\$(5,088) thousand in a share of

other comprehensive income of associates and joint ventures accounted for under the equity method.

ATTACHMENT 6 (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, 2023)

(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 (payable)		
				Percentage of total purchases			Unit Price	Term	Balance	Percentage of total balances (%)	
				Amount	(sales) (%)	Term				balances (%)	Note
Eurocharm Innovation Co., Ltd.	Vietnam Precision	Also a sub-subsidiary	Sales	\$241,981	82.94%	60~90 days after	By product type,	Non related parties	Trade receivables	78.41%	1
	Industrial No.1	under the company's				monthly closing	cost, market price	are 60~90 days	\$22,312		
	Co., Ltd.	control					and other trading terms.	after monthly closing			
Eurocharm America LLC.	Vietnam Precision	Also a sub-subsidiary	Purchase	\$309,426	100.00%	60~90 days after	By product type,	Non related parties	Trade payables	100.00%	1
	Industrial No.1	under the company's				monthly closing	cost, market price	are 60~90 days	\$153,249		
	Co., Ltd.	control					and other trading terms.	after monthly closing			
Vietnam Precision Industrial No.1 Co., Ltd.	Northstar Precision	Other related party	Sales	\$1,758,623	24.54%	30~90 days after	By product type,	Non related parties	Trade receivables	21.05%	
	(Vietnam) Company					monthly closing	cost, market price	are 15~90 days	\$249,974		
	Limited						and other trading terms.	after monthly closing			
Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam King Duan	Other related party	Purchase	\$273,852	7.06%	30 days after	By product type,	Non related parties	Trade payables	6.77%	
	Industrial Co., Ltd.					monthly closing	cost, market price	are 30~90 days	\$22,652		
							and other trading terms.	after monthly closing			

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

ATTACHMENT 7 (Receivables from related of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2023)

(All the currencies are denominated in Thousands of New Taiwan Dollars)

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

Company Name	Related Party	Relationships	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Periods	Loss Allowance	Note
					Amount	Action Taken			
Vietnam Precision Industrial No.1 Co., Ltd.	Northstar Precision (Vietnam) Company Limited	Other related party	<u>\$249,974</u>	<u>5.83</u>	<u>\$-</u>	-	<u>\$93,503</u>	<u>\$-</u>	
Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	Sub-subsidiary	<u>\$153,249</u>	<u>2.55</u>	<u>\$-</u>	-	<u>\$71,147</u>	<u>\$-</u>	

ATTACHMENT 8 (Intercompany relationships and significant intercompany transactions for the year ended December 31, 2023)

(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>2023.01.01~2023.12.31</u>						
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	1	Interest incomes	\$2,923	-	0.04%
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	1	Interest incomes	2,582	-	0.04%
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation (HK) Co., Limited	1	Other receivables	42,917	In accordance with contract	0.64%
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation (HK) Co., Limited	1	Other incomes	74,928	In accordance with contract	1.03%
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Precision Industrial No.1 Co., Ltd.	1	Interest incomes	1,865	-	0.03%
2	Eurocharm Innovation Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	241,981	30 days after monthly closing	3.33%
2	Eurocharm Innovation Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade Receivables	22,312	30 days after monthly closing	0.33%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	62,287	30 days after monthly closing	0.86%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade Receivables	2,151	30 days after monthly closing	0.03%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm Innovation (HK) Co., Limited	3	Prepayments for Equipment	39,689	In accordance with contract	0.59%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam Eurocharm Ways Plastics Company Limited.	3	Other receivables	18	30 days after monthly closing	-%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	3	Sales	309,426	60~90 days after monthly closing	4.26%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	3	Trade Receivables	153,249	60~90 days after monthly closing	2.27%

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.

Address

**No. 15, Lane 315, Xinshu Rd, XinZhuang District
New Taipei City, Taiwan 242**

Telephone

Phone: +886-2-2208-0151

Fax: +886-2-2205-1598

Website

www.eurocharm.com.tw