

Stock Code:

5243

Eson Precision Ind. Co., Ltd.

2021 ANNUAL REPORT

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

ESON annual report is available at <http://www.eson.com.cn>

Printed on April 26, 2022

I 、Headquarters And Branch

1.Headquarters : Eson Precision Ind. Co., Ltd.

Address : P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205
Cayman Islands
Tel : (886)2-2267-3272

2.Branch : Eson Precision Ind. Co., Ltd. Taiwan Branch

Address : 12F.-3, No.2, Sec. 4, Zhongyang Rd., Tucheng Dist., New Taipei City 236, Taiwan
Tel : (886)2-2267-3272

3.Branches in China & Hong Kong

(1) Kunshan Eson Precision Engineering Co., Ltd.

Address : No. 88, Yuanfeng Road, Yushan Town, Kunshan City, Jiangsu Province, China
Tel : (86)512-5757-2938

(2) Yantai Zheng Yi Precision Electronics Co., Ltd.

Address : No. 88, Tianjin South Road, Economy and Technology Development Area A-7, Yantai,
Shandong Province, China
Tel : (86)535-2168-888

(3) Wuxi Xinguan Metal Science & Technology Co., Ltd.

Address : North of Furong 4th Road, Xishan Economic Development Zone, Wuxi City, Jiangsu
Province, China
Tel : (86)510-8380-9000

(4) Dongguan Yihong Precision Mould Co., Ltd.

Address : No.6, Xin Yuan South Road,Ke Yuan Cheng,Tangxia Town,Dongguan City, Guangdong
Province, China
Tel : (86)769-8791-9391

(5) Kunshan Kang Rui Package Material Co., Ltd.

Address : No. 88, Yuanfeng Road, Yushan Town, Kunshan City, Jiangsu Province, China
Tel : (86)512-5757-2938

(6) Heng Xie Enterprises Limited

Address : Suites 2205-6 Island Place Tower, 510 King's Rd, North Point, Hong Kong.

Tel : (886)2-2267-3272

(7) Kong Eagle International Limited.

Address : Suites 2205-6 Island Place Tower, 510 King's Rd, North Point, Hong Kong.

Tel : (886)2-2267-3272

4.Branches in Singapore

(1) Multiwin Precision Ind Pte. Ltd

Address : 54 Genting Lane #03-05 Ruby Land Complex Singapore

Tel : (886)2-2267-3272

(2) Eson Precision Industry (Singapore) Pte. Ltd.

Address : 54 Genting Lane #03-05 Ruby Land Complex Singapore

Tel : (886)2-2267-3272

5.Branches in Mexico

(1) Multiwin De Mexico S.A. De C.V.

Address : Blvd La Jolla 4432, Parque Industrial La Jolla, Cp 2252 Tijuana, Bc Mexico

Tel : (52)664-250-6721

(2) Esonmex Monterrey S.A. De C.V.

Address : 5304 Del Paseo Residencial Monterrey 64920

Tel : (52)664-250-6721

6.Branches in Slovakia

(1) Eson Europe S.R.O.

Address : Rontgenova 26 851 02 Bratislava Slovakia

Tel : (886)2-2267-3272

(2) Eson Slovakia A.S.

Address : Rontgenova 26 851 01 Bratislava Slovakia

Tel : (886)2-2267-3272

7.Branches in Mauritius

(1) Global Sun Trading Co., Ltd.

Address : P.O. Box 80, Felix House, 24 Dr. Joseph Riviere street, Port Louis, Mauritius

Tel : (886)2-2267-3272

(2) Grand Liberty Co., Ltd..

Address : Suite 802, St James Court St Denis Street, Port Louis, Mauritius

Tel : (886)2-2267-3272

(3) Ample Wealth Enterprise Ltd.

Address : Suite 802, St James Court St Denis Street, Port Louis, Mauritius

Tel : (886)2-2267-3272

(4) Zeal International Co., Ltd.

Address : Suite 802, St James Court St Denis Street, Port Louis, Mauritius

Tel : (886)2-2267-3272

(5) Unique Champion Co., Ltd.

Address : Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius

Tel : (886)2-2267-3272

(6) Zenith Profits Co., Ltd.

Address : Suite 802, St James Court St Denis Street, Port Louis, Mauritius

Tel : (886)2-2267-3272

8.Branches in Samoa

(a) All Spacer Enterprises Co., Ltd.

Address : Offshore Chambers, P.O. Box 217, Apia, Samoa

Tel : (886)2-2267-3272

9.Branches in Malaysia

(1) Eson Precision Engineering (Malaysia) Sdn. Bhd.

Address : Lot 3, Jalan P/10, Kawasan Perusahaan Seksyen 10, 43650 Bandar Baru Bangi Selangor, Malaysia.

Tel : (60)3-8920-0270

(2) Eson Batupahat Precision Engineering Sdn. Bhd.

Address : Plo-2,Kawasan Perindustrian Sri Gading,83009 Batupahat Johor, Malaysia.

Tel : (60)7-455-8266

10.Branches in Vietnam

(1) Eson (VN) Precision Industry Co., Ltd.

Address : Lot Cn-05 Dong Mai Industrial Park, Dong Mai Ward, Quang Yen Town , Quang Ninh Province, Vietnam

Tel : (886)2-2267-3272

11.Branches in America

(1) Blackyotta Inc

Address : 2555 Camino del Rio S, Suite 101, San Diego, CA 92108

Tel : (52)664-250-6721

II 、 Spokesperson & Deputy Spokesperson

Spokesperson: Lin, You-Ching
Title: Chief Financial Officer
Tel.: (886) 2-2267-3272
E-mail: ESON-IR@eson.com.cn

Deputy Spokesperson: Liu, Li-Ling
Title: Manager
Tel.: (886) 2-2267-3272
E-mail: ESON-IR@eson.com.cn

III 、 Agent And Litem

Name : Tsai, Chia-Hsiang
Title: Chairman
Tel.: (886) 2-2267-3272
E-mail: ESON-IR@eson.com.cn

IV 、 Stock Transfer Agent

Name : Grand Fortune Securities Co., Ltd.
Address : 5.6.7F., No.6, Sec. 1, Zhongxiao W. Rd., Taipei, Taiwan
Tel : (886)2-2371-1658
Website : [http:// www.gfortune.com.tw](http://www.gfortune.com.tw)

V 、 Auditors

Name of CPA : Wu, Ke-Chang and Chiu, Ming-Yu
CPA Firm : Deloitte & Touche
Address : 20F, No. 100, Songren Rd., Xinyi Dist., Taipei, Taiwan
Tel : (886)2-2725-9988
Website : <http://www.deloitte.com.tw>

VI 、 Overseas Securities Exchange: No

VII 、 Company Website: <http://www.eson.com.cn>

VIII 、Members of the Board of Directors

Title	Name	Nationality/ Place of Incorporation	Experience (Education)
Chairman	Ace Progress Holdings Limited	SAMOA	-Taipei Municipal Shilin High School of Commerce -Chairman of Chen Shuen Industry Co., Ltd -Chairman of Kuan Hung Precision Co., Ltd
	Representative : Tsai, Chia-Hsiang	R.O.C	
Director	Ace Progress Holdings Limited	SAMOA	-Master of Industrial management, National Taiwan University of Science and Technology -Retirement -Vice President of Hon Hai Precision Ind. Co., Ltd.
	Hsiung, Ping-Cheng	R.O.C	
Director	Golden Harvest Management Limited	PANAMA	-Master of Business Administration, Soochow University -Senior Director of Hon Hai Precision Ind. Co., Ltd. -President of Foxconn Technology Co., Ltd.
	Representative : Lee, Kuang-Yao	R.O.C	
Director	Golden Harvest Management Limited	PANAMA	-Master of Business Administration, George Washington University -Director of Hon Hai Precision Ind. Co., Ltd. -Financial Vice President of Brite Semiconductor (Shanghai) Corporation -Senior Manager of Lite-on Technology Corporation
	Representative : Lee, Wei-Kang	R.O.C	
Independent Director	Kao, Chih-Chien	R.O.C	-Master of Accounting, Chung Yuan Christian University - Certified Public Accountant
Independent Director	Lin, Chih-Chung	R.O.C	-Master of Law, Soochow University -Certified Public Accountant -Attorney
Independent Director	Lee, Chien-Ming	R.O.C	-Doctor of Economics, National Taipei University -Professor of National Taipei University

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1 Letter to Shareholders

I. 2021 Business Report

1. Business Plan Implementation Results

The Company delivered \$12.042 billion in revenues with a 21.76% growth over the previous year in 2021 despite confounding factors such as continued uncertainty over the global COVID-19 pandemic, skyrocketing commodity prices, higher sea freight costs, shortage of containers. The most growth came from automotive component products and consumer products. The aforementioned confounding factors created a more challenging business environment as well. The jump in related production and operating costs meant that net profit after tax for the year attributable to the Company owners amounted to 464 million NTD. In the future, the Company will continue to focus on expanding our niche product mix strategy, the continuous refinement of production processes, and effective control of business costs.

I would like to express my deepest respect on behalf of ESON's management team. We are truly grateful for the continued support and encouragement of all our shareholders. This support has enabled our management team to work harder to create value for our stakeholders and march together toward a better future.

2. Financial Status and Profitability :

In Thousands of New Taiwan Dollars

Item	2021	2020	Increase/Decrease (%)
Operating Revenue	12,042,445	9,889,935	21.76
Operating Costs	10,233,529	8,166,970	25.30
Gross Profit	1,808,916	1,722,965	4.99
Operating Expenses	1,165,961	1,048,944	11.16
Operating Income	642,955	674,021	(4.61)
Non-operating Revenue and Expenses	(35,100)	(61,992)	(43.38)
Net Income Before Tax	607,855	612,029	(0.68)
Net Income After Tax	463,781	460,937	0.62
Net income belongs to :			
Owners of ESON	463,781	460,969	0.61
Non-controlling Interests	-	(32)	100.00

Item	2021	2020
ROA (%)	4.73	4.98
ROE (%)	7.79	7.82
Operating income to paid-in capital ratio (%)	38.15	39.99
Income before tax to paid-in capital ratio (%)	36.07	36.32
Net profit ratio (%)	3.85	4.66
EPS (NT\$)	2.75	2.74

II. Technology development :

- (I) Product innovation: Existing manufacturing technologies and the advantages conferred by our global sites are being actively leveraged to strengthen our service capabilities and co-develop new products in communications, consumer products, data centers, and new energy vehicles with our clients.
- (II) Greater production automation and application of big data: Smart product automation and quality inspection is being progressively rolled out in response to economic transformation, the accelerating pace of increases in labor costs, as well as environmental and safety requirements. More automation is now being introduced and accumulated production data used to prevent production anomalies, improve quality, ensure production safety, and boost productivity. In this way, the goals of reducing labor costs, ensuring employee safety during production and increasing productivity can be achieved while still realizing growth of both profits and revenues.
- (III) Integration and development key processes: The Company set out to obtain high value-added production technologies and integration capabilities to provide clients with a variety of options. Options such as precision molds and welding skills serve to enhance the long-term competitiveness of the Company.
- (IV) In-mold injection molding machine: Different materials are combined into a single component through molding processes. Automation was also developed to increase productivity and production precision in order to realize the goals of product weight and cost reduction.
- (V) Low-pressure injection molding technology: This molding technology for external automotive trim is used for molding plastic leather, improve the efficiency of compression molding processes, and reduce manpower/production costs. We expanded the scope of application for molding techniques to meet the diverse product requirements of clients.

III.Future Outlook

The Company has won the trust and support of many important clients in a fast-changing industry through our outstanding capabilities in product design, manufacturing capabilities in each region, and the competitive advantages offered by vertical integration in a fast-changing industry. The company's product mix strategy currently focuses on automobiles, cloud technology, communications and consumer electronics. Furthermore, in the interest of sustainable development and long-term sales growth, the Company will continue building long-term relationships with our clients and tailor our product development and planning to market requirements. The 2022 product strategy called for the following:

- (I) Consumer products: As sales of high-end OLED displays is continuing to grow, the Company will draw upon our outstanding production technology and advanced equipment to consolidate production at overseas sites. Strengthening production capacity for high-end TV components will establish long-term value and a solid core of competitiveness. The goal is to meet client expectations and generate more revenue.
- (II) Electric vehicle products: The Company has accumulated many years of experience in the EV industry. Strong growth in new energy vehicles meant that the development of related clients and expanded supply of components will help boost revenue growth and profits in the EV sector.

- (III) Server products: The mass adoption of cloud, metaverse, and data centers is benefiting from the high-speed development of wireless communications. The demand for servers and cabinets will continue to grow. The Company will expand and consolidate our domestic and overseas resources so that we can meet the requirements for market growth and boost our production capacity.
- (IV) Communication products: Future requirements on high-speed communications for smart vehicles mean that bandwidth and transmission latency will all become increasingly important over the next few years. The Company is actively investing in new product partnerships and will use the clients' speed to improve production capacity, logistics and management, and strengthen the overall quality of service.

IV. Effects of the competitive environment, the regulatory environment, and the macroeconomic environment

- (I) Competition over consumer products is intensifying even as transportation and commodity costs continue to increase. The Company will work to improve our production and shipping management to reduce regional production risks and costs. We will continue to work with clients to coordinate the production output of our factories in China, Malaysia, Vietnam and Mexico. The development of high value-added products will continue to improve competitiveness and profitability.
- (II) The Company supports energy efficiency and carbon reduction, fulfillment of corporate social responsibility and upholding the spirit of sustainability. National regulations and related OH&S certification system will continue to be maintained in order to improve environmental safety and health in the workplace, strength the safety awareness of workers, and improve customer satisfaction with our employees.

Finally, we would like to express our most sincere gratitude to you, our shareholders, investors, and employees, for your continued support. Join us as we advance steadily forward and enjoy the fruits of our success. We look forward to your feedback. We wish you health and prosperity

Chairman : Tsai, Chia-Hsiang

President : Tsai, Chia-Hsiang

Accounting Manager : Liu, Kun Guang

2 Company Profile

2.1 Introduction of the Company

2.1.1 Establishment Date and Introduction of the Company

Eson Precision Ind. Co., Ltd. (hereinafter referred to as the Company or Eson Precision) is a company established by the two shareholders Global Sun Trading Co., Ltd. and All Spacer Enterprises Co., Ltd. in the Cayman Islands on June 17, 2008. The original name was Multiwin Precision Ind. Co., Ltd. The Company was renamed to Eson Precision in February 2012.

After the establishment, the Company exchanged all the shares of the two shareholders with new shares from an increase in capital to improve the investment structure and integrate resources, and subsequently reinvest according to business development needs. Up until now, there are 24 subsidiaries and 1 branch company, mainly engaged in the design, research and development, production and sales of molds, plastics, hardware products, new electronic components and flat panel displays.

2.1.2 Affiliated Companies Chart

Refer to page 95.

2.2 Company Milestones

Year	Company Milestones
1999	● All Spacer Enterprises Co., Ltd. was incorporated in June
2001	● Global Sun Trading Co., Ltd. was incorporated in May (Global Sun) ● Kunshan Eson Precision Engineering Co., Ltd. was incorporated in August
2002	● Passed ISO9001 certification.
2004	● Dongguan Yihong Precision Mould Co., Ltd. was incorporated in September
2005	Passed SONY Green Partner certification in April.
2006	● Wuxi Xinguan Metal Science & Technology Co., Ltd. was incorporated in December ● Obtained the PS3 order of SONY and manufactured from injection molding
2007	● Obtained the home appliance mold of Wirlpool & GE
2008	● Adaption RHCM injection molding technology to manufacture Tv parts of SONY ● Obtained the Tv parts order of VIZIO ● Multiwin Precision Ind. Co., Ltd. was incorporated in Cayman in June and started its organization restructure. Multiwin issued new share to exchange with All Spacer and Global Sun ● Passed ISO14001 certification in December.
2009	● Multiwin Precision Ind Pte. Ltd. was incorporated in September. ● Eson Precision Engineering S.A. De C.V. was incorporated in September. ● Yantai Zheng Yi Precision Electronics Co., Ltd. was incorporated in September. ● Develment Nokia Netcom products
2010	● Passed OHSAS18001 certification. ● Obtained the server order of Netcom customer ● Obtained the car mold order of FORD
2011	● Obtained the Tv parts order of Sharp Kunshan Eson got a certificate of high technology enterprise.
2012	● Development Ericsson/Cisco Netcom products ● Multiwin Precision Ind. Co., Ltd. renamed as Eson Precision Ind. Co., Ltd. by shareholders meeting in February ● Pre-listing tutoring in June and planning primary listing in TWSE ● Multiwin De Mexico S.A.De C.V. was incorporated in September by Eson and Multiwin Precision Ind Pte. Ltd. ● Re-elected the 7 directors including 3 independent directors. Set up the Audit and Remuneration Committees. Conversion of stock par value to NT\$10 and capital surplus

Year	Company Milestones
	transferred to capital. Paid-in capital of the company reached NT\$1,528,273 thousands.
2013	<ul style="list-style-type: none"> ●Eson Precision Engineering (Malaysia) Sdn. Bhd. was incorporated in May ●Eson got listed in TWSE in November. Paid-in capital of the company reached NT\$1,719,323 thousands.
2014	●Eson conducted capitalization from earnings for NT\$85,966 thousands. (stock dividend NT\$0.5 per share) in September. Paid-in capital of the company reached NT\$1,805,289 thousands.
2015	●Obtained the electric car mold and parts order of North America
2016	●Eson Batupahat Precision Engineering Sdn. Bhd. was incorporated in May
2018	●Blackyotta Inc. was incorporated in December
2020	●Eson (VN) Precision Industry Co., Ltd was incorporated in May
2021	●Esonmex Monterrey S.A. De C.V. was incorporated in November by Global Sun Trading Co., Ltd. and Eson Precision Industry (Singapore) Pte. Ltd.

3.1.2 Department Function

Department	Main Responsibilities
Chairman	Plan and manage the Company's strategies, draft up operating objectives, direct and supervise the operation of business units.
Audit Committee	Auditing and evaluating the compliance of internal policies, procedures and operations based on governing regulations.
Remuneration Committee	Establishing and evaluating performance of directors and managers compensation policy and salary of directors and managers regularly.
President	Board resolutions execution and general corporate affairs
Audit Office	Audit the Company's system and the enforcement of internal regulations, procedures, and authorization with corrective actions offered.
Operations Management Division	Responsible for the management of the company's business strategy formulation, human administrative resources, regulatory compliance, contract review related work, and the maintenance and management of plant environmental safety related work.
Finance Management Division	Corporate finance, accounting, tax planning and execution, Corporate information infrastructure, information systems and network communication managements.
Supply Chain Management Division	Warehouse management of raw material and equipment procurement, supplier management, negotiations, and procurement to coordinate the business cycle
Technology R&D Management Division	Manage the research and development resources, Formulating research and development direction.
Manufacturing Management Division	Manufacturing of injection, stamping, forming, painting and assembly of metal parts and plastic parts of the company
Sales Management Division	Formulation and implementation of product and business goals, price, market and sales channel strategies; compilation and analysis of customer and market data; sales and services; building and maintenance of customer relationships and strategic partnerships

3.2 Directors, Supervisors and Management Team

3.2.1 Directors

1.Introduction of Board of Directors

April 26, 2022 ; Shares: In thousands

Title	Nationality/ Place of Incorporation	Name	Gender/ Age	Date Elected	Term	Date First Elected	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			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	SAMOA	Ace Progress Holdings Limited	Male 51~60 Years old	2021/07/07	3	2008/10/07	15,351	9.11%	15,351	9.11%	-	-	-	-	-Taipei Municipal Shilin High School of Commerce -Chairman of Chen Shuen Industry Co., Ltd -Chairman of Kuan Hung Precision Co., Ltd	Note1	-	-	-	-
	R.O.C	Representative : Tsai, Chia-Hsiang					-	-	-	-	-	-	-	-			-	-	-	
Director	SAMOA	Ace Progress Holdings Limited	Male 51~60 Years old	2021/07/07	3	2018/06/21	15,351	9.11%	15,351	9.11%	-	-	-	-	- Retirement - Vice General Manager of Hon Hai Precision Ind. Co., Ltd.	Note1	-	-	-	-
	R.O.C	Representative : Hsiung, Ping-Cheng					32	0.02%	32	0.02%	-	-	-	-			-	-		
Director	PANAMA	Golden Harvest Management Limited	Male 51~60 Years old	2021/07/07	3	2021/07/07	44,613	26.47%	44,613	26.47%	-	-	-	-	-Master of Business Administration, Soochow University -Senior Director of Hon Hai Precision Ind. Co., Ltd. -President of Foxconn Technology Co., Ltd.	Note1	-	-	-	-
	R.O.C	Representative : Lee, Kuang-Yao					-	-	-	-	-	-	-	-			-	-		
Director	PANAMA	Golden Harvest Management Limited	Male 51~60 Years old	2021/07/07	3	2021/07/07	44,613	26.47%	44,613	26.47%	-	-	-	-	-Master of Business Administration, George Washington University -Director of Hon Hai Precision Ind. Co., Ltd. -Financial Vice President of Brite Semiconductor (Shanghai) Corporation -Senior Manager of Lite-on Technology Corporation	Note1	-	-	-	-
	R.O.C	Representative : Lee, Wei-Kang					-	-	-	-	-	-	-	-			-	-		
Independent Director	R.O.C	Kao, Chih-Chien	Male 41~50 Years old	2021/07/07	3	2012/10/31	-	-	-	-	-	-	-	-Master of Accounting, Chung Yuan Christian University - Certified Public Accountant	Note1	-	-	-	-	

Title	Nationality/ Place of Incorporation	Name	Gender/ Age	Date Elected	Term	Date First Elected	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			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C	Lin, Chih-Chung	Male 61~70 Years old	2021/07/07	3	2013/05/10	-	-	-	-	-	-	-	-	-Master of Law, Soochow University -Certified Public Accountant -Attorney	Note1	-	-	-	-
Independent Director	R.O.C	Lee, Chien-Ming	Male 61~70 Years old	2021/07/07	3	2021/07/07	-	-	-	-	-	-	-	-	-Doctor of Economics, National Taipei University -Professor of National Taipei University	Note1	-	-	-	-

Note1 : Other Position

Title	Name	Other Position
Chairman	Ace Progress Holdings Limited Representative : Tsai, Chia-Hsiang	Director of Ace Progress Holdings Limited Chairman of Kunshan Eson Precision Engineering Co., Ltd. Chairman of Yantai Zheng Yi Precision Electronics Co., Ltd. Chairman of Wuxi Singuan Metal Science & Technology Co., Ltd. Chairman of Dongguan Yihong Precision Mould Co., Ltd. Chairman and President of Eson (VN) Precision Industry Co., Ltd.
Director	Ace Progress Holdings Limited Representative : Hsiung, Ping-Cheng	Director of Champion Way Ventures Limited
Director	Golden Harvest Management Limited Representative : Lee, Kuang-Yao	Senior Director of Hon Hai Precision Ind. Co., Ltd.
Director	Golden Harvest Management Limited Representative : Lee, Wei-Kang	Director of Hon Hai Precision Ind. Co., Ltd.
Independent Director	Kao, Chih-Chien	CPA of DS Certified Public Accountants Independent Director of Bright Sheland International Co., Ltd. Independent Director of Yankey Engineering Co., Ltd. Independent Director of Edison Technology Co., Ltd
Independent Director	Lin, Chih-Chung	Managing Attorney of AY Commercial Law Offices 、 CPA of Ancheng Certified Public Accountants 、 Supervisor of An Yong Health Management Consulting Co., Ltd. Supervisor of Dnc Holdings Co., Ltd.
Independent Director	Lee, Chien-Ming	Professor of National Taipei University

2. Supervisors : The company set up an audit committee, no supervisor

3. Major Shareholders of Institutional Shareholders

(1) Major Shareholders

Name of Institutional Shareholders	Major Shareholders
Golden Harvest Management Limited	Foxconn (Far East) Limited-Hong Kong(100%)
Ace Progress Holdings Limited	Tsai, Chia-Hsiang (95.52%) 、 Tsai, Chin-Chan(4.48%)

(2) Major shareholders of the Company's major institutional shareholders

Name of Institutional Shareholders	Major Shareholders
Foxconn (Far East) Ltd.-Hong Kong	Foxconn (Far East) Limited-Cayman(100%)

4. Professional qualifications and independence of directors

Condition Name	Professional qualifications and Experiences	Independence status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Ace Progress Holdings Limited Representative : Tsai, Chia-Hsiang	Possesses five or more years of work experience required for the Company's business. None of the Directors has been in or is under any circumstances stated in Article 30 of the Company Law.	Not Applicable	0
Ace Progress Holdings Limited Representative : Hsiung, Ping-Cheng	Possesses five or more years of work experience required for the Company's business. None of the Directors has been in or is under any circumstances stated in Article 30 of the Company Law.		0
Golden Harvest Management Limited Representative : Lee, Kuang-Yao	Possesses five or more years of work experience required for the Company's business. None of the Directors has been in or is under any circumstances stated in Article 30 of the Company Law.		0
Golden Harvest Management Limited Representative : Lee, Wei-Kang	Possesses five or more years of work experience required for the Company's business. None of the Directors has been in or is under any circumstances stated in Article 30 of the Company Law.		0
Independent Director Kao, Chih-Chien	Possesses five or more years of work experience required for the Company's business. None of the Directors has been in or is under any circumstances stated in Article 30 of the Company Law.		All of the following situations apply to each and every of the Independent Directors: 1. Satisfy the requirements of Article 14-2 of "Securities and Exchange Act"

Condition Name	Professional qualifications and Experiences	Independence status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director Lin, Chih-Chung	Possesses five or more years of work experience required for the Company's business. None of the Directors has been in or is under any circumstances stated in Article 30 of the Company Law.	and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" (Note 2) issued by Taiwan's Securities and Futures Bureau	0
Independent Director Lee, Chien-Ming	Possesses five or more years of work experience required for the Company's business. None of the Directors has been in or is under any circumstances stated in Article 30 of the Company Law.	2. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any TSMC shares 3. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service"	0

Note 1 : The company set up an audit committee, no supervisor

Note 2: A person shall not act in a management capacity for a company, and if so appointed, must be immediately discharged if they have been:

1. Convicted for a violation of the Statutes for the Prevention of Organizational Crimes and: has not started serving the sentence; has not completed serving the sentence; or five years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
2. Convicted for fraud, breach of trust or misappropriation, with imprisonment for a term of more than one year, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
3. Convicted for violation of the Anti-Corruption Act, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
4. Adjudicated bankrupt or adjudicated to commence a liquidation process by a court, and having not been reinstated to his or her rights and privileges;
5. Sanctioned for unlawful use of credit instruments, and the term of such sanction has not expired yet;
6. if she/he does not have any or limited legal capacity; or
7. if she/he has been adjudicated to require legal guardianship and such requirement has not been revoked yet

Note 3: During the two years before being elected and during the term of office, meet any of the following situations:

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. (The same does not apply, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds in accordance with domestic or local regulations.)
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 the managers as item 1 or a spouse, relative within the second degree of kinship, lineal relative within the third degree of kinship of the person as item 2 & 3.
5. Director, supervisor, or legal shareholders who are not directly holding more than 5% of the company's total issued shares, or appointing representatives as company directors or supervisors in accordance with Article 27, paragraph 1 or 2 of the Company Law Employee (but if the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, it is not limited to this)
6. More than half of the shares that are not on the board of directors of the company or have voting rights are the directors, supervisors or employees

of other companies controlled by the same person (but if it is the company or its parent company, subsidiary, or subsidiary of the same parent company (The independent directors established by the laws or local laws and regulations of the country serve concurrently with each other, this is not the case)

7. Directors (directors), supervisors (supervisors) or servants of other companies or organizations who are not the same person or spouse with each other and are the same person or spouse (Or independent directors set up by subsidiaries of the same parent company in accordance with this law or local national laws and regulations serve concurrently, not subject to this limit)
8. Directors (directors), supervisors (supervisors), managers or shareholders holding more than 5% of a specific company or organization that does not have financial or business dealings with the company (but if a specific company or organization holds 20% of the company's total issued shares Above, not more than 50%, and the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations concurrently serve each other, not limited to this)
9. Professionals, sole proprietorships, partnerships, business owners of companies or institutions that do not provide audits for companies or related companies or business, legal, financial, accounting and other related services that have not received more than NT\$ 500,000 in cumulative compensation in the past two years Partners, directors (directors), supervisors (supervisors), managers and their spouses. However, members of the Compensation Committee, Public Takeovers Review Committee, or M&A Special Committee performing their functions and powers in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M&A Act are not limited to this.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

5. Diversity and independence of the Board of Directors:

(1) Diversity of the Board of Directors:

Based on the policy of diversification and strengthening of corporate governance in order to promote the sound development of the Company's board composition and structure. In addition, the Company has, based on its own operations, operational patterns and developmental needs, formulated appropriate diversification policies including but not limited to the following:

- ① Basic conditions and value: gender, age, nationality and culture.
- ② Professional knowledge and skills: operational judgment capability, accounting and financial analysis capability, business management capability, risk management capability, industry knowledge, international market outlook, leadership capability, and decision-making capability.

The current Board of Directors of the Company consists of seven directors. The specific management objectives of the board diversity policy and their achievement status are as follows:

Diversity management objectives	Achievement status
The number of independent directors exceeds one third of the board seats	Done
Adequate and diverse professional knowledge and skills	Done

The implementation status of the board diversity policy is as follows:

Core of diversify Name		Basic composition								Professional background		Professional knowledge and capabilities							
		Nationality	Gender	Employee	Age			Tenure and seniority of independent directors (less than 3 years)			Accounting	Industry	Law	Operational judgment capability	Business management capability	Leadership and decision making capability	Risk management capability	Industry knowledge	International Market outlook
					41~50	51~60	61~70	3	3~9	9									
Director	Tsai, Chia-Hsiang	R.O.C.	Male	v		v					v		v	v	v	v	v	v	
	Hsiung, Ping-Cheng		Male			v					v		v	v	v	v	v	v	
	Lee, Kuang-Yao		Male			v					v		v	v	v	v	v	v	
	Lee, Wei-Kang		Male			v					v		v	v	v	v	v	v	
Independent director	Kao, Chih-Chien		Male		v					v	v		v	v	v	v	v	v	v
	Lin, Chih-Chung		Male				v			v	v	v	v	v	v	v	v	v	v
	Lee, Chien-Ming		Male				v	v			v		v	v	v	v	v	v	v

(2) Independence of the Board of Directors: The Board of Directors of the Company consists of seven directors, of which three are independent directors and four directors (42.86% and 57.14% of all directors) As of 2021.12.31, In addition, all of independent directors comply with the regulations of the Securities and Futures Bureau and none of the circumstances prescribed in paragraph 3 and paragraph 4, Article 26-3 of the Securities Exchange Act exist among the directors and independent directors. The Board of Directors of the Company is independent (Please refer to page 10 of this Annual Report - Disclosure of information on professional qualifications of directors and independence of independent directors). The Experience(Education), Gender and Work Experience(Please refer to page 8-9 of this Annual Report - Information of directors)

3.2.2 Management Team

Apr 26, 2022 ; Shares: In thousands

	Name	Gender	Nationality	On-board Date	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	
President	Tsai, Chia-Hsiang (Note 1)	Male	R.O.C	2021/08/26	-	-	-	-	-	-	Taipei Municipal Shilin High School of Commerce - Chairman of Chen Shuen Industry Co., Ltd Chairman of Kuan Hung Precision Co., Ltd	-	-	-	-	-
President	Chen, Chao-Hua (Note 1)	Male	R.O.C	2021/03/23	-	-	-	-	-	-	Yokohama City University Director of Jiada Precision Ind. Co., Ltd.	-	-	-	-	-
President	Hsiao, I-Hung (Note 1)	Male	R.O.C	2019/08/27	-	-	-	-	-	-	Department of Mechanical Engineering, Chung Yuan Christian University - University President of Meiloon Industrial Co., Ltd.	-	-	-	-	-
Vice President	Chen, Tsui-ling (Note 2)	Female	R.O.C	2021/08/26	-	-	-	-	-	-	Department of Accounting, Chung Yuan Christian University Audit Supervisor of Yummy Town (Cayman)	-	-	-	-	-
Vice President	Lai, Yu-Tang	Male	R.O.C	2019/08/27	-	-	-	-	-	-	Department of Journalism, Nihon University Senior Purchasing Manager of Taiwan Toshiba International Procurement Corp. Vice President of Shang Mei Precision Industrial Co., Ltd.	-	-	-	-	-
Vice President	Hsieh, Yueh-Ming (Note 3)	Female	R.O.C	2020/11/10	-	-	-	-	-	-	Department of Mechanical Engineering of Nan-Tai Junior College of Engineering - Director of Server Division, LITE-ON Technology corp. Vice President of Server Division, Star Electronics corp. Director of New Business Development Department, AIC Inc.	-	-	-	-	-
Chief Financial Officer/ Accounting Supervisor	Lin, You-Ching (Note 4)	Male	R.O.C	2021/03/23	-	-	-	-	-	-	Master of College of Management, National Taiwan University Director of Finance and Accounting Department of L & K Engineering Co., Ltd. Manager of Pricewaterhouse Coopers Taiwan	-	-	-	-	-
Accounting Supervisor	Liu, Kun-Kuang (Note 4)	Male	R.O.C	2020/03/19	-	-	-	-	-	-	Department of Accounting, Chung Yuan Christian University - Assistant Manager of Hitron Technologies Inc. Assistant Manager of Kenmec Mechanical Engineering Co., Ltd.	-	-	-	-	-
Manager	Liu, Li-Ling	Female	R.O.C	2020/03/19	-	-	-	-	-	-	Department of Accounting, Shih Chien University - Assistant Manager of KPMG Assistant Manager of Phonic Corporation	-	-	-	-	-
Auditor Assistant Manager	Ku, Hui-Chien	Female	R.O.C	2016/05/10	-	-	-	-	-	-	Shih Chien University - Audit Section Manager of Premier Technology Co., Ltd. Audit Junior Manager of Hon Hai Precision Ind. Co., Ltd.	-	-	-	-	-

Note 1 : President Hsiao, I-Hung resigned on March 23, 2021. The Company's Board of Director resolved to appoint Mr. Chen, Chao-Hua as the Acting President on March 23, 2021, then, The Chairman, Mr. Tsai, Chia-Hsiang, was appointed to serve as the President concurrently due to the position adjustment on August 26,2021.
Vice President Chen, Chao-Hua resigned on October 10, 2021.

Note 2 : Vice President Lai, Yu-Tang resigned on August 26, 2021. The Company's Board of Director resolved to appoint Mrs. Chen, Tsui-Ling as the Vice President.

Note 3 : Vice President Hsieh, Yueh-Ming resigned on June 3, 2021.

Note 4 : The position of Mr. Liu, Kun-Kuang was adjusted on March 18,2022, and Lin, You-Ching, The Chief Financial Officer, was appointed as The Accounting Supervisor concurrently.

3.2.3 Remuneration of Directors, Supervisors, President, and Vice Presidents

1.Directors, presidents and executive vice presidents remuneration in the latest year

(1)Remuneration of Directors (including independent Directors)

Unit: NT\$ thousands

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 non-consolidated affiliates			
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)									
		From ESON	From all Consolidated Entities	From ESON	From all Consolidated Entities	From ESON	From all Consolidated Entities	From ESON	From all Consolidated Entities	From ESON	From all Consolidated Entities	From ESON	From all Consolidated Entities	From ESON	From all Consolidated Entities	Cash	Stock	Cash	Stock	From ESON	From all Consolidated Entities				
Chairman	Ace Progress Holdings Limited Representative : Tsai, Chia-Hsiang																								
Director	Ace Progress Holdings Limited Representative : Hsiung Ping-Cheng	-	-	-	-	1,797	1,797	105	105	1,902.41	1,902.41	-	1,800	-	-	-	-	-	-	1,902.41	3,702.80				
Director	Golden Harvest Management Limited Representative : Lee, Kuang-Yao																								
Director	Golden Harvest																								

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 non-consolidated affiliates				
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)										
		From ESON	From all Consolidated Entities	From ESON	From all Consolidated Entities	From ESON	From all Consolidated Entities	From ESON	From all Consolidated Entities	From ESON	From all Consolidated Entities	From ESON	From all Consolidated Entities	From ESON	From all Consolidated Entities	Cash	Stock	Cash	Stock	From ESON	From all Consolidated Entities					
	Management Limited Representative : Lee, Wei-Kang																									
Independent Director	Kao, Chih-Chien																									
Independent Director	Lin, Chih-Chung	-	-	-	-	1,348	1,348	75	75	1,423	1,423	0.31	0.31	-	-	-	-	-	-	-	-	1,423	1,423	0.31	0.31	-
Independent Director	Lee, Chien-Ming																									

1. Illustrate the remuneration policies, system, standards and structure for independent directors, and describe the relevance of the amount of remuneration with its responsibilities, risks, engaged time and other factors:

The calculation based on the degree of independent directors' participation and contribution in the company's operations, and the individual tenure.

2. In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements and reinvestment companies in the most recent year to compensate directors for services, such as being independent contractors.: None

Note1 : Remuneration distributed from the 2021 annual surplus is the proposed number, which shall take effect following resolution of the shareholders' meeting on June 24, 2022.

Note2 : The proposed number for employee compensation is calculated based on the actual allotment ratio from last year.

Remuneration Bracket

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	From ESON	From all Consolidated Entities	From ESON	From all Consolidated Entities
Below NT\$1,000,000	Tsai, Chia-Hsiang 、 Hsiung Ping-Cheng 、 Lee, Kuang-Yao 、 Lee, Wei-Kang 、 Kao, Chih-Chien 、 Lin, Chih-Chung 、 Lee, Chien-Ming 、 Golden Harvest Management Limited Ace Progress Holdings Limited	Tsai, Chia-Hsiang 、 Hsiung Ping-Cheng 、 Lee, Kuang-Yao 、 Lee, Wei-Kang 、 Kao, Chih-Chien 、 Lin, Chih-Chung 、 Lee, Chien-Ming 、 Golden Harvest Management Limited Ace Progress Holdings Limited	Tsai, Chia-Hsiang 、 Hsiung Ping-Cheng 、 Lee, Kuang-Yao 、 Lee, Wei-Kang 、 Kao, Chih-Chien 、 Lin, Chih-Chung 、 Lee, Chien-Ming 、 Golden Harvest Management Limited Ace Progress Holdings Limited	Hsiung Ping-Cheng 、 Lee, Kuang-Yao 、 Lee, Wei-Kang 、 Kao, Chih-Chien 、 Lin, Chih-Chung 、 Lee, Chien-Ming 、 Golden Harvest Management Limited Ace Progress Holdings Limited
NT\$1,000,000 (Incl.) ~NT\$2,000,000 (Excl.)	-	-	-	Tsai, Chia-Hsiang
NT\$2,000,000 (Incl.) ~NT\$3,500,000 (Excl.)	-	-	-	-
NT\$3,500,000 (Incl.) ~NT\$5,000,000 (Excl.)	-	-	-	-
NT\$5,000,000 (Incl.) ~NT\$10,000,000 (Excl.)	-	-	-	-
NT\$10,000,000 (Incl.) ~NT\$15,000,000 (Excl.)	-	-	-	-
NT\$15,000,000 (Incl.) ~NT\$30,000,000 (Excl.)	-	-	-	-
NT\$30,000,000 (Incl.) ~NT\$50,000,000 (Excl.)	-	-	-	-
NT\$50,000,000 (Incl.) ~NT\$100,000,000 (Excl.)	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	9 People	9 People	9 People	9 People

(2)Remuneration of Supervisor : The company set up an audit committee, no supervisor

2.Remuneration of the President and Vice Presidents

Unit: NT\$ thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration received from all investee companies (other than subsidiaries) or the parent company
		From ESON	From all Consolidated Entities	From ESON	From all Consolidated Entities	From ESON	From all Consolidated Entities	From ESON		From all Consolidated Entities		From ESON	From all Consolidated Entities	
								Cash	Stock	Cash	Stock			
President	Tsai, Chia-Hsiang (Note 2)	-	7,607	-	-	-	8,226	1,205	-	1,205	-	1,205 0.26	17,038 3.67	-
Acting President	Chen, Chao-Hua (Note 2)													
President	Hsiao, I-Hung (Note 2)													
Vice President	Hsieh, Yueh-Ming (Note 3)													
Vice President	Lai, Yu-Tang (Note 4)													
Vice President	Chen, Tsui-Ling (Note 4)													
Chief Financial Officer	Lin, You-Ching													

Note 1 : The proposed number for employee compensation is calculated based on the actual allotment ratio from last year.

Note 2 : Presidents Hsiao, I-Hung resigned on March 23, 2021. The Company's Board of Director resolved to appoint Mr. Chen, Chao-Hua as the Acting President on March 23, 2021. then, The Chairman, Mr. Tsai, Chia-Hsiang, was appointed to serve as the President concurrently due to the position adjustment on August 26,2021.

Vice President Chen, Chao-Hua resigned on October 10, 2021.

Note 3 : Vice President Hsieh, Yueh-Ming resigned on June 3, 2021.

Note 4 : Vice President Lai, Yu-Tang resigned on August 26, 2021. The Company's Board of Director resolved to appoint Mrs. Chen, Tsui-Ling as the Vice President.

Remuneration Bracket

Range of Remuneration	Name of President and Vice Presidents	
	From ESON	From all Consolidated Entities
Below NT\$1,000,000	Lin, You-Ching、Chen, Tsui-Ling	Lai, Yu-Tang、Chen, Tsui-Ling
NT\$1,000,000 (Incl.) ~NT\$2,000,000 (Excl.)	-	Tsai, Chia-Hsiang、Lin, You-Ching
NT\$2,000,000 (Incl.) ~NT\$3,500,000 (Excl.)	-	Hsieh, Yueh-Ming
NT\$3,500,000 (Incl.) ~NT\$5,000,000 (Excl.)	-	Hsiao, I-Hung、Chen, Chao-Hua
NT\$5,000,000 (Incl.) ~NT\$10,000,000 (Excl.)	-	-
NT\$10,000,000 (Incl.) ~NT\$15,000,000 (Excl.)	-	-
NT\$15,000,000 (Incl.) ~NT\$30,000,000 (Excl.)	-	-
NT\$30,000,000 (Incl.) ~NT\$50,000,000 (Excl.)	-	-
NT\$50,000,000 (Incl.) ~NT\$100,000,000 (Excl.)	-	-
Over NT\$100,000,000	-	-
Total	2 People	7 People

3. Employees' Compensation of the Management Team

	Title	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	Vice President	Chen, Tsui-Ling	-	1,205	1,205	0.26
	Chief Financial Officer	Lin, You-Ching				

Note : As of the date of printing of the annual report, the list of distribution of employees' compensation has not yet been decided. According to the regulations, the proposed number of allotments this year will be calculated according to the actual distribution ratio from last year.

3.2.4 Compare and state the ration of total remuneration paid to the Company's Directors, President and Vice Presidents by the company and the companies in the consolidated financial statements to net income in the past two years. Please also describe the policy, criteria, packages, and rules relation to the remuneration, as well as its relation to business performance and future risks.

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

Unit: NT\$ thousand

Item	2020 Year		2021 Year	
	Amount	Ratio of Total Amount to Net Income (%)	Amount	Ratio of Total Amount to Net Income (%)
Total remuneration paid to directors, president and vice presidents	23,730	5.14%	20,364	4.39%
Net income in the consolidated	460,969	100.00%	463,781	100.00%

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

The company has established Compensation Committee and made all independent directors committee members. The compensation to directors and other key management personnel were determined by the Remuneration Committee of the Company in accordance with the individual performance and the market trends. The compensation is measured based on the employee's personal achievements, contribution made to the business operation, and the market averages. It has a positive correlation with the performance of the Company's business.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

1.A total of 6(A) meetings of the Board of Directors were held in 2021. The attendance of director were as follows

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Ace Progress Holdings Limited Representative : Tsai, Chia-Hsiang	6	-	100.00	-
Director	Ace Progress Holdings Limited Representative : Hsiung Ping-Cheng	3	-	100.00	Note1
Director	Golden Harvest Management Limited Representative : Lee, Kuang-Yao	3	-	100.00	Note 1
Director	Golden Harvest Management Limited Representative : Lee, Wei-Kang	3	-	100.00	Note 1
Independent director	Kao, Chih-Chien	6	-	100.00	-
Independent director	Lin, Chih-Chung	6	-	100.00	-
Independent director	Lee, Chien-Ming	3	-	100.00	Note 1
Independent director	Hu, Tung-Lai	3	-	100.00	Note 1
Director	Hsiung, Ping-Cheng	3	-	100.00	Note 1
Director	Golden Harvest Management Limited Representative : Cheng, Yung-Fu	2	1	66.66	Note 1

Note 1: On July 7, 2021, the fifth board of directors was re-elected. The new directors include Lee, Kuang-Yao, Lee, Wei-Kang and Lee, Chien-Ming The original fourth director, Cheng, Yung-Fu and Hu, Tung-Lai, expired and will not continue to be elected.

2.Other mentionable item

A. 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

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

Meeting Date	The resolutions	Matters listed in Article 14-3 of "Securities and Exchange Act"	Independent Director had a dissenting opinion or qualified opinion
2021.03.23	1.Proposal for appointing the Company's certified public accountants and determine fees	✓	
	2.Amendments to the Company's "Procedures for Acquisition or Disposal of Assets"	✓	
	3.Reassignment of the Company's Chairman's Office Assistant Vice President to Chief Financial Officer	✓	
	Opinions of Independent directors : None		
	Company's treatment of the opinions. : None		
2021.05.05	1.To revoke a cash capital injection of USD 8,800,000 in Multiwin de Mexico S.A. De C.V. through the subsidiary Multiwin Precision Ind Pte. Ltd.	✓	
	2.The capital increase of USD 10,200,000 in Multiwin De Mexico S.A. De C.V. through subsidiary Eson Precision	✓	

Meeting Date	The resolutions	Matters listed in Article 14-3 of "Securities and Exchange Act"	Independent Director had a dissenting opinion or qualified opinion
	Industry (Singapore) Pte. Ltd.		
	Opinions of Independent directors : None		
	Company's treatment of the opinions. : None		
2021.08.26	1.Approval of the capital increase of USD 15,000,000 for the establishment of a manufacturing subsidiary in central-northern Mexico through subsidiary Eson Precision Industry (Singapore) Pte. Ltd.	✓	
	Opinions of Independent directors : None		
	Company's treatment of the opinions. : None		
2022.03.18	1.Proposal for replacement of accounting supervisor of the Company.	✓	
	Opinions of Independent directors : None		
	Company's treatment of the opinions. : None		

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

B. 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

C. TWSE/TPEX listed companies shall disclose information such as evaluation cycle and period, evaluation scope, method and content of evaluation of the self-evaluation (or peer evaluation) of the Board of Directors:

(1) Evaluation implementation status of the Board of Directors:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once per year	2021.1.1-2021.12.31	Performance evaluation of the overall board of directors, individual board members, and functional committees (audit committee and remuneration committee)	Internal evaluation of the board. Self-evaluation by individual board members.	(Note 1)

Note 1: Evaluation content as follow:

(1) The Company shall take into consideration its condition and needs when establishing the criteria for evaluating the performance of the board of directors, which should cover, at a minimum, the following five aspects:

- 1.Participation in the operation of the company;
- 2.Improvement of the quality of the board of directors' decision making;
- 3.Composition and structure of the board of directors;
- 4.Election and continuing education of the directors; and
- 5.Internal control.

(2) The criteria for evaluating the performance of the board members (on themselves or peers), should cover, at a minimum, the following six aspects:

- 1.Alignment of the goals and missions of the company;
- 2.Awareness of the duties of a director;
- 3.Participation in the operation of the company;

- 4.Management of internal relationship and communication;
 - 5.The director's professionalism and continuing education; and
 - 6.Internal control.
- (3) The criteria for evaluating the performance of functional committees should cover, at a minimum, the following five aspects:
- 1.Participation in the operation of the company;
 - 2.Awareness of the duties of the functional committee;
 - 3.Improvement of quality of decisions made by the functional committee;
 - 4.Makeup of the functional committee and election of its members and
 - 5.Internal control.
- D. Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties.
- (1) Strengthening the functionality of the board of Directors
 - (a) The Board complies with the “Rules Governing the Conduct of Board Meetings” which has been established according to statutory regulations.
 - (b) The company elected three independent directors on December 31,2012. The Board also has established an Audit committee to assist the board in carrying out its various duties.
 - (2) Improve information transparency of the board of Directors: The company has spokesman and deputy spokesman to deal with suggestions from shareholders and appointed personnel in charge of disclosing the Market Observation Post system (MOPS)

3.3.2 Audit Committee

The Audit Committee assists the Board in fulfilling its oversight of the quality and integrity of the accounting, auditing, reporting, and financial control practices of the Company.

The Audit committee is responsible to review the following major matters:

- (1)The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- (2)Assessment of the effectiveness of the internal control system.
- (3)The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
- (4)Matters in which a director is an interested party.
- (5)Asset transactions or derivatives trading of a material nature.
- (6)Loans of funds, endorsements, or provision of guarantees of a material nature.
- (7)The offering, issuance, or private placement of equity-type securities.
- (8)The hiring or dismissal of a certified public accountant, or their compensation.
- (9)The appointment or discharge of a financial, accounting, or internal audit officer.
- (10)Annual and semi-annual financial reports.
- (11)Other material matters as may be required by this Corporation or by the competent authority.

1.A total of 4 (A) Audit Committee meetings were held in 2021. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent director	Kao, Chih-Chien	4	-	100.00	-
Independent director	Lin, Chih-Chung	3	1	75.00	-
Independent director	Lee, Chien-Ming	2	-	100.00	Note1
Independent director	Hu, Tung-Lai	2	-	100.00	Note1

Note 1: On July 7, 2021, the fifth board of directors was re-elected. The new directors include Lee, Chien-Ming. The original fourth director, Hu, Tung-Lai, expired and will not continue to be elected.

2.Other mentionable items:

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

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

Date	The resolutions	Matters listed in Article 14-5 of Securities and Exchange Act	Any resolution which was not approved by the Audit Committee but was approved by two-thirds or more of all Directors	Independent directors' objections, reservations or major suggestions
2021.03.23	1.The Company's 2020 business report and consolidated financial statements.	✓	None	None
	2.Approving 2020 Assessment of the effectiveness of the internal control system and Statement of Internal Control System.			
	3.Proposal for appointing the Company's certified public accountants and determine fees			
	4.Discussion of amendments to the Company's "Procedures for Acquisition or Disposal of Asset".			
	Resolution of Audit Committee: The Audit Committee unanimously approved the proposal.			
	The Company's response to the opinions from Audit Committee: The Board unanimously approved the proposal.			
2021.05.05	1.To revoke a cash capital injection of USD 8,800,000 in Multiwin de Mexico S.A. De C.V. through the subsidiary Multiwin Precision Ind Pte. Ltd.	✓	None	None
	2. The capital increase of USD 10,200,000 in Multiwin De Mexico S.A. De C.V. through subsidiary Eson Precision Industry (Singapore) Pte. Ltd.			

Date	The resolutions	Matters listed in Article 14-5 of Securities and Exchange Act	Any resolution which was not approved by the Audit Committee but was approved by two-thirds or more of all Directors	Independent directors' objections, reservations or major suggestions
	3.Reassignment of the Company's Chairman's Office Assistant Vice President to Chief Financial Officer Resolution of Audit Committee: The Audit Committee unanimously approved the proposal. The Company's response to the opinions from Audit Committee: The Board unanimously approved the proposal.			
2022.08.26	1.Approval of the capital increase of USD 15,000,000 for the establishment of a manufacturing subsidiary in central-northern Mexico through subsidiary Eson Precision Industry (Singapore) Pte. Ltd. Resolution of Audit Committee: The Audit Committee unanimously approved the proposal. The Company's response to the opinions from Audit Committee: The Board unanimously approved the proposal.	✓	None	None
2022.03.18	2.The Company's 2021 business report and consolidated financial statements. 3.Approving 2020 Assessment of the effectiveness of the internal control system and Statement of Internal Control System. 4.Proposal for replacement of accounting supervisor of the Company Resolution of Audit Committee: The Audit Committee unanimously approved the proposal. The Company's response to the opinions from Audit Committee: The Board unanimously approved the proposal.	✓	None	None

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

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

3.Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.) : The company set up an audit committee on October 31,2012. The Internal Auditors have sent the audit reports to the members of the Audit Committee periodically to improve information transparency. The Independent Directors examine the financial statements periodically. The communication channel between the Audit Committee and the Independent Auditors functioned well.

The communications between the independent directors, the internal auditors and the independent auditors are listed in the table below :

Date	Communications between the Independent Directors and the Internal Auditors	Communications between the Independent Directors and the Independent Auditors
2021.03.23	Reviewing the Internal Auditor's report Reviewing and approving 2020 Statement of Internal Control System	Reviewing key audit matters Reviewing regulatory developments
2021.05.05	Reviewing the Internal Auditor's report	
2021.08.26	Reviewing the Internal Auditor's report	Reviewing key audit matters Reviewing regulatory developments
2021.11.09	Reviewing the Internal Auditor's report Reviewing and approving the 2022 Internal Audit Plan	Reviewing key audit matters Reviewing regulatory developments
2022.03.18	Reviewing the Internal Auditor's report Reviewing and approving 2021 Statement of Internal Control System	Reviewing key audit matters Reviewing regulatory developments

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

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1.Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The company formulated and duly disclosed corporate governance best practice principles pursuant to the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies “. Corresponding norms and regulations are observed and implemented in accordance with the spirit of corporate governance. In the future, the company will continue to strengthen information transparency and board functionality through the amendment of relevant management regulations with the goal of promotion corporate governance.	No deviation
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?	✓		(1) The Company has designed the specialist to handle shareholders’ suggestions, disputes, etc. and coordinate the relevant departments for implementation.	No deviation
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(2) Stock service agency organization can be used to provide actual information and keep track of the shares held by directors, managers and shareholders who own more than 10% of shares.	No deviation
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		(3) All affiliates are independently responsible for the management of their assets and finances in accordance with the internal control system of the company to ensure the implementation of the risk control and firewall mechanism.	No deviation
(4) Does the company establish internal rules against insiders trading with undisclosed	✓		(4) The company has formulated “Procedures for Ethical Management and Guidelines for Conduct “against insiders trading with undisclosed.	No deviation
3.Composition and Responsibilities of the Board of Directors				
(1) Does the Board established a diversity policy, specific management goals and implemented it accordingly?	✓		(1) The board has formulated diversified policies with regard to membership composition. The company has also established three independent director positions. Kao, Chih-Chien, Lee, Chien-Ming and Lin, Chih-Chung currently serve as independent directors. Lin, Chih-Chung has a legal background, while Kao, Chih-Chien is a finance and accounting specialist and Lee, Chien-Ming has professor of department of Resource management background. The three independent directors set up household registration in Taiwan. The company disclose the Board develop a diversified policy for the	No deviation °

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		composition of its members on its website and the Market Observation Post System (MOPS) (2) The company establish a Human Resources Committee in addition to the Remuneration Committee and the Audit Committee and will consider adding ones while it is necessary in the future.	No deviation
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually, report the results of the performance appraisal to the board of directors and apply the results for reference regarding individual directors’ remuneration and re-appointments	✓		(3) The company has formulated rules procedures for governing the board performance evaluation on March. 22,2019. The board committee's charters shall be subject to review at least once a year as part of the Company's regulations governing performance evaluation for internal committees. Internal board performance evaluations shall be completed before the end of the first quarter of the following year. The company shall take into consideration its condition and needs when establishing the criteria for evaluating the performance of the board of directors, which should cover, at a minimum, the following five aspects: 1.Participation in the operation of the company; 2.Improvement of the quality of the board of directors' decision making; 3.Composition and structure of the board of directors; 4.Election and continuing education of the directors; and 5.Internal control. The criteria for evaluating the performance of the board members (on themselves or peers), should cover, at a minimum, the following six aspects: 1.Alignment of the goals and missions of the company; 2.Awareness of the duties of a director; 3.Participation in the operation of the company; 4.Management of internal relationship and communication; 5.The director's professionalism and continuing education; and 6.Internal control. The criteria for evaluating the performance of functional committees should cover, at a minimum, the following five aspects: 1.Participation in the operation of the company;	No deviation

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company regularly evaluate the independence of CPAs?	✓		<p>2.Awareness of the duties of the functional committee; 3.Improvement of quality of decisions made by the functional committee; 4.Makeup of the functional committee and election of its members and 5.Internal control.</p> <p>The units performing evaluations will collect information about the activities of the board of directors and distribute self-evaluation questionnaires. When electing or nominating members of the board of directors, the Company shall base its election on the evaluation results of the performance of the board and shall base its determination of an individual director's remuneration on the evaluation results of his or her performance</p> <p>The unit responsible for evaluation or the secretariat of the board will collect all information, give scores based on the evaluation, record the evaluation results in a report, and submit the report to the board of directors for discussion and improvement.</p> <p>The 2021 board performance evaluation is carried out by the Secretariat of the Board (STB) in early 2022. STB collect related information about activities of the board of Directors and distribute “the Questionnaire of self-Evaluation of Performance of the Board “to Board members for self-evaluation. The evaluation period is from Jan. 1 to Dec. 31, 2021, the evaluation scoop includes whole board of directors, individual board members, and functional Committee: Audit committee and Remuneration Committee. When nomination members of the board of directors, the company will base its election on the evaluation results of individual Board member. The result has been reported to the Board of Directors on Mar. 18, 2022.The operation of CTCI’s Board of Directors is evaluated very good on the result of the 2021 board performance evaluation.(1poor,2fair,3good,4very good,5excellent)</p> <p>(4) The accounting department implements a self-evaluation of the independence of certified public accountants. Evaluation results were reported to the Audit Committee and Board of Directors on March 18, 2022 for their review and approved accordingly. The accounting department of evaluated CPA Huang,</p>	No deviation

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			Yi-Min and Shyu, Wen-Yea of Deloitte & Touche. Both CPAs conform to the standards of independence established by the company(Note1) and are capable of serving as independent auditors of the company. The company required certified accountants to provide a signed Declaration of Independence.	
4.Does the TWSE/TPEX listed company been equipped with competent and appropriate numbers of corporate governance personnel, and designated a CGO responsible for corporate governance-related affairs (including but not limited to providing directors and supervisors with the information required for business execution, assisting directors and supervisors with legal compliance, handling matters related to board meetings and shareholders meetings in accordance with the law, and producing meeting minutes for board of directors meetings and shareholders meetings)?	✓		<p>The company appointed Liu, Li-Ling of Manager for a chief corporate governance officer by the board of directors on March 19, 2020. The governance officer Liu, Li-Ling shall be a qualified for at least three years in a public company in handling legal affairs, financial affairs, stock affairs, or corporate governance affairs.</p> <p>It is required that the corporate governance affairs mentioned include handling matters relating to board meetings and shareholders meetings according to laws, producing minutes of board meetings and shareholders meetings, assisting in onboarding and continuous development of directors and supervisors, furnishing information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, other matters set out in the articles or corporation or contracts.</p> <p>The main duties of this year are as follows</p> <ol style="list-style-type: none"> 1. Develop appropriate corporate mechanisms and organizational structures to promote the independence of the board of directors, and fulfillment of operation transparency, regulatory compliance, and internal audit of internal control. ° 2. Consult director’s opinions before planning and formulating the board meeting agenda, and notify all directors to attend the meeting with sufficient meeting information provided at least even days before the meeting held in order to help directors understand the content of relevant issues. If the content is related the interested parties and should Be avoided at least seven days before the meeting held in order to help directors understand the content of relevant issues. If the content is related to the interested parties and should be avoided, they will be reminded beforehand. 3. Register the date of annual shareholder’s meeting before due date in accordance with law, and report meeting notice, meeting manual and 	No deviation

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>meeting minute before deadline, as well as report the change of registration upon the amendment of articles and re-election of directors.</p> <p>4. Reviews the annual corporate governance appraisal index published by corporate governance center, and screen item-by-item to ensure the achievement.</p> <p>The corporate governance affairs training records: Note 2</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 in terms of corporate social responsibilities?	✓		The company has established a stakeholder section on the company has established a stakeholder identity, issues which have been concerned by major stakeholders and provide the channel for communication.	No deviation
6.Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company engaged Registrar & transfer Agency department of Grand Fortune Securities Co., Ltd. to host annual general shareholders’ meeting.	No deviation
7.Information Disclosure				
(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(1) The company has set up a website to disclose information regarding the company’s financials and business.	No deviation
(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)?	✓		(2) The company has set up a Chinese/English website to disclose financials, business and corporate governance status. The company has established a spokesman system. Investor conference information is disclosed on the corporate website according to the regulation of TWSE.	No deviation
(3) Does the Company announce and report the annual financial report as early as possible within two months after the end of the fiscal year, and announce and report the first, second and third quarter financial reports and the operating status of each month as early as possible before the required deadlines?		✓	(3) The company announces and reports annual financial statements, Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit.	To announce and report financial reports before the required deadlines.
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,	✓		(1) The Company emphasizes employee rights and open communication channels, and provides ample education training and reasonable compensation and welfare measures. °	No deviation

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
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)?			(2) The Company maintains open communication channels and information exchange for investors and other stakeholders, and respects and protects their entitled rights and interests. (3) The Company maintains a good relationship with both suppliers and customers and seeks mutually beneficial growth through cooperation. (4) The Company has established various internal control systems and internal management rules in accordance with laws and regulations. The audit room submits an audit plan based on risk assessment to the Board of Directors for approval. The actual audit situation and report are submitted to the audit committee for review. In addition, after completing the internal control self-assessment for the year, the relevant departments of the Company will report a statement on internal control on a yearly basis according to the Taiwan Stock Exchange and disclose the statement in the annual report of the shareholders' meeting. (5) The company annually purchases insurance for directors. The company didn't set up supervisors. (6) Directors’ training records : Note 3	

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.

(1) Situation after Improvement:

Item	Evaluation Item	Specific Improvements
3.2	Does the company simultaneously announce material information in English?	The company simultaneously announce material information in English since 2021.

(2) Measures Adopted for Improvement:

Item	Evaluation Item	Specific Improvements
1.3	Did more than half of the directors (including at least one independent director) and the audit committee convener (or at least one supervisor) attend the AGM in person, and did the company disclose in the minutes the names of those who attended?	The annual general shareholders’ meeting was attended in person by at least half of the directors (including at least one independent director) since 2022.
1.15	Did the company adopt bylaws prohibiting insiders, including directors and employees, from using information not available in the market for personal gain, and were those bylaws and the status of their implementation disclosed on the company's website?	Education and training have been disclosed on the corporate website since 2022

Note 1 : Assessment criteria of accountant's independence

Assessment	Assessment Result(Y/N)	Independence(Y/N)
Does the designated accountant not have direct or indirect financial interest relationship with the Company?	N	Y
Does the designated accountant have a financing or guarantee relationship with the Company or any director of the Company?	N	Y
Does the designated accountant have close business relationship or potential employment relationship with the Company?	N	Y
Does / Did the designated accountant currently/ in the recent two years serve as a director, manager of the Company or play a role having significant influence on the audit case?	N	Y
Does the non-audit service that the firm of the designated accountant offered to the Company not have direct influence on any important items of the audit case?	N	Y
Does the designated accountant promote or act as an intermediate for the shares or other securities issued by the Company?	N	Y
Does the designated accountant serve as the advocate of the Company nor as the representative of the Company to mediate the dispute between the Company and any third party?	N	Y
Does the designated accountant have kinship with any director, supervisor, or manager of the Company or the person having significant influence on the audit service?	N	Y
The CPA receives any kind of commission	N	Y
The CPA provides other non-attestation services that affect his or her independence	N	Y

Note 2 : The corporate governance affairs training records:

Title	Name	Study period	Training hours	Sponsoring Organization	Course
Chief Corporate Governance Officer	Liu, Li-Ling	2021.01.21	3	Taiwan Stock Exchange	The Impact of the Latest Tax Reforms on Business Operations and the Response
		2021.09.01	6	Financial Supervisory Commission	The Value of Cybersecurity in the Post-Pandemic Era and Under the US-China Trade War
		2021.09.17	3	Corporate Operation Association	Audit and Control Practices of Enterprise Cost Saving and Competitive Strategy
		2021.09.24	3	Accounting Research and Development Foundation	Practical Workshop for Directors, Supervisors (Independent Directors) and Corporate Governance Officers - Taipei Class

Note 3 : Directors' training records:

Title	Name	Study period	Training hours	Sponsoring Organization	Course
Chairman	Tsai, Chia-Hsiang	2021.09.30	3	Securities & Futures Institute	The Impact of the Latest Tax Reforms on Business Operations and the Response
		2021.10.29	3	"	The Value of Cybersecurity in the Post-Pandemic Era and Under the US-China Trade War
Director of Representative	Hsiung Ping-Cheng	2021.10.20	6	Accounting Research and Development Foundation	Audit and Control Practices of Enterprise Cost Saving and Competitive Strategy
Director of Representative	Lee, Kuang-Yao	2021.11.23~ 2021.11.24	12	Securities & Futures Institute	Practical Workshop for Directors, Supervisors (Independent Directors) and Corporate Governance Officers - Taipei Class
Director of Representative	Lee, Wei-Kang	2021.11.23~ 2021.11.24	12	"	Practical Workshop for Directors, Supervisors (Independent Directors) and Corporate Governance Officers - Taipei Class
Independent director	Lin, Chih-Chung	2021.10.15	3	The National Federation of CPA Associations of the R.O.C.	Sales Tax for Non-Profit Organizations
		2021.10.19	3	"	Anti-Money Laundering and Corporate Fraud
		2021.10.29	3	"	Taxation Related to the Valuation of Tangible and Intangible Assets
		2021.10.27	3	"	Company Registration in Practice
Independent director	Kao, Chih-Chien	2021.09.27	3	"	Seminar on Inventory Auditing Practices
		2021.09.28	3	"	ESG Disclosure Guidelines
		2021.10.12	3	"	Enabling Family Enterprise Services
		2021.11.01	3	"	Analysis of ESG Benefits for Businesses
Independent director	Lee, Chien-Ming	2021.10.02	3	Accounting Research and Development Foundation	Corporate Sustainability Policy and Climate Governance
		2021.10.16	3	"	ESG Sustainable Finance Trends and Response Strategies
		2021.10.23	3	"	Enhancing Strategic Business Capabilities through ESG
		2021.11.01	3	"	Analysis of ESG Benefits for Businesses

3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

1. The Remuneration Committee consists of three Independent Directors with approval by the board of directors on April 30, 2013. The members evaluate and determine the remuneration of directors and managers.

Professional Qualifications and Independence Analysis of Remuneration Committee Members

Condition Name	Professional qualifications and Experiences	Independence status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	Note
Independent Director Kao, Chih-Chien	Please refer to 4. Disclosure of professional qualifications of directors and independence of independent directors on page 10 for the relevant content.	All of the following situations apply to each and every of the Independent Directors: 1. Satisfy the requirements of Article 14-2 of "Securities and Exchange Act" and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" issued by Taiwan's Securities and Futures Bureau 2. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any Eson shares 3. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service"	3	-
Independent Director Lin, Chih-Chung			-	-
Independent Director Lee, Chien-Ming			-	-

2. The Remuneration Committee charter has the approval by the board of directors on April 30, 2013. The Remuneration Committee shall perform the following functions honestly with due diligence and submit their motions to the Board of Directors for discussion.

- (1) Determine and periodically review the performance appraisal on directors and managers, and remuneration policy, system, standard and structure.
- (2) Periodically evaluate and determine the remuneration for directors and managers.

3. A total of 3 (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows

(1)The Remuneration Committee consists of three Independent Directors

(2)The tenure of office is from July 7,2021 to July 6,2024.

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B/A 】	Remarks
Convener	Lin, Chih-Chung	2	1	66.66	-
Committee Member	Kao, Chih-Chien	3	-	100.00	-
Committee Member	Lee, Chien-Ming	2	-	100.00	Note1
Committee Member	Hu, Tung-Lai	1	-	100.00	Note1

Note 1: On July 7, 2021, the fifth board of directors was re-elected. The new directors include Lee, Chien-Ming. The original fourth director, Hu, Tung-Lai, expired and will not continue to be elected.

(3)Other mentionable items:

- A. 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.
- B. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.
- C. The resolutions of the Remuneration Committee and the Company's response to the Audit Committee's opinion should be specified in recent year

Date	The resolutions	Remuneration Committee resolutions	The Company's handling of the opinions of the Remuneration Committee
2021.03.23	1. 2020 Remuneration of employees and directors.	Unanimously approved by all the members in attendance	mitted to the Board of Directors for approval by all the directors in attendance
	2. The Company's Chairman's Office Assistant Transfer to the Chief Financial Officer		
	3. The bonus of management		
2021.08.26	1. The remuneration of directors	Unanimously approved by all the members in attendance	Submitted to the Board of Directors for approval by all the directors in attendance
	2. The Chairman of the company concurrently serves as the General Manager		
	3. Promote the company's associate-level supervisor		

Date	The resolutions	Remuneration Committee resolutions	The Company's handling of the opinions of the Remuneration Committee
	to senior deputy general manager		
2021.11.09	1. 2020 Remuneration of management	Unanimously approved by all the members in attendance	Submitted to the Board of Directors for approval by all the directors in attendance
	2. The bonus of management		
2022.03.18	1. 2021 Remuneration of employees and directors	Unanimously approved by all the members in attendance	Submitted to the Board of Directors for approval by all the directors in attendance
	2. Promote the company's associate-level supervisor to senior deputy general manager		

3.3.5 Fulfillment of CSR and Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1.Does the Company establish a governance structure to promote sustainable development, established a dedicated (part-time) unit to promote sustainable development; and did the Board of Directors authorize senior management to handle it and report the supervisory status to the Board of Directors?		✓	At present, the Company has not set up relevant units to promote sustainable development,. Each department tries its best to fulfill corporate social responsibility according to its position and scope of work, and reports to higher management level at any time regarding important matters.	The company will implement such policy in accordance with applicable laws in the future.
2.Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?		✓	The company has instituted the "Corporate Social Responsibility Best Practice Principles "for the pursuit of corporate social responsibility to the effect that factors like environmental protection social responsibility, and corporate governance are incorporated into the management policy and business activities of the Company while going for pursuing sustainable development and profits.	The company will implement such policy in accordance with applicable laws in the future.
3.Environmental issues				
(1) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		(1) Although the Company has not yet established an environmental management system, it fully complies with the ROHS regulations in the use of the main raw materials, and also bans the use of hazardous substances specified in the directives during production to reduce the environmental impact.	No deviation
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(2) To efficiently use various resources, the Company will install wastewater treatment equipment and discharge water recovery treatment system for wastewater treatment to reuse water resources and reduce the impact of environmental load.	No deviation
(3) Does the Company assess the potential risks and opportunities climate change brings to the Company, now and in the future, and take measures to respond to climate-related issues?	✓		(3) Countries around the world should bear joint responsibility in heading climate change and lessening greenhouse effects, and continue supporting the reduction of emissions to fulfill social responsibility. Electric power consumption is one of the main sources of greenhouse gases. To achieve carbon reduction, the Company's main management policy is energy management, encouraging lower energy consumption to cut down emissions. Also, the decommissioning of older machines is expedited and robots are introduced to control energy consumption. Promote and explain the Company's annual management policy during employee meetings, and discuss issues on related social	No deviation

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?		✓	responsibilities, along with explanations, regularly during monthly meetings. (4) The Company promoted energy conservation and carbon reduction, and formulated measures such as turning off the lights when not in use, controlling AC temperatures, selecting energy-saving light sources and clean energy, and promoting concepts via slogans and posters.	The company will implement such policy in accordance with applicable laws in the future.
4.Social issues				
(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1) The Company formulates work rules in accordance with relevant labor regulations, clearly regulates various labor conditions, protects the legitimate rights, and interests of employees, and establishes a complaints window and response team. Employees can reflect opinions at any time via e-mail or mailbox, and obtain fair and reasonable treatment.	No deviation
(2) Does the Company formulate and implement reasonable employee benefits measures (including compensation, leaves and other benefits), and appropriately reflect operational performance or achievement in employee compensation?	✓		(2) The Company established clear and effective reward and punishment rules, the “Regulations Governing Employee Salary”, and the “Regulations Governing Performance Evaluation and Review,” to reflect operation effect and results in employee compensation	No deviation
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(3) The Company has obtained the OHSAS 18001 Occupational Health and Safety Management System Certification and is in compliance with relevant regulations. The Company regularly implements safety and health education for employees to improve the safety and sanitation of their work environment.	No deviation
(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓		(4) The company regularly and timely hold communication meetings to inform employees of operational changes that may have a significant impact.	No deviation
(5) Does the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are	✓		(5) The Company comply with relevant laws, regulations, and international standards with respect to customer health and safety, customer privacy, marketing and labeling of products and services, and develop relevant consumer interest’s protection	No deviation

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
relevant consumer protection and grievance procedure policies implemented? (6) Does the Company formulate a supplier management policy that requires suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and its implementation situation?	✓		policies and complaint procedures (6) The Company and its subsidiaries and the supplier conduction business transactions with the suppliers in conformity to the procedures for the control of suppliers, and evaluation the suppliers through the annual supplier conference and supplier evaluation mechanisms.	No deviation
5.Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as Corporate Sustainability Report? Do the reports above obtain assurance from a third party verification unit?		✓	The company and subsidiaries have not yet mapped our any plan on corporate social responsibility and the plan of compiling Corporate Sustainability Report.	The company will implement such policy in accordance with applicable laws in the future.
6.Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies: The Board of Directors of the Company has passed the corporate social responsibility code of practice. The Company will fulfill corporate social responsibilities and implement according to the directions.				
7.Other useful information for explaining the status of corporate social responsibility practices:				
(1) The Company has participated in the establishment of charitable associations to provide regular financial assistance to vulnerable groups such as nursing homes and low-income households.				
(2) Passed certification:				
	Item	Certification Date	Valid Period	
	ISO14001:2015	2004/10/1	2019/10/15	2022/9/30
	ISO9001:2015	1997/4/1	2020/3/27	2023/3/31
	ISO9001:2015	2015/12/9	2021/10/15	2024/12/8
	ISO9001:2015	2020/7/31	2020/7/31	2023/7/30
	ISO14001:2015	2013/12/26	2021/1/27	2022/10/22
	ISO45001:2018	2013/12/26	2021/1/27	2022/12/26
	IATF16949:2016	2020/4/14	2020/4/14	2023/4/13
	IECQ	2020/9/23	2020/9/23	2023/9/23
	ISO14001:2015	2009/4/3	2021/9/2	2024/9/13
	ISO9001:2015	2009/3/12	2021/9/2	2024/9/13
	IATF16949:2016	2021/9/9	2021/9/9	2024/9/8
	ISO9001:2015	2021/11/29	2021/11/29	2024/11/29

3.3.6 Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1.Establishment of ethical corporate management policies and programs				
(1) Does the Company formulated an ethical management policy approved by the board of directors, and clearly stated the policies and practices of ethical management, and the commitment to actively implement management policies by the board of directors and senior management in the regulations, rules, and external documents?	✓		(1) The Company has established an ethical code of conduct that sets out the relevant rules to align the conduct of the Company's directors and managers with ethical standards and to enable stakeholders to better understand the Company's ethical code of conduct.	No deviation
(2) Does the Company established an evaluation mechanism for the risk of dishonest behaviors, regularly analyzed and evaluated business activities with a higher risk of dishonest behaviors in the business scope, and thus formulated a plan to prevent dishonest behaviors, which at least covered the preventive measures provided in Subparagraphs of Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies?	✓		(2) In the prevention plan, the Company specifically stipulates that the Company's personnel should prohibit bribery, illegal political contributions, improper charitable donations or sponsorships, and unreasonable gifts, hospitality or other improper benefits when conducting business. Education and training related to business integrity (including compliance with ethical business integrity regulations, taxation, auditing systems and internal controls) conducted by the Company with 4,321 person, a total of 8,332 hours.	No deviation
(3) Does the Company clearly set out the operating procedures, behavior guidelines, punishment, and complaint system for violations in the plan to prevent dishonest behaviors, and implemented and regularly reviewed and amended the aforesaid plan?	✓		(3) In the aforementioned specifications, the Company defined behavioral guidelines for conflicts of interest, confidentiality of customer information, and business dealings, and regularly or timely promotes education and training so that employees can truly understand and comply.	No deviation
2.Fulfill operations integrity policy				
(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	✓		(1) The Company has specified the "Customer Credit Management Operations" and “Supplier Control Procedures” to prevent exchange with those who do not meet the standards or reduce the transaction amount; In addition, the terms of good faith have been specified in the commercial contract.	No deviation
(2) Does the Company set up a dedicated unit under the board of directors to promote ethical corporate management, and regularly (at least once a year) reported to the board of directors	✓		(2) The Company has set up the audit office directly under the Board of Directors, and reports to the Board of Directors regularly or irregularly. If employees find any relevant breach of corporate integrity, they should also	No deviation

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>regarding its ethical management policy, its plan to prevent dishonest behaviors, and supervised the implementation status?</p> <p>(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(4) Has the Company established an effective accounting system and internal control system for the implementation of ethical management, and had the internal audit unit draw up relevant audit plans based on the evaluation results of the dishonest behavior risks to check the compliance status of the plan to prevent dishonest behaviors or commission a CAP conducting an audit?</p> <p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>report to the audit office or relevant units in accordance with regulations to timely handle the matter.</p> <p>(3) The Company has established procedures for dealing with conflicts of interest in the aforementioned specifications.</p> <p>(4) The Company has established an accounting system and an internal control system, and internal auditors will conduct audit operations on a regular or irregular basis.</p> <p>(5) The Company promotes corporate culture and integrity management obligations through various conferences.</p>	<p>No deviation</p> <p>No deviation</p> <p>No deviation</p>
<p>3.Operation of the integrity channel</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the Company established the standard operating procedures for investigations after accepting reports, the follow-up measures to be taken after the investigation is completed, and related confidentiality mechanisms?</p> <p>(3) Does the company provide proper whistleblower protection?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has the "Employee Communication and Complaint Management Methods" and "EICC Code of Conduct" with special mailboxes for employees and external personnel, which are handle by designated personnel with specific rewards (merit records and cash rewards).</p> <p>(2) The Company has established standard operating procedures for investigating reported cases and related confidentiality mechanism in accordance with specific reporting and reward systems.</p> <p>(3) The company agrees to take measures to protect the prosecutor from improper treatment due to the report, and is willing to discuss relevant protection measures.</p>	<p>No deviation</p> <p>No deviation</p> <p>No deviation</p>
<p>4.Strengthening information disclosure</p> <p>(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?</p>	<p>✓</p>		<p>(1) The company has set up a website, and will gradually build up the disclosure of information related to integrity management in the future.</p>	<p>No deviation</p>

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
5.If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. The company has established an integrity management code and implemented the contents thereof.				
6.Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies). The company signs a “vendor commitment letter” with the supplier, stating that the supplier should ensure that business activities are carried out in a transparent and fair manner. Transactions with clients shall be carried out with honesty. Notes shall be added to the trading contract as appropriate to show the company's determination to operate with integrity.				

3.3.7 Corporate Governance Guidelines and Regulations

Please refer to the Company’s website at www.eson.com.cn

3.3.8 Other Important Information Regarding Corporate Governance

None

3.3.9 Internal Control Systems

1. Declaration of Internal Control

Eson Precision Ind. Co., Ltd.
Internal Control System Statement

Date: 3/18/2022

The Company states the following with regard to its internal control system during fiscal year 2021, based on the findings of self-assessment:

1. The Company is fully aware that establishing, operating, and maintain an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), the reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, and effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. However, the internal control system of the Company contains self-monitoring mechanisms, the Company takes corrective actions as soon as a deficiency is identified.
3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the “Regulations”). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1.control environment 2.risk assessment 3.control activities 4.information and communications 5.monitoring activities. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that as of 12/31/2021 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, the reliability, timeliness, transparency, and regulatory compliance of the reporting, and compliance with applicable laws, regulations, and bylaws, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.
6. This Statement will become a major part of the content of the Company’s Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors Meeting of the Company held on 3/18/2022, where 0 of the 7 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Eson Precision Ind. Co., Ltd.
Chairman/President: Tsai, Chia-Hsiang
General Manager: Tsai, Chia-Hsiang

2. For the CPAs specifically commissioned to review the internal control system, the Independent Auditor's Report should be disclosed: None.

3.3.10 The punishment rendered to the Company and its internal staff lawfully, the disciplinary action brought against the internal personnel who had violated the internal control system, and the major nonconformities and the corrective action in the most recent year and up to the printing date of the annual report: None

3.3.11 Major Resolutions of Shareholders' Meeting and Board Meetings

1. Shareholders' meeting

Date	Major resolutions
2021.07.07	<p>1. Adoption of the 2020 Business Report and Financial Statements. Execution : Resolution passed.</p> <p>2. Adoption of the Proposal for Distribution of 2020 Profits. Execution : To resolve August 31, 2021 as dividend record date and September 27, 2021 as cash dividend distribution date. (a cash dividend of NT\$1.7 per share).</p> <p>3. Amendment to the "Articles of Incorporation" . Execution : Resolution passed.</p> <p>4. Amendment to the "Procedures for Acquisition or Disposal of Asset" . Execution : Resolution passed.</p> <p>5. Amendments to the Company's "Rules for Election of Directors" . Execution : Resolution passed.</p> <p>6. Approval of amendments to the Company's procedures for "Rules of Procedure for Shareholders Meetings" Execution : Resolution passed.</p> <p>7. Re-election of directors. Execution : There are seven seats of directors (including three independent directors) for the fifth board of directors</p> <p>8. Approve the lifting of non-competition restrictions for directors and representatives. Execution : Resolution passed.</p>

2. Board meeting

Date	Major resolutions
2021.03.23	<p>1. Approval of the 2020 Remuneration of employees and directors.</p> <p>2. Approval of the 2020 Business Report and Consolidated Financial Statement.</p> <p>3. Approval of the 2020 Assessment of the effectiveness of the internal control system and statement of internal control system.</p> <p>4. Approval of periodically evaluate CPA's independent.</p> <p>5. Approval of the Company's certified public accountants and determine fees.</p> <p>6. Approval of amendments to the Company's procedures for "Rules for Election of Directors".</p> <p>7. Approval of amendments to the Company's procedures for "Rules of Procedures for Shareholders Meetings".</p> <p>8. Approval of amendments to the Company's procedures for "Procedures of Acquiring of Disposing of Assets".</p> <p>9. Approval of the 2021 distribution of 2020 profit.</p> <p>10. Approval of re-election of directors.</p> <p>11. Approval of the convening of the 2021 General Shareholders' Meeting.</p> <p>12. Approval of the reassignment of the Company's Chairman's Office Assistant Vice</p>

Date	Major resolutions
	President to Chief Financial Officer 13.Approval of the bonus of management. 14.Board's Resolution to appoint the acting President of ESON. 15.Appointment of Spokesperson.
2021.05.05	1.Approval of amendment to the ‘Articles of Incorporation’. 2.Approval of nomination of the company’s Directors (including independent directors). 3.Approval of the lifting of non-competition restrictions for directors and representatives. 4.Approval of the convening of the 2021 General Shareholders’ Meeting. (Agenda new added) 5.Approval of the revocation of the capital increase of USD 8,800,000 in Multiwin De Mexico S.A.De C.V subsidiary Multiwin Precision Ind. Pte. Ltd. on November 10, 2020. 6.Approval of the capital increase of USD 10,200,000 in Multiwin De Mexico S.A. De C.V. through subsidiary Eson Precision Industry (Singapore) Pte. Ltd. 7.Approved the case of signing a house lease contract between the company and the related person Tsai, Chia-Hsiang.
2021.06.18	1.Approval of the reordering of the 2021 General Shareholders’ Meeting.
2021.07.07	1.Approval of the electing of the 5 th chair man of the board of directors. 2.Approval of the employment of the member of the remuneration committee.
2021.08.26	1.Approval of the regulation of the “Preparation Process of the Financial Statement” . 2.Approval of the Company’s “Internal Control System-Non Transaction Cycle” . 3.Approval of the regulation of the “Transactions With Related Parties” . 4.Approval of the Company’s “Operating Procedure of Group enterprise, Specific company and Transactions with related parties” . 5.Approval of the 2021Q2 Financial Statements. 6.Approval of the 2021 remuneration of directors. 7.Approval of sign Letter of Support for Citi bank. 8.Capital increase of USD 15,000,000 for the establishment of a manufacturing subsidiary in central-northern Mexico through subsidiary Eson Precision Industry (Singapore) Pte. Ltd. 9.Approval of the Chairman of the company concurrently serves as the General Manager 10.Approval of the Associate Director Promoted to Deputy General Manager.
2021.11.09	1.Approval of the Company’s 2022 audit plan. 2.Approval of the Company’s 2022 operation plan. 3.Motion 7 was passed by a resolution of the Board of Directors on August 26, 2021, to designate “Citigroup Inc. and each subsidiary or affiliate” as the signatory with no change to the contents of previously signed Letter of Support and other documents. 4.Approval of 2020 Remuneration of management. 5.Approval of the bonus of management.
2022.03.18	1.Approval of the 2021 Remuneration of employees and directors. 2.Approval of replacement of CPA 3.Approval of the 2021 Business Report and Consolidated Financial Statement. 4.Approval of the 2021 Assessment of the effectiveness of the internal control system and statement of internal control system. 5.Approval of periodically evaluate CPA’s independent. 6.Approval of the 2022 distribution of 2021 profit. 7.Approval of replacement of accounting supervisor of the Company.

Date	Major resolutions
	8.Approval of amendment to the ‘Articles of Incorporation’. 9.Approval of the convening of the 2022 General Shareholders’ Meeting. 10.Approval of the promotion of the Company’s Assistant Supervisor to Senior Vice-General Manager

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

None

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

Title	Name	Date appointed	Date dismissed	Reason for resignation or dismissal
President	Hsiao, I-Hung	2019.8.27	2021.3.23	Personal career planning
Acting President	Chen, Chao-Hua	2021.3.23	2021.8.26	Position adjustment
Accounting Supervisor	Liu, Kun Guang	2020.3.19	2022.3.18	Position adjustment

3.4 Information Regarding CPA Fees

Accounting Firm	Name of CPA		Period Covered by CPA’s Audit	Audit Fee	Non-audit Fee	Total	Remarks
Deloitte & Touche	Wu, Ke-Chang	Chiu, Ming-Yu	2021.01.01-2021.12.31	7,250	1,450	8,700	-

3.4.1 Non-inspection fees for CPAs, accounting firms, and its affiliates account for over one quarter of inspection fee:

None

3.4.2 Replacement of accounting firm and auditing fee for the replacement year is lower than amount in the year prior to the replacement:

None

3.4.3 Auditing fee decreases by over 15% from the previous year:

None

3.4.4 Non-audit fees include System Design, Translation of English Financial Statements and tax compliance audit.

3.5 Information on Change of CPA

3.5.1 Regarding the former CPA

Replacement Date	2022.03.18
Replacement reasons and explanations	Due to internal personnel rotation of accounting firm.
Describe whether the Company terminated or the CPA did not accept the appointment	None
Other issues (except for unqualified issues) in the audit reports within the last two years	None
Differences with the company	None
Other Revealed Matters	None

3.5.2 Regarding the successor CPA

Name of accounting firm	Deloitte & Touche
Name of CPA	Wu, Ke-Chang, Chiu, Ming-Yu
Date of appointment	2022.03.18
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

3.5.3 Reply letter from the previous CPA to the 3 items in Item 1 and Item 2, Subparagraph 5, Article 10 of the Guidelines for the Preparation of Annual Reports:

None.

3.6 Whether the Company's chairman, presidents, and managers in charge of its financial and accounting operations have held any positions in Company's independent auditing firm or its affiliates business in the most recent year :

None

3.7 Particulars about Change in shareholding and shares pledge of directors, managers and major shareholders who own 10% or more of ESON's Shares during the most recent year and as of the date of this Annual Report.

3.7.1 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2021		As of Apr. 26, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Ace Progress Holdings Limited	-	-	-	-
	Representative : Tsai, Chia-Hsiang	-	-	-	-
Director	Ace Progress Holdings Limited	-	-	-	-
	Representative : Hsiung Ping-Cheng	-	-	-	-
Director	Golden Harvest Management Limited	-	-	-	-
	Representative : Lee, Kuang-Yao	-	-	-	-
Director	Golden Harvest Management Limited	-	-	-	-
	Representative : Lee, Wei-Kang	-	-	-	-
Independent Director	Kao, Chih-Chien	-	-	-	-
Independent Director	Lin, Chih-Chung	-	-	-	-
Independent Director	Lee, Chien-Ming	-	-	-	-
Vice President	Chen, Tsui-ling	-	-	-	-
Chief Financial Officer/ Accounting Supervisor	Lin, You Ching	-	-	-	-
Manager	Liu, Li-Ling	-	-	-	-

3.7.2 The counterparty of equity transfer is a related party:

None

3.7.3 The counterparty of equity pledge is a related party:

None

3.8 The Relations of the Top Ten Shareholders

As of Apr 26,2022 ; Unit: 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	
Golden Harvest Management Limited	44,613,345	26.47%	-	-	-	-	-	-	-
Representative : Lee, Kuang-Yao	-	-	-	-	-	-	-	-	-
Ace Progress Holdings Limited	15,351,375	9.11%	-	-	-	-	-	-	-
Representative : Tsai, Chia-Hsiang	-	-	-	-	-	-	-	-	-
TS Bank in custody- Actmax International Limited	9,365,000	5.56%	-	-	-	-	-	-	-
Standard Chartered bank in custody- Liechtenstein bank	7,198,000	4.27%	-	-	-	-	-	-	-
TS Bank in custody- Megaworld Development Ltd.	5,162,000	3.06%	-	-	-	-	-	-	-
Legend Company Ltd.	2,841,078	1.69%	-	-	-	-	-	-	-
Representative : WU DEAN	-	-	-	-	-	-	-	-	-
Hung, Chih-Ting	1,669,000	0.99%	-	-	-	-	-	-	-
Hsieh, Te-Tsung	1,059,000	0.63%	-	-	-	-	-	-	-
Chu, Ming-Chang	1,240,000	0.61%	-	-	-	-	-	-	-
Standard Chartered bank in custody-LGT Bank Singapore	838,000	0.50%	-	-	-	-	-	-	-

3.9 Long-Term Investment Ownership

As of April 26,2022 ; Unit: shares

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Multiwin Precision Ind Pte. Ltd.	19,800,001	100.00	-	-	19,800,001	100.00
Global Sun Trading Co., Ltd.	2,810,000	100.00	-	-	2,810,000	100.00
All Spacer Enterprises Co., Ltd.	6,300,000	100.00	-	-	6,300,000	100.00
Multiwin de Mexico S.A.de C.V.	841,732	100.00	-	-	841,732	100.00
Heng Xie Enterprises Limited	495,280,151	100.00	-	-	495,280,151	100.00
Eson Europe S.R.O.	Note 1	100.00	-	-	Note 1	100.00
Grand Liberty Co., Ltd.	24,100,000	100.00	-	-	24,100,000	100.00
Ample Wealth Enterprise Ltd.	1	100.00	-	-	1	100.00
Zeal International Co., Ltd.	1	100.00	-	-	1	100.00
Eson Precision Industry (Singapore) Pte. Ltd.	19,000,000	100.00	-	-	19,000,000	100.00
Eson (VN) Precision Industry Co., Ltd.	Note 1	100.00	-	-	Note 1	100.00
Eson Precision Engineering (Malaysia) Sdn. Bhd.	31,000,000	100.00	-	-	31,000,000	100.00
Eson Batupahat Precision Engineering Sdn. Bhd.	19,000,000	100.00	-	-	19,000,000	100.00
Unique Champion Co., Ltd.	1	100.00	-	-	1	100.00
Eson Slovakia A.S.	230	100.00	-	-	230	100.00
Kong Eagle International Limited.	60,465,117	100.00	-	-	60,465,117	100.00
Zenith Profits Co., Ltd.	1	100.00	-	-	1	100.00
Blackyotta Co., Ltd.	200,000	100.00	-	-	200,000	100.00
Kunshan Eson Precision Engineering Co., Ltd.	Note 1	100.00	-	-	Note 1	100.00
Yantai Zheng Yi Precision Electronics Co., Ltd.	Note 1	100.00	-	-	Note 1	100.00
Wuxi Xinguan Metal Science & Technology Co., Ltd.	Note 1	100.00	-	-	Note 1	100.00
Dongguan Yihong Precision Mould Co., Ltd.	Note 1	100.00	-	-	Note 1	100.00
Kunshan Kang Rui Package Material Co., Ltd.	Note 1	100.00	-	-	Note 1	100.00
Esonmex Monterrey S.A. De C.V.	1,100,100	100.00	-	-	1,100,100	100.00

Note 1 : Limited Companies with no shares

4 Funding Status

4.1 Capital and shares

4.1.1 History of capitalization

1.Type of shares

As of April 26, 2022 / Unit: thousands Shares

Type of Shares	Authorized Shares			Remarks
	Outstanding Shares	Unissued shares	Total	
common stock	168,529	131,471	300,000	Listing

2.Issued Shares

As of April 26, 2022

Month / Year	Par value (NT\$)	Authorized shares		Paid-in Capital		Remarks		
		Shares (thousands)	Amount (NT thousands)	Shares (thousands)	Amount (NT thousands)	Source of capital	Capital Increased by Assets Other than Cash	Other
2008/06	USD 0.1	1(shares)	USD0.1(dollars)	1(shares)	USD0.1(dollars)	Initial Capital	No	No
2008/07	USD0.78067	200,000	USD20,000	97,749	USD 9,774	Capital Increased by Cash	No	Note 1
2009/01	USD0.89144	200,000	USD20,000	132,827	USD 13,283	Capital Increased by Cash	No	Note 2
2012/08	USD 1	200,000	USD20,000	152,827	USD 15,283	Capital Increased by Cash	No	Note 3
2012/10	-	152,827	NTD 1,528,273	45,848	NTD 458,482	Transferring currency	No	Note 4
2012/10	-	152,827	NTD 1,528,273	152,827	NTD 1,528,273	Capital Surplus Transferred to Capital	No	Note 5
2013/11	NTD36	200,000	NTD2,000,000	171,932	NTD1,719,323	Capital Increased by Cash	No	Note 6
2014/09	-	200,000	NTD2,000,000	180,529	NTD1,805,289	Stock dividends of Common Stock	No	Note 7
2015/11	-	200,000	NTD2,000,000	173,529	NTD1,735,289	Treasury Stock Retired	No	Note 8
2019/03	-	200,000	NTD2,000,000	168,529	NTD1,685,289	Treasury Stock Retired	No	Note 9

Note 1 : Capital Increased 97,749,099 shares by Cash.

Note 2 : Capital Increased 35,078,200 shares by Cash.

Note 3 : Capital Increased 20,000,000 shares by Cash.

Note 4 : The company changed the par value from USD 1 dollar to NTD 10 dollars.

Note 5 : Capital Surplus Transferred to Capital on NTD 1,069,791,100 dollar.

Note 6 : Approved Jing- Kuan- Zheng- Fa –Zi No. 1020040802

Note 7 : Approved Tai-Jeng-Shang-Er-Zi No.10300189191

Note 8 : Approved Tai-Jeng-Shang-Er-Zi No. 10400239291

Note 9 : Approved by TWSE on March 29, 2019

4.1.2 Composition of Shareholders

As of Apr 26, 2022 / Unit: Shares

Status Number	Government Agencies	Financial Institutions	Investment institutions in China	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	1	0	39	21,575	63	21,678
Shareholding (shares)	0	1,000	0	1,484,134	77,612,535	89,431,246	168,528,915
Percentage	0.00%	0.00%	0.00%	0.88%	46.05%	53.07%	100.00%

Note: The definitions of "individual" and "foreign institutions and foreigners" are based on whether their nationality is the Republic of China (ROC). Therefore, the term "individual" in this table refers to a person who is the national of the Republic of China, while "foreign institutions and foreigners" refer to non-ROC legal persons (entities) and individuals.

4.1.3 Shareholding Distribution Status

As of Apr 26, 2022 / Unit: People、Shares

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1~ 999	1,818	305,704	0.18%
1,000~ 5,000	17,271	31,999,653	18.99%
5,001~ 10,000	1,559	12,765,309	7.58%
10,001~ 15,000	359	4,721,823	2.80%
15,001~ 20,000	251	4,687,999	2.78%
20,001~ 30,000	183	4,743,428	2.82%
30,001~ 40,000	74	2,697,000	1.60%
40,001~ 50,000	38	1,781,800	1.06%
50,001~ 100,000	63	4,358,550	2.59%
100,001~ 200,000	34	4,968,500	2.95%
200,001~ 400,000	13	3,467,250	2.06%
400,001~ 600,000	3	1,502,101	0.89%
600,001~ 800,000	2	1,409,000	0.83%
800,001~1,000,000	1	838,000	0.49%
1,000,001 or over	9	88,282,798	52.38%
Total	21,678	168,528,915	100.00%

4.1.4 List of Major Shareholders

As of Apr 26, 2022/ Unit: Shares

Shareholder's Name	Shareholding	Shares	Percentage
Golden Harvest Management Limited		44,613,345	26.47%
Ace Progress Holdings Limited		15,351,375	9.11%
TS Bank in custody- Actmax International Limited		9,365,000	5.56%
Standard Chartered bank in custody-Liechtenstein bank		7,198,000	4.27%
TS Bank in custody- Megaworld Development Ltd.		5,162,000	3.06%
Legend Company Ltd.		2,841,078	1.69%
Hung, Chih-Ting		1,669,000	0.99%
Hsieh, Te-Tsung		1,059,000	0.63%
Chu, Ming-Chang		1,024,000	0.61%
Standard Chartered bank in custody-LGT Bank Singapore		838,000	0.50%
Total		89,120,798	52.89%

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$ / thousands shares

Items		Year	2020	2021
Market Price per Share	Highest Market Price		63.30	84.00
	Lowest Market Price		22.80	49.60
	Average Market Price(Note 1)		44.52	69.53
Net Worth per Share	Before Distribution		35.15	35.46
	After Distribution		33.45	Not distribution
Earnings per Share	Weighted Average Shares (thousand shares)		168,529	168,529
	Earnings Per Share (Note 2)	Before Adjustment	2.75	2.74
		After Adjustment	2.74	2.73
Dividends per Share	Cash Dividends		1.7	1.4
	Stock Dividends	Dividends from Retained Earnings	-	-
		Dividends from Capital Surplus	-	-
	Accumulated Undistributed Dividends		-	-
Return on Investment (Note3)	Price / Earnings Ratio		12.63	23.92
	Price / Dividend Ratio		20.36	46.99
	Cash Dividend Yield Rate		4.91%	2.13%

Data : Financial statements certification by CPA and financial statements reviewed by CPA

Note 1 : Listed the highest and the lowest market price per share in every year and the average market price were calculated based on the trading amount and volume.

Note 2 : Earnings per share (attributable to owners of the company) listed. The appropriation of earnings for 2021 are not yet subject to the resolution of the shareholders in the shareholders' meeting.

Note 3 : Price / Earnings Ratio = Average Market Price / Earnings per Share

Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

4.1.6 The company's dividend policies and execution

1. Dividend Policy stipulated in the Company's Articles of Incorporation

The Board may, subject to approval by the Members by way of Ordinary Resolution or, in the case of Article 11.4(a), Supermajority Resolution and subject to these Articles and any direction of the Company in general meeting, declare a Dividend to be paid to the Members in proportion to the number of shares held by them, and such Dividend may be paid in cash, shares or, subject to Article 13.2, wholly or partly in specie. No unpaid Dividend shall bear interest as against the Company.

Subject to the Law, Article 11.4(a) and this Article and except as otherwise provided by the rights attached to any shares, the Company may distribute profits in accordance with a proposal for profits distribution approved by the Board and sanctioned by the Members by an Ordinary Resolution, in general meetings. No Dividends or other distribution shall be paid except out of profits of the Company, realization or un realization, out of share premium account or any reserve, fund or account as otherwise permitted by the Law. Except as otherwise provided by the rights attached to any shares, all Dividends and other distributions shall be paid according to the number of the shares that a Member holds. If any share is issued on terms providing that it shall rank for Dividend as from a particular date, that share shall rank for Dividends accordingly.

Upon the final settlement of the Company's accounts, if there is "surplus profit" (as defined below), the Company shall set aside two per cent (2%) to eight per cent (8%) as compensation to employees ("**Employees' Compensation**") and Employees' Compensation may be distributed to employees of the Company and its Subsidiaries, who meet certain qualifications. The Company shall, from the surplus profit, set aside no more than zero point five per cent (0.5%) thereof as remuneration for the Directors ("**Directors' Remuneration**"). The distribution proposals in respect of Employees' Compensation and Directors' Remuneration shall be approved by a majority of the Directors at a meeting attended by two-thirds or more of the total number of the Directors and submitted to the shareholders' meeting for report. However, if the Company has accumulated losses, the Company shall reserve an amount thereof for making up the losses before proceeding with the abovementioned distributions and allocation. The "surplus profit" referred to above means the net profit before tax and for the avoidance of doubt, such amount is before any payment of compensation to employees and remuneration for the Directors and is exclusive of the earnings accumulated from previous years.

In determining the Company's dividend policy, the Board recognizes that the Company operates in a mature industry, and has stable profit streams and a sound financial structure. In determining the amount, if any, of the Dividend or other distribution it recommends to Members for approval in any financial year, the Board:

- (a) may take into consideration the earnings of the Company, overall development, financial planning, capital needs, industry outlook and future prospects of the Company in the relevant financial year, so as to ensure the protection of Members' rights and interests; and
- (b) shall set aside out of the profits of the Company for each financial year: (i) a reserve for payment of tax for the relevant financial year; (ii) an amount to offset losses incurred in previous years; (iii) ten per cent (10%) as a general reserve ("**Statutory Reserve**") (unless the

Statutory Reserve has reached the total paid-up capital of the Company), and (iv) a special surplus reserve as required by the applicable securities authority under the Applicable Public Company Rules or a reserve as determined by the Board pursuant to Article 14.1.

Subject to compliance with the Law and after setting aside the amounts for Employees' Compensation and Directors' Remuneration in accordance with Article 13.4 and such amounts as the Board deems fit in accordance with the distribution policy set out in Article 13.5, the Board shall recommend to Members for approval to distribute no less than ten per cent (10%) of the earnings generated from the immediately preceding financial year (exclusive of those accumulated from previous years) out of the distributable amount as Dividend to the Members and the allocation will be made upon the passing of the resolution by the Members.

Dividends to the Members and the Employees' Compensation may be distributed, in the discretion of the Board, by way of cash or by way of applying such sum in paying up in full unissued shares or a combination of both for allocation and distribution to employees or the Members, provided that, in the case of a distribution to Members, no less than fifty per cent (50%) of the total amount of such Dividend shall be paid in cash. No unpaid Dividend and compensation shall bear interest as against the Company.

2. Proposed Dividend Distribution :

The Board approved the proposal NTD\$1.4 of per share for 2021 dividend distribution at its meeting on March 18, 2022. The proposal will become effective according to the relevant regulations, upon the approval of shareholders at the Annual General Shareholders' Meeting.

Beginning retained earnings		Unit: NTD \$ 1,268,085,036
Add: net profit after tax	463,781,239	
Less: 10% legal reserve	(46,378,124)	
Distributable net profit	417,403,115	417,403,115
Reversal special reserves		(125,994,950)
Distributable items:		
Dividend to shareholders (NTD\$1.4of per share)		(235,940,481)
Unappropriated retained earnings		1,323,552,720
1.The cash dividend distribution will be calculated to the nearest NT dollar, the cash dividend distribution with NT dollar.		
2.According to convert the functional currency into NT dollar.		

3. Anticipation of significant changes in the dividend policy :

None

4.1.7 The impact of the stock dividend resolved in the current shareholders' meeting on the Company's business performance and earnings per share

Not applicable.

4.1.8 Remuneration to employees and directors

1. Remuneration to employees and directors stipulated in the Company's Articles of Incorporation.

Upon the final settlement of the Company's accounts, if there is "surplus profit" (as defined below), the Company shall set aside two per cent (2%) to eight per cent (8%) as compensation to employees ("**Employees' Compensation**") and Employees' Compensation may be distributed to employees of the Company and its Subsidiaries, who meet certain qualifications. The Company shall, from the surplus profit, set aside no more than zero point five per cent (0.5%) thereof as remuneration for the Directors ("**Directors' Remuneration**"). The distribution proposals in respect of Employees' Compensation and Directors' Remuneration shall be approved by a majority of the Directors at a meeting attended by two-thirds or more of the total number of the Directors and submitted to the shareholders' meeting for report. However, if the Company has accumulated losses, the Company shall reserve an amount thereof for making up the losses before proceeding with the abovementioned distributions and allocation. The "surplus profit" referred to above means the net profit before tax and for the avoidance of doubt, such amount is before any payment of compensation to employees and remuneration for the Directors and is exclusive of the earnings accumulated from previous years.

2. Accounting treatment applied to the difference between actual and estimated remuneration to employees and directors.

Shall there be any difference between the actual amount of remuneration approved by Annual Shareholders' Meeting and that of the estimation, it will be deemed as the changes in accounting estimated and will be recognized in the profit and loss account of the distributing year.

3. Distribution of remuneration to employees resolved by the Board of Directors:

- (1) The Company distributes employees' compensation in the amount of NT\$25,160,816 and distributes directors' remuneration in the amount of NT\$3,145,112. The distribution will take place in cash.
- (2) Regarding allocation of staff cash compensation, stock remuneration and directors' compensation, in case of any discrepancy between the amounts and the amortized estimates for the year, the differences, reasons, and responses should be disclosed: Earnings undistributed due to reasons such as considerations of allotting 10% of the general reserve by the end of the current period shall fall within a specific percentage range according to the Company's Articles of Incorporation. When the actual allotment and the estimate differ after resolution of the Shareholders' meeting, the accountant's estimated change shall be adopted and implemented in the books following resolution on the annual adjustment at the Shareholders' meeting.
- (3) The ratio of the proposed distribution of stock shares as remuneration to employees to the total net income and remuneration to employees on the individual financial statements: not applicable.
- (4) The imputed earnings per share after distributing the remuneration to employees, directors, and supervisors is to be proposed for distribution.

Not applicable due to employee remuneration, directors and supervisors compensation being recognized as expenses.

4.The actual distribution of remuneration to employees, directors and supervisors in previous year

The Company's Board of Director resolved 2020 director and employee remuneration and reported shareholders' meeting on July 7, 2021. The directors' compensation amount is as follows:

Item	Amount (NT\$)
Remuneration to employees	24,708,621
Remuneration to directors	3,088,571

The aforementioned director and employee remuneration amount had been recognized as expenses in 2020. The amount listed in the books is consistent with the allotted amounts resolved in the Shareholders' meeting.

4.1.9 Buyback of Treasury Stock

None

4.2 Issuance of Corporate Bond

None

4.3 Preference Shares

None

4.4 Issuance of Global Depository Receipts

None

4.5 Employee Stock Option and Employee Restricted Stocks

None

4.6 Status of New Share Issuance in Connection with Mergers and Acquisitions

None

4.7 Financing Plans and Implementation

None

5 Overview of Business Operation

5.1 Content of business

5.1.1 Business scope

1. The main contents of the business service

The company is mainly engaged in the design, development, manufacturing and sales of various consumer electronic components and molds.

2. Business ratio of main products

Unit : NT\$ thousands

Main products	2020		2021	
	Amount	%	Amount	%
TV	4,067,387	41.13%	5,092,982	42.29%
Mechanical Parts	3,023,777	30.58%	4,033,012	33.49%
Automobile parts	1,790,218	18.10%	2,139,873	17.77%
Server	1,008,553	10.19%	776,578	6.45%
Molds and Other	9,889,935	100.00%	12,042,445	100.00%

3. The Company's current products (service)

- A. Mold design and production sales

Starting with precision molds, we have accumulated many years of professional technology to satisfy various customers' mold requirements, and to produce them for self-use and external sales.

- B. Design and manufacturing of various consumer electronic components

According to customer needs, we specialize in the production of various sizes of TV, NB, PC, Server, telecommunication, game console, home appliance and other components.

- C. Product appearance processing

Surface treatment of mechanical part materials such as metal/plastic surface spray coating and laser engraving.

4. New products (service) planned for development

- A. TV parts and commercial displays: The popularity of 8K TVs, rollable TVs, artificial intelligence, Internet of Things and HDR technologies are trending. Benefiting from the stimulation of new technologies, the need to change TVs has gradually grown in the market. The size of TV products will continue to increase (≥ 70 inch) and the price of 4K TVs will decrease by year. Moreover, the continuous development of human-machine interactive applications will drive the growth of the commercial display market. Benefit from the above points, the market for TV products is expected to expand significantly in future. Based on its excellence in mold technology and precision equipment, Eson will satisfy production capacity and drive growth in revenue.

- B. Application of new energy automotive products and related products: Countries around the

world are enhancing their support for new energy policies, accompanying charging pile facilities are more common, Furthermore, advancements in technology are facilitating huge cost cuts through key factors such as developments in battery chemistry and increase of manufacturer productivity. These dynamic developments offer a positive outlook for the increase in electric vehicle and charging infrastructure deployment. The International Energy Agency (IEA) predicts that by 2030, electric vehicles will represent 30% of the market, reaching 43 million vehicle inn sales with over 250 million vehicles in stock. ESON will transfer existing technology for consumer electronic products to electric vehicle charging pile part production planning and product development. In addition, ESON has years of experience in large machine part development and manufacturing and will also transfer them to developing alternative fuel vehicle parts and members, thus creating new opportunities and achieving continuous revenue growth.

- C. Server products: Advances in new technologies or new applications in AI, virtual reality (VR), augmented reality (AR), and 5G, the server business will continue to drive growth in server product. The server industry has maintained a steady growth in recent years. It is estimated that this will be the case in future. The main growth momentum of the server will come from demands of the cloud service providers. What will be affected is domain change in the back-end supply chain. The small growth increments will veritably become the focus of the supply chain. Business competition can be expected from the core processor to server design and manufacturing. Based on overseas production facilities and geographical advantages, Eson will begin to cooperate with local communication equipment vendors.

5.1.2 Industry overview

1. Industrial status and development

In recent years, new computing and system architecture markets like those for big data, cloud computing, Internet of Things (IoT), artificial intelligence, and other technologies have rendered industries more diverse and technological. Countless new points of sale have emerged, such as upgraded smart phones, VR/AR, smart household products, wearable devices, and vehicle electronics, thoroughly upending conventional industry structures.

The Company is also actively developing peripheral products in response to shifts in industry dynamics. At the same time, consumers are focusing increasingly on the external appearance of 3C electronic products in terms of individual personalization influenced by trend and fashion.

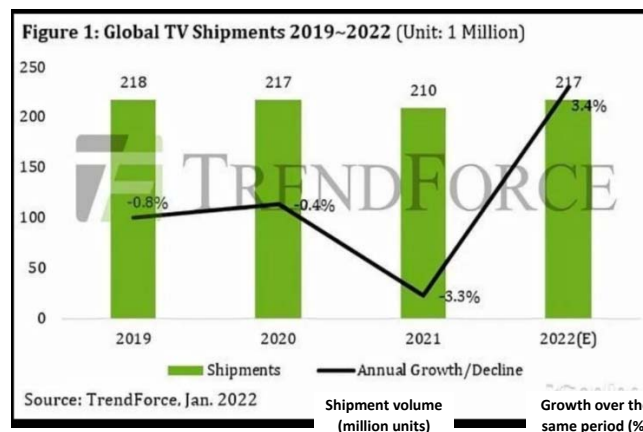
In view of this, besides lower-priced plastic casings adopted in Eson's internal and external machine parts, we are recently actively developing lightweight, thin and high-quality metallic materials according to the new business opportunities developed by the current diversified products, due to their improved rigidity and heat dissipation properties.

With years of experience, the application of terminal products is mainly applied to LED TV industries, automotive industry and server and other electronic products. The industrial changes of terminal products will directly affect the company's business development:

A. LED TVs and commercial displays

Data published by statistical organizations indicated a 3.2% decrease in global TV shipments in 2021 with total sales of approximately 210 million units. Despite the drop in total TV shipments, the outlook on sales of OLED TV remain positive. In Q3 last year, OLED TV shipments were forecast to reach 6.8 million units for a Y.O.Y. increase of 72.8%. The main reason for this was OEM efforts to shield OLED TV production from disruptions.

The price difference between LCD and OLED panels appears to have narrowed to the lowest point in history. The major correction to TV panel prices in the second half of 2021 means favorable TV panel prices for brand expansion this year. In other words, the global smart TV market can expect steady growth to continue and a window opportunity for return to growth should open in 2022.



Source: Prepared by AVCRevo

@ Forward-Looking Economist App

Figure 1: Global TV shipment volume from 2012 to 2020 (unit: million units, %)

Source: AVCRevo

In terms of the trend of the LCD TV industry in the next 5 years, large screen, high-resolution, high-end, and socialization are opportunities that will lead the growth of the industry.

Large screen: 65-inch models will go mainstream

In recent years, as production capacity is continually released for high-generation LCD panels, the size of the supplied TV panels has continued to increase, driving the move of mainstream TV sizes from 55 inches to 65 and 75 inches. Beginning in 2020, more and more TV brands have launched new models in sizes of 75 inches and above, trying to gain a head start in the large-sized TV market.

And with the further release of the production capacity of the 10.5 generation line, the size structure of the TV market will change. Currently, TV manufacturers have gradually shifted their sales focus to the large-sized TV market, which is expected to drive the rapid increase of the average TV size.

High resolution: mainstream brands rush into the 8K battlefield

The main players in the 8K TV market are not just Samsung and Sony. Hisense, TCL, Skyworth, Changhong, Konka and Xiaomi have all joined the 8K battle.

As internet bandwidth grows faster every year, the opportunity for SONY and Microsoft's

next-gen game consoles to support 8K resolution will become a breakthrough in the 8K TV market and drive the popularization of 8K TVs.

High end: technology and brand, a two-pronged approach

In 2020, the high-end TV market has been dominated by global brands such as Samsung and Sony, and Chinese TV brands are eagerly awaiting for a breakthrough. In 2022, there were two main paths for high-end Chinese brands. One was to introduce advanced display technology to improve product quality, while the other was to introduce high-end brands from overseas into the country.

With the active development by Chinese companies, the price of high-end TVs will be further reduced. This will grow the shipment volume and further strengthen the overall shipment volume.

Socialization: new opportunities that spawned from the pandemic

Although the pandemic has put pressure on the TV market, it has also brought new opportunities for social TV, making 2020 the first year of social TV. Impacted by the pandemic, work from home and online education have become the new normal for work and learning, making social TV a new market demand.

In the post-pandemic era, social TV will become a rigid market demand. Although the worldwide pandemic has eased, it is difficult to completely eliminate the pandemic in the short term. The social TV market is expected to become a long-term demand that will drive the development of the TV market.

Looking ahead to 2022, the TV market will continue to develop in the direction of high-end, large-size, high-resolution, and socialization. The popularization of the 75-inch and 8K TV market will speed up and social TV will become more popular, promoting the gradual growth of demand for replacing TVs. Based on its production experience for large TVs and excellence in mold technology and precision equipment, ESON will satisfy production capacity and drive growth in revenue.

B. Electric vehicles and automobile related industries

In 2021, global electric vehicle (EV) sales reached 6.75 million vehicles and grew by 108% compared to 2020. The EV numbers included passenger vehicles, light trucks, and light commercial vehicles. EVs (BEV & PHEV) accounted for 8.3% of global light vehicle sales, and had previously accounted for 4.2% in 2020. BEVs accounted for 71% of all EV sales while PHV accounted for 29%. 2020 was a crisis year for the global automotive market and growth amounted to just 4.7%. Nevertheless, like 2020 EV demonstrated flexibility in terms of supply and demand.

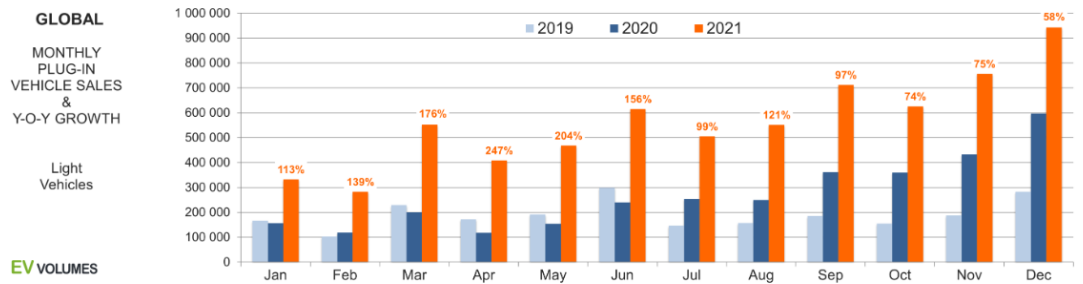


Figure 2: Global shipments of electric vehicles per month from 2019 to 2021 (unit: vehicles)

Source: EV volumes

The remarkable growth rate of 108 % y/y needs to be seen relative to the low base volume of 2020. Government regulation and the impact of COVID-19 meant global EV sales fell below long-term trajectory in 2019 and 2020 but made a recovery in 2021. The year-on-year growth may appear extreme but the 2021 transaction volume remained reasonable.

Tesla was a key player and led the leader board for OEM EVs with 936,000 deliveries, up 436,000 vehicles compared to 2020. Model 3 deliveries reached 501,000 making it the second best-selling medium-sized brand behind Toyota Camry. The Volkswagen Group was came in second, with BYD climbing 4 positions to third place. BYD delivered nearly 600,000 vehicles (not including buses), an increase of more than 400,000 vehicles over 2020.

Global EV sales were therefore back on track in 2021 after running into headwinds in 2019 and 2020. EV sales are expected to return to normal this year and reach around 9.5 million vehicles. Sales will reach even higher if outstanding supply and logistics issues can be resolved.

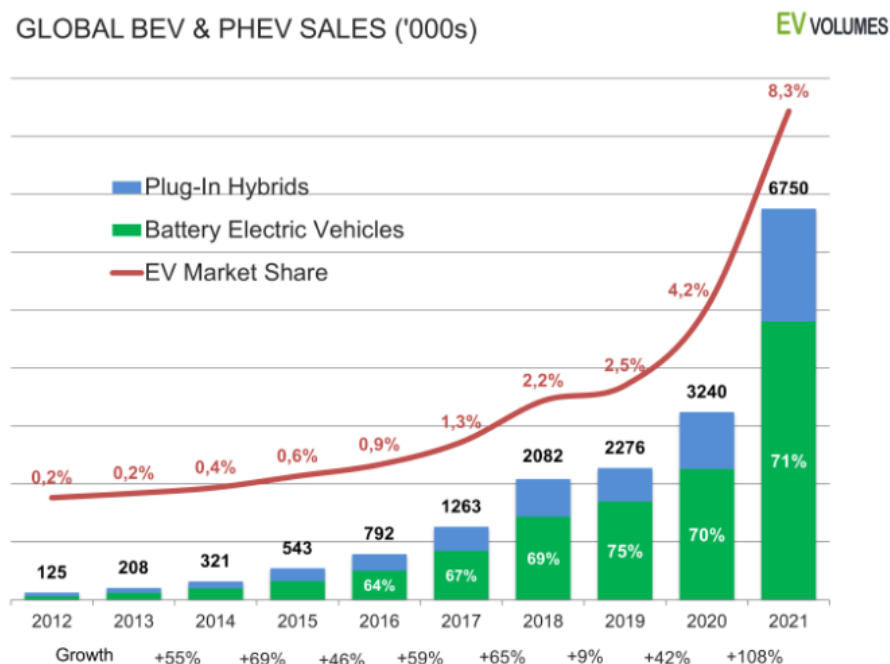


Figure 3: Each country's shipments of electric vehicles per month from 2010 to 2021 (unit: vehicles)

Source: EV volumes

In summary, electric vehicles will continue to see compounded annual growth rate of 29% over the next decade. ESON will leverage our excellence in mold technology and precision equipment to meet the production demand and achieve higher revenues.

C. Server industries

Global digital transformation has been accelerated by the continued spread of COVID-19. Every country knows that the digital economy will be key to international economic competitiveness in the future. IDC predicted that the global digital economy's share of GDP will increase from the current 50.1% to 58.1% by 2024. Every point of increase in the Computing Index will see national digital economy and GDP each grow by 3.3‰ and 1.8‰ respectively. There is now international consensus on the development of the digital economy and prioritizing of computing power. Investment in public computing infrastructure in particular has become a key method for stimulating the growth of the digital economy.

CNMO learned from TrendForce Jibang Consulting that overall server shipments are expected to continue growing in 2020. Shipments will mainly be driven by North American data centers and grow by around 13-14% annually. Assuming that the COVID-19 pandemic can be brought under effective control next year, and that international logistics and materials supply can return to normal or perform better than expected, server vendors can be expected to increase overall server shipments by 5-6%. Generally speaking, flexible deployment is now an inevitable enterprise trend after two years of the pandemic. TrendForce is predicting double-digit growth for server demand and overall server demand will continue to see positive growth. At the same time, the new norm imposed by COVID-19 has accelerated the pace of digital transformation in the majority of industries and boosted global demand for data centers. Technologies such as cloud, 5G, AR/VR, AI and blockchain are also bear watching, along with the "Metaverse" that is considered to be the next natural evolution of the Internet.

Persistent issues include the ability to satisfy orders for potential server markets including the satisfaction rate for key materials such as PMIC and LAN chips. Whether Intel and AMD will introduce their two new platforms on schedule next years remain and inject additional impetus into the market also remains to be seen. DIGITIMES Research statistics and analysis determined that global server shipments in 2021 Q4 grew slightly by 2.9%, slightly more than the October estimate of 2.6%. The IC shortage is expected to persist into 2022 Q1 but server demand from Amazon, Google, Meta (formerly Facebook) remains unchanged. Their combined demand should increase quarterly shipments in the single-digit range and orders unfilled from the previous quarter will be postponed to Q1. Global server shipments will therefore decrease by just 3.8% for the quarter and grow by 17% for the year. In summary, everything from core processors to server design and manufacturing is of strategic importance. ESON will leverage advantages in overseas production equipment and regional location to initiate collaboration opportunities with local communications device suppliers.

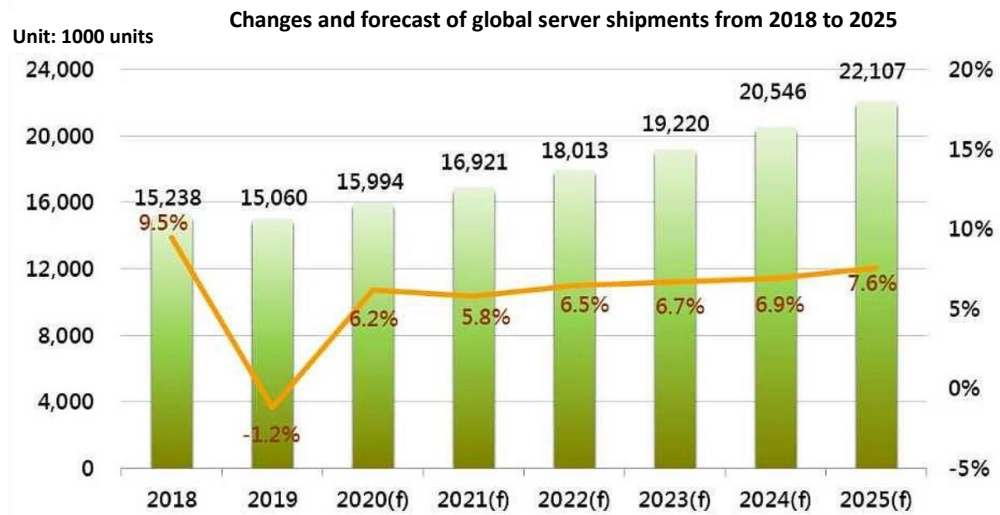


Figure 4: Changes and forecast of global server shipments from 2018 to 2025 (unit: 1000 units)

Source: DIGITIMES

D. Low-earth-orbit satellite industries

Research by TrendForce Jibang Consulting indicated that the low earth orbit (LEO) satellite segment currently shows the most promise in the global satellite market. LEO is closer to the surface giving them an advantage of “low latency, low radiation, low cost” compared to high-earth orbit (HEO) and middle-earth orbit (MEO) satellites. No base station is necessary for LEOs as well to provide coverage in difficult or remote regions not limited by mountains, seas or desert. It can therefore complement 5G mobile communications to provide coverage in areas without 5G. Since SpaceX took the lead in LEO, other satellite operators have applied to launch their own satellites as well. The global satellite market is expected to reach US\$295 billion in value in 2022 for a y.o.y. Growth of 3.3%. The satellite communications industry chain has four key components: Satellite manufacturing, satellite launch, ground-side equipment, satellite operation & services. There has obviously been some revolutionary innovations in satellite manufacturing and launch. The biggest innovations and advances can be found in the ability to launch 60 satellites in one rocket, as well as the batch production, launch and recovery of rockets.

Analysis of public data from OneWeb indicated that there are 720 LEO satellites with a total system capacity of 5.4Tbps. Individual users can probably reach a transfer rate of 400 Mbps. Assuming an average user speed of 100 Mbit then the entire OneWeb system can only support 54,000 users concurrently. In reality, if we look at the data for individual satellites then the communications capacity of a LEO base station is on the same order of magnitude as a single 5G base station.

Basically, while LEO satellite offers some very significant advantages it also has distinct constraints. Its relationship to existing 5G technology is a complementary one and it will be a key component of 6G in the future. LEO communications and 5G occupy distinctly different niches. There is nevertheless strong strategic demand from countries around the world for the development of LEO systems. In 2022, the LEO market and its development potential remains immense; EASON will leverage our man years of experience in manufacturing as well as our excellence in

mold technology and precision equipment to work with global production sites in order to satisfy their production capacity and boost revenue growth.

2. Correlation of upstream, midstream, and downstream industry

The Company is engaged in precision mold manufacturing, metal stamping, plastic injection molding and other components products. Upstream raw materials are supplied by well-known domestic and foreign manufacturers and downstream customers are internationally renowned manufacturers. The company's long-term stable operation management has established excellent partnerships with upstream and downstream manufacturers and can obtain first-hand information to facilitate decision-making. The following figure shows the upstream, midstream and downstream relations of the industry at the current stage:

Upstream	Midstream	Downstream
Raw materials Metallic materials	Design, manufacturing Mold making	Application customers Consumer electronic customers
Plastic materials	Metal stamping	Communication industry customers
Coating material	Plastic injection molding	Information industry customers
	Secondary processing / CNC machining, grinding, tapping, welding	Home appliance industry customers
	Casing surface treatment / coating, electroplating, anodization, electrodeposition, printing, laser carving	Automotive industry customers

3. Product development trend and competition

The Company's various internal and external machine component products are used in a wide range of applications. Currently, they are mainly used in consumer electronic products and information and communication (ICT) products. Therefore, changes in economic climate and technological development renders considerable impact on the production and sales of the Company.

In addition to competition in terms of functionality, consumer electronics products now emphasize the diversity of appearance. Therefore, for the selection of materials for machine components, the proportion of metallic materials used is gradually increasing from the early plastic materials. Due to the high heat dissipation and high strength properties of metallic materials, and the integrated molding process, products can be made thinner and lighter, can be placed into more powerful electronic components without affecting its performance, and can be surface treated to improve the quality of appearance. These advantages have made metal components an increasingly popular application.

In terms of future development, plastic raw materials remain the most cost effect material and can also be surface treated to improve quality. Therefore, end sellers can select different raw materials for product parts to differentiate products based on price, appearance and function.

Moreover, as market economy continues to develop, it will continue to draw demand for various consumer electronic products, driving growth in the machine component industry.

4. Market Competition

The Company's main products include the design and manufacture of various consumer electronic components and molds. The main competitors include listed companies such as B-TEK, Chia Group and Coxon Group. Despite widespread competition, the Company continues to deepen customer relationships, engage in long-term stable cooperation with international companies, receive customer recognition in terms of product yield, and thus obtain orders. In terms of professional technology, the Company also performs metal stamping, plastic injection molding and various surface treatments to meet the customers' diverse product requirements; In terms of production capacity, we continue to expand our plant equipment according to market demand, and actively develop new products.

5.1.3 Technological research and development

1. Technical level and R&D of the business

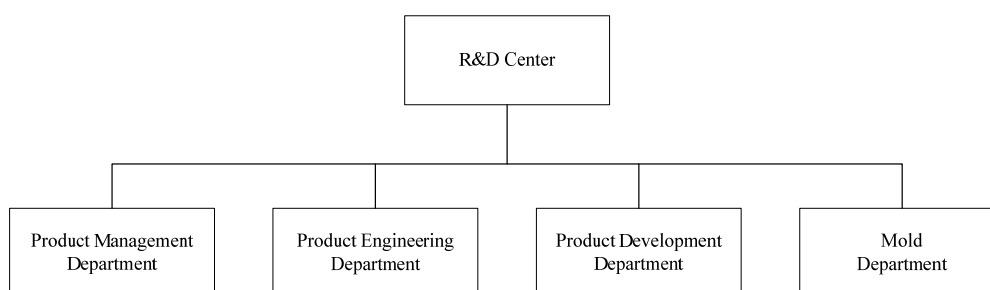
A. Technical level:

Along with the diversification of 3C electronic products and thriving industry environment, the demand for components is becoming more sophisticated, and the requirements for product appearance are also elevating. Therefore, the technical capacities of mechanical parts manufacturers will be healthy challenges. In response to the various needs of customers, the Company continues to strive for breakthroughs and innovations, and has introduced the following technologies and manufacturing processes:

- a. High-gloss metal polishing technology, to provide new options for appearance treatment of metal materials.
- b. LED TV thin edge metallic frame products, to provide a spacious visual appearance.
- c. CAE (computer simulation analysis) software assistance, to reduce the risk of product structure and mold design anomalies.
- d. Development of molding technology for thin materials, to be applied to casings of medium and large LED TVs.
- e. Precision sheet metal deep drawing die technology, to be widely applied in consumer electronics and automotive products.
- f. Aluminum composite panel stamping processing technology and precision side slot processing technology.
- g. 3D brushed surface treatment technology
- h. LED TV unibody base bracket product technology.
- i. Introduction of visual inspection system to replace traditional manual inspections or more laborious inspections of workstations, thus improving production yield and reducing labor costs.

B. Technology development:

The Company has set up an R&D department at the time of its establishment. After successive integration and restructuring, it now has an R&D center, which is mainly responsible for product development, testing, mold design and development, product mass production and customer technical support. The product development department is responsible for product development and testing. The mold design department is responsible for the research and development of new mold technology, the design and development of new product molds and the configuration of forming processes. The product management department is responsible for reporting new product schedules to the customer, providing the necessary technical support to relevant departments and leading technical reviews with customers during the early stages of new projects. The product engineering department is responsible for the improvement of production process development and improvement and provides necessary technical support to relevant departments and customers. The organization chart of the R&D center is as follows:



(1) R&D expense invested in the last five years

Unit : NT\$ thousands

Year \ Item	2018	2019	2020	2021
R&D expense	244,824	189,286	195,630	199,936
Operating revenues	10,299,435	10,102,252	9,889,935	12,042,445
Ratio of R&D expenses to operating income (%)	2.38	1.87	1.98	1.66

2. Successful developed technologies or products in the last five years

Year	Research and development achievements	Explanation of research and development achievements	Scope of applications
2018	A handcrafted hammered appearance of the TV base	As consumers' demand for TV base products further increases, the cost performance and appearance requirements will continue to elevate. In addition to an appealing appearance, the product reduced development costs and simplified the parts processing technology and assembly method. The product processing method: Appearance is a combination of hand-made hammered + spray paint + printed, with high practicality, low cost, novel appearance, and easy assembly.	Suitable for TV base support

Year	Research and development achievements	Explanation of research and development achievements	Scope of applications
	Smart courier box retrieval device	Smart courier boxes have emerged as a result of the rapid development of e-commerce, and can be easily spotted in local communities, office buildings and schools. The smart courier cabinet is considered to be a more cost-effective way to solve the "last mile" of the express package problem. As referred to by the industry. The essence of the smart courier cabinet is a shared economic model, which enhances the delivery of the "last mile" of the courier service, improving the logistics service and public recognition. The invention of the anti-theft structure project designed to improve the additional functions of the courier shipping device achieves the following beneficial effects: The gear transmission transfers the courier bags one by one from the storage bin to the retrieval door. In the process, one courier bag is allowed to pass through another valve and scanned for code for retrieval. The pop-up valve structure, which serves as the ball splitter structure, also prevents jamming the ball, further improving device safety.	Suitable for courier cabinets
	Courier cabinet with printer	Adding a printer to the original smart courier cabinet, which prints bar codes containing corresponding messages from the smart handheld device, simplifying the conventional packaging method. Optimizing the design of the courier box, improving the convenience of the paper replacement process for maintenance personnel, thereby optimizing efficiency and reducing personnel costs.	Suitable for courier cabinets
2019	A high-strength plastic application for TV base	In the context of the rapid development of new flat-panel TV technology, the base is not only a carrier for support but also a new competitive edge by providing aesthetic and unique appearance. This forces us to optimize and innovate the production process. Compared with other processes, the composite plastic molding technology we use can make the products lighter, save raw materials, improve production efficiency, and enhance product formability.	Suitable for TV base support
	A quick release base technology	A quick-release base function is designed to facilitate the arrangement of cables on the back of the TV. The TV cables seen on the market are cluttered and exposed, undermining the simplistic styles of TV designs. The quick-release base tidies abrupt cables and the external appearance. The improved convenience can hardly be replaced in the near future. Due to the low production cost, diverse advantages, and high functionality, successful development of this technology will see widespread applications in the future market.	Suitable for TV base support
	A fast maintenance structure applied to courier cabinets	In the context of the rapidly developing new smart courier cabinet, to identify the user's express delivery item number, a printer is frequently used to print the barcode and have it attached to the express item for identification. The existing courier box is mostly a fixed box-type structure, and the printer is secured by screws inside the box unit, rendering the replenishment of printer materials a cumbersome process. As a result, this project was designed to improve the convenience of repairing and replacement of accessories, thereby cutting maintenance cost.	Suitable for courier cabinets
2020	A jig structure for injection molding processes	A new robotic arm jig structure that can complete material gathering and loading actions within molds was designed. Activating the control system returns the gathering board to its original position. The robotic arm moves upward along with the jig and rotates the jig when the position is reached. The robotic arm continues moving until it is out of the injector. When it reaches the loading position outside of the machine,	Automated material gathering for injection molding

Year	Research and development achievements	Explanation of research and development achievements	Scope of applications
		the suction cup will activate and remove the finished product.	
	A hot pressing process for vehicle interior trims	An in-mold, edge cutting and hot press process was developed. The product's contour is formed in a single operation through in-mold thermal cutting jigs, reducing the need for later secondary processing.	Vehicle carpet interior trim
	A friction welding process	A plastic friction welding process was developed. The jig presses the contact surfaces of the two assemblies to be welded together, causing them to heat by friction. The surfaces melt under the heat and fuse together under the pressure. The weld seal is firm and can withstand 0.3 Mpa under pressure resistance tests.	Car speaker parts and products that cannot be ultrasonically welded
2021	A composite process for vehicle interior trims	A composite technology suitable for vehicle interior trims was developed. The special jig fixes the plastic parts of the substrate and a foaming machine is used for foaming at the armrests. Then, the sewn PVC leather is placed on the jig and the spray glue process glues the two together, and finally the compression molding flexer-flanger completes the fastening.	Suitable for vehicle interior trims
	A car seat frame welding process	A car seat frame welding process was developed. A special clamping jig fixes the product and a robotic arm performs the CO2 welding. The components are tested for weld-bead quality with a penetration tester.	Suitable for car seat frames and other body brackets
	An automated vehicle battery assembly process	An automated vehicle battery assembly process was developed. A handling robotic arm, butt-welding robotic arm, riveter, and air tightness tester uses a master controller to control the actions of each device to complete multiple processes on one assembly line.	Suitable for the assembly of battery parts
2022	A type of padding for car seats	A plastic ultrasound welding technique was developed where the contact surfaces of two assemblies were pressed together in jigs then heated through ultrasonic vibrations. The contact surfaces are melted by the heat and welded into one assembly through the continued application of pressure. The weld location can withstand tensile forces of up to 50 kg.	Suitable for vehicle interior trims
	A type of automotive ventilation conduit	A plastic friction welding process was developed. The jig presses the contact surfaces of the two assemblies to be welded together, causing them to heat by friction. The surfaces melt under the heat and fuse together under the pressure. The product assembly can withstand tensile forces of up to 20 kg.	Suitable for vehicle interior trims

5.1.4 Short-term and long-term business development plans

1. Short-term development

- A. Compete for repeat orders and develop new customers.
- B. Cultivate the relationships between customers and upstream manufacturers and cooperate to create mutually beneficial situations.
- C. Improve process efficiency, expedite production and improve consistency, and enhance product value.

D. Strengthen the design capacity of the R&D team, and deepen research on TV bases, IoT products, and traditional industrial products and processes.

2. Long-term development:

A. Continue research and development, expand diverse market product lines, and maintain competitive edge.

B. Carry out overseas strategic planning, provide local customer service and create business opportunities.

C. Provide one-stop service, optimize the design R&D to production process, shorten design cycle, enhance product quality, lower production cost, and thus improving customer satisfaction.

5.2 Market and sales overview

5.2.1 Market analysis

1. Main products (services) sales (providing) area

Unit : NT\$ thousands

Sales Area	2020		2021	
	Amount	Ration (%)	Amount	Ration (%)
China	3,199,391	32.35	3,251,527	27.00
America and Europe	4,868,161	49.22	6,149,655	51.07
Other	1,822,383	18.43	2,641,263	21.93
Total	9,889,935	100.00	12,042,445	100.00

2. Market share

The Company is a professional mechanical assembly plant with vertical integration capacity from product and mold design, metal stamping, plastic molding, various surface treatment processes, to parts assembly. The products are widely used in the automotive industry, information industry, communication equipment, and even lighting products. The Company has accumulated years of experience in mold development, design and manufacturing over a wide range of product specifications. It has professional mold development and design capabilities, and its operating income is growing year by year. The Company has established a foothold in the industry in terms of company scale, production technology and order-taking capacity.

3. Future market supply and demand and the growth

The machine components currently produced by the Company are mainly used in LED TVs 、 new energy vehicles and server. At present, large-size TV has established itself a market trend as a mainstream commodity. Moreover, to increase product quality and support strength, large-size TVs require an integrally formed metal frame as a backbone support. Therefore, manufacturers with integrated molding process capacity and surface treatment technology will benefit from this growth trend.

ESON also has experience in large plastic part and stamped aluminum part manufacturing, which can be transformed for use in alternative fuel vehicle part development, achieving continuous revenue growth as the alternative fuel vehicle market expands day by day.

The Company is currently one of the few companies in the industry who are capable of designing and manufacturing large-size LED TV components and new energy vehicle components. The mechanical parts industry is expected to maintain a certain growth momentum in the face of continued growth in market demand and a relatively tight supply of large-size products.

4. Competitive niche

A. R&D design and independent mold making capacity

The Company has excellent ODM research and development capacities, and has authorized and applied over 31 patents, has the capacity to produce its own molds, and improve processing technology and production line efficiency through improvement of mold designs.

B. Complete production line

The Company started its business in the field of metal molds and metal stamping, and subsequently participated in plastic injection molding process, plastic mold manufacturing and surface treatment. These processes cover most of the machine components. In response to various requirements for product materials of the end consumer market, the wide range of processes can also divert market risks.

C. Overseas planning, close collaboration with customers

The Company's customers are mostly international OEMs and renowned brand manufacturers. To meet the local customer shipment requirements, reduce shipping time and shipping costs, and substantially shorten the length of the supply chain, the Company has launched strategic overseas plans since its establishment. Currently, the Company has factories in China, Mexico and Vietnam.

In addition, the Company sees future growth opportunities in the ASEAN and has added the Malaysian plant to meet the production needs of the Southeast Asian market.

D. A wide range of products, expand new business opportunities

In addition to the current large-size TV products, the Company is involved in a range of competitive niche to sustain continued future development, including current development of cloud server infrastructure and automotive and home appliance molds, and joint product development with a number of new venture businesses.

5. Advantages and disadvantages of future development and the countermeasures

A. Advantages of future development

a. Excess market penetration of large-size TVs

Due to a large increase in global shipments of 4K LED TV panels, especially driven by the demand for new stock products and public events, the increase in panel size has resulted in the growing penetration of large-size LED TVs.

b. High technical and capital thresholds, establish competitive edge

In order to meet customization requirements, metal machine components require high mold development technology and surface treatment capacities. For example, complex unibody molding machine components must be processed using large CNC milling

machines, which require extremely high production costs.

The Company has vertical integration capabilities from product and mold design, metal stamping, plastic molding, to various surface treatment processes and parts assembly. In recent years, it has actively purchased CNC machines to manufacture large-sized machine components and continues to expand overseas in response to order demands. Therefore, the Company has established a foothold in the industry, with a clear competitive edge.

- c. Establish long-term stable cooperative relations with international manufacturers
The Company's main customers are international assembly and brand manufacturers. To serve customers, the Company has gradually set up factories overseas to locally take orders and locally ship products, thus expediting and improving the quality of customer communications. Moreover, based on excellent technical capacities, the Company has obtained customer trust and professional certifications, thereby establishing stable long-term cooperative relations. ◦

B. Disadvantages of future development and the countermeasures

- a. New entrants increase competition and drive down profitability
To participate in industry transformation and increase profitability, traditional plastic injection molding manufacturers started to partake metal components production and compete for market share with low product prices.
Response measures:
Based on excellent technology and design capacities, the Company continues to improve processes and production line efficiency. At the same time, it has a well-established strategic overseas layout. The Company has established a competitive advantage and strong foothold in terms of customer relations, capacity expansion and product applications.
- b. Impact of alternative raw materials
In response to lightweight and compact requirements, 3C products need to use high-strength, high-heat-dissipating materials. Based on the common materials used in current mechanical components, metallic materials are superior to plastic materials in terms of strength and heat dissipation. However, the development of plastic (polymer) composite materials, such as glass fiber and carbon fiber materials, are now on par with metallic materials in terms of strength and heat dissipation, which will impact the development of metal mechanical parts.
Response measures:
The choice of material of the machine component will affect the appearance and durability of the product. Considering material cost and strength, the metallic components remain the mainstream option. The Company will follow closely the development trend and continue to assess the feasibility of new material applications and refine the existing technology to enhance competitiveness.

5.2.2 Application of Major Products

1. Major products and their main uses

Major Products	Main Use
Mechanical parts	Various consumer electronics, optoelectronic products
Tooling	Automotive mold and machine component mold development

2. Major products and their products process

A. Mechanical parts manufacturing process		B. Mold making process
Forming	Stamping	Mold making 3D Model
Blanking	Blanking	Product view
Injection molding	Stamping Punching/embossing/burring punch/tapping	Mold diagram design review
Applying protective film	Full inspection	Mold processing assembly
Clean oil stain	Package	Mold test
Burring	Shipment	Production/transfer molding
Package		
Shipment		

5.2.3 Supply of major raw materials

Major raw materials	Supply Situation
Plastic pellets	Good
Steel	Good
Tooling steel	Good

5.2.4 Major Customers with over 10% net sales and Suppliers with over 10% total purchases of the last two fiscal years

1. Major Suppliers of the last two fiscal years

Unit : NTS thousands

2020				2021			
Suppliers Name	Amount	%	Relationship with the issuer	Suppliers Name	Amount	%	Relationship with the issuer
N	1,038,109	15.97	-	N	1,132,411	13.63	-
Other	5,462,370	84.03	-	Other	7,172,979	86.37	-
Net Purchases	6,500,479	100.00	-	Net Purchases	8,305,390	100.00	-

Due to the sale volume increased for Automobile Parts, the steel purchase in increase.

2. Major Customers of the last two fiscal years

2020				2021			
Company Name	Amount	%	Relationship with the issuer	Company Name	Amount	%	Relationship with the issuer
C	2,413,091	24.40	-	C	3,098,550	25.73	-
D	1,782,860	18.03	-	D	1,939,180	16.10	-
A	1,589,090	16.07	Note 1	A	2,169,998	18.02	Note 1
Other	3,503,594	35.42	-	Other	4,834,717	40.15	-
Net Sales	9,889,935	100.00	-	Net Sales	12,042,445	100.00	-

Note 1 : Investor company and its subsidiaries that account for the Company using the equity method ◦

The production volume for TV Mechanical Parts and Automobile Parts raised, so overall sale amount increased.

5.2.5 The production volume and value of the last two years

Major product	2020			2021		
	Capacity	Volume	Value	Capacity	Volume	Value
TV Mechanical Parts	110,287,500	88,230,000	4,285,000	123,310,000	98,648,000	5,642,600
Automobile Parts	42,560,000	34,048,000	3,184,620	61,653,250	49,322,600	4,491,330
Server Parts	19,650,000	15,720,000	1,895,300	22,393,750	17,915,000	2,356,500
Molds and Other	46,984,463	37,587,570	1,070,360	85,863,131	68,690,505	852,850
Total	219,481,963	175,585,570	10,435,280	293,220,131	234,576,105	13,343,280

The production volume for TV Mechanical Parts and Automobile Parts raised, so overall sale amount increased.

5.2.6 Sales quantities and values of the last two fiscal years

Major product	2020				2021			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
TV Mechanical Parts	-	-	82,423,799	4,067,387	-	-	89,359,590	5,092,983
Automobile Parts	-	-	32,277,982	3,023,777	-	-	44,570,349	4,033,012
Server Parts	-	-	14,179,023	1,790,218	-	-	16,380,465	2,139,873
Molds and Other	-	-	33,879,409	1,008,553	-	-	62,452,563	776,577
Total	-	-	162,760,213	9,889,935	-	-	212,830,967	12,042,445

The COVID-19 pandemic led to an increase in demand for TVs that boosted sales of TV components. Growth in EV sales also boosted sales of automotive components.

5.3 Status of Employees

Unit : People ; Year ; Year Old

Year		2020	2021	March 31, 2022
Number of employees	Direct labor	3,467	3,449	4,277
	Indirect labor	1,409	1,605	1,376
	Total	4,876	5,054	5,653
Average age		31.4	32.6	32.2
Average years of service		3.63	3.87	3.98
Academic qualification	Doctor Degree	-	-	-
	Master's Degree	1	4	6
	Bachelor's Degree	1,156	1,597	1,538
	High School	3,719	3,453	4,109

5.4 Expenditure on Environmental Protection

5.4.1 According to laws and regulations, the following details the applications, payment, or establishment of pollution facility establishment permit, pollution discharge permit, pollution prevention cost or environmental protection personnel.

The Company is required to apply for pollution discharge permits in accordance with local laws and regulations due to the production process, as follows:

(1) Pollution facility establishment, pollutant discharge permit

Plants	License	Expiry date	Certificate number
Wuxi Singuan	Pollution discharge permit	2020.01.14-2023.01.13	91320205795372851M001X
Kunshan Eson	Pollution discharge permit	2019.12.19-2022.12.18	Kunhuan No. 91320583730691165E001V
Multiwin de Mexico S.A. De C.V.	Wastewater discharge license	2021.01.14-2022.01.13 Patent pending	TIJ-I-00169/16
Multiwin de Mexico S.A. De C.V.	Exhaust emission license	2020.09-2021.06 Patent pending	TJ-881/13E5

(2) Establish environmental protection special units responsible for environmental protection projects such as environmental protection engineering construction and technology development, environmental operation performance management, energy conservation and emission reduction promotion, and waste resource recovery technology development.

5.4.2 Explain the Company's improvement of environmental pollution for the recent year and until the issuance of the annual report, and any pollution disputes and its disposal.

None

5.4.3 Explain the total amount of damages (including compensation) and the company's future response measures (including improvement measures) and possible expenses (including the estimated amount of loss, disposition and compensation incurred due to failure to take countermeasures; if it cannot be reasonably estimated, explanation shall be provided that it cannot be reasonably estimated) in the past two years until the issuance of the annual report.

None

5.4.4 Explain the current impact of pollution prevention and improvement on the Company's earnings, competitive advantage and capital expenditures and the estimated major environmental capital expenditures in the next two years.

(1) The current impact of pollution prevention and its improvement on the Company's earnings, competitive position, and capital expenditure.

In the past two years until the issuance of the annual report, the Company has not had any impact on the surplus, competitive advantage, and capital expenditure due to pollution.

(2) Major environmental capital expenditures expected in the coming years:

Equipment name	Quantity	Expected date of acquisition	Estimated investment cost	Use and anticipated benefit
Operation and maintenance of online surveillance instrument for sewage station	1	per year	RMB 468,000	(COD, ammoniacal nitrogen, total phosphorus, total nickel and other water pollution factors) Equipment maintenance and Monitor wastewater discharge compliance
Operation and maintenance of pollution source online monitoring system (volatile organic compounds)	2	per year	RMB 300,000	VOCs online monitor operation and maintenance, monitor exhaust emission compliance

5.5 Employer and Employee Relationships

5.5.1 Employee benefit policies, continuing education and training, work environment for the employees and personal safety protection, the retirement system and the implementation of the system, labor-management consultation and agreement, and the protection of labor rights.

(1) Employee welfare measures

In addition to the health insurance and labor insurance requirements of the Labor Standards Act of the Republic of China, the employee welfare measures of the Company's Taiwan branch include accident insurance and the labor individual retirement account system to protect employee-related benefits.

In addition to social insurance and housing deposit reserve, Chinese employees have regular promotion opportunities each year to reward outstanding employees and year-end bonuses based on the Company's operating performance. During major holidays, the Company organizes dinner parties and provides annual meal subsidies for various central departments; year-end lottery; to encourage employees in all positions to increase efficiency and reduce costs, bonuses are paid to working proposals.

The employee welfare measures of other overseas operating locations are basically in line with local social security requirements.

(2) Education and training

The Company pays attention to personnel and on-the-job training to improve overall employee quality and work skills:

A. Pre-employment training

The new recruits are trained by the management department according to function of the work post

and new recruit conditions prior to work, so that the new recruits can understand the Company's development history, corporate culture, management rules, industrial safety, environmental management, production process, quality control, GP/GA knowledge and relevant legal contents, and concepts.

B. Professional training prior to assuming post

Before special and professional staff and personnel of nationally specified risky/special positions officially assume post, the management department shall guide the units of employment to carry out professional pre-employment training or commissioned external training. The management department shall maintain and manage relevant training and qualification records of job transfers.

C. On-the-job training (including senior management)

Train current on-the-job employees in the Company. The management department timely organizes or uses external training or video education to conduct management training to various levels of the management.

D. Professional skills training

On-the-job product designers or engineers should maintain proficiency over applicable basic skills and receive training to ensure they meet the skills requirements, with emphasis on improving current skills.

(3) Retirement system and implementation status

The Taiwan branch has established an employee retirement-related system in accordance with the Labor Standards Act. The pension is paid by the Company at 6% monthly salary to the individual's labor pension account.

The Company's main operating base is located in China. The Company has been paying five social security funds on a monthly basis, including employee pension security to the local social security bureau. Upon reaching the statutory retirement age, the employee can apply for a pension from the social security bureau.

The employee pension system of other overseas operating locations are basically in line with local social security requirements.

(4) Employer-employee relations and employee rights maintenance measures

The Company's relevant provisions of the collective bargaining agreement are handled in accordance with the law. In addition, the Company greatly values employee's rights and interests. To strengthen labor relations and enhance employee's cohesion, the Company actively communicates with employees, and strives for people-oriented management. In addition to setting up a complaints window and a service team, employees can provide feedback at any time via e-mail or mail box. At present, the labor-management communications channel is open and in good operating condition.

(5) Preventive measures taken to protect safe working environment and employees' personal safety

The company has passed ISO14001 environmental management system standards, OHSAS18001 occupational safety and health management and ISO/TS6949 automotive and quality management systems.

The Company has established the "Safe Production Reward and Punishment Measures" to achieve zero injuries and zero accidents through pre-employment training, professional job training, on-the-job training, and professional skills training.

5.5.2 Any current or potential loss resulting from labor disputes and prevention actions for the past two years and as of the date of this annual report

The labor-management disputes of the Company are mostly compensation for work-related injuries caused by traffic accidents, or occupational injuries caused by improper machine operations. At present, all relevant labor disputes have reached settlements. Because the dispute cases are small compensations, they have no substantial impact on the operation of the Company.

5.6 Cyber security management:

I、State clearly the cybersecurity risk management structure, cybersecurity policy, specific management plan, and resources invested in the management of cybersecurity:

The Company has adopted the rule of cyber security. The Information Technology department is responsible for coordinating with department heads of information, each business unit, internal audit, legal compliance, and human resource, holding regular meetings to announce and inform about cyber security events, making decisions about cyber security matters and further managing and promoting such matters. All of above are to implement the rule of cyber security, to protect cyber security and rights of stockholders, and to achieve the goals of cyber security.

Cyber security threats that the Company currently faces include mainly unexpected interruption of service, data loss, confidential information leakage and all sorts of cyberattack, and the Company has taken the following cyber security protective measures:

- 1.Unexpected interruption of service and data loss: The Company has adopted a hyper-converged host infrastructure, a virtual host for remote backup, and two copies of data backup on two storage media with one of the copies located offsite. Data backup and recovery and remote backup drills are held on a regular basis to ensure uninterrupted operation and no data loss.
- 2.Confidential information leakage: The Company has strengthened its authorization management mechanism and established an authorization management platform to control the real-time authorization status for each system. Confidential documents and key information are controlled by the restriction copies, downloads and outward mail ensuring the security of confidential information.
- 3.Cyberattack: The Company has reinforced its firewall defense, increased inspection on cyber activities from high-risk regions, checked updates for anti-virus software and operation system daily and randomly, built functions such as blacklist filter and credit score system to block malicious mail, and promoted the concept of cyber security regularly to prevent threats of cyberattacks.

II、State clearly any losses, possible impacts, and countermeasures caused by significant cybersecurity incidents in the year prior to the annual report publication date; if they cannot be reasonably estimated, an explanation must be made as to the fact that they cannot be reasonably estimated:

None

5.7 Important Contracts

Item	Agreement	Counterparty	Period	Major Contents	Restrictions
1	Financing Contract	Taipei Fubon Bank Global Sun Trading Co., Ltd.	2021/5/19~2022/5/18	Short term loan	None
2	Financing Contract	Taipei Fubon Bank Eson Precision Industry (Singapore) Pte. Ltd.	2021/5/18~2022/6/24	Short term loan	None
3	Financing Contract	CTBC Bank Co.,Ltd. Eson Precision Industry (Singapore) Pte. Ltd.	2022/1/1~2022/12/31	Short term loan	None
4	Financing Contract	CTBC Bank Co.,Ltd. Global Sun Trading Co., Ltd.	2022/1/1~2022/12/31	Short term loan	None
5	Financing Contract	CTBC Bank Co.,Ltd. Eson (VN) Precision Industry Co.,Ltd	2022/1/1~2022/12/31	Short term loan	None
6	Financing Contract	E.Sun Bank Global Sun Trading Co., Ltd.	2021/10/27~2022/10/27	Short term loan	None
7	Financing Contract	Taishin International Bank Global Sun Trading Co., Ltd.	2021/9/30~2022/9/30	Short term loan	None
8	Financing Contract	Taishin International Bank Eson Precision Industry (Singapore) Pte. Ltd.	2021/9/30~2022/9/30	Short term loan	None
9	Financing Contract	Citi Bank Global Sun Trading Co., Ltd.	2022/1/3~2022/11/2	Short term loan	None
10	Financing Contract	Citi Bank Eson Precision Industry (Singapore) Pte. Ltd.	2022/4/5~2023/4/5	Short term loan	None
11	Financing Contract	Citi Bank Eson Batupahat Precision Engineering Sdn Bhd	2021/12/10~2022/12/10	Short term loan	None
12	Financing Contract	Global Sun Trading Co. Eson Batupahat Precision Engineering Sdn Bhd	2020/2/17~2023/2/16	External Debt USD 5 million	None
13	Financing Contract	Zeal International Co., Ltd. Global Sun Trading Co.	2022/1/12~2025/1/11	External Debt USD 5 million	None
14	Financing Contract	Ample Wealth Enterprise Ltd Global Sun Trading Co.	2019/7/12~2022/7/11	External Debt USD 7 million	None
15	Financing Contract	Unique Champion Co., Ltd Global Sun Trading Co.	2020/7/15~2023/7/14	External Debt USD 5 million	None
16	Financing Contract	ICBC Kunshan Branch Kunshan Eson	2021/8/13~2022/9/12	Short term loan	None
17	Financing Contract	Bank of China Kunshan Branch Kunshan Eson	2021/7/5~2022/7/1	Short term loan	None
18	Financing Contract	China Citic Bank Suzhou Branch Kunshan Eson	2021/7/29~2022/7/28	Short term loan	None

6 Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet

1. Condensed Balance Sheet (consolidated)

Unit: NT\$ thousands

Year		Financial information in the past five years				
		2017	2018	2019	2020	2021
Item						
Current Assets		6,967,309	7,267,280	6,536,197	6,942,661	6,447,239
Property, plant and equipment		2,727,056	2,570,021	2,163,198	2,279,419	3,238,217
Intangible Assets		130,605	125,053	2,929	19,644	13,289
Other Assets		45,116	12,577	256,126	542,710	427,263
Total Assets		9,870,086	9,974,931	8,958,450	9,784,434	10,126,008
Current Liabilities	Before allocation	3,890,444	4,045,422	2,974,836	3,742,165	4,047,011
	After allocation	4,247,502	4,298,215	3,278,188	4,028,664	4,282,951
Total non-current liabilities		29,734	86,829	113,831	112,751	103,292
Total Liabilities	Before allocation	3,920,178	4,132,251	3,088,667	3,854,916	4,150,303
	After allocation	4,267,236	4,385,044	3,392,019	4,141,415	4,386,243
Equity attributable to shareholders of the parent		5,912,144	5,802,796	5,864,381	5,924,417	5,975,705
Share capital		1,735,289	1,735,289	1,685,289	1,685,289	1,685,289
Capital surplus		2,627,182	2,453,653	2,382,955	2,349,249	2,349,249
Retained earnings	Before allocation	1,991,469	2,188,255	2,399,141	2,590,464	2,767,746
	After allocation	1,817,940	1,935,462	2,129,495	2,303,965	2,531,806
Other Equity		(441,796)	(431,664)	(603,004)	(700,585)	(826,579)
Treasury shares		-	(142,737)	-	-	-
Non-controlling interest		37,764	39,884	5,402	5,101	-
Total Equity	Before allocation	5,949,908	5,842,680	5,869,783	5,929,518	5,975,705
	After allocation	5,602,850	5,589,887	5,566,431	5,643,019	5,739,765

2. Five-Year Financial Analysis

Unit: NT\$ thousands

Item \ Year	Financial information in the past five years				
	2017	2018	2019	2020	2021
Operating revenue	10,877,652	10,299,435	10,102,252	9,889,935	12,042,445
Gross Profit	1,673,256	1,446,974	1,661,531	1,722,965	1,808,916
Operating Income	570,455	425,969	653,462	674,021	642,955
Non-operating Income and Expenses	(80,313)	60,766	9,357	(61,992)	(35,100)
Profit before income tax	490,142	486,735	662,819	612,029	607,855
Income (Losses) from Continuing Operations for the year	432,100	374,727	499,593	460,937	463,871
Losses from Discontinued Operations	-	-	-	-	-
Profit for the year (Losses)	432,100	374,727	499,593	460,937	463,871
Other comprehensive income for the year (Net of income tax)	(208,686)	27,138	(171,109)	(97,850)	(125,994)
Total comprehensive income for the year	223,414	401,865	328,484	363,087	337,787
Profit attributable to shareholders of the parent	433,905	370,315	499,541	460,969	463,781
Profit attributable to Non-controlling interests	(1,805)	4,412	52	(32)	-
Total comprehensive income attributable to shareholders of the parent	227,266	399,745	328,201	363,388	337,787
Total comprehensive income attributable to Non-controlling interests	(3,852)	2,120	283	(301)	-
Earnings per share (non-retroactive)	2.50	2.14	2.96	2.74	2.75

Note1: The quarterly information till the printing date of this annual report has been reviewed by CPA

6.1.2 Auditors' Opinions in the past five years

Auditing Year	CPAs	Accounting Firm	Opinions
2017	Huang, Yi-Min 、Wu, Ko-Chang	Deloitte & Touche	Unqualified Opinion
2018	Huang, Yi-Min 、Yu, Hung-Bin	Deloitte & Touche	Unqualified Opinion
2019	Shyu, Wen-Yea 、Huang, Yi-Min	Deloitte & Touche	Unqualified Opinion
2020	Huang, Yi-Min 、Shyu, Wen-Yea	Deloitte & Touche	Unqualified Opinion
2021	Wu, Ke-Chang 、Chiu, Ming-Yu	Deloitte & Touche	Unqualified Opinion

6.2 Five-Year Financial analysis

6.2.1 Consolidated Financial Analysis – Based on IFRS

Year Item		Financial Analysis for the Last Five Years (Note 1)					
		2017	2018	2019	2020	2021	
Financial structure (%)	Debt Ratio	39.72	41.43	34.48	39.40	40.99	
	Ratio of long-term capital to property, plant and equipment	216.18	227.34	271.35	260.13	184.54	
Solvency (%)	Current ratio	179.09	179.64	219.72	185.53	159.31	
	Quick ratio	136.52	143.79	190.42	149.10	112.00	
	Interest earned ratio (times)	48.29	28.31	34.65	89.04	67.11	
Operating ability	Accounts receivable turnover (times) (Note 3)	3.44	3.53	4.34	4.77	5.11	
	Average collection period	106.10	103.39	84.10	76.51	71.42	
	Inventory turnover (times) (Note 3)	5.88	6.76	8.19	8.37	7.40	
	Accounts payable turnover (times) (Note 3)	3.30	3.88	4.22	3.77	4.38	
	Average days in sales	62.07	53.99	44.56	43.60	49.32	
	Property, plant and equipment turnover (times) (Note 3)	3.87	3.89	4.27	4.45	4.37	
	Total assets turnover (times) (Note 3)	1.05	1.04	1.07	1.06	1.21	
Profitability	Return on total assets (%) (Note 3)	4.29	3.88	5.44	4.98	4.73	
	Return on stockholders' equity (%) (Note 3)	7.32	6.32	8.56	7.82	7.79	
	Pre-tax profit to paid-in capital	Profit of operation(%) (Note 3)	32.87	24.55	38.77	39.99	38.15
		Pre-tax profit (%) (Note 3)	25.22	28.25	39.33	36.32	36.07
	Profit ratio (%)	3.99	3.60	4.94	4.66	3.85	
	Earnings per share (NT\$)	2.50	2.14	2.96	2.74	2.75	
Cash flow	Cash flow ratio (%)	15.14	25.76	67.99	12.53	(7.79)	
	Cash flow adequacy ratio (%)	109.59	107.95	201.37	173.68	92.28	
	Cash reinvestment ratio (%)	3.79	7.75	20.09	1.91	(6.58)	
Leverage	Operating leverage	1.77	2.00	1.70	1.55	1.69	
	Financial leverage	1.02	1.04	1.03	1.01	1.01	

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. Ratio of long-term capital to property, plant and equipment decreases which was mainly due to capital expenditure in expansion.
2. Quick ratio decreases which was mainly due to fund needs increase in current liabilities.
3. Interest earned ratio (times) decrease which was mainly due to the increase in interest expense.
4. Cash flow ratio decreases which was mainly due to the decrease in cash flows from operating activities.
5. Cash flow adequacy ratio decreases which was mainly due to the decrease in cash flows from operating activities.
6. Cash reinvestment ratio decrease which was mainly due to the decrease in cash flows from operating activities.

Note 1: The financial information from past five years has been audited by CPA

Note 2: The formula is as follow:

1. Financial structure

(1) The ratio of total liabilities to total assets = total liabilities / total assets

(2) Ratio of long-term capital to property, plant and equipment = (Total equities + noncurrent liabilities) / property, plant and equipment.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets – inventories – prepaid expense) / current liabilities.

(3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.

3. Operating efficiency

(1) Receivable (including accounts receivable and notes receivable arising from business operation) Turnover = Net sales

/ average receivable (including accounts receivable and notes receivable arising from business operation) balance.

(2) Days sales in account receivable = $365 / \text{Account receivable turnover (times)}$.

(3) Inventory turnover (times) = $\text{Cost of goods sold} / \text{average inventory amount}$

(4) Payable (including accounts payable and notes payable arising from business operation) Turnover = $\text{Cost of goods sold} / \text{Average payable (including accounts payable and notes payable arising from business operation) balance}$.

(5) Average days in sales = $365 / \text{Inventory turnover (times)}$.

(6) Property, plant, and equipment turnover (times) = $\text{Net sales} / \text{Net average property, plant, and equipment}$

(7) Total assets turnover (times) = $\text{Net sales} / \text{Average total assets}$

4. Profitability

(1) Return on assets = $(\text{after tax net profit} + \text{interest expenses} \times (1 - \text{tax rate})) / \text{average asset balance}$.

(2) Return on shareholders' equity = $\text{after tax net profit} / \text{total average equity}$.

(3) Profit ratio = $\text{net income} / \text{net sales}$.

(4) Earnings per share = $(\text{profits or loss attributable to owners of the parent company} - \text{preferred stock dividend}) / \text{weighted average stock shares issued}$.

5. Cash flow

(1) Cash flow ratio = $\text{net cash flow from operating activities} / \text{current liabilities}$

(2) Cash flow adequacy ratio = $\text{net cash flow from operating activities within five years} / (\text{capital expenditure} + \text{inventory increase} + \text{cash dividend}) \text{ within five years}$.

(3) Cash re-investment ratio = $(\text{net cash flow from operating activity} - \text{cash dividend}) / (\text{gross property, plant, and equipment} + \text{long-term investment} + \text{other noncurrent assets} + \text{working capital})$. (Note 4)

6. Leverage:

(1) Operating leverage = $(\text{Net operating income} - \text{Changes in operating cost and expense}) / \text{Operating profit}$.

(2) Financial leverage = $\text{Operating profit} / (\text{Operating profit} - \text{interest expense})$.

Note 3: If the Company's stock is without a face value or without a NT\$10 par value, the ratio to paid-in capital in the preceding paragraph is then based on the shareholder's equity ratio of the parent company in the balance sheet instead.

6.3 Audit Committee's Review Report

Audit Committee Agreement Report

The Audit Committee agrees with the consolidated financial statements, business reports and proposal for earnings distribution in 2021, as decided by the Board of Directors. Among which, the consolidated financial statements of the Company in 2021 have been issued with an unqualified opinion audit report after audit by Deloitte Touche Tohmatsu Limited which was hired by the Board of Directors.

The Audit Committee is responsible for supervising the financial reporting process of the Company.

A certified public accountant has attested to the Company's consolidated financial statements for 2021 and communicated with the Audit Committee on the following matters:

- 1.No critical findings were discovered in the scope and time of the audit as planned by the certified public accountant.
- 2.The certified public accountant has offered the Audit Committee an accountant who is affiliated with the firm and follows the criterion of being independent as indicated in the Norm of Professional Ethics for Certified Public Accountant. No discovery was made that may be considered as affecting the independence of the accountants and other matters.
- 3.Among matters discussed between the certified public accountant and the Audit Committee, the certified public accountant has, in its audit report, clearly described the key audit matters that affect the Company's consolidated financial statements. There are no laws that do not allow specific matters to be publicly disclosed or in very rare cases, the certified public accountant decides not to audit for specific matters discussed in the report

The Audit Committee agrees with the consolidated financial statements, business reports and proposal for earnings distribution in 2021, as decided by the Board of Directors. All are in compliance with relevant laws and regulations and are reported as stipulated in Article 219 of the Company Act.

Please review.

To:

Eson Precision Engineering Co. Ltd. 2022 General Shareholders' Meeting

Audit Committee convener: Lin, Chih-Chung

Date: March 18, 2022

6.4 Consolidated Financial Statements of the Parent Company and Subsidiary in the Most Recent Year

Refer to pages 111 to 170.

6.5 Financial Difficulties Encountered By the Company and the Related Party in the Most Recent Year and Up to the Date of the Annual Report

None.

7 Review of Financial Position, Management Performance and Risk Management

7.1 Analysis of Financial Status

Unit: NT\$ thousands

Item	Year	2020	2021	Difference	
				Amount	%
Current Assets		6,942,661	6,447,239	(495,422)	(7.14)
Funds & Investments		10,478	4,799	(5,679)	(54.20)
Fixed Assets		2,279,419	3,238,217	958,798	42.06
Intangible Assets		19,644	13,289	(6,355)	(32.35)
Other Assets		532,232	422,464	(109,768)	(20.62)
Total Assets		9,784,434	10,126,008	341,574	3.49
Current Liabilities		3,742,165	4,047,011	304,846	8.15
Long-term Liabilities		-	-	-	-
Other Liabilities		112,751	103,292	(9,459)	(8.39)
Total Liabilities		3,854,916	4,150,303	295,387	7.66
Capital stock		1,685,289	1,685,289	-	-
Capital surplus		2,349,249	2,349,249	-	-
Retained Earnings		2,590,464	2,767,746	177,282	6.84
Exchange differences on translation of financial statements of foreign operations		(700,585)	(820,962)	(120,377)	17.18
Total other equity interest		-	(5,617)	(5,617)	(100)
Treasury shares		-	-	-	-
Non-controlling interests		5,101	-	(5,101)	(100)
Total Stockholders' Equity		5,929,518	5,975,705	46,187	0.78
Description of major changes: (The amount changed by more than 10%, and reached 1% of the total assets of the year, which is NT\$101,260 thousands)					
Fixed assets increased: Mainly due to increase in plant and equipment.					
Other assets decreased: Mainly due to decrease in right-of-use assets and financial assets at amortized cost-non-current.					
Exchange differences on translation: The impact of exchange rate changes.					

Data : The financial information has been audited by CPA

7.2 Analysis of Operation Results

Unit: NT\$ thousands

Item \ Year	2020	2021	Difference	
			Amount	%
Net Sales	9,889,935	12,042,445	2,152,510	21.76
Cost of Sales	8,166,970	10,233,529	2,066,559	25.30
Gross Profit	1,722,965	1,808,916	85,951	4.99
Operating Expenses	1,048,944	1,165,961	117,017	11.16
Operating Income	674,021	642,955	(31,066)	(4.61)
Non-operating Income and expenses	(61,992)	(35,100)	26,892	(43.38)
Income Before Tax	612,029	607,855	(4,174)	(0.68)
Net Income	460,937	463,781	2,844	0.62
Description of major changes: (The amount changed by more than 10%, and reached 1% of the total assets of the year, which is NT\$101,260 thousands) : (1) Net Sales increase: Mainly due to increase in TV Mechanical Parts and Automobile Parts. (2) Cost of Sales increase: Mainly due to increase in Net Sales. (3) Operating Expenses increase: Mainly due to increase in Net Sales.				

Data : The financial information has been audited by CPA

7.3 Analysis of Cash Flow

7.3.1 Cash flow Analysis for the Current Year

Item \ Year	2020	2021	Increase (Decrease) Amount	(%)
Investing Activities	(1,481,814)	(501,424)	980,390	(66.16)
Financing Activities	(69,381)	167,878	237,259	(341.97)
Analysis of financial change : Net cash inflow from operating activities decreased: Mainly due to increase in inventory and decrease in account payable. Cash outflow from investing activities decreased: Mainly due to disposal in financial assets at amortization cost. Cash outflow from financing activities decreased: Mainly due to increase in short-term borrowings.				

Data : The financial information has been audited by CPA

7.3.2 Remedy for Cash Deficit and Liquidity Analysis and Cash flow Analysis for the Coming Year

Not applicable.

7.4 Major Capital Expenditure

None

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

7.5.1 Investment Policy in Last Year

The Company's current investment policy mainly focuses on basic business-related investment targets and is not engaged in investments in other industries. Relevant executive departments adhere to the "Subsidiary Operation Management Measures", "Investment Cycle" of the internal control system and "Acquisition or Disposal of Assets". The aforementioned methods or procedures are discussed and approved by the board of directors or at the shareholders meeting.

7.5.2 Main Causes for Profits or Losses, Improvement plan

As of Dec 31,2021 ; Unit ; NT\$ thousands

Name of Company	Investment gain of loss in last year	Main Causes
Multiwin Precision Ind Pte. Ltd.	98,944	Good operating condition
Global Sun Trading Co., Ltd.	411,980	Good operating condition
All Spacer Enterprises Co., Ltd.	(9,799)	Mainly to recognize the net loss of Dongguan Yihong
Multiwin de Mexico S.A. de C.V.	69,274	Good operating condition
Heng Xie Enterprises Limited	132,035	Good operating condition
Eson Europe S.R.O.	(13,260)	Due to poor European consumer market conditions under the influence of the European debt crisis, the Company will reposition Eson Europe SRO as a customer service base in Europe. In addition to serving existing customers, it will conduct local market research and business marketing, and provide other companies within the group opportunities to take production orders. Local production equipment has been transferred to other plant locations for use or direct disposal.
Grand Liberty Co., Ltd.	11,483	Good operating condition
Ample Wealth Enterprise Ltd.	80,569	Good operating condition
Zeal International Co., Ltd.	2,213	Good operating condition
Eson Precision Industry (Singapore) Pte. Ltd.	277,256	Good operating condition
Eson (VN) Precision Industry Co., Ltd	(71,028)	Loss was mainly due to pilot production upon completion of factory
Eson Precision Engineering (Malaysia) Sdn Bhd	(11,911)	Mainly due to reduced production orders, resulting in losses
Eson Batupahat Precision Engineering Sdn. Bhd.	46,585	Good operating condition
Unique Champion Co., Ltd.	19,223	Good operating condition
Eson Slovakia A.S.	(1,320)	Due to poor European consumer market conditions under the influence of the European debt crisis, the Company will reposition Eson Europe SRO as a customer service base in Europe. In addition to serving existing customers, it will conduct local market research and business marketing, and provide other companies within the group opportunities to take production orders. Local production equipment has been transferred to other plant locations for use or direct disposal.
Kong Eagle International Limited.	(11,060)	Mainly due to reduced production orders, resulting in losses
Zenith Profits Co., Ltd.	(248)	Mainly due to reduced production orders, resulting in losses
Blackyotta Inc.	1,546	Good operating condition
Kunshan Eson Precision Engineering Co., Ltd.	119,399	Good operating condition
Yantai Zheng Yi Precision Electronics Co., Ltd.	12,709	Good operating condition
Wuxi Xinguan Metal Science & Technology Co., Ltd.	(7,492)	Mainly due to reduced production orders, resulting in losses
Dongguan Yihong Precision Mould Co., Ltd.	(10,984)	Mainly due to reduced production orders, resulting in losses
Kunshan Kang Rui Package Material Co., Ltd.	(163)	Mainly due to reduced production orders, resulting in losses

7.5.3 The investment Plans for the Coming Year

In the future, the company's main investment strategy is to focus on customers' strategic needs and basic business-related investments. The scale of operations will be expanded on a case-by-case basis, and relevant executive departments will adhere to the internal control system and "Procedure for Acquisition

or Disposal of Assets.”

7.6 Analysis of Risk Management

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

1. Interest Rate

The interest rate risk of the Company is mainly derived from the long-term and short-term bank loans required to support business and investment activities. In addition to strengthening close contact with banks and understanding interest rate movements to obtain the most favorable loan interest rates, the Company will also effectively use various financial instruments through sound financial planning to reduce the risk of fluctuating interest rates.

2. Foreign Exchange Rate

The daily operations of the Company use US dollars as a functional currency; The Company is mainly affected by fluctuations in the exchange rates of the renminbi and Euro to the US dollar. However, relevant risks on the Company's profits and losses are manageable. In response to the potential exchange risk and the impact of exchange rate fluctuations on profit and loss, the Company collects market information, conducts trend judgment and risk assessment, and maintains close contact with banks to fully grasp the trends in exchange rates and make appropriate adjustments, thereby reducing the risk of exchange rate fluctuations.

3. Inflation

The company's profit and loss has not been significantly affected by inflation. The Company will keep abreast of fluctuations in market prices and maintain good interaction with customers and suppliers, and suitably adjust its procurement and sales strategies. Therefore, the Company should be able to respond to the impact of future economic changes due to inflation or austerity, thereby reducing the impact on profit and loss.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-Risk, High-Leverage Investment, Loaning or Endorsement Guarantees and Derivatives Transactions

The Company's financial policy is based on stable and conservative principles, and does not engage in high-risk, highly leveraged investment; In addition, the Company has established the “Operating Procedures for Lending Funds to Others”, “Operating Procedures for Endorsement Guarantees” and “Procedures for Engaging in Derivatives Trading”. All relevant operations are carefully implemented after considering risk conditions and related regulations. Other than Company-subidiaries and subsidiaries-subidiaries relations, the Company does not have endorsement guarantees and capital loans with other companies. Additionally, those already applied for endorsement guarantees and capital loan are handled in accordance with relevant operating procedures. The Company has not engaged in any derivative trading.

7.6.3 Future Research & Development Projects and Corresponding Budget

The Company's research and development expenses for 2021 and 2020 were NT\$199,936 thousands and NT\$195,630 thousands, respectively, accounting for 1.66% and 1.98% of the corresponding years' operating income. In the future, in addition to continuously improving the existing processes, strengthening the efficiency of the production line and reducing costs, the Company is actively developing the application of new products and enhancing the competitiveness through R&D and talent investment.

➤ Future R&D plans:

1. Development of light-weight and high-precision car window technology
2. Unibody injection molding technology
3. Development of surface treatment technology, enhancement of high-gloss anodization, high-gloss electrodeposition processing technology

➤ Expected future R&D investment: Approximately 1.7% to 2.5% of the annual net revenue.

7.6.4 Effects of and response to changes in policies and regulations relating to corporate finance and sales

The country of registration of the Company is the Cayman Islands, and its main operating countries include China, Singapore, Malaysia and Mexico. Each of the Company's business is executed in accordance with the legal requirements and relevant policies of the country of registration and the country of major operation. Moreover, the Company is well informed of policy changes and development trends and responds to changes in the market environment and takes appropriate measures in a timely manner. The Company has not had a significant impact on its financial business due to changes in important policies and laws at home and abroad.

7.6.5 Effects of and response to changes in technology and the industry relating to corporate finance and sales

The Company stays abreast of the changes in the technology and product demand of the industry, grasps the market trend, and evaluates its impact on the Company's operation. In the past year at the time of issuance of the annual report, the Company has not had a significant impact due to a major technological or industrial change.

7.6.6 The impact of changes in corporate image on corporate risk management, and the Company's response measures

Since establishment, the Company has focused on its business operations. Business results and company reputation have been excellent. In the past year at the time of issuance of the annual report, and there has not been any change in corporate image causing corporate crisis.

7.6.7 Expected benefits from, risks relating to and response to merger and acquisition plans

The Company has not had plans of mergers in the past year and up to the date of report. However, if there is a merger and acquisition plan, it will be handled according to the "Procedures for Acquisition or Disposal of Assets" of the Company. Moreover, to reduce possible risks, if the company discovers the potential merger target company in the future, it will carefully evaluate and consider the merger and the effects thereof, and consult relevant professionals. The merger decision shall be prepared and

handled timely and with reasonable conditions to ensure the Company's interests and overall shareholders' rights.

7.6.8 Expected benefits from, risks relating to and response to factory expansion plans

In response to the continued growth of the business scale, the Company invested in the establishment of its subsidiary Multiwin de Mexico SA de CV in 2012. The subsidiary is located in Mexico and has been running mass production in the same year. The newly added capacity will help expand the Group's business scale, thereby enhancing overall market competitiveness. In order to meet the strategic needs of customers and the future growth of ASEAN, the Company invested in the establishment of subsidiary Eson Precision Engineering (Malaysia) Sdn Bhd in 2013. In 2014 and 2016, the Company added an automatic mechanical press line and vacuum injection molding equipment. The Malaysian market has gradually expanded. The Company established Eson Batupahat Precision Engineering Sdn Bhd in May 2016 to respond to new orders. The Company established Eson (VN) Precision Industry Co., Ltd in May 2020 to respond to new orders for the customer. The expansion of production capacity is required for operation, and the risks are still limited. The Company will continue to upgrade its technical standards and expand its business and order taking capacity to fully utilize new production capacity.

7.6.9 Risks relating to and response to excessive concentration of purchasing sources and excessive customer concentration

1. Purchasing

The Company avoids single supplier sources for each major purchase item except for suppliers with unique quality factors and customer certification. The purchase ratio of the largest supplier in 2020 and 2021 is 15.97% and 13.63% respectively. The top ten suppliers' purchase ratios were 45.43% and 46.02%, respectively. The overall purchase did not focus on a single supplier. The main raw materials required for the production of components of consumer electronic products at the Company, including metal materials, composite parts and plastic parts, are available from a wide range of suppliers. There is no concentration of purchases from a single supplier risking out-of-stock worries.

2. Sales

The Company's main sales target are international OEMs and brand manufacturers of consumer electronics products such as TV, computer, and ICT. The sales ratios of the customers of the largest sales in 2020 and 2021 are 24.40% and 25.73%, respectively. The sales ratios of the top ten customers were 86.58% and 85.74% respectively. Although there are concentrated sales of goods, due to industrial characteristics, downstream brand manufacturers are mostly concentrated on orders from international OEMs. In addition, due to the excellent technical capacities, the Company has won recognitions of international OEMs and brand manufacturers, and thus established a dominant position in the industry, and has long-term stable cooperative relations with major sales targets. The Company is also actively involved in R&D of new products, thereby reducing the risk of concentration of sales.

7.6.10 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%

The Company has not had any of the described share transfers in the past year and up to the date of report.

7.6.11 Effects of risks relating to and response to the changes in management rights

In order to strengthen corporate governance, the Company held a full re-election of directors at the shareholders' meeting on October 31, 2012, and introduced independent directors, set up an audit committee to enhance the protection of the overall shareholders' equity. The operating performance of the Company's management team is sound and should continue to receive support from major shareholders.

7.6.12 Other major risks and responses

1. International raw material prices fluctuate greatly, and wages are high, which reduces the risk of profit margins.

In recent years, the cost of international raw materials has increased. Among them, steel plates are the main raw materials for the production of metal stamping components required for TV. Due to the increase in the prices of raw materials, the cost of parts production has increased significantly. This is expected to be the case in the future; In addition, the product process of machine components is labor intensive, but provinces in the mainland have increased their wages, and it is estimated that there will still be room for improvement in the next few years. Therefore, the high cost has become a problem for all component manufacturers.

Response measures

- A. Strengthen production processes, reduce unnecessary manpower in the production process, and train employees to enhance work efficiency and reduce the impact of rising labor costs on operations.
 - B. Establish solid long-term interaction with a number of upstream raw material suppliers to mitigate the impact of raw material price fluctuations and ensure the stability of supply.
 - C. Strengthen inventory and liquidity management to mitigate the impact of fluctuations in raw material prices.
2. Risk of retaining customer orders

Machine component manufacturers have expanded their production capacity and actively upgraded their technology to secure new orders. Under the continuous growth in overall production capacity and competition in the industry, and the rapid changes in consumer market products, the ability to continue to obtain customer orders to maintain high utilization rate at the production line has a huge impact on the Company's operations.

Response measures

The Company is a professional manufacturer of products such as mold development, plastic molding, metal stamping and related surface treatment technology. It can flexibly adjust the appearance of

consumer products and can provide customers with one-stop purchase service. The Company operates through diverse products to divert operational risks.

In addition, the Company will increase and meet the customer's order demand with a strategy of serving customers nearby. It has the advantages of economies of scale, which raises the barrier for new market entrants. In the future, it will continue to deepen the cooperation relationship with customers to consolidate the source of orders.

3. Risk of change in technology and major raw materials

In response to lightweight and compact requirements, 3C products need to use high-strength, high-heat-dissipating materials. Based on the common materials used in current mechanical components, metallic materials are superior to plastic materials in terms of strength and heat dissipation. However, the development of plastic (polymer) composite materials, such as glass fiber and carbon fiber materials, are now on par with metallic materials in terms of strength and heat dissipation, which will impact the development of metal mechanical parts.

Response measures

The choice of material of the machine component will affect the appearance and durability of the product. Considering material cost and strength, the metallic components remain the mainstream option. The Company will follow closely the development trend and continue to assess the feasibility of new material applications and refine the existing technology to enhance competitiveness.

4. Risks related to statements made in this annual report

A. Facts and statistics

Certain information and statistics of this annual report are compiled from different statistical publications. However, external publications may be inaccurate, incomplete or not up to date. The Company makes no declaration as to the authenticity or accuracy of such statements in external publications, and investors should not place undue reliance on such information for investment judgment.

B. Forward-looking statements and risks and uncertainties contained in this annual report

Certain forward-looking statements and information about the Company and its related companies contained in this annual report. These statements and information are based on the beliefs, assumptions and current information of the management of the Company. In the current report, "predict", "believe", "can", "expect", "future", "intention", "or will", "must", "plan", "estimate", "seek", "shall", "will", "may", "likely" and similar statements, when used by the management of the Company, are forward-looking statements. Such statements reflect current views of the Company's management on future events, operations, liquidity, and sources of funding, some of which may not realize or may change. These statements are subject to certain risks, uncertainties and assumptions, including other risk factors as described in this annual report. Investors should carefully consider the known and unknown risks and uncertainties involved in relying on any forward-looking statements. The risks and uncertainties faced by the Company may affect the accuracy of the forward-looking statements, including but not limited to the following:

- Chapter 5 of this annual report, description of operations overview
- Statements in this annual report regarding prices, volume, operations, profit trends, overall market trends, risk management and exchange rates.

The Company will not update the forward-looking statements of this annual report or make changes in response to future events or information. In the light of these risks and other risks, uncertainties and assumptions, the forward-looking statements and circumstances of this annual report may or may not occur in the manner expected by the Company or may not occur at all. Therefore, investors should not rely on any of the forward-looking statements.

For other important risks and countermeasures related to the operation of the Company, please refer to the favorable, unfavorable factors and countermeasures of the Company's development prospects on page 71 of this annual report. However, despite these countermeasures, the implementation may still be subject to force majeure and other factors that cannot be fully implemented, and the related risks may still affect the Company's business, operating results, and financial status.

5. Challenges the management team faces in becoming a listed company for the first time

The Company's management team has rich experience in the operation of the industry. However, after stock listing, the Company needs to face a large number of investors or professional investment institutions. The Company is also a foreign company and needs to adapt to the laws and regulations of Taiwan.

Response measures

Before applying for listing, the Company has successively recruited qualified talents required by the various operating locations around the world and has organized excellent team members as a strong backing for management. Moreover, some management personnel have also worked in Taiwan's well-known listed and OTC companies in Taiwan and are thus familiar with relevant local laws and regulations. Therefore, the company is prepared to meet the challenges of becoming a listed company.

6. The Company is a holding company that relies on the performance of its subsidiaries and their ability to distribute dividends and is subject to restrictions on the distribution of dividends and the transfer of funds.

The Company is a holding company established in the Cayman Islands with no commercial operations and revenue sources. The Company has no other assets and liabilities other than stock rights to the subsidiaries. Therefore, the profit source mainly relies on its operating subsidiaries. The Company's subsidiaries in China and in Singapore are the source of profit for the Group's important operations. Therefore, the issuance of cash dividends of the Company will be affected by the cash dividends of the subsidiaries or the surplus reserves.

However, the cash dividends issued by the subsidiaries will be subject to the restrictions on the local state dividends, regulations on repatriation of revenues, cash transfers and foreign exchange controls, and will be affected by exchange rate changes. The Company has no full control over these factors.

In addition, the subsidiaries of the Company are separate and independent legal entities. When a subsidiary goes bankrupt, loses its liquidity, reorganizes, liquidates, or realizes its assets, the

Company's acquired assets or distribution order will be inferior to the creditors of the subsidiary, including the trading subject of the subsidiaries and the holders of the bonds issued by the subsidiaries. .

The distribution of dividends or other benefits of the Company will be handled in accordance with relevant regulations. It is recommended that investors should understand and consult with experts on the impact of taxation of their own investment holding companies.

7. Risk of protection of shareholders' rights

The Cayman Islands' company law has many different rules from the Taiwan Company Act. Although the Company has amended the Articles of Association in accordance with the "Checklist for the Protection of Shareholders' Rights and Interests of Foreign Issuer in Registration Countries" as stipulated by the Taiwan Stock Exchange Co., Ltd., there remain many differences between local laws and regulations on the operation of the Company. Investors cannot apply the legal rights used to invest in Taiwan companies to protect their investments in Cayman Islands companies. Investors shall fully understand and consult with experts on whether their shareholder's rights and interests are effectively protected in their investment in a Cayman Islands company.

8. Information security risks:

High-availability data backup systems are established in the information system framework in accordance with the risk level. We strengthen simulation tests and emergency response drills in server rooms and evaluate the operational risks and impact in terms of finance, regulations, and customers. We plan, design, and improve appropriate software/hardware equipment and resources and implement response measures to improve work procedures, reduce risks of system interruption caused by unforeseen natural disasters or human errors, and ensure that we meet the target of system recovery time.

7.6.13 Litigation or Non-litigation Matters

Suntool Co., Ltd. had a product dispute with its client, leading to the possibility of US\$300 thousand in uncollectible accounts receivable. Furthermore, the client of Suntool's client demanded an additional compensation for damage that amounted to CAD4,000, and the litigation is still going. Suntool Co., Ltd. has recognized a full impairment loss for the total amount of receivables. In addition, Suntool Co., Ltd. assessed that compensation is very unlikely to occur and thus did not assess the related losses. Suntool Co., Ltd. obtained the documentation for the approval of dissolution on October 23, 2018 which approved the dissolution on September 18, 2018 after related debt declaration and dissolution procedures were completed.

There are no concluded or pending litigious, non-litigious, or administrative litigation events in the past year up to the printing of this annual report that can have a significant impact on shareholders' equity or securities prices.

7.7 Other Major items

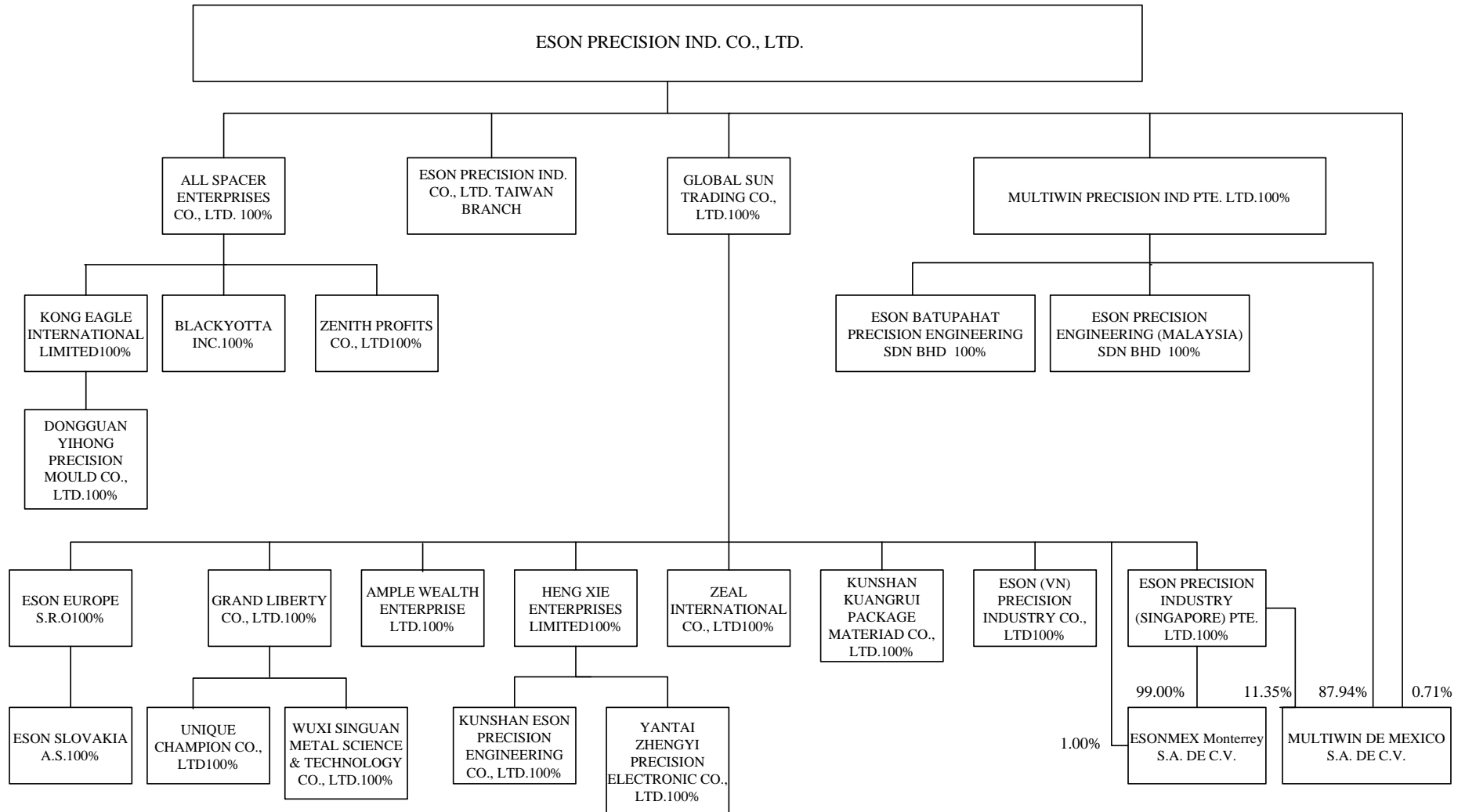
None

8 Other Special Notes

8.1 Summary of Affiliated Companies

8.1.1 The Status of Affiliated Companies

1. Affiliated Companies Chart



2. Basic Data of Affiliated Enterprises

As of Dec 31, 2021 / Unit: In Dollars of Foreign Currencies

NAME OF CORPORATION	DATE OF ESTABLISHMENT	ADDRESS	CAPITAL		MAJOR BUSINESS SCOPE
Multiwin Precision Ind Pte. Ltd.	2009.09.09	Singapore	USD	19,800,001	Sales of molds, plastic products, and hardware products and investment holding
Global Sun Trading Co., Ltd.	2001.05.25	Mauritius	USD	28,100,000	Investment holding
All Spacer Enterprises Co., Ltd.	1999.06.15	Samoa	USD	6,300,000	Investment holding
Multiwin de Mexico S.A. De C.V.	2012.06.21	Mexico	MXN	420,865,940	Manufacture of molds, plastic products, and hardware products
Heng Xie Enterprises Limited	2007.11.14	Hong Kong	HKD	495,280,151	Investment holding
Eson Europe S.R.O.	2007.09.21	Slovakia	EUR	5,397,909	Investment holding
Grand Liberty Co., Ltd.	2006.09.26	Mauritius	USD	24,100,000	Investment holding
Ample Wealth Enterprise Ltd.	2001.11.16	Mauritius	USD	1	Sales of molds, plastic products, and hardware products
Zeal International Co., Ltd.	2005.01.11	Mauritius	USD	1	Sales of molds, plastic products, and hardware products
Eson Precision Industry (Singapore) Pte. Ltd.	2017.03.23	Singapore	USD	19,000,000	Sales of molds, plastic products, and hardware products
Eson (VN) Precision Industry Co., Ltd.	2020.05.13	Vietnam	USD	27,500,000	Sales of molds, plastic products, and hardware products
Eson Precision Engineering (Malaysia) Sdn. Bhd.	2013.05.03	Malaysia	MYR	31,000,000	Sales of molds, plastic products, and hardware products
Eson Batupahat Precision Engineering Sdn. Bhd.	2016.05.10	Malaysia	MYR	19,000,000	Sales of molds, plastic products, and hardware products
Unique Champion Co., Ltd.	2007.05.16	Mauritius	USD	1	Sales of molds, plastic products, and hardware products
Eson Slovakia A.S.	2008.02.22	Slovakia	EUR	4,300,000	Sales of molds, plastic products, and hardware products
Kong Eagle International Limited.	2007.11.04	Hong Kong	HKD	60,465,117	Investment holding
Zenith Profits Co., Ltd.	2006.01.09	Mauritius	USD	1	Sales of molds and hardware products
Bkcyotta Inc.	2018.12.10	U.S.A.	USD	200,000	Sales of molds, plastic products, and hardware products
Kunshan Eson Precision Engineering Co., Ltd.	2001.08.08	China	USD	52,010,000	Design, development, manufacture, and sales of molds, plastic products, and hardware products
Yantai Zheng Yi Precision Electronics Co., Ltd.	2009.09.29	China	USD	5,000,000	Design, development, manufacture, and sales of molds, plastic products, and hardware products
Wuxi Xinguan Metal Science & Technology Co., Ltd.	2006.12.15	China	USD	23,000,000	Design, development, manufacture, and sales of molds, plastic products, and hardware products
Dongguan Yihong Precision Mould Co., Ltd.	2004.09.14	China	USD	7,710,000	Sales and Manufacture of precision molds and hardware products
Kunshan Kang Rui Package Material Co., Ltd.	2019.12.23	China	USD	600,000	Packaging material trading and power supply

3. Information for Common Shareholders of Treated-as Controlled Companies and Affiliates : None

4. Business of Eson's Affiliates :

The Company's relevant corporate business operations include general investment and trading, as well as design, development, production and sales of molds, plastic and hardware. All related companies operate according to the overall business plan of the Group.

5. The Directors, Supervisors, and President of the affiliated companies

As of Apr 26, 2022 / Unit: thousand Shares

Name of enterprise	Title	Name/ Representative	Shares Holding	
			Shares	%
Multiwin Precision Ind Pte. Ltd.	Director	Tsai, Chia-Hsiang Lin, You-Ching Lee Huey Fong	-	-
Global Sun Trading Co., Ltd.	Director	Tsai, Chia-Hsiang	-	-
All Spacer Enterprises Co., Ltd.	Director	Tsai, Chia-Hsiang	-	-
Multiwin de Mexico S.A. De C.V.	Director	Hsiao,Hau-Jou	-	-
Heng Xie Enterprises Limited	Director	Tsai, Chia-Hsiang	-	-
Eson Europe S.R.O.	Director	Huang, Ching-I	-	-
Grand Liberty Co., Ltd.	Director	Tsai, Chia-Hsiang	-	-
Ample Wealth Enterprise Ltd.	Director	Tsai, Chia-Hsiang	-	-
Zeal International Co., Ltd.	Director	Tsai, Chia-Hsiang	-	-
Eson Precision Industry (Singapore) Pte. Ltd.	Director	Tsai, Chia-Hsiang Lin, You-Ching Lee Huey Fong	-	-
Eson (VN) Precision Industry Co., Ltd.	President	Tsai, Chia-Hsiang	-	-
Esonmex Monterrey S.A. De C.V.	Director	Hsiao,Hau-Jou	-	-
Eson Precision Engineering (Malaysia) Sdn. Bhd.	Director	Tsai, Chia-Hsiang Lin, You-Ching CHAM LIAN SOON	-	-
Eson Batupahat Precision Engineering Sdn. Bhd.	Director	Tsai, Chia-Hsiang Lin, You-Ching CHAM LIAN SOON	-	-
Unique Champion Co., Ltd.	Director	Tsai, Chia-Hsiang	-	-
Eson Slovakia A.S.	Director	Huang, Ching-I	-	-
Kong Eagle International Limited.	Director	Tsai, Chia-Hsiang	-	-
Zenith Profits Co., Ltd.	Director	Tsai, Chia-Hsiang	-	-
Blackyotta Inc.	Director	Hsiao,Hau-Jou	-	-
Kunshan Eson Precision Engineering Co., Ltd.	Executive Director	Tsai, Chia-Hsiang	-	-
	President	Hsiao, I-Hung	-	-
Yantai Zheng Yi Precision Electronics Co., Ltd.	Executive Director	Tsai, Chia-Hsiang	-	-
	President	Tseng, Shih-Wei	-	-
Wuxi Xinguan Metal Science & Technology Co., Ltd.	Executive Director	Tsai, Chia-Hsiang	-	-
	President	Tseng, Shih-Wei	-	-
Dongguan Yihong Precision Mould Co., Ltd.	Executive Director	Tsai, Chia-Hsiang	-	-
	President	Tseng, Shih-Wei	-	-
Kunshan Kang Rui Package Material Co., Ltd.	Executive Director	Tsai, Chia-Hsiang	-	-
	President	Tsai, Chia-Hsiang	-	-

6. The Status of Affiliated Companies

As of Dec. 31, 2021 ; Unit : NT\$ thousands

Name of Subsidiary	Paid-in capital	Total Assets (Note1)	Total Liability (Note1)	Net Worth (Note1)	Revenues (Note2)	Operating Income (Note2)	Net Profit (Note2)	EPS (NT\$)
Multiwin Precision Ind Pte. Ltd.	574,992	1,168,166	69,876	1,098,290	-	(330)	98,944	5.00
Global Sun Trading Co., Ltd.	842,278	5,521,942	999,129	4,522,813	-	(1,924)	410,658	146.14
All Spacer Enterprises Co., Ltd.	185,576	384,569	-	384,569	-	(39)	(9,798)	(1.56)
Multiwin de Mexico S.A. De C.V.	732,725	912,605	119,395	793,210	1,525,466	120,624	69,274	82.30
Heng Xie Enterprises Limited	1,935,923	2,722,215	-	2,722,215	-	(74)	132,035	0.27
Eson Europe S.R.O.	189,672	62,132	66,060	3,928	-	(11,937)	(13,260)	-
Grand Liberty Co., Ltd.	736,746	403,957	-	403,957	-	(248)	11,483	0.48
Ample Wealth Enterprise Ltd.	-	257,100	119,999	137,101	118,000	82,243	80,568	80,568,000.00
Zeal International Co., Ltd.	-	636,040	588,680	47,360	1,447,950	2,211	2,213	2,213,000.00
Eson Precision Industry (Singapore) Pte .Ltd.	571,805	3,392,689	2,044,988	1,347,701	6,245,950	349,790	275,004	14.47
Eson (VN) Precision Industry Co., Ltd	444,450	730,148	37,137	693,011	23,039	(69,606)	(71,029)	Note3
Eson Precision Engineering (Malaysia) Sdn. Bhd.	259,737	315,930	78,337	237,593	407,537	(12,585)	(11,190)	(0.36)
Eson Batupahat Precision Engineering Sdn Bhd	154,703	439,643	242,607	197,036	785,851	(12,585)	46,586	2.45
Unique Champion Co., Ltd.	-	153,948	818	153,130	-	19,219	19,223	19,223,000.00
Eson Slovakia A.S.	167,485	65,681	13,126	52,555	-	(1,315)	(1,321)	(5,743.48)
Kong Eagle International Limited.	234,907	355,147	-	355,147	-	(75)	(11,060)	(0.18)
Zenith Profits Co., Ltd.	-	2,889	-	2,889	-	(248)	(248)	(248,000.00)
Blackyotta Inc.	3,079	8,223	364	7,859	15,377	2,009	1,546	7.73
Kunshan Eson Precision Engineering Co., Ltd.	1,543,839	4,086,336	1,573,254	2,513,082	5,311,231	135,970	119,397	Note 3
Yantai Zheng Yi Precision Electronics Co., Ltd.	335,234	266,959	69,428	197,531	196,999	16,593	12,709	Note 3
Wuxi Xinguan Metal Science & Technology Co., Ltd.	691,635	260,612	11,980	248,632	1,007	(17,955)	(7,492)	Note3
Dongguan Yihong Precision Mould Co., Ltd.	224,242	392,225	40,068	352,157	142,016	(21,281)	(10,983)	Note 3
Kunshan Kang Rui Package Material Co., Ltd.	7,499	10,893	3,648	7,245	31,901	(172)	(163)	Note 3

Note1 : The exchange rate is based on December 31, 2021 (NTD/USD27.680, NTD/EUR=31.32)

Note2 : The exchange rate is based on 2021 average rate (NTD/USD=28.009, NTD/EUR=33.16)

Note3 : Not applicable.

6.4 Consolidated Financial Statements of the Parent Company and Subsidiary in the Most Recent Year

Refer to pages 110 to 168.

6.5 Financial Difficulties Encountered By the Company and the Related Party in the Most Recent Year and Up to the Date of the Annual Report

None.

7 Review of Financial Position, Management Performance and Risk Management

7.1 Analysis of Financial Status

Unit: NT\$ thousands

Item	Year	2020	2021	Difference	
				Amount	%
Current Assets		6,942,661	6,447,239	(495,422)	(7.14)
Funds & Investments		10,478	4,799	(5,679)	(54.20)
Fixed Assets		2,279,419	3,238,217	958,798	42.06
Intangible Assets		19,644	13,289	(6,355)	(32.35)
Other Assets		532,232	422,464	(109,768)	(20.62)
Total Assets		9,784,434	10,126,008	341,574	3.49
Current Liabilities		3,742,165	4,047,011	304,846	8.15
Long-term Liabilities		-	-	-	-
Other Liabilities		112,751	103,292	(9,459)	(8.39)
Total Liabilities		3,854,916	4,150,303	295,387	7.66
Capital stock		1,685,289	1,685,289	-	-
Capital surplus		2,349,249	2,349,249	-	-
Retained Earnings		2,590,464	2,767,746	177,282	6.84
Exchange differences on translation of financial statements of foreign operations		(700,585)	(820,962)	(120,377)	17.18
Total other equity interest		-	(5,617)	(5,617)	(100)
Treasury shares		-	-	-	-
Non-controlling interests		5,101	-	(5,101)	(100)
Total Stockholders' Equity		5,929,518	5,975,705	46,187	0.78
Description of major changes: (The amount changed by more than 10%, and reached 1% of the total assets of the year, which is NT\$101,260 thousands)					
Fixed assets increased: Mainly due to increase in plant and equipment.					
Other assets decreased: Mainly due to decrease in right-of-use assets and financial assets at amortized cost-non-current.					
Exchange differences on translation: The impact of exchange rate changes.					

Data : The financial information has been audited by CPA

Important matters of shareholder protection	Articles of Association and reason for discrepancy
<p>3. Shareholders who own more than 1% of the company's outstanding shares are entitled to propose, in writing, agenda items for discussion in annual general meetings. If the proposing shareholder do not hold 1% of the shares, the proposal is not a shareholder's resolution, or there is more than one proposal, they shall not be included in the agenda.</p> <p>4. If the Shareholder continue to hold more than one year and hold more than 3% of the total outstanding shares, they may write down the proposed matters and reasons and request the Board of Directors to convene an extraordinary shareholders meeting. Within 15 days after the request is filed, and the Board of Directors has not notified to convene the meeting, the Shareholder may report to the competent authority for permission to convene themselves.</p> <p>5. The following matters shall be listed and explained in the shareholders' meeting agenda, and shall not be proposed via extempore motion:</p> <ol style="list-style-type: none"> (1) Appointment or dismissal of director, supervisor; (2) Change of charter; (3) Company dissolution, merger, share conversion, division; (4) Concluding, altering or terminating a contract for the lease of all business, entrusted operations or usual co-operation with other ; (5) Cede all or major part of the business or property; (6) Transferring all business or property to others has a significant impact on the Company's operations; (7) Private placement of securities of an equity nature. (8) The director is engaged in the licensing of 	<p>notified in advance for approval, instead of “reporting to the Stock Exchange for approval within two days after the shareholders have obtained the permission from the competent authority” as required by the “Important Matters in the Protection of Shareholders' Rights and Interests”.</p>

Important matters of shareholder protection	Articles of Association and reason for discrepancy
<p>non-competition activities;</p> <p>(9) All or part of the dividends and bonuses are distributed by way of new shares;</p> <p>(10) The legal reserve and the capital surplus due to the contributed capital in excess of par or income from gift are distributed to the original shareholders by way of new shares.</p>	
<ol style="list-style-type: none"> 1. Voting rights may be exercised electronically or in writing during the Company's shareholders' meeting. However, if the Company complies with the “applicable scope for the Company to adopt electronic voting,” promulgated by the competent securities authority of the Republic of China, the electronic method shall available for exercising voting rights. 2. Shareholders’ voting rights may be exercised electronically or in writing when the Company's shareholders' meeting is held outside of the Republic of China. 3. The shareholders' meeting notice must explain the methods through which shareholders may exercise voting rights in writing or in electronic form. Shareholders who have voted in writing or using the electronic method are considered to have attended shareholders' meeting in person. However, they are considered to have waived their rights to participate in any special motions or amendments to the original agendas that may arise during the shareholders' meeting. 4. Instructions to exercise written and electronic votes must be delivered to the Company at least two days before the shareholders' meeting. In the event where there are duplicate submissions, the earliest submission shall be taken into record. However, exception shall be granted if the shareholder issues a proper declaration to withdraw the 	<p>In respect of the exercise of voting rights by shareholders in writing or electronically, according to the Cayman Islands lawyers, the Cayman Company Law does not mention whether shareholders who exercise their voting rights in writing or electronically can be deemed to have attended the shareholders' meeting in person, and the Cayman Islands lawyers have not noticed any relevant cases. Thus, the voting in the Company's charter arrangement in writing or electronically is deemed to authorize the voting of the chairman of the shareholders' meeting. Moreover, the voting rights of the chairman of the shareholders' meeting are not subject to the 3% shareholding restriction. In this regard, Article 24.4 of the Articles of Association of the Company stipulates that “the shareholder shall be deemed to be the agent of the chairman of the meeting by way of written voting or electronically exercising his voting rights according to written or electronic instructions in the shareholders' meeting in accordance with the provisions of the preceding rules,” rather than “the shareholders who exercise the voting rights in writing or electronically, are deemed to be attending the shareholders' meeting in person,” as stipulated in the “Important Matters in the Protection of Shareholders' Rights and Interests”. Moreover, in Article 25.3 of the Articles of Association of the Company, the voting rights of the agent of the chairman of the shareholders' meeting are not subject to the 3% holding restriction of the total issued shares.</p>

Important matters of shareholder protection	Articles of Association and reason for discrepancy
<p>previous vote.</p> <p>5. If the shareholder decides to attend the shareholders' meeting in person after submitting a written or electronic vote, a proper declaration of withdrawal must be issued in the same method as did the original vote no later than two days before the shareholders' meeting. If the withdrawal is not received in time, then the written or electronic vote shall be taken into record.</p> <p>6. If the shareholder has exercised written or electronic votes, and at the same time delegated a proxy to attend the shareholders meeting, then the voting decision exercised by the proxy shall prevail.</p>	
<p>The following agenda involving major rights and interests of shareholders require the attendance of shareholders representing more than two-thirds of the total issued shares, and more than half of the voting rights of the attending shareholders shall agree to proceed. If the total number of shares of the attending shareholders is less than the aforementioned quota, shareholders representing over half of the current outstanding shares may attend in which two thirds of the attending shareholders must agree to proceed:</p> <p>1. Concluding, altering or terminating a contract for the lease of all business, entrusted operations or usual co-operation with others, the transfer of all or a major part of the business or property, the transfer of all business or property of others that has a significant impact on the Company's operations.</p> <p>2. Change of charter</p> <p>3. If the change of the Articles of Association has damaged the rights of preferred stock shareholders, resolution of the preferred stock shareholders' meeting is required.</p>	<p>1.Regarding the resolution method of the shareholders' meeting, in addition to the ordinary and supermajority resolutions under the ROC laws, the “special resolution” defined by the Cayman Islands’ Company Law is also included in Article 1.1 of the Articles of Association of the Company. The special resolution refers to resolutions passed by at least two-thirds of the shareholders of voting rights (vote in person or by appointed proxy) at the shareholders’ meeting. The meeting notice must also legally state that the resolution will be carried out by special resolution; However, the Company's Articles of Association may specify a higher percentage and may state that various matters subject to special resolution may be passed by different percentages (but not less than two-thirds). The difference between this and the “Shareholders' Rights Protection Checklist” is that certain matters that should be resolved by supermajority in the “Shareholders' Rights Protection Checklist” are regulated by the Cayman Islands’ Company Law in the Company's Articles of Association (refer to point 2 for details). As these differences are due to Cayman Islands’ laws and regulations, and the Company's Articles of Association have already listed the supermajority resolutions set out in the “Shareholders' Rights Protection Checklist” in the supermajority and special resolutions in the Company's articles of association, the impact of this part</p>

Important matters of shareholder protection	Articles of Association and reason for discrepancy
<p>4. All or part of the dividends and bonuses are distributed by way of new shares;</p> <p>5. Resolutions on the dissolution, merger or split of the Company.</p> <p>6. Private placement of securities</p>	<p>on shareholders' equity should be limited.</p> <p>2. According to the regulations of the Cayman Islands' Company Law, the following matters shall be determined by special resolutions:</p> <p>(1)Change of charter</p> <p>According to the laws of the Cayman Islands, the change of charter should be carried out by special resolution specified by the Cayman Islands' company law. Therefore, Article 11.3 of the Articles of Association does not follow the "Shareholders' Rights Protection Checklist" regarding resolution requirement for altering organization documents and the Articles of Association by changing special resolution to supermajority resolution as required by law of the Republic of China. In addition, in accordance with Article 12 of the Articles of Association, if the amendments or changes to the Articles of Association will damage the priority of any type of shares, the relevant amendments or changes shall be subject to the special resolution of the Company's shareholders meeting under the Cayman Islands' company law. A special resolution required by the Cayman Islands' company law is required for such damaged shareholder.</p> <p>(2)Dissolution:</p> <p>According to the laws of the Cayman Islands, if a company decides to voluntarily dissolve due to the inability to pay off its debt when it expires, its dissolution shall be decided by the shareholders' meeting. However, if the company is voluntarily liquidated and dissolved for reasons other than the above, its dissolution shall be subject to the special resolution prescribed by the Cayman Islands' company law. Therefore, the resolution thresholds for the liquidation and dissolution of the Company in Articles 11.5 and 63.1 of the Articles of Association of the Company have not been changed to the supermajority resolutions under the laws of the Republic of China in accordance with the requirements of "Important Matters in the Protection of Shareholders' Rights and Interests".</p> <p>(3)Merger:</p>

Important matters of shareholder protection	Articles of Association and reason for discrepancy
	<p>As the Cayman Islands’ company law has mandatory provisions for the voting method for the “consolidation as defined by the laws of the Cayman Islands”, paragraph (b) of Article 11.4 of the Articles of Association stipulates that a “merger” (unless the mergers and/or acquisitions, defined by the Cayman Islands’ company law, requires a special resolutions) requires a supermajority resolution. The above differences are due to regulations of the Cayman Islands. Although when “the company is voluntarily liquidated and dissolved due to the inability to settle its debts at expiration,” the company may only apply ordinary resolutions, the result should be more favorable to shareholders. Moreover, this is only applicable for specific situations and the impact on shareholders' equity should be limited.</p>
Director's authority and responsibility	
<ol style="list-style-type: none"> 1. The Where the company has set up supervisors, the supervisor shall be elected via the shareholders' meeting. At least one of the supervisors must have a residence in the country. 2. The term of the supervisor shall not exceed three years. However, the supervisor may be re-elected. 3. When all supervisors are dismissed, the Board of Directors shall convene an extraordinary meeting of shareholders within 60 days to elect for supervisor. 4. The supervisor shall supervise business operations of the Company and, whenever deemed necessary, inspect the business and financial status of the Company, examine relevant accounting reports and documents and request the Board of Directors or managers to provide relevant reports. 5. The supervisor shall examine reports and statements compiled and submitted by the Board of Directors and provide opinions in the shareholders' meeting. 6. The supervisor must appoint an accountant or 	<p>The laws of the Cayman Islands does not have an equivalent concept as the supervisor. Moreover, the Company has an audit committee. Therefore, there is no regulations related to the supervisor in the Articles of Association.</p>

Important matters of shareholder protection	Articles of Association and reason for discrepancy
<p>a lawyer to review the matter on behalf of the company.</p> <p>7. Supervisors may attend and express their opinions in the Board of Directors' meeting. Where the Board of Directors or directors conducts business in violation of laws, Articles of Association, or resolutions of the shareholders' meeting, the supervisor shall immediately notify the Board of Directors or the Directors to stop their actions.</p> <p>8. Each supervisor may exercise supervision independently.</p> <p>9. The supervisor may not serve as a company director, manager or other employee.</p>	
<p>1. Shareholders who hold more than three percent of the current outstanding shares of the company for more than one year may request the supervisor to institute an action against the Director on behalf of the Company, and have the Taipei District Court of Taiwan as the court of first instance.</p> <p>2. Within 30 days after the shareholder makes the request, when the supervisor does not file a lawsuit, the shareholder may institute an action on behalf of the Company and the Taiwan District Court of Taiwan may be the court of first instance.</p>	<p>Since the laws of the Cayman Islands do not have an equivalent concept as the supervisor, and the Company has an audit committee, Article 47.3 of the Articles of Association of the Company provides that “within the scope permitted by the laws of the Cayman Islands, shareholders who hold at least three percent of the current outstanding shares for at least one year may: (a) In writing, request the independent director of the Audit Committee authorized by the Board of Directors to institute an action against the Directors on behalf of the Company, and may have the Taipei District Court of the Republic of China as the court of first instance; Or (b) In writing, request the independent director of the Audit Committee to institute an action against the Directors on behalf of the Company, and may have the Taipei District Court of the Republic of China as the court of first instance; Within 30 days after the request is made in accordance with the aforementioned Paragraph (a) or (b), if (i) the requested Board of Directors fails to authorize the independent director of the Audit Committee or the independent director of the Audit Committee authorized by the Board of Directors has not filed a lawsuit in accordance with paragraph (a); Or (b) if the independent director of requested the Audit Committee fails to institute an action, within the limits permitted by the laws of the Cayman Islands, the shareholders may institute an action on behalf of the Company against the Directors and have the Taipei District Court of the Republic of China as the</p>

Important matters of shareholder protection	Articles of Association and reason for discrepancy
	<p>court of first instance.” This differs from the “Important Matters in the Protection of Shareholders' Rights and Interests,” which specifies that “Shareholders who hold more than three percent of the current outstanding shares of the company for more than one year may request, in writing, the supervisor to institute an action against the Director on behalf of the Company, and have the Taipei District Court of Taiwan as the court of first instance. Within 30 days after the shareholder makes the request, when the supervisor does not file a lawsuit, the shareholder may institute an action on behalf of the Company and the Taiwan District Court of Taiwan may be the court of first instance.”</p> <p>In addition, local lawyers reminded the following provisions of the Cayman Islands:</p> <p>The Cayman Islands’ company law does not have specific regulations that allow certain minority shareholders to file derivative actions against the Directors in the courts of the Cayman Islands.</p> <p>In addition, the Company's Articles of Association is not a contract between the shareholders and the Directors but the agreement between the shareholders and the Company is that even if the minority shareholders are allowed to file a derivative action against the directors in the Articles of Association, lawyers of the Cayman Islands believe that the Directors will not be bound by the contents. However, under common law, all shareholders (including minority shareholders) have the right to file derivative actions (including litigation against the Directors) regardless of their shareholding proportion or period. Once the shareholder sues, the court of the Cayman Islands will have full discretion to decide whether the shareholder can continue the litigation. Furthermore, even if the Company’s Articles of Association permits minority shareholders (or shareholders with the required shareholding ratio or period) to institute an action against the Directors on behalf of the Company, whether the lawsuit can continue ultimately depends on the court of the Cayman Islands. According to a relevant verdict of the Grand Court of the Cayman Islands, when the court of the Cayman Islands considers whether to approve the continuation of a derivative action, the applicable criterion is whether the court</p>

Important matters of shareholder protection	Articles of Association and reason for discrepancy
	<p>believes and accepts that the plaintiff’s request on behalf of the Company is substantive on the surface and the claimed wrongful act is made by the controllable company, and the controller can prevent the Company from instituting a reverse action. The court of the Cayman Islands will determine on a case-by-case basis (although the court may refer to the provisions of the Company's Articles of Association, this is not a decisive factor).</p> <p>According to the laws of the Cayman Islands, the Board of Directors should decide on its behalf (instead of individual directors) on behalf of the Company. Therefore, the Directors shall, in accordance with the provisions of the Articles of Association, authorize any director according to resolution of the Board to file a lawsuit against other directors on behalf of the Company.</p> <p>The Cayman Islands’ company act does not provide a clear specification to enable shareholders request the Directors to convene a board meeting to resolve specific matters.</p> <p>However, the Cayman Islands’ company act does not prohibit the Company from establishing rules relating to the board meeting procedures in the Articles of Association (including the provisions for convening the board meeting).</p>
<ol style="list-style-type: none"> 1. The Directors of the Company shall faithfully carry out the business and perform the duty of observation as a good manager. If there is any violation resulting in damage of the Company, the Director shall be liable for damages. If the act is committed on his/her or other's behalf, the shareholder meeting may resolve deeming the proceeds of the act as the Company's income. 2. If the Director of the Company violates the law and causes damage to others when executing the Company's business, the Director and the Company shall be jointly liable for compensation. 3. The manager and supervisor of the company shall bear the same liability for damages within the scope of their duties as the Directors of the Company. 	<p>Article 47.4 of the Articles of Association of the Company stipulates that “without affecting the obligations of the Directors of the Company in accordance with the common law and company law of the Cayman Islands, the Directors shall faithfully carry out their business when performing business operations of the Company and should fulfill (but not limited to) due diligence in observation and necessary skills, if there is a violation resulting in the Company's damage, the director shall be liable for damages. If such act, in violation of the aforementioned provisions, is committed on his/her or other's behalf, the shareholders’ meeting may make an ordinary resolution deeming the proceeds of the of the Director as the Company's income the Director to pay the proceeds to the Company. If the Director and manager of the Company violates applicable laws and/or orders and causes damage to others when executing the Company's business operations, the Director, manager and the Company shall be jointly liable for compensation.</p>

Important matters of shareholder protection	Articles of Association and reason for discrepancy
	<p>In addition, local lawyers reminded the following provisions of the Cayman Islands:</p> <p>The Director's liability to the Company under the laws of the Cayman Islands can be broadly divided into common law responsibilities (professional competence, observation and diligence) and loyalty obligations. However, the Directors are legally obligated under the provisions of various laws and, in certain circumstances, also have obligations to third parties (such as creditors). If the Company is or in the risk of unable to pay off, the Directors should consider the interests of the creditors when fulfilling their obligations.</p> <p>Since the Company's Articles of Association contains agreements between shareholders and the Company, the Directors are not parties to the Company's Articles of Association. Therefore, all rights to damages against the Directors claiming the violation of their obligations should be standardized in the service contract.</p> <p>Under the laws of the Cayman Islands, in general, a manager or supervisor does not have the same responsibility as a company director for a company or its shareholders. However, if the manager or supervisor is authorized to act on behalf of the senior executive, it will be subject to the same obligations as the company's directors. For the avoidance of doubt, companies of the Cayman Islands generally regulates its managers' or supervisors' responsibilities and obligations to the company and its shareholders in their service contracts. Similarly, since the Company's Articles of Association contains agreements between shareholders and the Company, the managers and supervisors are not parties to the Company's Articles of Association. Therefore, all rights to damages against the managers and supervisors claiming the violation of their obligations should be standardized in the service contract.</p> <p>In addition, regarding the provisions of the directors' interests as the company's income, the lawyers of the Cayman Islands believe that such regulations are uncertain and too general, so they have doubts about their enforceability. For example, whether a director's breach of obligation is left to the court to finalize and how the benefit is defined (and the period in</p>

Important matters of shareholder protection	Articles of Association and reason for discrepancy
	<p>which it benefits). The lawyers of the Cayman Islands also believe that this clause does not limit the director's responsibilities. Directors are still subject to various statutory, common law and fiduciary duties under the laws of the Cayman Islands.</p>

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Eson Precision Ind. Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Eson Precision Ind. Co., Ltd. and its subsidiaries (collectively referred to as the “Group”) which comprise the consolidated balance sheets as of December 31, 2021 and 2020 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 the consolidated financial statements for the year ended December 31, 2021. 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.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2021 is described as follows:

Recognition of Revenue from Sales of Some Automobile Mechanical Parts

The revenue of the Group is mainly derived from sales of television mechanical parts, automobile mechanical parts, other mechanical parts and molds.

The gross profit margin of some automobile mechanical parts is higher than others, and the Group's sales revenue has increased compared with that of 2020. The revenue from sales of these automobile mechanical parts accounted for a significant proportion of the consolidated operating revenue for the year ended December 31, 2021; therefore, we considered recognition of revenue from sales of some automobile mechanical parts as a key audit matter of the Group's consolidated financial statements for the year ended December 31, 2021.

The audit procedures that we performed in response to the sales revenue recognition included the following: (1) We obtained an understanding of the design and determined the effectiveness of the implementation of the main internal controls of sales revenue, and (2) we selected samples of revenue items, inspected customer orders or contracts, shipping documents and payment status, etc., and confirmed that transactions had occurred.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group 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 the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audits resulting in this independent auditors' report are Ke-Chang Wu and Ming-Yu Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 18, 2022

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

ESON PRECISION IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,853,404	18	\$ 2,444,074	25
Financial assets at amortized cost - current (Notes 4, 6, 8 and 25)	203,110	2	872,039	9
Notes receivable (Notes 4 and 9)	-	-	1,746	-
Trade receivables (Notes 4 and 9)	1,876,451	19	1,646,513	17
Trade receivables from related parties (Notes 4, 9 and 24)	563,657	6	597,492	6
Other receivables	36,223	-	17,823	-
Inventories (Notes 4 and 10)	1,488,685	15	1,033,216	11
Other current assets	<u>425,709</u>	<u>4</u>	<u>329,758</u>	<u>3</u>
Total current assets	<u>6,447,239</u>	<u>64</u>	<u>6,942,661</u>	<u>71</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	4,799	-	10,478	-
Financial assets at amortized cost - non-current (Notes 4, 6, 8 and 25)	5,360	-	70,882	1
Property, plant and equipment (Notes 4 and 11)	3,238,217	32	2,279,419	23
Right-of-use assets (Notes 4, 12 and 24)	274,291	3	294,213	3
Other intangible assets (Note 4)	13,289	-	19,644	-
Refundable deposits	21,644	-	20,104	-
Other financial assets - non-current	<u>121,169</u>	<u>1</u>	<u>147,033</u>	<u>2</u>
Total non-current assets	<u>3,678,769</u>	<u>36</u>	<u>2,841,773</u>	<u>29</u>
TOTAL	<u>\$ 10,126,008</u>	<u>100</u>	<u>\$ 9,784,434</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ 954,960	10	\$ 484,160	5
Trade payables	2,235,179	22	2,416,052	25
Trade payables to related parties (Note 24)	10,460	-	11,628	-
Other payables (Notes 14 and 24)	591,336	6	542,981	6
Current tax liabilities (Notes 4 and 18)	212,570	2	232,243	2
Lease liabilities - current (Notes 4 and 12)	17,128	-	16,053	-
Other current liabilities	<u>25,378</u>	<u>-</u>	<u>39,048</u>	<u>-</u>
Total current liabilities	<u>4,047,011</u>	<u>40</u>	<u>3,742,165</u>	<u>38</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 18)	100,104	1	101,246	1
Lease liabilities - non-current (Notes 4 and 12)	<u>3,188</u>	<u>-</u>	<u>11,505</u>	<u>-</u>
Total non-current liabilities	<u>103,292</u>	<u>1</u>	<u>112,751</u>	<u>1</u>
Total liabilities	<u>4,150,303</u>	<u>41</u>	<u>3,854,916</u>	<u>39</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 16)				
Share capital				
Ordinary shares	1,685,289	17	1,685,289	17
Capital surplus	2,349,249	23	2,349,249	24
Retained earnings				
Legal reserve	335,295	3	289,198	3
Special reserve	700,585	7	603,006	6
Unappropriated earnings	1,731,866	17	1,698,260	18
Other equity				
Exchange differences on translation of the financial statements of foreign operations	(820,962)	(8)	(700,585)	(7)
Unrealized (loss) gain on financial assets at fair value through other comprehensive income	<u>(5,617)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity attributable to owners of the Company	5,975,705	59	5,924,417	61
NON-CONTROLLING INTERESTS (Note 16)	-	-	5,101	-
Total equity	<u>5,975,705</u>	<u>59</u>	<u>5,929,518</u>	<u>61</u>
TOTAL	<u>\$ 10,126,008</u>	<u>100</u>	<u>\$ 9,784,434</u>	<u>100</u>

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

ESON PRECISION IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 32)	\$ 12,042,445	100	\$ 9,889,935	100
OPERATING COSTS (Notes 10 and 24)	<u>10,233,529</u>	<u>85</u>	<u>8,166,970</u>	<u>82</u>
GROSS PROFIT	<u>1,808,916</u>	<u>15</u>	<u>1,722,965</u>	<u>18</u>
OPERATING EXPENSES				
Selling and marketing expenses	205,133	2	168,159	2
General and administrative expenses	756,959	6	673,176	7
Research and development expenses	199,936	2	195,630	2
Expected credit loss (Note 9)	<u>3,933</u>	<u>-</u>	<u>11,979</u>	<u>-</u>
Total operating expenses	<u>1,165,961</u>	<u>10</u>	<u>1,048,944</u>	<u>11</u>
PROFIT FROM OPERATIONS	<u>642,955</u>	<u>5</u>	<u>674,021</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	20,546	-	37,243	-
Other income	19,939	-	31,790	-
Foreign exchange loss	(60,446)	-	(117,325)	(1)
Gain on financial assets at fair value through profit or loss	-	-	2,442	-
Other expenses	(5,190)	-	(3,126)	-
Loss on disposal of property, plant and equipment	(754)	-	(6,064)	-
Interest expenses	<u>(9,195)</u>	<u>-</u>	<u>(6,952)</u>	<u>-</u>
Total non-operating income and expenses	<u>(35,100)</u>	<u>-</u>	<u>(61,992)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	607,855	5	612,029	6
INCOME TAX EXPENSE (Notes 4 and 18)	<u>(144,074)</u>	<u>(1)</u>	<u>(151,092)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>463,781</u>	<u>4</u>	<u>460,937</u>	<u>5</u>

(Continued)

ESON PRECISION IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Note 16)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized loss on financial assets at fair value through other comprehensive income	\$ (5,617)	-	\$ -	-
Exchange differences on translation to the presentation currency	(177,897)	(2)	(326,864)	(3)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>57,520</u>	<u>1</u>	<u>229,014</u>	<u>2</u>
Other comprehensive income (loss)	<u>(125,994)</u>	<u>(1)</u>	<u>(97,850)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 337,787</u>	<u>3</u>	<u>\$ 363,087</u>	<u>4</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 463,781	4	\$ 460,969	5
Non-controlling interests	<u>-</u>	<u>-</u>	<u>(32)</u>	<u>-</u>
	<u>\$ 463,781</u>	<u>4</u>	<u>\$ 460,937</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 337,787	3	\$ 363,388	4
Non-controlling interests	<u>-</u>	<u>-</u>	<u>(301)</u>	<u>-</u>
	<u>\$ 337,787</u>	<u>3</u>	<u>\$ 363,087</u>	<u>4</u>
EARNINGS PER SHARE (ATTRIBUTABLE TO OWNERS OF THE COMPANY) (Note 19)				
Basic	<u>\$ 2.75</u>		<u>\$ 2.74</u>	
Diluted	<u>\$ 2.74</u>		<u>\$ 2.73</u>	

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

(Concluded)

ESON PRECISION IND. CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company					Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized (loss) Gain on Financial Assets at Fair Value through Other Comprehensive Income	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings		Unappropriated Earnings				
			Legal Reserve	Special Reserve					
BALANCE AT JANUARY 1, 2020	\$ 1,685,289	\$ 2,382,955	\$ 242,830	\$ 431,664	\$ 1,724,647	\$ (603,004)	\$ -	\$ 5,402	\$ 5,869,783
Appropriation of 2019 earnings (Note 16)									
Legal reserve	-	-	46,368	-	(46,368)	-	-	-	-
Special reserve	-	-	-	171,342	(171,342)	-	-	-	-
Cash dividends	-	-	-	-	(269,646)	-	-	-	(269,646)
Issuance of cash dividends from capital surplus	-	(33,706)	-	-	-	-	-	-	(33,706)
Net profit (loss) for the year ended December 31, 2020	-	-	-	-	460,969	-	-	(32)	460,937
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(97,581)	-	(269)	(97,850)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	460,969	(97,581)	-	(301)	363,087
BALANCE AT DECEMBER 31, 2020	1,685,289	2,349,249	289,198	603,006	1,698,260	(700,585)	-	5,101	5,929,518
Appropriation of 2020 earnings (Note 16)									
Legal reserve	-	-	46,097	-	(46,097)	-	-	-	-
Special reserve	-	-	-	97,579	(97,579)	-	-	-	-
Cash dividends	-	-	-	-	(286,499)	-	-	-	(286,499)
Net profit for the year ended December 31, 2021	-	-	-	-	463,781	-	-	-	463,781
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	(120,377)	(5,617)	-	(125,994)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	463,781	(120,377)	(5,617)	-	337,787
Changes in non-controlling interests	-	-	-	-	-	-	-	(5,101)	(5,101)
BALANCE AT DECEMBER 31, 2021	<u>\$ 1,685,289</u>	<u>\$ 2,349,249</u>	<u>\$ 335,295</u>	<u>\$ 700,585</u>	<u>\$ 1,731,866</u>	<u>\$ (820,962)</u>	<u>\$ (5,617)</u>	<u>\$ -</u>	<u>\$ 5,975,705</u>

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

ESON PRECISION IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 607,855	\$ 612,029
Adjustments for:		
Depreciation expense	433,240	362,788
Amortization expense	13,673	8,477
Expected credit loss recognized on trade receivables	3,933	11,979
Net gain on fair value changes of financial assets at fair value through profit or loss	-	(2,442)
Interest expenses	9,195	6,952
Interest income	(20,546)	(37,243)
Loss on disposal of property, plant and equipment	754	6,064
Write-downs of inventories	54,968	42,355
Gain on lease modification	-	(2,369)
Changes in operating assets and liabilities		
Notes receivable	1,746	(2)
Trade receivables	(280,164)	(196,013)
Trade receivables from related parties	33,835	(202,580)
Other receivables	(27,274)	46
Inventories	(767,491)	(402,953)
Other current assets	(62,325)	(138,565)
Trade payables	(180,873)	509,047
Trade payables to related parties	(1,168)	10,338
Other payables	29,885	11,626
Other current liabilities	(13,670)	(45,645)
Cash generated from operations	(164,427)	553,889
Interest received	29,420	28,369
Interest paid	(8,149)	(5,403)
Income taxes paid	(180,189)	(108,117)
Net cash (used in) generated from operating activities	<u>(323,345)</u>	<u>468,738</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(215,790)	(882,003)
Proceeds from sale of financial assets at amortized cost	897,740	171,400
Purchase of financial assets at fair value through profit or loss	-	(385,348)
Proceeds from sale of financial assets at fair value through profit or loss	-	387,790
Payments for property, plant and equipment	(1,080,271)	(541,639)
Net cash outflow on acquisition of subsidiary	-	(1,478)
Proceeds from disposal of property, plant and equipment	2,224	9,637
Increase in refundable deposits	(1,540)	(8,569)
Payments for intangible assets	(7,432)	(24,823)
Payments for right-of-use assets	-	(73,143)

(Continued)

ESON PRECISION IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Decrease in other financial assets	\$ -	\$ 13,054
Increase in prepayments for equipment	<u>(96,355)</u>	<u>(146,692)</u>
Net cash used in investing activities	<u>(501,424)</u>	<u>(1,481,814)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	470,800	244,320
Repayments of the principal portion of lease liabilities	(11,322)	(10,349)
Cash dividends distributed	(286,499)	(303,352)
Decrease in non-controlling interests	<u>(5,101)</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>167,878</u>	<u>(69,381)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>66,221</u>	<u>(24,175)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(590,670)	(1,106,632)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>2,444,074</u>	<u>3,550,706</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$ 1,853,404</u>	<u>\$ 2,444,074</u>

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

(Concluded)

ESON PRECISION IND. CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Eson Precision Ind. Co., Ltd. (the “Company”), formerly known as Multiwin Precision Ind. Co., Ltd., was incorporated in the Cayman Islands on June 17, 2008 and changed its name after resolution of the shareholders in the shareholders’ meeting in February 2012.

The Company mainly designs, develops, manufactures and sells molds, plastics, hardware products and new types of electronic components and flat-panel displays. The Company’s shares have been listed on the Taiwan Stock Exchange of the Republic of China (ROC) since November 25, 2013.

The functional currency of the Company is the U.S. dollar. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars, since the Company’s shares are listed on the Taiwan Stock Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) were approved by the Company’s board of directors on March 18, 2022.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

1) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 “Financial Instruments”, were amended in the annual improvements. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

2) Amendments to IFRS 3 “Reference to the Conceptual Framework”

The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 “Levies” to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.

3) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Group shall restate its comparative information when it initially applies the aforementioned amendments.

Upon initial application of the aforementioned amendments, there was no material impact for year 2021.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

1) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 “Financial Instruments: Presentation”, the aforementioned terms would not affect the classification of the liability.

2) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

3) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, related regulations and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

Details of subsidiaries, including the percentages of ownership, and main businesses and products are detailed as follows:

Name of Investor	Name of Investee	Establishment and Operating Location	Functional Currency	Percentage of Ownership		Main Businesses and Products
				December 31 2021	December 31 2020	
The Company	Multiwin Precision Ind Pte. Ltd. (Multiwin Singapore)	Singapore	USD	100.00	100.00	Sales of molds, plastic products, and hardware products and investment holding
	Global Sun Trading Co., Ltd. (Global Sun)	Mauritius	USD	100.00	100.00	Investment holding
	All Spacer Enterprises Co., Ltd. Multiwin de Mexico S.A. de C.V. (Multiwin Mexico)	Samoan Islands Mexico	USD PESO	100.00 0.71	100.00 0.71	Investment holding Manufacture of molds, plastic products, and hardware products
Global Sun Trading Co., Ltd.	Ample Wealth Enterprise Ltd. (Ample Wealth)	Mauritius	USD	100.00	100.00	Sales of molds, plastic products, and hardware products
	Zeal International Co., Ltd. (Zeal International)	Mauritius	USD	100.00	100.00	Sales of molds, plastic products, and hardware products
	Grand Liberty Co., Ltd. (Grand Liberty)	Mauritius	USD	100.00	100.00	Investment holding
	Heng Xie Enterprises Limited (Heng Xie)	Hong Kong	USD	100.00	100.00	Investment holding
	Koinya Co., Ltd. (Koinya) (Note a)	Mauritius	USD	-	65.00	Investment holding
	Eson Europe S.R.O. (Eson Europe)	Slovakia	EUR	100.00	100.00	Investment holding
	Eson Precision Industry (Singapore) Pte. Ltd. (Eson Singapore)	Singapore	USD	100.00	100.00	Sales of molds, plastic products, and hardware products
	Kunshan Kuangrui Package Material Co., Ltd. (Kunshan Kangrui)	China	RMB	100.00	100.00	Packaging material trading and power supply
Multiwin Precision Ind. Pte. Ltd.	Eson (VN) Precision Industry Co., Ltd. (Eson (VN))	Vietnam	VND	100.00	100.00	Sales of molds, plastic products, and hardware products
	Multiwin de Mexico S.A. de C.V. (Multiwin Mexico)	Mexico	PESO	87.94	99.29	Manufacture of molds, plastic products, and hardware products
	Eson Precision Engineering (Malaysia) Sdn. Bhd. (Eson Malaysia)	Malaysia	MYR	100.00	100.00	Manufacture and sales of molds, plastic products, and hardware products
Grand Liberty Co., Ltd.	Eson Batupahat Precision Engineering Sdn. Bhd. (Eson Batupahat)	Malaysia	MYR	100.00	100.00	Manufacture and sales of molds, plastic products, and hardware products
	Wuxi Singuan Metal Science & Technology Co., Ltd. (Wuxi Singuan)	China	RMB	100.00	100.00	Design, development, manufacture, and sales of molds, plastic products, and hardware products
Heng Xie	Unique Champion Co., Ltd. (Unique)	Mauritius	USD	100.00	100.00	Sales of molds, plastic products, and hardware products
	Kunshan Eson Precision Engineering Co., Ltd. (Kunshan Eson)	China	RMB	100.00	100.00	Design, development, manufacture, and sales of molds, plastic products, and hardware products
Eson Europe S.R.O.	Yantai Zhengyi Precision Electronic Co., Ltd. (Yantai Zhengyi)	China	RMB	100.00	100.00	Design, development, manufacture, and sales of molds, plastic products, and hardware products
	Eson Slovakia A.S.	Slovakia	EUR	100.00	100.00	Sales of molds, plastic products, and hardware products

(Continued)

Name of Investor	Name of Investee	Establishment and Operating Location	Functional Currency	Percentage of Ownership		Main Businesses and Products
				December 31		
				2021	2020	
All Spacer Enterprises Co., Ltd.	Zenith Profits Co., Ltd. (Zenith Profits)	Mauritius	USD	100.00	100.00	Sales of molds and hardware products
	Kong Eagle Int'l Inc. (Kong Eagle) Blackyotta Inc. (Blackyotta)	Hong Kong	USD	100.00	100.00	Investment holding
		U.S.A.	USD	100.00	100.00	Sales of molds, plastic products, and hardware products
Kong Eagle	Dongguan Yihong Precision Mould Co., Ltd. (Dongguan Yihong)	China	RMB	100.00	100.00	Manufacture and sales of precision molds and hardware products
Eson Precision Industry (Singapore) Pte. Ltd.	Multiwin de Mexico S.A. de C.V. (Multiwin Mexico) (Note b)	Mexico	PESO	11.35	-	Manufacture of molds, plastic products, and hardware products

(Concluded)

Note a: The liquidation procedures were completed on June 30, 2021.

Note b: In the second quarter of 2021, Eson Singapore participated in the capital increase in cash.

e. Foreign currencies

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into U.S. dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, and exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate). The exchange differences accumulated in equity, which resulted from the translation of the functional currency into the presentation currency, are not subsequently reclassified to profit or loss.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

When translating into the New Taiwan dollar, assets and liabilities are translated into New Taiwan dollars using exchange rates prevailing at the balance sheet date. Income and expense items are translated using the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate). The exchange differences accumulated in equity, which resulted from the translation of the functional currency into the presentation currency, are not subsequently reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term of an item of property, plant and equipment is shorter than its useful life, it is depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of property, plant and equipment, right-of-use asset and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are not directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) 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.

Subsequent to initial recognition, financial assets at amortized cost (including cash and cash equivalents and accounts receivable at amortized cost) are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income 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 which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

l. Revenue recognition

The Group identifies the performance obligations in the contract with customers, allocates the transaction price to the performance obligations in the contracts and recognized revenue when the Group satisfies a performance obligation.

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of TV mechanical parts, automobile mechanical parts, other mechanical parts and molds. Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location or the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of the materials' ownership.

m. Leasing

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For lease modifications that are not treated as separate leases, the remeasurement of the lease liability due to the reduction in the scope of the lease is to reduce the right-of-use asset, and to recognize the profit and loss of the partial or full termination of the lease; the re-measurement of the lease liability due to other modifications is to adjust the right-of-use asset. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss (accounted for as operating costs) in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

n. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets 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.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions on probability of default and loss given default. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise. Furthermore, the estimate of the probability of default is subject to greater uncertainties due to the impact on credit risk of financial assets arising from the uncertain impact and volatility in financial markets caused by the COVID-19 pandemic.

b. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand	\$ 912	\$ 2,200
Deposits in banks	1,770,028	2,050,476
Time deposits with original maturities of less than 3 months	<u>82,464</u>	<u>391,398</u>
	<u>\$ 1,853,404</u>	<u>\$ 2,444,074</u>

The market rate intervals of deposits in banks at the end of the reporting period were as follows:

	December 31	
	2021	2020
Deposits in banks	0.0001%-1.80%	0.0001%-0.3%

Some of the Group's bank deposits are reserve accounts for short-term borrowings and guarantee deposits for customs and electricity, which are reclassified to "financial assets at amortized cost" (refer to Notes 13 and 25 for the details). The amounts are as follows:

	December 31	
	2021	2020
Current	\$ 9,970	\$ 7,416
Non-current	<u>5,360</u>	<u>5,392</u>
	<u>\$ 15,330</u>	<u>\$ 12,808</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Investments in equity instruments at FVTOCI		
<u>Non-current</u>		
Foreign investments		
Foreign unlisted (counter) shares		
Ordinary shares - Jiangsu Ankoglass Optical Material Co., Ltd.	\$ <u>4,799</u>	\$ <u>10,478</u>

The Group invested in the ordinary shares of Jiangsu Ankoglass Optical Material Co., Ltd. for medium and long-term strategic purposes, and expected to make profits through long-term investment. The management of the Group believes that if the short-term fair value fluctuations of these investments are included in the profit and loss, it is inconsistent with the aforementioned long-term investment plan, so they choose to designate these investments as measured at fair value through other comprehensive gains and losses.

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Foreign investments		
Time deposits with original maturities of more than 3 months (a)	\$ 203,110	\$ 806,549
Financial debentures - Agricultural Bank of China (b)	-	65,490
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 203,110</u>	<u>\$ 872,039</u>
<u>Non-current</u>		
Time deposits with original maturities of more than 1 year (c)	\$ 5,360	\$ 70,882
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 5,360</u>	<u>\$ 70,882</u>

- a. The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 2.10%-3.15% and 1.35%-3.40% per annum as of December 31, 2021 and 2020, respectively.
- b. On December 31, 2020, the coupon rates of financial debentures were 2.39%, and the effective interest rates were 2.39%.
- c. The ranges of interest rates for time deposits with original maturities of more than 1 year were 2.75% and 2.25% as of December 31, 2021 and 2020.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Notes receivable</u>		
At amortized cost	\$ -	\$ 1,746
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 1,746</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 1,894,179	\$ 1,660,543
Less: Allowance for impairment loss	<u>(17,728)</u>	<u>(14,030)</u>
	<u>\$ 1,876,451</u>	<u>\$ 1,646,513</u>
<u>Trade receivables from related parties</u>		
At amortized cost		
Gross carrying amount (Note 24)	\$ 563,657	\$ 597,492
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 563,657</u>	<u>\$ 597,492</u>

The average credit period of sales of goods is 60-150 days. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on accounts receivable are estimated using an overdue aging ratio and individual customer evaluation method, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivable based on the overdue aging ratio and individual customer evaluation method.

December 31, 2021

	Not Overdue	Overdue 1-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	0%	0%-50%	100%	100%	
Gross carrying amount	\$ 2,303,057	\$ 139,897	\$ 14,838	\$ 44	\$ 2,457,836
Loss allowance (Lifetime ECL)	<u>-</u>	<u>(3,113)</u>	<u>(14,571)</u>	<u>(44)</u>	<u>(17,728)</u>
Amortized cost	<u>\$ 2,303,057</u>	<u>\$ 136,784</u>	<u>\$ 267</u>	<u>\$ -</u>	<u>\$ 2,440,108</u>

December 31, 2020

	Not Overdue	Overdue 1-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	0%	0%-50%	100%	100%	
Gross carrying amount	\$ 2,188,451	\$ 60,715	\$ 10,566	\$ 49	\$ 2,259,781
Loss allowance (Lifetime ECL)	<u>-</u>	<u>(3,851)</u>	<u>(10,130)</u>	<u>(49)</u>	<u>(14,030)</u>
Amortized cost	<u>\$ 2,188,451</u>	<u>\$ 56,864</u>	<u>\$ 436</u>	<u>\$ -</u>	<u>\$ 2,245,751</u>

The movements of the loss allowance of accounts receivable were as follows:

	2021	2020
Balance at January 1	\$ 14,030	\$ 3,879
Add: Provision recognized*	3,933	11,979
Less: Amounts written off	-	(1,375)
Foreign exchange losses	<u>(235)</u>	<u>(453)</u>
Balance at December 31	<u>\$ 17,728</u>	<u>\$ 14,030</u>

* The increase in loss allowance of \$3,993 thousand in 2021 was in respect of the increase in total gross receivables of \$198,055 thousand compared to the amount on January 1, 2021. The increase in loss allowance of \$11,979 thousand in 2020 was in respect of the increase in total gross receivables of \$374,101 thousand compared to the amount on January 1, 2020.

10. INVENTORIES

	December 31	
	2021	2020
Raw materials	\$ 820,356	\$ 383,686
Work in progress	105,602	240,413
Finished goods	<u>562,727</u>	<u>409,117</u>
	<u>\$ 1,488,685</u>	<u>\$ 1,033,216</u>

The nature of the cost of goods sold is as follows:

	For the Year Ended December 31	
	2021	2020
Cost of inventories sold	\$ 10,178,561	\$ 8,124,615
Inventory write-downs	<u>54,968</u>	<u>42,355</u>
	<u>\$ 10,233,529</u>	<u>\$ 8,166,970</u>

11. PROPERTY, PLANT AND EQUIPMENT

Assets used by the Group - 2021

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2021	\$ 174,849	\$ 1,545,093	\$ 3,016,923	\$ 419,843	\$ 313,667	\$ 5,470,375
Additions	88,635	-	231,568	98,431	680,107	1,098,741
Disposals	-	(4,260)	(36,626)	(7,828)	-	(48,714)
Reclassifications	-	(83,648)	242,784	256,418	(71,794)	343,760
Effects of exchange rate changes	<u>(11,933)</u>	<u>(37,025)</u>	<u>(53,507)</u>	<u>(19,174)</u>	<u>(9,630)</u>	<u>(131,269)</u>
Balance at December 31, 2021	<u>\$ 251,551</u>	<u>\$ 1,420,160</u>	<u>\$ 3,401,142</u>	<u>\$ 747,690</u>	<u>\$ 912,350</u>	<u>\$ 6,732,893</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$ -	\$ 761,101	\$ 2,222,535	\$ 207,320	\$ -	\$ 3,190,956
Disposals	-	(3,563)	(34,405)	(7,768)	-	(45,736)
Depreciation expense	-	59,870	209,490	146,441	-	415,801
Effects of exchange rate changes	<u>-</u>	<u>(21,525)</u>	<u>(37,846)</u>	<u>(6,974)</u>	<u>-</u>	<u>(66,345)</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 795,883</u>	<u>\$ 2,359,774</u>	<u>\$ 339,019</u>	<u>\$ -</u>	<u>\$ 3,494,676</u>
Carrying amount at December 31, 2021	<u>\$ 251,551</u>	<u>\$ 624,277</u>	<u>\$ 1,041,368</u>	<u>\$ 408,671</u>	<u>\$ 912,350</u>	<u>\$ 3,238,217</u>

2020

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2020	\$ 191,946	\$ 1,461,887	\$ 3,153,054	\$ 397,552	\$ 40,817	\$ 5,245,256
Additions	-	85,915	99,346	54,270	305,755	545,286
Disposals	-	(2,053)	(123,058)	(14,919)	-	(140,030)
Reclassifications	-	-	16,360	638	(26,805)	(9,807)
Effects of exchange rate changes	<u>(17,097)</u>	<u>(656)</u>	<u>(128,779)</u>	<u>(17,698)</u>	<u>(6,100)</u>	<u>(170,330)</u>
Balance at December 31, 2020	<u>\$ 174,849</u>	<u>\$ 1,545,093</u>	<u>\$ 3,016,923</u>	<u>\$ 419,843</u>	<u>\$ 313,667</u>	<u>\$ 5,470,375</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2020	\$ -	\$ 691,567	\$ 2,195,417	\$ 195,074	\$ -	\$ 3,082,058
Disposals	-	(2,053)	(108,733)	(14,026)	-	(124,812)
Depreciation expense	-	70,874	247,895	28,896	-	347,665
Reclassifications	-	(770)	(2,394)	770	-	(2,394)
Effects of exchange rate changes	<u>-</u>	<u>1,483</u>	<u>(109,650)</u>	<u>(3,394)</u>	<u>-</u>	<u>(111,561)</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 761,101</u>	<u>\$ 2,222,535</u>	<u>\$ 207,320</u>	<u>\$ -</u>	<u>\$ 3,190,956</u>
Carrying amount at December 31, 2020	<u>\$ 174,849</u>	<u>\$ 783,992</u>	<u>\$ 794,388</u>	<u>\$ 212,523</u>	<u>\$ 313,667</u>	<u>\$ 2,279,419</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their useful lives as follows:

Buildings	
Main buildings	20-35 years
Other construction	5-30 years
Machinery and equipment	1-15 years
Other equipment	
Electro-mechanical and system engineering	1-20 years
Other equipment	3-10 years

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2021	2020
<u>Carrying amount</u>		
Land	\$ 256,311	\$ 270,905
Buildings	<u>17,980</u>	<u>23,308</u>
	<u>\$ 274,291</u>	<u>\$ 294,213</u>
	<u>For the Year Ended December 31</u>	
	2021	2020
Additions to right-of-use assets	<u>\$ 13,320</u>	<u>\$ 189,753</u>
Depreciation charge for right-of-use assets		
Land	\$ 9,011	\$ 3,640
Buildings	<u>8,428</u>	<u>11,483</u>
	<u>\$ 17,439</u>	<u>\$ 15,123</u>

b. Lease liabilities

	<u>December 31</u>	
	2021	2020
<u>Carrying amount</u>		
Current	<u>\$ 17,128</u>	<u>\$ 16,053</u>
Non-current	<u>\$ 3,188</u>	<u>\$ 11,505</u>

Range of discount rates for lease liabilities was as follows:

	<u>December 31</u>	
	2021	2020
Land	-	-
Buildings	0.79%-6.80%	3.35%-6.80%

c. Material leasing activities and terms

Because of the market conditions severely affected by COVID-19 in 2021, the Group negotiated with the lessor for the lease of the plant. The lessor agreed to unconditionally reduce or exempt the rental amount from January 1 to December 31, 2021. The Group recognized in profit or loss the impact of rent concessions of \$9,616 thousand presented in operating costs for the year ended December 31, 2021.

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	<u>\$ 20,497</u>	<u>\$ 32,771</u>
Expenses relating to low-value asset leases	<u>\$ 10,085</u>	<u>\$ 13,876</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 19,820</u>	<u>\$ -</u>
Total cash outflow for leases	<u>\$ (61,724)</u>	<u>\$ (130,139)</u>

The Group's leases of certain mechanical equipment under leases qualify as short-term leases and certain office equipment under leases qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

13. SHORT-TERM BORROWINGS

	December 31	
	2021	2020
Bank loans	<u>\$ 954,960</u>	<u>\$ 484,160</u>

The interest rate range of bank loans was 0.74%-1.08% and 0.87%-1.34% for the years ended December 31, 2021 and 2020, respectively.

Borrowings as of December 31, 2020 is jointly guaranteed by Tsai Chia-Hsiang, the chairman of Company. Refer to Note 24 for the details. For details on assets pledged as collateral, refer to Notes 6 and 25.

14. OTHER LIABILITIES

	December 31	
	2021	2020
<u>Current</u>		
Other payables		
Payables for salaries or bonuses	\$ 280,562	\$ 254,698
Other payables to related parties (Note 24)	7,245	14,965
Payables for purchases of equipment (Note 21)	32,713	14,243
Payables for compensation of employees and remuneration of directors	59,337	56,336
Payables for other expenses	<u>211,479</u>	<u>202,739</u>
	<u>\$ 591,336</u>	<u>\$ 542,981</u>

15. RETIREMENT BENEFIT PLANS

Subsidiaries of the Group in mainland China adopted the pension plan under the act of mainland China, which is a state-managed defined contribution plan. Under the act, an entity makes contributions to pension funds at a specific rate of salaries and wages. Subsidiaries in Singapore, Europe, Malaysia, Vietnam and Mexico adopted the pension plan under the local act, which is a state-managed defined contribution plan. Eson Precision Ind. Co., Ltd. Taiwan Branch adopted a pension plan under the Labor Pension Act (LPA) of the Republic of China, which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

16. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Number of shares issued and fully paid (in thousands)	<u>168,529</u>	<u>168,529</u>
Shares issued	<u>\$ 1,685,289</u>	<u>\$ 1,685,289</u>

Every ordinary share issued with a par value of NT\$10 carries one vote per share and a right to dividends.

As of December 31, 2021, the share capital was both NT\$1,685,289 thousand, divided into 168,529 thousand ordinary shares with a par value of NT\$10.

b. Capital surplus

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Issuance of ordinary shares	<u>\$ 2,349,249</u>	<u>\$ 2,349,249</u>

The capital surplus generated from the excess of the issuance price over the par value of share capital (including the shares issued for new capital, mergers and convertible bonds) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or share dividends up to a certain percentage of the Company's paid-in capital.

c. Retained earnings and dividends policy

- 1) Under the dividends policy as set forth in the Company's Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 17-c.

Besides, according to the Company's Articles, cash dividends distributed should not be less than 50% of the total dividends distributed. The actual distribution ratio is subject to the resolution of the shareholders in the shareholders' meeting.

- 2) The appropriations of the 2020 and 2019 earnings had been approved in the shareholders' meetings on July 7, 2021 and June 19, 2020, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Legal reserve	\$ 46,097	\$ 46,368	\$ -	\$ -
Special reserve	97,579	171,342	-	-
Cash dividends	286,499	269,646	1.70	1.60

The Company's shareholders resolved to issue cash dividends of \$33,706 thousand from the capital surplus at \$0.20 dollar per share, in the shareholders' meeting on June 19, 2020.

The appropriation of earnings for 2021 had been proposed by the Company's board of directors on March 18, 2022. The appropriation and dividends per share were as follows:

	<u>Appropriation</u>	<u>Dividends Per</u>
	<u>of Earnings</u>	<u>Share (NT\$)</u>
Legal reserve	\$ 46,378	\$ -
Special reserve	125,994	-
Cash dividends	235,940	1.40

The appropriation of earnings for 2021 are subject to the resolution of the shareholders in the shareholders' meeting to be held on June 24, 2022.

d. Special reserve

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ 603,006	\$ 431,664
Appropriations in respect of		
Debit balance of other equity items	<u>97,579</u>	<u>171,342</u>
Balance at December 31	<u>\$ 700,585</u>	<u>\$ 603,006</u>

Upon initial application of IFRS, the amount transferred from accumulated exchange differences to retained earnings was \$158,921 thousand, and the same amount was appropriated to the special reserve.

e. Other equity items

1) Exchange differences on translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (700,585)	\$ (603,004)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	57,520	229,014
Exchange differences on translation to the presentation currency	<u>(177,897)</u>	<u>(326,595)</u>
Balance at December 31	<u>\$ (820,962)</u>	<u>\$ (700,585)</u>

2) Unrealized loss on financial assets at FVTOCI

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ -	\$ -
Unrealized loss on investments in equity instruments at FVTOCI	<u>(5,617)</u>	<u>-</u>
Balance at December 31	<u>\$ (5,617)</u>	<u>\$ -</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 5,101	\$ 5,402
Profit for the year	-	(32)
Partial disposal of subsidiaries	(5,101)	-
Other comprehensive loss during the year		
Exchange differences on translation to the presentation currency	<u>-</u>	<u>(269)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 5,101</u>

17. NET PROFIT FROM CONTINUING OPERATIONS

a. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	\$ 415,801	\$ 347,665
Right-of-use assets	17,439	15,123
Intangible assets and long-term prepayments for leases	<u>13,673</u>	<u>8,477</u>
	<u>\$ 446,913</u>	<u>\$ 371,265</u>
An analysis of depreciation by function		
Operating costs	\$ 385,037	\$ 303,984
Operating expenses	<u>48,203</u>	<u>58,804</u>
	<u>\$ 433,240</u>	<u>\$ 362,788</u>
An analysis of amortization by function		
Operating costs	\$ 2,242	\$ 416
Operating expenses	<u>11,431</u>	<u>8,061</u>
	<u>\$ 13,673</u>	<u>\$ 8,477</u>

b. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Defined contribution plans	\$ 72,482	\$ 47,762
Other employee benefits	<u>2,108,020</u>	<u>1,741,092</u>
Total employee benefits expense	<u>\$ 2,180,502</u>	<u>\$ 1,788,854</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,496,360	\$ 1,154,632
Operating expenses	<u>684,142</u>	<u>634,222</u>
	<u>\$ 2,180,502</u>	<u>\$ 1,788,854</u>

c. Compensation of employees and remuneration of directors

In accordance with the Articles of the Company, the compensation of employees and remuneration of directors should be distributed at rates of 2% to 8% and no more than 0.5%, respectively, of net profit before income tax, compensation of employees and remuneration of directors.

The compensation of employees and remuneration of directors of 2021 and 2020 which were approved by the Company's board of directors on March 18, 2022 and March 23, 2021, respectively, were as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Compensation of employees	4.0%	4.0%
Remuneration of directors	0.5%	0.5%

Amount

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Compensation of employees in cash	\$ 25,161	\$ 24,709
Remuneration of directors	3,145	3,089

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors resolved by the Company's board of directors on March 18, 2022 and March 23, 2021 and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

18. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. Major components of tax expense recognized in profit or loss

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Current tax		
In respect of the current year	\$ 163,229	\$ 127,835
Adjustments for prior years	<u>(20,896)</u>	<u>23,135</u>
	<u>142,333</u>	<u>150,970</u>
Deferred income tax		
In respect of the current year	<u>1,741</u>	<u>122</u>
Income tax expense recognized in profit or loss	<u>\$ 144,074</u>	<u>\$ 151,092</u>

Reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2021	2020
Profit before tax from continuing operations	<u>\$ 607,855</u>	<u>\$ 612,029</u>
Income tax expense calculated at the statutory rate	\$ 143,507	\$ 165,348
Adjustment to expense in determining taxable income	19,722	(37,513)
The origination and reversal of temporary differences	1,741	122
Adjustments for prior years' tax	<u>(20,896)</u>	<u>23,135</u>
Income tax expense recognized in profit or loss	<u>\$ 144,074</u>	<u>\$ 151,092</u>

The applicable tax rate used by subsidiaries of the Group in China was 25%. (Kunshan Eson Precision Engineering Co., Ltd gets a preferential tax rate of 15% for acquiring a high-tech enterprise from 2020 to 2022.) The applicable tax rate used by subsidiaries of the Group in Mexico was 30%, and the applicable tax rate used by subsidiaries of the Group in Singapore was 17%.

b. Current tax assets and liabilities

	December 31	
	2021	2020
Current tax assets		
Prepayments for taxes (recorded as other non-current assets)	<u>\$ 16,832</u>	<u>\$ 341</u>
Current tax liabilities		
Income tax payable	<u>\$ 212,570</u>	<u>\$ 232,243</u>

c. Deferred tax assets and liabilities

The movements of deferred tax liabilities were as follows:

2021

Deferred Tax Liabilities	Opening Balance	Effects of Tax Rate Changes	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Temporary differences					
Unappropriated earnings of subsidiaries	\$ 100,489	\$ -	\$ 1,681	\$ (2,900)	\$ 99,270
Unrealized foreign exchange gains	451	-	60	-	511
Others	<u>306</u>	<u>-</u>	<u>-</u>	<u>17</u>	<u>323</u>
	<u>\$ 101,246</u>	<u>\$ -</u>	<u>\$ 1,741</u>	<u>\$ (2,883)</u>	<u>\$ 100,104</u>

2020

Deferred Tax Liabilities	Opening Balance	Effects of Tax Rate Changes	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Temporary differences					
Unappropriated earnings of subsidiaries	\$ 105,650	\$ -	\$ -	\$ (5,161)	\$ 100,489
Unrealized foreign exchange gains	329	-	122	-	451
Others	<u>415</u>	<u>-</u>	<u>-</u>	<u>(109)</u>	<u>306</u>
	<u>\$ 106,394</u>	<u>\$ -</u>	<u>\$ 122</u>	<u>\$ (5,270)</u>	<u>\$ 101,246</u>

- d. Information about unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Loss carryforwards		
Expiry in 2022	\$ 62,734	\$ 62,734
Expiry in 2023	94,850	94,850
Expiry in 2024	115,130	115,130
Expiry in 2025	<u>36,293</u>	<u>-</u>
	<u>\$ 309,007</u>	<u>\$ 272,714</u>

- e. Income tax assessments

The income tax returns of the Company's branch, Eson Precision Ind. Co., Ltd. Taiwan Branch, have been examined and approved by the tax authorities for the years through 2019.

19. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Net profit for the year (in thousands)</u>		
Net profit used in the computation of basic earnings per share	<u>\$ 463,781</u>	<u>\$ 460,969</u>
<u>Number of shares (in thousands)</u>		
Weighted average number of ordinary shares used in the computation of basic earnings per share	168,529	168,529
Effects of potentially dilutive ordinary shares		
Compensation of employees	<u>451</u>	<u>619</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>168,980</u>	<u>169,148</u>
<u>Earnings per share (in dollars)</u>		
Basic earnings per share	<u>\$ 2.75</u>	<u>\$ 2.74</u>
Diluted earnings per share	<u>\$ 2.74</u>	<u>\$ 2.73</u>

The Group may settle compensation paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

20. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Kunshan Kuangrui Package Material Co., Ltd. (Kunshan Kangrui)	Packaging material trading and power supply	February 2020	100	<u>\$ 7,499</u>

Kunshan Kuangrui Package Material Co., Ltd. were acquired from January 1 to December 31 in order to continue to expand the power supply of the Group (refer to Note 24).

b. Consideration transferred

	Kunshan Kangrui
Cash	<u>\$ 7,499</u>

c. Assets acquired and liabilities assumed at the date of acquisition

	Kunshan Kangrui
Current assets	
Cash and cash equivalents	\$ 6,021
Trade receivables	2,791
Other current assets	2,278
Current liabilities	
Trade and other payables	<u>(3,591)</u>
	<u>\$ 7,499</u>

d. Net cash outflow on the acquisition of subsidiaries

	Kunshan Kangrui
Consideration paid in cash	\$ 7,499
Less: Cash and cash equivalent balances acquired	<u>(6,021)</u>
	<u>\$ 1,478</u>

e. Impact of acquisitions on the results of the Group

The financial results of the acquirees since the acquisition dates, which are included in the consolidated statements of comprehensive income, were as follows:

	Kunshan Kangrui
Revenue	\$ <u> -</u>
Profit (loss)	\$ <u>(27,473)</u>

Had these business combinations been in effect at the beginning of the financial year, the Group's revenue would have been \$9,889,935 thousand, and the profit would have been \$460,920 thousand for January 1 to December 31, 2020. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future results.

21. NON-CASH TRANSACTIONS

For the years ended December 31, 2021 and 2020, the Group entered into the following non-cash investing and financing activities:

	For the Year Ended December 31	
	2021	2020
Investing and financing activities that have no effect on the cash flows		
Cumulative translation adjustments	\$ <u>(120,377)</u>	\$ <u>(97,581)</u>
Acquisition of property, plant and equipment by cash		
Increase in property, plant and equipment during the year	\$ 1,098,741	\$ 545,286
Add: Payables for equipment on January 1	14,243	10,596
Less: Payables for equipment on December 31	<u>(32,713)</u>	<u>(14,243)</u>
Acquisition of property, plant and equipment by cash	\$ <u>1,080,271</u>	\$ <u>541,639</u>

22. CAPITAL MANAGEMENT

The Group manages its capital to ensure it has sufficient necessary financial resources and operational plan to meet the needs of operating funds, capital expenditures, debt repayments and dividend distribution within the next 12 months.

23. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The carrying amounts of financial assets and financial liabilities not measured at fair value in the consolidated financial statements approximate their fair values.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive				
Foreign unlisted shares	\$ -	\$ -	\$ 4,799	\$ 4,799

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive				
Foreign unlisted shares	\$ -	\$ -	\$ 10,478	\$ 10,478

2) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities were determined using the asset-based approach. The significant unobservable inputs are the liquidity discount of multiplier of price-book ratio and value of net assets. An increase in price-book ratio would result in an increase in the fair value. An increase in liquidity discount would result in a decrease in the fair value.

c. Categories of financial instruments

	<u>December 31</u>	
	2021	2020
<u>Financial assets</u>		
Cash and cash equivalents	\$ 1,853,404	\$ 2,444,074
Financial assets at amortized cost - current	203,110	872,039
Notes receivable	-	1,746
Accounts receivable	1,876,451	1,646,513
Accounts receivable due from related parties	563,657	597,492
Other receivables	36,223	17,823
Financial assets at FVTOCI	4,799	10,478
Financial assets at amortized cost - non-current	5,360	70,882
Refundable deposits	21,644	20,104
<u>Financial liabilities</u>		
Short-term borrowings	954,960	484,160
Accounts payable	2,235,179	2,416,052
Accounts payable to related parties	10,460	11,628
Other payables	591,336	542,981

d. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, financial assets at amortized cost - current, notes receivable, and accounts receivable, etc.

The Group did not trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's operating activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

a) Foreign currency risk

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities, including monetary items which are offset and valued in non-functional currency on the consolidated financial statements.

Sensitivity analysis

The Group was mainly exposed to fluctuations of the RMB and U.S. dollar currency pair.

The following table details the Company's sensitivity to a 1% increase and decrease in the RMB against the U.S. dollar. The sensitivity analysis included borrowings within the Group and the borrowings are not evaluated at the functional currencies of creditors and debtors. A negative number below indicates an increase in pre-tax profit associated with the RMB strengthening 1% against the U.S. dollar. For a 1% weakening of RMB against the U.S. dollar, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	Impact of U.S. Dollars	
	For the Year Ended December 31	
	2021	2020
Profit or loss*	\$ 20,100	\$ 12,230

* This was mainly attributable to the exposure outstanding on U.S. dollar - denominated accounts receivable, other receivables, accounts payable and other payables which were not hedged at the end of the reporting period.

b) Interest rate risk

Interest rate risk refers to the risk of changes in the fair values of financial instruments arising from the changes in market rates. The Group's interest rate risk arises primarily from floating rate borrowings.

Short-term borrowings which the Company entered into are at floating rates. The carrying amounts of the Group's financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2021	2020
Cash flow interest rate risk		
Financial liabilities	\$ 954,960	\$ 484,160

The sensitivity analysis below was determined based on the fluctuations in fair value of the Group's variable-rate borrowings at the end of the reporting period. If interest rates had been higher/lower by one percentage, the Group's cash flows for the years ended December 31, 2021 and 2020 would have decreased/increased by \$9,550 thousand and \$4,842 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the carrying amount of the financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties that are rated the equivalent of investment grade and above. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties, and credit exposure is controlled by counterparty limits that are reviewed and approved regularly.

The Group transacts with a large number of customers spread across diverse industries and geographical locations. The Group continuously monitors and assesses the financial conditions of customers with accounts receivable due.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

a) Liquidity and interest rate risk table

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2021

	Weighted-Average Effective Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	Over 1 year
<u>Non-derivative financial liabilities</u>					
Variable interest rate instruments	0.89	\$ 318,320	\$ 636,640	\$ -	\$ -
Lease liabilities	3.60	<u>1,766</u>	<u>3,550</u>	<u>11,812</u>	<u>3,188</u>
		<u>\$ 320,086</u>	<u>\$ 640,190</u>	<u>\$ 11,812</u>	<u>\$ 3,188</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 17,508	\$ 3,210	\$ -	\$ -	\$ -	\$ -
Variable interest rate instruments	<u>956,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 974,461</u>	<u>\$ 3,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2020

	Weighted-Average Effective Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	Over 1 year
<u>Non-derivative financial liabilities</u>					
Variable interest rate instruments	0.93	\$ 28,480	\$ 28,480	\$ 427,200	\$ -
Lease liabilities	4.65	<u>1,696</u>	<u>3,410</u>	<u>10,947</u>	<u>11,505</u>
		<u>\$ 30,176</u>	<u>\$ 31,890</u>	<u>\$ 438,147</u>	<u>\$ 11,505</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 16,957	\$ 11,750	\$ -	\$ -	\$ -	\$ -
Variable interest rate instruments	<u>485,401</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 502,358</u>	<u>\$ 11,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing limit

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Bank credit limit		
Amount used	\$ 954,960	\$ 484,160
Amount unused	<u>1,819,240</u>	<u>2,352,277</u>
	<u>\$ 2,774,200</u>	<u>\$ 2,836,437</u>

24. TRANSACTIONS WITH RELATED PARTIES

Transactions, balances, revenue and expenses between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. The names and the relationships of related parties

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
Tsai Chia Hsiang	The chairman of company
Wu Maozeng	Related party
Kunshan Kuangrui Package Material Co., Ltd. (Kunshan Kangrui) (Note)	Other related party (before January 2020)
Hon Hai Precision Industry Co., Ltd. and its subsidiaries (Hon Hai and its subsidiaries)	Investor company and its subsidiaries that account for the Company using the equity method
Foxconn Technology Co., Ltd. (Foxconn and its subsidiaries)	Related party (since July 2021 to October 2021)

Note: After Global Sun acquired 100% equity on February 2020, it was included in the consolidated statement entity.

b. Operating transactions

Sales of Goods	<u>For the Year Ended December 31</u>	
	2021	2020
Hon Hai and its subsidiaries	\$ 2,545,831	\$ 2,076,525
Foxconn and its subsidiaries	<u>1,896</u>	<u>-</u>
	<u>\$ 2,547,727</u>	<u>\$ 2,076,525</u>

Price and terms were determined in accordance with mutual agreements.

Purchase of Goods	<u>For the Year Ended December 31</u>	
	2021	2020
Hon Hai and its subsidiaries	\$ 53,435	\$ 35,851
Foxconn and its subsidiaries	<u>18</u>	<u>-</u>
	<u>\$ 53,453</u>	<u>\$ 35,851</u>

Price and terms were determined in accordance with mutual agreements.

Balances of receivables from related parties at the end of the reporting period are as follows:

Accounts Receivable	<u>December 31</u>	
	2021	2020
Hon Hai and its subsidiaries	<u>\$ 563,657</u>	<u>\$ 597,492</u>

For the years ended December 31, 2021 and 2020, no impairment loss was recognized for receivables from related parties.

Balances of payables to related parties at the end of the reporting period are as follows:

Accounts Payable	December 31	
	2021	2020
Hon Hai and its subsidiaries	\$ <u>10,460</u>	\$ <u>11,628</u>

Other Payables	December 31	
	2021	2020
Hon Hai and its subsidiaries	\$ <u>7,245</u>	\$ <u>14,965</u>

The balances of outstanding payables to related parties are unsecured and will be paid by cash. No guarantees are held on receivables from related parties.

Other payables mainly refer to payables for equipment, rent and human resource expense, etc.

c. Acquisition of financial assets

For the year ended December 31, 2020

Related Party Category/Name	Line Item	Underlying Assets	Purchase Price
Wu Maozeng	Subsidiary	Kunshan Kangrui	\$ <u>7,499</u>

The purchase prices were determined in accordance with the recently audited financial statement.

d. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 16,188	\$ 17,203
Post-employment benefits	<u>256</u>	<u>398</u>
	<u>\$ 16,444</u>	<u>\$ 17,601</u>

The remuneration of directors and other key executives was determined by the remuneration committee based on the performance of individuals and market trends.

e. Endorsements and guarantees

Endorsements and guarantees given by related parties

The related party of the Group refers to the joint guarantor of Global Sun and Eson Singapore of the Group. Details of the joint guarantee are as follows:

Name of Related Party	Nature of Joint Guarantee	December 31	
		2021	2020
Tsai Chia-Hsiang	Short-term borrowing	\$ <u>-</u>	\$ <u>484,160</u>

f. Lease arrangements

Name of Related Party	December 31	
	2021	2020
Payments for right-of-use assets Tsai Chia Hsiang	\$ <u>5,872</u>	\$ <u>-</u>

25. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for the tariffs of imported materials, as guarantee deposits for electricity and bank borrowings:

	December 31	
	2021	2020
Pledge deposits (classified as financial assets at amortized cost)	\$ <u>15,330</u>	\$ <u>12,808</u>

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2021 were as follows:

a. Unrecognized commitments of the Group are as follows:

	December 31	
	2021	2020
Acquisition of land-use rights	\$ <u>348,007</u>	\$ <u>582,599</u>

- b. Suntool Co., Ltd. had a product dispute with its client, leading to the possibility of US\$300 thousand in uncollectible accounts receivable. Furthermore, the client of Suntool's client demanded an additional compensation for damage that amounted to CAD4,000 thousand, and the litigation is still going. Suntool Co., Ltd. has recognized a full impairment loss for the total amount of receivables. In addition, Suntool Co., Ltd. assessed that compensation is very unlikely to occur and thus did not assess the related losses. Suntool Co., Ltd. obtained the documentation for the approval of dissolution on October 23, 2018 which approved the dissolution on September 18, 2018 after related debt declaration and dissolution procedures were completed.

27. SIGNIFICANT LOSSES FROM DISASTERS

No such situation had taken place.

28. OTHER ITEMS

The operations of the Group had not been affected by the COVID-19 pandemic in 2021; however, the Group's operations had been affected by the COVID-19 pandemic in 2020, while some of the Group's operating sites had temporarily suspended their operations. Nevertheless, operations quickly resumed, and the Group was not seriously affected by the pandemic. All of the Group's subsidiaries have resumed normal operations by the end of 2020. In this regard, the Group assessed that the overall business and financial aspects have not been significantly affected, and there are no doubts about the ability to continue operations, asset impairment and financing risks.

29. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No such situation had taken place.

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 2)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 3)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 9) Trading in derivative instruments (None)
- 10) Others: Intercompany relationships and significant intercompany transactions (Table 6)
- 11) Information on investees (Table 7)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 8)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Not applicable):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period

- c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31					
	2021			2020		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 77,489	6.38 (USD:RMB)	\$ 2,144,896	\$ 45,311	6.52 (USD:RMB)	\$ 1,290,457
<u>Financial liabilities</u>						
Monetary items						
USD	4,873	6.38 (USD:RMB)	134,885	2,369	6.52 (USD:RMB)	67,469

32. SEGMENT INFORMATION

The chief operating decision maker considers the design, development, manufacture and sales segments of products such as mold, plastic, and hardware goods as individual operating segments. However, these individual operating segments will be aggregated into a single operating segment when preparing the consolidated financial statements as operating profit or loss is measured and is the basis of performance assessment, and the basis of measurement is the same as the basis used in preparing the consolidated financial statements. For revenue and operating results of related segments, refer to the consolidated statements of comprehensive income.

- a. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2021	2020
TV mechanical parts	\$ 5,092,982	\$ 4,067,387
Automobile mechanical parts	4,033,012	3,023,777
Server mechanical parts	2,139,873	1,790,218
Molds and others	<u>776,578</u>	<u>1,008,553</u>
	<u>\$ 12,042,445</u>	<u>\$ 9,889,935</u>

b. Geographical information

The Group operates in two principal geographical areas - China, Asia and the Americas.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2021	2020	2021	2020
China	\$ 3,251,527	\$ 3,199,391	\$ 1,145,802	\$ 1,132,418
The Americas and Asia	6,149,655	4,868,161	1,740,218	1,126,171
Others	<u>2,641,263</u>	<u>1,822,383</u>	<u>760,946</u>	<u>481,720</u>
	<u>\$ 12,042,445</u>	<u>\$ 9,889,935</u>	<u>\$ 3,646,966</u>	<u>\$ 2,740,309</u>

Non-current assets exclude financial assets.

c. Information about major customers

Single customers contributing 10% or more to the Group's revenue on the statements of comprehensive income for the years ended 2021 and 2020 were as follows:

	For the Year Ended December 31	
	2021	2020
Customer C	<u>\$ 3,205,814</u>	<u>\$ 2,663,054</u>
Customer A	<u>\$ 2,545,831</u>	<u>\$ 2,076,525</u>
Customer B	<u>\$ 2,024,072</u>	<u>\$ 1,453,294</u>
Customer D	<u>\$ 1,939,428</u>	<u>\$ 1,785,209</u>

ESON PRECISION IND. CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limit (Note 3)
													Item	Value		
1	Global Sun Trading Co., Ltd.	Eson Batupahat Precision Engineering Sdn. Bhd.	Other receivables due from related parties	Yes	\$ 171,210 (US\$ 6,000,000)	\$ 138,400 (US\$ 5,000,000)	\$ 138,400 (US\$ 5,000,000)	-	b	\$ -	Fund management within the Group	-	-	\$ -	\$ 4,522,813	\$ 6,784,220
2	Multiwin Precision Ind Pte. Ltd.	Eson Batupahat Precision Engineering Sdn. Bhd.	-	Yes	28,535 (US\$ 1,000,000)	- (US\$ -)	- (US\$ -)	-	b	-	"	-	-	-	658,974	878,632
3	Zeal International Co., Ltd.	Global Sun Trading Co., Ltd.	Other receivables due from related parties	Yes	142,675 (US\$ 5,000,000)	138,400 (US\$ 5,000,000)	138,400 (US\$ 5,000,000)	-	b	-	"	-	-	-	331,513	378,872
4	Ample Wealth Enterprise Ltd.	Global Sun Trading Co., Ltd.	Other receivables due from related parties	Yes	199,745 (US\$ 7,000,000)	193,760 (US\$ 7,000,000)	193,760 (US\$ 7,000,000)	-	b	-	"	-	-	-	822,606	1,096,808
5	Unique Champion Co., Ltd.	Global Sun Trading Co., Ltd.	Other receivables due from related parties	Yes	142,675 (US\$ 5,000,000)	138,400 (US\$ 5,000,000)	138,400 (US\$ 5,000,000)	-	b	-	"	-	-	-	382,823	612,516

Note 1: Financing of the parent company and subsidiaries of the Group should be shown in two tables and numbered in the "number" column. Fill in as follows:

- The number 0 represents the parent company.
- The subsidiaries are numbered successively from 1.

Note 2: Nature of financing is numbered as follows:

- "a" if there are business transactions.
- "b" if there are short-term financing needs.

Note 3: According to the regulatory procedures for financing provided to others of the parent company of the Group.

Global Sun Trading Co., Ltd.: According to the regulatory procedures for financing between subsidiaries of the Group, the policy for financing granted by companies of which the parent company of the Group directly or indirectly holds 100% of their voting shares is as follows: Total financing limit granted by subsidiaries is 150% of the net asset value of the company; limit on financing granted by a subsidiary to a single party is 100% of the net asset value of the company.

Multiwin Precision Ind Pte. Ltd.: According to the regulatory procedures for financing between subsidiaries of the Group, the policy for financing granted by companies of which the parent company of the Group directly or indirectly holds 100% of their voting shares is as follows: Total financing limit granted by subsidiaries is 80% of the net asset value of the company; limit on financing granted by a subsidiary to a single party is 60% of the net asset value of the company.

Zeal International Co., Ltd.: According to the regulatory procedures for financing between subsidiaries of the Group, the policy for financing granted by companies of which the parent company of the Group directly or indirectly holds 100% of their voting shares is as follows: Total financing limit granted by subsidiaries is 800% of the net asset value of the company; limit on financing granted by a subsidiary to a single party is 700% of the net asset value of the company.

Ample Wealth Enterprise Ltd.: According to the regulatory procedures for financing between subsidiaries of the Group, the policy for financing granted by companies of which the parent company of the Group directly or indirectly holds 100% of their voting shares is as follows: Total financing limit granted by subsidiaries is 800% of the net asset value of the company; limit on financing granted by a subsidiary to a single party is 600% of the net asset value of the company.

Unique Champion Co., Ltd.: According to the regulatory procedures for financing between subsidiaries of the Group, the policy for financing granted by companies of which the parent company of the Group directly or indirectly holds 100% of their voting shares is as follows: Total financing limit granted by subsidiaries is 400% of the net asset value of the company; limit on financing granted by a subsidiary to a single party is 250% of the net asset value of the company.

ESON PRECISION IND. CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Securities Issuer (Note 2)	Financial Statement Account	December 31, 2021				Note (Note 4)
				Number of Shares	Carrying Amount (Note 3)	Percentage of Ownership (%)	Fair Value	
Kunshan Eson Precision Engineering Co., Ltd.	Shares Jiangsu Engao Optical Material Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 4,799 (RMB 1,105,727)	8	\$ 4,799 (RMB 1,105,727)	-

Note 1: Marketable securities in the table above refer to shares, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 "Financial Instruments".

Note 2: Column left blank if the securities issuer is not a related party.

Note 3: For securities measured at fair value, carrying amount at fair value after valuation adjustments and deductions of allowance for impairment loss is shown; for securities not measured at fair value, carrying amount at amortized cost deducted by allowance for impairment loss is shown.

Note 4: The number and amount of shares provided as guarantees or pledged as collateral for borrowings as well as their situation of restricted use should be indicated in the Note column for restricted marketable securities that are pledged as collateral for borrowings or other arrangements.

Note 5: Refer to Tables 7 and 8 for related information on investments in subsidiaries, affiliates and joint ventures.

ESON PRECISION IND. CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	Beginning Balance		Acquisition (Note 3)		Disposal (Note 3)				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
Global Sun Trading Co., Ltd.	Shares Eson (VN) Precision Industry Co., Ltd.	Investment using the equity method	Issuance of ordinary shares for cash	Parent company and subsidiary	15,000,000	\$ 444,450 (US\$ 15,000,000)	US\$ 12,500,000 (Note 5)	\$ 353,900 (US\$ 12,500,000)	-	\$ -	\$ -	\$ -	US\$ 27,500,000 (Note 5)	\$ 798,350 (US\$ 27,500,000)

Note 1: Marketable securities in the table refer to shares, bonds, beneficiary certificates and other related derivative securities.

Note 2: If the securities are accounted for using the equity method, the two columns 'Counterparty' and 'Relationship' are filled in; otherwise, the columns are left blank.

Note 3: The accumulated amount of acquisition or disposal should be calculated separately if the market prices amount to at least NT\$300 million or 20% of the paid-in capital.

Note 4: Paid-in capital refers to the paid-in capital of the parent company. The regulation about 20% of the paid-in capital is calculated by 10% of equity attributable to owners of the Company on the balance sheets for shares with no par value or with par value other than NT\$10.

Note 5: It is listed based on the original investment amount.

ESON PRECISION IND. CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivables (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Kunshan Eson Precision Engineering Co., Ltd.	Zeal International Co., Ltd.	Indirect second-tier subsidiary of the ultimate parent company with 100% ownership	Sales	\$ (1,217,238) (RMB -280,379,485)	(22.92)	Net 60 days from invoice date	\$ -	-	\$ 392,996 (RMB 90,547,368)	21.54	
	Eson Precision Industry (Singapore) Pte. Ltd.	Indirect second-tier subsidiary of the ultimate parent company with 100% ownership	Sales	(894,667) (RMB -206,078,283)	(16.84)	Net 90 days from invoice date	-	-	556,592 (RMB 128,240,325)	30.51	
	Eson Precision Industry (Singapore) Pte. Ltd.	Hon Hai Company as the ultimate parent company	Revenue from services	(169,684) (RMB -39,085,122)	(3.19)	Net 90 days from invoice date	-	-	82,908 (RMB 19,102,200)	4.54	
Multiwin de Mexico S.A. de C.V.	Eson Precision Industry (Singapore) Pte. Ltd.	Indirect second-tier subsidiary of the ultimate parent company with 100% ownership	Processing revenue	(1,524,437) (MXN -1,103,989,613)	(99.93)	Net 30 days from invoice date	-	-	121,955 (MXN 90,099,866)	100.00	
Eson Precision Industry (Singapore) Pte. Ltd.	eCMMS Precision Singapore Pte. Ltd.	Hon Hai Company as the ultimate parent company	Sales	(2,165,394) (US\$ -77,310,633)	(38.29)	Net 60 days from invoice date	-	-	438,592 (US\$ 15,845,086)	41.67	
Yantai Zhengyi Precision Electronic Co., Ltd.	Hongfujin Precision Electronics (Yantai) Co., Ltd.	Hon Hai Company as the ultimate parent company	Sales	(110,475) (RMB -25,446,867)	(56.08)	Net 90 days from invoice date	-	-	41,453 (RMB 9,550,784)	53.17	

ESON PRECISION IND. CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Kunshan Eson Precision Engineering Co., Ltd.	Zeal International Co., Ltd.	Indirect second-tier subsidiary of the ultimate parent company with 100% ownership	\$ 392,996 (RMB 90,547,368)	5.9	\$ -	-	\$ 115,426 (RMB 26,594,518)	\$ -
	Eson Precision Industry (Singapore) Pte. Ltd.	Indirect second-tier subsidiary of the ultimate parent company with 100% ownership	556,592 (RMB 128,240,325)	4.04	-	-	55,262 (RMB 12,732,464)	-
	Eson Precision Industry (Singapore) Pte. Ltd.	Indirect second-tier subsidiary of the ultimate parent company with 100% ownership	82,908 (RMB 19,102,200)	3.54	-	-	- (RMB -)	-
Multiwin de Mexico S.A. de C.V.	Eson Precision Industry (Singapore) Pte. Ltd.	Indirect second-tier subsidiary of the ultimate parent company with 100% ownership	121,955 (MXN 90,099,866)	17.95	-	-	121,955 (MXN 90,099,866)	-
Eson Precision Industry (Singapore) Pte. Ltd.	eCMMS Precision Singapore Pte. Ltd.	Hon Hai Company as the ultimate parent company	438,592 (US\$ 15,845,806)	7.05	-	-	417,123 (US\$ 15,069,457)	-

ESON PRECISION IND. CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
1	Kunshan Eson Precision Engineering Co., Ltd.	Zeal International Co., Ltd.	c	Operating revenue	\$ 1,217,238	Net 60 days from invoice date	10
				Trade receivables from related parties	392,996		4
		Eson Precision Industry (Singapore) Pte. Ltd.	c	Operating revenue	894,667	Net 90 days from invoice date	7
				Trade receivables from related parties	556,592		6
				Other operating revenue	169,684	Net 90 days from invoice date	1
				Other receivables from related parties	82,908		1
2	Multiwin de Mexico S.A. de C.V.	Eson Precision Industry (Singapore) Pte. Ltd.	c	Processing revenue	1,524,437	Net 30 days from invoice date	13
				Trade receivables from related parties	121,955		1

Note 1: Information of transactions between the Company and the subsidiaries should be indicated in the "Number" column as follows.

- a. 0 represents the parent company.
- b. The subsidiaries are numbered in order from 1.

Note 2: The three types of counterparty relationships are indicated as follows:

- a. The parent company to the subsidiary.
- b. The subsidiary to the parent company.
- c. The subsidiary to another subsidiary.

Note 3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenue for income statement accounts.

Note 4: Only transactions with related parties amounting to at least NT\$100 million or 20% of the paid-in capital are disclosed.

Note 5: Refer to Table 1 for financing provided to others.

ESON PRECISION IND. CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares (Note 1)	%	Carrying Amount			
Eson Precision Ind. Co., Ltd.	Multiwin Precision Ind Pte. Ltd.	Singapore	Sales of molds, plastic products, and hardware products and investment holding	\$ 574,992 (US\$ 19,800,001)	\$ 574,992 (US\$ 19,800,001)	US\$ 19,800,001	100.00	\$ 1,098,290 (US\$ 39,678,113)	\$ 98,944 (US\$ 3,532,575)	\$ 98,944 (US\$ 3,532,575)	
	Global Sun Trading Co., Ltd.	Mauritius	Investment holding	2,248,539 (US\$ 76,427,570)	2,248,539 (US\$ 76,427,570)	US\$ 76,427,570	100.00	4,514,593 (US\$ 163,099,473)	410,658 (US\$ 14,661,657)	411,980 (US\$ 14,708,861)	
	All Spacer Enterprises Co., Ltd.	Samoa Islands	Investment holding	617,355 (US\$ 21,182,220)	617,355 (US\$ 21,182,220)	US\$ 21,182,220	100.00	384,568 (US\$ 13,893,369)	(9,799) (US\$ -349,846)	(9,799) (US\$ -349,846)	
	Multiwin de Mexico S.A. de C.V.	Mexico	Manufacture of molds, plastic products, and hardware products	5,808 (US\$ 200,000)	5,808 (US\$ 200,000)	US\$ 200,000	0.71	5,632 (US\$ 203,461)	69,274 (US\$ 2,473,276)	492 (US\$ 17,560)	
Global Sun Trading Co., Ltd.	Heng Xie Enterprises Limited	Hong Kong	Investment holding	1,935,923 (HK\$ 495,280,151)	1,935,923 (HK\$ 495,280,151)	HK\$ 495,280,151	100.00	2,722,216 (US\$ 98,345,949)	132,035 (US\$ 4,714,023)	132,035 (US\$ 4,714,023)	
	Eson Europe S.R.O.	Slovakia	Investment holding	189,672 (US\$ 6,187,548)	189,672 (US\$ 6,187,548)	US\$ 6,187,548	100.00	(3,929) (US\$ -141,944)	(13,260) (US\$ -473,412)	(13,260) (US\$ -473,412)	
	Grand Liberty Co., Ltd.	Mauritius	Investment holding	736,746 (US\$ 24,100,000)	736,746 (US\$ 24,100,000)	US\$ 24,100,000	100.00	403,957 (US\$ 14,593,824)	11,483 (US\$ 409,960)	11,483 (US\$ 409,960)	
	Koinya Co., Ltd. (Note 3)	Mauritius	Investment holding	- (US\$ -)	1,742 (US\$ 59,805)	US\$ -	-	- (US\$ -)	- (US\$ -)	- (US\$ -)	
	Ample Wealth Enterprise Ltd.	Mauritius	Sales of molds, plastic products, and hardware products	- (US\$ 1)	- (US\$ 1)	US\$ 1	100.00	137,101 (US\$ 4,953,056)	80,569 (US\$ 2,876,535)	80,569 (US\$ 2,876,535)	
	Zeal International Co., Ltd.	Mauritius	Sales of molds, plastic products, and hardware products	- (US\$ 1)	- (US\$ 1)	US\$ 1	100.00	47,359 (US\$ 1,710,964)	2,213 (US\$ 79,025)	2,213 (US\$ 79,025)	
	Eson Precision Industry (Singapore) Pte. Ltd.	Singapore	Sales of molds, plastic products, and hardware products	571,805 (US\$ 19,000,000)	571,805 (US\$ 19,000,000)	US\$ 19,000,000	100.00	1,350,399 (US\$ 48,786,090)	277,756 (US\$ 9,916,678)	277,756 (US\$ 9,916,678)	
	Eson (VN) Precision Industry Co., Ltd.	Vietnam	Production and sales of molds, plastic products and hardware products	798,350 (US\$ 27,500,000)	444,450 (US\$ 15,000,000)	US\$ 27,500,000	100.00	693,011 (US\$ 25,036,540)	(71,028) (US\$ -2,535,882)	(71,028) (US\$ -2,535,882)	
	Multiwin Precision Ind Pte. Ltd.	Multiwin de Mexico S.A. de C.V.	Mexico	Manufacture of molds, plastic products, and hardware products	726,917 (US\$ 24,800,000)	726,917 (US\$ 24,800,000)	US\$ 24,800,000	87.94	697,548 (US\$ 25,200,451)	69,274 (US\$ 2,473,276)	63,866 (US\$ 2,280,202)
Eson Precision Engineering (Malaysia) Sdn. Bhd.		Malaysia	Manufacture and sales of molds, plastic products, and hardware products	259,737 (US\$ 8,156,255)	259,737 (US\$ 8,156,255)	US\$ 8,156,255	100.00	237,594 (US\$ 8,583,586)	(11,191) (US\$ -399,533)	(11,191) (US\$ -399,533)	
Eson Batupahat Precision Engineering Sdn. Bhd.		Malaysia	Manufacture and sales of molds, plastic products, and hardware products	154,703 (US\$ 4,725,193)	154,703 (US\$ 4,725,193)	US\$ 4,725,193	100.00	197,036 (US\$ 7,118,343)	46,585 (US\$ 1,663,203)	46,585 (US\$ 1,663,203)	
Grand Liberty Co., Ltd.	Unique Champion Co., Ltd.	Mauritius	Sales of molds, plastic products, and hardware products	- (US\$ 1)	- (US\$ 1)	US\$ 1	100.00	153,129 (US\$ 5,532,135)	19,223 (US\$ 686,311)	19,223 (US\$ 686,311)	
Eson Europe S.R.O.	Eson Slovakia A.S.	Slovakia	Sales of molds, plastic products, and hardware products	167,485 (US\$ 5,749,579)	167,485 (US\$ 5,749,579)	US\$ 5,749,579	100.00	52,555 (US\$ 1,898,652)	(1,320) (US\$ -47,142)	(1,320) (US\$ -47,142)	
All Spacer Enterprises Co., Ltd.	Kong Eagle International Limited.	Hong Kong	Investment holding	234,907 (HK\$ 60,465,117)	234,907 (HK\$ 60,465,117)	HK\$ 60,465,117	100.00	353,146 (US\$ 12,758,167)	(11,060) (US\$ -394,869)	(11,060) (US\$ -394,869)	
	Zenith Profits Co., Ltd.	Mauritius	Sales of molds and hardware products	- (US\$ 1)	- (US\$ 1)	US\$ 1	100.00	2,889 (US\$ 104,367)	(248) (US\$ -8,848)	(248) (US\$ -8,848)	
	Blackyotta Inc.	U.S.A.	Sales of molds, plastic products, and hardware products	5,965 (US\$ 200,000)	5,965 (US\$ 200,000)	US\$ 200,000	100.00	7,859 (US\$ 283,922)	1,546 (US\$ 55,214)	1,546 (US\$ 55,214)	
Eson Precision Industry (Singapore) Pte. Ltd.	Multiwin de Mexico S.A. de C.V.	Mexico	Manufacture of molds, plastic products, and hardware products	89,472 (US\$ 3,200,000)	-	US\$ 3,200,000	11.35	90,029 (US\$ 3,252,503)	69,274 (US\$ 2,473,276)	4,916 (US\$ 175,514)	

Note 1: The original investment amount is shown.

Note 2: Refer to Table 8 for information on investments in mainland china.

Note 3: Koinya Co., Ltd. has been closed.

ESON PRECISION IND. CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. The name of the investee in mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, share of profits/losses of investee, ending balance, and amount received as dividends from the investee:

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Investor Company	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 (Note 3)	Remittance of Funds (Note 3)		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 (Note 3)	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
						Outward	Inward						
Kunshan Eson Precision Engineering Co., Ltd.	Design, development, manufacture, and sales of molds, plastic products, and hardware products	\$ 1,543,839 (US\$ 52,010,000)	b	Heng Xie Enterprises Limited	\$ 1,543,839 (US\$ 52,010,000)	\$ -	\$ -	\$ 1,543,839 (US\$ 52,010,000)	100.00	\$ 119,399 (US\$ 4,262,869)	\$ 119,399 (US\$ 4,262,869)	\$ 2,513,083 (US\$ 90,790,553)	\$ -
Yantai Zhengyi Precision Electronic Co., Ltd.	Design, development, manufacture, and sales of molds, plastic products, and hardware products	162,998 (US\$ 5,000,000)	b	Heng Xie Enterprises Limited	335,234 (US\$ 11,200,000)	-	172,236 (US\$ 6,200,000)	162,998 (US\$ 5,000,000)	100.00	12,709 (US\$ 453,758)	12,709 (US\$ 453,758)	197,532 (US\$ 7,136,266)	-
Wuxi Singuan Metal Science & Technology Co., Ltd.	Design, development, manufacture, and sales of molds, plastic products, and hardware products	691,635 (US\$ 23,000,000)	b	Grand Liberty Co., Ltd.	691,635 (US\$ 23,000,000)	-	-	691,635 (US\$ 23,000,000)	100.00	(7,492) (US\$ -267,496)	(7,492) (US\$ -267,496)	248,632 (US\$ 8,982,376)	-
Dongguan Yihong Precision Mould Co., Ltd.	Sales and Manufacture of precision molds and hardware products	224,242 (US\$ 7,710,000)	b	Kong Eagle International Limited	224,242 (US\$ 7,710,000)	-	-	224,242 (US\$ 7,710,000)	100.00	(10,984) (US\$ -392,153)	(10,984) (US\$ -392,153)	352,158 (US\$ 12,722,460)	-
Kunshan Kuangrui Package Material Co., Ltd.	Packaging material trading and power supply	7,499 (US\$ 250,000)	b	Global Sun Trading Co., Ltd.	7,499 (US\$ 250,000)	-	-	7,499 (US\$ 250,000)	100.00	(163) (US\$ -5,821)	(163) (US\$ -5,821)	7,246 (US\$ 261,768)	-

2. Limit on investments in mainland China: Not applicable.

Note 1: Investment methods are classified into the following three categories:

- Directly invest in a company in mainland China.
- Indirect investment in an investee in mainland China through investment in a holding company registered in a third area (the holding company registered in the third area is specified).
- Other methods.

Note 2: The investment gain (loss) recognized is based on the audited financial statements of the investee company.

Note 3: It refers to the amount invested by the holding companies registered in a third area.

ESON PRECISION IND. CO., LTD. AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Golden Harvest Management Limited	44,613,345	26.47
Ace Progress Holdings Limited	15,351,375	9.11
Investment Account under the Custody of Taishin Bank Ltd.	9,365,000	5.55

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

Eson Precision Ind. Co., Ltd.

Chairman : Tsai, Chia-Hsiang