



Stock Code: 4943

CONCRAFT HOLDING CO., LTD.

2021 Annual Report

Enquiry Website:

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

Published on June 17, 2022

I. Information of the Company's Spokesperson and Deputy Spokesperson

Name of Spokesperson: Chao-Sheng Huang Telephone: 02-2268-9558
Title: Chief Financial Officer E-Mail Address: joe.huang@concraft.com.tw

Name of Deputy Spokesperson: Wei-Lun Tai Telephone: 02-2268-9558
Title: Project Manager E-Mail Address: allan.tai@concraft.com.tw

II. Address and Telephone of Headquarter, Branches and Plants

(I) The Company

Name: Concraft Holding Co., Ltd.

(hereinafter referred to as "the Company" or "Concraft Holding")

Address: The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box
32052, Grand Cayman KY1-1208, Cayman Islands.

Telephone: 02-2268-9558

Website: <http://www.concraft.com.tw>

(II) Main Places of Operation:

1. Contact Place in Taiwan:

Name: Dragonstate Technology Co., Ltd.

Address: 2F, No. 35, Chengtian Rd., Tucheng Dist., New Taipei City, Taiwan

Telephone: 02-2268-9558

Website: <http://www.concraft.com.tw>

Name: OBO Pro.2 Inc.

Address: No. 18 YanWu Road, Bianzhou Li, Taoyuan District, Taoyuan City

Telephone: 03-358-5399

Website: <http://www.obopro2.com/m/>

2. Subsidiaries and Second-Tier Subsidiaries:

Name: Dragonstate Technology Co., Ltd.

Address: 3rd Floor, Standard Chartered Tower, Cybercity, Ebene, Mauritius

Telephone: (230) 464 2668

Name: Concraft Technology Co., Ltd.

Address: 31/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong

Telephone: (0852)2573-6277

Name: Concraft Precision Co., Ltd.

Address: 31/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong

Telephone: (0852)2573-6277

(III) Address of Plants:

Name: Kunshan Dragonstate Electronic Technology Co., Ltd.

Address: No.688 Huangpu River N. Rd., Zhoushi Town, Kunshan City, Jiangsu Province, China

Telephone: (86)-512-57646508

Name: Concraft Precision Electrical (Kunshan) Co., Ltd.

Address: Western Town, Huangpu River Rd., Zhoushi Town, Kunshan City, Jiangsu Province,
China

Telephone: (86)-512-57646508

Name: Concraft Precision Electronics (Baoying) Co., Ltd.

Address: No. 108, Suzhong North Rd., Baoying County, Jiangsu Province, China

Telephone: (86)-514-8827-7778

Name: Kunshan Haojun Precision Electronics Co., Ltd.
Address: No.688 Huangpu River N. Rd., Zhoushi Town, Kunshan City, Jiangsu Province, China
Telephone: (86)-512-5764-6508

III. Institution of the Share Registration

Name: Transfer Agency Department, CTBC Bank
Website: <https://ecorp.ctbcbank.com/cts/index.jsp>
Address: 5F., No. 83, Sec. 1, Chongqing S. Rd., Taipei City Telephone: 02-6636-5566

IV. Financial Reports' CPAs in the Most Recent Year:

Names of CPAs: Hsien-Cheng Chen, Yi-Chang Liang
Name of Firm: PWC Taiwan Website: <http://www.pwc.tw>
Address: 27F., No. 333, Sec. 1, Keelung Rd., Taipei City Telephone: 02-2729-6666

V. Domestic Agent of Litigation and Non-litigation

Name: Chao-Sheng Lu Telephone: 02-2268-9558
Title: Representative of Director E-Mail Address: bart@concraft.com.tw

VI. List of Board of Directors

<u>Title</u>	<u>Name</u>	<u>Nationality</u>	<u>Major Experiences</u>
Chairman	Monster Holding Co., Ltd. (Representative: Chao-Sheng, Lu)	British Virgin Islands	Chairperson, Concraft Holding Co., Ltd.
Director	Agi Holding Co., Ltd. (Representative: Kuo-Chi, Lee)	British Virgin Islands	President, Concraft Holding Co., Ltd.
Director	Chin-Hsing Lee	Republic of China	Vice President, Concraft Holding Co., Ltd.
Director	Chu-Ching Lee	Republic of China	Director of Manufacturing Department, Concraft Holding Co., Ltd.
Independent Director	Tso-Cheng Chang	Republic of China	CPA, Chiahsin Accounting Firm
Independent Director	Wei-Chun Chen	Republic of China	Managing Attorney, Chenyin Attorneys-At-Law
Independent Director	Ben-Hwa Jang	Republic of China	Representative, ZBest S&T Limited

VII. Overseas Securities Exchange Traded / Enquiry Method: Not applicable.

VIII. Corporate Website: <http://www.concraft.com.tw/>

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One. Letter to Shareholders

Concraft Holding Co., Ltd.

2021 Business Report

Concraft Holding Co., Ltd. (hereinafter referred to as the “Company”) has a consolidated revenue of NT\$3.3 billion in 2021, a decrease of approximately 24% from NT\$4.3 billion in 2020. Our net loss after tax was NT\$3.8 billion, an increase of roughly 1,962% from NT\$185 million in 2020. The main reason for the decline in revenue and net income in 2021 was mainly due to the expected credit impairment of NT\$2.63 billion as a result of the differences in the perception of product quality issues or assignment of responsibility with a client in the third quarter of 2021. In addition, as our main products are wearable acoustic components and mobile phone acoustic components, the unit price, due to end customers’ strong price-cutting strategy against suppliers, has been reduced by more than 50% compared to the past; thus, the overall revenue of acoustic components and wearable acoustic components decreased by 44% compared with 2020. If the Company aims to grow in terms of business scale and performance, we must target other clients and industries, so we have become a Tier 1 supplier of auto parts for BOSCH, ZF, UMC, YAZAKI, and Brose since 2015. As European suppliers have not been able to supply as scheduled in recent years due to the COVID-19 pandemic, the Company's revenue in auto parts has begun to grow at a double speed, and our auto parts revenue has increased by 64% as of the end of 2021 compared with 2020. In 2021, the Company also became the Tier 1 supplier for electric vehicle brands, which is estimated to generate revenue from 2022 onward. In addition, the life cycle of auto parts is as long as 5–10 years. The long product life cycle is conducive to the Company's long-term arrangement of equipment and manpower. Therefore, the investment in the design and development of automation facilities will become the main capital expenditure in the future, and the utilization rate of traditional equipment will also increase with the prolongation of the product life cycle.

Important matters in the operation of the Company in 2021 are as follows:

Important matters in operations:

- I. The Company's revenue from auto parts and components accounted for 15% or higher.
- II. Became electric vehicle brands’ Tier 1 supplier.
- III. Stepped into the field of electric vehicle power unit parts.
- IV. Became many semiconductor packaging and testing companies’ supplier.
- V. Obtained medical ISO 13485 certification.
- VI. Stepped into the field of neurology and minimally invasive surgical consumables.

Concraft Holding Co., Ltd.

Chairman: Chao-Sheng Lu

President: Kuo-Chi Lee

Chief Financial Officer: Chiao-Sheng Huang

Two. Company Profile

I. Brief Introduction of the Company and the Group

Concraft Holding Co., Ltd (hereinafter referred to as "Concraft Holding" or "the Company") was founded on September 1, 2009 who is a holding company in the British Cayman Islands (hereinafter referred to as "Caymans"). The founders are Chao-Sheng Lu and Guo-Ji Li. In 2002, the Company reinvested in Kunshan Dragonstate Electronic Technology Co., Ltd. in the names of the founders and through Dragonstate Technology Co., Ltd. who was registered in Mauritius, and the restructure the framework of investment after remedy in 2009 by the consent of Investment Commission. The main business items of the investees of the Company are focused on the research/development, production and sale for the products of electrical connector with private brand of "CONCRAFT". The Company's paid-in capital is NT\$1,571,856,000 as of December 31, 2021. The Company's operational headquarter is currently located in Taiwan, which is mainly responsible for integration of research/development, finance and information technology. Its sale is mainly run through Dragonstate Technology Co., Ltd. who is registered in Mauritius and responsible for the sale business in Europe, America and Asia (except for China and Taiwan) as well as Kunshan Dragonstate Electronic Technology Co., Ltd. who is responsible for the sale business in China. At the end of December 2010, the Company acquired Dragonstate International Technology Co., Ltd. who is mainly engaged in the sale business in Taiwan. The production is mainly based in China through Kunshan Dragonstate Electronic Technology Co., Ltd. who is mainly responsible for the production of connector and acoustic component for notebook as well as Concraft Precision Electronics (Baoying) Co., Ltd. who is mainly responsible for the production of network communication products and consumer electronics. In the beginning of 2013, the Company reinvested in Kunshan Haojun Precision Electronics Co., Ltd., Ltd. through its second-tier subsidiary, Kunshan Dragonstate Electronic Technology Co., Ltd., to engage in stamping for hardware product. The Group completed the vertical integration. In 2014, the Company's acoustic-optics components were successfully put into mass production. In 2015, it obtained the supply certification of many auto parts suppliers such as BOSCH, ZF, UMC, YAZAKI, Brose and other Tier 1 suppliers of auto parts. In 2018, the company reinvested in OBO Pro.2 Inc. engaged in the research and development and manufacturing of electro-acoustic related products, and achieved vertical integration in the field of electro-acoustic products of the group. However, with the growth of biotechnology medical care and new energy vehicles, the company is facing product transformation. The production technology and products of auto parts and minimally invasive surgical consumables, and even the application technology of new packaging materials, are all challenges to the company's internal technologies. Transformation and growth are the challenges the company faces under the Covid-19 epidemic. The company's future precision parts production and sales model will develop towards automotive modular products. The appearance of automotive modular products in 2021 and the growth of auto parts sales in 2022 will increase. On the brain and minimally invasive surgical consumables and parts products, the company's core basic technologies –in molding, injection, stamping, automation with innovative mold design, material application will lead to a different growth and profit pattern in the future.

II. Date of Incorporation: September 1, 2009

III. Company History

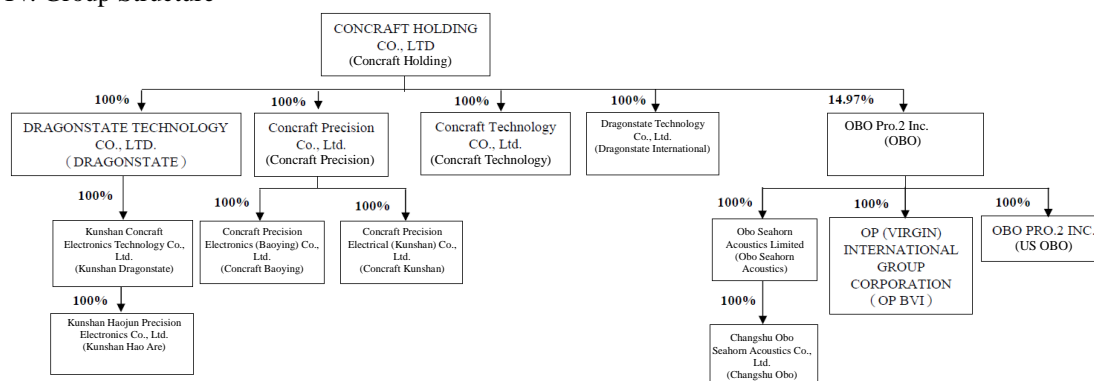
Year	Description of History
1992	Founded the Weijin Steel Mold Co., Ltd. in Sanchong City, Taipei County, Taiwan, engaging in the manufacture and sale of general mold in the initial stage.
1994	Started to add the OEM business for injection products.
1999	Transformed to the development, manufacture and sale of connector.
2000	Successfully developed the variable products for PCMCIA series to meet the demand of consumer products in the industries of satellite communication and wireless network communication.
2001	Successfully developed the products of Connector series to meet the demand of mobile phone consumer products.
2002	Chao-Sheng Lu and Kuo-Chi Lee reinvested in Kunshan Dragonstate Electronic Technology Co., Ltd. in their personal names through Dragonstate Technology Co., Ltd. who was registered in Mauritius.
2003	Successfully developed the products of MINI PCI series and completely introduced the products into

Year	Description of History
	automatized production.
2004	Completely introduced the RoHS Compliance for the production/manufacture for the purpose of environmental protection.
2005	Successfully develop the connector products for notebook and started to deliver the samples for the certification from large notebook manufacturers.
2006	Certified the ISO1400 and QC080000, involved into the production/manufacture of precision machinery and introduced the components of micro precision into production/manufacture and sale.
2007	Successfully developed the products of HDMI and SFP series to meet the demand of high-frequency consumer products.
2008	Successfully innovated the low-cost and high reliable products of USB series. And started to plan the new plant for Kunshan Dragonstate Electronic Technology Co., Ltd.
2009	<ol style="list-style-type: none"> 1. The Investment Commission of MOEA approved Chao-Sheng Lu and Kuo-Chi Lee to reinvest overseas in the Kunshan Dragonstate Electronic Technology Co., Ltd. through the Dragonstate Technology Co., Ltd. who was registered in Mauritius. 2. The Investment Commission of MOEA approved the Company to establish the Concraft Precision Electronics (Baoying) Co., Ltd. in Baoying County, Jiangsu Province, mainly engaged in the manufacture and sale of connector. 3. The Investment Commission of MOEA approved the Company to establish Concraft Holding Co., Ltd. in British Cayman Islands to proceed the restructuring the Group's organization. 4. New plant of Kunshan Dragonstate Electronic Technology Co., Ltd. began construction. The measurements of the first phase plant was 24,681.7 square meters. 5. The Investment Commission of MOEA approved the Company to establish the Concraft Precision Electrical (Kunshan) Co., Ltd. in Kunshan City, Jiangsu Province, engaged in the production/manufacture of stamping and molding.
2010	<ol style="list-style-type: none"> 1. The Investment Commission of MOEA approved the Company to reinvest in Concraft Precision Industry Co., Ltd. in Taiwan to deeply cultivate in Taiwan. 2. The first phase new plant of Kunshan Dragonstate Electronic Technology Co., Ltd. completed construction in October, 2010. The second phase new plant of Kunshan Dragonstate Electronic Technology Co., Ltd. began construction. 3. At the end of December of 2010, the Company acquired 100% of shareholding of Dragonstate Technology Co., Ltd. through its subsidiary and completed the deployment of three places across the Taiwan Straits.
2011	<ol style="list-style-type: none"> 1. The Concraft Precision Electronics (Baoying) Co., Ltd. began to mass-produce the connectors for NB series. 2. The Group's products successfully penetrated into the supply chain systems of Samsung and Hitachi. 3. Cooperated with the Industrial Technology Research Institute and Intel to successfully convene a seminar for high-frequency technique.

Year	Description of History
	<ol style="list-style-type: none"> The headquarters' laboratory in Taiwan officially began to operate. The IPO for Concraft Holding was approved with the stock code of 4943 and Chinese emerging code of F-康控(F-Concraft Holding).
2012	<ol style="list-style-type: none"> The second-phase plant of Kunshan Dragonstate Electronic Technology Co., Ltd. was completed and began to operate. The molding department began to introduce the precision grinding and measuring equipment from Germany and Switzerland to enhance the technical capability for the molding department. Started to join the molding exhibitions in Germany, Japan and Shanghai to expand the business eyeshot and proceed the transformation for the Company's business and technology. Began to touch the potential customers of acoustics in US, optics in Japan and automotive components in Germany.
2013	<ol style="list-style-type: none"> Completed the Group's vertical integration and acquired the Kunshan Haojun Precision Electronics Co., Ltd., through the Kunshan Dragonstate Electronic Technology Co., Ltd. who specialized in stamping. Cooperated with large acoustic manufacturers in the US to develop the acoustic components and successfully mass-produced for smart phone. Began to cooperate with customers to develop the optical components.
2014	<ol style="list-style-type: none"> The optical components began to ship to TDK. The sales of acoustic components exceeded 30% of the sales. The Group's annual consolidated sales exceeded NT\$ 2 billion.
2015	<ol style="list-style-type: none"> The plant of the Concraft Precision Electrical (Kunshan) Co., Ltd. began construction and estimated to be completed in March 2016. The sales of the acoustic components exceeds 50% of the sales. Obtained the supplier qualification from German large manufacturers for automotive components and cooperated to develop the vehicle-use components.
2016	<ol style="list-style-type: none"> The Concraft Holding was approved to be publicly listed company in Taiwan Stock Exchange with the stock code of 4943 and Chinese code of KY-Concraft Holding. Cooperated with tier 1 large manufacturers in Germany, Japan and US to develop the vehicle-use components. Began to develop the medical auxiliary components.
2017	<ol style="list-style-type: none"> Contributed to the cooperation of automotive industry from different country and accelerated the development of technology for automotive components to excel the technical plane of the competitors in Asia. Built up the moats of the patent wall and continued to develop the application technology of silica gel. The Group's consolidated sales exceeded NT\$ 5 billion.

Year	Description of History
2018	<ol style="list-style-type: none"> 1. Build up the production base of automotive components to meet the demand of the intent of purchase from customers. 2. Prepare to build the second generation of injection production base and plan to build the capability of fast-upgrade process. 3. Promote the technical cooperation with investees and create the integrated value of production and design. 4. Deepened the technical cooperation with end-customers, adjusted and strengthened the structure of the customers.
2019	<ol style="list-style-type: none"> 1. The Company continued to be a qualified supplier of original US brand customers and other famous international big firms. 2. The products of the Company were officially included into the TWS product supply chain of the original US brand customers. 3. The Company engaged in joint-venture with German customers in automotive parts and components, with mass production kicked off in December 2019. 4. Engaged in a joint-venture with the OBO to develop the first monomer with 6mm and 5.4mm liquid silicon gel diaphragm in the world. 5. Proceed to the domain of trace injection.
2020	<ol style="list-style-type: none"> 1. The Company's revenue from automotive parts and components accounted for 10%. 2. The Company began to enter the field of semiconductor material products. 3. The Company began to introduce class 10,000 and class 1,000 cleanroom processes. 4. The Company's micro-injection products were mass-produced and shipped, officially stepping into the field of wearable products. 5. The Company's corporate bond of NT\$1.5 billion has been fully repaid.
2021	<ol style="list-style-type: none"> 1. The Company's revenue from auto parts and components accounted for 15% or higher. 2. Became electric vehicle brands' Tier 1 supplier. 3. Stepped into the field of electric vehicle power unit parts. 4. Became many semiconductor packaging and testing companies' supplier. 5. Obtained medical ISO 13485 certification. 6. Stepped into the field of neurology and minimally invasive surgical consumables.

IV. Group Structure



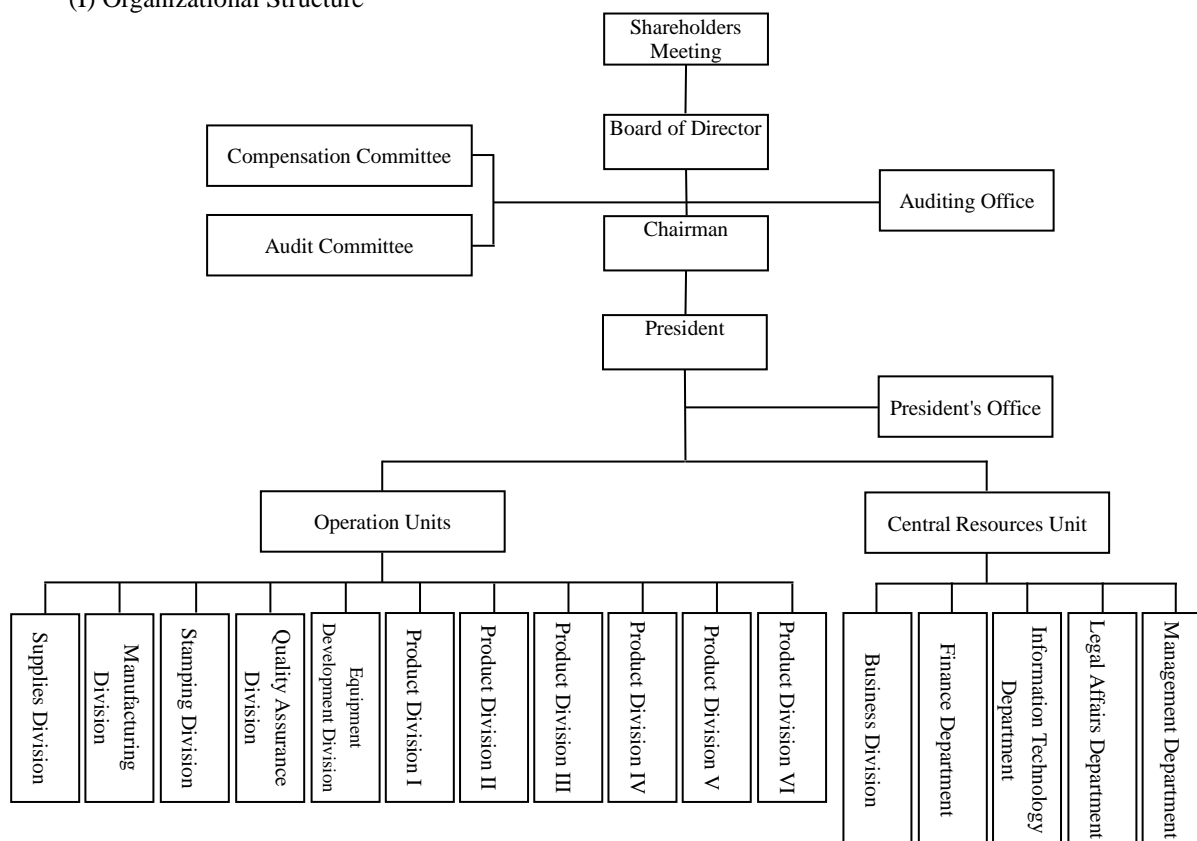
V. Risk Matters: Please refer to Paragraph 6, Seven in this annual report.

Three. Corporate Governance

I. Organization

The Company is registered in British Cayman Islands in 2009. Its major business is a holding company and investment. And the main production bases for its investees are located in Kunshan City, Jiangsu Province and Yangzhou City, Baoying County. The organization structure for the Company and production base is as follows:

(I) Organizational Structure



1. Major Departments' Businesses

Name of Department	Business and Scope of Authority
Auditing Office	Responsible for the establishment and audit of the Company's internal control system, and complete an annual audit plan
President's Office	Vice President: Assisting the president in managing Group matters Director: Assist the president in implementing the projects of research/development. Spokesperson: Plan the external speaking and manuscripts.
Business Division	Handle the business affair for every investee of the Group.
Finance Department	Handle accounting information summary and fund deployment for every investee of the Group.
Information Technology Department	Handle the ERP, network and other related equipment for every investee of the Group.
Legal Affairs Department	Review various contracts, provide legal advice, manage patents, trademarks, and other intellectual property rights, and handle legal litigation disputes
Management Department	Handle the administration, human resource, marketing, and plants affairs.

(II) Production Base in China

1. Organization Structure: Please refer to the headquarters' organization chart for the operational business units.

2. Major Departments' Businesses

Name of Department	Business and Scope of Authority
Supplies Division	Integrate purchase and price inquiry for the raw materials of the production.
Manufacturing Division	Design and manufacture the mold and the jig for the production.
Stamping Division	Stamp hardware products
Quality Assurance Division	1. Establish and control the product's quality standards for each link of production. 2. Deal with the quality abnormal cases from the customers. 3. Establish and amend the ISO files and procedures.
Equipment Development Division	Manufacture the jig and develop/manufacture the automatic assembling machine based on the technical process of the production researched and manufactured by the Biological Technology Department.
Product Division I-IV	Responsible for business in acoustic components, electronic connectors, and automobiles

II. Information of Directors, Supervisors, Presidents, Vice Presidents, Assistant Vice Presidents and Chiefs of Departments and Branches

(I) Basic Information of Directors

Unit: share; %; April 29, 2022

Title	Nationality or Places of Registration	Name	Sex/age Range	Date Elected (Assumed)	Term of Office	Date Elected First Time	Shareholding When Elected		Shareholding at Present		Shareholding of Spouses, Minor Children At Present		Shareholding in the Name of Other Persons		Main Experiences (Educations)	Hold the Position of the Company and Other Companies at Present	Spouses or Within Second-Degree of Kinship Served as Other Managerial Positions, Directors or Supervisors			Remark
							Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relationship	
Chairman	British Virgin Islands	MONSTER HOLDING CO., LTD	Male/ 51~70	2020.06.15	3	2009.09.01	26,902,721	19.67	30,938,057	19.68	-	-	-	-	-	Chairperson, Concraft Holding Co., Ltd.	-	-	-	-
	Republic of China	Representative : Chao-Sheng Lu					-	-	66,335	0.04	295,021	0.19	-	-	Department of Business Administration, NCHU Wei Chin Steel Molding Co., Ltd.	Chairperson of Dragonstate International Technology Co., Ltd., Kunshan Dragonstate Electronic Technology Co., Ltd. and Concraft Precision Electrical (Kunshan) Co., Ltd.; as well as Executive Director of Concraft Precision Electronics (Baoying) Co., Ltd. and Kunshan Haojun Precision Electronics Co., Ltd.; Director of Dragonstate Technology Co., Ltd, Concraft technology Co.,Ltd and Concraft Precision Co.,Ltd	-	-	-	-
Director	British Virgin Islands	AGI HOLDING CO., LTD.	Male/ 51~70	2020.06.15	3	2009.09.01	19,335,409	14.13	22,235,669	14.15	-	-	-	-	-	-	-	-	-	-
	Republic of China	Representative : Guo-Ji Li					-	-	1,045,859	0.67	625,458	0.40	-	-	Juinge Precise Industry Co., Ltd. He Yue Industrial Co., Ltd. Zhipin Mold Co., Ltd. Wei Chin Steel Molding Co., Ltd.	Director and President of Dragonstate International Technology Co., Ltd, Kunshan Dragonstate Electronic Technology Co., Ltd., and Concraft Precision Electrical (Kunshan) Co., Ltd. President, Kunshan Haojun Precision Electronics Co., Ltd. Supervisor, Concraft Precision Electronics (Baoying) Co., Ltd. Director, Concraft Precision Co., Ltd. Director, Concraft Technology Co., Ltd.	-	-	-	-
Director	Republic of China	Chin-Hsing Lee (Note 2)	Male/ 31~50	2020.06.15	3	2020.06.15	423,758	0.31	487,320	0.31	500,683	0.32	-	-	Taiwan Chi Cheng Enterprise Hon Hai Precision	Vice President, Concraft Holding Co., Ltd., Director, Hua Long International Technology Co., Ltd.	-	-	-	-
Director	Republic of China	Chu-Ching Lee	Male/ 31~50	2020.06.15	3	2017.06.23	1,000,363	0.73	1,077,690	0.69	1,000	0.00	-	-	Chu Yin Precision Industrial Co., Ltd. Director of Manufacturing Department for Dragonstate International Technology Co., Ltd and Kunshan Dragonstate Electronic Technology Co., Ltd.	Director of Manufacturing Department for Dragonstate International Technology Co., Ltd and Kunshan Dragonstate Electronic Technology Co., Ltd.	-	-	-	-

Title	Nationality or Places of Registration	Name	Sex/age Range	Date Elected (Assumed)	Term of Office	Date Elected First Time	Shareholding When Elected		Shareholding at Present		Shareholding of Spouses, Minor Children At Present		Shareholding in the Name of Other Persons		Main Experiences (Educations)	Hold the Position of the Company and Other Companies at Present	Spouses or Within Second-Degree of Kinship Served as Other Managerial Positions, Directors or Supervisors			Remark
							Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relationship	
Independent Director	Republic of China	Chuo-Cheng Chang (Note 3)	Male/ 51~70	2020.06.15	3	2018.06.08	-	-	-	-	-	-	-	-	Department of Business Administration, National Cheng Chi University. Master in accounting, University of Colorado, USA Partner, PwC Taiwan	Practicing CPA Chia-Shin, Director, Yung Hsing Holding Co., Ltd.,	-	-	-	-
Independent Director	Republic of China	Ben-Hwa Chang	Male/ 51~70	2020.06.15	3	2016.01.06	-	-	-	-	-	-	-	-	PhD, Nanotechnology and Microsystem, National Tsing Hua University Research Fellow, Materials and Chemical Engineering Institute, Industrial Technology Research Institute.	Representative, ZBest S&T Limited	-	-	-	-
Independent Director	Republic of China	Wei-Chun Chen	Male/ 31~50	2020.06.15	3	2014.06.23	-	-	-	-	-	-	-	-	LL.M., National Taipei University Qualified Senior Examination of Lawyer Attorney, Baker & McKenzie Legal Firm Attorney, Chungtao Legal Firm Attorney, Jonesday Legal Firm Liu, Chang & Partners	Managing Attorney, Chenyin Attorneys-At-Law	-	-	-	-

Note 1: The Company held a comprehensive re-election of directors on June 15, 2020.

Note 2: Lee Chin-Hsing was elected as a director by the shareholders' meeting on June 15, 2020.

Note 3: Chang Tso-Cheng was elected as an independent director by the shareholders' meeting on June 15, 2020.

2. Basic Information for Supervisor: The Company has established the audit committee, so this is not applicable.

(II) Major Shareholders of Corporate Shareholders

1. Name of Top 10 Shareholders Who Hold the Highest Shareholding Percentage for Corporate Shareholders

2022.04.29

Name of Corporate Shareholders	Major shareholders of Corporate Shareholders
Monster Holding Co., Ltd.	Chao-Sheng Lu 100%
AGI Holding Co., Ltd.	Kuo-Chi Lee 100%

2. If Major Shareholders of Corporate Shareholders are Legal Persons, the Top 10 Shareholders Who Hold the Highest shareholding Percentage for Such Legal Persons: Not Applicable.

(III) Professional Knowledge and Independence for Directors and Supervisors:

2022.04.29

Conditions Name	Work Experiences and the Professional Qualifications	Independence circumstances	Meet the Article 30 of company acts circumstances	Number of Other Publicly Issued Company in Which the Person is Concurrently Serving as an Independent Director
Monster Holding Co., Ltd. Representative: Chao-Sheng Lu	Chairperson of Dragonstate International Technology Co., Ltd., Kunshan Dragonstate Electronic Technology Co., Ltd. and Concraft Precision Electrical (Kunshan) Co., Ltd.; as well as Executive Director of Concraft Precision Electronics (Baoying) Co., Ltd. and Kunshan Haojun Precision Electronics Co., Ltd.; Director of Dragonstate Technology Co., Ltd, Concraft technology Co.,Ltd and Concraft Precision Co.,Ltd Please refer to Basic Information of Directors on page 7.	There is no relationship of spouses or relatives within the second degree of kinship among the directors.	None	None
AGI Holding Co., Ltd. Representative : Kuo-Chi Lee	Director and President of Dragonstate International Technology Co., Ltd, Kunshan Dragonstate Electronic Technology Co., Ltd., and Concraft Precision Electrical (Kunshan) Co., Ltd. President, Kunshan Haojun Precision Electronics Co., Ltd. Supervisor, Concraft Precision Electronics (Baoying) Co., Ltd. Director, Concraft Precision Co., Ltd. Director, Concraft Technology Co., Ltd. Please refer to Basic Information of Directors on page 7.		None	None
Chin-Hsing Lee (Note 2)	Concraft Holding Co., Ltd./ Vice President Hua Long International Technology Co., Ltd./ Director Please refer to Basic Information of Directors on page 8.		None	None
Chu-Ching Lee	Director of Manufacturing Department for Dragonstate International Technology Co., Ltd and Kunshan Dragonstate Electronic Technology Co., Ltd. Please refer to Basic Information of Directors on page 8.		None	None

Tso-Cheng Chang (Note 3)	Department of Business Administration, National Cheng Chi University. Master in accounting, University of Colorado, USA Partner, PwC Taiwan Practicing CPA Chia-Shin, Director, Yung Hsing Holding Co., Ltd., Please refer to Basic Information of Directors on page 8.	The three directors on the left: (1) All meet the independent qualifications as independent directors. (2) Full compliance with independence requirements: i. The person, his/her spouse or relatives within the second degree of kinship do not serve as directors, supervisors or employees of the Company or other related companies; ii. The person, his/her spouse or relatives within the second degree of kinship do not hold the Company's shares; iii. Not serving as a director, supervisor or employee of any Company that has a specific relationship with the Company (refer to the provisions of sub-paragraphs 5 to 8, paragraph 1, Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange) ; (3) not having received remuneration for providing commercial, legal, financial, accounting or other services to the Company or its affiliates in the last two years.	None	None
Ben-Hwa Jang	PhD, Nanotechnology and Microsystem, National Tsing Hua University Research Fellow, Materials and Chemical Engineering Institute, Industrial Technology Research Institute. Representative, ZBest S&T Limited Please refer to Basic Information of Directors on page 8.		None	None
Wei-Chun Chen	LL.M., National Taipei University Qualified Senior Examination of Lawyer Attorney, Baker & McKenzie Legal Firm Attorney, Chungtao Legal Firm Attorney, Jonesday Legal Firm Liu, Chang & Partners Managing Attorney, Chenyin Attorneys-At-Law Please refer to Basic Information of Directors on page 9.		None	None

Note 1: The Company held a comprehensive re-election of directors on June 15, 2020.

Note 2: Lee Chin-Hsing was elected as a director by the shareholders' meeting on June 15, 2020.

Note 3: Chang Tso-Cheng was elected as an independent director by the shareholders' meeting on June 15, 2020.

(IV) Diversity and independence of the board of directors:

The composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that an appropriate policy on diversity based on the Company's business operations, operating models, and development needs be formulated and include, without being limited to, the following two general standards:

- I. Basic requirements and values: Gender, age, nationality, and culture.
- II. Professional knowledge and skills: A professional background (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

All members on the Board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities: Ability to make operational judgments, Ability to perform accounting and financial analysis, Ability to conduct business management, Ability to conduct crisis management, Knowledge of the industry, An international market perspective, Ability to lead, Ability to make decisions.

The 7 members of directors, acquire abilities are ability to perform accounting and financial analysis, ability to conduct business management, ability to conduct crisis management, knowledge of the industry and knowledge of law, which are relevant professional skills and experience would lead the company's strategy and supervise the management level, the operations and arrangements of its corporate governance system shall ensure that the board of directors exercises its functions and powers in accordance with laws and regulations, the provisions of the company's articles of association or the resolutions of the shareholders' meeting, in line with the goal of the board member diversity policy.

Until the end of 2021, all independent directors were in compliance with the regulations of the Securities and Futures Bureau of the Financial Supervisory Commission on independent directors, and have not met the 3 and 4 stipulated in Article 26-3 of the Securities and Exchange Act between the directors and independent directors. For the independence circumstances of the board of directors, please refer to “(III) Professional knowledge and independence of directors and supervisors” on page 10 of this annual report. For information on the educational background, gender and work experience of each director, please refer to page 7 of this annual report “(I) Basic information of directors”.

(I) Diversity abilities of the board of directors:

Job Title	Directors				Independent Directors		
Director's Name	Chao-Sheng Lu	Kuo-Chi Lee	Chin-Hsing Lee	Chu-Ching Lee	Tso-Cheng, Chang	Ben-Hwa, Jang	Wei-Chun, Chen
Core Diversity Items							
Gender	Male	Male	Male	Male	Male	Male	Male
Leading Decision Making	✓	✓	✓	✓	✓	✓	✓
Knowledge of Industry	✓	✓	✓	✓	-	✓	-
Business Management	✓	✓	✓	✓	✓	✓	✓
Accounting and financial analysis	✓	✓	✓	✓	✓	✓	✓
Knowledge of Law	-	-	-	-	-	-	✓
Risk Management	✓	✓	✓	✓	✓	✓	✓
International Market Perspective	✓	✓	✓	✓	✓	✓	✓

(V) Basic Information of Presidents, Vice Presidents and Chiefs of Departments

Unit: Share: %; April 29, 2022

Title	Nationality	Name	Sex	Date Elected (Assumed)	Proportion of shareholding		Shareholding Held by Spouses, Minor Children		Shareholding in the Name of Other Persons		Main Experiences (Educations)	Hold the Position of Other Companies at Current	Spouses or Within Second-Degree of Kinship Served as Manager		
					Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relationship
President	Republic of China	Kuo-Chi Lee	Male	2009.09.01	1,045,859	0.67	625,458	0.40	-	-	San Chong Industrial and Commercial School Junge Precise Industry Co., Ltd. He Yue Industrial Co., Ltd. Zhipin Mold Co., Ltd. Wei Chin Steel Molding Co., Ltd.	Director and President, Dragonstate Technology Co., Ltd. Director and President, Kunshan Dragonstate Electronic Technology Co., Ltd. Director and President, Concraft Precision Electrical (Kunshan) Co., Ltd. President, Kunshan Haojun Precision Electronics Co., Ltd. Supervisor, Concraft Precision Electronics (Baoying) Co., Ltd. Director, Concraft Precision Co., Ltd. Director, Concraft Technology Co., Ltd.	-	-	-
Vice President	Republic of China	Chin-Hsing Lee	Male	2011.11.01	492,320	0.31	500,683	0.32	-	-	Department of Mold and Die Engineering, National Kaohsiung Institute of Technology Engineer, Chi Cheng Enterprise Co., Ltd. Assistant Manager, Hon Hai Precision Industry Co., Ltd.	Assistant Vice Presidents of Project, Kunshan Dragonstate Electronic Technology Co., Ltd., as well as, director, Dragonstate Technology Co., Ltd.	-	-	-
Director	Republic of China	Chu-Ching Lee	Male	2014.05.09	1,077,690	0.69	1,000	0.00	-	-	Mi Tuo Junior High School Zhuyin Precision Industry Co., Ltd.	Director of Manufacturing Department for Dragonstate Technology Co., Ltd and Kunshan Dragonstate Electronic Technology Co., Ltd.	-	-	-
Assistant Vice President	Republic of China	Jian-Kai Peng	Male	2017.07.20	43,211	0.03	-	-	-	-	Department of Mechanical Engineering, Ching Yun Institute of Technology Vice Section Manager, G-Shank Enterprise Co. Ltd. Project Manager, Foxconn Interconnect Technology Limited	-	-	-	-
Assistant Vice President	Republic of China	Zhen-Wei Jin	Male	2020.02.27	49,906	0.03	-	-	-	-	Bachelor of Industrial Management, Oriental Institute of Technology Assistant Manager of Marketing Department, Singatron Enterprise Co., Ltd. Manager, Dragonstate International Technology Co., Ltd.	-	-	-	-
Assistant Vice President	Republic of China	Chun-Hsien Yang	Male	2020.02.27	28,540	0.02	-	-	-	-	Ph.D in Mechanical Engineering, National Cheng Kung University Assistant Manager, Hon Hai Precision Industry Co., Ltd.	-	-	-	-
Chief Financial Officer	Republic of China	Chiao-Sheng Huang	Male	2009.09.01	1,874	-	-	-	-	-	Department of Public Finance, Feng Chia University Business Assistant Manager of Capital Market Department, President Securities Corp. Assistant Manager of Finance Department, Pou Chen Corporation	Spokesperson of the Group	-	-	-
Project Manager	Republic of China	Wei-Lun Dai	Male	2018.02.09	-	-	-	-	-	-	Department of Accounting, Soochow University Deloitte Taiwan Team Leader Assistant Manager, PWC Taiwan	Vice Spokesperson of the Group	-	-	-

III. Remuneration of Directors, Independent Directors, Supervisors, Presidents and Vice Presidents for the Most Recent Year

(I) Remuneration Paid to Directors and Independent Directors

Unit: NT\$ Thousand; in Thousand Shares; %, Data Period: 2021

Title	Name	Remuneration Paid to Directors								Total of A, B, C and D as a Percentage of Profit After Tax		Related Compensation for Serving as Employee Concurrently								Total of A, B, C, D, E, F and G as a Percentage of Profit After-Tax		Compensation from Investees Other Than Subsidiaries or Parent Company		
		Compensation (A)		Severance Pay and Pension (B)		Compensation to Directors (C) (Note 1)		Allowances for Performing Duties (D)				Salary, Bonus and Other Special Allowances (E)		Severance Pay and Pension (F)		Compensation to Employee (G) (Note 1)								
		The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company		All Companies in the Financial Report		The Company	All Companies in the Financial Report			

Note 1: This refers to the amount of directors' remuneration approved by the board of directors in the most recent year.

Note 2: In the re-election of directors at the 2020 shareholders' meeting, independent director Chang Tso-Cheng and director Lee Chin-Hsing took office.

Directors Remuneration Range Table

Range of Compensation Paid to President and Vice Presidents of the Company	Name of Directors			
	Total amount of first 4 Remunerations (A+B+C+D)		Total amount of first 7 Remunerations (A+B+C+D+E+F+G)	
	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report
Less than NT\$1,000,000	Monster Holding Co., Ltd., AGI Holding Co., Ltd., Kuo-Chi Lee, Chin-Hsing Lee, Chu-Ching Lee	Monster Holding Co., Ltd., AGI Holding Co., Ltd., Kuo-Chi Lee, Chin-Hsing Lee, Chu-Ching Lee	Monster Holding Co., Ltd., AGI Holding Co., Ltd., Kuo-Chi Lee, Chin-Hsing Lee, Chu-Ching Lee	Monster Holding Co., Ltd. 、 AGI Holding Co., Ltd.
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	Chao-Sheng Lu, Tso-Cheng Chang, Wei-Chun Chen, Ben-Hwa Jang	Tso-Cheng Chang, Wei-Chun Chen, Ben-Hwa Jang	Chao-Sheng Lu, Tso-Cheng Chang, Wei-Chun Chen, Ben-Hwa Jang	Tso-Cheng Chang, Wei-Chun Chen, Ben-Hwa Jang
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	-	-	-	-
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	-	Chao-Sheng Lu	-	Chao-Sheng Lu, Kuo-Chi Lee, Chin-Hsing Lee, Chu-Ching Lee
NT\$5,000,000(inclusive) to NT\$9,999,999	-	-	-	-
NT\$10,000,000(inclusive) to NT\$14,999,999	-	-	-	-
NT\$15,000,000(inclusive) to NT\$29,999,999	-	-	-	-
NT\$30,000,000(inclusive) to NT\$49,999,999	-	-	-	-
NT\$50,000,000(inclusive) to NT\$99,999,999	-	-	-	-
NT\$100,000,000 or Above	-	-	-	-
Total	9 persons	9 persons	9 persons	9 persons

(II) Remuneration Paid to Supervisor: The Company has established the audit committee to replace the function of the supervisor, so this is not applicable.

(III) Compensation Paid to President and Vice Presidents

Unit: NT\$ Thousand; %; Shares in Thousand, Data Period: 2021

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Other Special Allowances (C)		Compensation to Employee (D) (Note)				Total of A, B, C and D as a Percentage of Profit After Tax (%)		Compensation from Investees Other Than Subsidiaries or Parent Company
		The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company		All Companies in the Financial Report		The Company	All Companies in the Financial Report	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Kuo-Chi Lee	-	10,110	-	417	2,921	4,004	-	-	-	-	(0.08)	(0.37)	-
Vice President	Chin-Hsing Lee													
Director	Ya-Hui Xie													
Director	Chu-Ching Lee													

Note: This refers to the amount of employee compensation approved by the board of director in the most recent year.

President and Vice Presidents Remuneration Range Table

Range of Compensation Paid to President and Vice Presidents of the Company	Name of President and Vice Presidents	
	The Company	All Companies in the Financial Report
Less than NT\$1,000,000	Ya-Hui Xie, Kuo-Chi Lee, Chin-Hsing Lee, Chu-Ching Lee	-
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)		-
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	-	Ya-Hui Xie
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	-	Kuo-Chi Lee, Chin-Hsing Lee, Chu-Ching Lee
NT\$5,000,000(inclusive) to NT\$9,999,999	-	-
NT\$10,000,000(inclusive) to NT\$14,999,999	-	-
NT\$15,000,000(inclusive) to NT\$29,999,999		-
NT\$30,000,000(inclusive) to NT\$49,999,999		
NT\$50,000,000(inclusive) to NT\$99,999,999	-	-
NT\$100,000,000 or Above	-	-
Total	4 Persons	4 Persons

(IV) The remuneration of the top five top-level managers in a public company

Unit: NT\$ Thousand; %; Shares in Thousand, Data Period: 2021

Unit: NT\$ Thousand, %, Shares in Thousand, Data Period: 202

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Other Special Allowances (C)		Compensation to Employee (D) (Note)				Total of A, B, C and D as a Percentage of Profit After Tax (%)		Compensation from Investees Other Than Subsidiaries or Parent Company
		The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company		All Companies in the Financial Report		The Company	All Companies in the Financial Report	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Kuo-Chi Lee	-	3,094	-	108	827	1,173	-	-	-	-	(0.02)	(0.11)	-
Vice President	Chin-Hsing Lee	-	2,708	-	108	883	1,213	-	-	-	-	(0.02)	(0.1)	-
Director	Chu-Ching Lee	-	2,401	-	103	911	1,185	-	-	-	-	(0.02)	(0.09)	-
Chief Financial Officer	Chiao-Sheng Huang	-	2,415	-	103	863	1,137	-	-	-	-	(0.02)	(0.09)	-
Assistant Vice President	Chun-Hsien Yang	-	2,159	-	91	1,079	1,321	-	-	-	-	(0.03)	(0.09)	-

Note: This refers to the amount of employee compensation approved by the board of director in the most recent year.

(V) Disclosure of the name of managers who receive employee compensation and the distribution: The board of director resolved a decision not to distribute employee compensation for 2021.

(VI) Analysis of total remuneration paid to directors and supervisors and the compensation paid to president and vice presidents by the Company and all entities in the consolidated financial statement in the latest two years as a percentage of profit after-tax, and explanation of the policies, standards, and composition of the remuneration and compensation, the formulas for setting the remuneration and compensation, as well as its correlation with the business performance and future risks:

1. Analysis of total remuneration paid to directors and supervisors and the compensation paid to presidents and vice presidents by the Company in the latest two years as a percentage of profit after-tax:

Title	Total 2021 remuneration/compensation as a percentage of profit after-tax		Total 2020 remuneration/compensation as a percentage of profit after-tax	
	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report
Directors	(0.23)	(5.33)	(5.41)	(11.17)
President and Vice Presidents	(0.08)	(0.37)	(2.87)	(8.49)

2. The policies, standards and composition of the remuneration and compensation, the formulas for setting up the remuneration and compensation, as well as its correlation with the business performance and future risks:
 - (1) The director's remuneration will be determined based on its position in the Company, its involvement in the Company's operation and its contribution to the Company.
 - (2) The compensation to the president, vice presidents and other managers will be determined based their positions, their personal operational performance and their contribution to the Company as well as will refer to the standards in the same industry and the Company's scale.
 - (3) The Company is an overseas enterprise. The social welfare for Taiwanese or other overseas managerial staffs has already reflected into their compensation, so there is no other consideration.

IV. Corporate Governance Implementation

(I) Operation of the Board of Director:

In the most recent year and as of the date of the annual report published, the board of directors held 6 meetings. The directors' attendance is as follows:

Date: June 17, 2022

Title	Name	Number of Attendance In Person	Number of Attendance By Proxy	Attendance Rate In Person (%)	Remark
Director	Monster Holding Co., Ltd.	6	0	100	Elected on June 15, 2020
	Representative: Chao-Sheng Lu				
	AGI Holding Co., Ltd.	6	0	100	Elected on June 15, 2020
	Representative : Kuo-Chi Lee				
	Chin-Hsing Lee	6	0	100	Elected on June 15, 2020
	Chu-Ching Lee	6	0	100	Elected on June 15, 2020
Independent Director	Tso-Cheng Chang	6	0	100	Elected on June 15, 2020
	Wei-Chun Chen	5	1	83	Elected on June 15, 2020
	Ben-Hwa Jang	5	1	83	Elected on June 15, 2020

Other Events That Shall be stated:

- I. If the operation of the board of director has the following circumstances, the date and session of the board of director, the contents of the motion, all opinions of the independent directors and actions taken by the Company regarding to the opinions of the independent directors:
 - (1) The matters as prescribed by the Securities and Exchange Act article 14-3 are as follows. All independent directors have no objections and approved the matters as prescribed by the Securities and Exchange Act article 14-3.
 1. Resolution passed in the 7th meeting of the 5th-term board of directors on July 30, 2021:
 - (1) Determination of the date, place and method of the 2021 general shareholders' meeting of the Company.
 2. Resolutions passed in the 8th meeting of the 5th-term board of directors on August 25, 2021:
 - (1) Amendment to the legal compliance consultant appointment contract for the 2019 unsecured convertible corporate bond.
 - (2) Assessment of whether or not the overdue receivables and other amounts of the Company are of a loan nature.
 3. Resolutions passed in the 9th meeting of the 5th-term board of directors on November 15, 2021:
 - (1) The Company's credit impairment of accounts receivable in Q3 2021 totaled NT\$2,630,008 thousand.
 - (2) The Company's purchase of liability insurance for its directors and supervisors.
 - (3) Assessment of whether or not the overdue receivables and other amounts of the Company are of a loan nature.
 - (4) The Company's plan to formulate countermeasures to improve the financial and business conditions.
 - (5) Amendment to some articles of the Company's internal control system.
 4. Resolutions passed in the 10th meeting of the 5th-term board of directors on March 30, 2022:
 - (1) Assessment of whether or not the overdue receivables and other amounts of the Company are of a loan nature and the plan for improvement of the overdue loans extended to others.
 - (2) Amendment to some articles of the Company's internal control system.
 - (3) Change of the Company's Chief Auditor.
 - (4) Revision of some articles of the Company's "Articles of Association," "Rules of Procedure for Shareholders' Meetings," "Code of Practice on Corporate Governance" and "Procedures for the Acquisition or Disposal of Assets."
 - (5) Intention of Hualong International, a subsidiary of the Company, to sell its own factory.

<p>(6) Disposal of machinery and equipment by the Company's subsidiaries Kunshan Dragonstate Electronic Technology Co., Ltd., Kang'erfu Precise Electronic (Baoying) Co., Ltd. and Kangerfu Precision Electromechanical (Kunshan) Co., Ltd.</p> <p>(7) Disposal of land and factory by the Company's subsidiary Kunshan Dragonstate Electronic Technology Co., Ltd.</p> <p>5. Resolutions passed in the 11th meeting of the 5th-term board of directors on May 10, 2022:</p> <p>(1) Treatment of the Company's credit impairment of accounts receivable in dispute in Q3 2021.</p> <p>(2) Proposal to apply for an extension for the announcement and declaration of the Company's financial report for Q1 2022.</p> <p>(3) Recruitment of the Company's Chief Auditor.</p> <p>(4) Proposal for signing an appointment contract with PwC Taiwan for the audit of the Company's financial statements.</p> <p>6. Resolutions passed by 12th meeting of the 5th Board of Director on June 14, 2022:</p> <p>(1) Assessment of whether or not the overdue receivables and other amounts of the Company are of a loan nature.</p> <p>(2) The company intends to invest a subsidiary in mainland China.</p> <p>(II) Except for the aforesaid events, if an independent director expressed objection or reserved opinion on record or in a written statement for any of the resolutions of the Board of Directors: None.</p>				
<p>II. For the recusal of a director from a proposal because of a conflict of interest, the name of director, the contents of a proposal, the reasons of recusal and its participation in voting shall be stated:</p> <p>(I) In the 2nd meeting of the 5th Board of Director of the Company on the determination of the remuneration paid to independent directors, independent directors Chang Chuo-Cheng, Ben-Hua Zhang, and Chen Wei-Chun recused themselves from voting because of a conflict of interests, and the other directors present at the meeting passed the motion without objection.</p>				
<p>III. The Board's self (or peer) evaluation execution status:</p>				
Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once/Year	2021/8/20~2021/12/31	Board of Director, individual board members, Audit Committee, and Compensation Committee	Board of Directors' internal self-evaluation and directors' self-evaluation	<p>(I) The Board's performance evaluation</p> <ol style="list-style-type: none"> 1. The degree of participation in the Company's operations. 2. Improvement in the quality of decision making by the Board of Director. 3. The composition and structure of the Board of Director. 4. The election of the directors and their continuing professional education. 5. Internal controls. <p>(II) Board members' performance evaluation</p> <ol style="list-style-type: none"> 1. Keeping abreast of the Company's goals and tasks. 2. Understanding of directors' duties. 3. The degree of participation in the Company's operations. 4. Internal relationship management and communication. 5. Director's professional training and continuing education. 6. Internal controls. <p>(III) Audit Committee's and Compensation Committee's performance evaluation</p> <ol style="list-style-type: none"> 1. The degree of participation in the Company's operations. 2. Understanding of functional committees' duties. 3. Improvement to the decision-making quality of functional committees. 4. Composition of functional committees and member selection. 5. Internal controls.

- IV. Objectives to strengthen the functionality of the board of director (e.g. establish the audit committee and enhance information transparency etc.) and its implementation in the current year and the recent years:
- (I) The Company has established the "Rule for Board of Directors Meetings" according to "Regulations Governing Procedure for Board of Directors Meetings of Public Companies", and the information of the directors' attendance for the board of director has been entered in the Market Observation Post System, as well as has disclosed the significant resolutions of the board of director in the Company's website.

(II) Operation Status of the Audit Committee

In the most recent year and as of the date of the annual report published, the audit committee held 6 meetings and the attendance of the independent directors is as follows:

Date: June 17, 2022

Title	Name	Number of Attendance In Person	Number of Attendance By Proxy	Attendance Rate In Person (%)	Remark
Independent Director	Tso-Cheng Chang	6	0	100	Elected on June 15, 2020
	Wei-Chun Chen	6	0	100	Elected on June 15, 2020
	Ben-Hwa Jang	6	0	100	Elected on June 15, 2020

Other Events That Shall be stated:

- I. If the operation of the audit committee has following circumstances, the date and session of the board of director, the contents of the motion, the resolution of the audit committee and actions taken by the Company regarding to the opinions of the audit committee shall be stated.
- (I) The events prescribed in the Article 14-5 of the Securities and Exchange Act: Approved by the Audit Committee and reported to the Board of Directors.
- Resolutions passed in the 7th meeting of the 4th-term Audit Committee on August 25, 2021:
 - The Company's consolidated financial statements for Q2 2021.
 - Assessment of whether or not the overdue receivables and other amounts of the Company are of a loan nature.
 - Resolutions passed in the 8th meeting of the 4th-term Audit Committee on November 15, 2021:
 - The Company's credit impairment of accounts receivable in Q3 2021 totaled NT\$2,630,008 thousand.
 - The Company's consolidated financial statements for Q3 2021.
 - Assessment of whether or not the overdue receivables and other amounts of the Company are of a loan nature.
 - Amendment to some articles of the Company's internal control system.
 - Internal audit plan of the Company for 2022.
 - Resolutions passed in the 9th meeting of the 4th-term Audit Committee on December 22, 2021:
 - There was no discussion item that requires a resolution.
 - Resolutions passed in the 10th meeting of the 4th-term Audit Committee on March 30, 2022:
 - The Company's business plan and consolidated financial statements for 2021.
 - Assessment of whether or not the overdue receivables and other amounts of the Company are of a loan nature and the plan for improvement of the overdue loans extended to others.
 - Amendment to some articles of the Company's internal control system.
 - Change of the Company's Chief Auditor.
 - Revision of some articles of the Company's "Articles of Association," "Rules of Procedure for Shareholders' Meetings," "Code of Practice on Corporate Governance" and "Procedures for the Acquisition or Disposal of Assets."
 - Intention of Hualong International, a subsidiary of the Company, to sell its own factory.
 - Disposal of machinery and equipment by the Company's subsidiaries Kunshan Dragonstate Electronic Technology Co., Ltd., Kang'erfu Precise Electronic (Baoying) Co., Ltd. and Kangerfu Precision Electromechanical (Kunshan) Co., Ltd.
 - Disposal of land and factory by the Company's subsidiary Kunshan Dragonstate Electronic Technology Co., Ltd.
 - Resolutions passed at the 11th meeting of the 4th-term Audit Committee on May 10, 2022:
 - Treatment of the Company's credit impairment of accounts receivable in dispute in Q3 2021.
 - Proposal to apply for an extension for the announcement and declaration of the Company's financial report for Q1 2022.
 - Recruitment of the Company's Chief Auditor.
 - Proposal for signing an appointment contract with PwC Taiwan for the audit of the Company's financial statements.
 - Resolutions passed by the 1st meeting of the 4th Board of Directors on June 14, 2022:
 - The Company's consolidated financial statements for Q1 2022
 - The company intends to invest a subsidiary in mainland China.

(II) Except for the aforesaid events, any resolution that has not been passed by the Audit Committee but passed by two-thirds or more of all directors: None.															
II.	For the recusal of an independent director from a proposal because of a conflict of interest, the name of independent director, the contents of a proposal, the reasons of recusal and its participation in voting shall be stated: No such circumstance.														
III.	Communications between the independent directors, internal auditing managerial officer and CPAs (e.g. the communications on significant events of the Company's finance and operations, its methods and its results etc.):														
(I) The Company's internal auditing managerial officer has communicated the result of the audit report with the members of the audit committee regularly and have reported the internal auditing events in the quarterly meeting of the audit committee. In case of any special circumstance, the Company's chief internal auditor will report to the members of the audit committee immediately. There is no aforesaid special circumstance in the most recent year and as of the date of the annual report published.															
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(II) The CPAs designated by the Company will report the auditing events or results of the financial statement for the year and other communication events that are required by the relevant laws in the annual meeting of the audit committee. In case of any special circumstance, the CPAs will also report to the members of the audit committee immediately. In the most recent year and as of the date of the annual report published, there is no aforesaid special circumstance.															
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(III) Discrepancy between the Corporate Governance Implementation of the Company and the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", and the reasons of the discrepancy.

Assessment Items	Status of Implementation			Discrepancy with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and the reasons of the discrepancy
	Yes	No	Brief Explanations	
I. Does the Company establish and disclose the corporate governance best practice principles according to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"?	✓		The company has established the corporate governance best practice principles according to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and has it disclosed on the Company's website.	There is no significant discrepancy.

Assessment Items		Status of Implementation			Discrepancy with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and the reasons of the discrepancy
		Yes	No	Brief Explanations	
II.	Shareholding Structure and Shareholders' Rights/Interests				
(I)	Does the Company establish the internal procedures to handle the suggestions, doubts, disputes and litigation from the shareholders, and execute according to the procedures?	✓		(I) For the stock affairs, the Company has established the relevant internal control system and has designated the professional stock agency in Taiwan to handle the stock affairs. In addition, the finance department, spokesperson and deputy spokesperson have coordinated to handle the shareholders' suggestions, doubts, disputes and litigation.	There is no significant discrepancy.
(II)	Does the Company possess the lists of the major shareholders who control the Company in reality and their ultimate controllers?	✓		(II) The Company has possessed the lists of the major shareholders who control the Company in reality and their ultimate controllers. According to Article 25 of the Securities and Exchange Act, the changes of the insiders' shareholding (directors, supervisors, managers and shareholders who holds more than 10% of the total shares) will be declared to the website of the Market Observation Post System designated by the Securities & Futures Institute on schedule.	There is no significant discrepancy.
(III)	Does the Company establish and implement the mechanisms of risk control and firewall with the affiliates?	✓		(III) The Company has established the "Procedure of Trading with the Related Parties for the Entities of the Group and the Specific Companies". The managerial authority for assets and finance of each affiliate will be independent respectively and shall be executed according to such procedure. The mechanisms of risk control and firewall shall be implemented indeed.	There is no significant discrepancy.
(IV)	Does the Company establish the internal standards to forbid its insiders to use the unpublicized information of the market to trade its securities?	✓		(IV) The Company has established the "Procedure for the Handling of Internal Material Information", "Procedure for Prevention of Insider Trading" and "Code of Ethical Conduct" that shall be applicable to all directors, supervisors, managers and employees of the Company. The Company will renew and promote the related messages irregularly.	There is no significant discrepancy.
III.	Composition and Duties of the Board of Director				
(I)	Does the board of director draw up the policy of diversification for its composition of members and implement accordingly?	✓		(I) The Company's Corporate Governance Best Practice Principles have stipulated a diversity policy for directors, and its Articles of Incorporation stipulate that a candidate nomination system shall be adopted for elections of directors. In addition to considering their professional abilities, education, and industry experience, the Company pays attention to their reputation for integrity and leadership. Under the Guidelines Governing Election of Directors, the diversity and independence of directors are ensured. After the re-election on June 15, 2020, the Company has 7 directors, including 3 independent directors. These directors have diversified professional background in business management, legal and accounting.	There is no significant discrepancy.

Assessment Items	Status of Implementation			Discrepancy with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and the reasons of the discrepancy
	Yes	No	Brief Explanations	
(II) Except for the establishment of the remuneration committee and the audit committee according to laws, does the Company establish other various functional committees voluntarily?		✓	(II) Except for the establishment of remuneration committee and the audit committee, the Company has not yet established other functional committees and will depend on the corporate governance and real business demand to establish in the future.	Under Discussion
(III) Has the Company established performance evaluation guidelines and evaluation methodology for the Board of Directors, done the performance evaluation on a regular basis each year, reported the evaluation result to the Board of Directors and used the result as a reference for the consideration of individual directors' remuneration and nomination for re-election?	✓		(III) The Company has established performance evaluation guidelines and evaluation methodology, which was approved by the Board on February 4, 2016. Yearly evaluation will be conducted in accordance with the guidelines and methodology, and the results of the evaluation shall serve as one of the references for the consideration of individual directors' future nomination and remuneration.	There is no significant discrepancy.
(IV) Does the Company assess the CPA's independence regularly?	✓		(VI) The CPAs appointed by the Company are not directors, supervisors, managers, employees, or shareholders of the Company or its affiliates, and it is confirmed that they are not stakeholders thereof, hence in compliance with the competent authority's criteria for independence. The Company's CPAs have issued a statement on independence for the audit work entrusted by the Company; the remuneration of the CPAs for the audit of the financial statements for 2020 has been passed by the board of directors on May 13, 2020.	There is no significant discrepancy.
IV. Does the TWSE/TPEX listed company dedicate competent managers or sufficient number of managers to be in charge of corporate governance, and designate supervisors thereof to oversee the corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, assisting the Board and supervisors in legal compliance, convening board/shareholder meetings in accordance with the law, applying for/changing company registry, and producing meeting minutes of the Board/shareholder meetings)?	✓		The Company has yet to dedicate an exclusively (or concurrently) department or personnel to oversee the corporate governance. Currently, the matter is managed by personnel of the finance department.	There is no significant discrepancy.
V. Does the Company establish the communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers etc.), establish a designated section for stakeholders on its corporate website and properly respond the issues of important corporate social responsibilities cared by the stakeholders?	✓		1. The Company has declared the various information of business, finance and important messages on the Market Observation Post System according the relevant laws. The shareholders and stakeholders can refer to such website to inquire the various information of finance and operation of the Company. 2. The Company has established its website in both Chinese and English (www.concraft.com.tw) to disclose the business information. On its website, the Company has also established a designated	There is no significant discrepancy.

Assessment Items	Status of Implementation			Discrepancy with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and the reasons of the discrepancy
	Yes	No	Brief Explanations	
			section of investor relations and put up one link to connect with the Market Observation Post System to facilitate the shareholders and stakeholders to look up. 3. The Company always communicates with investors in the regular and irregular investor conferences.	
VI. Does the Company appoint the professional stock agency to handle the affairs of the shareholders' meeting?	✓		The Company has appointed one professional stock agency in Taiwan to handle the stock affairs.	There is no significant discrepancy.
VII. Information Disclosure (I) Does the Company establish its website to disclose the financial activities and the information of the corporate governance? (II) Does the Company adopt other methods to disclose its information (e.g. setup English website, designate the dedicated personnel to take charge of collecting and disclosing its corporate information, implement the spokesperson system, place the course of the investor conferences on its corporate website etc.)? (III) Does the Company publicly announce and file the annual financial reports within two months after the accounting year-end, and publicly announce and file the first, second and third quarterly financial reports and monthly operating status report before the stipulated deadlines?	✓ ✓ ✓		(I) The Company has set up its website in both Chinese and English (www.concraft.com.tw) for disclosure of business information. Further, the financial information will be disclosed on Market Observation Post System and the status of the corporate governance will be disclosed in the annual report and the prospectus. (II) The Company has appointed spokesperson and acting spokesperson to take charge of public relations and disclosure of information, while the relevant departments will be in charge of collecting the Company's information. (III) The information of the investor conferences that the Company may be held by itself or may be invited to will be disclosed on the Company's website and will enter the relevant information into the Market Observation Post System according to the relevant regulations of the Securities and Exchange Act. (IV) The Company submits financial reports and monthly operating status report before the stipulated deadlines.	There is no significant discrepancy. There is no significant discrepancy. There is no significant discrepancy.
VIII. Does the Company has other important information that is helpful to understand the implementation of the Corporate Governance (including but not limited to rights/interests of employees, wellness of employees, investor relations, supplier relations, rights of stakeholders, training of directors and supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies and purchasing liability insurance for directors and supervisors etc.)?	✓		1. The Company and its subsidiaries have established the employee welfare related systems according to the laws of their respective countries to protect the rights/interests of the employees. 2. The Company has assigned the administrative department to take charge of the employees' rights/interests and investor relations, and arranging the regular or irregular trainings for employees. 3. The Company has been continuing the training according to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies". 4. The Company purchases the liability insurance for its directors annually.	There is no significant discrepancy.
IX. Regarding to the results of the corporate governance evaluation announced by the Corporate Governance Center of the Taiwan Stock Exchange in the most recent year, please describe the improvement status, and address the prior matters that shall be strengthened and their measures for those unimproved circumstances. (This is not applicable to	✓		1. The Company has completed 2020 Information Disclosure Evaluation System for TWSE/TPEX Listed Companies and a self-evaluation report on corporate governance. Every year, the Company will conduct self-evaluation and assess whether there is any reason that will impede the implementation of corporate governance from meeting the standards. According to self-evaluation, amongst the self-evaluated items relating to the	There is no significant discrepancy.

Assessment Items	Status of Implementation			Discrepancy with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and the reasons of the discrepancy
	Yes	No	Brief Explanations	
those companies who are not evaluated.)			<p>current operation and implementation, the Company does not have material weakness.</p> <p>2. Major Defects: In case of any defects in each aspect of execution, efforts will be made to improve them progressively.</p> <p>3. Improvement Situation: The Company has established the "Corporate Governance Best Practice Principles", "Ethical Corporate Management Best Practice Principles" and "Corporate Social Responsibility Best Practice Principles". Any insufficiency will be improved progressively. Up to now, there is no any significant deficiency that shall be improved.</p>	

(IV) If the Company has established the remuneration committee, its composition, duties and exercise shall be disclosed:

1. Information of the Members of the Remuneration Committee

Identity	Conditions	Work Experiences and the Professional Qualifications	Conformance of Independence	Number of Other Publicly Issued Company in Which the Person is Concurrently Servicing as a Member of the Remuneration Committee	Remark
	Name				
Independent Director (Convener)	Tso-Cheng Chang	The Remuneration Committee members are the independent directors of the Company. For their professional qualifications and experience, please refer to the information disclosed in "Professional Knowledge and Independence of Directors and Supervisors" on page 10 of this annual report.	The Remuneration Committee members are the independent directors of the Company. For their professional qualifications and experience, please refer to the information disclosed in "Professional Knowledge and Independence of Directors and Supervisors" on page 10 of this annual report.	None	Note 1
Independent Director	Wei-Chun Chen			None	-
	Ben-Hwa Jang			None	-

Note 2: In the re-election of directors at the 2020 shareholders' meeting, independent director Chang Tso-Cheng took office as the convener.

2. The Duty of the Remuneration Committee: Strengthening the corporate governance, reinforcing the function of the board of director and assisting the board of director in executing and evaluating the overall policies of remuneration and welfare policies, the remuneration paid to directors and compensation paid to managers.

3. Execution of the Remuneration Committee

(1) The Company's remuneration committee has 3 members.

(2) Term of Office: from June 15, 2020 to June 14, 2023. In the most recent year and as of the date of the annual report published, the remuneration committee has held 2 meetings. The qualification and attendance of the members are as follows:

Date: June 17, 2022

Title	Name	Number of Attendance In Person	Number of Attendance By Proxy	Attendance Rate In Person (%)	Remark
Convener	Chang Tso-Cheng	2	0	100	Elected on June 15, 2020
Member	Chen Wei-Chun	2	0	100	Elected on June 15, 2020
	Jang Ben-Hwa	2	0	100	Elected on June 15, 2020
<p>Other Events That Shall be stated:</p> <p>I. In case the board of director does not adopt or amend the suggestions of the remuneration committee, the date and session of the board of director, the contents of motion, the resolution of the board of director and the actions taken by the Company regarding to the opinions of the remuneration committee shall be stated: No such circumstance.</p> <p>II. For the resolutions of the remuneration committee, if any member has objection or qualified opinion and has the records or the written statement, the date and session of the meeting of the remuneration committee, the contents of the motion, the opinions of all members and the actions taken regarding to the opinions of the members shall be stated: No such circumstance.</p> <p>III. The handling of Remuneration Committee's proposal and resolutions for the most recent year, and the Company's response towards the opinions of the committee members.</p> <ol style="list-style-type: none"> 1. Resolutions passed by the 5th meeting of the 4th Remuneration Committee on November 15, 2021: <ol style="list-style-type: none"> (1) The Company's purchase of the liability insurance for its directors and supervisors. 2. Resolutions passed by the 6th meeting of the 4th Remuneration Committee on March 30, 2022: <ol style="list-style-type: none"> (1) Proposal for lifting the restrictions of the Company's restricted employee shares for employees who met the vesting conditions in 2021. (2) Proposal for the distribution of the Group employee bonus for 2021. 					

(V) If the company has set up a nomination committee, its composition, responsibilities and operations should be disclosed: The company has not set up a nomination committee

(VI) Discrepancy between fulfilling social responsibility and the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", and the reasons of the discrepancy.

Assessment Items	Status of Implementation			Discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reasons of the discrepancy
	Yes	No	Brief Explanations	
I. Has the Company established a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, with the senior management authorized by the board of directors to handle relevant matters? What is the status of supervision by the board of directors?		✓	The environmental safety unit of the Company regularly performs the environmental evaluation and risk assessment, and at the same time is in charge of the formulation of the environmental protection policy and preparation of relevant environmental protection documentation; it also perform relevant risk management assessment in accordance with customers' environmental, social and corporate governance regulations.	Under Discussion
II. Has the Company performed risk assessment pertaining to the environment, community and corporate governance issues related to the operation of the Company in accordance with materiality principle?	✓		(I) The Company has established and implemented procedures governing CSR in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies". While managing a business, the Company actively seek to fulfill its CSR. (II) Although the Company has not established an exclusively (concurrently) dedicated department to promote its corporate social responsibilities, the relevant departments will conduct the related affairs according to their duties.	There is no significant discrepancy.
III. Environmental Issues (I) Does the Company establish the suitable environmental management system based on its distinctive industrial characteristics? (II) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment? (III) Has the Company made an assessment on the potential risks and opportunities posed by climate changes to the present and future of the Company, and undertaken countermeasures pertaining to climate changes? (IV) Has the Company measured its greenhouse gas emission, water use and total weight of waste for the past two years, and established policies pertaining to energy conservation, reduction in carbon and greenhouse gas emission, reduction in water use, or management of waste disposal?	✓ ✓ ✓	 ✓ ✓	When the Company began to plan the new plants, the first important thing for the plan was to comply with local laws, in which environmental protection, such as low-e glass, heat pump system, heat recycling system, and green building materials were involved. The Company's major plants in China have passed the certification of the ISO14001: 2015 Environmental Management System (valid period: 2020/1/21–2023/1/20; date of certification: 2008/1/21). The Company has been actively managing its products and processes systematically to ensure compliance with the international standards. The Company has also insisted the following principles on its production process regarding to its social responsibilities of environmental protection: (I) Understanding the carbon footprint of the material of its products to meet the requirement of ISO system in the future. (II) Innovating the process technology to save materials in the process of production such as Insert-Molding technology. (III) Purchasing the energy-saving equipment to replace or decrease the use of the energy-consumed equipment of the same model. (IV) Designing the simplified products in view of functions without over-using the raw materials. (V) Intensifying to recycle the scraps and waste materials in the process of production.	There is no significant discrepancy. There is no significant discrepancy. Under Discussion Under Discussion
IV. Social Issues (I) Does the Company establishes the related management policies and procedures according to the relevant regulations and the International Bill of Human Rights?	✓		(I) In pursuant of "Labor Standards Act" and the relevant rules and regulations, the Company establishes various internal procedures and "Corporate Management Best Practice Principles" to protect basic human rights of all employees, customers and stakeholders, as well as social welfare.	There is no significant discrepancy.

Assessment Items		Status of Implementation			Discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reasons of the discrepancy
		Yes	No	Brief Explanations	
(II)	Has the Company established and implemented reasonable employee benefit measures (including salary, leave and other benefits), reasonably tying operating results to employee salary?	✓		(II) The Company conforms to “Labor Standards Act” and the relevant rules and regulations, providing compensations and various benefits to employees, as well as incentives to motivate employees. Further, regular performance appraisal is conducted and bonuses are disbursed so that all employees can share the result of good profit.	There is no significant discrepancy.
(III)	Does the Company provide a safe and healthy working environment for employees, and arrange the regular trainings of safety and health for employees?	✓		(III) Creating a friendly work place is one of the main duties of the Company. 1. The office building is protected by professional security firm, allowing employees to work in a safe environment. The workplace is equipped with the complete fire fighting equipment and has cooperated with government for the periodical examinations of safety and fire fighting that have been all passed. 2. The office building includes a gymnasium that allows employees to work out, cultivating good exercising habit and enhancing the healthcare mindset amongst employees.	There is no significant discrepancy.
(IV)	Has the Company implemented an effective training program that helps employees developing skills over the course of their career?	✓		(IV) The Company organizes staff training to develop employee skills from time to time.	There is no significant discrepancy.
(V)	Pertaining to the health and safety of customer when using the Company’s products and services, consumer privacy, marketing and labeling, does the Company comply with the relevant regulations and international standards, and establish relevant policies on consumer protection and complaint procedure?	✓		(V) In addition to visiting individual customers, the Company also provides contact details and email according to products on company website. The Company has also created a Stakeholders Section, providing an avenue for stakeholders to voice queries, complaint or suggestions so as to protect customer rights.	There is no significant discrepancy.
(VI)	Has the Company established policy on supplier management, demanding suppliers to observe code of conduct pertinent to environmental protection, labor safety and health or labor rights, and monitoring their implementation?	✓		(VI) The contracts between the Company and its suppliers have stipulated that the suppliers' products shall conform to international, domestic and local environmental protection laws, and rules and regulations governing occupational safety and health, and labor rights. If any incompliance is detected, the supplier is obligated pay damages. The suppliers shall provide the certification to prove that the contents of products meeting the requirements of the Company and the law, and shall accept inspection from the Company. The Company shall conduct inspection on its suppliers, requiring them to subject their suppliers to CSR inspections and requirements.	There is no significant discrepancy.
V.	Does the Company refer to universal standard or guideline for report preparation when preparing for CSR Report and other non-financial disclosure reports? Does the Company obtain the confirmation or affirmation opinion from third party for the aforementioned reports?		✓	The company has disclosed the financial information and publicized the significant messages on the Market Observation Post System. Its annual report and prospects have also disclosed the systems and measures adopted by the Company to implement its corporate social responsibilities and its fulfillment status.	Under Discussion
VII. Other important information that is helpful to understand its fulfillment of the corporate social responsibilities: The Company understand the impacts of the corporate social responsibilities on the public and will continue its effort in managing the business and provide employees with a stable working environment so as to optimize the welfare of its stakeholders.					

(VII) Discrepancy between the implementation of ethical management and the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and the reasons of the discrepancy.

The Company has requested all colleagues to fulfill the ethical management in accordance with the local laws when executing their duties. According to work rules, employment contract or other internal management rules that are signed between the Company and its employees, all colleagues have been requested to value the business secrets of customers and other parties, and have the obligations to protect the Company's property without being lost, damaged, improper used, read and stolen, as well as shall comply with and manage all relevant rules and systems relating to the property of the Company.

Assessment Items	Status of Implementation			Discrepancy with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and the reasons of the discrepancy
	Yes	No	Brief Explanations	
I. Establishing the Policies and Programs of Ethical Management				
(I) Does the Company establish corporate conduct and ethics policy that are approved by the Board of Directors and document such policy and procedure, as well as the commitment of the Board and Management team in the implementation of the policy thereof, in the bylaws and publicly available documents?	✓		(I) The Company has adopted "Ethical Corporate Management Best Practice Principles" which was approved by the Board of Directors and disclosed on the website of the Market Observation Post System. Further, the Company has established "Integrity, Ethicality and Confidentiality Agreement" and held ethics awareness workshops from time to time. In order to fulfill the ethical management, the Company has set up the effective accounting system and internal control system. The internal auditor will audit the implementation for the preceding paragraph's systems regularly.	There is no significant discrepancy.
(II) Has the Company established a risk assessment mechanism for unethical conduct, analyzed and evaluated activities that contain a higher risk of unethical conduct in the operating aspect on a regular basis, and established measures for the prevention of unethical conduct, which at least covering the business activities prescribed in paragraph 2, article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	✓		(II) The Company has specifically set up its operating procedure, guidelines of conduct, punishment for violation and appealing system in the "Procedures for Ethical Management and Guidelines for Conduct" .	There is no significant discrepancy.
(III) Does the company establish relevant policies which are duly enforced to prevent unethical conduct, provide and implement operating procedures, behavioral guidelines, penalty for violation and appeal system in such policies, as well as evaluating and amending the aforementioned policies on a regular basis?	✓		(III) To ensure the implementation of integrity management, the Company has established accounting and internal control systems, in which internal auditors will conduct audit inspections on a regular basis to examine the status of company policy compliance.	There is no significant discrepancy.
II. Fulfilling Ethical Management				
(I) Does the Company assess the ethical records for its trading partners, and stipulate the articles for ethical conduct on its contract with its trading partners?	✓		(I) The Company always pays attention to its trading status with customers and suppliers. In case of any significant abnormality, it will adopt the corresponding actions immediately or stop trading.	There is no significant discrepancy.

Assessment Items		Status of Implementation			Discrepancy with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and the reasons of the discrepancy
		Yes	No	Brief Explanations	
(II)	Does the Company task a unit with the promotion of ethical standards that reports directly to the Board of Directors, making periodical updates (at least once a year) to the Board on ethical management policy, as well as the supervision of measures for prevention of unethical conduct?	✓		(II) The Company has set up an internal auditor room that reports its auditing status to the board of director periodically.	There is no significant discrepancy.
(III)	Does the company establish the policy to prevent the conflicts of interests, provide the appropriate channels of statement and execute it indeed?	✓		(III) The Company has established the "Code of Ethical Conduct" that stipulates the policies to prevent the conflicts of interests and provide the appropriate channels of statement, as well as implement it indeed. Besides, the Company's employees have signed the "Commitment of Ethics, Honesty and Confidentiality" when they assumed office in order to prevent the employees from befitting themselves at the expense of the Company's rights/interests.	There is no significant discrepancy.
(IV)	To implement relevant policies on ethical conducts, has the Company established effective accounting and internal control systems, in which the internal auditors made audit plans according to the results of the risk assessment of unethical conduct, so as to inspect the compliance of the preventive measures, or commissioned external CPA to conduct the audit?	✓		(IV) To ensure the implementation the integrity management, the Company has established effective accounting and internal control systems. The internal auditors and the appointed CPA have audited the implementation status of the foregoing systems on a regular basis.	There is no significant discrepancy.
(V)	Does the Company arrange the internal and external trainings relating to ethical management regularly?	✓		(V) The Company's legal department has arranged for training sessions related to the professional ethics on a regular basis in order to promote awareness of ethical corporate management best practice and concepts.	There is no significant discrepancy.
III. Implementation of the Company's Reporting System					
(I)	Does the Company establish the specific system of reporting and rewards, and set up a convenient reporting channel, as well as designate an appropriate dedicated person to whom the accused can reach?	✓		The Company has set up an employee suggestion mailbox to receive the employees' opinions exclusively. Such mailbox will provide its employees a channel to provide their suggestions so as to manage the communication broadly and further strengthen the relationship between labor and management. In addition, the Company has also set up the meeting between labor and management so that the employees can appeal their opinions in the meeting to obtain the fair and reasonable treatment. If the employees put forward the appealing matters orally or in writing, the chief of each department shall conduct the investigation immediately or submit a report, and its results or handling status shall notify such appealing employee. The whole process shall base on the principle of confidentiality and protecting the appealing employees. When an employee' opinion has been adopted and has effectiveness, the Company shall reward such employee according to its rules.	There is no significant discrepancy.
(II)	Has the Company established standard operating procedures for misconduct investigation, follow-up measures after investigation and confidentiality protection mechanism?	✓			
(III)	Does the Company adopt the measures to protect the reporters not to be improper treatment because of reporting?	✓			

Assessment Items	Status of Implementation			Discrepancy with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and the reasons of the discrepancy
	Yes	No	Brief Explanations	
IV. Strengthening Information Disclosure (I) Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System?	✓		The company has disclosed the financial information and publicized the significant messages on the Market Observation Post System, and the "Ethical Corporate Management Best Practice Principles" and the "Procedures for Ethical Management and Guidelines for Conduct" have been disclosed in the Market Observation Post System as well, as well as its annual report and prospects have also disclosed its fulfillment of ethical management and actions taken.	There is no significant discrepancy.
V. If the Company has established integrity management principles in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: None.				
VI. Other important information that is helpful to understand the implementation of the Company's ethical management:(e.g. the circumstances of the amendment to the Company's ethical corporate management best practice principles) (I) The Company's "Rules of Procedure for Board of Director" stipulates the recusal system for directors' conflicts of interests. If a director has a stake in himself/herself or its represented legal person for the proposals listed by the board of director and may result in being harmful to the benefit of the Company, such director may state its opinion and answer, but shall not involve in discussing and voting. And further, such director shall recuse from the discussion and voting of such proposal and shall not represent other director to execute their voting rights. (II) The Company has established the "Insider Trading Prevention Policy" to stipulate that the directors, managers and employees shall not disclose its known internal significant information to others and shall not query or collect the Company's unpublicized internal significant information that is irrelevant to its personal duties from the persons who know the Company's internal significant information. The Company's unpublicized internal significant information that is known other than performing the duties shall not also be disclosed to others as well.				

(VIII) Methods to query the Company's governance best practice principles: The Company has disclosed various relevant principles relating to corporate governance best practice on its website (www.concraft.com.tw) and the Market Observation Post System. The relevant information can be searched from the Company's website and the section of "Establishing Corporate Governance Relevant Rules" on the Market Observation Post System.

(IX) Other important information that is sufficient to enhance the understanding for the implementation of the corporate governance: None.

(X) In 2021, the directors and supervisors (now independent directors at the Company) of the Company will choose suitable training courses according to their personal schedules and professional backgrounds. The details of the arranged training are as follows:

Title	Name	Course date	Organizer	Course name	Study Hours
Chairman	Chao-Sheng Lu	January 20, 2021	Taiwan Corporate Governance Association	Deciphering the core key of digitization - Learning industry 4.0 with story cases	3
		January 21, 2021	Taiwan Stock Exchange	The first publicity meeting for the independent director function of listed companies	3
Director	Guo-Ji Li	January 20, 2021	Taiwan Corporate Governance Association	Deciphering the core key of digitization - Learning industry 4.0 with story cases	3
	Chin-Hsing Lee	January 20, 2021	Taiwan Corporate Governance Association	Deciphering the core key of digitization - Learning industry 4.0 with story cases	3
		July 28, 2021	Accounting Research and Development Foundation	Analysis of the positive impact of ESG on enterprises and creation of a new low-carbon green value model	3
	Chu-Ching Lee	January 20, 2021	Taiwan Corporate Governance Association	Deciphering the core key of digitization - Learning industry 4.0 with story cases	3
Independent Director	Chuo-Cheng Chang	January 20, 2021	Taiwan Corporate Governance Association	Deciphering the core key of digitization - Learning industry 4.0 with story cases	3
		August 24, 2021	Taiwan Corporate Governance Association	Aspects of Directors' and Supervisors' Responsibilities - Corporate Governance by KY Cases	3
	Wei-Chun Chen	January 20, 2021	Taiwan Corporate Governance Association	Deciphering the core key of digitization - Learning industry 4.0 with story cases	3
		September 1, 2021	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3
	Ben-Hwa Chang	January 20, 2021	Taiwan Corporate Governance Association	Deciphering the core key of digitization - Learning industry 4.0 with story cases	3
		February 25, 2021	Securities and Futures Institute	Key 5G technologies and commercial applications	3

(XI) Implementation of Internal Control:

1. Statement on Internal Control System:

CONCRAFT HOLDING CO., LTD.
Statement of Internal Control System

Date: March 30, 2022

The Company has stated its internal control system for the year of 2021 as follows according to self-evaluation:

- I. The Company acknowledges that the establishment, implementation and maintenance of internal control system are the responsibilities of the Board of Directors and Managers of the Company. As such, the Company has established the aforementioned system. Its objectives are to provide reasonable assurance for effectiveness and efficiency of its operations (including profitability, performance and guarantee of assets safety etc.), reporting that is reliable, timely and transparent and conformity to applicable rules, regulations and laws.
- II. The internal control system has its inherent limitations. Regardless of how exhaustive the design is, an effective internal control system can only provide reasonable assurance for the achievement of the aforementioned three objectives. Further, due to changes in the environment or circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Company's internal control system has set up a self-supervision mechanism. Once a deficiency has been identified, the Company will take the remedial actions immediately.
- III. In accordance with the determining criteria for the effectiveness of the internal control system prescribed in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereafter "the Regulations"), the Company evaluated the effectiveness of the design and execution for its internal control system. The determining criteria of the internal control system prescribed in the "Regulations" are based on the process of management control, dividing the internal control system into five composite factors: 1. control of environment, 2. risk evaluation, 3. control of operations, 4. information and communication, and 5. supervision. The composition of each element also includes several items. Please refer to the "Regulations" for the aforesaid items
- IV. The Company has adopted the aforementioned determining criteria of the internal control system to evaluate the effectiveness of design and execution for its own internal control system.
- V. Based on the evaluation result of the preceding paragraph, the Company believes that its internal control system (including the supervision and management of its subsidiaries) as of December 31, 2021, including understanding the achievement for the objectives of effectiveness and efficiency of its operations, reliability, timeliness and transparency of its reporting and compliance with the applicable regulations and laws, was effective in design and execution, and can be reasonably assured of the achievement of the aforementioned objectives.
- VI. This statement will serve as the main content of the Company's annual report and prospectus, and will be publicly announced. If the aforesaid public content has any illegal events including falseness or concealment etc., it shall to be liable to the legal liabilities stipulated in Article 20, 32, 171 and 174 of the Securities and Exchange Act.
- VII. This statement has been passed by the Company's Board of Directors on March 30, 2022 with the attendance of 6 Directors, in which 0 director held objection and all remaining directors had approved the content of this statement. This statement is hereby attached.

CONCRAFT HOLDING CO., LTD.

Chairman: Chao-Sheng Lu

President: Kuo-Chi Lee

2. Entrusted CPAs conducting special audits of internal control systems , the company needs to disclosure the CPAs audit report: None.

(XII) Where the Company and its internal personnel have been imposed with penalties in accordance with the law, the Company has imposed penalties on its internal personnel for violations of the internal control system, or the results of the penalties may have a significant impact on shareholders' equity or securities prices during the most recent year and as of the printing date of the annual report, the content of the penalties, main deficiencies, and improvement status: None.

(XIII) In the most recent year and as of the date of the annual report published, the important resolutions from the shareholders' meeting and the board of director:

Items	Date	Important Resolutions Items
General shareholders' meeting	August 20, 2021	<ol style="list-style-type: none"> 1. Recognition of 2020 business report and consolidated financial statements. 2. Recognition of the proposal for earnings distribution for 2020. 3. Approved the amendment to some articles of the "Articles of Association." 4. Approved the amendment to some articles of the "Rules of Procedure for Shareholders' Meetings." 5. Approved the amendment to some articles of the "Director Election Regulations." 6. Approved the amendment to some articles of the "Procedure for Acquisition or Disposal of Assets."
Board meeting	August 25, 2021	<ol style="list-style-type: none"> 1. Setting of the Company's ex-dividend date. 2. Amendment to the legal compliance consultant appointment contract for the 2019 unsecured convertible corporate bond. 3. Assessment of whether or not the overdue receivables and other amounts of the Company are of a loan nature.
Board meeting	November 15, 2021	<ol style="list-style-type: none"> 1. The Company's credit impairment of accounts receivable in Q3 2021 totaled NT\$2,630,008 thousand. 2. Setting of the record date for calling back the Company's new shares with restricted employee rights and capital reduction. 3. The Company's purchase of liability insurance for its directors and supervisors. 4. Assessment of whether the overdue receivables and other amounts of the Company are of a loan nature. 5. The Company's plan to formulate countermeasures to improve the financial and business conditions. 6. Amendment to some articles of the Company's internal control system. 7. Approved the internal audit plan of the Group for 2022.
Board meeting	March 30, 2022	<ol style="list-style-type: none"> 1. Approved the Company's business plan and consolidated financial statements for 2021. 2. Approved the distribution of directors' remuneration and employees' remuneration for 2021. 3. Approved the assessment of whether the overdue receivables and other amounts of the Company are of a loan nature and the plan for improvement of the overdue loans extended to others. 4. Setting of the record date for calling back the Company's new shares with restricted employee rights and capital reduction. 5. Approved the Company's call back of new shares with restricted employee rights. 6. Approve the Company's Statement on Internal Control System. 7. Approved the change of the Company's Chief Auditor.
Board meeting	May 10, 2022	<ol style="list-style-type: none"> 1. Approved the treatment of the Company's credit impairment of accounts receivable in dispute in Q3 2021. 2. Proposal to apply for an extension for the announcement and declaration of the Company's financial report for Q1 2022. 3. Recruitment of the Company's Chief Auditor. 4. Proposal for signing an appointment contract with PwC Taiwan for the audit of the Company's financial statements.
Board meeting	June 14, 2022	<ol style="list-style-type: none"> 1. The Company's consolidated financial statements for Q1 2022 2. The company intends to invest a subsidiary in mainland China.

Resolutions of the 2021 Annual Meeting of the Shareholders:

1. Ratified 2020 business report and consolidated financial statement.

Resolution: The resolutions were all adopted.

2. Ratified the proposal for the distribution of earnings for 2020.
Resolution: The resolution was adopted. The cash dividend per share was NT\$0.5; the ex-dividend record date was September 19, 2021, and the payout date was October 15, 2021.
3. Approved amendment to the partial articles for the "Articles of Incorporation".
Resolution: The resolution was adopted, and the amended Articles of Incorporation has been entered into force and announced on the Company's website.
4. Approved amendment to the partial articles for the "Procedural Rules of General Meetings".
Resolution: The resolution was adopted, and the amended Procedural Rules of General Meetings has been entered into force and announced on the Company's website.
5. Approved amendment to the partial articles for the "Procedural Rules of Board Meetings".
Resolution: The resolution was adopted, and the amended Procedural Rules of Board Meetings has been entered into force and announced on the Company's website.
6. Approved amendment to the partial articles for the "Procedures for the Acquisition or Disposal of Assets".
Resolution: The resolution was adopted, and the amended Procedural Rules of Board Meetings has been entered into force and announced on the Company's website.

(XIV) In the Most Recent Year and as of the Date of Annual Report Published, a Director or Supervisor Has Different Opinions With Record or Written Statement on the Important Resolutions Passed By the Board of Director, Its Major Contents: None.

(XV) In the Most Recent Year and as of the Date of Annual Report Published, the Aggregate Information on the Resignation or Dismissal of the Company's Chairperson, President, Accounting Managerial Manager, Financial Managerial Manager, Internal Auditing Managerial Officer, Corporate Governance Officer, and Research and Development Manager:

June 17, 2022

Title	Name	Date On-Board	Date Relieved	Reasons For Resignation or Relief
Chief Audit Executive	Bi-Ning, Chen	2016.08.12	2022.04.01	Job adjustment

V. Information of CPA Audit Fee:

(I) Information of CPA Audit Fee:

Unit: NT\$ thousand

Name of Accounting Firm	Name of CPAs	Auditing Period Conducted by the CPAs	Audit Fee	Non-Audit Fee	Total	Remark
PWC Taiwan	Hsien-Cheng Chen	2021.01~2021.12	9,500	150	9,650	Note
	Yi-Chang Liang					

Note: "Non-audit fees-others" are fees entrusted for reviewing the Diwan 2021 evaluation report.

(II) If non-audit fee which is paid to CPAs, such CPAs' accounting firm and its affiliates exceeds one-fourth of the audit fee, the amount of the audit fee and the non-audit fee and the contents of non-audit services shall be disclosed: No applicable.

(III) The accounting firm is replaced and the audit fee in the year of replacement is less than previous year: No applicable.

(IV) If the audit fee is less than that in the prior year by 10% or more, the amount of decrease, percentage and reasons shall be disclosed: Not applicable.

VI. Replacement of CPAs: Not applicable.

VII. Any of the Company's Chairperson, Presidents, Managers of Finance or Accounting Held a Position in the CPA's Firm or Its Affiliates in the Most Recent Year: Not applicable.

VIII. Changes in the Shareholding Transferred or Pledged by Directors, Supervisors, Managers and the Shareholders who holds more than 10% of the Shareholding in the Most Recent Year and as of the Date of this Annual Report Published:

(I) Changes of the shareholding transferred by the directors, supervisors, managers and the shareholders:

Unit: Share

Title	Name	2021		As of April 29 of 2022	
		Increase (Decrease) of Number of Shares Held	Increase (Decrease) of Number of Shares Pledged	Increase (Decrease) of Number of Shares Held	Increase (Decrease) of Number of Shares Pledged
Chairperson and Shareholder With More Than 10% of Shareholding	Monster Holding Co., Ltd. (Representative: Chao-Sheng, Lu)	-	-	-	-
Director and Shareholder With More Than 10% of Shareholding	AGI Holding Co., Ltd. (Representative: Kuo-Chi, Lee)	-	-	-	-
Director of the Board and Director	Chu-Ching, Lee	(72,724)	(390,000)	-	-
Director and Vice President	Chin-Hsing, Lee	5,000	-	-	-
Independent Director	Tso-Cheng, Chang (Note 1)	-	-	-	-
Independent Director	Wei-Chun, Chen	-	-	-	-
Independent Director	Ben-Hwa, Jang	-	-	-	-
President	Kuo-Chi, Lee	(36,362)	-	-	-
Director	Ya-Hui Xie (resigned on 31/12/2021)	(216,000)	-	-	-
Assistant Vice President	Si-Qing Cai (resigned on 31/12/2021)	(116,000)	-	-	-
Assistant Vice President	Jian-Kai, Peng	-	-	-	-
Assistant Vice President	Zhen-Wei, Jin(Note 2)	6,000	-	-	-
Assistant Vice President	Chun-Hsien, Yang(Note 2)	15,000	-	-	-
Assistant Vice President	Hsiang-Chih, Kao (resigned on 08/02/2022)	-	-	-	-
Manager	Yi-Hui Xiao (resigned on 21/01/2022)	-	-	-	-
Chief Financial Officer	Chiao-Sheng Huang (took office of Managerial Officer of Accounting on 11/05/2021)	-	-	-	-
Project Manager	Wei-Lun Tai (resigned on 11/05/2021)	-	-	-	-
Chief Audit Executive	Bi-Ning Chen (resigned on 30/03/2022)	(3,020)	-	-	-

Note 1: In the re-election of directors at the 2020 shareholders' meeting, independent director Chang Tso-Cheng took office.

Note 2: Newly joined on February 27, 2020.

(II) Counterparty of the shareholding transfer is the related party:

Unit: NT\$; Shares

Name	Reasons for Shareholding Transfer	Date Traded	Counterparty of Transaction	Relationship Between Transaction Counterparty, the Company, Directors, Supervisors, Managers, and Shareholders with over 10% of Shareholding	Number of Shares	Price Traded
Chu-Ching Lee	Grant	2021.09.27	○-Zhu Wu	Lineal Relative	36,362	60.5
Chu-Ching Lee	Grant	2021.09.27	○-Xuan Li	Lineal Relative	18,181	60.5
Chu-Ching Lee	Grant	2021.09.27	○-Yu Li	Lineal Relative	18,181	60.5
Kuo-Chi Lee	Grant	2021.09.27	○-Zheng Li	Lineal Relative	18,181	60.5
Kuo-Chi Lee	Grant	2021.09.27	○-Qi Li	Lineal Relative	18,181	60.5

(III) Equity pledge information

Unit: shares: NT\$ thousand

Name	Equity Transfer reason	Trading Date	Trading Relative Person	The relationship between the counterparty of the transaction and the company, directors, supervisors, managers and shareholders holding more than 10% of the shares	Shares	Holding Ratio	Pledge Ratio	Pledged loan (redemption) amount
Chu-Ching Lee	redemption	2021.11.17	Yuanta Financial Holdings	None	390,000	0.69%	0.00%	4,000

(IV) Counterparty of the Shareholding Pledged is the Related Party: Not applicable.

IX. Top 10 Shareholders Who Hold the Highest Shareholding Percentage are the Related Parties, or Spouses or Within Second-Degree of Kinship to Each Other:

Unit: Share; %; April 29, 2022

Name	Shareholding in Own Name		Shareholding Held by Spouses, Minor Children		Total shareholding in the Name of Other Persons		If top 10 shareholders are the related party, spouses, within second-degree of kinship to each other, their names and relationship:		Remark
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Name	Relationship	
Monster Holding Co., Ltd. Representative: Chao-Sheng Lu	30,938,057 66,335	19.68 0.04	- 295,021	- 0.19	-	-	-	-	-
AGI Holding Co., Ltd. Representative: Kuo-Chi Lee	22,235,669 1,045,859	14.15 0.67	- 625,458	- 0.40	-	-	-	-	-
Merry Electronics Co., Ltd. Representative: Lu-Li Liao	13,904,747	8.85	-	-	-	-	-	-	-
Tian-Wei Lin	3,198,000	2.03	-	-	-	-	-	-	-
Chu-Ching Lee	1,077,690	0.69	-	-	-	-	-	-	-
Kuo-Chi Lee	1,045,859	0.67	-	-	-	-	-	-	-
Hsin-Rong Lu	779,790	0.50	-	-	-	-	-	-	-
Hsin-Yen Lu	699,185	0.44	-	-	-	-	-	-	-
Yuan-Chi Li	627,703	0.40	-	-	-	-	-	-	-
Wen-Wen Wu	625,458	0.40	-	-	-	-	-	-	-

X. Number of Shares of the Same Investee Held by the Company, the Company's Directors, Supervisors, Managers or Enterprises Controlled Directly or Indirectly by the Company, and Its Combined Shareholding Percentage:

Unit: Share; %; December 31, 2021

Investees	The Company's Investment		Directors, Supervisors, Managers or Enterprises Controlled Directly or Indirectly		Combined Investment	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
DRAGONSTATE TECHNOLOGY CO., LTD.	104,410,000	100	-	-	104,410,000	100
Concraft Technology Co., Ltd.	150,000	100	-	-	150,000	100
Concraft Precision Co., Ltd.	109,472,110	100	-	-	109,472,110	100
Kunshan Concraft Electronics Technology Co., Ltd.	Note	-	-	-	Note	-
Concraft Precision Electrical (Kunshan) Co., Ltd.	Note	-	-	-	Note	-
Concraft Precision Electronics (Baoying) Co., Ltd.	Note	-	-	-	Note	-
Kunshan Haojun Precision Electronics Co., Ltd.	Note	-	-	-	Note	-
Dragonstate Technology Co., Ltd.	30,000,000	100	-	-	30,000,000	100
OBO Pro.2 Inc.	2,420,000	14.97	-	-	2,420,000	14.97
OBO PRO.2 INC	1,800,000	100	-	-	1,800,000	100
OP (VIRGIN) INTERNATIONAL GROUP CORPORATION	690,000	100	-	-	690,000	100
OBO Seahorn Acoustics Limited	12,600,000	100	-	-	12,600,000	100
Changshu OBO Seahorn Acoustics Electronic Co., Ltd.	Note	-	-	-	Note	-

Note: Such company is a limited company with no shares.

Four. Capital Raising Status

I. Source of Capital

(I) Type of Share

Unit: Share; %; June 17, 2022

Share Type	Capital Approved			Remark
	Shares Outstanding	Shares Un-issued	Total	
Registered Common Share	143,278,835	42,816,418	200,000,000 (Note)	Listed Stock
	13,904,747			Private-Placed Common Stock

Note: The Company has passed the amendment to the Articles of Incorporation in the annual shareholders' meeting dated on June 15, 2020. After amendment, the authorized share capital is 200,000,000 shares.

(II) Forming Course of Capital

Unit: Share; NT\$

Year / Month	Issued Price	Approved Capital		Paid-In Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Shares Paid by Property Other Than Cash	Others
2009.09.01	10	50,000,000	500,000,000	2	20	Cash	-	Note 1
2009.10.06	17.63	50,000,000	500,000,000	24,999,998	249,999,980	Cash	-	Note 2
2009.10.31	10	50,000,000	500,000,000	1,800,000	18,000,000	Shareholding Change	-	Note 3
2010.12.30	10	50,000,000	500,000,000	8,040,000	80,400,000	Transfer of Capital Surplus to Increase Capital	-	Note 4
2011.02.01	60	50,000,000	500,000,000	1,475,000	14,750,000	Cash	-	Note 5
2011.04.28	10	50,000,000	500,000,000	7,263,000	72,630,000	Transfer of Capital Surplus to Increase Capital	-	Note 6
2012.10.08	10	100,000,000	1,000,000,000	4,357,800	43,578,000	Transfer of Capital Surplus to Increase Capital	-	Note 7
2013.09.18	25	100,000,000	1,000,000,000	2,000,000	20,000,000	Capital Increased by Cash	-	Note 8
2013.12.06	10	100,000,000	1,000,000,000	2,496,790	24,967,900	Transfer of Capital Surplus to Increase Capital	-	Note 9
2014.08.20	10	100,000,000	1,000,000,000	5,243,259	52,432,590	Transfer of Capital Surplus to Increase Capital	-	Note 10
2014.11.06	17.5	100,000,000	1,000,000,000	10,000,000	100,000,000	Capital Increased by Cash	-	Note 11
2015.09.30	10	100,000,000	1,000,000,000	3,383,793	33,837,930	Transfer of Earning to Increase Capital	-	Note 12

Year / Month	Issued Price	Approved Capital		Paid-In Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Shares Paid by Property Other Than Cash	Others
2015.09.30	10	100,000,000	1,000,000,000	3,383,793	33,837,930	Transfer of Capital Surplus to Increase Capital	-	Note 13
2016.03.18	35	100,000,000	1,000,000,000	5,000,000	50,000,000	Capital Increased by Cash	-	Note 14
2016.11.11	58.8	100,000,000	1,000,000,000	10,235,000	102,350,000	Capital Increased by Cash	-	Note 15
2017.04.05	72	150,000,000	1,500,000,000	10,000,000	100,000,000	Private-Placed Common Stock	-	Note 16
2017.06.30	27.3	150,000,000	1,500,000,000	2,190,000	21,900,000	Employee Stock Option Certificates	-	Note 17
2017.07.20	27.3	150,000,000	1,500,000,000	200,000	2,000,000	Employee Stock Option Certificates	-	Note 17
2017.09.22	10	150,000,000	1,500,000,000	5,103,422	51,034,220	Transfer of Capital Surplus to Increase Capital	-	Note 18
2018.08.24	10	150,000,000	1,500,000,000	10,717,186	107,171,860	Transfer of Capital Surplus to Increase Capital	-	Note 19
2018.12.	10	150,000,000	1,500,000,000	530,000	5,300,000	Employee Restricted Stock Awards	-	Note 20
2019.05	10	150,000,000	1,500,000,000	3,000	30,000	Cancellation of New Restricted Employee Shares	-	-
2019.07	10	150,000,000	1,500,000,000	7,923,883	79,238,830	Conversion of Convertible Corporate Bond	-	-
2019.08	10	150,000,000	1,500,000,000	70,000	700,000	Employee Restricted Stock Awards	-	-
2019.08	10	150,000,000	1,500,000,000	5,889,403	58,894,030	Transfer of Capital Surplus to Increase Capital	-	Note 21
2019.08	10	150,000,000	1,500,000,000	619,415	6,194,150	Conversion of Convertible Corporate Bond	-	-

Year / Month	Issued Price	Approved Capital		Paid-In Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Shares Paid by Property Other Than Cash	Others
2019.08	10	150,000,000	1,500,000,000	2,000	20,000	Cancellation of New Restricted Employee Shares	-	-
2019.09	10	150,000,000	1,500,000,000	2,455,382	24,553,820	Conversion of Convertible Corporate Bond	-	-
2019.10	10	150,000,000	1,500,000,000	609,606	6,096,060	Conversion of Convertible Corporate Bond	-	-
2019.11	10	150,000,000	1,500,000,000	611,398	6,113,980	Conversion of Convertible Corporate Bond	-	-
2019.11	10	150,000,000	1,500,000,000	6,000	60,000	Cancellation of New Restricted Employee Shares	-	-
2019.12	10	150,000,000	1,500,000,000	97,139	971,390	Conversion of Convertible Corporate Bond	-	-
2020.01	10	150,000,000	1,500,000,000	100,711	1,007,110	Conversion of Convertible Corporate Bond	-	-
2020.02	10	150,000,000	1,500,000,000	14,258	142,580	Conversion of Convertible Corporate Bond	-	-
2020.03	10	150,000,000	1,500,000,000	1,782	17,820	Conversion of Convertible Corporate Bond	-	-
2020.04	10	150,000,000	1,500,000,000	2,000	20,000	Cancellation of New Restricted Employee Shares	-	-
2020.05	10	150,000,000	1,500,000,000	9,000	90,000	Cancellation of New Restricted Employee Shares	-	-
2020.08	10	200,000,000	2,000,000,000	17,824	178,240	Conversion of Convertible Corporate Bond	-	-
2020.08	10	200,000,000	2,000,000,000	20,000	200,000	Cancellation of New Restricted Employee Shares	-	-

Year / Month	Issued Price	Approved Capital		Paid-In Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Shares Paid by Property Other Than Cash	Others
2020.09	10	200,000,000	2,000,000,000	20,424,153	204,241,530	Transfer of Earning to Increase Capital	-	Note 22
2020.09	10	200,000,000	2,000,000,000	11,585	115,850	Conversion of Convertible Corporate Bond	-	-
2020.11	10	200,000,000	2,000,000,000	11,000	110,000	Cancellation of New Restricted Employee Shares	-	-
2021.04	10	200,000,000	2,000,000,000	4,000	40,000	Cancellation of New Restricted Employee Shares	-	-
2021.05	10	200,000,000	2,000,000,000	8,000	80,000	Cancellation of New Restricted Employee Shares	-	-
2021.11	10	200,000,000	2,000,000,000	15,000	150,000	Cancellation of New Restricted Employee Shares	-	-
2022.04	10	200,000,000	2,000,000,000	2,000	20,000	Cancellation of New Restricted Employee Shares	-	-

Note 1: Initial capital.

Note 2: Capital increased by cash.

Note 3: Personal shareholders, Chao-Sheng Lu and Kuo-Chi Lee, of the Dragonstate Technology Co., Ltd., proceeded the stock exchanges with the Concraft Holding Co., Ltd.. According to the expert's opinion on the stock exchange ratio issued by CPA, one share of the Dragonstate Technology Co., Ltd. could exchange 2.374390 shares of the Concraft Holding Co., Ltd. (Actual stock exchange ratio was 2.354859 shares). So, the Concraft Holding Co., Ltd. issued 1,800,000 shares to proceed the stock exchange with personal shareholders, Chao-Sheng Lu and Guo-Ji Li, of the Dragonstate Technology Co., Ltd.. After stock exchange, the Dragonstate Technology Co., Ltd. has become the 100% of subsidiary reinvested by the Concraft Holding Co., Ltd..

Note 4: For 2009 stock dividend from capital surplus, each share was distributed NT\$3 of stock.

Note 5: Capital increased by cash.

Note 6: For 2010 stock dividend from capital surplus, each share was distributed NT\$2 of stock.

Note 7: For 2011 stock dividend from capital surplus, each share was distributed NT\$1 of stock. Listed in the emerging market on October 8, 2012 with approval number of 10100227602.

Note 8: 2013 capital increased by cash.

Note 9: For 2012 stock dividend from capital surplus, each share was distributed NT\$0.5 of stock.

Note 10: For 2013 stock dividend from capital surplus, each share was distributed NT\$1 of stock.

Note 11: 2014 capital increased by cash.

Note 12: For 2014 stock dividend from retained earnings, each share was distributed NT\$0.5 of stock.

Note 13: For 2014 stock dividend from capital surplus, each share was distributed NT\$0.5 of stock.

Note 14: 2015 capital increased by cash.

Note 15: 2016 capital increased by cash. Listed in TWSE market on November 11, 2016 with approval number of 1050021356.

Note 16: 2017 private-placed common stock.

Note 17: Exercised the employee stock option certificates with issuance of new shares.

Note 18: For 2017 stock dividend from capital surplus, each share was distributed NT\$0.5 of stock.

Note 19: For 2018 stock dividend from capital surplus, each share was distributed NT\$1.0 of stock.

Note 20: Issuance of new Employee Restricted Stock Awards in 2018. Declaration No. 1070332358 took effect on August 27, 2018.

Note 21: For 2019 stock dividend from capital surplus, NT\$0.46849521 worth of stock was assigned per share.

Note 22: For 2020 capitalization of earnings, dividend from retained earnings, NT\$1.5 worth of stock was assigned per share.

II. Shareholders Structure

Unit: Person; Share; April 29, 2022

Shareholders' Structure	Government Institution	Financial Institution	Chinese Investor	Other Corporate Shareholders	Individual	Foreign Institution and Foreigner	Treasury Share	Total
Volume								
Number of Persons	-	2	-	38	19,626	47	1	19,714
Quantity of shareholding	-	35,492	-	15,621,884	85,266,907	55,493,299	766,000	157,183,582
Shareholding Percentage	-	0.02%	-	9.94%	54.25%	35.30%	0.49%	100.00%

III. Shareholding Dispersion Status

Unit: Person; Share; April 29, 2022

Shareholding Scale	Number of Shareholders	Number of Shares Held	Shareholding Percentage (%)
1 to 999	5,761	960,244	0.61%
1,000 to 5,000	10,743	22,761,376	14.48%
5,001 to 10,000	1,710	12,641,647	8.04%
10,001 to 15,000	600	7,409,130	4.71%
15,001 to 20,000	286	5,177,094	3.29%
20,001 to 30,000	276	6,862,720	4.37%
30,001 to 40,000	109	3,820,708	2.43%
40,001 to 50,000	60	2,741,003	1.74%
50,001 to 100,000	107	7,182,283	4.57%
100,001 to 200,000	31	4,506,154	2.87%
200,001 to 400,000	14	4,059,307	2.58%
400,001 to 600,000	4	1,932,501	1.23%
600,001 to 800,000	7	4,729,393	3.01%
800,001 to 1,000,000	-	-	0.00%
1,000,001 Above	6	72,400,022	46.07%
Total	19,714	157,183,582	100.00%

IV. Major Shareholders List

Unit: Share; %; April 29, 2022

Name of Major Shareholders	Shares	Quantity of shareholding	Shareholding Percentage
Monster Holding Co., Ltd.		30,938,057	19.68%
AGI Holding Co., Ltd.		22,235,669	14.14%
Merry Electronics Co., Ltd.		13,904,747	8.85%
Tian-Wei Lin		3,198,000	2.03%
Chu-Ching Lee		1,077,690	0.69%
Kuo-Chi Lee		1,045,859	0.67%
Hsin-Rong Lu		779,790	0.50%
Hsin-Yen Lu		699,185	0.44%
Yuan-Chi Li		627,703	0.40%
Wen-Wen Wu		625,458	0.40%

V. Each Share's Market Price, Net Worth, Earnings, Dividends and Relevant Information in the Latest Two Years:

Unit: NT\$; Thousand Shares

Item	Year	2019	2021	As of March 31, 2022
Market Price Per Share	Highest	178.00	93.90	34.75
	Lowest	76.00	27.30	24.05
	Average	111.40	64.53	28.09
Net Worth Per Share	Before Appropriation	33.34	7.72	6.25
	After Appropriation (Note 1)	33.24	7.72	6.25
Earnings Per Share (Note 2)	Weighted Average Number of Shares		156,568	156,567
	Earnings Per Share	Before Adjustment	(0.93)	(1.77)
		After Adjustment	(0.93)	(1.77)
Dividend Per Share	Cash Dividend		0.10	0.10
	Stock Dividend From Paid-In Capitals	Stock Dividend From Retained Earnings	-	-
		Stock Dividend From Capital Surplus	-	-
		Accumulated Undistributed Dividend	-	-
Return on	Price Earnings Ratio (Note 4)		NA	NA

Year		2019	2021	As of March 31, 2022
Item				
Investment Analysis	Price Dividend Ratio (Note 5)	NA	NA	-
	Cash Dividend Yield (Note 6)	NA	NA	-

Note 1: Net Worth Per Share = (Net Worth - Cash Dividend) / Number of Common Shares for the Year.

Note 2: Refers to the number of retroactively adjusted weighted average number of shares and earnings per share.

Note 3: Earning distribution for 2021 has yet been resolved by the shareholder's meeting.

Note 4: Price Earnings Ratio = Average Closing Price Per Share for the Year / Earnings Per Share

Note 5: Price Dividend Ratio = Average Closing Price Per Share for the Year / Dividend Per Share

Note 6: Cash Dividend Yield = Cash Dividend Per Share / Average Closing Price Per Share for the Year

VI. The Company's Dividend Policy and Its Implementation

(I) Dividend Policy Established in the Articles of Incorporation

The Company's dividend appropriation policy shall base on the regulations stipulated in the Articles of Incorporation that is approved by the shareholders' meeting, and shall refer to the Company's capital structure, financial structure, operation condition, earnings and its industry's nature and cycle, and may be paid by the way of either stock dividend or cash dividend. The appropriation of dividend is stipulated as follows:

- (1) Without conflict with the regulations from the Company Act, any share with additional rights or restrictions at the time or the Articles of Incorporation, the Company may, with ordinary resolution, announce the dividends or other appropriation for the shares issued. Such dividend or other appropriation shall be paid with the Company's usable funds authorized legally.
- (2) Without conflict with the regulations stipulated in Article 129 of the Articles of Incorporation, before suggesting any dividend's appropriation, the board of director may retain an appropriate amount as reserved fund from the appropriable funds legally. Such reserved fund shall, at the discretion of the board of director, be used to prevent emergency, balance dividend or other purposes that such reserved fund can be used appropriately. And before execution, the aforesaid uses shall, at the absolute discretion of the board of director, apply for the business of the Company or the investment that the board of director will consider appropriately at any time.
- (3) Any dividend may be paid by check which will be mailed to the registered address or the appointed address of the shareholders or the authorized receivers or the joint holders' representative. Each check's payee shall be such check's receiver or its appointed person.
- (4) Except for any share with additional rights or restrictions at the time, all dividends shall be appropriated based on the shareholding of the shareholders.
- (5) The Company currently is at the stage of the growth. In view of the demand of capital expenditure, business expansion and strengthening the financial plan to seek the sustainable development, the Company's dividend policy shall consider its future funds' expenditure budget and fund demand, and may be paid by cash dividend and/or stock dividend to its shareholders.

Unless otherwise provided by the laws of TWSE/TPEX, the Company's annual profit before-tax shall, if any, appropriate (1) the highest of ten percent (10%) and the lowest of one percent (1%) for employees' compensation (including the employees of the Company and/or its affiliates)(hereinafter refers to "employees' compensation"; and (2) the highest of three percent (3%) for directors' remuneration (hereinafter refers to "directors' remuneration). No matter what the aforesaid content is, if the Company still has the accumulated deficits from the previously years in the year, the Company shall appropriate the amount of offset before allocating the employees' compensation and the directors' remuneration. According to the regulations of the British Cayman laws and TWEX/TPEX laws and regardless of the regulations of the Article 139, the board of director shall make a resolution with the attendance of two-thirds or more of directors and the approval of more than half of present directors for the employees' compensation and directors' remuneration which may be paid by the way of cash and/or stock. The aforesaid resolution of the board of director regarding to the appropriation of the employees' compensation and directors' remuneration shall report to the shareholders at the shareholders' meeting after the resolution of the board of director is passed.

Unless otherwise provided by the laws of TWSE/TPEX, if the Company's annual final accounts has profits, the board of director shall base on the following methods and sequence to propose the earnings appropriation and submit to the shareholders' meeting for resolution:

- (a) appropriate the payable tax according to laws;
- (b) offset previously years' accumulated deficits (if any);
- (c) appropriate ten percent (10%) of legal capital reserve stipulated by the laws of TWSE/TPEX; however if the amount of legal capital reserve has reached the Company's paid-in capital, this shall not be applicable;

- (d) appropriate special capital reserve stipulated by the laws of TWSE/TPEX or requested by the competent authority; and
- (e) the aforesaid amount from (a) to (d) shall be deducted from the earnings in the year; the remaining earning will be added by the previous period's accumulated unappropriated earning as appropriable earnings; the board of director shall propose the dividend appropriation from the appropriable earning and submit to the general shareholders' meeting for resolution and approval stipulated by the laws of TWSE/TPEX, then executing afterward. The appropriation of the dividend may be distributed by the way of cash dividend and/or stock dividend. Without conflict with the laws of the British Cayman Islands, the amount of dividend shall be at least fifty percent (50%) of the remaining earnings that the aforesaid (a) to (d) are deducted from the earnings in the year, and the percentage of cash dividend shall not be less than ten percent (10%) of total shareholders' dividend and shall be limited to hundred percent (100%).
- (6) If a share is registered by several persons held jointly, the valid receipts for dividend or other payables relating to such share shall be issued to anyone among the joint-holders. Any dividend shall not be added up interest.
- (7) Unless otherwise provided by the laws of the TWSE/TPEX or the Company Act, the Company may, with special resolution, transfer any balance listed in the Company's provision account or other capital reserves (including capital premium, capital redemption provision, earnings, profit and loss account, capital surplus, legal capital reserve and special capital reserve) to increase capital, whether or not it is appropriable.
- (8) The company shall distribute the amount that is resolved to be transferred to increase capital to all shareholders based on the percentage of the shareholding, and shall represent its shareholders to make up such amount into unissued shares, bonds or the related share amount of such composition for the company distributed, and such company's shares or bonds or its composition shall be distributed to all shareholders (or its designated person) based on the aforesaid percentage.
- (9) The Company shall conduct the arrangement that it deems appropriate to resolve the difficulties derived from distributing reserves to increase capital. Particularly, but not limited to, when the distribution of the shares or corporate bonds is odd, the board of director has an authority to dispose such odd shares or corporate bonds in a way which it deems proper, and shall proceed all necessary actions to perform the matters stipulated in the Articles of Incorporation.

(II) Report to Shareholders' Meeting and Proposal to Discuss the Status of Dividend Distribution

According to Article 125 A of the Memorandum and Articles of Association, the Board is authorized to make decision to release the payable stock dividend and bonus in whole or in part in cash and report to the General Meeting. On May 10, 2022, the Board of Directors of the Company resolved to not distribute cash dividends to shareholders for 2021.

VII. The influence of issuance of bonus shares on operational performance and earnings per share at the Shareholders' Meeting: None.

VIII. The Compensation of Employees and the Remuneration of Directors and Supervisors:

(I) Percentage or Range of the Employees' Compensation and the Directors' and Supervisors' Remuneration Stated in Articles of Incorporation:

1. Unless otherwise provided by the Articles of Incorporation or the laws of TWSE/TPEX, regarding to the remuneration of the directors(if any), the board of director shall resolve by referring to the standards in the same industry. Regarding to the attendance of the board of director or the shareholders' meeting or other individual meeting for any type of shares or corporate bond, or executing the director's related duties, each director's reasonable expenses or to-be occurred expenses of travel, accommodation and other accompanying expenses shall have authority to be compensated or pre-paid.
2. Except for compliance with Article 85, when any director needs to visit or move to overseas because of the demand of the Company, or its work exceeds the general directors' duties with the recognition of the board of director, such director's extra remuneration shall be determined by the board of director and shall be extra added from or replace of any general remuneration provided by other articles.
3. The Company currently is at the stage of the growth. In view of the demand of capital expenditure, business expansion and strengthening the financial plan to seek the sustainable development, the Company's dividend policy shall consider its future funds' expenditure budget and fund demand, and may be paid by cash dividend and/or stock dividend to its shareholders.

Unless otherwise provided by the laws of TWSE/TPEX, the Company's annual profit before-tax shall, if any, appropriate (1) the highest of ten percent (10%) and the lowest of one percent (1%) for employees' compensation (including the employees of the Company and/or its affiliates)(hereinafter refers to "employees' compensation"; and (2) the highest of three percent (3%) for directors' remuneration (hereinafter refers to "directors' remuneration). No matter what the aforesaid content is, if the Company still has the accumulated deficits from the previously years in the year, the Company shall appropriate the amount of offset before allocating the employees' compensation and the directors' remuneration. According to the regulations of the British Cayman laws and TWEX/TPEX laws and regardless of the regulations of the Article 139, the board of director shall make a resolution with the attendance of two-thirds or more of directors and the approval of more than half of present directors for the employees' compensation and directors' remuneration which may be paid by the way of cash and/or stock. The aforesaid resolution of the board of director regarding to the appropriation of the employees' compensation and directors' remuneration shall report to the shareholders at the shareholders' meeting after the resolution of the board of director is passed.

Unless otherwise provided by the laws of TWSE/TPEX, if the Company's annual final accounts has profits, the board of director shall base on the following methods and sequence to propose the earnings appropriation and submit to the shareholders' meeting for resolution:

- (a) appropriate the payable tax according to laws;
- (b) offset previously years' accumulated deficits (if any);
- (c) appropriate ten percent (10%) of legal capital reserve stipulated by the laws of TWSE/TPEX; however if the amount of legal capital reserve has reached the Company's paid-in capital, this shall not be applicable;
- (d) appropriate special capital reserve stipulated by the laws of TWSE/TPEX or requested by the competent authority; and
- (e) the aforesaid amount from (a) to (d) shall be deducted from the earnings in the year; the remaining earning will be added by the previous period's accumulated unappropriated earning as appropriable earnings; the board of director shall propose the dividend appropriation from the appropriable earning and submit to the general shareholders' meeting for resolution and approval stipulated by the laws of TWSE/TPEX, then executing afterward. The appropriation of the dividend may be distributed by the way of cash dividend and/or stock dividend. Without conflict with the laws of the British Cayman Islands, the amount of dividend shall be at least fifty percent (50%) of the remaining earnings that the aforesaid (a) to (d) are deducted from the earnings in the year, and the percentage of cash dividend shall not be less than ten percent (10%) of total shareholders' dividend and shall be limited to hundred percent (100%).

(II) The estimate basis for the compensation paid to employees and the remuneration paid to directors and supervisors, the calculated basis for the number of share for the employee's compensation distributed by stock as well as its accounting treatment in case of any discrepancy between actual distributed amount and the estimated amount for current period:

1. The estimate basis for the compensation paid to employees and the remuneration paid to directors and supervisors for current period:

According to Ji-Mi-Zi No. 052 "Accounting Treatment for Bonus Paid to Employees and Remuneration Paid to Directors and Supervisors" announced by the Accounting Research and Development Foundation on March 16, 2007, when the compensation of employees and the remuneration of the directors and the supervisors for the Company and the consolidated subsidiaries have legal obligation or constructive obligation and their amount can be reasonable estimated, such compensation and remuneration shall be recognized as expenses and liability. Afterwards, any discrepancy between the actual distributed amount resolved by the board of director and the estimated amount shall be recorded into the profit/loss of the following year.

2. The calculated basis of the number of share for the employee's compensation distributed by stock for current period: Not applicable.
3. Accounting treatment in case of any discrepancy between actual distributed amount and the estimated amount: Not applicable.

(III) The Board of Director's Resolution for Distribution of Compensation/Remuneration:

1. The amount of employee compensation and remuneration of directors and supervisors paid in cash or stocks The Board of Directors resolved not to distribute employee compensation and remuneration of directors and supervisors for 2021, which is not different from the estimated annual amount.
2. The proportion of the employees' compensation disbursed by way of stock to the profit after tax in the parent only or individual financial report, and to the total employees' compensation: The Board did not proposed employees' compensation distributed by way of stock for 2021.

(IV) Actual Distribution of Employees' Compensation and Directors' and Supervisors' Remuneration in the Previous Year:

1. Actual Distribution in the Previous Year: The remuneration for directors, supervisors and employees was not distributed for 2020,.
2. In case of any discrepancy between actual distributed amount and the recognized amount, its differed amount, reasons and treatment shall be stated: Not applicable.

IX. Status of Shares Bought Back by the Company:

(I) Completed:

Date: June 17, 2022

Buy-Back Phase	First Buy-Back
Purpose of Buy-Back	Transfer Share to Employees
Buy-Back Period	November 13, 2018 to December 17, 2018
Price Range Bought Back	NT\$89 to NT\$234 per share
Type of Share and Quantity Bought Back	Common Stock: 629,000 shares
Amount of Shares Bought Back	NT\$74,143,679
Number of Shares Cancelled and Transferred	-
Accumulated Number of the Company's Shares Held	629,000 shares
Accumulated Number of the Company's Shares Held as a Percentage of Total Shares Issued (%)	0.53

(II) Continued: Not applicable.

X. Status of corporate bond: None.

XI. Status of Preferred Stock: None.

XII. Status of Oversea Depository Receipt: None.

XIII. Status of Employee Stock Option Certificates: None.

XIV. Status of Employee Restricted Stock Awards:

(I) Status of Processing Employee Restricted Stock Awards

Date: June 17, 2022

Type of New Restricted Employee Shares	2018 First New Restricted Employee Shares	2018 Second New Restricted Employee Shares
Effective Date Declared	August 27, 2018	
Date Issued	November 16, 2018	August 13, 2019
Number of New Restricted Employee Shares Issued	530,000 shares	70,000 shares
Price Issued	Stock Dividend From Paid-In Capitals	Stock Dividend From Paid-In Capitals
Number of New Restricted Employee Shares Issued As a Percentage of Total Shares Issued	0.34%	0.04%
Vesting Conditions for Employee Restricted Stock Awards	The employees shall be evaluated annually based on personal performance indicators from the date subscribed the new restricted employee shares. If such employee is on the job for full one year, 30% will be vested; if such employee is on the job for full two years and the evaluation of personal performance reaches 70 points, 30% will be vested; if such employee is on the job for full three years and the evaluation of performance reaches 75 points, 40% will be vested.	
Restricted Rights for Restricted Stock Awards	1. After an employee subscribes new shares, except for inheritance, such new restricted employee shares shall not be sold, pledged, transferred, given to others, set up or other ways of disposal prior to achieving the vested conditions. After an employee meets the vested conditions, such shares will be appropriated from trust account to such employee's personal securities central custody and book-entry account according to trust custodial agreement. 2. The shareholders' meeting's attendance, proposal, speaking, voting and	

Type of New Restricted Employee Shares	2018 First New Restricted Employee Shares	2018 Second New Restricted Employee Shares
	<p>rights of election shall be executed according to custodial agreement.</p> <p>3. Except for the trust appointment stipulated in the preceding subparagraph, before an employee achieves the vested conditions for the new restricted employee shares subscribed according to this rule, other rights shall, including but not limited to: the appropriation rights of dividend, bonus and capital surplus as well as subscription rights of capital increased by cash etc., have the same as the common shares issued by the Company.</p> <p>4. From the Company's book closure date for bonus shares, book closure for cash dividends, book closure date for subscription shares upon capital increased by cash, book closure period for shareholders' meeting defined in Paragraph 3 of Article 165 of the Company Act, or other statutory book closure period upon the occurrence of the facts, to the record date for the appropriation of the rights, in case an employee achieves the vested conditions during aforesaid period, the time and procedure to release the restriction of its vested stock shall be executed according to the trust custodial agreement.</p> <p>5. After issuing the new restricted employee shares, such shares shall be directly consigned in the custody of trust immediately. Before an employee achieves the vested conditions, such employee shall not ask the trustee to return the new restricted employee shares with any reasons or methods.</p>	
Custody Status of New Restricted Employee Shares	<p>While new restricted employee shares are consigned in the custody of trust, the Company shall be fully authorized to represent such employee to proceed (including but not limited to) the agreement's negotiation, signature, amendment, extension, dissolution, termination with the stock trust institutions and the Company, as well as the trusted property's consignment, use and instruction of disposal. Besides, such employee shall make a promise in writing that the Company is able to act as an interest party, a beneficiary and such employee's proxy for such trust agreement simultaneously in accordance with the Article 106 of the Civil Code.</p>	
Regulations on employees who have been awarded or subscribed for the new shares but have not met the vesting conditions	<p>1. Resignation: Where an employee, with causes, proceed the resignation, temporary leave without salary, retirement, being laid off or transfer, in case the vested conditions of the employees restricted stock awards have been achieved, such employee shall draw the shares within one month from the effective date of resignation; in case the vested conditions of the employees restricted stock awards have not yet been achieved, the rights of receiving shall be void from effective date of resignation and the Company shall buy back such shares with the issued price deducting the amount borne by the Company and execute the cancellation.</p> <p>2. Normal Death: Where an employee died, in case the vested conditions of the employees restricted stock awards have been achieved, the statutory heir of such employee shall draw the shares within one year from the died date; in case the vested conditions of the employees restricted stock awards have not yet been achieved, its vested rights shall be void from the died date and the Company shall buy back such shares with the issued price deducting the amount borne by the Company and execute the cancellation.</p> <p>3. Disability or Died Due to Occupational Disaster: (1) Where an occupational disaster resulting in an employee's disability, in that event such employee is unable to continue his or her jobs and proceeds the resignation, whether the vested conditions have been achieved or not, such employee shall draw the shares within one month from the effective date of resignation. (2) Where an employee died as a result of occupational disaster, whether the vested conditions have been achieved or not, the statutory heir of such employee shall draw the shares within one year from the died date.</p> <p>4. Where other circumstances other than aforesaid causes or where real execution upon the regulations of the foregoing subparagraphs and has a necessity of the adjustment, the chairperson shall be authorized to establish or adjust individually according to real circumstances or personal contributions.</p> <p>5. In case an employee waives the rights of subscription, such new restricted employee shares shall be retrieved by the Company without re-issuance.</p>	
Number of New Restricted Employee Shares Retrieved or Bought Back	204,000 shares	15,000 shares
Number of Restricted Shares Released	353,000 shares	

Type of New Restricted Employee Shares	2018 First New Restricted Employee Shares	2018 Second New Restricted Employee Shares
Number of Restricted Shares Unreleased	28,000 shares	
Number of Restricted Shares Unreleased As a Percentage of Total Shares Issued (%)	0.02%	
Influence on Shareholders' Rights/Interests	According to the number of outstanding shares at the time of issuance, the dilution on the Company's earnings per share in the coming years is still limited without significant influences on the shareholders' rights/interests.	

(II) Name of Manager and Top 10 Employees Who Are Awarded the New Restricted Employee Shares and Their Status of Acquisition:

	Title	Name	Number of New Restricted Employee Shares Acquired	Number of New Restricted Employee Shares Acquired As a Percentage of Total Shares Issued (%)	Restriction Released			Restriction Unreleased				
					Number of Restricted Shares Released	Issued Price	Amount offered	Number of Restricted Shares Released As a Percentage of Total Shares Issued (%)	Number of Restricted Shares Unreleased	Issued Price	Amount offered	Number of Restricted Shares Unreleased As a Percentage of Total Shares Issued (%)
Manger	Assistant Vice President	Si-Qing Cai (Resigned)	260,000	0.17	232,000	Issuance of Bonus Shares	-	0.15	28,000	Issuance of Bonus Shares	-	0.02
		Jian-Kai Peng										
		Chun-Hsien Yang										
		Zhen-Wei Jin										
	Project Manager	Wei-Lun Tai										
	Manager	Yi-Hui Xiao (Resigned)										
Employee	Auditing Managerial Officer	Bi-Ning Chen	201,000	0.13	201,000	Issuance of Bonus Shares	-	0.13	-	Issuance of Bonus Shares	-	-
	Manager	Hong Wen Li										
		Si-Yuan Chen										
		Quan-Zhao Xie										
		Zong Han Yuan (Resigned)										
	Assistant Manager	Hui-Zhen Chen										
		Zhi-Ming Shen										
		Feng-De Wu										
	Section Manager	Jie-Ru Chen										
	Engineer	Zhe-Yu Li										

XV. Status of Mergers or Issuance of New Shares for Acquisition of Shares of Another Company: None.

XVI. Implementation of Capital Application Programs:

(I) Content of Plans:

As of previous quarter of the publication date of the annual report, the content of plans and implementation status for previous issuances or private placements of securities that have yet been completed, or have been completed in the last three years, in which the benefits of the plans have yet emerged: All plans have been completed, and the benefits of the plans have emerged.

(II) Implementation Status:

Analysis of each plan's purpose stated in the preceding subparagraph item by item as of previous quarter of the date of the annual report published, their implementation status and their benefits compared with original estimation, for instance, implementation progress or benefits have not achieved the estimated targets, the reasons, the influences on the shareholders' rights/interests and improvement plans shall be explained specifically: No such circumstances.

Five. Overview of Operation

I. Contents of Business

(I) Scope of Business

1. Main Business Contents for the Company and Subsidiaries:

Name of Company	Main Business Contents
Concraft Holding Co., Ltd. (registered in Cayman Islands)	Holding Company
Dragonstate Technology Co., Ltd. (registered in Mauritius)	Sales of Connectors
Concraft Technology Co., Ltd. (Registered in Hong Kong)	Sales of Connectors
Concraft Precision Co., Ltd. (Registered in Hong Kong)	Holding Company
Dragonstate Technology Co., Ltd. (Registered in Taiwan)	Sales of Connectors
Kunshan Dragonstate Electronic Technology Co., Ltd. (Registered in China)	Research/development of technology, manufacture, processing and trade of connectors, acoustic components, automotive components and optical components
Concraft Precision Electrical (Kunshan) Co., Ltd. (Registered in China)	Manufacture, processing and trade of the mold and the jig.
Concraft Precision Electronics (Baoying) Co., Ltd. (Registered in China)	manufacture, processing and trade of connectors, acoustic components and optical components
Kunshan Haojun Precision Electronics Co., Ltd. (Registered in China)	Stamping, processing, trade of connectors, acoustic components and automotive components
OBO Pro.2 Inc. and its subsidiaries	R&D, manufacturing, processing, and trading of acoustic product technologies

2. The proportion of business

Unit: NTS thousand

Category \ Year	Year 2020		Year 2021		2022 Q1	
	Amount	%	Amount	%	Amount	%
Acoustic products and parts	3,369,734	78.28	2,115,769	64.74	232,443	40.26
Connector series	166,977	3.88	121,604	3.72	26,349	4.56
Optical parts	231,244	5.37	192,587	5.89	29,742	5.15
Parts of automotive series and others	536,591	12.47	838,218	25.65	288,778	50.03
Net operating income	4,304,546	100.00	3,268,178	100.00	577,312	100.00

3. The products of the Company and subsidiaries

The principal business of the Company is the R&D and processing of parts for optoelectronic products and electronic connectors with focus on the application to consumer electronics such as NB, set top box, LCD TV, portable devices, wearable devices, and hearing aids. Major terminal devices fitting into the product categories of the Company are shown below:

- (1) Portable and wearable devices: acousto-optical components, mold and jigs.
- (2) NOTE-BOOK and business machines: connectors (DDR, NGFF, HDMI, DC Jack)
- (3) Server and network communication products: SFP, MINPCI and MINPCI EXPRESS
- (4) TFT-LCD (LED) and SET TOP BOX: PCMCIA, SMART CARD and HDMI.
- (5) Other series: automotive parts

4. New products planned for development

- (1) The development of automotive related parts and components
- (2) The development of acoustic-optics parts and components
- (3) The development of optical products
- (4) The development of medical auxiliary material parts and component
- (5) The development of semiconductor subjects.

(II) Industry Outlook

The Company started as a designer of mold and jig. The core technology of mold is insert molding process. This process entails the placement of the insert (including non-metallic materials) inside the mold cavity before the plastic injection to fill the mold, and the injection of plastic into the mold cavity so that the insert and the envelop part will be combined before the injection to form a single item. This process helps to save the manual labor of lamination and assemblies, reduce the use of materials and shorten the work hours, and successfully emerged as the technical barrier for the Company. The Company made ceaseless effort in the improvement of the insert molding technology with its know-how in mold and jig over the years, and has applied for patent protection in China, Taiwan, USA, and Japan for meeting the needs of slim and light weight of products in the future. In addition, the Company also combined the design of insert molding and the silica gel injection technology for applying to the development of acoustics, optical and automotive parts and components for broadening the horizon of new applications.

1. The Electroacoustic Industry

With the intelligence and informatization in 5G era being the current economic and social development trend, technologies such as IoT, big data, cloud computing, and AI will be used to facilitate the intelligence upgrade for electronic products alongside the continuous development of digital products including smart phones, portable media players, and virtual reality equipment, allowing rapid development of the high-end micro electroacoustic components and consumer electroacoustic products. As earphones are independent electroacoustic products, it is estimated that the penetrate rate of wireless earphones are going to increase and the global true wireless stereo (TWS) earphones will grow by a wide margin.

In recent years, wearable devices have been the focus development in the industry, among these, smart watches and ear-worn devices account for a large proportion. In the ear-worn device market that is extremely competitive, mini sized, improved sound quality, durable & long lasting and stable connected true wireless stereo products have become the development focus of all manufacturers.

Using smart speakers is a new way of life nowadays which contains unlimited business opportunities. In 2020, global smart speakers shipments exceeded 150 million units, and in the future, with the enhanced accuracy of voice recognition, the use of smart speakers will be even wider. As of now, the voice assistant technology of smart speakers are gradually being applied to the automotive market, and it is possible it can be integrated into newly launched cars in the future. Smart speakers in the 5G era will be the most crucial core equipment in smart households, and although the world has been affected by the coronavirus and the issue of shortage of electronic components, the long-term growth remains unchanged.

According to a report by Strategy Analytics, a survey organization, the global wholesale revenue from smartphones decreased by 5% in 2020 due to the impact of the pandemic, but it is expected to rebound and grow under the economic recovery after the pandemic slows down globally in 2021. According to the data in a report for the first quarter of 2021, global smartphone shipments increased by 24% year on year, which is mainly due to the consumer demand for health-focused equipment, a wave of phone replacements, and the enhanced promotion of 5G networks by companies in China. The outlook for 2021 is optimistic.

2. The Connector Industry

Connectors are a crucial electronic component for electrical connection or signal transmission between system or the entire circuit unit. Connectors are mainly applied in industries such as automotive (23.6%), communications (22%), consumer electronics (13.5%), industrial (12.3%), and rail transit (7%). The iteration speed for connectors in the downstream applications such as smartphones and computers is quicker. With emerging industries including new energy vehicles, IoT, and drones currently thriving, the overall development of downstream market is looking to promote the speedy growth of connectors.

As the fast growth of downstream industries including military, communications, new energy and automotive as well as the full support by national industrial policies, China has the world's largest connector market. Due to the fact that the communication connectors have potentially higher market values; they are also deemed as the crucial component of the 5G development, and the future construction application of internet data center (IDC) is also substantial in terms of market scales. As a result of the development of automotive new energy and smartization, market scales for automotive connectors is estimated to reach NT\$10 billion. Overall, the new development trends for connectors are high frequency and high speed, wireless transmission, mini sized and smart.

In the PC market, according to a report by IDC, a research institution, the pandemic has driven the demand for remote work and digital learning. In the first quarter of 2021, global shipments increased by around 55%, and the shortage of parts and components has prompted the average unit price to rise. The market demand unmet in 2020 has continued to 2021, and it is expected that the demand will continue to grow.

Although the COVID-19 pandemic has led to the formation of the stay-at-home economy, the stay-at-home orders have facilitated the demand for servers, TWS, laptops, and cloud data centers. In addition, video game PCs have made the sluggish PC market thrive again, and there is certain room for growth in this market in the short or even medium term. However, it is impossible to predict how long this recovery will last. After the market is saturated, the demand will decline, and PC companies need to strengthen their supply chain management and to control their production precise.

3. The Development of the Product Application Market

(1) Electroacoustic Components

The application of acoustics application is boundary free, and has extended to international communication, mass communication, traffic safety, environment quality, music, entertainment, inspection and testing, biomedical imaging, hearing aid, anti-noise, petroleum exploratory drilling, defense, rescue, and counterterrorism. Yet, all the above applications rely on the “electroacoustic” converter (microphone and loudspeaker) to achieve. Traditionally, speaker is used in radio, sound system, and mass communication. Piezoelectric loudspeaker is used as the sound source and receiver in ultrasound and sonar. Micro loudspeaker is used in cell phone, earphone, VoIP, 4C products, and hearing aids. Currently, portable device and high quality 4C products have become an integral part of our daily lives. The demand volume of micro loudspeaker grew in line with the growth in demand for tablet PC, smart phone, and wearables. Likewise, the demand for smart sound box, translation devices-simultaneous interpreter and related smart products also grew over the years.

Yet, the produce life cycle of smart products is short that the firms must adjust their production lines perpetually. Products fitting the needs of the customers and markets and remained competitive dictated for the strong capacity in research and development. New products must be designed to the needs of the customers. In addition, the slim, light, short and compact design development of cell phone with waterproof function required electroacoustic parts and components at stricter standard. Other than the basic design capability, the firms must have solid background in the development and application of new materials in order to pass the test of the market.

The shipment of consumer or professional sound and communication products will be enhanced, echoed with the continued development of ultrathin loudspeaker, wireless sound system, Sound Bars, automotive loudspeaker, smart sound box and related products. These will help to boost up the shipment volume of acoustic products and related parts and components. The development of related products for the smart wearables will be promising.

In terms of earphones, as the Bluetooth technology continues to improve and the evolution of AI and sensing technology, as well as the change of mobile phone structure and the support of software system, the sales of true wireless stereo (TWS) remain optimistic with their wireless, smart, small size, excellent sound quality, high-efficient connection and stability. In face of the fierce and competitive consumer acoustics market for professionally tuned sound effects and dual dynamic speakers, enhancing the performance of treble and bass is one of the development trends as a means to achieve the goal of product differentiation.

(2) Electronic Connectors

Connectors can be applied onto many fields of products including automotive, computer, communications, industrial, military, aerospace, transportation and medical. At the moment, automotive products account for the highest proportion followed by communication and consumer electronics. Not only do the connectors in current light and slim equipment have high-speed transmission rate, they are also equipped with multi-pins to integrate data, audio and video, and power signals to satisfy the dual requirements of both thickness and performance for the new generation of electronic devices.

The impact from the US-China trade war on the connector industry will facilitate various developments of new technologies including evolution of transmission interfaces, new trends in connector/sensor integration, connectors leading towards soft electronics. Connector manufacturers are also moving towards to developing new application product lines as the demand of emerging application market is diverse and innovative. Future connectors are likely to be smaller, highly reliable with strong wireless while accompanied smart function.

With the upcoming era of 5G and IoT, high-speed function has become a new demand. Wireless transmission connection of wireless technology will also be a guarantee in industrial and automotive industries.

With respect to communication moving toward 5G commercialization, it is promising there will be a wave of people replacing their original mobile phones to 5G mobile phones. With the 5G mobile phones being more sophisticated, connectors are likely to be developed into micro-direction while at the same time the demand for fast charging on the current and power carrying capacity of the connector is also likely to be higher. As the AIoT trend gradually taking shape, it is safe to say that there are more new development opportunities for connectors in terms of applications.

(3) Automotive Parts and Components

The rapid development of the technologies for electric cars, unmanned vehicles, and IoT over the years led to the new era of smart cars. Smart, light weight and electric car will be the main trend of development in market. The continued development of IoT and unmanned driving technology dictated for higher standard of sensors and communication technologies. The telecommunication service providers accelerated to commit their resources to the 5G environment and the rapid introduction of advanced auxiliary supporting system of foreign automobile firms will stimulate for higher demand of vehicle-mounted data communication and vehicle-mounted sensing system, which in turn stimulated for a much larger consumption volume of passive components. In sum, under the fermentation of electric cars, unmanned driving, and IoT, it is estimated that the passive components used in each car will increase significantly. The entrance barrier for the technology of passive components is not high and the price is not sensitive that the purchase order will be stable. This advantage attracts many major manufacturers to the market that help to effectively improve the product structure and enhance profitability.

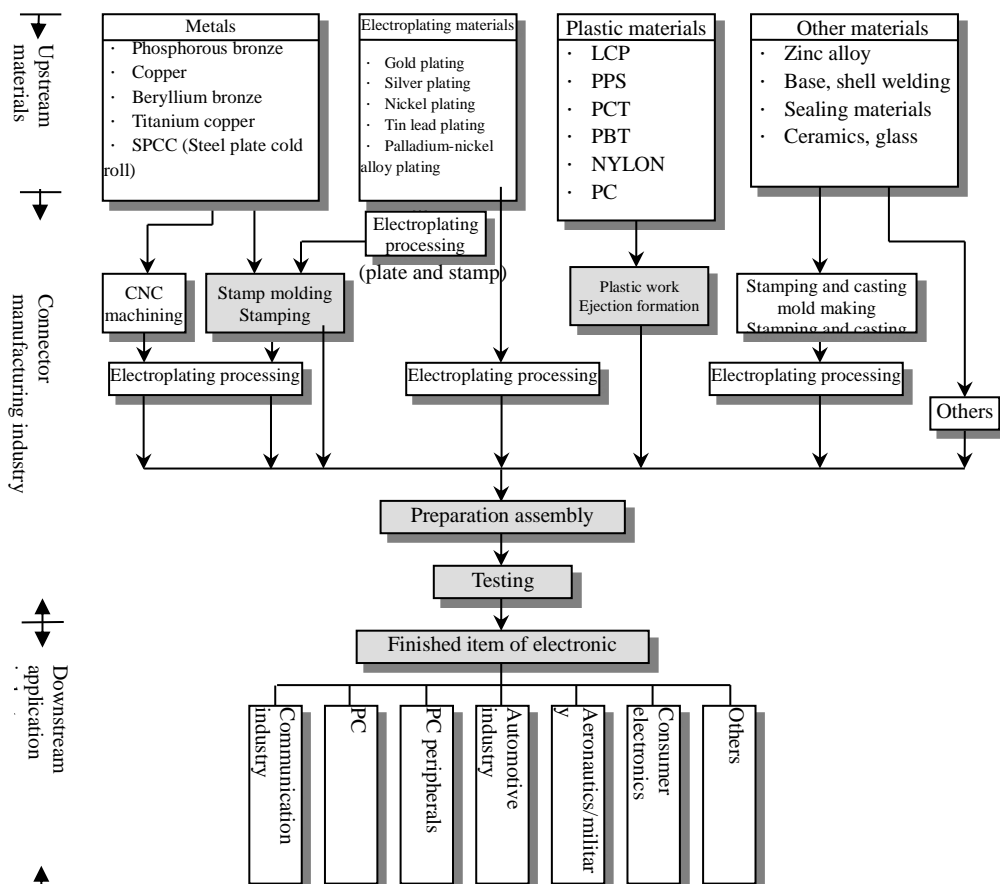
4. The association of upstream, midstream and downstream industries

(1) Electroacoustic Industry

The electroacoustic industry is composed by the terminal brand proprietor firms, acoustic parts and components outsourced manufacturers at downstream and the chips, plastic, metal, wires firms at midstream and upstream.

(2) The Connector Industry

Structure of electronic connector industry (source: ITRI's Industrial Technology Intelligence Services (ITIS) Project)



5. Different trends of development of products and competition

Product items	Development trend	Competition	Responding strategy of the Company
Consumer electronic connectors	<ol style="list-style-type: none"> 1. In responding to the need of slim and light design, related connectors are undergoing integration. 2. Formation of the idea of slim and light in design 3. The external connectors should feature high frequency transmission. 	<ol style="list-style-type: none"> 1. High frequency transmission and slim and light connector technology have emerged as the items for special research and development of the connector manufacturers. 2. Price competition. 	<ol style="list-style-type: none"> 1. With the tooling technology, the Company made ceaseless improvement of its insert molding production technology. Application for patent registration in China, Taiwan, USA and Japan for setting up barrier with patents to meet the needs of slim and light in the future. 2. Selective use of price competition strategy with ceaseless upgrade of product technology and quality.
Acoustic-optics components	Slim and light design and flexible automated production.	<ol style="list-style-type: none"> 1. The acoustic customers increase their ratio of self-manufacturing 2. Possession of the know-how in combination of silica gel and metal and plastics that enabled the Company to emerge as the world market leader in the production of silica gel vibration membrane. 	Make use of the tooling technology of the Company for ceaseless improvement of the insert molding production technology to build up entrance barrier in technology.
Automotive parts and components	Slim and light design and flexible automated production.	Technical barrier of the industry peers in Europe.	<ol style="list-style-type: none"> 1. Make improvement of the products and production technology of the industry peers in Europe, engage in joint development with the customers in Germany for new products to set up cost and technical barrier. 2. Challenge the full line automation of the automotive industry and products with high entrance barrier.

6. Competition

External connector has been gradually given up in the design of consumer electronics. It was coupled with the cut-throat competition of the industry peers. This halted the connector enterprises from making investment in business that may hamper their competitive power. The Company continues to make great effort in investing in the tooling equipment of its own to upgrade tooling technology and bolster the output of automation. The carrying items of the Company have been changed from connectors of consumer electronics to customized acoustic-optics components and automotive parts and components. This product line is highly customized that only the customers could produce a specific proportion. It is difficult for outsiders to compete in production. Further, design and full production capacity will be the gravity of this product line that it is difficult for the outsiders to imitate. The Company masters the know-how in combining silica gel, metals and plastics, which enabled the organization to emerge as a leader in the field of silica vibration membrane in the world market.

The Company has teamed up with OBO and developed the world's first monomer with 6mm and 5.4mm liquid silicon gel diaphragm in the world which has also been introduced and launched in new products of other well-known American brand customers and their suppliers. The Company's products will be utilized onto new customers' wearable devices and NB while cooperating with the Company's team in chip design in order to reach co-promotion module contract agreement. Automotive customers also continue to promote the mass production plan and the expansion of the Company's operation scales will make Company more competitive in the industry.

(III) Technology and R&D

1. The technical level of the business and R&D

The major technological know-how of the Company rested with the following 3 levels:

- (1) Product design: The Company has a strong team of engineering R&D personnel in Taiwan and Mainland China. They proceed to product design and development to the orders of the customers. The R&D function in Taiwan is focused on the design of customized product specification of the end customers in Europe and the USA while its counterpart in Mainland China is engaged in the improvement of the current product line for the customers of acoustic-optics components and customers receiving the services of the Company. In addition, this team is also responsible for the update of product specification to the needs of the customers. As such, the Company has the capacity and experience at the product design stage accumulated for years as compared with other industry peers.
- (2) Tooling technology: the internal key technology of the Company is in tooling. The key management team of the Company has more than 20 years of experience in mold design and production. The designers and the technicians of the team were trained internally by the Company. As such, many patents of production technologies are derived from the tooling technology. Indeed, tooling technology is the core value of the Company.
- (3) Automation technology: At the beginning period of product R&D, the Company demands 4 development crucial keys in the development stage: 1. Whether there is any contradiction between the product and other patent; 2. Market demand for such product; 3. Whether the production cost is lower than the similar products that are already developed in the market by 20%-30%; and 4. Whether the new products be produced under automation system? This element is vital for the Company in making profit. For this reason, the Company has set up an Equipment Development Dept charged with the duties of the research, development, and improvement of automaton technology. As such, 80%-90% or even more of the products of the Company are assembled by the automated production equipment by the Company.

As such, we could see that the technological level of business of the Company is oriented to ceaseless refinement and ongoing breakthrough. The resources of the Company after years of investment fortified the production capacity of the Company, which made it emerged as an industry leader even though incomparable to the international big enterprises. The R&D items of the Company in the future are specified below:

Product categories	Products and Plans planned for development	Sphere of application
The development of automotive related parts and components	Joint venture with the customers in the development of the parts and components necessary for the driving of new energy cars.	The automotive industry
The design of acoustics parts and components and the development of mass production technology.	Mass production of parts and components of microwave acoustics (loudspeaker) and the parts and components of moving-coil loudspeaker	Different industries
The composite use of silica gel material and other materials	The application of silica gel material to different levels of production technologies The application of silica gel to the technology development of semiconductor production process	Acoustics industry, optical industry Automotive industry, semiconductor industry
Optical products	Mass production technology of optical products and optical grade tooling capacity	Optics industry Automotive industry, semiconductor industry
Metal stamping technology	Upgrade of metal stamping technology	

2. R&D expenses in the last 5 years

Unit: NT\$ thousand

Items	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	2022 Q1
R&D expense	377,916	452,805	589,218	568,827	567,065	134,315
Net income	5,274,434	5,757,902	5,124,518	4,304,546	3,268,178	577,312
Ratio to net income	7.17%	7.86%	11.50%	13.21%	17.35	23.27

Note: The above consolidated financial information has been audited or reviewed by CPAs.

(IV) Long and short-term business development plans

1. Short-term business plan:

- (1) Continued development of the domestic sale market in Mainland China targeting at network communication industry:

The Company is focused on the network communication industry. Most of the customers are Taiwan business or foreign business. In recent years, network equipment companies in Mainland China such as Huawei and FiberHome have emerged as world-class network equipment firms through mergers and acquisition. Connectors in this market segment are mostly supplied to world-class big firms such as Tyco, Molex, and Foxconn. Most network equipment companies in Mainland China have gradually appealed to other suppliers so far as the cost is concerned. As such, this market could be the target for the Company to enter and develop.

- (2) Penetration of the products made by the Company into the product lines of the OEM customers through diversified mode of promotion as an integral part of end products:

The Company has developed long-term cooperative relations with the NB OEM makers. Since these OEM makers have started to diversify their OEM production lines, the Company could cut in several industries such as LCD TV and tablet PC. As such, the Company could promote the products being developed into their supply chain of parts and components for OEM products for developing market depth.

- (3) Improvement of the production capacity for acoustic-optics and continuation of optimizing the yield rate of acoustics and optoelectronic manufacturing to satisfy the increase in purchase orders after the upgrade of technologies:

The core competence of the Company in know-how is tooling and automation design and production. This core competence may also be applied to the development of acoustic-optics components. As such, the Company started its joint ventures with big US acoustics firms since 2013, and engaged in mass production since the second half of 2013. In 2017, acoustics components accounted for approximately 60% of the consolidated revenues of the Company. The Company has laid down its foundation of acoustics components in the period of 2013-2014 with its strength in tooling and automation development, which is very helpful for its development in 2015 and 2016. In 2015, purchase orders from the big acoustics firms contributed to the significant growth of revenue and profit of the Company. With this experience, the Company has a clear concept for its product Road-Map for development in the future and oriented towards multiple-materials and multiple-dimension insert-molding technology in research and development. The revenue from acoustic components is expected to maintain a steady growth trend in 2021, and optical components will continue to be applied to the process technology at the optical level to which silica gel materials are applied.

- (4) The production of the well-developed vibration membrane and the advanced mixed covered injection technology:

We master the know-how of combining silica gel, metals, and plastics, which enable us to emerge as a leader in the market of silica gel vibration model. Currently, our R&D team has spared no effort in the development of the materials with f0 error at the level of ± 5 Hz for waterproof and air permeable new material. This material features the integrated function of waterproof to replace the original sound web, adding new function to old parts, and condense the production process and cost of production at back-end. This is not only a matter of mixed covered injection with a diversity of materials; it also makes the quick availability of substitution plan for the customers to their needs further to the well-developed production process.

2. Long-term development plan

- (1) Active participation in cross-industry exhibitions such as precision production shows, automobile show, and medical machinery shows to enhance the exposure of the Company in frontier manufacturing capacity.
- (2) Establishment of stable business relation with top-notch manufacturers of the world with less manpower and high reproducibility manufacturing capacity.
- (3) Challenge the full-line automation of the automobile firms and development products with high entrance barrier.
- (4) Further effort in the development of silica gel ejection LSR production process.

II. Market, production and sale

(I) Market Analysis

1. Main regional markets for the products

Main regional markets for the products in the last 2 years, the amount and proportion of sales

Unit: NT\$ thousand

Regions of sales in the year		Year 2021		Year 2020	
		Amount	%	Amount	%
Domestic sale		-	-	-	-
Export sale (Note)	Mainland China	2,763,140	84.55	3,506,064	81.45
	Taiwan	245,721	7.52	223,261	5.19
	Others	259,317	7.93	575,221	13.36
	Subtotal	3,268,178	100.00	4,304,546	100.00
Total		3,268,178	100.00	4,304,546	100.00

Note: The regions of sales beyond Cayman Islands. The consolidated financial information provided above has been audited b CPAs.

2. Market share

The principal business of the Company is the production and sale of acoustic components, connectors and jigs. In recent years, the revenue from acoustics components has accounted for 80% of the total revenue. Acoustics components are not common parts and components for consumer electronics that statistics on related research are not common and easily available. As such, it is difficult to obtain the exact figure of market share. Further, the entrance barrier is high in the technical aspect, and the end customers and international acoustics big firms have high standard in quality. The entrance barrier could further be secured with the registration of patents. In the aspect of connectors, the Company concentrates in the research and development, manufacturing, and sale of network communication and NB series of connectors. In light of the diversity in the types of connectors and the know-how is well-developed with many suppliers, it is difficult to estimate the market share of this product line. Yet, the Company is specialized in high frequency and high speed connectors. With the stable support from the downstream manufacturers, the products and technologies of the Company were highly recognized and affirmed by the customers and are competitive in the industry.

3. The supply and demand in market of the future and potential for growth

Connector is a vital component in the terminal consumer electronics market and is applicable to end products. The market size of the electronic parts and components markets is approximately tens of billions of NTD (e.g.: LED, passive components, PCB, connectors and battery tooling), which stimulated business opportunities worldwide. With the increasing popularity of smart phone and the 5G trend, the trend of growth in the acoustic component industry is clear. The following is the analysis of the changes in the supply and demand in market:

(1) Connectors

At the early stage of the operation, the Company was focused on the research and development, production, and sale of connectors. The Company underwent transformation in the last few years and turned its focus on tooling technology. The network communication and NB connector industry have been well-developed, and the gross margin is not as thick as the newly emerged business, but it still account for a substantial share in the terminal application market. Connector is an integral part attached to different types of electronic components such as LED, PCB and battery tooling. According to the research findings, the scale of production and sale in the connectors market in 2020 was in a growth trend. In the rapid development of downstream

industries in China like, military, communication, green energy and automotive, and under the great support of the government policy, the manufacturing standard of local firms has obviously been upgraded. The Company is focused on high frequency or high speed connectors, and could maintain its operation with stable growth in the future.

(2) Acoustics components

According to research surveys, the shipments in the global smartphone market from the second half of 2020 to the first quarter of 2021 showed a growth trend, and the wave of replacements with 5G mobile phones will continue to facilitate the growth. IDC said that global wearable device shipments, including TWS headsets, smart watches, and smart bracelets, in 2020 grew by 28.4% compared with 2019. Of them, TWS headset products accounted for the largest proportion, which is expected to continue to grow in the future. The Company's sales customers in mainland China ranked among the top companies in the world for acoustic components, and smartphone end customers have strict requirements on the quality of international electro-acoustic manufacturers, which prompted electro-acoustic manufacturers to select their suppliers based on their technologies and techniques. Thus, technological barriers have formed. However, due to changes in customers and industries, the room for technological breakthroughs in the design of acoustic components for mobile phones is quite limited. Therefore, the Company will switch from acoustic components for mobile phone to those for wearable devices to increase the scale of acoustic components for wearable devices.

(3) Potential for growth in the future

The above analysis of supply and demand indicated that the premium products of the Company were used in consumer electronics and network communications, and have reached certain economy of scale and market share. Under the high entrance barrier of technology of the acoustic-optics, competitors cannot easily penetrate into the market and the Company will be prospective in the future.

4. Competitive Edge:

The competitive advantages of the Company are specified below:

(1) Innovative design mindset

The original design of connectors by the Company is not affected by the homogeneity of products in the industry by using an innovative mindset to challenge the original design concept. In addition, the Company used the Insert Molding process technology extensively to reduce the use of copper and condense the time for production. The multiple-materials Insert Molding technology allows for a diversity of products and posed a technical barrier, and has been recognized by the international customers and patent registration in many countries.

(2) Capability in improvement of production technology

The Company invests in the design and development of automated assembly devices every year for product stability such as the fully automated assembly machine, mechanical robotic arms automated assembly machine, automatic inspection and testing machine. In addition, the multiple-cavity tooling design for mold injection, the Insert Molding process technology remained the strength of the Company in production technology improvement.

(3) Automation equipment to control the production process and quality of products

The Company highly values machinery automation, and The purchase of property, plant and equipment in the past three years was in the amounts of NT\$1,027,342,000, NT\$2,011,751,000, and NT\$1,376,086,000, respectively. This has indicated that the production process of the Company has gradually been transformed to automation for reducing the demand for labor force. Furthermore, the Company has also self-developed an automated system for product inspection and testing for assurance of quality further to the procurement of quality assurance equipment and production equipment for the continued upgrade of the precision of mold manufacturing, stamping and assembly and the eventual production quality yield rate. Recently, the Company has also begun to introduce class 10,000 and class 1,000 cleanroom processes.

5. Factors favorable and unfavorable for the development in the future, and the response:

(1) Favorable factors

A. The demand in the acoustic-optics component market is stronger than the supply:

The Company turned to the acoustic-optics market with its capability in design and production of connectors, and cut in the market at the growth stage of the market of portable

devices. Given the demand for precision in know-how and customization, an entrance barrier has been erected in the field of acoustic-optics components. As such, a bottle neck in supply was formed and the market is under oligarchical control. The market is promising in the future with the expansion of operation in acoustic-optics.

B. The marketing policy of in-depth development of non-mainstream industries:

The consumer electronics market will be the mainstream market for the development of the connector industry in Taiwan. The NB market is the center of the mainstream market. Yet, this market was conditioned by the cost of the NB ODM, OEM, or EMS assembly plants that the gross profit of connector products could not be improved. Under this circumstance the investment of the connector firms in research and development could not enjoy cost-efficiency. Likewise, the capacity of the connector firms in innovation and development of production technology slowed down. The Company has pursued its marketing strategy by targeting at the non-mainstream market way back through in-depth cultivation. The revenue has been marginally lower than the industry peers but has been on the growth year after year to expectation. The Company then turned to new market for further expansion, and could maintain growth in revenue under the financial crisis of the US in 2008 and the Euro debt crisis in 2011. In addition, the direction of research and development and the allocation of resources of the Company were aligned with the development trend of the Company. As such, the Company performed better than the industry peers in innovation and improvement in production technology. The Company earned the trust of the customers with its design idea, which could be proved by the extension to acoustic-optics components.

(2) Unfavorable factors and response

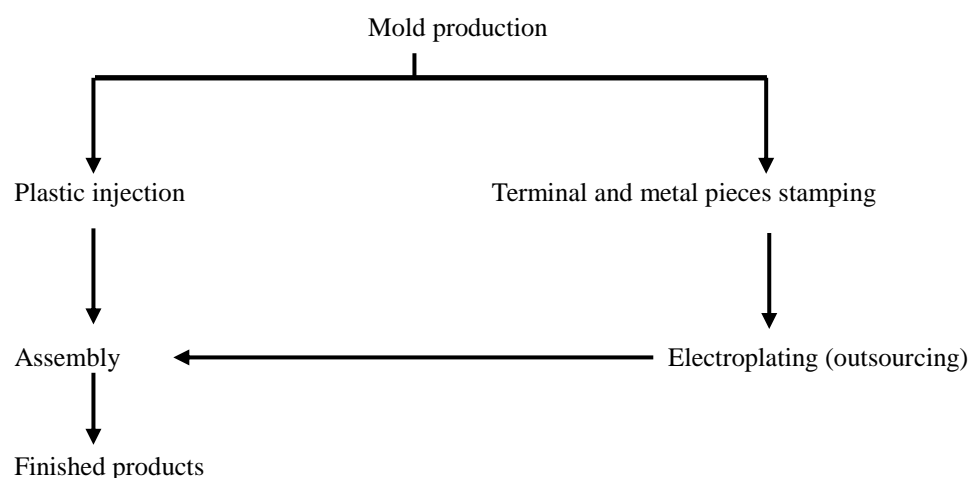
Unfavorable factors	Response
Joint venture with international big firms required more investment in research and development than the industry peers.	<ol style="list-style-type: none"> 1. Control the cost of research and development through caution in selection of projects. 2. Engage in joint venture with international big firms in research and development such as the famous US acoustics firms to set the direction of research and development and commitment of resources. 3. Application for patent registration to protect and upgrade the technical barrier and build up a higher entrance barrier with patents and technology.
The marketing strategy of in-depth cultivation of the non-mainstream market could not earn the recognition of the industry peers.	<ol style="list-style-type: none"> 1. Entrance into the capital market for upgrade of the position in the industry. 2. Determine the positioning in the industry through joint venture with the international big firms. 3. Continue to recruit good people in research and development and management to enlarge the scale of operation and improve the position among the industry peers.
The rapid change in technology shortened the life cycle of end products.	<ol style="list-style-type: none"> 1. Strengthen the capacity in precision and product yield rate through know-how and seek more opportunities for joint venture with international big firms through the upgrade of production equipment for better opportunity of product development. 2. The R&D function is engaged in the research and development of products to the specification requirement of the customers, and has also procured high precision processing equipment. These indicated that the Company has a higher level of precision technology than the industry peers. 3. The Company optimized the cost in product design for proper cost control and made improvement in automation production equipment and process to enhance the yield rate and production efficiency and reduce the cost of production. In addition, the Company seeks to upgrade the technical process with the research and development of new specifications to the demand of the customers and align with the trend of innovation of the downstream end products. 4. Continue to optimize the yield rate in the manufacturing of acoustic optoelectronic manufacturing, and improve the ROE and per capita production value.

(II) The purpose of major items and production process

1. The purpose of major items:

The major items produced by the Company are electronic connectors and acoustics components. These items are used in the end products for connection or transmission of signals to end products so as to generate power in the electronic parts, and the electronic parts for acoustic transmission for the portable devices.

2. The production process of major items:



There are 5 major stages in the production process of connectors, which are mold development, plastic injection, stamping, electroplating, and assembly. Currently, the Company outsources for electroplating after the design and the works of all other stages of the process are performed by its own technologies. The Company has accomplished the vertical integration of 5 major processes in 2012 for the realization of all-indigenous production plan.

(III) The supply of key materials

Names of key materials.	Key suppliers (Note)	Status of supply
Plastics for acoustics components	Supplier H, Supplier E	Good
Plastic chips	Supplier D, Supplier F	Good
Terminal	Supplier C	Good
Sound network	Supplier B, Supplier G	Good

Note: Due to NDA, names of companies are not disclosed.

(IV) List of key suppliers and customers

1. The names of the suppliers accounting for more than 10% of the total purchase of any of the last 2 years, the amount of purchase and proportion to total purchase, and explain the reasons for the changes, where applicable:

Unit: NT\$ thousand; %

Items	Year 2020				Year 2021				Year 2022 Q1			
	Name	Amount	Proportion to the net purchase of the year (%)	Relation with the issuers	Name	Amount	Proportion to the net purchase of the year (%)	Relation with the issuers	Name	Amount	Proportion to the net purchase of the year (%)	Relation with the issuers
1	Supplier H	148,203	10.63	None	Supplier Z	83,039	5.78	None	Supplier V	39,284	21.39	None
2	Supplier Z	140,158	10.05	None	Supplier H	77,793	5.42	None	Supplier G	11,012	6.00	None
	Others	1,105,865	79.32	None	Others	1,275,480	88.80	None	Others	133,376	72.61	None
	Total	1,394,226	100.00	-	Total	1,436,312	100.00	-	Total	183,672	100.00	-

The individual suppliers whose amount of purchases accounted for more than 10% of the Company's total purchases in the latest two years were Suppliers H and Z, and the amount and percentage of their purchases are as in the table above. The raw materials purchased by Supplier H are mainly used for acoustic products, and are the raw materials required for the production by the Company's current largest acoustic customer, and the materials designated by end customers. Supplier Z is a mold part processing manufacturer, and its amount did not change significantly.

2. Name of the customers who accounted for more than 10% of total sales in one of the latest two years and its sales amount and percentage, as well as explanation of its increased (decreased) reasons of changes:

Unit: NT\$ thousand; %

	Year 2020				2021				2022 Q1			
Items	Name	Amount	As Percentage of Annual Net Sales	Relation with the issuers	Name	Amount	As Percentage of Annual Net Sales	Relation with the issuers	Name	Amount	As Percentage of Annual Net Sales	Relation with the issuers
1	A	1,433,613	33.30	None	A	1,034,868	31.66	None	A	16,174	2.80	None
2	B	952,306	22.12	None	B	481,445	14.73	None	B	146,807	25.43	None
3	C	299,912	6.97	None	C	488,272	14.94	None	C	173,748	30.10	None
Others		1,618,715	27.89	-	Others	1,263,593	38.67	-	Others	240,583	41.67	-
Total		4,304,546	100.00	-	Total	3,268,178	100.00	-	Total	577,312	100.00	-

The sales mainly came from parts and components for acoustic products to Customers A and B. In 2020, due to a decrease in customer demand, the decline in unit price and the molds and fixtures unsold has led to a decrease in the proportion of sales.

(V) Production's Volume and Value Table in Latest Two Years

Unit: NT\$ Thousand/ Pieces Thousand

Production Value	Year	Year 2020			Year 2021		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Main Products							
Acoustic products and parts		720,000	578,587	2,224,341	556,000	445,448	1,805,428
Connector series		540,000	435,208	144,820	112,000	89,820	108,218
Mold and jig and automation equipment		1,100	888	1,175,893	1,500	1,074	1,453,249
Optical parts		25,000	20,042	42,465	30,000	23,957	52,926
Parts of automotive series and others		55,000	43,984	553,956	70,000	55,995	742,229
Total		1,341,100	1,078,709	4,141,475	769,500	616,294	4,162,050

(VI) Sales' Volume and Value Table in Latest Two Years

Unit: NT\$ Thousand/ Pieces Thousand

Sales Value	Year	Year 2020				2021			
		Domestic sale		Export sale		Domestic sale		Export sale	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main Products									
Acoustic products and parts		-	-	492,513	3,369,734	-	-	387,960	2,115,769
Connectors		-	-	29,641	166,977	-	-	19,455	121,604
Optical parts		-	-	62,166	231,244	-	-	68,709	192,587
Parts of automotive series and others		-	-	56,763	536,591	-	-	101,882	838,218
Total		-	-	641,083	4,304,546	-	-	578,006	3,268,178

III. Basic information on the employees in the last 2 years to the day this report was printed

Unit: person; %

Year		Year 2020	Year 2021	As of May 31, 2022
Number of employees	Manger	43	37	22
	Regular staff	2,498	1,773	1,366
	Total	2,541	1,810	1,388
Average age		32.1	34.4	30.9
Average years of service		3.0	3.9	2.2
Distribution of education level	Doctors	0.08	0.06	0.07
	Masters	0.51	0.61	0.36
	Bachelors	25.78	25.47	23.99
	Senior high school and below	73.63	73.87	75.58

IV. Information on environmental protection expenditure

- (I) As of the printing date of the annual report, the losses caused from environmental pollution (including compensation and an environmental audit outcome that resulted in a violation of the environmental laws and regulations - the date of penalty, penalty document number, the violation of provision, the content of the violation, and penalty content): None.
- (II) An estimated amount that is likely to be incurred in the future and corresponding measures: The Company has comprehensive environmental facilities and there is no plan of purchasing material equipment in recent years aside from the annual routine repair work and maintenance.

V. Labor-Management Relation

- (I) The fringe benefits, continuing education, training, retirement system of the Company and implementation, and Labor-Management Agreement, the protection of the rights and privileges of the employees.
 - 1. Employee benefits
 - A. The Company duly observes applicable laws governing labor force in relevant regions. All employees are entitled to social insurance and related reserves like the housing allowance reserve in Mainland China and the annuity of retirement for the employees in Taiwan under the new retirement system.
 - B. Trips and events for employees are held on an unscheduled basis.
 - C. The Company holds recreational activities like basketball games, tug of war and others from time to time to help the employees to release their pressure from work.
 - D. Employees in Mainland China are offered free accommodation and meals to improve their real income.
 - 2. Employee continuing education and training

The Company provides internal and external training for the employees. Further to the orientation of the new employees as an integral part of internal basic training, different types of on-the-job training relevant with the assigned duties of the employees are also provided. The completion and performance of the employees in the training will be tracked on record as reference for salary adjustment and promotion in the future. External training could be received at home and abroad. Training in Taiwan is mostly for licensing and certification in certain area of specialization and as required by the government. Training in other countries will be provided for the outstanding employees after screening by the Company for short-term to allow them to broaden their horizon.
 - 3. Retirement system

The Company established the retirement system for the employees in compliance with applicable laws of the places of operations. In Mainland China, the Company appropriated payments for the 5 reserve funds to the local Human Resources and Social Security Bureau as pension reserve for the employees. In Taiwan, the Company allocates a specific percentage of the employee salaries as pension reserve under the new retirement system. The Company will proceed to the retirement procedures in accordance with applicable laws of the places of its operations for the employees who are at the age of retirements.
 - 4. The Company and its investee companies duly respect the rights and obligations of the employees in accordance with the applicable laws in relevant host countries of operations governing labor force. Further to public education and communication with the employees, the Company also conducts interviews with individual employees at all levels to understand their needs and refine the management rules and regulations of the Company to make management humanized. In addition, the investee companies have duly observed applicable laws of relevant host countries of operations in recruitment, employment, and remuneration. These companies also establish safe and health work environment in compliance with local laws governing occupational safety and health to protect the rights of the employees.
- (II) List any loss sustained as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the printing date of the annual report (including labor inspection result which violates the regulations stipulated in the Labor Standards Act, the date of penalty, penalty reference, the violation of provision, the content of the violation, penalty content), and disclose an estimated loss incurred to date or likely to be incurred in the future, and indicate corresponding measures being or to be taken. Where a reasonable estimate cannot be made, the reasons for the inability to make a reasonable estimate shall be specified: Since the Company and its investees were incorporated, no material labor disputes have occurred.

VI. Infocomm Security Management

- (1) State the infocomm security risk management framework, the infocomm security policy, the specific management plan and the resources invested in the infocomm security management:

1. Infocomm security risk management structure:

The IT Department is responsible for coordinating and implementing the information security policy, publicizing information security information, enhancing employees' information security awareness and collecting and improving technologies, products or procedures for the performance and effectiveness of the organization's information security management system. The auditing office conducts an annual infocomm security audit of the internal control system - information cycle to evaluate the effectiveness of the internal control of the Company's information operations.

2. Infocomm security policy:

2.1 The policy applies to all the Company's employees, contracted service providers, part-time workers and visitors.

2.2 The information security management scope covers 11 fields to avoid improper use, leak, tampering or destruction of data due to human negligence, deliberate destruction or natural disasters which may lead to potential risks and hazards to the Company. The fields are as follows:

2.2.1 Formulation and assessment of the information security policy.

2.2.2 Information security organization.

2.2.3 Classification and control of information assets.

2.2.4 Personnel safety management and training.

2.2.5 Physical and environmental security.

2.2.6 Communication and operational security management.

2.2.7 Access control security.

2.2.8 System development and maintenance security.

2.2.9 Response to information security incidents and handling.

2.2.10 Sustainable operations management.

2.2.11 Compliance with relevant laws and regulations and the policies of the execution units.

3. Specific management plans:

The Company has established a set of comprehensive network (equipment: Firewall and structure: VLAN and network providers: HiNet Information Security Fleet) and computer security protection system (computer: AntiVirus-OfficeScan and NB: Bit Locker/Vera Crypt encryption system) in order to control or maintain the Company's important corporate operation functions such as manufacturing operations and accounting, while at the same time prevent external IPS intrusions, DDoS attacks, anti-spyware programs, viruses and malicious connections of zombie computers. However, the Company cannot guarantee 100% that its network and computer systems can completely avoid cyber-attacks from any third-party system. Under the circumstance of a severe network attack, the Company's system may lose important data and the production line will probably be forced to stop due to the attack being unsolved.

4. Resources invested in infocomm security management:

The Company ensures the suitability and efficiency of network safety regulations and procedures through annual inspection and assessment and introduces new technologies and information security equipment .

- (2) List the losses, possible impacts suffered due to major infocomm security incidents and countermeasures in the most recent year and as of the date of publication of the annual report. If it cannot be reasonably estimated, the facts that it cannot be reasonably estimated shall be stated: no major information security incident has occurred since the establishment of the Company and its re-investee companies.

VI. Major contracts

Contract nature	The party	Starting date of the contract	Major content	Restriction clause
LOAN AGREEMENT	Bank of Communication	2019.09~2022.09	Loan Agreement	None
LOAN AGREEMENT	Bank of China	2019.06~2023.08	Loan Agreement	Yes (Note)
LOAN AGREEMENT	Bank of Ningbo	2021.07~2023.07	Loan Agreement	None
LOAN AGREEMENT	Chang Hwa Bank	2020.05~2023.05	Loan Agreement	None

Note: The total amount of endorsements provided by Kunshan Dragonstate, a subsidiary of the Company, to external parties during the contract period shall not be higher than 50% of the net assets as stated in its standalone financial statements in the latest period.

VI. Financial Position

I. Condensed Balance Sheets and Comprehensive Income Statements of the last 5 years

(I) Condensed Balance Sheet

Unit: NT\$ thousand

Item	Year	Financial information of the last 5 years (Note 1)					As of March 31, 2022
		Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	
Current assets		4,140,781	4,817,847	5,422,672	4,937,489	2,024,456	1,635,632
Property, plant and equipment		2,624,074	2,809,741	4,139,499	4,073,255	3,231,868	2,802,612
Intangible assets		23,549	28,435	209,980	186,073	48,801	41,928
Other assets		419,494	517,148	483,074	607,924	286,191	205,492
Total assets		7,207,898	8,173,171	10,255,225	9,804,741	5,591,316	4,685,664
Total liabilities		1,887,317	3,088,649	3,116,311	3,106,550	3,489,241	3,158,806
	Ex-dividend (Note 2)	2,423,176	3,736,483	3,184,392	3,122,207	3,489,241	3,158,806
Non-current liabilities		1,587,727	1,103,163	1,838,580	1,457,431	787,956	543,940
Total liabilities		3,475,044	4,191,812	4,954,891	4,563,981	4,277,197	3,702,746
	Ex-dividend (Note 2)	4,010,903	4,839,646	5,022,972	4,579,638	4,277,197	3,702,746
Shareholders equity attributable to parent company		3,732,854	3,981,359	5,034,215	5,019,834	1,213,425	982,918
Capital stock		1,071,719	1,184,191	1,366,843	1,572,126	1,571,856	1,571,836
Addition paid-in capital		1,459,290	1,421,813	2,676,711	2,685,289	2,664,083	2,664,083
Retained earnings		1,296,950	1,737,636	1,502,571	1,084,828	(2,705,663)	(2,981,770)
	Ex-dividend (Note 2)	761,091	1,089,802	1,434,490	1,069,171	(2,705,663)	(2,981,770)
Other equity		(95,105)	(288,137)	(437,877)	(248,356)	(241,448)	(195,848)
Treasury shares		-	(74,144)	(74,033)	(74,053)	(75,403)	(75,383)
Uncontrolled equity		-	-	266,119	220,926	100,694	-
Total equity		3,732,854	3,981,359	5,300,334	5,240,760	1,314,119	982,918
	Ex-dividend (Note 2)	3,196,995	3,333,525	5,232,253	5,225,103	1,314,119	982,918

Note 1: The financial information stated above has been audited or reviewed by CPAs

(II) Condensed Comprehensive Income Statements

Unit: NT\$ thousand

Item \ Year	Financial information of the last 5 years (Note)					As of March 31, 2022
	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	
Revenue	5,274,434	5,757,902	5,124,518	4,304,546	3,268,178	577,312
Gross profit	2,275,910	2,369,249	1,651,924	1,071,378	(80,557)	(118,735)
Income from operation	1,497,058	1,490,187	549,531	(38,532)	(3,750,358)	(361,146)
Non-operating income and expenses	(45,975)	(50,234)	(6,652)	(87,504)	(110,741)	70,287
Net income (loss) before tax	(50,234)	(6,652)	(87,504)	(110,741)	(151,462)	(290,859)
Net income (loss) of continued operations in current period	1,446,824	1,483,535	462,027	(149,273)	(3,901,820)	(288,236)
Loss of discontinued operations	-	-	-	-	-	-
Net income (loss) in current period	1,096,100	976,545	391,668	(185,647)	(3,892,238)	(288,236)
Other comprehensive income in current period (Net income)	(12,964)	(121,162)	(173,745)	153,004	(16,012)	46,112
Total comprehensive income in current period	1,083,136	855,383	217,923	(32,643)	(3,908,250)	(242,124)
Net income (loss) attributable to the owners of the parent company	1,096,100	976,545	419,892	(145,438)	(3,774,859)	(276,107)
Net income attributable to uncontrolled equity	-	-	(28,224)	(40,209)	(117,379)	(12,129)
Comprehensive income attributable to the shareholders of parent company.	1,083,136	855,383	251,365	12,550	(3,788,018)	(231,344)
Comprehensive income attributable to uncontrolled equity	-	-	(33,442)	(45,193)	(120,232)	(10,780)
Earnings (loss) per share (NTD)	9.59	7.89	2.85	(0.93)	(24.11)	(1.77)

Note: The financial information stated above has been audited or reviewed by CPAs

(III) Names of the external auditors and audit opinions in the last 5 years

Year	Name of CPA office	Name of CPAs retained as external auditors	Audit opinions
2017	PWC Taiwan	Se-Kai Lin, Hsien-Cheng Chen	Unqualified opinion
2018	PWC Taiwan	Hsien-Cheng Chen, Chin-Mu Hsiao	Unqualified opinion
2019	PWC Taiwan	Hsien-Cheng Chen, Chin-Mu Hsiao	Unqualified opinion
2020	PWC Taiwan	Hsien-Cheng Chen, Yi-Chang Liang	Unqualified opinion
2021	PWC Taiwan	Hsien-Cheng Chen, Yi-Chang Liang	Unqualified opinion
2022 Q1	PWC Taiwan	Hsiao-Cheng Chen, Yi-Chang Liang	Reserving review comments and emphasizing matters

Note: The above consolidated financial report has been audited or reviewed by CPAs.

II. Financial analysis of the last 5 years

Items for analysis (Note 1)		Financial analysis of the last 5 years					As of March 31, 2022
		2017	2018	2019	2020	2021	
Financial Structure %	Liabilities to assets ratio	48.21	51.29	48.32	46.55	76.50	79.02
	Long-term capital to property, plant and equipment ratio	202.76	180.96	172.46	164.44	65.04	54.48
Ability to repay debts	Current ratio	219.40	155.99	174.01	158.94	58.02	51.78
	Quick ratio	190.98	140.38	153.75	134.35	38.75	32.47
	Debt service coverage ratio	2,045.55	1,206.50	486.55	(27.07)	(3,235.40)	(1,046.92)
Utility	Account receivable turnover (time)	2.49	1.62	1.24	1.05	0.85	0.63
	Average days of collection	146	225	294	348	429	579
	Inventory turnover (time)	7.11	6.70	5.97	4.54	4.38	3.80
	Account payable turnover (time)	4.54	5.35	4.61	4.14	4.85	4.02
	Average days of sale	51	54	61	80	83	96
	Property, plant, and equipment turnover	2.41	2.12	1.47	1.05	0.89	0.77
	Total asset turnover (time)	0.95	0.75	0.56	0.43	0.41	0.45
Profitability	Return on assets (%)	20.77	14.09	5.29	(0.91)	(49.35)	(4.03)
	Return on equity (%)	38.12	25.32	8.44	(3.52)	(118.76)	(100.39)
	Ratio of net income (loss) before tax to paid-in capital (%)	135.00	125.28	33.80	(9.49)	(248.23)	(74.02)
	Profit margin (loss) (%)	20.78	16.96	7.64	(4.31)	(119.10)	(49.93)
	Earnings (loss) per share (NTD)	10.53	8.28	3.28	(0.93)	(24.11)	(1.77)
Cash flows	Cash flow ratio (%)	14.68	24.80	60.75	29.91	21.74	(1.27)
	Cash flow adequacy ratio (%)	38.27	37.61	46.05	44.67	53.08	61.36
	Cash reinvestment ratio (%)	1.96	3.60	13.93	8.73	11.82	(0.65)
Leverage	Operating leverage	1.52	1.59	3.01	(27.80)	0.02	0.33
	Financial leverage	1.05	1.10	1.28	0.25	0.97	0.93
<p>Explain the reasons for the changes in the financial ratios of the last 2 years. (No analysis is necessary if the change is within the range of 20%)</p> <p>1. Debt service coverage ratio: The main reason is that the total assets in 2021 will be greatly reduced, resulting in a decrease in the ratio of liabilities to assets.</p> <p>2. Ratio of long-term funds to real estate, plant and equipment: The larger decrease in the net value of shareholders' equity in 2021 will result in a decrease in the ratio of long-term funds to real estate, plant and equipment.</p> <p>3. Current ratio and quick ratio: The main reason is that current assets in 2021 decreased by RMB 2.91 billion compared with 2020 (accounts receivable decreased by approximately RMB 2.89 billion), resulting in a decrease in current ratio and quick ratio.</p> <p>4. Interest coverage ratio: The pre-tax loss in 2021 will increase by 3.75 billion yuan compared with 2020, resulting in a decrease in the interest coverage ratio.</p> <p>5. Return on assets: The main reason is that the decrease in net profit leads to a decrease in the return on assets.</p> <p>6. Equity rate of return: The main reason is that the decrease in net profit leads to a decrease in the rate of return on equity.</p> <p>7. The ratio of pre-tax net profit to paid-in capital: The main reason is that the ratio of pre-tax profit decreases.</p> <p>8. Net profit rate: The main reason is that the decrease in operating income leads to a decrease in the net profit rate.</p> <p>9. Earnings per share: The main reason is that the net profit declined compared with the previous period, resulting in a decrease in earnings per share.</p> <p>10. Cash flow ratio: Mainly due to the increase in pre-tax net loss and recognized expected credit impairment loss, resulting in a decrease in net cash flow from operating activities.</p> <p>11. Cash reinvestment ratio: It is mainly due to the increase in pre-tax net loss and recognized expected credit impairment loss, resulting in a decrease in net cash flow from operating activities. Operating leverage: mainly due to the increase in operating leverage caused by the increase in net operating loss.</p> <p>12. Financial leverage: The main reason is that the increase in net operating loss resulted in an increase in financial leverage.</p>							

Note 1: The consolidated financial report above has been audited or reviewed by CPAs.

Note 2: In the analysis of cash flows, net cash flow from operation refers to net cash inflow from operation. Net cash outflow was excluded from the calculation.

Note 3: The equations for the calculation of financial analysis are shown below:

1. Financial Structure

(1) Liabilities to assets ratio = Total liabilities/total assets

(2) Long-term capital to property, plant and equipment ratio = (total equity + non-current liabilities)/net property, plant and equipment

2. Ability to repay debts

(1) Current ratio = current assets/current liabilities

(2) Quick ratio = (current assets – inventory – prepayment)/ current liabilities

(3) Debt service coverage ratio = EBIT/interest expense in current period

3. Utility

(1) Receivables (including account receivables and note receivables from business operation) turnover = net sale/balance of average receivables in each period (including account receivables and note receivables from business operation).

(2) Average days of collection = 365/ account receivable turnover

(3) Inventory turnover = cost of sale/ average inventory

(4) Payables (including account payables and note payables from business operation) turnover = net sale/balance of average payables in each period (including account payables and note payables from business operation).

(5) Average days of sale = 365/inventory turnover

(6) Property, plant, and equipment turnover = net sale / average net property, plant, and equipment

(7) Total asset turnover = net sale/ average total assets

4. Profitability

- (1) Return on assets = $[\text{net income} + \text{interest expense} \times (1 - \text{tax rate})] / \text{average total assets}$
- (2) Return on equity = $\text{net income} / \text{average total equity}$
- (3) Net income ratio = $\text{net income} / \text{net sale}$
- (4) Earnings per share = $(\text{income attributable to parent company} - \text{preferred share dividend}) / \text{weighted average outstanding shares}$ (Note 4)

5. Cash flows

- (1) Cash flow ratio = $\text{cash flow from operation} / \text{current liabilities}$
- (2) Net cash flow adequacy ratio = $\text{net cash flows from operation in the last 5 years} / (\text{capital expenditures} + \text{inventory increment} + \text{cash dividend}) \text{ of the last 5 years}$
- (3) Cash reinvestment ratio = $(\text{net cash flows from operation} - \text{cash dividend}) / (\text{gross property, plant, and equipment} + \text{other non-current assets} + \text{working capital})$ (Note 5)

6. Leverage:

- (1) Operating leverage = $(\text{net sales} - \text{variable operating cost and expense}) / \text{operating income}$ (Note 6)
- (2) Financial leverage = $\text{operating income} / (\text{operating income} - \text{interest expense})$

Note 4: Pay attention to the followings in the measurement of earnings per share:

1. The calculation shall be based on the weighted average quantity of outstanding shares, not the quantity of outstanding shares as of the last day of the year.
2. If additional capital was raised by offering new shares, or there are transactions of treasury shares, consider the outstanding period in the calculation of the weighted average quantity of outstanding shares.
3. If there is capitalization of retained earnings or additional paid-in capital into new shares, make retrospective adjustment in proportion to the amount of additional capital raised in the calculation of earnings per share of the previous period and the interim period. The duration of the offering of new shares for raising additional capital could be omitted.
4. If the preferred shares are unconvertible accumulated preferred shares, the dividend of the year (released or not) shall be subtracted from net income, or add to net income. If the preferred shares are not accumulative, the dividend of preferred shares shall be subtracted from net income where applicable. If there is loss, no adjustment is necessary.

Note 5: Pay attention to the followings in the analysis of cash flows:

1. Net cash flow from operation refers to the net cash inflows from operation as presented in the statement of cash flows.
2. Capital expenditure refers to the cash outflow for capital investment every year.
3. The increase in inventory should only be included in the calculation if only the balance at the ending of period is greater than the balance at the beginning of period. Put it zero if there is a decrease of inventory at the end of the period.
4. Cash dividend includes the cash dividends of common shares and preferred shares.
5. Gross property, plant and equipment refer to property, plant and equipment before the subtraction of accumulated depreciations.

英屬開曼群島商康而富控股股份有限公司

審計委員會審查報告書

董事會造具本公司民國110年度營業報告書、財務報表及盈餘分派議案等。上述營業報告書、財務報表及盈餘分派議案經本審計委員會查核，認為尚無不合，爰依證券交易法第十四條之四及公司法第二百一十九條之規定報告如上。

上項財務報告與資誠聯合會計師事務所所出具之查核報告，業經本審計委員會審核完竣，認為尚無不合，並經全體成員同意，爰備具審查報告書。

此致

英屬開曼群島商康而富控股股份有限公司 111 年度股東常會

英屬開曼群島商康而富控股股份有限公司審計委員會

召 集 人

張 祚 誠

中 華 民 國 111 年 5 月 10 日



INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR 21000435

To the Board of Directors and Shareholders of CONCRAFT HOLDING CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of CONCRAFT HOLDING CO., LTD. and its subsidiaries (the "Group") as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and the generally accepted auditing standards in the Republic of China for our audit of the consolidated financial statements. 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 Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits, 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Assessment of going concern assumptionDescription

For the year ended December 31, 2021, net loss attributable to owners of parent amounted to NT\$3,774,859 thousand (of which expected credit loss was NT\$2,626,267 thousand); as of December 31, 2021, the balance of current liabilities was more than current assets amounting to NT\$1,464,785, and accumulated deficits to be covered amounted to NT\$3,255,534 thousand, accordingly, the liquidity risk had significantly increased. As described in Note 12(1), the improvement plan of future operation and finance, the Group has subsequently adopted necessary measures in order to ensure continuous operations in the future and gradually improving financial conditions.

As the abovementioned measures has significant impact to the Group's financial conditions in the following year, we determined the assessment of going concern assumption a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Interviewed with management to discuss the event or condition which affect the Group's ability to continue as a going concern and related response plans.
2. Assessed the feasibility of the Group's response plans and the result of financial condition improvement.
3. Obtained the Group's cash flows project in following year which were prepared by management and performed following procedures:
 - (1) Inquired management about the basic assumption of preparation and verified with historical information and supporting documents.
 - (2) Examined the abovementioned supporting documents and verified with the obtainable external information.
 - (3) Compared the financial forecast information used by management with the actual result in a certain period after the balance sheet date.
4. Obtained the statement issued by management for the response plan and the feasibility.
5. Assessed the adequacy of financial statement notes disclosed by management.

Evaluation of accounts receivable

Description

Please refer to Note 4(10)(11) to the consolidated financial statements for accounting policy on recognition and evaluation of accounts receivable; Note 5(2) for uncertainty of accounting estimates and assumptions in relation to evaluation of accounts receivable; and Note 6(4) for the details of accounts receivable. As of December 31, 2021, the accounts receivable and allowance for bad debts amounted to NT\$3,674,881 thousand and NT \$2,686,292 thousand, respectively.

The Group recognized accounts receivable by selling goods to customers in the ordinary course of business, and collected according to the individual credit period of each customer. Allowance for bad debts is estimated based on the unrecoverable amount by referring to the aging analysis, historical experience and present financial conditions of each customer. In addition, the Group estimates unrecoverable amount based on the loss rate calculated by aging of accounts receivable past due as well as considering the industry forward-looking assessment to estimate expected credit loss. As of December 31, 2021, past-due accounts receivable amounted to NT \$2,564,058 thousand. Since the amount was significant and subject to management's judgement associated with past-due and unrecoverable amount, the evaluation of accounts receivable was identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Based on our understanding of the Group operation and sales transaction counterparty, assessed the reasonableness of procedures and policies used to determine allowance for bad debts, including the objective evidences that the management used to prove that accounts receivable has been impaired, and the policies that were used to determine the losses on bad debts.
2. Obtained the overdue aging report used when management assessed the impairment of accounts receivable, assessed whether the logic of data source was consistently applied, and tested its accuracy with proper documents; and assessed the reasonableness of estimation that management adopted to estimate expected credit loss, including forward-looking adjustments, subsequent collections and economic conditions affecting customers.
3. Checked and tested accounts receivable aging analysis report which was classified by customers. Sampled individual customers to verify historical information of collection, considered subsequent events and discussed with management the recoverability of past-due accounts in order to evaluate the reasonableness of the losses on bad debts.
4. For the expected credit loss of accounts receivable accrued for the default of individual customers, examined management's assessment documents, including reviewing the meeting minutes of Board of Directors and related meeting minutes.

Evaluation of inventories

Description

Please refer to Note 4(14) to the consolidated financial statements for accounting policy on inventory valuation; Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation; and Note 6(6) for the details of inventory. As of December 31, 2021, inventories and allowance for inventory valuation losses amounted to NT\$770,314 thousand and NT\$206,092 thousand, respectively.

The Group is primarily engaged in manufacturing and selling of electronic connectors and related mold components. Due to the rapid changes in technology of the industry, short life cycle of products and highly fluctuation of market price, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The inventories are measured at the lower of cost and net realisable value, and the Group provides for losses based on individual net realisable value of inventories that are over a certain age and individually identified as obsolete or slow-moving inventories. Since the amount of inventories were significant with numerous items and subject to management's judgement in relation to inventory obsolescence or slow-moving inventories, the evaluation of inventories was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Based on our understanding of the Group's operation and the nature of the industry, assessed the reasonableness of procedures as well as policies on providing allowance for inventory valuation losses, including the classification of inventory for determining net realizable value and the reasonableness of determining the obsolescence inventory.
2. Verified the appropriateness of the system logic in inventory aging report which the Group used for inventory valuation, in order to confirm the report information was consistent with policies.
3. Sampled and tested individual inventory item to verify the accuracy of sales price and purchase price, evaluated the appropriateness of net realisable value used specific identification to recognize losses of partial inventories by management, and assessed the reasonableness of allowance for inventory valuation losses.

Responsibilities of management and those charged with governance for the 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 a report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards 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 generally accepted auditing standards in the Republic of China, we exercise professional judgement 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 controls.

2. Obtain an understanding of internal controls 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 controls.
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 auditors' opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 footnote disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the 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 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 of the current period 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.

Chen, Hsien-Cheng

Liang, Yi-Chang

For and on behalf of PricewaterhouseCoopers, Taiwan

March 31, 2022

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers, Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 95,919	2	\$ 231,914	2
1136	Current financial assets at amortised cost	6(3) and 8	321	-	320	-
1150	Notes receivable, net	6(4)(5) and 8	74,646	1	24,544	-
1170	Accounts receivable, net	6(4) and 12(2)	988,589	18	3,877,448	40
1200	Other receivables		176,646	3	23,868	-
1220	Current tax assets		1,807	-	7,094	-
130X	Inventories, net	6(6)	564,222	10	672,838	7
1410	Prepayments		108,120	2	90,860	1
1470	Other current assets	8	14,186	-	8,603	-
11XX	Current Assets		2,024,456	36	4,937,489	50
Non-current assets						
1517	Financial assets at fair value through other comprehensive income-non-current	6(2) and 12(3)	445	-	525	-
1600	Property, plant and equipment, net	6(7) and 8	3,231,868	58	4,073,255	41
1755	Right-of-use assets	6(8) and 8	189,211	3	266,673	3
1780	Intangible assets, net	6(10)(11)	48,801	1	186,073	2
1840	Deferred income tax assets	6(28)	25,773	1	99,426	1
1915	Prepayments for business facilities	6(30)	10,478	-	65,745	1
1920	Guarantee deposits paid		13,054	-	13,773	-
1990	Other non-current assets, others	8	47,230	1	161,782	2
15XX	Non-current assets		3,566,860	64	4,867,252	50
1XX	Total assets		\$ 5,591,316	100	\$ 9,804,741	100

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CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 934,538	17	\$ 151,311	2
2130	Contract liabilities-current	6(21)	14,058	-	161	-
2150	Notes payable		5,392	-	1,748	-
2170	Accounts payable		778,473	14	596,337	6
2200	Other payables	6(13)	584,149	10	335,035	4
2220	Other payables to related parties	7(2)	174,547	3	185,177	2
2230	Current income tax liabilities		21,685	-	22,275	-
2280	Current lease liabilities		65,174	1	61,350	1
2320	Long-term liabilities-current portion	6(15)	834,549	15	1,706,416	17
2365	Current refund liabilities		48,089	1	24,719	-
2399	Other current liabilities		28,587	1	22,021	-
21XX	Current Liabilities		3,489,241	62	3,106,550	32
Non-current liabilities						
2540	Long-term borrowings	6(15)	313,182	6	823,742	8
2570	Deferred income tax liabilities	6(28)	415,486	7	506,470	5
2580	Non-current lease liabilities		25,723	-	85,942	1
2600	Other non-current liabilities		33,565	1	41,277	1
25XX	Non-current liabilities		787,956	14	1,457,431	15
2XX	Total Liabilities		4,277,197	76	4,563,981	47
Equity						
Equity attributable to owners of parent						
Share capital			6(17)(18)			
3110	Share capital - common stock		1,571,856	28	1,572,126	16
Capital surplus			6(19)			
3200	Capital surplus		2,664,083	48	2,685,289	27
Retained earnings			6(20)			
3310	Legal reserve		301,515	5	301,515	3
3320	Special reserve		248,356	4	437,878	4
3350	(Accumulated deficit) Unappropriated retained earnings	(	3,255,534)	(58)	345,435	4
Other equity interest						
3400	Other equity interest	(	241,448)	(4)	(248,356)	(2)
Treasury shares			6(18)			
3500	Treasury shares	(	75,403)	(1)	(74,053)	(1)
31XX	Total equity attributable to owners of parent		1,213,425	22	5,019,834	51
36XX	Non-controlling interests	4(3)	100,694	2	220,926	2
3XX	Total equity		1,314,119	24	5,240,760	53
Significant contingent liabilities and unrecognised contract commitments			9			
Significant events after the balance sheet date			11			
3X2X	Total liabilities and equity		\$ 5,591,316	100	\$ 9,804,741	100

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

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Item	Notes	2021		2020	
			Amount	%	Amount	%
4000	Sales revenue	6(21)	\$ 3,268,178	100	\$ 4,304,546	100
5000	Operating costs	6(6) and (26)(27)	(3,348,735)	(103)	(3,233,168)	(75)
5950	Net operating (loss) margin		(80,557)	(3)	1,071,378	25
	Operating expenses	6(26)(27)				
6100	Selling expenses		(104,250)	(3)	(102,301)	(2)
6200	General and administrative expenses		(372,219)	(12)	(408,785)	(10)
6300	Research and development expenses		(567,065)	(17)	(568,827)	(13)
6450	Impairment loss determined in accordance with IFRS 9	12(2)	(2,626,267)	(80)	(29,997)	(1)
6000	Total operating expenses		(3,669,801)	(112)	(1,109,910)	(26)
6900	Operating loss		(3,750,358)	(115)	(38,532)	(1)
	Non-operating income and expenses:					
7100	Interest income	6(22)	254	-	1,150	-
7010	Other income	6(23)	75,292	2	94,136	2
7020	Other gains and losses	6(24)	(110,026)	(3)	(88,550)	(2)
7050	Finance costs	6(25)	(116,982)	(3)	(117,477)	(2)
7000	Total non-operating income and expenses		(151,462)	(4)	(110,741)	(2)
7900	Loss before income tax		(3,901,820)	(119)	(149,273)	(3)
7950	Income tax benefit (expense)	6(28)	9,582	-	(36,374)	(1)
8200	Loss for the year		(\$ 3,892,238)	(119)	(\$ 185,647)	(4)
	Other comprehensive income (loss):					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Loss on remeasurements of defined benefit plans		\$ 221	-	\$ 154	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income		-	-	(228)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(45)	-	(31)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Other components of other comprehensive income that will not be reclassified to profit or loss		(16,188)	(1)	151,210	3
8365	Equity related to non-current assets or disposal groups classified as held for sale		-	-	1,899	-
8300	Other comprehensive income (loss), net		(\$ 16,012)	(1)	\$ 153,004	3
8500	Total comprehensive loss for the year		(\$ 3,908,250)	(120)	(\$ 32,643)	(1)
	Loss, attributable to:					
8610	Owners of the parent		(\$ 3,774,859)	(115)	(\$ 145,438)	(3)
8620	Non-controlling interest		(117,379)	(4)	(40,209)	(1)
	Total		(\$ 3,892,238)	(119)	(\$ 185,647)	(4)
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		(\$ 3,788,018)	(116)	\$ 12,550	-
8720	Non-controlling interest		(120,232)	(4)	(45,193)	(1)
	Total		(\$ 3,908,250)	(120)	(\$ 32,643)	(1)
9750	Basic losses per share	6(29)	(\$ 24.11)		(\$ 0.93)	
9850	Diluted losses per share	6(29)	(\$ 24.11)		(\$ 0.93)	

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

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent													

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

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax for the year		(\$ 3,901,820)	(\$ 149,273)
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation (including right-of-use assets)	6(24)(26)	1,509,534	1,454,702
Amortization	6(26)	55,620	62,107
Expected credit losses	12(2)	2,626,267	29,997
Net gain on financial assets or liabilities at fair value through profit or loss	6(24)	-	258
Interest expense	6(25)	116,982	117,048
Interest income	6(22)	(254)	(1,150)
Bond discount amortization		-	429
Compensation cost of employee restricted shares	6(17)	(2,734)	25,325
Loss (gain) on disposal of property, plant and equipment	6(24)	(17,558)	9,166
Gain on disposal of investments	6(24)	-	(35,421)
Impairment loss	6(21)(24)	101,772	-
Loss on redemption of bonds payable		-	638
Changes in assets/liabilities relating to operating activities			
Net changes in liabilities relating to operating activities			
Notes receivable	(	50,102)	14,785
Accounts receivable		260,758	249,485
Other receivables	(	152,778)	10,647
Inventories	(	68,237)	(157,039)
Prepayments	(	17,260)	(12,487)
Other current assets	(	230)	4,069
Net changes in liabilities relating to operating activities			
Notes payable		3,644	(3,453)
Contract liabilities-current		13,897	(3,234)
Accounts payable		182,136	(310,390)
Other payables		187,043	(232,733)
Current refund liabilities		23,370	(21,631)
Other current liabilities		6,567	11,749
Defined benefit liability	(	269)	(432)
Other non-current liabilities	(	839)	14
Cash generated from operations		875,509	1,063,176
Interest received		254	1,150
Interest paid	(	121,391)	(115,554)
Income tax paid		4,313	(19,455)
Net cash provided by operating activities		758,685	929,317

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CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in financial assets at fair value through other comprehensive income-non current		\$ 80	\$ 40
Proceeds from disposal of subsidiaries		-	35,301
Acquisition of property, plant and equipment	6(30)	(613,436)	(1,376,086)
Proceeds from disposal of property, plant and equipment		235,243	27,516
Acquisition of intangible assets		(9,720)	(19,244)
(Increase) decrease in restricted assets	8	110,911	(72,013)
Decrease in refundable deposits		719	281
Increase in other non-current assets		(12,549)	(22,194)
Net cash used in investing activities		(288,752)	(1,426,399)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans		1,385,510	78,000
Decrease in short-term loans		(599,763)	(61,000)
Increase (decrease) in other payables (including related parties)		48,693	(48,484)
Proceeds from long-term loans		603,870	1,784,578
Repayment of long-term loans		(1,932,280)	(1,448,229)
Payment of cash dividends		(15,657)	(68,081)
Repayment of principal portion of lease liabilities		(47,245)	(54,503)
Net cash (used in) provided by financing activities		(556,872)	182,281
Effects of changes in foreign exchange rates		(49,056)	148,338
Decrease in cash and cash equivalents		(135,995)	(166,463)
Cash and cash equivalents at beginning of year		231,914	398,377
Cash and cash equivalents at end of year		<u>\$ 95,919</u>	<u>\$ 231,914</u>

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

CONCRAFT HOLDING CO., LTD AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

CONCRAFT HOLDING CO., LTD (the "Company") was incorporated as an investment holding company in the Cayman Islands in September 2009 after the Group's restructuring, in line with the Group's plan for the Company to register for emerging stock trading on the Taipei Exchange and apply for listing on the Taiwan Stock Exchange. The Company acquired 100% ownership of Dragonstate Technology Co., Ltd. ("Dragonstate") in October 2009 by way of share conversion ratio of 1:2.354859 and became the holding company of Dragonstate. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in marketing and manufacturing of connectors and related mold components. The Company's stocks have been listed on the Taiwan Stock Exchange from November 11, 2016.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 30, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform-Phase 2'	January 1, 2021
Amendment to IFRS 16, 'Covid-19-related rent concessions beyond 30 June 2021'	April 1, 2021(Note)

Note: Earlier application from January 1, 2021 is allowed by FSC.

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts— cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS9 – comparative information' 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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

These consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- a) Financial assets at fair value through profit or loss.
- b) Financial assets at fair value through other comprehensive income.
- c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
The Company	Dragonstate Technology Co., Ltd. (Dragonstate)	Holding company and sale of connectors	100	100	
The Company	Concraft Technology Co., Ltd. (Concraft Technology)	Sale of connectors	100	100	
The Company	Concraft Precision Co., Ltd. (Concraft Precision)	Holding company	100	100	
The Company	Dragonstate International Technology Co., Ltd. (Dragonstate International Technology)	Sale of connectors	100	100	
The Company	OBO Pro.2 INC (TW OBO)	Research and development, manufacturing and sale of acoustic products	14.97	14.97	Note 1
Dragonstate	Kun Shan Dragonstate Electronic Technology Co., Ltd. (Kun Shan Dragonstate)	Research and development, marketing and manufacturing of electronic connectors , sound components , automobile and optical components	100	100	
Concraft Precision	Concraft Precision Mechatronics (Kun Shan) Co., Ltd. (Concraft Kun Shan)	Manufacturing and sale of molding components	100	100	
Concraft Precision	Concraft Precision Electronics (Baoying) Co., Ltd. (Concraft Baoying)	Marketing and manufacturing of electronic connectors , sound components and optical components	100	100	

Investor	Subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
Kun Shan Dragonstate	Haojun Precision Electronic (Kunshan) Co., Ltd. (Haojun Kunshan)	Marketing and manufacturing of electronic connectors, sound and automobile components	100	100	
TW OBO	OP (VIRGIN) International Group Corporation (OP BVI)	Sale of acoustic products	100	100	Note 1
TW OBO	OBO Pro.2 INC (USA OBO)	Research and development, manufacturing and sale of acoustic products	100	100	Note 1
TW OBO	OBO Seahorn Acoustic Limited (Acoustic OBO)	Holding company and sale of acoustic products	100	100	Note 2
Acoustic OBO	Changshu OBO Seahorn Acoustics Electronic Co., Ltd. (Changshu OBO)	Research and development, manufacturing and sale of acoustic products	100	100	Note 2

Note 1: Although the Company holds 14.97% shareholding ratio of OBO Pro. 2 Inc., it was included as a subsidiary of the Company as the Company entered into an agreement with its key shareholders on April 1, 2019 and acquired three out of five seats on the Board of Directors, which grants the Company substantial control over the decision-making on activities of OBO Pro. 2 Inc. .

Note 2: The subsidiary was established in 2020.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2021 and 2020, the non-controlling interest was \$100,694 and \$220,926, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest	
		December 31, 2021	
		Amount	Ownership (%)
OBO Pro.2 INC (TW OBO)	Taiwan	\$ 100,694	85.03%

Name of subsidiary	Principal place of business	Non-controlling interest	
		December 31, 2020	
		Amount	Ownership (%)
OBO Pro.2 INC (TW OBO)	Taiwan	\$ 220,926	85.03%

Summarised financial information of the subsidiaries:

Balance sheets

	TW OBO	
	December 31, 2021	December 31, 2020
Current assets	\$ 272,531	\$ 215,495
Non-current assets	172,602	240,962
Current liabilities	(303,106)	(112,080)
Non-current liabilities	(23,605)	(84,556)
Total net assets	<u>\$ 118,422</u>	<u>\$ 259,821</u>

Statements of comprehensive income

	TW OBO	
	Year ended December 31, 2021	Year ended December 31, 2020
Revenue	\$ 328,628	\$ 227,891
Loss before income tax	(153,753)	(60,574)
Income tax expense	15,709	13,286
Loss for the period from continuing operations	(138,044)	(47,288)
Loss for the period	(138,044)	(47,288)
Other comprehensive loss, (net of tax)	(3,356)	(5,861)
Total comprehensive loss for the period	<u>(\$ 141,400)</u>	<u>(\$ 53,149)</u>

Statements of cash flows

	TW OBO	
	Year ended December 31, 2021	Year ended December 31, 2020
Net cash provided by (used in) operating activities	(\$ 51,383)	\$ 35,667
Net cash provided by (used in) investing activities	(2,820)	31,071
Net cash provided by (used in) financing activities	21,779	(24,610)
Effect of exchange rates on cash and cash equivalents	(8,109)	(11,658)
Increase (decrease) in cash and cash equivalents	(40,533)	30,470
Cash and cash equivalents, beginning of period	100,945	70,475
Cash and cash equivalents, end of period	<u>\$ 60,412</u>	<u>\$ 100,945</u>

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities, that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets at amortised cost including accounts receivable that have a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Leasing arrangements - (lessor) Operating leases

Lease income from an operating lease (net of any incentives given to the lessee) are recognised in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	3 ~ 55 years
Machinery and equipment	3 ~ 10 years
Molding equipment	1 ~ 5 years
Transportation equipment	3 ~ 5 years
Office equipment	3 ~ 5 years

(16) Leasing arrangements (lessee)-right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.
- Lease payments are comprised of the fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- The amount of the initial measurement of lease liability.
 - Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Intangible assets

A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

B. Patents

Patents acquired in a business combination are recognised at fair value at the acquisition day. Patents have a finite useful life and is amortised on a straight-line basis over their estimated useful lives of 3 to 5 years.

C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(18) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill, intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.
- C. For the purpose of impairment testing, goodwill is allocated to the cash-generating unit. This allocation is identified by operating segment that is expected to benefit from the synergies of the business combination to each of the cash-generating units, or groups of cash-generating units.

(19) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings and other long-term and short-term loans. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(20) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, product or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Convertible bonds payable

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- A. The embedded call options and put options are recognised initially at net fair value as 'financial assets at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus-share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus-share options'.

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.
- iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Restricted stocks:

- (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.
- (b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.
- (c) For restricted stocks where employees do not need to pay to acquire those stocks, the Group will not pay the employees who resign during the vesting period to repurchase the stocks.

(25) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(26) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(27) Dividends

A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have cash dividends and stock dividends distributed to the shareholders, and dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) Revenue recognition

- A. The Group manufactures and sells a range of connectors, sound components, molding components, buzzer, condenser microphone and mylar speaker. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, when the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of products to external customers in the ordinary course of the Group's activities. A refund liability is recognised for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. The Group does not expect to have any contracts where the period between the transfer of the promised products to the customer and payment by the customer exceeds one year, the Group does not adjust the transaction prices to reflect the time value of money.
- C. A receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(29) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate. Government grants related to long-term prepaid rent (land access rights) are recognised as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets using the straight-line method.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Expected credit loss of accounts receivable

The Group provides losses on expected credit losses amount in accordance with duration. When measuring expected credit loss, the Group must apply judgements to identify the factors that will affect the future collectability of accounts receivable, such factors including the customer's operational conditions and historical trading record that may influence the customer's ability to pay, as well as considering the time value of money and reasonable supporting documents on future economic conditions. Aforementioned judgements and factors all may have significant effects to the measurement result of expected credit loss.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bank-deposits:		
Checking accounts and demand deposits	\$ 95,919	\$ 201,343
Cash equivalents:		
Time deposits	-	29,835
Bankers' acceptance bill	-	736
Total	<u>\$ 95,919</u>	<u>\$ 231,914</u>

- A. All the Group's cash equivalents are maturing within 3 months.
- B. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- C. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through other comprehensive income-non-current

Items	December 31, 2021	December 31, 2020
Equity instruments		
Unlisted stocks	\$ 883	\$ 1,043
Valuation adjustment	(438)	(518)
	<u>\$ 445</u>	<u>\$ 525</u>

- A. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$445 and \$525 as at December 31, 2021 and 2020, respectively.
- B. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$445 and \$525, respectively.
- C. Information relating to credit risk and fair value of financial assets at fair value through other comprehensive income is provided in Notes 12(2) and (3).

(3) Financial assets at amortised cost

Items	December 31, 2021	December 31, 2020
Time deposits over 3 months	\$ 321	\$ 320
Less: Accumulated impairment	-	-
	<u>\$ 321</u>	<u>\$ 320</u>

- A. There were no amounts recognised in profit or loss in relation to financial assets at amortised cost during the period.
- B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

(4) Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 110,813	\$ 98,747
Less: Discounted notes receivable	(36,167)	(74,203)
	<u>\$ 74,646</u>	<u>\$ 24,544</u>
Accounts receivable	\$ 3,674,881	\$ 3,935,639
Less: Allowance for uncollectible accounts	(2,686,292)	(58,191)
	<u>\$ 988,589</u>	<u>\$ 3,877,448</u>

- A. None of the Group's notes receivable are overdue. For the ageing analysis of the accounts receivable, please refer to Note 12(2).
- B. The Group grants credit term to their clients from 30 days to 150 days after the delivery date. Ageing analysis is conducted on the basis of the number of days overdue. Please refer to Note 12(2) for disclosures of credit risk and information on movement of impairment and analysis of accounts receivable.
- C. As of December 31, 2021 and 2020, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers amounted to \$4,228,124.
- D. Details of the Group's notes receivable, accounts receivable pledged to others as collateral are provided in Note 8.
- E. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were \$74,646 and \$24,544; \$988,589 and \$3,877,448, respectively.
- F. The Group had outstanding discounted notes receivable, please refer to Note 6(5) for more information.
- G. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Transfer of financial assets

- A. Certain discounted notes receivable (bankers' acceptance bill) pledged to banks meet the definition of derecognition under the Group's assessment. The Group has payment obligation when the acceptor (banks) of the notes refuse to pay for the notes at maturity. However, in general, the Group does not expect that the acceptors (banks) would refuse to pay as the acceptors (banks) have excellent credit rating. Aggregation of the discounted notes receivable (bankers' acceptance bill) that have been pledged to banks but remain unmatured is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Derecognised amount	<u>\$ 36,167</u>	<u>\$ 74,203</u>

B. On December 31 2021 and 2020, the Group had outstanding discounted notes receivable (bankers' acceptance bill) amounting to \$70,387 and \$11,064, respectively which did not meet the definition of derecognition. The Group has payment obligation when the acceptor (banks) of the notes refuse to pay for the notes at maturity. In general, the Group does not expect that the acceptor (banks) would refuse to pay. The liabilities arising from discounted notes receivable (bankers' acceptance bill) were presented under other accounts payable.

(6) Inventories

December 31, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 158,606	(\$ 39,385)	\$ 119,221
Semi-finished goods	193,726	(36,678)	157,048
Work in process	218,967	(74,692)	144,275
Finished goods	182,752	(52,487)	130,265
Trading goods	16,263	(2,850)	13,413
Total	<u>\$ 770,314</u>	<u>(\$ 206,092)</u>	<u>\$ 564,222</u>
December 31, 2020			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 146,943	(\$ 20,847)	\$ 126,096
Semi-finished goods	154,459	(20,350)	134,109
Work in process	219,126	(8,094)	211,032
Finished goods	227,205	(36,165)	191,040
Trading goods	12,545	(1,984)	10,561
Total	<u>\$ 760,278</u>	<u>(\$ 87,440)</u>	<u>\$ 672,838</u>

The cost of inventories recognised as expense for the period:

Years ended December 31,		
	2021	2020
Cost of goods sold	\$ 3,238,144	\$ 3,263,773
Inventory valuation loss (gain)	119,032	(22,549)
Revenue from sale of scrap	(12,713)	(8,056)
Others	4,272	-
Total	<u>\$ 3,348,735</u>	<u>\$ 3,233,168</u>

As the Group sold some inventory with net realisable value lower than its cost, the allowance for valuation loss was reversed for the year ended December 31, 2020.

(7) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Molding equipment	Transportation equipment	Office equipment	Construction in progress	Total
<u>At January 1, 2021</u>								
Cost	\$ 184,574	\$ 1,639,812	\$ 4,163,476	\$ 1,720,730	\$ 47,694	\$ 17,993	\$ 19,705	\$ 7,793,984
Accumulated depreciation	-	(555,700)	(1,876,241)	(1,239,751)	(37,688)	(11,349)	-	(3,720,729)
	<u>\$ 184,574</u>	<u>\$ 1,084,112</u>	<u>\$ 2,287,235</u>	<u>\$ 480,979</u>	<u>\$ 10,006</u>	<u>\$ 6,644</u>	<u>\$ 19,705</u>	<u>\$ 4,073,255</u>
<u>2021</u>								
At January 1	\$ 184,574	\$ 1,084,112	\$ 2,287,235	\$ 480,979	\$ 10,006	\$ 6,644	\$ 19,705	\$ 4,073,255
Additions	-	19,085	161,232	473,310	-	1,741	14,767	670,135
Disposals	-	-	(105,057)	(112,283)	(331)	(14)	-	(217,685)
Transfer	-	30,771	2,654	176,853	-	-	(33,425)	176,853
Depreciation charge	-	(152,206)	(637,599)	(641,247)	(4,950)	(5,170)	-	(1,441,172)
Net exchange differences	-	(7,596)	(18,206)	(3,435)	(90)	(53)	(138)	(29,518)
At December 31	<u>\$ 184,574</u>	<u>\$ 974,166</u>	<u>\$ 1,690,259</u>	<u>\$ 374,177</u>	<u>\$ 4,635</u>	<u>\$ 3,148</u>	<u>\$ 909</u>	<u>\$ 3,231,868</u>
<u>At December 31, 2021</u>								
Cost	\$ 184,574	\$ 1,678,218	\$ 4,087,702	\$ 1,660,791	\$ 46,785	\$ 19,489	\$ 909	\$ 7,678,468
Accumulated depreciation	-	(704,052)	(2,397,443)	(1,286,614)	(42,150)	(16,341)	-	(4,446,600)
	<u>\$ 184,574</u>	<u>\$ 974,166</u>	<u>\$ 1,690,259</u>	<u>\$ 374,177</u>	<u>\$ 4,635</u>	<u>\$ 3,148</u>	<u>\$ 909</u>	<u>\$ 3,231,868</u>

	Land	Buildings	Machinery and equipment	Molding equipment	Transportation equipment	Office equipment	Construction in progress	Total
<u>At January 1, 2020</u>								
Cost	\$ 184,574	\$ 1,574,335	\$ 3,467,658	\$ 1,157,407	\$ 41,869	\$ 10,884	\$ 29,610	\$ 6,466,337
Accumulated depreciation	-	(422,506)	(1,298,478)	(525,222)	(30,641)	(6,404)	-	(2,283,251)
Transfers to a disposal group classified as held for sale	-	(21,788)	(15,485)	(6,314)	-	-	-	(43,587)
	<u>\$ 184,574</u>	<u>\$ 1,130,041</u>	<u>\$ 2,153,695</u>	<u>\$ 625,871</u>	<u>\$ 11,228</u>	<u>\$ 4,480</u>	<u>\$ 29,610</u>	<u>\$ 4,139,499</u>
<u>2020</u>								
At January 1	\$ 184,574	\$ 1,130,041	\$ 2,153,695	\$ 625,871	\$ 11,228	\$ 4,480	\$ 29,610	\$ 4,139,499
Additions	-	41,641	652,885	484,281	57	7,047	42,194	1,228,105
Disposals	-	-	(12,565)	(24,090)	-	(27)	-	(36,682)
Transfer	-	37,763	9,489	52,253	5,115	-	(52,367)	52,253
Depreciation charge	-	(142,244)	(569,697)	(670,084)	(6,494)	(4,972)	-	(1,393,491)
Net exchange differences	-	15,690	38,238	6,482	100	116	268	60,894
Disposal of subsidiaries	-	1,221	15,190	6,266	-	-	-	22,677
At December 31	<u>\$ 184,574</u>	<u>\$ 1,084,112</u>	<u>\$ 2,287,235</u>	<u>\$ 480,979</u>	<u>\$ 10,006</u>	<u>\$ 6,644</u>	<u>\$ 19,705</u>	<u>\$ 4,073,255</u>
<u>At December 31, 2020</u>								
Cost	\$ 184,574	\$ 1,639,812	\$ 4,163,476	\$ 1,720,730	\$ 47,694	\$ 17,993	\$ 19,705	\$ 7,793,984
Accumulated depreciation	-	(555,700)	(1,876,241)	(1,239,751)	(37,688)	(11,349)	-	(3,720,729)
	<u>\$ 184,574</u>	<u>\$ 1,084,112</u>	<u>\$ 2,287,235</u>	<u>\$ 480,979</u>	<u>\$ 10,006</u>	<u>\$ 6,644</u>	<u>\$ 19,705</u>	<u>\$ 4,073,255</u>

A. No property, plant and equipment had capitalized interest.

B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(8) Leasing arrangements — lessee

A. The Group leases various assets including land, land access rights, and buildings. Rental contracts are typically made for periods of 2 and 5 years, except for land access rights for periods of 45 and 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes, apart from land access rights which were pledged as collateral for borrowing. Information about the land access rights that were pledged to others as collaterals is provided in Note 8.

B. The information on the land leased by the Group is as follows:

Kun Shan Dragonstate has acquired land use right of 50,000 and 23,486.3 square feet in Zhou Town Kunshan Chaoying Village in 1998 and from 2017 to 2018, respectively, and amortised the cost over the operating period of 50 years; Concraft Kun Shan has acquired land use right of 23,432.90 square feet in Zhou Town Kunshan Chaoying village in 2011 and amortised the cost over the operating period of 45 years; Concraft Baoying has acquired land use right of 52,000 square feet in An Yi Zhen Yang Zhou City in 2010 and amortised the cost over the operating period of 50 years.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land and land access rights	\$ 107,844	\$ 111,823
Buildings	81,367	154,850
	<u>\$ 189,211</u>	<u>\$ 266,673</u>
	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land and land access rights	\$ 3,138	\$ 3,100
Buildings	65,224	58,111
	<u>\$ 68,362</u>	<u>\$ 61,211</u>

D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$ 2,117 and \$102,636, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 4,353	\$ 3,804
Expense on short-term lease contracts	<u>\$ 9,399</u>	<u>\$ 6,716</u>

F. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were \$69,606 and \$64,258, respectively.

(9) Leasing arrangements-lessor

A. The Group leases various assets including machinery and equipment. Rental contracts are typically made for periods of 1 and 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, the lessee is usually required not to use the leased assets as a loan guarantee.

B. For the years ended December 31, 2021 and 2020, the Group recognised rent income in the amounts of \$451 and \$8,426, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2021	December 31, 2020
2021	\$ -	\$ 7,128
2022	57	27
2023	10	-
Total	<u>\$ 67</u>	<u>\$ 7,155</u>

(10) Intangible assets

	2021			
	Patents	Software	Goodwill	Total
At January 1				
Cost	\$ 125,160	\$ 138,795	\$ 47,278	\$ 311,233
Accumulated amortisation	(44,233)	(80,927)	-	(125,160)
	<u>\$ 80,927</u>	<u>\$ 57,868</u>	<u>\$ 47,278</u>	<u>\$ 186,073</u>
Opening net book amount as at January 1	\$ 80,927	\$ 57,868	\$ 47,278	\$ 186,073
Additions-acquired separately	2,850	6,870	-	9,720
Amortisation charge	(25,385)	(19,399)	-	(44,784)
Impairment losses	(54,494)	-	(47,278)	(101,772)
Net exchange differences	1	(437)	-	(436)
Closing net book amount as at December 31	<u>\$ 3,899</u>	<u>\$ 44,902</u>	<u>\$ -</u>	<u>\$ 48,801</u>
At December 31				
Cost	\$ 127,496	\$ 144,880	\$ 47,278	\$ 319,654
Accumulated amortisation	(123,597)	(99,978)	(47,278)	(270,853)
	<u>\$ 3,899</u>	<u>\$ 44,902</u>	<u>\$ -</u>	<u>\$ 48,801</u>

	2020			
	Patents	Software	Goodwill	Total
At January 1				
Cost	\$ 125,530	\$ 119,622	\$ 47,278	\$ 292,430
Accumulated amortisation	(19,438)	(62,306)	-	(81,744)
Transfers to a disposal group classified as held for sale	(706)	-	-	(706)
	<u>\$ 105,386</u>	<u>\$ 57,316</u>	<u>\$ 47,278</u>	<u>\$ 209,980</u>
Opening net book amount as at January 1	105,386	\$ 57,316	\$ 47,278	\$ 209,980
Additions-acquired separately	334	18,910	-	19,244
Amortisation charge	(24,795)	(18,891)	-	(43,686)
Net exchange differences	<u>2</u>	<u>533</u>	<u>-</u>	<u>535</u>
Closing net book amount as at December 31	<u>\$ 80,927</u>	<u>\$ 57,868</u>	<u>\$ 47,278</u>	<u>\$ 186,073</u>
At December 31				
Cost	\$ 125,160	\$ 138,795	\$ 47,278	\$ 311,233
Accumulated amortisation	(44,233)	(80,927)	-	(125,160)
	<u>\$ 80,927</u>	<u>\$ 57,868</u>	<u>\$ 47,278</u>	<u>\$ 186,073</u>

(11) Impairment of non-financial assets

The estimated recoverable amount of OBO Pro.2 INC (Taiwan) is less than the carrying amount, recognized impairment loss on goodwill and patent for 2021 was \$47,278 and \$54,494 respectively, and the impairment loss is presented under 'Other gains and losses' in the consolidated statement of comprehensive income.

The estimated recoverable amount of OBO Pro.2 INC (Taiwan) is based on value-in-use to evaluate value in use is used as the basis for calculating the recoverable amount, value in use is estimated based on cash flows from the 5-year financial budgets approved by management level, and cash flows over 5 years are projected using the estimated growth rates described below. The main assumptions used to calculate the value in use are as follows:

	<u>OBO Pro.2 INC (Taiwan)</u>
Growth rate	1%
Discount rate	10.8%

Management level that the value-in-use calculation takes into account net operating growth rate and discount rate. The weighted average growth rate used is consistent with the industry report projections, and the discount rate used is a pre-tax rate and reflects the risks specific to the relevant operating segment.

(12) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 347,520	4.35%	None
Secured borrowings	456,698	1.22~4.35%	Provided in Note 8
Others	130,320	6.50%	Provided in Note 8
	<u>\$ 934,538</u>		

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 131,311	4.50%	None
Secured borrowings	20,000	1.25%	Provided in Note 8
	<u>\$ 151,311</u>		

The Company's subsidiary, Kun Shan Dragonstate, entered into a borrowing contract with Kunshan Rural Commercial Bank on February 7, 2021. The total guarantee that Kun Shan Dragonstate provided to the third party can not be higher than 1.5 times of net assets in the last parent company only financial statements during the duration period of the contract.

(13) Other payables

	December 31, 2021	December 31, 2020
Taxes payable	\$ 157,663	\$ 21,596
Salary payable	95,366	125,568
Payables for equipment	80,087	72,084
Discounted notes receivable	70,387	11,064
Labor and health insurance payable	48,763	49,014
Employees' meal payable	35,926	8,394
Service charge payable	22,235	8,619
Construction default payable	21,720	-
Consumables payable	17,297	11,143
Others	34,705	27,553
	<u>\$ 584,149</u>	<u>\$ 335,035</u>

Liabilities from discounted notes receivable refer to discounted notes receivable that did not meet the definition of derecognition, refer to Note 6(5) for more details. Discount rates were 1.45%~4.00% and 3.10%~3.40% as of December 31, 2021 and 2020, and interest expense recognised in profit or loss amounted to \$1,628 and \$1,972 for the years ended December 31, 2021 and 2020, respectively.

(14) Bonds payable (The balance is nil as at December 31, 2021 and 2020)

A. The First domestic unsecured convertible bonds issued by the Company are as follows:

- (a) The Company issued \$1,500,000, 0% the first domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature three years from the issue date (April 2, 2019~April 2, 2022) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on April 2, 2019.
- (b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three month of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- (c) The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. The conversion price at issuance was NT\$ 121.1 (in dollars) and it has been decreased to NT\$ 97.6 (in dollars) since September 6, 2020 due to the ex-rights and ex-dividend to adjust the conversion price in accordance with the terms of the bonds.
- (d) The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value in cash upon two years.
- (e) The Company may exercise the redemption of the convertible bonds when the following situations occur:
 - i. Where the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three month of the bonds issue to 40 days before the maturity date, the Company may send a 'Notice of Bond Redemption' by a registered letter to the bond holder (according to the register on the list of bond holders on the five business days prior to the dispatch, the investors who subsequently obtained the convertible bonds due to trading or other reasons shall be notified by way of announcement) within 30 trading days and notify Taipei Exchange to announce that the Company will repurchase all the bonds outstanding in cash at the bonds' face value on the date of maturity.

ii. Where the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date, the Company may send a ‘Notice of Bond Redemption’ by a registered letter to the bond holder (according to the register on the list of bond holders on the five business days prior to the dispatch, the investors who subsequently obtained the convertible bonds due to trading or other reasons shall be notified by way of announcement) at any time and notify Taipei Exchange to announce that the Company will repurchase all the bonds outstanding in cash at the bonds’ face value on the date of maturity.

(f) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued or re-sold.

(g) As of December 31, 2020, the bonds totaling \$1,469,400 (face value) had been converted into 12,462,983 shares of common stock.

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$95,015 were separated from the liability component and were recognised in ‘capital surplus-share options’ in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in ‘financial assets or liabilities at fair value through profit or loss’ in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rate of the bonds payable after such separation was 1.5143 %.

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral(Note 1)	December 31, 2021
Bank unsecured borrowings	2019.06.25~2022.06.24 Monthly principal repayment, quarterly interest payment	4.75%	-	\$ 36,055
Bank unsecured borrowings	2021.07.30~2023.07.30 Half year repayment, monthly interest repayment	4.99%	-	130,321
Bank unsecured borrowings	2021.10.26~2024.10.25 Principal repayment at maturity, monthly interest repayment	4.29%	-	163,031
Non-financial institutions secured borrowings	2018.02.02~2022.12.05 Quarterly principal repayment, quarterly interest payment	5.63%	Machinery and equipment	53,522
Bank secured borrowings	2019.05.24~2022.05.20 Monthly principal repayment, quarterly interest payment	4.29%	Land and buildings	41,268
Bank secured borrowings	2019.06.03~2021.05.20 Monthly principal repayment, quarterly interest payment	4.29%	Land and buildings	34,752

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral(Note 1)	December 31, 2021
Bank secured borrowings	2019.09.24~2022.09.22 Half-yearly principal repayment, quarterly interest payment	4.55%	Land and buildings	\$ 46,307
Bank secured borrowings	2020.05.11~2023.05.11 From the third year onwards quarterly principal repayment	1.30%	Land and buildings	100,000
Non-financial institutions secured borrowings	2020.05.29~2023.05.29 Monthly principal repayment, monthly interest payment	4.99%	Machinery and equipment	106,711
Non-financial institutions secured borrowings	2020.06.23~2022.06.23 Monthly principal repayment, monthly interest payment	4.06%	Machinery and equipment	68,460
Non-financial institutions secured borrowings	2020.07.09~2022.07.09 Monthly principal repayment, monthly interest payment	5.02%	Machinery, equipment and other current assets	109,320
Non-financial institutions secured borrowings	2020.07.25~2022.12.25 Monthly principal repayment, monthly interest payment	7.18%	Machinery and equipment	69,011
Non-financial institutions secured borrowings	2021.03.22~2023.03.22 Monthly principal repayment, monthly interest payment	6.47%	Machinery, equipment and other non-current assets	71,876
Non-financial institutions secured borrowings	2021.04.16~2024.05.16 Monthly principal repayment, monthly interest payment	7.51%	Machinery and equipment	69,078
Non-financial institutions secured borrowings	2021.08.20~2023.08.20 Monthly principal repayment, monthly interest payment	5.58%	Machinery and equipment	<u>48,019</u>
Subtotal				1,147,731
Less: long-term liabilities-current portion				(<u>834,549</u>)
				<u>\$ 313,182</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral(Note 1)	December 31, 2020
Bank unsecured borrowings	2018.03.02~2021.03.02 From the second year onwards, quarterly the principal repayment	1.20%	-	\$ 11,380
Bank unsecured borrowings	2018.08.01~2021.08.01 From the third year onwards, quarterly the principal repayment	1.25%	-	110,313
Bank unsecured borrowings (Note 2)	2018.08.10~2021.08.10 from second year onwards,the amount decreases USD 500 thousands quarterly,settlement in due day	1.20%	-	306,424
Bank unsecured borrowings	2019.06.25~2022.06.24 Quarterly principal repayment, quarterly interest payment	4.75%	-	87,541
Bank unsecured borrowings	2019.08.15~2021.08.15 Half year principal repayment, quarterly interest payment	4.99%	-	39,393
Bank unsecured borrowings	2020.08.26~2023.08.25 Quarterly principal repayment, quarterly interest payment	4.29%	-	120,368
Bank secured borrowings	2017.04.12~2024.04.12 monthly principal repayment, monthly interest payment, settlement in January 19,2021	1.53%~1.80%	Land and buildings	17,202
Non-financial institutions secured borrowings	2018.02.02~2022.12.05 Quarterly principal repayment, quarterly interest payment	5.63%	Machinery and equipment	96,846
Bank secured borrowings	2019.02.22~2021.02.22 Quarterly principal repayment, monthly interest payment	1.20%	Other current assets	38,391
Bank secured borrowings	2019.05.24~2022.05.20 Quarterly principal repayment, monthly interest payment	4.29%	Land and buildings	124,745
Non-financial institutions secured borrowings	2019.05.31~2022.05.31 Monthly principal repayment, monthly interest payment	2.10%	Other non-current assets	173,699
Bank secured borrowings	2019.06.03~2022.05.20 Quarterly principal repayment, monthly interest payment	4.29%	Land and buildings	96,295
Non-financial institutions secured borrowings	2019.09.20~2021.09.20 Half year principal repayment, monthly interest payment	5.95%	Machinery and equipment	65,655
Bank secured borrowings	2019.09.24~2022.09.22, Half year principal repayment, monthly interest payment	4.55%	Land and buildings	81,675
Non-financial institutions secured borrowings	2020.01.22~2021.12.22 Quarterly principal repayment, Monthly interest payment	7.73%	Machinery, equipment and other non-current assets	197,390

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral(Note 1)	December 31, 2020
Bank secured borrowings	2020.05.11~2023.05.11 From the third year onwards, quarterly interest payment	1.30%	Land and buildings	\$ 100,000
Non-financial institutions secured borrowings	2020.05.29~2023.05.29 Monthly principal repayment, monthly interest payment	4.99%	Machinery and equipment	195,520
Non-financial institutions secured borrowings	2020.06.23~2022.06.23 Monthly principal repayment, monthly interest payment	4.06%	Machinery and equipment	200,218
Non-financial institutions secured borrowings	2020.07.09~2022.07.09 Monthly principal repayment, monthly interest payment	5.02%	Machinery, equipment and other non-current assets	177,519
Non-financial institutions secured borrowings	2020.07.25~2022.12.25 Monthly principal repayment, monthly interest payment	7.18%	Machinery and equipment	289,584
Subtotal				2,530,158
Less: Long-term liabilities-current portion				(1,706,416)
				<u>\$ 823,742</u>

(Note 1) Information on guarantees for secured borrowings is provided in Note 8.

(Note 2) The borrowing had been extended at maturity in August 2021 after negotiation with financial institutions. The unpaid payment was settled in full in October 2021 (including an additional interest)

A. The subsidiary of the Company, Kun Shan Dragonstate, entered into the borrowing contracts with Bank of China in October 26, 2021, and the total credit line is RMB 37,530 thousand. In the duration period of these contracts, the total amount of guarantee provided to others shall not be higher than 50% of its net assets in the recent parent company only financial statements.

B. The information about the Group's liquidity risk is provided in Note 12(2) C(c).

(16) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company

and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	(\$ 5,580)	(\$ 6,404)
Fair value of plan assets	3,861	4,112
Net defined benefit liability (Shown in other non-current liabilities)	(\$ 1,719)	(\$ 2,292)

(c) Movements in net defined benefit liabilities are as follows:

	2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 6,404)	\$ 4,112	(\$ 2,292)
Interest (expense) income	(32)	22	(10)
	(6,436)	4,134	(2,302)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	60	60
Change in demographic assumptions	(90)	-	(90)
Experience adjustments	253	-	253
	163	60	223
Contribution of pension	-	360	360
Payment of pension	693	(693)	-
At December 31	(\$ 5,580)	\$ 3,861	(\$ 1,719)

	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 7,945)	\$ 5,202	(\$ 2,743)
Current service cost	(44)	-	(44)
Interest (expense) income	(53)	34	(19)
	<u>(8,042)</u>	<u>5,236</u>	<u>(2,806)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	166	166
Change in demographic assumptions	(3)	-	(3)
Change in financial assumptions	(184)	-	(184)
Experience adjustments	175	-	175
	<u>(12)</u>	<u>166</u>	<u>154</u>
Contribution of pension	-	360	360
Payment of pension	1,650	(1,650)	-
At December 31	<u>(\$ 6,404)</u>	<u>\$ 4,112</u>	<u>(\$ 2,292)</u>

(d)The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Discount rate	0.5%	0.50%
Future salary increases	2%	2%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 151)	\$ 157	\$ 152	(\$ 147)
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 184)	\$ 191	\$ 185	(\$ 179)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2022 amount to \$360.

(g) As of December 31, 2021, the weighted average duration of the retirement plan is 10.9 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 73
1-2 year(s)	300
2-5 years	507
Over 5 years	1,082
	<u>\$ 1,962</u>

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company and its subsidiaries - Dragonstate, Concraft Precision, Concraft Technology and OP BVI, do not have any employees, and OBO(USA) does not establish an employee pension plan as it is voluntary to do so under the current regulations of the United States. Therefore, they do not have any employee pension plans.

(c) The Company’s Mainland China subsidiaries have a funded defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China are based on a certain percentage of employees’ monthly salaries and wages. The contribution percentages for the years ended December 31, 2021 and 2020 was both 16%. However, due to the impact of COVID-19 pandemic in Mainland China in January 2020, the local government of Mainland China reduced the contribution percentage. Since February 2020, the contribution percentage has been reduced to 8%, the subsidiaries of the Company in Mainland China were entitled to apply the reduced percentage until December 31, 2020 while Kun Shan Dragonstate can only apply the percentage until June 31, 2020. Except for regular pension contributions, the Company’s Mainland China subsidiaries have no further obligations under the plan.

(d) The pension costs under defined contribution pension plans of the Company and its domestic subsidiaries for the years ended December 31, 2021 and 2020 were \$75,416 and \$68,309, respectively.

(17) Share-based payment

A. For the years ended December 31, 2021 and 2020, the Group’s share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Restricted stock to employees	2018.11.16	530,000	3 years	1~3 years service
Restricted stock to employees	2019.08.13	70,000	3 years	1~3 years service

B. On June 12, 2018, the shareholders resolved to issue employee restricted shares amounting to 0.6 million shares at their annual stockholders' meeting, and those employee restricted shares only granted to the employees who meet the specific terms. On November 12, 2018 and August 13, 2019, the Company granted 530 and 70 thousand shares to employees, and the effective dates were November 16, 2018 and August 13, 2019, respectively. The subscription price of those granted shares is the market price per share at the grant date (equivalent to NT\$141.5 and NT\$143.5 per share), the Company will assume the consideration if the subscription price is under NT\$300 per share (including NT\$300 per share), or the consideration will be paid by employees when the subscription price is over NT\$300.01 per share. The vesting ratio for the first-year to the third-year is 30%, 30% and 40%, respectively. Refer to Note 6(18)G for information about employee restricted shares forfeited as a result of the resignation of employees.

C. Details of the share-based payment arrangements are as follows:

(a) Restricted stock to employees

	2021		2020	
	No. of option	Weighted-average exercise price (in dollars)	No. of option	Weighted-average exercise price (in dollars)
Options outstanding at January 1	211	\$ -	399	\$ -
Options retired	(162)	-	(44)	-
Options expired	(21)	-	(144)	-
Options outstanding at December 31	<u>28</u>	-	<u>211</u>	-

(b) Expenses incurred on share-based payment transactions are shown below:

	Year ended December 31,	
	2021	2020
Equity-settled	<u>(\$ 2,734)</u>	<u>\$ 25,325</u>

(18) Share capital

A. As of December 31, 2021 and 2020, the Company's authorized capital was \$2,000,000, equivalent to 200 million share, for both years; and the paid-in capital was \$1,571,586 and \$1,572,126 with a par value of \$10 (in dollars) per share, respectively. All proceeds from shares issued have been collected. The number of the Company's ordinary opening and closing shares outstanding are 156,417 thousand shares and 156,579 thousand shares, respectively.

	<u>2021</u>	<u>2020</u>
At January 1 (thousand shares)	156,579	136,053
Capitalization of retained earnings	-	20,424
Converted from bonds	-	146
Treasury shares	(<u>162</u>)	(<u>44</u>)
At December 31 (thousand shares)	<u>156,417</u>	<u>156,579</u>

- B. In accordance with the resolution adopted at the stockholders' meeting on June 15, 2020 the Company raised an additional cash of \$204,242 through the capitalization of capital surplus on the effective date of September 6, 2020 with the resolution adopted at the Board meeting on June 29, 2020.
- C. Refer to Note 6(18)F for information about employee restricted shares forfeited as a result of the resignation of employees.
- D. Information on the resolution relating to the issuance of employee restricted shares is provided in Note 6(17).
- E. To increase the Company's working capital, the shareholders at their annual shareholders' meeting on February 10, 2017, adopted a resolution to raise additional cash through private placement with the effective date set on March 7, 2017. The purpose of capital increase by cash is to broaden the Company's operations, research and development capabilities, expand the market and acquire capital to improve the technology and increase capacity. The number of shares to be issued through the private placement is 10,000 thousand shares at a subscription price of \$72 (in dollars) per share. The amount of capital raised through the private placement was \$720,000 which had been registered. Pursuant to the Securities and Exchange Act, the ordinary shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and have been offered publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares. As of December 31, 2020, the aforementioned private placement shares have released the transfer restrictions but yet to be offered publicly.
- F. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

Name of company holding the shares	Reason for reacquisition	<u>December 31, 2021</u>	
		<u>Number of shares</u>	<u>Carrying amount</u>
The Company	1. To be reissued to employees	629,000 \$	74,013
	2. Employee restricted shares forfeited as results of the resignation of employees and unachieved unvesting conditions	139,000	1,390

Name of company holding the shares	Reason for reacquisition	December 31, 2020	
		Number of shares	Carrying amount
The Company	1. To be reissued to employees	629,000	\$ 74,013
	2. Employee restricted shares forfeited as a result of the resignation of employees	4,000	40

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired.

(e) For the years ended December 31, 2021 and 2020, number of employee restricted shares reverted to the Company due to the resignation of employees and unachieved unvesting conditions was 162 thousand shares and 44 thousand shares, of which 139 thousand and 4 thousand shares were yet to be cancelled, respectively. The cancellation will be processed after the capital reduction is approved by the competent authorities.

(19) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2021			
	Share premium	Employee restricted shares	Expired employee share options	Total
At January 1	\$ 2,655,460	\$ 27,747	\$ 2,082	\$ 2,685,289
Employee restricted shares	2,803	(24,009)	-	(21,206)
At December 31	<u>\$ 2,658,263</u>	<u>\$ 3,738</u>	<u>\$ 2,082</u>	<u>\$ 2,664,083</u>

	2020				
	Share premium	Employee restricted shares	Employee share options	Expired employee share options	Total
At January 1	\$ 2,620,576	\$ 53,014	\$ 3,009	\$ 112	\$ 2,676,711
Conversion of convertible bonds	15,403	-	(3,009)	1,970	14,364
Employee restricted shares	19,481	(25,267)	-	-	(5,786)
At December 31	<u>\$ 2,655,460</u>	<u>\$ 27,747</u>	<u>\$ -</u>	<u>\$ 2,082</u>	<u>\$ 2,685,289</u>

(20) Retained earnings

A. Unless otherwise provided in the Applicable Listing Rules, the net profits of the Company for each annual financial year shall be allocated in the following order and proposed by the Board of Directors to the shareholders in the general meeting for approval:

- (a) to make provision of the applicable amount of income tax pursuant to applicable tax laws and regulations;
- (b) to set off accumulated losses of previous years (if any);
- (c) to set aside ten percent (10%) as legal reserve pursuant to the Applicable Listing Rules unless the accumulated amount of such legal reserve equals to the total paid-up capital of the Company;
- (d) to set aside an amount as special reserve pursuant to the Applicable Listing Rules and requirements of the Commission; and
- (e) with respect to the earnings available for distribution (i.e. the net profit after the deduction of the items (a) to (d) above plus any previously undistributed cumulative retained earnings), the Board of Directors may present a proposal to distribute to the shareholders by way of dividends at the annual general meeting for approval pursuant to the Applicable Listing Rules. Dividends may be distributed in the form of cash dividends and/or bonus shares, and, subject to Cayman Islands law, the amount of dividends shall be at least fifty percent (50%) of the net profit after the deduction of the items (a) to (d) above. Cash dividends shall comprise a minimum of ten percent (10%) and a maximum of one hundred percent (100%) of the total dividends allocated to shareholders.

B. The Company's dividend policy is summarized below: The Company is in the growth stage, based on capital expenditures, business expansion and comprehensive financial plan for sustainable development and other needs, will be based on future capital expenditures and working capital needs of the situation of the Company to cash dividends and / or stock dividend allotted to the shareholders of the Company.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The appropriation of 2020 and 2019 earnings had been resolved at the stockholders' meeting on August 20, 2021 and June 15, 2020, respectively. Details are summarized below:

	<u>Year ended December 31, 2020</u>		<u>Year ended December 31, 2019</u>	
	Dividends		Dividends	
	per share		per share	
	<u>Amount</u>	<u>(in dollars)</u>	<u>Amount</u>	<u>(in dollars)</u>
Special reserve	(\$	189,522)	\$	220,315
Legal reserve		-		41,989
Cash dividends	15,657	\$ 0.10	68,081	\$ 0.50
Share dividends (Note)		-	204,242	1.50

(a) The Company increased its capital using capital surplus, refer to Note 6(18) for more details.

(b) The above appropriations of earnings for the years ended December 31, 2020 and 2019 were in agreement with the Board of Directors' proposals on May 11, 2021 and April 7, 2020 respectively. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

E. As of March 31, 2022 for 2021, the loss of setting proposals has not been resolved at the shareholders' meeting. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(21) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of products at a point in time in the following major product lines:

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Revenue from external customer contracts		
Sound components	\$ 2,115,769	\$ 3,369,734
Optical components	192,587	231,244
Connectors	121,604	166,977
Automobile series and others	838,218	536,591
	<u>\$ 3,268,178</u>	<u>\$ 4,304,546</u>

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Contract liabilities-advance sales receipts	<u>\$ 14,058</u>	<u>\$ 161</u>

(22) Interest income

	Years ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 254	\$ 1,148
Interest income from financial assets measured at amortised cost	-	2
	<u>\$ 254</u>	<u>\$ 1,150</u>

(23) Other income

	Years ended December 31,	
	2021	2020
Government assistance income	\$ 67,196	\$ 74,208
Rental revenue	451	8,426
Miscellaneous income	7,645	11,502
	<u>\$ 75,292</u>	<u>\$ 94,136</u>

In accordance with IAS 20, 'Accounting for government grants and disclosure of government assistance', the Company's subsidiaries—Kun Shan Dragonstate, Concraft Baoying, Concraft Kun Shan and Changshu OBO have obtained relevant government grants and recognised the realised amounts based on their nature as miscellaneous income of CNY\$15,482 thousand and CNY\$16,865 thousand in 2021 and 2020, respectively.

(24) Other gains and losses

	Years ended December 31,	
	2021	2020
Foreign exchange losses	(\$ 1,510)	(\$ 105,063)
Gains (losses) on disposal of property, plant and equipment	17,558	(9,166)
Belated surcharge	(2,420)	(4,083)
Depreciation charge on rental equipment	-	(5,485)
Losses on financial assets at fair value through profit or loss	-	(258)
Gains on disposal of investment	-	35,421
Impairment loss	(101,772)	-
Other gains and losses	(21,882)	84
Total	<u>(\$ 110,026)</u>	<u>(\$ 88,550)</u>

(25) Finance costs

	Years ended December 31,	
	2021	2020
Interest expense	\$ 110,443	\$ 108,966
Financial expense, others	6,539	8,511
	<u>\$ 116,982</u>	<u>\$ 117,477</u>

(26) Expenses by nature

	Year ended December 31, 2021		
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 1,021,005	\$ 358,682	\$ 1,379,687
Depreciation charges on property, plant and equipment	782,881	658,291	1,441,172
Depreciation charges on right-of-use assets	44,660	23,702	68,362
Amortisation charges	13,264	42,356	55,620
Total	<u>\$ 1,861,810</u>	<u>\$ 1,083,031</u>	<u>\$ 2,944,841</u>
	Year ended December 31, 2020		
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 1,034,209	\$ 373,863	\$ 1,408,072
Depreciation charges on property, plant and equipment	1,038,075	349,931	1,388,006
Depreciation charges on right-of-use assets	44,086	17,125	61,211
Amortisation charges	11,780	50,327	62,107
Total	<u>\$ 2,128,150</u>	<u>\$ 791,246</u>	<u>\$ 2,919,396</u>

(27) Employee benefit expense

	Years ended December 31,	
	2021	2020
Wages and salaries	\$ 1,130,757	\$ 1,206,229
Labor and health insurance fees	50,248	46,920
Pension costs	75,426	68,372
Directors' remunerations	4,824	2,744
Other personnel expenses	118,432	83,807
	<u>\$ 1,379,687</u>	<u>\$ 1,408,072</u>

A. Unless otherwise provided in the Applicable Listing Rules, where the Company makes profits before tax for the annual financial year, the Company shall allocate :

- (a) A maximum of ten percent (10%) and a minimum of one percent (1%) of such annual profits before tax for the purpose of employees' remunerations (including employees of the Company and/or any Affiliated Company) (the "employees' remunerations"); and

(b) A maximum of three percent (3%) of such annual profits before tax for the purpose of Directors' remunerations (the "directors' remunerations").

Notwithstanding the foregoing paragraph, if the Company has accumulated losses of the previous years for the annual financial year, the Company shall set aside the amount of such accumulated losses prior to the allocation of employees' compensations and directors' remunerations. Subject to Cayman Islands law, the Applicable Listing Rules, the employees' compensations and the directors' remunerations may be distributed in the form of cash and/or bonus shares, upon resolution by a majority votes at a meeting of the Board of Directors attended by two-thirds (2/3) or more of the Directors. The resolutions of Board of Directors regarding the distribution of the employees' compensations and the directors' remunerations in the preceding paragraph shall be reported to the shareholders at the general meeting after such board resolutions are passed.

B. No profit earned by the Company for the years ended December 31, 2021 and 2020, therefore, no employees' compensation and directors' remuneration were accrued for both years. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were consistent with the financial report of 2020. The employees' compensation be distributed. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Income tax

A. Income tax (benefit) expense

(a) Components of income tax (benefit) expense:

	Years ended December 31,	
	2021	2020
Current tax:		
Current tax on profits for the period	\$ 22	\$ 14,662
Prior year income tax underestimation	704	3,011
Total current tax	726	17,673
Deferred tax:		
Origination and reversal of temporary differences	(10,308)	18,701
Income tax (benefit) expense	(\$ 9,582)	\$ 36,374

(b) The income tax credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2021	2020
Remeasurement of defined benefit obligations	\$ 45	\$ 31

(c) The income tax charged/credited to equity during the period is as follows: None.

(d) Reconciliation between income tax (benefit) expense and accounting profit:

	Years ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate (Note)	(\$ 601,819)	(\$ 17,587)
Income tax on overseas earnings	(21,373)	14,885
Tax exempted income by tax regulation	394,443	23,601
Temporary differences not recognised as deferred tax assets	63,054	25,982
Taxable loss not recognised as deferred tax assets	79,778	22,196
Effect from investment tax credits	- (	23,343)
Change in assessment of realisation of deferred tax assets	75,631 (	12,371)
Prior year income tax underestimation	704	3,011
Income tax (benefit) expense	<u>(\$ 9,582)</u>	<u>\$ 36,374</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

B. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses are as follows:

	2021				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Translation differences	December 31
Temporary differences:					
-Deferred tax assets:					
Inventory valuation loss	\$ 16,657	(\$ 5,646)	\$ -	\$ 539	\$ 11,550
Expected credit loss	5,003	(4,052)	-	(703)	248
Deferred revenue	4,341	(110)	-	(33)	4,198
Refund liabilities	3,709	(111)	-	(28)	3,570
Others	4,169	(2,875)	(45)	(37)	1,212
Tax losses	<u>65,547</u>	<u>(60,061)</u>	<u>-</u>	<u>(491)</u>	<u>4,995</u>
Subtotal	<u>\$ 99,426</u>	<u>(\$ 72,855)</u>	<u>(\$ 45)</u>	<u>(\$ 753)</u>	<u>\$ 25,773</u>
-Deferred tax liabilities:					
Income tax on overseas earnings	(\$ 307,012)	21,373	\$ -	\$ 8,381	(\$ 277,258)
Difference between accounting and tax basis due to depreciation	(192,155)	59,688	-	(560)	(133,027)
Gains on overseas investment for using equity method	(6,845)	1,644	-	-	(5,201)
Others	(458)	458	-	-	-
Subtotal	<u>(506,470)</u>	<u>83,163</u>	<u>-</u>	<u>7,821</u>	<u>(415,486)</u>
Total	<u>(\$ 407,044)</u>	<u>10,308</u>	<u>(\$ 45)</u>	<u>\$ 7,068</u>	<u>(\$ 389,713)</u>

2020					
	January 1	Recognised in other comprehensive income			December 31
		Recognised in profit or loss		Translation differences	
Temporary differences:					
-Deferred tax assets:					
Inventory valuation loss	\$ 15,736	\$ 653	\$ -	\$ 268	\$ 16,657
Expected credit loss	3,554	1,364	-	85	5,003
Deferred revenue	4,378	(108)	-	71	4,341
Refund liabilities	6,953	(3,287)	-	43	3,709
Losses on overseas investment for using equity method	12,496	(12,496)	-	-	-
Others	4,789	(469)	(31)	(120)	4,169
Tax losses	38,603	25,865	-	1,079	65,547
Subtotal	\$ 86,509	\$ 11,522	(\$ 31)	\$ 1,426	\$ 99,426
-Deferred tax liabilities:					
Income tax on overseas earnings	(\$ 308,072)	(\$ 14,885)	\$ -	\$ 15,945	(\$ 307,012)
Difference between accounting and tax basis due to depreciation	(153,317)	(27,746)	-	(11,092)	(192,155)
Gains on overseas investment for using equity method	(19,041)	12,196	-	-	(6,845)
Others	(670)	212	-	-	(458)
Subtotal	(481,100)	(30,223)	-	4,853	(506,470)
Total	(\$ 394,591)	(\$ 18,701)	(\$ 31)	\$ 6,279	(\$ 407,044)

C. The Company's subsidiary had unused tax losses with expiration dates and amount of unrecognized deferred tax assets are as follows:

December 31, 2021						
Territory	Year incurred	Currency	Amount filed		Unrecognised deferred tax assets	Usable until year
			/ assessed	Unused amount		
Taiwan	2019	NTD	\$ 5,431	\$ 3,450	\$ -	2029
Taiwan	2020	NTD	21,525	21,525	-	2030
Taiwan	2020	NTD	107,933	107,933	107,933	2030
Taiwan	2021	NTD	78,875	78,875	78,875	2031
Hong Kong	2020	HKD	199	199	199	Note
China	2018	RMB	8,651	8,559	8,559	2023
China	2019	RMB	3,337	3,337	3,337	2024
China	2021	RMB	8,477	8,477	8,477	2026
China	2020	RMB	1,248	1,248	1,248	2025
China	2021	RMB	963	963	963	2026
China	2021	RMB	167	167	167	2026
China	2019	RMB	61,321	61,321	61,321	2029
China	2020	RMB	26,119	26,119	26,119	2030
China	2021	RMB	78,208	78,208	78,208	2031

December 31, 2020

Territory	Year incurred	Currency	Amount filed		Unrecognised	
			/ assessed	Unused amount	deferred tax assets	Usable until year
Taiwan	2012	NTD	\$ 5,871	\$ 1,407	\$ -	2022
Taiwan	2013	NTD	4,646	4,185	-	2023
Taiwan	2014	NTD	3,613	3,613	-	2024
Taiwan	2019	NTD	5,431	5,431	-	2029
Taiwan	2020	NTD	107,933	107,933	106,418	2030
Hong Kong	2020	HKD	199	199	199	Note
China	2018	RMB	8,651	8,559	8,559	2023
China	2019	RMB	3,337	3,337	3,337	2024
China	2020	RMB	1,248	3,020	736	2025
China	2019	RMB	61,830	61,830	-	2029
China	2020	RMB	26,119	26,119	-	2030

Note: Under the regulations of Hong Kong, tax losses can be applied to taxable profit in the succeeding years with no limitation on times.

D. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deductible temporary differences	<u>\$ 2,850,549</u>	<u>\$ 35,373</u>

- E. The Company's subsidiaries Dragonstate and OP BVI are domiciled in the Cayman Islands and the Republic of Mauritius, respectively. They are exempted from corporate income tax pursuant to local laws.
- F. Concraft Precision Concraft Technology and Acoustic OBO are domiciled in the Hong Kong Special Administrative Region of the People's Republic of China. In accordance with the Hong Kong Tax Act, only the source of income from Hong Kong is taxable.
- G. OBO(USA) is registered in the United States and is taxed in accordance with the U.S. corporate income tax law.
- H. According to the Regulation on the Implementation of the Enterprise Income Tax Act of the People's Republic of China, the applicable income tax rate of Concraft Kun Shan, Concraft Baoying Haojun Kunshan and Changshu OBO is 25%, and Kun Shan Dragonstate applies preferential income tax rate of 15% as a result of Kun Shan Dragonstate obtaining the High-tech Enterprise Certificate in accordance with the Article 28 in the same regulation.
- I. As of 2019, the income tax returns of Dragonstate International Co. Ltd. and TW OBO, the subsidiaries of the Company, have been assessed and approved by the Tax Authority.

J. As of December 31, 2021, the Group's unpaid taxes payable (including value-added tax and belated surcharge, etc.) were recognised in other payables and current income tax liabilities amounting to \$93,494 and \$12,120, respectively. As of March 31, 2022, the Group paid \$56,599 for those unpaid taxes. (No tax payable was unpaid as of December 31, 2020.)

(29) Losses per share

Year ended December 31, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Losses per share (in dollars)
<u>Basic (diluted) losses per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 3,774,859)	156,567	(\$ 24.11)
Year ended December 31, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Losses per share (in dollars)
<u>Basic (diluted) losses per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 145,438)	156,568	(\$ 0.93)

(30) Supplemental cash flow information

Investing activities with partial cash payments:

Years ended December 31,		
	2021	2020
Purchase of property, plant and equipment	\$ 670,135	\$ 1,228,105
Add: Opening balance of payable on equipment	72,084	234,227
Add: Opening balance of long-term payable on equipment	20,253	-
Add: Ending prepayment for equipment	10,478	65,745
Less: Opening prepayment for equipment	(65,745)	(59,654)
Less: Ending balance of payable on equipment	(80,087)	(72,084)
Less: Ending balance of long-term payable on equipment	(13,682)	(20,253)
Cash paid during the period	<u>\$ 613,436</u>	<u>\$ 1,376,086</u>

(31) Changes in liabilities from financing activities

2021					
	Other payables (Including dividend payable and related party)	Long-term and short-term borrowings (Including current portion)	Lease liabilities	Liabilities from financing activities-gross	
At January 1	\$ 196,500	\$ 2,681,469	\$ 147,292	\$	3,025,261
Changes in cash flow from financing activities	33,036 (	542,663) (	47,245) (		556,872)
Interest expense(Note)	-	- (	4,353) (		4,353)
Changes in other non-cash items	15,657	847 (	3,399)		13,105
Impact of changes in foreign exchange rate	- (	57,384) (	1,398) (		58,782)
At December 31	<u>\$ 245,193</u>	<u>\$ 2,082,269</u>	<u>\$ 90,897</u>	<u>\$</u>	<u>2,418,359</u>
2020					
	Other payables (Including dividend payable and related party)	Issuance of convertible bonds (Including issue costs)	Long-term and short-term borrowings (Including current portion)	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 244,984	\$ 45,910	\$ 2,261,445	\$ 106,102	\$ 2,658,441
Changes in cash flow from financing activities	(116,565)	-	353,349 (	54,503)	182,281
Interest expense(Note)	-	-	- (	3,804) (	3,804)
Changes in other non-cash items	68,081 (	45,910)	836	97,944	120,951
Impact of changes in foreign exchange rate	-	-	65,839	1,553	67,392
At December 31	<u>\$ 196,500</u>	<u>\$ -</u>	<u>\$ 2,681,469</u>	<u>\$ 147,292</u>	<u>\$ 3,025,261</u>

Note: Shown in ‘Cash flows from operating activities’.

7. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

Names of related parties	Relationship with the Group
All directors, general managers, vice president and chief directors	Key management personnel of the Company
Monster Holding Co., Ltd. (“Monster”) (Chao-Sheng, Lu is the company representative)	Representative is the chairman of the Company
AGI Holding Co., Ltd. (“AGI”) (LI, GUO-JI is the company representative)	Representative is the general manager of the company
CASCO Capital Management Corp. (Chao-Sheng, Lu is the company representative)	Representative is the chairman of the Company
Chao-Sheng, Lu	The chairman of the Company

(2) Significant related party transactions and balances

A. Accounts payable to related parties (Loans from related parties)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Monster	\$ 99,974	\$ 111,129
AGI	39,754	74,048
The chairman	34,819	-
	<u>\$ 174,547</u>	<u>\$ 185,177</u>

Payables to related parties arose from loans granted by shareholders. The payables bear no interest.

B. Other income

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Casco Capital	<u>\$ 272</u>	<u>\$ 109</u>

The rent was collected quarterly based on the mutual agreement.

(3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 24,740	\$ 26,211
Post-employment benefits	478	478
Total	<u>\$ 25,218</u>	<u>\$ 26,689</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>	
Notes receivable	\$ 70,387	\$ 11,064	Discounted notes receivable
Accounts receivable	83,058		- short-term borrowings
Financial assets at amortised cost	321	320	Quota of Post-release Duty Payment
Restricted deposits-current (shown as other current assets)	13,032	7,678	Current portion of long-term borrowings
Restricted deposits-non current (shown as other non current assets)	35,278	151,543	Long-term borrowings
Property, plant and equipment			
- Land	135,194	135,194	Long-term and short-term borrowings
- Buildings	806,864	513,357	Long-term and short-term borrowings
- Machinery and equipment	796,175	1,098,080	Long-term borrowings
Right-of-use assets, Land (shown as Right-of-use assets)	107,410	87,476	Long-term borrowings
	<u>\$ 2,047,719</u>	<u>\$ 2,004,712</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Provision of endorsements and guarantees to others: Please refer to table 2.

B. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment	<u>\$ 101,878</u>	<u>\$ 112,979</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) The Company's subsidiary, Kunshan Haojun, entered into a secured borrowing contract with Kunshan Rural Commercial Bank with a borrowing facility of RMB 120,000 thousands on January 4, 2022, the subsidiary, Kun Shan Dragonstate, provided plants and land use rights as collaterals. As of March 31, 2022, Kunshan Haojun used RMB 62,000 thousands.
- (2) The Company's subsidiary, Kun Shan Concraft, entered into a secured borrowing contract with non-financial institutions on March 22, 2022 with a borrowing facility of RMB 50,000 thousands. The guarantees for this borrowing were plants and land use rights. As of March 31, 2022, Kun Shan Concraft used RMB 30,000 thousands.
- (3) The Company's subsidiary, Baoying Concraft, entered into a secured borrowing contract with non-financial institutions on March 24, 2022 with a borrowing facility of RMB 30,000 thousands. The guarantees for this borrowing were plants and land use rights. As of March 31, 2022, the unused amount of this borrowing was RMB 30,000 thousands.
- (4) The Company's subsidiaries, Kun Shan Dragonstate, Kun Shan Concraft and Baoying Concraft entered into equipment sales contracts at a total consideration of RMB 84,548 thousands.
- (5) On March 30, 2022, the Company's subsidiaries, Kun Shan Dragonstate and Dragonstate International intended to sell certain land and buildings and structures as resolved by the Board of Directors.

12. OTHERS

- (1) For the year ended December 31, 2021, net loss attributable to owners of parent amounted to \$3,774,859 (of which expected credit loss was \$2,626,267); as of December 31, 2021, the balance of current liabilities was more than current assets amounting to \$1,464,785, and accumulated deficits to be covered amounted to \$3,255,534, accordingly, the liquidity risk had significantly increased. Therefore, the Group intends to adopt following measures to improve future operation and financial conditions:

A. Improving operating conditions:

- (a) As the Group's industry nature, the collection period to sales customers is longer and payment term to suppliers is shorter. Therefore, the Group intends to amend the collection and payment terms to sales customers and suppliers, respectively, in order to reduce the cost of capital.
- (b) The Group positively negotiates with sales customers for collecting accounts receivable in order to fulfil working capital.
- (c) The Group positively negotiates with sales customers for the commercial term in relation to the molding of developing products and automation equipment. Accordingly, the commercial term was changed from the allocation to customer assumed and receipt related payments in advance in order to reduce development costs.
- (d) The Group intends to negotiate with sales customers for adjusting product prices in order to reflect the raised costs of production and purchase of materials.

B. The healthy financial plan

- (a) The Company had obtained the financing commitment letter from the major shareholder to support the Company's working capital.
- (b) Seeking capital injection from strategic investors.
- (c) Positively negotiating with financial institutions for low interest rate borrowings.
- (d) Revitalizing assets in order to fulfil working capital.

(2) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt, to maximize stockholders' equity.

(3) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 445	\$ 525
Financial assets at amortised cost		
Cash and cash equivalents	95,919	231,914
Financial assets at amortised cost	321	320
Notes receivable	74,646	24,544
Accounts receivable	988,589	3,877,448
Other receivables	176,646	23,868
Guarantee deposits paid	13,054	13,773
Other current assets	13,032	7,678
Other non-current assets	35,278	151,543
	<u>\$ 1,397,930</u>	<u>\$ 4,331,613</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 934,538	\$ 151,311
Notes payable	5,392	1,748
Accounts payable	778,473	596,337
Other accounts payable (including related parties)	758,696	520,212
Long-term borrowings (including current portion)	1,147,731	2,530,158
Other non-current liabilities	31,845	38,985
	<u>\$ 3,656,675</u>	<u>\$ 3,838,751</u>
Lease liabilities	<u>\$ 90,897</u>	<u>\$ 147,292</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

- (b) The Group did not enter into contracts relating to derivative financial instruments that were used to hedge certain exchange rate risk.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.
- iii. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2021			
Foreign Currency			
	amount		Book value
	(in thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 1,987	27.680	\$ 54,984
USD:RMB	8,488	6.372	235,144
<u>Financial liabilities</u>			
<u>Monetary items</u>			
EUR:USD	\$ 767	1.132	\$ 24,027
USD:RMB	4,715	6.372	130,674
USD:NTD	5,487	27.680	151,883
EUR:RMB	658	7.210	20,104

December 31, 2020				
Foreign Currency				
	amount		Book value	
	(in thousands)	Exchange rate	(NTD)	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:RMB	\$	6,289	6.507 \$	180,029
USD:NTD		3,553	28.480	101,197
EUR:NTD		1,869	35.020	93,319
EUR:USD		1,023	1.230	35,827
<u>Financial liabilities</u>				
<u>Monetary items</u>				
EUR:USD	\$	14,142	1.230 \$	495,247
USD:NTD		6,540	28.480	186,252
EUR:NTD		4,961	35.020	173,719
EUR:RMB		1,859	8.001	65,421
USD:RMB		713	6.507	20,402
USD:HKD		378	7.754	10,753

- iv. Total exchange gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020 amounted to \$1,510 and \$105,063, respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2021				
Sensitivity analysis				
	Degree of	Effect on profit	Effect on other	
	variation	or loss	comprehensive	
			income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 550	\$ -	-
USD:RMB	1%	2,351		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
EUR:USD	1%	\$ 240	\$ -	-
USD:RMB	1%	1,307		-
USD:NTD	1%	1,519		-
EUR:RMB	1%	201		-

Year ended December 31, 2020				
Sensitivity analysis				
	Degree of	Effect on profit	Effect on other	
	variation	or loss	comprehensive	
			income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:RMB	1%	\$ 1,800	\$ -	-
USD:NTD	1%	1,012		-
EUR:NTD	1%	933		-
EUR:USD	1%	358		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
EUR:USD	1%	\$ 4,952	\$ -	-
USD:NTD	1%	1,863		-
EUR:NTD	1%	1,737		-
EUR:RMB	1%	654		-
USD:RMB	1%	204		-
JPY:RMB	1%	108		-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

Diversification of the portfolio is done in accordance with the limits set by the Group.

- ii. The Group's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by \$4 and \$5, respectively, as a result of gains/losses on equity securities classified as at fair value through other comprehensive income.

Cash flow and fair value Interest rate risk

- i. The Group's interest rate risk arises from long-term borrowings which issued at variable rates that expose the Group to cash flow interest rate risk. During the years ended December 31, 2021 and 2020, the Group's borrowings at variable rate were denominated in the USD, RMB and EUR.
- ii. If the borrowing interest rate had increased/decreased by 0.25% with all other variables held constant, profit for the years ended December 31, 2021 and 2020 would have increased/decreased by \$985 and \$5,149, respectively. The main factor is that changes in interest expense result in floating-rate borrowing.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a good credit rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

- iii. The Group, based on the historical collection experience, adopts the assumptions under IFRS 9, if the contract payments were past due over 90, there has been a significant increase in credit risk on that instrument since initial recognition. The default occurs when the contract payments are past due over 365 days, unless the entities have reasonable and supporting information to indicate that the revised default criteria are appropriate.
- iv. The Group classifies customers' accounts receivable in accordance with credit rating of customer, and customer types. The Group applies the modified approach using provision matrix and loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vi. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report and Basel II to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2021 and 2020, the provision matrix and loss rate methodology is as follows:

	Not past due	Up to 90 days past due	180 days past due	365 days past due	Over 365 days past due	Total
<u>December 31, 2021</u>						
Expected loss rate	0.03%~100%	0.03%~100%	0.12%~100%	100%	100%	
Total book value	\$ 1,110,823	\$ 235,605	\$ 418,249	\$ 962,237	\$ 947,967	\$ 3,674,881
Loss allowance	\$ 194,718	\$ 165,133	\$ 416,237	\$ 962,237	\$ 947,967	\$ 2,686,292
	Not past due	Up to 90 days past due	180 days past due	365 days past due	Over 365 days past due	Total
<u>December 31, 2020</u>						
Expected loss rate	0.03%~37.97%	0.03%~100%	0.13%~100%	0.32%~100%	100.00%	
Total book value	\$ 2,077,129	\$ 316,975	\$ 485,047	\$ 1,021,097	\$ 35,391	\$ 3,935,639
Loss allowance	\$ 5,703	\$ 2,082	\$ 3,586	\$ 11,429	\$ 35,391	\$ 58,191

Note: The expected loss rate is obtained by considering the possible default events of individual customers and the management status of past-due accounts.

- vii. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable is as follows:

	2021	2020
	Accounts receivable	Accounts receivable
At January 1	\$ 58,191	\$ 27,302
Provision for impairment	2,626,267	29,997
Effect of foreign exchange	1,834	892
At December 31	\$ 2,686,292	\$ 58,191

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management, and invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- iii. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Floating rate:		
Expiring within one year	\$ 165,428	\$ 40,000
Expiring beyond one year	-	775,621
	<u>\$ 165,428</u>	<u>\$ 815,621</u>

The facilities expiring within one year are annual facilities subject to review at various dates during 2022.

- iv. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Apart from notes payable, accounts payable and other payables (including related parties) whose contractual undiscounted cash flows are approximate to the carrying amount and which are maturing within a year, the amounts disclosed in the table are the contractual undiscounted cash flows:

	Between		
	<u>Less than 1 year</u>	<u>1 and 2 years</u>	<u>More than 2 years</u>
<u>Non-derivative financial liabilities:</u>			
December 31, 2021			
Short-term borrowings	\$ 958,859	\$ -	-
Lease liabilities	68,732	25,444	760
Long-term borrowings (including current portion)	868,913	262,297	59,998
<u>Derivative financial liabilities:</u>			
<u>None.</u>			

		Between	
	Less than 1 year	1 and 2 years	More than 2 years
<u>Non-derivative financial liabilities:</u>			
December 31, 2020			
Short-term borrowings	\$ 155,808	\$ -	-
Lease liabilities	65,940	53,507	34,905
Long-term borrowings (including current portion)	1,786,733	725,797	120,454
<u>Derivative financial liabilities:</u>			
<u>None.</u>			

The company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(4) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and long-term borrowings (including current portion) are approximate to their fair values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of assets and liabilities is as follows:

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 445	\$ 445
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 445</u>	<u>\$ 445</u>
December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	525	525
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 525</u>	<u>\$ 525</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

- When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, the Group adopts a valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

D. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	2021	2020
At January 1	\$ 525	\$ 1,103
Disposed in the period	(80)	(40)
Converted in the period	-	(42)
Redeemed in the period	-	(10)
Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	-	(228)
(Losses) gains recognised in profit or loss	-	(258)
At December 31	<u>\$ 445</u>	<u>\$ 525</u>

F. For the years ended December 31, 2021 and 2020, there was no transfer into or out from Level 3.

- G. Financial segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Relationship of inputs of fair value
Non-derivative equity instrument:				
Unlisted shares	\$ 445	Comparable transaction	Discount for lack of marketability	The higher the discount for lack of marketability, the lower the fair value
	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Relationship of inputs of fair value
Non-derivative equity instrument:				
Unlisted shares	\$ 525	Comparable transaction	Discount for lack of marketability	The higher the discount for lack of marketability, the lower the fair value

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

(4) Major shareholder information

Major shareholder information: Please refer to table 10.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry. The Group's Board of Directors who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

The Group's segment profit (loss) is measured with the operating profit (loss) before tax, which is used as a basis for the Group in assessing the performance of the operating segments. The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4.

(3) Information about segment profit or loss, assets and liabilities

	Years ended December 31,	
	2021	2020
Segment revenue		
Revenue from external customers	\$ 3,268,178	\$ 4,304,546
	Years ended December 31,	
	2021	2020
Segment income	\$ 3,901,820	\$ 149,273
Interest income	\$ 254	\$ 1,150
Interest expense	\$ 116,982	\$ 117,477
Depreciation and amortisation	\$ 1,565,154	\$ 1,516,809
Income tax benefit (expense)	\$ 9,582	(\$ 36,374)
	December 31,	
	2021	2020
Segment assets	\$ 5,591,316	\$ 9,804,741
Segment liabilities	\$ 4,277,197	\$ 4,563,981

(4) Reconciliation for segments income (loss)

The Group is mainly engaged in a single product industry, and the Board of Directors evaluates performance and allocates resources as a whole; therefore, there is only one operating segment for reporting purpose, and reconciliation is not applicable.

(5) Information on products and services

Details of revenue is as follows:

	Years ended December 31,	
	2021	2020
Sound components	\$ 2,115,769	\$ 3,369,734
Optical components	192,587	231,244
Connectors	121,604	166,977
Automobile series and others	838,218	536,591
Total	<u>\$ 3,268,178</u>	<u>\$ 4,304,546</u>

Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Revenue	Non-current assets	Revenue	Non-current assets
China	\$ 2,763,140	\$ 3,171,610	\$ 3,506,064	\$ 4,217,409
Taiwan	245,721	368,812	223,261	497,362
Others	259,317	220	575,221	52,530
	<u>\$ 3,268,178</u>	<u>\$ 3,540,642</u>	<u>\$ 4,304,546</u>	<u>\$ 4,767,301</u>

(6) Major customer information

Customers constituting more than 10% of the Group's total revenue for the years ended December 31, 2021 and 2020 are as follows:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Revenue	%	Revenue	%
A	\$ 1,034,868	32	\$ 1,433,613	33
B	481,445	15	952,306	22

- V. The audited separate financial statements of the last 5 years: The Company did not issue any separate financial statement.
- VI. If there is insolvency to the Company and its subsidiaries in the most recent year to the day this report was printed, specify the influence on the financial position of the Company: None.

Seven. Review and analysis of financial position and performance, and risks

I. Table of financial position in comparison

Unit: NT\$ thousand; %

Item \ Year	2021	2020	Difference	
			Amount	%
Current assets	2,024,456	4,937,489	(2,913,033)	(59.00%)
Property, plant and equipment	3,231,868	4,073,255	(841,387)	(20.66%)
Intangible assets	48,801	186,073	(137,272)	(73.77%)
Other assets	286,191	607,924	(321,733)	(52.92%)
Total assets	5,591,316	9,804,741	(4,213,425)	(42.97%)
Total liabilities	3,489,241	3,106,550	382,691	12.32%
Long-term loans	313,182	823,742	(510,560)	(61.98%)
Other liabilities	474,774	633,689	(158,915)	(25.08%)
Total liabilities	4,277,197	4,563,981	(286,784)	(6.28%)
Capital stock	1,571,856	1,572,126	(270)	(0.02%)
Addition paid-in capital	2,664,083	2,685,289	(21,206)	(0.79%)
Retained earnings	(2,705,663)	1,084,828	(3,790,491)	(349.41%)
Accumulated adjustment of conversion	(241,448)	(248,356)	6,908	(2.78%)
Treasury shares	(75,403)	(74,053)	(1,350)	1.82%
Uncontrolled equity	100,694	220,926	(120,232)	(54.42%)
Total shareholders' equity	1,314,119	5,240,760	(3,926,641)	(74.93%)

If the change between the previous and current periods exceeds 20%, and the amount surpasses NT\$20 million, the main reason for the change is analyzed below:

1. Decrease in current assets: Mainly due to a decrease in accounts receivable.
2. Decrease in property, plant and equipment: Mainly due to an increase in depreciation expenses.
3. Decrease in intangible assets: Mainly due to patent rights and amortization of computer software.
4. Decrease in other assets: mainly due to the increase in restricted deposits guaranteeing long-term borrowings..
5. Decrease in long-term loans: Mainly due to repayment of long-term loans.
6. Dncrease of other liabilities: Mainly due to the decrease of the deferred income tax liabilities of the estimated income tax on unsecured convertible corporate bonds, lease liability and overseas income.
7. Decrease in retained earnings: Mainly due to a decrease in dividends distributed.
8. Decrease in non-controlling interests: Due to a decrease in profit or loss of OBO recognized.

II. Financial performance

Unit: NT\$ thousand; %

Item \ Year	2021	2020	Difference	
			Amount	%
Net operating income	3,268,178	4,304,546	(1,036,368)	(24.08%)
Cost of operation	3,348,735	3,233,168	115,567	3.57%
Gross profit	(80,557)	1,071,378	(1,151,935)	(107.52%)
Operating expense	3,669,801	1,109,910	2,559,891	230.64%
Net operating income (loss) in current period	(3,750,358)	(38,532)	(3,711,826)	9,633.10%
Non-operating income and (expense)	(151,462)	(110,741)	(40,721)	36.77%
Net income (loss) before tax	(3,901,820)	(149,273)	(3,752,547)	2,513.88%
Income tax expense	(9,582)	36,374	(45,956)	(126.34%)
Net income (loss) in current period	(3,892,238)	(185,647)	(3,706,591)	1,996.58%
(I) Reasons for changes and impacts:				
<ol style="list-style-type: none"> 1. Operating income: the operating income in the current period decreased year on year, as the unit price of some acoustic products in this period decreased by about 25.5% year on year. In addition, the Company gradually adjusted its product mix. The gross profit from automotive parts and components in which the Company invested is not as good as that of consumer electronics products, and the product life cycle is longer, and the current scale is not yet sufficient to make up for the reduced revenue from acoustics. As a result, the operating income in the current period decreased year on year. 2. Operating margin: the operating margin for the current period decreased year on year, mainly due to that some customers who mainly bought acoustic products in the past reduced the unit price on a quarterly basis and the average unit price decreased by about 25.5% year on year. Although production efficiency has been improved to reduce costs, it still cannot keep up with the price reduction, resulting in a decline in the gross profit of single products. As explained in the operating income decrease above, the decline in shipments and the lack of operating scale in this period also led to a decrease in operating margin. In addition, the price of raw materials (copper and plastic) increased and the gross profit rate in this period therefore declined year on year. 3. Net operating profit: the net operating profit decreased mainly due to a decrease in operating margin. 4. Non-operating income (expenditure): Mainly due to the recognition of the subsidiary's goodwill and patent impairment losses in the current period, resulting in an increase in non-operating income (expenses) year on year. 5. Income tax expenses: the income tax expenses decreased year on year due to the decrease in pre-tax income in the period. 				
(II) Expected sale quantity and the basis, its effect on the financial situation and operation of the Company in the future, and the countermeasure:				
<ol style="list-style-type: none"> 1. Expected sale quantity and the basis: The Company evaluates the current market trends and negotiates future orders with customers. Due to the impact of COVID-19 and product mix adjustments, it is expected that the sales target for the next year will be more conservative compared to 2021. 2. Possible impact on the Company's future financial situation and the countermeasure: The Company seeks operation growth while maintaining stability. In terms of business, it stabilizes customer sources, develops new customers, researches and develops new products, gradually adjusts the product mix and invests in auto parts to bring new business opportunities to the Company. There is no major possible impact on the Company's future financial situation. 				

III. Cash flow analysis

(I) Analysis of the changes in cash flows in the most recent year

Item/year	2021	2020	Changes in the ratios
Cash flow ratio (%)	21.74	29.91	(27.32%)
Cash flow adequacy ratio (%)	53.08	44.67	18.83%
Cash reinvestment ratio (%)	11.82	8.73	35.40%
Note to changes in the ratios: 1. Cash flow ratio: Mainly due to an increase in discount expenses, and a decrease in accounts payable and other payables, resulting in a decrease in cash inflow from operating activities. 2. Cash reinvestment ratio: Mainly due to a decrease in cash inflow from operating activities and an increase in other non-current assets.			

(II) Liquidity analysis of the year ahead

Unit: NT\$ thousand

Cash balance at the beginning of period (1)	Expected net cash flow from operation of the period (2)	Expected net cash flow from investment and financing of the period (3)	Amount of cash surplus (short) (1)+(2)+(3)	Remedy for cash short	
				Investment plan	Wealth management plan
95,919	287,471	555,985	939,375	-	-

(III) Remedy for inadequate liquidity: not applicable.

IV. The effect of major capital expenditure in the most recent year on financial position and operation: None.

V. The direct investment policy of the most recent year, the main reason for profit or loss, the remedy and the investment plan in the year ahead:

(I) The direct investment policy of the Company: for the needs of the Group operation.

(II) The main reason for profit or loss from direct investment:

Unit: NT\$ thousand

Items	Gains (loss) recognized for 2020	Direct investment policy	Reason for profit or loss	Remedy
DRAGONSTATE TECHNOLOGY CO., LTD.	(3,389,505)	Sale and shareholding	Loss on investment	-
Concraft Technology CO., Ltd.	(88)	Sale	-	-
Concraft Precision Co., Ltd.	(178,534)	Shareholding	Loss on investment	-
Dragonstate Technology Co., Ltd.	(95,8729)	Sale and production	Loss on investment	-
OBO Pro.2 Inc.	(20,659)	Sale and production	Loss on investment	-

(III) Major investment plan in the year ahead: None

VI. Risk analysis

(I) The effect of changes in interest rate and exchange rate and inflation on the income position of the Company, and the response:

1. The effect of changes in interest rate and exchange rate on the income position of the Company, and the response:

The interest expense of the Company over the last 3 years and in proportion to the consolidated revenue of the Company are shown below:

Unit: NT\$ thousand

Item \ Year	2019	2020	2021	As of March 31, 2022
Interest expense	119,527	117,477	116,982	25,360
Interest expense/group consolidated revenue (%)	2.33%	2.73%	3.58%	4.39

Source: audited or reviewed financial statements

The information above indicated that the interest expense of the Company in the last 3 years to the end of the quarter prior to the printing of this report was at 2.46% of the consolidated revenue of the group in average. As such, the changes in interest rate did not significantly affect the income position of the Company.

2. The effect of changes in exchange rate on the income position of the Company and the response:

The sale of the Company was mainly settled in USD or CNY while the purchase of the Company was mainly settled in CNY, followed by USD. Exchange gain/loss of the Company over the last 3 years and in proportion to the consolidated revenue of the group:

Unit: NT\$ thousand

Item \ Year	2019	2020	2021	As of March 31, 2022
Exchange gain (loss)	18,096	(105,063)	(1,510)	10,743
Exchange gains (loss)/consolidated revenue of the group (%)	0.35%	(2.44%)	(0.05%)	1.86

Source: audited or reviewed financial statements

From the ratio above, it can be seen that the foreign exchange gains and losses of the Company and its subsidiaries in the last three years accounted for an average of about (0.71%) of the Group's consolidated income and exchange rate changes have no significant impact on the consolidated profit and loss of the Company and its subsidiaries.

- (1) The Company converted its cash into EUR, CNY or other currencies at relatively stable exchange rate to hedge off the risk deriving from exchange rate fluctuation.
- (2) The Company liaises with the service banks frequently to keep abreast of any change in the foreign exchange market. The information available will be served as reference for related personnel in giving quotation for the timely response to the changes in exchange rate.
- (3) In order to reduce foreign exchange risks, the Company may proceed per the Guidelines for Handling Acquisition and Disposal of Assets formulated and relevant operating procedures for derivative financial products. Necessary measure will be taken depending on the position of foreign currency and the state of changes in foreign exchange rate to reduce the exchange risk of the Company pertinent to the operation. The Company seeks to use natural hedge as the first choice in handling foreign currency position and will not use derivatives for hedging unless it is necessary.

3. The effect of inflation/deflation on the income position of the Company, and the response:

Inflation/deflation will cause unreasonable fluctuation to the prices of materials for the Company, which will affect the income position to certain extent. Materials purchased in bulk are sound network, terminals, spring materials, engineering plastics, copper, and material for gold plating in the outsourced electroplating process. The Company takes the following measures to minimize the effect of changes in the prices of materials on the income position of the Company:

- (1) Develop new production process to reduce the consumption of materials. An example is the Insert Molding technology, which helps to reduce the consumption of copper by more than 50%.
- (2) Intensify the recycling and reuse of wastes
- (3) Research and develop the equipment for automated production of products to reduce the loss rate in the production process.
- (4) Vertical integration of production process to control waste of materials from the production process.

(II) The policies for the engagement in high risk and high leverage investment, loaning of fund to a third party, endorsement/guarantee, and derivative trade, the main reason for profit or loss, and the response:

1. The policies of engagement in high risk and high leverage investment, the main reason for profit or loss, and the response:

The Company concentrates its effort in the professed operation and has not engaged in other high risk business. In addition, the Company keeps a conservative treasury policy and does not take any high leverage investment. This risk has marginal effect on the Company.

2. The policy of loaning of fund to a third party, the main reason for profit or loss, and the response:

The Board and the Shareholders Meeting of the Company have approved the “Procedure for the Loaning of Fund”. The Company did not finance any unrelated parties except the wholly-owned subsidiaries and indirect subsidiaries in the most recent year to the day this report was printed. For further information on financing related parties, refer to the notes to the financial statements of this year.

3. The policy of endorsement/guarantee, the main reason for profit of loss, and the response:

The Board and the Shareholders Meeting of the Company have approved the “Procedure for Endorsement/Guarantee”. The Company did not undertake endorsement/guarantee in favor of any unrelated parties except the wholly-owned subsidiaries and indirect subsidiaries in the most recent year to the day this report was printed. For further information on endorsement/guarantee in favor of related parties, refer to the notes to the financial statements of this year.

4. The policy of derivative trade, the main reason for profit or loss, and the response:

The Company did not engage in derivative trade in the most recent year to the day this report was printed. The Board and Shareholders Meeting of the Company have also passed the “Procedure for the Acquisition or Disposition of Assets” that governs derivative trade. Where necessary, the Company will assess related hedge strategy for its operation in the future and proceed in accordance with the “Procedure for the Acquisition or Disposition of Assets”.

(III) The R&D plan in the future, and the expected expenditures for such purpose:

The R&D plan of the Company in the future is shown below:

Product categories	Products and Plans planned for development	Sphere of application
The development of automotive related parts and components	Joint venture with the customers in the development of the parts and components necessary for the driving of new energy cars.	The automotive industry
The design of acoustics parts and components and the development of mass production technology.	Parts and components of micro acoustics (loudspeakers)	Different industries
The composite use of silica gel material and other materials	The composite use of silica gel material and other materials	Acoustics Optics The automotive industry
Semiconductor packaging and testing process application	packaging and testing process application	Semiconductor

1. Under the “Development of automotive related parts and components” plan, the Company will jointly develop the parts and components for the electric power train of new energy cars (HEV, BEV, FCEV) with the use of new materials for the needs of these new cars with the customers in Europe and in Mainland China.
2. The “development of parts and components for acoustics products” is focused on the joint research and development and production with the customers under the sharing of relevant proportions of R&D expenses as consumed. Revenue started to generate in 2013. The revenue in 2020 accounted for approximately 78% of the overall revenue.
3. The “composite use of silica gel materials and other materials” aimed at all levels of production technologies of applying silica gel materials to different products.
4. The Company will continue the R&D of the composite use of silica gel materials for application to suitable industries. It is expected that the annual expenditure on R&D will account for approximately 5%-13% of the revenue.

(IV) The changes in major policies of the home government and foreign governments and the regulatory environment on the financial position and operation of the Company, and the response:

The Company engages in various businesses in accordance with relevant domestic and international laws and regulations, and always pays attention to the development trends of important domestic and international policies and legal changes, so as to respond to changes in the market environment and take appropriate countermeasures, so as to prevent any material impact on the Company’s financial business.

(V) The effect of technology change and industrial change on the financial position and operation of the Company, and the response:

Connectors and acoustic-optical parts and components are extensively used in different industries, which are classified as passive component. In case of technology change, passive components will also be changed significantly. This will be a challenge to the design and production firms in the aspect of technology. The Company responds to the change in technology with the following measures :

1. The Company is cautious at the development stage of products. In mainstream industries with frequent changes in technologies, the Company declined to develop products containing low level of know-how. For products with high level of know-how, the Company will surpass the competitors in market in cost advantage before successful engagement in the business.
2. Understand the application of the customers to end products to keep abreast of the change in the trend.
3. Proceed to vertical integration to reduce the effect of price collapse due to technology change.

4. The Company has successfully listed its stocks for trading at TWSE in 2016, and will use the resources in market for the reasonable transformation of the Company so as to attract good people.
5. Proceed to R&D and in-depth cultivation of cross-industry products such as the automotive and medical industries, and the development of medical auxiliary device parts and components.
6. Engage in joint R&D with world-class big firms on products of the next generation and upgrade as the rule maker of product specification.

(VI) The effect of the change in corporate image on corporate crisis management, and the response:

The management of the Company upholds the corporate philosophy of sustainable development in carving the corporate culture of the Company, and maintains a conservative stance while seeking development and growth to earn the recognition of all outsiders. Indeed, the recognition of the outsiders of the corporate culture helps to form the corporate image. We hold that the stability of the management level will be the way for keeping our corporate image. The stability of the management will help the Company to keep its fundamental spirit at the time of establishment under the rule of thumb in tackling with internal or external crisis. It is because of this that the Company has not encountered any crisis due to the change in corporate image ever since its establishment.

(VII) Expected result from merger and acquisition, possible risk, and response:

In recent years, the Company and subsidiaries' had no M&A plans. If such plan emerges in the future, the Company will carefully evaluate and consider the effect of the consolidation to ensure the rights and benefits of original equity.

(VIII) Expected result from capacity expansion, possible risk, and response:

The construction of the second phase plant of the Company's subsidiary Concraft Precision Electrical (Kunshan) Co., in Zhoushi Town, Kunshan City, has now been completed. The new plant is expected to bring positive benefits to the Group's competitiveness.

(IX) The risks deriving from supplier or customer concentration, and the response:

1. The risks deriving from supplier concentration, and the response:

The biggest supplier to the Company accounted for around 11% of the total purchase of the Company in the most recent year to the day this report was printed. In addition to the material suppliers designated by customers, the Company has at least 2 suppliers for the supply of the same item. The risk of supplier concentration is unlikely.

2. The risks deriving from customer concentration, and the response:

The Company has transformed from the red sea market of connectors to the blue ocean market of customized acoustics parts and components. In 2013, the Company was engaged in a joint venture with US big acoustics firms in the development of acoustics components. The launch of smart phone to market in 2014, the product quality and Insert Molding technology of the Company helped to earn the recognition of the customers. In addition, most big cell phone firms tended to work with specific or a few suppliers in the supply of different parts and components and are unlikely to switch to new suppliers. The Company has cultivated positive cooperative relation with big US acoustics firms. Under the principle of trust and mutual interest, this cooperative relation remains intact. Further, sale has been on the growth perpetually that the Company has concentrated its sale on a few customers.

However, in recent years, due to the cost and the pandemic, the competition in the production of acoustic products has changed drastically. The Company's countermeasures are as follows:

(1) Integrate the Company's production advantages to transform modular products

With the improved 5G technology, wearable products will gradually increase, and micro-technology and acoustic product improved solutions will become the main

direction for product development. As the Company has focused on these fields in the past two years and has developed modular products, modular products for wearable devices will become its main products in the foreseeable future.

- (2) Actively expand the potential customers of optical components and relevant components in the automotive industry to diversify the sources of revenue

The Company is strong at its design and mass production capacity of precision tooling. Over the years, the Company has procured precision machinery and equipment to optimize the production process. In the aspect of automotive pressure sensor metal stamping and plastic injection components, the Company has been accredited as qualified supplier by German big firms in 2015, and in the second half of 2020, automotive part products had accounted for at least 20% of the Company's revenue. In the aspect of optical components, the Company has continued the development of VCM parts and components, and will continue to collaborate with optical manufacturers in mainland China to develop molded glass and relevant applications. The Company will make the composite use of silica gel injection technology with the Insert Molding design to expand the scale of operation for further reduction of the risk of concentration on single industries.

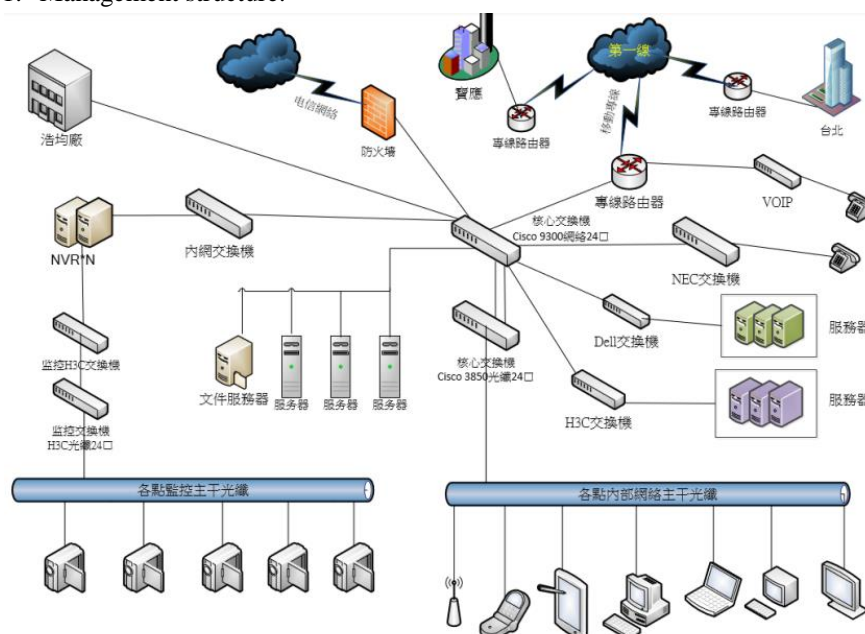
- (3) Develop packaging and testing material products, which are expected to be put into mass production and expand the production in the first half of 2021.

- (X) The influence of the massive transfer of shares by or the replacement of the Directors, Supervisors or shareholders holding more than 10% of the shares issued by the Company, the risk thereof, and the response: not applicable.
- (XI) The influence of the change in the ownership of the Company, the risk and the response: not applicable.
- (XII) In case of law suit or non-contentious matters, specify the details of the Company, the Directors, Supervisors, Presidents, the administrator, dominant shareholders holding more than 10% of the shares issued by the Company of the Company and subsidiaries, the ruling of the court of major law suit, non-contentious matters or administrative action in proceeding and the result of which will significantly affect the shareholders equity or stock price of the Company. Disclose the facts, the amount involved, the date of commencement of legal proceedings, the key parties concerned, and the progress as of the day this report was printed: not applicable.

- (XIII) Other major risks and responses:

Information security risk

1. Management structure:



2. Information security policy:

(1) Purpose

To ensure the confidentiality, integrity, and availability of the information assets of the company under the Concraft Group (hereinafter referred to as the "Company"), to comply with the requirements of relevant laws and regulations, and to protect the Company from internal and external deliberate or accidental threats, the Policy has been formulated in line with the Company's business needs.

(2) Scope of application

- 2.1 The Policy applies to all employees of the Company, contracted service providers, part-time workers, and visitors.
- 2.2 The information security management covers 11 fields to avoid improper use, leak, tampering, and destruction of data due to human negligence, deliberate destruction, or natural disasters, which may lead to potential risks and hazards to the Company. The fields are as follows:
 - 2.2.1 Formulation and assessment of the information security policy.
 - 2.2.2 Information security organization.
 - 2.2.3 Classification and control of information assets.
 - 2.2.4 Personnel safety management and education and training.
 - 2.2.5 Physical and environmental security.
 - 2.2.6 Communication and operational security management.
 - 2.2.7 Access control security.
 - 2.2.8 System development and maintenance security.
 - 2.2.9 Response to information security incidents and handling.
 - 2.2.10 Sustainable operation management.
 - 2.2.11 Compliance with relevant laws and regulations with the policies of the executive units.

(3) Goals

To maintain the confidentiality, integrity, and availability of the Company's information assets, and to protect the security and privacy of users' data. The following goals shall be achieved through the collective efforts of all employees of the Company.

- 3.1 Protect the security of the Company's business services, and ensure that the data can only be accessed by authorized personnel to guarantee the confidentiality.
- 3.2 Protect the security of the Company's business services and avoid unauthorized alteration to ensure the correctness and integrity.
- 3.3 Establish a sustainable operation plan for the Company's business to ensure the continuous operation of its business services.
- 3.4 Ensure that the Company's business services must comply with the requirements of relevant laws or regulations.

(4) Responsibilities

- 4.1 The Company shall establish an information security organization to coordinate the implementation of information security business.
- 4.2 The management shall actively participate in and support the information security management system, and implement the Policy as per appropriate standards and procedures.
- 4.3 The Company's all employees, part-time workers, contracted service providers, and visitors shall comply with the Policy.
- 4.4 The Company's all employees, contracted service providers, and part-time workers are responsible for reporting information security incidents or vulnerabilities through an appropriate notification mechanism.
- 4.5 For any conduct that undermines the information security, the Company will

file civil, criminal, or administrative litigation based on the severity of the circumstances, or handle it in accordance with the regulations of the Company's relevant departments.

(5) Review

The Policy shall be reviewed at least once a year to update the latest development in the government's laws, technology, and business, and to ensure the sustainable operation of the center's business.

(6) Implementation

The Policy and any amendment thereto will be implemented after being approved by the Information Security Team.

3. Management plan:

The Company has established a set of comprehensive network (equipment: Firewall, Structure: VLAN, Network provide: HiNet Information Security Fleet) and computer security protection system (computer: AntiVirus-OfficeScan \ NB: Bit Locker/Vera Crypt encryption system) in order to control or maintain the Company's important corporate operation functions such as manufacturing operations and accounting while at the same time preventing the external IPS intrusion, DDoS attacks, anti-spyware programs, viruses and malicious connections of zombie computers. However, the Company cannot guarantee 100% that its network and computer systems can completely avoid cyber attacks from any third-party system. Under the circumstance of a severe network attack, the Company's system may lose important data and the production line will probably be forced to stop due to the attack being unsolved. The Company ensures the suitability and efficiency of network safety measures and procedures, while introducing new technologies and information security equipment through annual inspection and evaluation.

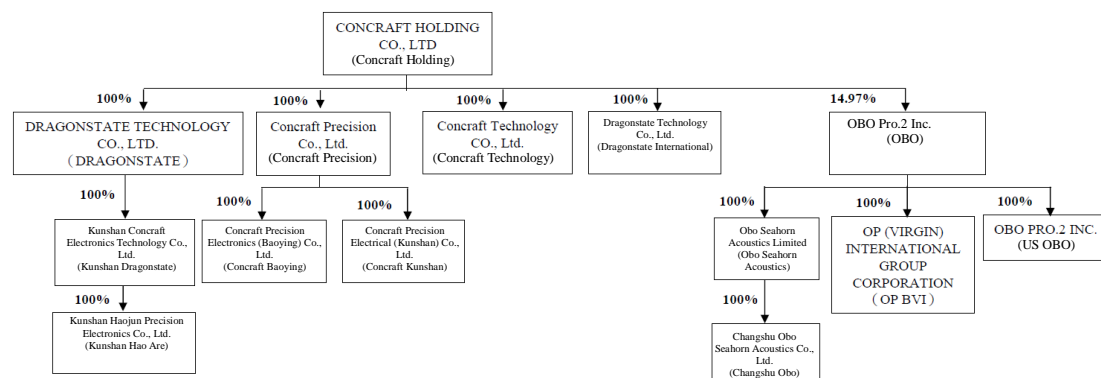
During 2021 and as of the publication date of the annual report, no material cyber attacks or events have been discovered that may have caused or may cause significant adverse impact on the Company's business and operations, nor has the Company been involved in any legal cases or regulatory investigations in connection to such events.

VII. Additional information: None.

Eight. Special Note

I. Profiles of affiliates

(I) Organizational chart of the affiliates



(II) Profiles of the affiliates

Unit: NT\$1,000; 2021/12/31

Enterprise name	Date of establishment	Address	Paid-in capital	Principal business or products
Dragonstate Technology Co., Ltd.	2002/12/20	3rd Floor, Standard Chartered Tower, Cybercity, Ebene, Mauritius	USD 104,410	Investment of Kunshan Dragonstate Electronic Technology Co., Ltd., Kunshan Dragonstate Electronic Technology Co., Ltd.
Concraft Precision Co., Ltd.	2009/09/30	31/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong	USD 14,011	Investment to establish Concraft Precision Electronic (Kunshan) Co. Ltd., Concraft Precision Electronic (Baoying) Co., Ltd.
Concraft Technology Co., Ltd.	2009/09/24	31/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong	USD 19	Sales of Connectors
Kunshan Concraft Electronics Technology Co., Ltd.	2002/10/09	No. 688, Huangpujiang North Road, Zhoushi, Kunshan, Jiangsu, China	USD 153,278	Research/development of technology, manufacture, processing and trade of connectors, acoustic components, automotive components and optical components
Concraft Precision Electronics (Baoying) Co., Ltd.	2009/09/24	No. 28, Suzhong North Road, Baoying County, Jiangsu, China	USD 32,700	Manufacture, processing and trade of connectors, acoustic components and optical components
Concraft Precision Electrical (Kunshan) Co., Ltd.	2009/11/05	West side of Huangpujiang Road, Zhoushi, Kunshan, Jiangsu, China	USD 2,688	Manufacture, processing and trade of the mold and the jig.
Dragonstate Technology Co., Ltd.	1992/05/09	2F, No. 35, Chengtian Rd., Tucheng Dist., New Taipei City, Taiwan	NTD 300,000	Sales of Connectors
Kunshan Haojun Precision Electronics Co., Ltd.	2006/06/01	No. 688, Huangpujiang North Road, Zhoushi, Kunshan, Jiangsu, China	USD 1,050	Stamping, processing, trade of connectors, acoustic components and automotive components
OBO Pro.2 Inc.	1986/10/22	No. 18 YanWu Road, Bianzhou Li, Taoyuan District, Taoyuan City	NTD 177,870	Production and sales of acoustic products
OBO PRO.2 INC	2018/09/04	2148 Bering Drive, San Jose, CA 95131, U.S.A.	USD 1,800	Production and sales of acoustic products
OP (VIRGIN) INTERNATIONAL GROUP CORPORATION	1999/04/21	Intershore Chambers, P.O.BOX 4342, Road Town, Tortola, British Virgin Islands	USD 690	Production and sales of acoustic products

Enterprise name	Date of establishment	Address	Paid-in capital	Principal business or products
OBO Seahorn Acoustics Limited	2020/01/15	Suite No. 21, Metro Centre (II), No. 21, Lam Hing Street, 7th Floor, Kowloon Bay, Kowloon, Hong Kong	HKD12, 600	Investment on Changshu Obo Seahorn Acoustics Co., Ltd. and trading in acoustic products
Changshu OBO Seahorn Acoustics Electronic Co., Ltd.	2020/03/26	5F, No. 88, Tonggang Road, Changshu Economic Development Zone, Jiangsu Province	RMB10,093	Trading in buzzer processing, trading of speakers and microphones

(III) Information on shareholders presumed to have a controlling and dependent relationship according to Article 369-3 of the Company Act: None.

(IV) The industries covered by the overall affiliates:

The main business of the Group is R&D, production, and manufacturing of acousto-optical products, and the manufacturing, processing, and trading of various connectors and relevant components for molds and fixtures.

(V) Profiles of the Directors, Supervisors and Presidents of the affiliates

Unit: NT\$1,000; 2021/12/31

Enterprise name	Title	Name or Representative	Proportion of shareholding	
			Number of Shares	Shareholding Percentage
DRAGONSTATE TECHNOLOGY CO., LTD.	Chairman	Chao-Sheng Lu	-	-
Concraft Precision Co., Ltd.	Chairman	Chao-Sheng Lu	-	-
	Director	Kuo-Chi Lee	-	-
Concraft Technology Co., Ltd.	Chairman	Chao-Sheng Lu	-	-
	Director	Kuo-Chi Lee	-	-
Kunshan Dragonstate Electronic Technology Co., Ltd.	Chairman	Chao-Sheng Lu	-	-
	Director	Kuo-Chi Lee	-	-
	Director	Ya-Hui Xie	-	-
Concraft Precision Electronics (Baoying) Co., Ltd.	Executive Director	Chao-Sheng Lu	-	-
Concraft Precision Electrical (Kunshan) Co., Ltd.	Chairman	Chao-Sheng Lu	-	-
	Director	Kuo-Chi Lee	-	-
	Director	Ya-Hui Xie	-	-
Dragonstate Technology Co., Ltd.	Chairman	Concraft Holding Co., Ltd. representative: Chao-Sheng Lu	30,000,000	100%
	Director	Concraft Holding Co., Ltd. representative: Kuo-Chi Lee	30,000,000	100%
	Director	Concraft Holding Co., Ltd. representative: Chin-Hsing Lee	30,000,000	100%
Kunshan Haojun Precision Electronics Co., Ltd.	Executive Director	Chao-Sheng Lu	-	-
OBO Pro.2 Inc.	Chairman	CONCRAFT HOLDING CO., LTD representative: Chao-Sheng Lu	2,662,000	14.97%
	Director	CONCRAFT HOLDING CO., LTD representative: Kuo-Chi Lee	2,662,000	14.97%
	Director	CONCRAFT HOLDING CO., LTD representative: Chiao-Sheng Huang	2,662,000	14.97%
	Director	Shian-Da Chen	5,447,076	30.62%
	Director	Reng-Nan Feng	503,758	2.83%
	Supervisor	Ming-Shu Tsai	1,124,286	2.47%
OBO PRO.2 INC	Chairman	Reng-Nan Feng	-	-
OP (VIRGIN) INTERNATIONAL GROUP CORPORATION	Chairman	Shian-Da Chen	-	-
OBO Seahorn Acoustics Electronic Limited	Chairman	Chao-Sheng Lu	-	-
Changshu OBO Seahorn Acoustics Co., Ltd.	Chairman	Chao-Sheng Lu	-	-

(V) The outlook of the operation

Unit: NT\$1,000; 2021/12/31

Enterprise name	Authorized capital	Total assets	Total liabilities	Net worth	Revenue	Income from operation	Profit (loss) for the current period (net of tax)	Earnings per share (after taxation)
DRAGONSTATE TECHNOLOGY CO., LTD.	USD 104,410	USD 60,334	USD 47,253	USD 13,081	USD 9,243	USD (157)	USD (121,061)	USD (1.16)
Concraft Precision Co., Ltd.	USD 14,011	USD 33,068	USD 1,789	USD 31,279	USD -	USD (4)	USD (6,377)	USD (0.46)
Concraft Technology Co., Ltd.	USD 19	USD 580	USD -	USD 580	USD -	USD (3)	USD (3)	USD (0.16)
Kunshan Concraft Electronics Technology Co., Ltd.	USD 153,278	USD 203,875	USD 146,620	USD 57,255	USD 131,069	USD (117,591)	USD (121,894)	Note
Concraft Precision Electronics (Baoying) Co., Ltd.	USD 32,700	USD 48,212	USD 15,522	USD 32,691	USD 45,236	USD (3,639)	USD (3,893)	Note
Concraft Precision Electrical (Kunshan) Co., Ltd.	USD 2,688	USD 38,018	USD 37,582	USD 436	USD 33,240	USD (2,681)	USD (2,760)	Note
Dragonstate Technology Co., Ltd.	NTD 300,000	NTD 350,063	NTD 218,626	NTD 131,437	NTD 63,492	NTD (89,398)	NTD (95,729)	NTD (0.32)
Kunshan Haojun Precision Electronics Co., Ltd.	USD 1,050	USD 6,780	USD 8,738	USD (1,958)	USD 5,542	USD (1,717)	USD (1,591)	Note
OBO Pro.2 Inc.	NTD 177,870	NTD 390,781	NTD 313,414	NTD 77,367	NTD 328,628	NTD (90,684)	NTD (74,546)	NTD (0.42)
OBO PRO.2 INC	USD 1,800	USD 1,005	USD 534	USD 471	USD 19	USD (301)	USD (298)	USD (0.17)
OP (VIRGIN) INTERNATIONAL GROUP CORPORATION	USD 690	USD 3,679	USD 3	USD 3,676	USD -	USD (3)	USD (3)	USD (0.004)
OBO Seahorn Acoustics Limited	HKD 12,600	HKD (1,833)	HKD 3,243	HKD (5,076)	HKD 30,461	HKD (781)	HKD (9,821)	HKD (0.78)
Changshu OBO Seahorn Acoustics Electronic Co., Ltd.	RMB 10,093	RMB 63,184	RMB 67,351	RMB (4,167)	RMB 61,487	RMB (10,952)	RMB (7,539)	Note

Note: a limited liability company without issuing stocks.

(VI) Consolidated financial statements of the affiliates: The same as the consolidated financial statements. For information, please refer to p.70-149.

(VII) Affiliation Report: not applicable.

II. Offering of securities through private placement in the most recent year to the day this report was printed:

Item	First private placement in 2017 Date of issuance: 2017.03.06				
Type of securities offered	Common shares				
Date and amount passed by the Shareholders Meeting	The Shareholders Meeting resolved to issue no more than 10,000,000 common shares through private placement at NT\$10/share in a special session dated 2017.02.10.				
The basis and rationality of setting the price	<p>The price was set on the basis of the resolution of the Shareholders Meeting in a special session dated 2017.02.10 with calculation under the two standards below, whichever is higher, as reference price:</p> <p>(1) The simple arithmetic mean of the closing price of the common shares of the Company in the 3 business days prior to the pricing day net of ex-right and ex-dividend shares paid as dividend, and add the stock price after decapitalization and reversal of ex-right.</p> <p>(2) The simple arithmetic mean of the closing price of the common shares of the Company in the 30 business days prior to the pricing day net of ex-right and ex-dividend shares paid as dividend, and add the stock price after decapitalization and reversal of ex-right.</p> <p>The price for private placement should not fall below 80% of the reference price per share.</p>				
The method of choosing designated investors	<p>1. The designated investors of this private placement should be the parties meeting the criteria set forth in Article 43-6 of the Securities and Exchange Act, and Letter (2002)Tai-Cai-Zheng- (I)-Zi No. 10003455 issued by Executive Yuan Financial Supervisory Commission dated 2002.06.13.</p> <p>2. Target for solicitation of private placement: Merry Electronics Co., Ltd.</p> <p>3. Affiliation with the Company: None.</p> <p>4. The mean of choosing the prospective investors: For improving the capacity of the Company in operation and R&D, and expansion in market, the Company will target at industry peers – acoustics components, or enterprises that could help to improve the financial structure, operation performance, and R&D technologies as the prospective investors.</p>				
The necessity for offering through private placement	<p>1. The reason of no public offering: for the timing of capital control, the Company must access to long-term capital in the shortest possible time. There is also the need of introducing strategic investors. In addition, securities invested through private placement cannot be assigned within 3 years, which could help to ascertain the long-term cooperative relation between the Company and the strategic investors. These are the reasons for offering of shares through private placement.</p> <p>2. The utilization of the capital raised by private placement and expected result: The capital raised by private placement for this instance will be used to pool up the working capital and retire bank loans so as to improve the operation performance, enhance the financial structure, and serve shareholders equity.</p>				
Date of full payment for	2017.03.06				
Profiles of the prospective investors	Targets of solicitation	Eligibility	Subscription	Affiliation with	Participation in the operation
	Merry Electronics Co., Ltd.	Subparagraph 2 in Article 43-6 of the Securities and Exchange Act.	10,000,000 shares	None	None

Actual subscription (or conversion) price	At NT\$72/share
Difference between the actual subscription (or conversion) price	The actual price is NT\$72/share, which is 80.65% of the reference price of NT\$89.27/share.
Influence of offering shares through private placement (e.g.: causing an increase of accumulated deficit)	In this private placement, 10,000,000 shares were offered, which resulted in dilution of 10.03% of the shareholders equity of the original shareholders. The influence is still insignificant.
The use of capital raised by private placement and the progress of the plan.	Payment has been fully made in 2017 Q1 and the fund was utilized as planned and completed in 2017 Q2.
Result of raising capital by private placement of shares	The prospective investor is among the Top 10 customers of the Company. With the investment of this customer, the Company could pool up its working capital and improve its financial structure, and could reduce cost to improve operation performance and R&D know-how.

III. The holding or disposition of the shares of the Company by subsidiaries in the most recent year to the day this report was printed: None.

IV. Other Supplementary Disclosure: Description of the Significant Discrepancy between the Company's Articles of Incorporation and the Regulations for the Protection of the Shareholders' Rights and Interests from Our Country

The laws of Cayman Islands have slightly discrepancy with the laws of Republic of China. Because "Checklist for Shareholder Rights Protection Measures Adopted by A Foreign Issuer at the Place of Registration" (hereinafter refers to as the "Checklist for Shareholder Rights Protection") is not really applicable to the Company, the following table explains the discrepancy between the Company's Article that is pursuant to the laws of Cayman Islands and the Checklist for Shareholder Rights Protection, as well as the regulations of the Company's Articles of Incorporation.

Items of Discrepancy	Laws of Cayman Islands and Explanation	Regulations of Articles of Incorporation and Explanation
In case of shares of a company purchased by the company to be transferred to its employees, the company may restrain such shares from being assigned or transferred to others within a specific period of time which shall in no case be longer than two years.	The directors of the company have the discretion to determine terms and conditions on treasury shares; also the Companies Act does not set out any requirements on employee incentive plans.	As defined in Article 1 of the AOA, Treasury Shares are "Shares that were previously issued but purchased, redeemed or otherwise acquired by the Company and not cancelled, in accordance with these Articles, the Law and the Applicable Listing Rules". The requirements under this item as set out in the Shareholders' Rights/Interests Protection Checklist are stated in Article 40D of the AOA. According to the Cayman Islands lawyer, however, the restrictions agreed between the Company and the employee is a contractual matter between themselves.
The following matters shall be enumerated and explained in the notice to convene the shareholders meeting, with key information being provided, and should not be proposed by way of an extemporary motion at the meeting; material contents of such matters may be uploaded onto the website designated by the TWSE, TPEx or the Company with the address of website indicated in the notice: (1) Election or discharge of director(s) and supervisor(s); (2) Amendment to the memorandum and articles of association; (3) Reduction in share capital; (4) Application for de-registration as a public company; (5) Dissolution, merger, share transfer and split-up of the company; (6) Signing of, amendment to or termination of a contract in respect of lease of all business, appointment of an agent to operate business, or regular joint operation with a third	The Companies Act does not have specific regulations on extemporary motions. According to the Cayman Islands lawyer, with regard to extemporary motions, a notice of shareholders' meeting should specify issues to be discussed at the meeting as well as related information to help shareholders understand the issues. While the notice of shareholders' meeting usually includes the section of "any other proposals", that section should only cover issues of an informal or insignificant nature. The chairperson of the shareholders' meeting should not propose any important issue by way of an extemporary motion. In the event of an important issue not scheduled for discussion at the shareholders' meeting, another meeting should be convened for discussion and resolution. In case of emergency, however, where an additional issue must be discussed at the shareholders' meeting, specific information about the issue	The Companies Act does not have specific regulations on extemporary motions, the requirement under this item is provided for in Article 50 of the AOA.

Items of Discrepancy	Laws of Cayman Islands and Explanation	Regulations of Articles of Incorporation and Explanation
<p>party;</p> <p>(7) Assignment of all or major business or assets;</p> <p>(8) Assumption of all business or assets of a third party that may have a significant impact on the operation of the company;</p> <p>(9) Issue of securities of a nature similar to shares in private placement;</p> <p>(10) Approval of performance of activities by director in violation of non-compete restrictions;</p> <p>(11) Allocation of all or part of share dividends and bonuses through issue of new shares;</p> <p>(12) Allocation of legal reserve and additional paid-in capital from the income derived from the issuance of new shares at a premium or from endowments received by the company by issuing new shares or by paying cash to original shareholders through issue of shares.</p>	<p>must be proposed again for ratification at the next meeting. Despite of the fact the Cayman Islands law does not set forth any explicit prohibition on extemporary motions, the Cayman Islands lawyer advised against any extemporary motion at a shareholders' meeting must be proposed again for ratification at the next meeting. Despite of the fact the Cayman Islands law does not set forth any explicit prohibition on extemporary motions, the Cayman Islands lawyer advised against any extemporary motion at a shareholders' meeting.</p>	
<p>The company must allow the voting at the general meetings to be exercised by way of electronic transmission as one of the voting methods.</p>	<p>The Companies Act does not have any specific regulations on the requirement under this item.</p>	<p>The Companies Act does not have any specific regulations on the requirements under this item, Article 67 of the AOA is therefore expected to be amended by the annual shareholders' meeting of 2022 in accordance with the Shareholders' Rights/Interests Protection Checklist as amended by the TWSE on March 11, 2022 (as shown in the left column).</p>
<p>When voting rights are to be exercised in writing or by way of electronic transmission, the method for exercising the voting power shall be described in the shareholders' meeting notice to be given to the shareholders. A shareholder exercising his or her voting rights in writing or by way of electronic transmission is deemed present at the shareholders' meeting in person, but will be deemed to have waived his or her rights to cast votes on issues</p>	<p>The Companies Act does not have any specific regulations on the requirement under this item.</p>	<p>As the Companies Act does not have any specific regulations on the first part of requirements under this item, the first part of the requirement under this item is provided for in Article 68 of the AOA. Also, according to the Cayman Islands lawyer, a shareholder casting votes in writing is deemed to have appointed the chairperson of the meeting to cast votes on his or her behalf. Thus, with reference to the Cayman Islands lawyer's opinion, the second part of the requirement under this item is provided for in Article 68 of</p>

Items of Discrepancy	Laws of Cayman Islands and Explanation	Regulations of Articles of Incorporation and Explanation
proposed by way of an extemporary motion and amendment to an existing proposal.		the AOA (i.e. "A Shareholder who exercises his votes in writing or by way of electronic transmission [as set forth in the preceding article] shall be deemed to have appointed the chairman of the general meeting as his or her proxy to exercise his or her voting right at such general meeting in accordance with the instructions stipulated in the written or electronic document, but shall be deemed to have waived his votes in respect of any ad hoc motions and the amendments to the contents of the original proposals at such general meeting; provided, however, that such appointment shall be deemed not to constitute the appointment of a proxy for the purposes of the Applicable Listing Rules.").
If a shareholder decides to attend the shareholders' meeting in person after he or she has exercised his or her voting rights in writing or by way of electronic transmission, he or she should revoke the declaration of intent to exercise of voting rights in the same manner as how he or she has exercised voting rights two days before the shareholders' meeting, or he or she shall still be deemed to have exercised his or her voting rights by writing or by way of electronic transmission.	<p>The Companies Act does not have any specific regulations on the requirement under this item.</p> <p>According to the Cayman Islands lawyer, under common law, a person may revoke its proxy by attending the meeting in person. In view that a shareholder exercising his or her voting rights in writing or by way of electronic transmission is deemed to have authorized the chairperson of the shareholders' meeting to exercise voting rights on his or her behalf according to his or her written or electronic instructions, the requirements under this item may not be enforceable.</p>	As the Companies Act does not have any specific regulations on the requirement under this item, the requirement under this item 5 is provided for in Article 70 of the AOA.
If a shareholder decides to attend the shareholders' meeting in person or exercise his or her voting rights in writing or by way of electronic transmission after his or her proxy has been delivered to the company, he or she should issue a written notice to the company to revoke the authorization two days before the shareholders' meeting, or he or she shall still be deemed to have authorized his or her proxy to vote at the meeting.	The Companies Act does not have any specific regulations on proxy or solicitation of proxies.	As the Companies Act does not have any specific regulations on proxy or solicitation of proxies, the requirement under this item is provided for in Article 62B of the AOA. According to the Cayman Islands lawyer, under common law, a person may revoke its proxy by attending the meeting in person. Therefore, the requirements under this item may not be enforceable.

Items of Discrepancy	Laws of Cayman Islands and Explanation	Regulations of Articles of Incorporation and Explanation
<p>For any of the following proposals materially involving shareholders' rights and interests, a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares is required. In case where shares represented by the shareholders attending the shareholders' meeting are less than the preceding minimum requirement, as an alternative, the proposal may be adopted by two-thirds or more of the attending shareholders who represent a majority of the total number of its outstanding shares:</p> <ol style="list-style-type: none"> (1) The company's signing of, amendment to, or termination of a contract in respect of lease of all business, appointment of an agent to operate business, or regular joint operation with a third party, assignment of all or major business or assets, assumption of all business or assets of a third party that may have a significant impact on the operation of the company (2) Amendment to the memorandum and articles of association (3) If an amendment to the memorandum and articles of association will jeopardize the rights and interest of preferred shareholders, the amendment is subject to approval of a preferred shareholders' meeting (4) Allocation of all or part of share dividends and bonuses through issue of new shares (5) Resolution on dissolution, merger or split-up (6) Issuance of restricted shares for employee (7) Share swap 	<p>With respect to <u>Subparagraphs (1), (4), (5) in relation to Split-up and (7)</u>, the Companies Act does not provide any special requirement or prohibition.</p> <p>With respect to <u>Subparagraphs (2) and (3)</u>, §24 of the Companies Act provides that any and all changes or amendments to the memorandum and articles of association shall be approved by special resolution.</p> <p><u>With respect to Subparagraph (5) in relation to Dissolution</u>, §116 of the Companies Act provides that a company's voluntary dissolution is subject to special resolution; in case of a voluntary dissolution due to insolvency, a resolution at shareholders' meeting is required. According to the Cayman Islands lawyer, the above shareholders' resolution could be ordinary resolution, special resolution or a resolution requiring more approval votes provided in the memorandum and articles of association. Given that the AOA does not provide requirements on this matter, an ordinary resolution will suffice.</p> <p><u>With respect to Subparagraph (5) in relation to Merger</u>, §233(6) of the Companies Act provides that a special resolution is required, unless otherwise provided in the memorandum and articles of association.</p> <p>With respect to <u>Subparagraph (6)</u>, the Companies Act does not provide any special requirement or prohibition.</p>	<p>As the Companies Act does not contain any specific requirement or prohibition on the provision on split-up in <u>Subparagraphs (1), (4), (5) in relation to Split-up and (7)</u>, the requirements on split-up under Subparagraphs (1), (4), (5) in relation to Split-up and (7) are separately provided in <u>Article 32(a)(b)(c)(d)(g)(h)</u> of the AOA, stating split-up is subject to resolution requiring more approval votes at shareholders' meeting, i.e. Supermajority Resolution Type A or Supermajority Resolution Type B. As provided in §24 of the Companies Act, any and all changes or amendments to the memorandum and articles of association shall be approved by special resolution. So the requirement under <u>Subparagraph (2)</u> is provided for in <u>Article 157</u> of the AOA, which states the Company may amend its memorandum and/or AOA at any time by special resolution. The requirement on attendance of shareholders at the shareholders' meeting is based on the provisions of <u>Article 51</u> of the AOA, i.e. shareholders representing a majority of all issued voting shares attending at the meeting in person or by proxy. According to §24 of the Companies Act, any and all changes or amendments to the memorandum and articles of association shall be approved by special resolution. So the requirement under <u>Subparagraph (3)</u> is provided for in <u>Article 18</u> of the AOA, which states that if an amendment to the AOA will jeopardize the rights and interest of preferred shareholders, the amendment must be approved both with special resolution at an ordinary shareholders' meeting and special resolution at a preferred shareholders' meeting. The requirement on attendance of shareholders at the shareholders' meeting is based on the provisions of <u>Article 51</u> of the AOA,</p>

Items of Discrepancy	Laws of Cayman Islands and Explanation	Regulations of Articles of Incorporation and Explanation
		<p>i.e. shareholders representing a majority of all issued voting shares attending at the meeting in person or by proxy.</p> <p>With respect the provision on dissolution under <u>Subparagraph (5)</u>, according to §116 of the Companies Act, a company's voluntary dissolution is subject to special resolution; in case of a voluntary dissolution due to insolvency, a resolution at shareholders' meeting is required. According to the Cayman Islands lawyer, the above shareholders' resolution could be ordinary resolution, special resolution or a resolution requiring more approval votes provided in the memorandum and articles of association. The requirement on dissolution under <u>Subparagraph (5)</u> is provided for in <u>Article 33</u> of the AOA, which states if the Company is subject to voluntary dissolution due to inability to repay debts that are due, the dissolution shall be approved by resolution requiring more approval votes at shareholders' meeting, i.e. Supermajority Resolution Type A or Supermajority Resolution Type B (<u>Article 33(a)</u>). If the Company is subject to voluntary dissolution for other reason, the dissolution shall be approved by special resolution (<u>Article 33(b)</u>). The requirement on attendance of shareholders at the shareholders' meeting is based on the provisions of <u>Article 51</u> of the AOA, i.e. shareholders representing a majority of all issued voting shares attending at the meeting in person or by proxy.</p> <p>With respect the provision on merger under <u>Subparagraph (5)</u>, according to the Cayman Islands lawyer, as provided under §233(6) of the Companies Act, merger shall be subject to approval by special resolution or handled in accordance with the memorandum and articles of association where the stricter</p>

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		<p>requirement on resolution is otherwise provided in the memorandum and articles of association. So the requirement on merger under Subparagraph 5 is provided for in Article 31(C) of the AOA. The requirement on attendance of shareholders at the shareholders' meeting is based on the provisions of Article 51 of the AOA, i.e. shareholders representing a majority of all issued voting shares attending at the meeting in person or by proxy.</p> <p>As the Companies Act does not contain any specific requirement or prohibition on Subparagraph (6), the requirement under Subparagraph (6) is provided for in Article 32(f) of the AOA, stating that it is subject to resolution requiring more approval votes at shareholders' meeting, i.e. Supermajority Resolution Type A or Supermajority Resolution Type B.</p>
Regulations on supervisors.	The Companies Act does not have any specific regulations on supervisors.	Since the Company does not have supervisors, the provisions on supervisors under the Shareholders' Rights/Interest Protection Checklist are reflected as "supervisor (if any)" in corresponding provisions under the AOA (e.g. Article 123 and Article 123A).
<p>A shareholder holding 1% or more of the Company's total issued shares for six consecutive months or longer may request in writing the supervisor to institute an action against the director on behalf of the Company, in which case the Taiwan Taipei District Court shall have the jurisdiction. In the absence of action initiated by supervisor after 30 days of a shareholder's request, the shareholder may initiate an action for the Company, in which case the Taiwan Taipei District Court shall have the jurisdiction. Other than that the board of directors is unwilling or unable to convene a general meeting, a</p>	<p>The Cayman Islands law does not provide any specific requirement or prohibition. According to the Cayman Islands law, a shareholder may file an action on behalf of the company against: (A) an action that is illegal or not within the powers or authority of the company, and therefore cannot be ratified by shareholders; or (B) an action constituting fraud against minority shareholders (i.e. the purpose of the action is to seek relief against majority shareholders who will not allow the company to do nothing against the plaintiff to</p>	<p>Article 123 and Article 123A of the AOA are expected to be amended by the annual shareholders' meeting of 2022 in accordance with the provisions as revised in the Shareholders' Rights/Interests Protection Checklist as amended by the TWSE on March 11, 2022 (as shown in the left column). Since the Company does not have supervisors and the Companies Act does not have any specific regulations, the wording in connection with supervisors are reflected as "supervisor (if any)" in Article 123 and Article 123A under the AOA.</p> <p>According to the Cayman Islands lawyer, Article 123 of the AOA must</p>

Items of Discrepancy	Laws of Cayman Islands and Explanation	Regulations of Articles of Incorporation and Explanation
supervisor may convene a general meeting for the interest of the company when necessary.	<p>the action seeking relief, provided that the shareholder must prove the occurrence of fraud and that the person engaging in unlawful activities has controlling power over the company before an action may be initiated.)</p> <p>To the extent that an action is performed within the powers of the company, or an action performed is not within the powers of the company but can be ratified by shareholders, generally the Cayman court will not interfere with the company's internal acts.</p>	be in consistence with the Cayman Islands law, which states that if the director believes filing of an action is not beneficial to the company, the director shall not be liable to initiate an action against other directors of the company despite of the request of a shareholder holding more than 1% of the shares.
<p>(1) Directors of the company shall have the loyalty and shall exercise the duty of care as good administrators in conducting the business operation of the company. Director shall be liable for damages to the company in the event of a violation of the above. If the act was performed for themselves or others, the shareholders may resolve at a general meeting to treat the gains from the act as the gains of the company.</p> <p>(2) If directors have, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, the directors and the company shall be jointly and severally liable for the damages to the injured.</p> <p>(3) Within the scope of performance of their duties and functions, managers and supervisors of the company</p>	<p>According to the Companies Act, directors have fiduciary duties to the company. In the event of damage to the company due to violation of the duties, the court of law may order the directors to be liable for damage compensation. If directors violated their fiduciary duties for themselves or others and have gained profits as a result, the court may order return of the profits derived therefrom.</p> <p>According to the Cayman Islands law, if a director causes damage to a third party during performance of company business, the third party may claim damages against the company, and the company may further claim compensation by the director for losses arising from the third-person claim. Despite of the fact that the AOA provides directors and the Company have joint and several liability, from the perspective of the Cayman Islands law, the third party</p>	<p>By referring to the Cayman Islands lawyer (see the left column for details), we have included the requirements under <u>Subparagraphs (1), (2), and (3)</u> in <u>Article 97B</u> of the AOA. According to the Cayman Islands lawyer, however, despite of the fact that the AOA provides directors and the Company have joint and several liability, from the perspective of the Cayman Islands law, a third party cannot directly claim against the director. Since the Company does not have supervisors, the provisions on supervisors are reflected as "supervisor (if any)" in <u>Article 97B</u> of the AOA.</p>

Items of Discrepancy	Laws of Cayman Islands and Explanation	Regulations of Articles of Incorporation and Explanation
shall have the same liability as the directors of the company.	cannot directly claim against the director.	

- V. Any Event That Has Material Influences on the Shareholders' Rights and Interests or the Securities Price Stated in Subparagraph 2 of Paragraph 3 of Article 36 of the Securities and Exchange Act in the Most Recent Year and as of the Date of the Annual Report Published: None.

CONCRAFT HOLDING CO., LTD.

Representative: Chao-Sheng Lu