

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

**Ticker: 5288**

**EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH REVIEW REPORT OF INDEPENDENT AUDITORS  
AS OF MARCH 31, 2020 AND 2019  
AND FOR THE THREE-MONTH PERIODS THEN ENDED  
(REVIEWED BUT UNAUDITED)**

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

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

**Consolidated financial statements**

**Index**

Item	Page numbering
1. Cover page	1
2. Index	2
3. Review report of Independent Accountants	3-4
4. Consolidated Balance Sheets	5-6
5. Consolidated Statements of Comprehensive Income	7
6. Consolidated Statements of Changes in Equity	8
7. Consolidated Statements of Cash Flows	9
8. Notes to the Consolidated Financial Statements	
(1) History and organization	10
(2) Date and procedures of authorization of financial statements for issue	10
(3) Newly issued or revised standards and interpretations	10-12
(4) Summary of significant accounting policies	13-15
(5) Significant accounting judgments, estimates and assumptions	15
(6) Contents of significant accounts	16-45
(7) Related party transactions	46-50
(8) Pledged assets	50
(9) Significant contingencies and unrecognized contract commitments	50
(10) Significant disaster loss	51
(11) Significant subsequent events	51
(12) Others	51-65
(13) Other disclosures	
1. Information at significant transactions	65-66 、 68 、 74
2. Information on investees	66-67 、 69-73
3. Information on investments in Mainland China	67
4. Information of major shareholders	67
(14) Operating Segment	67

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

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

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Eurocharm Holdings Co., Ltd. (the “Company”) and its subsidiaries as of March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended and the notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

### **Scope of Review**

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Basis for Qualified Conclusion**

As explained in Note 6(7), the financial statements of certain associates and joint ventures accounted for under the equity method were not reviewed by independent accountants. Those associates and joint ventures under equity method amounted to NT\$174,099 thousand and NT\$156,116 thousand as of March 31, 2020 and 2019, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT\$5,941 thousand and NT\$6,027 thousand, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT\$55 thousand and NT\$(131) thousand for the three-month periods then ended, respectively. The information related to above-mentioned associates and joint ventures accounted for under the equity method disclosed in Note 13 was not reviewed by independent accountants either.

## **Qualified Conclusion**

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain associates and joint ventures accounted for using equity method and the information disclosed in Note 13 been reviewed by independent accountants described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of March 31, 2020 and 2019, and their consolidated financial performance and cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Cheng, Ching-Piao  
Lo, Hsiao Chin  
Ernst & Young, Taiwan  
April 27<sup>th</sup>, 2020

### Notice to Readers

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of March 31, 2020, December 31, 2019 and March 31, 2019 (March 31, 2020 and 2019 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets Accounts	Notes	As of		
		March 31, 2020	December 31, 2019	March 31, 2019
Current assets				
Cash and cash equivalents	6(1)	\$1,069,760	\$1,126,884	\$701,329
Financial assets measured at amortized cost	6(2)	190,375	195,917	85,824
Notes receivables	6(3)	-	69	223
Trade receivables	6(4), 6(18), 8	608,303	534,915	691,751
Trade receivables-related parties	6(4), 6(18), 7	172,408	134,908	164,224
Other receivables		14,171	14,151	12,582
Other receivables-related parties	7	-	183	367
Current tax assets		839	751	-
Inventories	6(5), 8	583,167	617,782	655,524
Prepayments		56,831	53,167	68,618
Other current assets		98,065	89,723	74,442
Total current assets		2,793,919	2,768,450	2,454,884
Non-current assets				
Financial assets measured at fair value through other comprehensive income	6(6)	19,431	19,431	19,431
Financial assets measured at amortized cost	6(2)	199,206	159,900	-
Investment accounted for under the equity method	6(7)	174,099	167,956	156,116
Property, plant and equipment	6(8), 8	1,243,732	1,206,178	1,120,840
Right-of-use assets	6(21), 7	340,775	338,124	280,444
Investment property	6(9)	40,590	41,119	38,856
Intangible assets	6(10)	9,926	10,583	11,675
Deferred tax assets	4, 6(23)	1,540	1,240	893
Other non-current assets	6(11)	6,344	25,787	27,917
Total non-current assets		2,035,643	1,970,318	1,656,172
Total assets		\$4,829,562	\$4,738,768	\$4,111,056

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - (CONTINUED)

As of March 31, 2020, December 31, 2019 and March 31, 2019 (March 31, 2020 and 2019 are reviewed but unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity Accounts	Notes	As of		
		March 31, 2020	December 31, 2019	March 31, 2019
Current liabilities				
Short-term borrowings	6(12), 8	\$866,680	\$850,362	\$236,890
Contract liabilities	6(17), 7	53,203	38,500	56,711
Notes payables		-	1	1
Trade payables		300,228	316,617	396,185
Trade payables-related parties	7	3,687	13,087	6,737
Other payables	6(13)	572,128	292,174	179,388
Current tax liabilities	4, 6(23)	116,259	87,944	127,414
Lease liabilities	6(21)	3,127	3,012	-
Lease liabilities-related parties	6(21), 7	1,895	-	1,436
Other current liabilities		901	889	817
Refund liabilities		9,950	9,935	10,212
Total current liabilities		1,928,058	1,612,521	1,015,791
Non-current liabilities				
Deferred tax liabilities	4, 6(23)	17,224	16,661	17,893
Lease liabilities	6(21)	11,513	12,285	-
Lease liabilities-related parties	6(21), 7	1,435	-	-
Other non-current liabilities	6(14)	15,835	26,466	28,862
Total non-current liabilities		46,007	55,412	46,755
Total liabilities		1,974,065	1,667,933	1,062,546
Equity attributable to shareholders of the parent	6(16)			
Capital				
Common stock		658,262	658,262	658,262
Capital surplus	6(16)	836,782	836,782	836,782
Retained earnings	6(16)			
Special reserve		220,232	220,232	249,649
Unappropriated Earnings		1,468,092	1,688,459	1,534,307
Other components of equity		(327,871)	(332,900)	(230,490)
Total equity		2,855,497	3,070,835	3,048,510
Total liabilities and equity		\$4,829,562	\$4,738,768	\$4,111,056

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

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three-month periods ended March 31, 2020 and 2019 (Reviewed but unaudited)

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

Description	Notes	For the 3-month periods ended March 31,	
		2020	2019
Operating revenues	6(17), 7	\$1,262,947	\$1,340,900
Operating costs	7	(1,022,729)	(1,077,956)
Gross profit		240,218	262,944
Realized (Unrealized) sales profit		(9)	1
Gross profit, net		240,209	262,945
Operating expenses			
Sales and marketing		(15,817)	(18,877)
General and administrative	7	(43,463)	(39,912)
Research and development		(14,688)	(10,904)
Expected credit losses	6(18)	(2,995)	-
Operating expenses total		(76,963)	(69,693)
Operating income		163,246	193,252
Non-operating incomes and expenses			
Other incomes	6(20), 7	14,383	15,103
Other gains and losses	6(20)	3,271	2,322
Finance costs	6(20), 7	(5,038)	(1,667)
Share of profit or loss of associates and joint ventures accounted for under the equity method	6(7)	5,941	6,027
Non-operating incomes and expenses total		18,557	21,785
Income before income tax		181,803	215,037
Income tax expense	4, 6(23)	(40,126)	(42,874)
Net income		141,677	172,163
Other comprehensive income (loss)	6(22)		
May be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		4,974	(10,127)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method		55	(131)
Total other comprehensive income, net of tax		5,029	(10,258)
Total comprehensive income		\$146,706	\$161,905
Earnings per share-basic (in NTD)	6(24)	\$2.15	\$2.62
Earnings per share-diluted (in NTD)	6(24)	\$2.15	\$2.61

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three-month periods ended March 31, 2020 and 2019 (Reviewed but unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollar)

Description	Equity Attributable to Shareholders of the Parent						Total	Total Equity
	Share capital		Retained Earnings		Other Components of equity			
	Common Stock	Capital Surplus	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations			
Balance as of January 1, 2019	\$658,262	\$836,782	\$249,649	\$1,362,144	\$(220,232)	\$2,886,605	\$2,886,605	
Net income for the first quarter of 2019				172,163		172,163	172,163	
Other comprehensive income (loss) for the first quarter of 2019					(10,258)	(10,258)	(10,258)	
Total comprehensive income (loss)	-	-	-	172,163	(10,258)	161,905	161,905	
Balance as of March 31, 2019	\$658,262	\$836,782	\$249,649	\$1,534,307	\$(230,490)	\$3,048,510	\$3,048,510	
Balance as of January 1, 2020	\$658,262	\$836,782	\$220,232	\$1,688,459	\$(332,900)	\$3,070,835	\$3,070,835	
Appropriation and distribution of 2019 earnings:								
Cash dividends-common shares				(362,044)		(362,044)	(362,044)	
Net income for the first quarter of 2020				141,677		141,677	141,677	
Other comprehensive income (loss) for the first quarter of 2020					5,029	5,029	5,029	
Total comprehensive income (loss)	-	-	-	141,677	5,029	146,706	146,706	
Balance as of March 31, 2020	\$658,262	\$836,782	\$220,232	\$1,468,092	\$(327,871)	\$2,855,497	\$2,855,497	

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



English Translation of Consolidated Financial Statements Originally Issued in Chinese  
 EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 For the three-month periods ended March 31, 2020 and 2019 (Reviewed but unaudited)  
 (Amounts Expressed in Thousands of New Taiwan Dollars)

Items	For the 3-month periods ended March 31,		Items	For the 3-month periods ended March 31,	
	2020	2019		2020	2019
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$181,803	\$215,037	Decrease (Increase) in financial assets measured at amortized cost	(33,764)	235,870
Adjustments to reconcile net income before tax to net cash provided by (used in) operating activities:			Acquisition of investment accounted for under the equity method	(24,412)	-
Depreciation (include investment property)	38,583	41,302	Acquisition of property, plant and equipment	(47,855)	(45,264)
Amortization	1,391	1,153	Decrease in refundable deposits	-	98
Expected credit losses	2,995	-	Acquisition of intangible assets	(387)	(640)
Interest expense	5,038	1,667	Net cash provided by (used in) investing activities	(106,418)	190,064
Interest income	(6,235)	(5,053)	Cash flows from financing activities:		
Share of profit or loss of associates and joint ventures accounted for under the equity method	(5,941)	(6,027)	Increase in (Repayment of) short-term borrowings	16,318	(19,617)
Unrealized (Realized) sales profit	9	(1)	Increase (Decrease) in guarantee deposits	(10,520)	1,956
Changes in operating assets and liabilities:			Repayment of lease liability principal	(1,374)	(476)
Notes receivables	69	(189)	Net cash provided by (used in) financing activities	4,424	(18,137)
Trade receivables	(76,391)	(67,202)	Effect of exchange rate changes	2,169	(4,350)
Trade receivables-related parties	(37,500)	(43,692)	Net increase (decrease) in cash and cash equivalents	(57,124)	26,388
Other receivables	(3,395)	(999)	Cash and cash equivalents at beginning of period	1,126,884	674,941
Other receivables-related parties	183	(242)	Cash and cash equivalents at end of period	\$1,069,760	\$701,329
Inventories	34,615	13,306			
Prepayments	(3,664)	(4,353)			
Other current assets	(8,342)	(5,791)			
Contract liabilities	14,703	(3,027)			
Notes payables	(1)	(2)			
Trade payables	(16,389)	(174,964)			
Trade payables-related parties	(9,400)	(2,335)			
Other payables	(62,083)	(67,784)			
Other current liabilities	12	(43)			
Net defined benefit liabilities	(111)	(110)			
Refund liabilities	15	180			
Cash generated from (used in) operations	49,964	(109,169)			
Interest received	9,630	14,669			
Interest paid	(5,283)	(2,015)			
Income tax paid	(11,610)	(44,674)			
Net cash provided by (used in) operating activities	42,701	(141,189)			

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of March 31, 2020 and 2019 and for the three-month periods then ended

(REVIEWED BUT UNAUDITED)

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

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1. HISTORY AND ORGANIZATION

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

The Company’s common shares were publicly listed on the Taiwan Stock Exchange (TWSE) on September 23, 2014 and started trading on September 25, 2014. The Company’s registered office is at PO Box472, 2nd Floor, Harbour Place, 103 South Church Street, George Town KY1-1106, Grand Cayman, Cayman Islands. The main business locations are Khai Quang Industrial Zone, Vinh Yen City, Vinh Phuc Province, Vietnam and No.15, Ln. 315 and Xinshu Rd., Xinzhuang Dist., New Taipei City, Taiwan (R.O.C.)

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

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the three-month periods ended March 31, 2020 and 2019 were authorized for issue by the Board of Directors on April 27, 2020.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2020. The adoption of these new standards and amendments had no material impact on the Group.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2021
c	Classification of Liabilities as Current or Non-current ( Amendments to IAS 1)	January 1, 2022

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

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

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(b)IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- (1) estimates of future cash flows;
- (2) discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- (3) a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (1) Statement of compliance

The consolidated financial statements of the Group for the three-month periods ended March 31, 2020 and 2019 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and IAS 34 *Interim Financial Reporting* as endorsed and became effective by the FSC.

Except for the following 4(3)~4(4), the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2019. For more details, please refer to Note 4 of the Company’s consolidated financial statements for the year ended December 31, 2019.

##### (2) Basis of preparation

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

##### (3) Basis of consolidation

The same principles of consolidation have been applied in the Company’s consolidated financial statements as those applied in the Company’s consolidated financial statements for the year ended December 31, 2019. For the principles of consolidation, please refer to Note 4(3) of the Company’s consolidated financial statements for the year ended December 31, 2019.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			As of		
			Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
The Company	Eurocharm Innovation Co., Ltd. (B.V.I.)	Investment activities	100%	100%	100%
The Company	Eurocharm America LLC.	Trading activities, warehouse and logistic service	100%	100%	-%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation Co., Ltd.	Manufacturing and sales of motor parts and medical equipment	100%	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Precision Industrial No.1 Co., Ltd.	Manufacturing and sales of motor parts and medical equipment	100%	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Apex Precision Industrial Ltd.	Trading activities	Note	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Optimal Victory Ltd.	Trading activities	Note	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation (HK) Co., Ltd.	Trading activities	100%	100%	-%

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

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Note: The company's board in a meeting held on December 24, 2019 has approved the liquidation of the company's subsidiaries- Apex Precision Industrial Ltd. and Optimal Victory Ltd. for adjusting the Group's structure and integrating the Group's resources effectly.

(4)Income taxes

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

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. Only current income tax expense is using the estimated average annual effective income tax rate while deferred income tax is recognized and measured in consistent with annual financial reporting in accordance with IAS 12, "Income Tax." The impact of tax rate change in the interim period, if any, is recognized in earnings, other comprehensive income or directly equity.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

The same significant accounting judgments, estimates and assumptions have been applied in the Company's consolidated financial statements for the three-month periods ended March 31, 2020 as those applied in the Group's consolidated financial statements for the year ended December 31, 2019. For significant accounting judgments, estimates and assumptions, please refer to Note 5 of the Group's consolidated financial statements for the year ended December 31, 2019.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Cash on hand	\$964	\$756	\$515
Checking and saving	255,338	376,938	284,132
Time deposits matured within three months	813,458	749,190	416,682
Total	\$1,069,760	\$1,126,884	\$701,329

(2) Financial assets measured at amortized cost

	As of		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Time deposits	\$389,581	\$355,817	\$85,824
Current	\$190,375	\$195,917	\$85,824
Non-current	199,206	159,900	-
Total	\$389,581	\$355,817	\$85,824

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

(3) Notes receivables

	As of		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Notes receivables arising from operating activities	\$-	\$69	\$223
Less: loss allowance	-	-	-
Total	\$-	\$69	\$223



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

Notes receivables were not pledged.

The Group adopted IFRS 9 for impairment assessment. Please refer to Note 6(18) for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

(4) Trade receivables and Trade receivables-related parties

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

	As of		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Trade receivables	\$625,332	\$548,941	\$703,123
Less: loss allowance	(17,029)	(14,026)	(11,372)
Subtotal	608,303	534,915	691,751
Trade receivables from related parties	172,408	134,908	164,224
Less: loss allowance	-	-	-
Subtotal	172,408	134,908	164,224
Total	\$780,711	\$669,823	\$855,975

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

(c) Trade receivables are generally on 15-90 days terms. The total carrying amount were NT\$797,740 thousand, NT\$683,849 thousand and NT\$867,347 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively. Please refer to Note 6 (18) for more details on loss allowance of trade receivables for the three-month periods ended March 31, 2020 and 2019, respectively. Please refer to Note 12 for more details on credit risk.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(5) Inventories

(a) Details of inventories are as below:

	As of		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Raw materials and Supplies	\$236,206	\$242,401	\$263,645
Work in progress	269,043	239,337	316,690
Finished goods	74,475	134,574	67,240
Merchandises	3,443	1,470	7,949
Total	<u>\$583,167</u>	<u>\$617,782</u>	<u>\$655,524</u>

(b) The cost of inventories recognized in expenses amounted to NT\$1,022,729 thousand and NT\$1,077,956 thousand for the three-month periods ended March 31, 2020 and 2019, respectively.

The following losses were included in cost of sale:

	For the three-month period ended March 31,	
	2020	2019
Loss from inventory market decline	\$2,981	\$-
Loss in inventory write-off obsolescence	5,198	3,190
Loss from physical	7	-
Total	<u>\$8,186</u>	<u>\$3,190</u>

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

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

	As of		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Equity instruments investments measured at fair value through other comprehensive income - Non-current			
Unlisted company's stocks	<u>\$19,431</u>	<u>\$19,431</u>	<u>\$19,431</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(a) The Group classified certain of its financial assets as financial assets at fair value through other comprehensive income and were not pledged.

(7) Investments accounted for under the equity method

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

Investee companies	As of					
	Mar. 31, 2020		Dec. 31, 2019		Mar. 31, 2019	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in associates:						
Exedy Vietnam Co., Ltd.	\$89,159	20.00%	\$83,817	20.00%	\$95,931	20.00%
Hsieh Yuan Technology Vietnam Co., Ltd.	38,695	45.00%	37,286	45.00%	35,739	45.00%
Shiang Yu Precision Co., Ltd.	22,105	40.00%	22,441	40.00%	24,446	40.00%
Lieh Kwan International Co., Ltd.	24,140	40.00%	24,412	40.00%	-	-%
Total	<u>\$174,099</u>		<u>\$167,956</u>		<u>\$156,116</u>	

(b) Investments in associates

The Group's investments in Exedy Vietnam Co., Ltd., Hsieh Yuan Technology Vietnam Co., Ltd., Shiang Yu Precision Co., Ltd. and Lieh Kwan International Co., Ltd. are not individually material. The aggregate carrying amounts of the Group's interests in Exedy Vietnam Co., Ltd., Hsieh Yuan Technology Vietnam Co., Ltd., Shiang Yu Precision Co., Ltd. and Lieh Kwan International Co., Ltd. were NT\$174,099 thousand, NT\$167,956 thousand and NT\$156,116 thousand as of March 31, 2020, December 31, 2019, and March 31, 2019, respectively. The aggregate financial information based on the Group's share of Exedy Vietnam Co., Ltd., Hsieh Yuan Technology Vietnam Co., Ltd., Shiang Yu Precision Co., Ltd. and Lieh Kwan International Co., Ltd. are as follows:

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

	For the three-month period ended March 31,	
	2020	2019
Profit from continuing operations	\$5,941	\$6,027
Other comprehensive income (loss) (post-tax)	55	(131)
Total comprehensive income	\$5,996	\$5,896

The associates had no contingent liabilities or capital commitments and were not under pledge as of March 31, 2020, December 31, 2019, and March 31, 2019.

As of March 31, 2020 and 2019, the balances of investments accounted for under the equity method were NT\$174,099 thousand and NT\$156,116 thousand, respectively. For the three-month periods then ended, shares of investment income from these associates and joint ventures amounted to NT\$5,941 thousand and NT\$6,027 thousand, respectively. For the three-month periods then ended, share of other comprehensive income from these associates and joint ventures amounted to NT\$55 thousand and NT\$(131) thousand. These amounts were recognized based on un-reviewed financial statements of the investees.

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

(d) The board of directors of the Company's subsidiary - Eurocharm Innovation Co., Ltd (B.V.I) approved to form a joint venture with Kitlight International Limited by acquiring 40% of its share interest in a meeting held on November 5, 2019. As of March 31, 2020, the Group has remitted the investment amount of US\$800 thousand.

(8) Property, plant and equipment

	As of		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Owner occupied property, plant and equipment	\$1,238,895	\$1,200,359	\$1,106,386
Property, plant and equipment leased out under operating leases	4,837	5,819	14,454
Total	\$1,243,732	\$1,206,178	\$1,120,840

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

## (a) Property, plant and equipment for own-use

	Land	Buildings	Machinery and equipment	Transportation	Office Equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of Jan. 1, 2020	\$52,420	\$347,841	\$1,868,628	\$108,891	\$18,970	\$132,480	\$17,637	\$2,546,867
Additions	-	2,107	13,011	80	581	15,162	41,228	72,169
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	40,292	-	-	-	(40,622)	(330)
Exchange differences	-	524	3,216	159	26	175	31	4,131
As of Mar. 31, 2020	<u>\$52,420</u>	<u>\$350,472</u>	<u>\$1,925,147</u>	<u>\$109,130</u>	<u>\$19,577</u>	<u>\$147,817</u>	<u>\$18,274</u>	<u>\$2,622,837</u>
As of Jan. 1, 2019	\$52,420	\$380,799	\$1,623,187	\$90,485	\$15,200	\$129,377	\$110,577	\$2,402,045
Additions	-	4,845	1,657	-	1,432	1,126	35,582	44,642
Disposals	-	-	(1,106)	-	-	-	-	(1,106)
Transfers	-	(39,381)	72,397	-	-	-	(72,397)	(39,381)
Exchange differences	-	(1,389)	(6,604)	(314)	(49)	(423)	(475)	(9,254)
As of Mar. 31, 2019	<u>\$52,420</u>	<u>\$344,874</u>	<u>\$1,689,531</u>	<u>\$90,171</u>	<u>\$16,583</u>	<u>\$130,080</u>	<u>\$73,287</u>	<u>\$2,396,946</u>
Depreciation and impairment:								
As of Jan. 1, 2020	\$-	\$116,580	\$1,024,759	\$66,458	\$13,962	\$124,749	\$-	\$1,346,508
Depreciation	-	4,928	25,810	1,664	930	1,994	-	35,326
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Exchange differences	-	161	1,665	99	18	165	-	2,108
As of Mar. 31, 2020	<u>\$-</u>	<u>\$121,669</u>	<u>\$1,052,234</u>	<u>\$68,221</u>	<u>\$14,910</u>	<u>\$126,908</u>	<u>\$-</u>	<u>\$1,383,942</u>
As of Jan. 1, 2019	\$-	\$101,294	\$968,878	\$63,845	\$10,732	\$113,143	\$-	\$1,257,892
Depreciation	-	4,664	26,916	1,330	659	5,227	-	38,796
Disposals	-	-	(1,106)	-	-	-	-	(1,106)
Transfers	-	(131)	-	-	-	-	-	(131)
Exchange differences	-	(359)	(3,864)	(237)	(38)	(393)	-	(4,891)
As of Mar. 31, 2019	<u>\$-</u>	<u>\$105,468</u>	<u>\$990,824</u>	<u>\$64,938</u>	<u>\$11,353</u>	<u>\$117,977</u>	<u>\$-</u>	<u>\$1,290,560</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

	Land	Buildings	Machinery and equipment	Transportation	Office Equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
Net carrying amount as of:								
Mar. 31, 2020	\$52,420	\$228,803	\$872,913	\$40,909	\$4,667	\$20,909	\$18,274	\$1,238,895
Dec. 31, 2019	\$52,420	\$231,261	\$843,869	\$42,433	\$5,008	\$7,731	\$17,637	\$1,200,359
Mar. 31, 2019	\$52,420	\$239,406	\$698,707	\$25,233	\$5,230	\$12,103	\$73,287	\$1,106,386

(b)Property, plant and equipment for operating leases

	Land	Buildings	Machinery and equipment	Transportation	Office Equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of Jan. 1, 2020	\$-	\$-	\$72,653	\$-	\$-	\$-	\$-	\$72,653
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Exchange differences	-	-	112	-	-	-	-	112
As of Mar. 31, 2020	\$-	\$-	\$72,765	\$-	\$-	\$-	\$-	\$72,765
As of Jan. 1, 2019	\$-	\$15,153	\$75,224	\$-	\$-	\$-	\$-	\$90,377
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Exchange differences	-	(56)	(280)	-	-	-	-	(336)
As of Mar. 31, 2019	\$-	\$15,097	\$74,944	\$-	\$-	\$-	\$-	\$90,041

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

	Land	Buildings	Machinery and equipment	Transportation	Office Equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
Depreciation and impairment:								
As of Jan. 1, 2020	\$-	\$-	\$66,834	\$-	\$-	\$-	\$-	\$66,834
Depreciation	-	-	992	-	-	-	-	992
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Exchange differences	-	-	102	-	-	-	-	102
As of Mar. 31, 2020	\$-	\$-	\$67,928	\$-	\$-	\$-	\$-	\$67,928
As of Jan. 1, 2019	\$-	\$9,525	\$65,092	\$-	\$-	\$-	\$-	\$74,617
Depreciation	-	217	1,032	-	-	-	-	1,249
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Exchange differences	-	(36)	(243)	-	-	-	-	(279)
As of Mar. 31, 2019	\$-	\$9,706	\$65,881	\$-	\$-	\$-	\$-	\$75,587
Net carrying amount as of:								
Mar. 31, 2020	\$-	\$-	\$4,837	\$-	\$-	\$-	\$-	\$4,837
Dec. 31, 2019	\$-	\$-	\$5,819	\$-	\$-	\$-	\$-	\$5,819
Mar. 31, 2019	\$-	\$5,391	\$9,063	\$-	\$-	\$-	\$-	\$14,454

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(9) Investment property

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

	<u>Buildings</u>
Cost:	
As of Jan. 1, 2020	\$52,813
Exchange differences	82
As of Mar. 31, 2020	<u>\$52,895</u>
As of Jan. 1, 2019	\$-
Transfers from property, plant and equipment	39,381
Exchange differences	-
As of Mar. 31, 2019	<u>\$39,381</u>
Depreciation and impairment:	
As of Jan. 1, 2020	\$11,694
Depreciation	594
Exchange differences	17
As of Mar. 31, 2020	<u>\$12,305</u>
As of Jan. 1, 2019	\$-
Depreciation	394
Transfers from property, plant and equipment	131
Exchange differences	-
As of Mar. 31, 2019	<u>\$525</u>
Net carrying amount as of:	
Mar. 31, 2020	<u>\$40,590</u>
Dec. 31, 2019	<u>\$41,119</u>
Mar. 31, 2019	<u>\$38,856</u>



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

	For the three-month period ended Mar. 31,	
	2020	2019
Rental income from investment property	\$7,171	\$6,881
Less : Direct operating expenses from investment property generating rental income	(2,180)	(394)
Total	\$4,991	\$6,487

(a) No investment property was pledged.

(b) Investment properties held by the Group were not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3.

(c) The fair value of investment properties held by the Group's subsidiary has been determined based on the weighted average of comparative approach and income approach valuations, done by an independent appraiser. The significant assumptions underlying and result of valuation are as follows:

Based on a comparative approach and income approach

	As of		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Fair value	\$167,629	\$167,629	Note
Income capitalization rate	10%	10%	Note

Note: Investment properties held by the Group are not measured at fair value. Neither there was disclosure regarding the fair value due to no available valuation report performed by an independent appraiser as of March 31, 2019

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(10) Intangible assets

	<u>Computer software</u>
Cost:	
As of Jan. 1, 2020	\$36,714
Additions-acquired separately	387
Transfers from property, plant and equipment	330
Deduction	-
Exchange differences	55
As of Mar. 31, 2020	<u>\$37,486</u>
As of Jan. 1, 2019	\$34,295
Additions-acquired separately	640
Deduction	-
Exchange differences	(124)
As of Mar. 31, 2019	<u>\$34,811</u>
Amortization:	
As of Jan. 1, 2020	\$26,131
Amortization	1,391
Deduction	-
Exchange differences	38
As of Mar. 31, 2020	<u>\$27,560</u>
As of Jan. 1, 2019	\$22,065
Amortization	1,153
Deduction	-
Exchange differences	(82)
As of Mar. 31, 2019	<u>\$23,136</u>
Net carrying amount as of:	
Mar. 31, 2020	<u>\$9,926</u>
Dec. 31, 2019	<u>\$10,583</u>
Mar. 31, 2019	<u>\$11,675</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

Amortization of intangible assets is as follows:

	For the three-month period ended Mar. 31,	
	2020	2019
Operating costs	\$7	\$1
Sales and marketing expense	2	-
General and administrative expenses	1,341	1,115
Research and development expenses	41	37
Total	<u>\$1,391</u>	<u>\$1,153</u>

(11) Other non-current assets

	As of		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Advance payments in equipment	\$6,008	\$25,451	\$-
Refundable deposits	336	336	27,917
Total	<u>\$6,344</u>	<u>\$25,787</u>	<u>\$27,917</u>

(12) Short-term borrowings

	Interest Rate (%)	As of		
		Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Secured bank loans	0.9%~4.5%	\$259,366	\$265,148	\$141,784
Unsecured bank loans	1.1%~5.85%	607,314	585,214	95,106
Total		<u>\$866,680</u>	<u>\$850,362</u>	<u>\$236,890</u>

The Group's unused short-term lines of credits amount to NT\$625,520 thousand, NT\$605,215 thousand and NT\$585,848 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(13) Other payables

	As of		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Accrued expense	\$186,414	\$248,497	\$175,758
Accrued interest	-	466	-
Dividends payable	362,044	-	-
Payables on equipment	23,670	18,799	3,608
Payables for investments	-	24,412	-
Total	<u>\$572,128</u>	<u>\$292,174</u>	<u>\$179,366</u>

(14) Other non-current liabilities

	As of		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Net defined benefit liability	\$2,764	\$2,875	\$3,809
Guarantee deposits received	8,071	18,591	20,053
Other non-current liabilities	5,000	5,000	5,000
Total	<u>\$15,835</u>	<u>\$26,466</u>	<u>\$28,862</u>

(15) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended March 31, 2020 and 2019 were NT\$407 thousand and NT\$456 thousand, respectively.

Defined benefits plan

Expenses under the defined benefits plan for the three-month periods ended March 31, 2020 and 2019 were NT\$63 thousand and NT\$78 thousand, respectively.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(16)Equities

(a)Common stock

The Company's authorized capital was both NT\$900,000 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019, divided into both 65,826 thousand shares, each at a par value of NT\$10, respectively. Total issued stock capital was NT\$658,262 thousand. Each share has one voting right and a right to receive dividends.

(b)Capital surplus

	As of		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Additional paid-in capital	\$836,062	\$836,062	\$836,062
Other	720	720	720
Total	\$836,782	\$836,782	\$836,782

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

(c)Retained earnings and dividend policies

(1)Retained earnings and dividend policies

According to the Company's shareholders' meeting held on May 31, 2019 approved the resolution of amending the Articles of Incorporation. The distribution of profits or covering of losses proposal may be proposed at the close of each half fiscal year. Such distribution of profits or covering of losses proposal shall be made based on the financial statements audited or reviewed by a certified public accountant and such proposal, together with the business reports and financial statements of the Company, shall be

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

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submitted to the Audit Committee for their auditing, and then submitted to the Board of Directors for approval by resolutions. Prior to distribution of its profits, the Company shall estimate and reserve an amount to be paid for or cover taxes, employee compensations, and losses and set aside a legal reserve (unless the amount of such legal reserve is equal to the total paid-in capital of the Company.) If the Company is to distribute profits in the form of cash, such shall be approved by the Board of Directors; and if such distribution of profits is to be made in the form of new shares to be issued by the Company, it shall be approved by a Supermajority Resolution of the shareholders' meeting.

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

- i. If there is any profit (after tax) of the current fiscal year after final account, it shall first be used to offset its losses in previous years which have not been previously offset (include the adjusted amount of undistributed earnings);
- ii. Set aside a special capital reserve or reversal, if one is required, in accordance with the applicable public company rules or as requested by the authorities in charge;
- iii. If there is any profit, it shall be set aside no more than 2% of the balance as compensation to directors and no less than 2% of the balance as compensation to employees of the Company, which may be distributed under an incentive program approved pursuant to Article 11.1 above. The board of directors shall adopt the exact percentages to be distributed as compensation to directors and the compensation to employees, and such resolution shall be reported in the shareholders meeting. A director who also serves as an executive officer of the Company may receive a compensation in his capacity as a director and the compensation in his capacity as an employee;
- iv. The Company distributes profits or covering losses at the close of the first half fiscal year (if any); and

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

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- v. Any balance left over may be distributed as dividends in accordance with the Statute and the Applicable Public Company Rules and after taking into consideration profits of the current year and capital structure of the Company, the amount of profits distributed to shareholders shall not be lower than 20% of profits (after tax) of the then current year and the amount of cash dividends distributed thereupon shall not be less than 50% of the profits proposed to be distributed of the current year; in the event that the dividends per share distributed in the current year is less than NT\$1, the Company may determine the dividends to be distributed partially or entirely by stock dividends or cash dividends.

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

(2) Special reserve

Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(3)The appropriations of earnings for the year 2019 and 2018 were approved through the Board of Directors' meeting and Shareholders' meeting held on February 26, 2020 and May 31, 2019, respectively. The details of the distributions are as follows:

	Appropriation of earnings		Dividend per share (in NT\$)	
	2019	2018	2019	2018
Special reserve	\$112,668	\$29,417		
Common stock – cash dividend (Note)	362,044	329,131	\$5.5	\$5
Total	<u>\$474,712</u>	<u>\$358,548</u>		

Note: As stipulated in the Articles of Incorporation, a special resolution was passed at a Board of Directors meeting held on February 26, 2020 to distributed the 2019 common stock dividend in cash.

Please refer to Note 6(19) for details on employees' compensation and remuneration to directors and supervisors.

(17)Operating revenue

	For the three-month period ended March 31,	
	2020	2019
Revenue from contracts with customer		
Sale of goods	\$1,261,636	\$1,340,148
Revenue arising from rendering of services	1,311	752
Total	<u>\$1,262,947</u>	<u>\$1,340,900</u>



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

Analysis of revenue from contracts with customers during the three-month periods ended March 31, 2020 and 2019, respectively, is as follows:

(a) Disaggregation of revenue

	Single Segment	
	For the three-month period ended March 31,	
	2020	2019
Sale of goods	\$1,261,636	\$1,340,148
Revenue arising from rendering of services	1,311	752
<b>Total</b>	<b>\$1,262,947</b>	<b>\$1,340,900</b>
Timing of revenue recognition:		
At a point in time	\$1,262,947	\$1,340,900

(b) Contract balances - current

Contract liabilities

	As of			
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019	Jan. 1, 2019
Sales of goods	\$53,203	\$38,500	\$56,711	\$59,738

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

As of March 31, 2019, contract liabilities decreased because certain performance obligations embedded in the beginning contract liability were fulfilled and recognized as revenues.

(c) Transaction price allocated to unsatisfied performance obligations

As of March 31, 2020, December 31, 2019 and March 31, 2019, there was no information of unsatisfied performance obligations provided in the consolidated financial statements because the durations of the Group's revenue contracts were all less than one year.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(d) Assets recognized from costs to fulfill a contract

None.

(18) Expected credit losses (gains)

	<u>For the three-month period ended Mar. 31,</u>	
	<u>2020</u>	<u>2019</u>
Operating expenses – Expected credit losses		
Trade receivables	\$2,995	\$-

The Group does not expect significant loss against other receivables due to a counterparty being unable to fulfill its obligations. Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including notes receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively, is as follow:

(a) The Group considers the grouping of trade receivables by counterparties' credit rating and by geographical region and its loss allowance is measured by using a provision matrix, details are as follow:

As of March 31, 2020

Group 1

	Not yet due	<u>Overdue</u>			Total	
		<u>Less than 30 days</u>	<u>31-90 days</u>	<u>91-270 days</u>		<u>More than 271 days</u>
Gross carrying amount	\$269,903	\$967	\$10,792	\$2,786	\$1,393	\$285,841
Loss ratio	3.52%	25.91%	39.46%	52.18%	100%	
Lifetime expected credit losses	(9,510)	(250)	(4,259)	(1,454)	(1,393)	(16,866)
Carrying amount of trade receivables	\$260,393	\$717	\$6,533	\$1,332	\$-	\$268,975

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

Group 2

	Not yet due	Overdue			Total	
		Less than 30 days	31-90 days	91-270 days		More than 271 days
Gross carrying amount	\$493,822	\$4,268	\$13,809	\$-	\$-	\$511,899
Loss ratio	-%	-%	1.18%	-%	-%	
Lifetime expected credit losses	-	-	(163)	-	-	(163)
Carrying amount of trade receivables	\$493,822	\$4,268	\$13,646	\$-	\$-	\$511,736

As of December 31, 2019

Group 1

	Not yet due	Overdue			Total	
		Less than 30 days	31-90 days	91-270 days		More than 271 days
Gross carrying amount	\$146,803	\$23,555	\$18,481	\$6,877	\$2,760	\$198,476
Loss ratio	2.46%	9.86%	15.40%	36.10%	100%	
Lifetime expected credit losses	(3,614)	(2,323)	(2,846)	(2,483)	(2,760)	(14,026)
Carrying amount of trade receivables	\$143,189	\$21,232	\$15,635	\$4,394	\$-	\$184,450

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

Group 2

	Not yet due (Note)	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$455,166	\$24,347	\$5,929	\$-	\$-	\$485,442
Loss ratio	-%	-%	-%	-%	-%	
Lifetime expected credit losses	-	-	-	-	-	-
Carrying amount of trade receivables	\$455,166	\$24,347	\$5,929	\$-	\$-	\$485,442

Note: The Group's note receivables are not overdue.

As of March 31, 2019

Group 1

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$298,962	\$-	\$44,100	\$7,633	\$4,296	\$354,991
Loss ratio	0.12%	1.17%	5.01%	55.63%	100%	
Lifetime expected credit losses	(344)	-	(2,211)	(4,246)	(4,296)	(11,097)
Carrying amount of trade receivables	\$298,618	\$-	\$41,889	\$3,387	\$-	\$343,894

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

Group 2

	Not yet due (Note)	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$498,618	\$205	\$13,756	\$-	\$-	\$512,579
Loss ratio	-%	-%	2.00%	-%	-%	
Lifetime expected credit losses	-	-	(275)	-	-	(275)
Carrying amount of trade receivables	\$498,618	\$205	\$13,481	\$-	\$-	\$512,304

Note: The Group's note receivables are not overdue.

(b) The movement in the provision for impairment of notes receivables and trade receivables during the three-month periods ended March 31, 2020 and 2019 is as follows:

	Notes receivables	Trade receivables
As of Jan. 1, 2020	\$-	\$14,026
Addition for the current period	-	2,995
Exchange rate impact	-	8
As of Mar. 31, 2020	\$-	\$17,029
As of Jan. 1, 2019	\$-	\$11,413
Addition for the current period	-	-
Exchange rate impact	-	(41)
As of Mar. 31, 2019	\$-	\$11,372

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(19) Summary statement of employee benefits, depreciation and amortization by function during the three-month periods ended March 31, 2020 and 2019:

	For three-month periods ended March 31,					
	2020			2019		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$221,740	\$37,905	\$259,645	\$208,579	\$32,706	\$241,285
Labor and health insurance	429	750	1,179	660	619	1,279
Pension	152	318	470	238	296	534
Other employee benefits expense	2,352	1,252	3,604	2,488	1,255	3,743
Depreciation	34,383	4,200	38,583	36,887	4,415	41,302
Amortization	7	1,384	1,391	1	1,152	1,153

According to the Articles of Incorporation, no less than 2% of profit of the current year is distributable as employees' compensation and no more than 2% of profit of the current year is distributable as remuneration to directors. The Company may, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

For the three-month periods ended March 31, 2020, the Company recorded the compensations to employees and to directors in amount of NT\$5,791 thousand and NT\$3,828 thousand, respectively. While, employees' compensation and remuneration to directors for the three-month periods ended March 31, 2019 amounted of NT\$6,620 thousand and NT\$4,413 thousand, respectively. The employees' compensation and remuneration were estimated based on post-tax net income of the period and recognized as salary expenses.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

The Company's Board of Directors' meeting has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$22,000 thousand and NT\$10,300 thousand, respectively, in a meeting held on February 26, 2020. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2019.

The Company's Board of Directors' meeting has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$21,527 thousand and NT\$10,300 thousand, respectively, in a meeting held on February 26, 2019. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2018.

(20) Non-operating income and expenses

(a) Other income

	For the three-month periods ended March 31,	
	2020	2019
Interest income		
Financial assets measured at amortized cost	\$6,235	\$5,053
Rental income	7,171	6,881
Others	977	3,169
Total	\$14,383	\$15,103

(b) Other gains and losses

	For the three-month periods ended March 31,	
	2020	2019
Foreign exchange gains	\$5,813	\$2,974
Others	(2,542)	(652)
Total	\$3,271	\$2,322

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(c) Finance costs

	For the three-month periods ended	
	March 31,	
	2020	2019
Interest on borrowings from bank	\$4,817	\$1,663
Interest on lease liabilities	221	4
Total	\$5,038	\$1,667

(21) Leases

(a) The group as a lessee

The Group leases various properties, including real estates such as land and buildings. The lease terms range from two to fifty years. The Group is not allowed to lend to others, sub-lease out, sell, authorize others to use in any other way, or transfer to others all or parts of the leases without obtaining consent from the lessors.

The Group's leases effect on the financial position, financial performance and cash flows are as follow:

A. Amounts recognized in the balance sheet

(i) Right-of-use asset

The carrying amount of right-of-use asset

	As of		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Land	\$322,950	\$322,827	\$279,010
Buildings	17,825	15,297	1,434
Total	\$340,775	\$338,124	\$280,444



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(ii) Lease liabilities

	As of		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Lease liabilities	\$17,970	\$15,297	\$1,436
Current	\$5,022	\$3,012	\$1,436
Non-current	\$12,948	\$12,285	\$-

Please refer to Note 6 (20)(c) for the interest on lease liability recognized during the three-month period ended March 31, 2020 and 2019, respectively, refer to Note 12 (5) for the maturity analysis for lease liabilities.

B. Amounts recognized in the statement of profit or loss

The depreciation charge for right-of-use assets

	For the three-month periods ended March 31,	
	2020	2019
Buildings (Includes land use right)	\$1,671	\$863

C. Income and costs relating to leasing activities

	For the three-month periods ended March 31,	
	2020	2019
Short-term lease expenses (rental expenses)	\$15	\$2,371

As of March 31, 2020, December 31, 2019 and March 31, 2019, the portfolio of short-term leases of the Group to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expenses disclosed above, and the amount of its lease commitments are both amounting to NT\$0.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

D. Cash outflow relating to leasing activities

During the three-month period ended March 31, 2020 and 2019 the Group's total cash outflow for leases are both amounting to NT\$480 thousand.

(b)The group as lessor

Please refer to Note 6 (9) for details on the Group's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer all the risks and rewards incidental to ownership of underlying assets substantially.

The Group has entered into leases on certain plants. The leases have average lives between one and two years. These leases are classified as operating leases as they do not transfer all the risks and rewards incidental to ownership of underlying assets substantially.

	<u>For the three-month period ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Lease income recognized by operating leased		
Fixed lease payment related income	<u>\$7,171</u>	<u>\$6,881</u>

For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively, are as follow:

	<u>As of</u>		
	<u>Mar. 31, 2020</u>	<u>Dec. 31, 2019</u>	<u>Mar. 31, 2019</u>
Not later than one year	\$16,571	\$22,370	\$19,402
More than one year but less than two years	157	626	12,815
Total	<u>\$16,728</u>	<u>\$22,996</u>	<u>\$32,217</u>

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

## (22) Components of other comprehensive income

	For the three-month period ended March 31, 2020				
	Arising during the period	Reclassification adjustments during the period	Subtotal	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	\$4,974	\$-	\$4,974	\$-	\$4,974
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	55	-	55	-	55
Total of other comprehensive income	\$5,029	\$-	\$5,029	\$-	\$5,029
	For the three-month period ended March 31, 2019				
	Arising during the period	Reclassification adjustments during the period	Subtotal	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	\$(10,127)	\$-	\$(10,127)	\$-	\$(10,127)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	(131)	-	(131)	-	(131)
Total of other comprehensive income	\$(10,258)	\$-	\$(10,258)	\$-	\$(10,258)

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(23)Income tax

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

Income tax expense (income) recognized in profit or loss

	<u>For the three-month period ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Current income tax expense (income):		
Current income tax charge	\$38,776	\$41,720
Adjustments in respect of current income tax of prior periods	1,087	1,119
Deferred tax expense (income):		
Deferred tax expense relating to origination and reversal of temporary differences	263	35
Total income tax expense	<u>\$40,126</u>	<u>\$42,874</u>

(b)The assessment of income tax returns

As of March 31, 2020, the assessment status of income tax returns of the Company and subsidiaries were as follows:

	<u>The assessment of income tax returns</u>
Subsidiary- Eurocharm Innovation Co., Ltd.	Assessed and approved up to 2018
Subsidiary- Vietnam Precision Industrial No.1 Co., Ltd.	Assessed and approved up to 2016

(24)Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity after dilution by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the three-month period ended March 31,	
	2020	2019
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$141,677	\$172,163
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,826	65,826
Basic earnings per share (NT\$)	\$2.15	\$2.62
	For the three-month period ended March 31,	
	2020	2019
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$141,677	\$172,163
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,826	65,826
Effect of dilution:		
Employee bonus—stock (in thousands)	181	143
Weighted average number of ordinary shares outstanding after dilution (in thousands)	66,007	65,969
Diluted earnings per share (NT\$)	\$2.15	\$2.61

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

7. RELATED PARTY TRANSACTIONS

(1) Deal with related parties as of the end of the reporting period

Related parties and relation

Related parties	Relationship
Exedy Vietnam Co., Ltd.	Associate
Hsieh Yuan Technology Vietnam Co., Ltd.	Associate
Shiang Yu Precision Co., Ltd.	Associate
Northstar Precision (Vietnam) Company Limited	Other related party
Vietnam Precision Industrial Joint Stock Company	Other related party
Shen Yuan Metal Co., Ltd.	Other related party
Taiwan Techno State Co., Ltd.	Other related party

(2) Significant transactions with related parties

(a) Sales

	For the three-month period ended March 31,	
	2020	2019
Associates	\$30,605	\$33,257
Other related party-Northstar Precision (Vietnam) Company Limited	257,016	224,369
Total	\$287,621	\$257,626

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(b) Purchases

	For the three-month period ended March 31,	
	2020	2019
Associates	\$13,857	\$11,934
Other related party	819	855
Total	\$14,676	\$12,789

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

(c) For the three-month periods ended March 31, 2020 and 2019, the Group were charged by associates for processing and therefore recognized processing expense in amount of NT\$12,496 thousand and NT\$9,863 thousand, respectively.

(d) For the three-month periods ended March 31, 2020 and 2019, the Group charged associates for processing and therefore recognized processing income in amount of NT\$0 and NT\$43 thousand, respectively, which were recorded under the caption of operating revenues.

(e) For the three-month periods ended March 31, 2020 and 2019, the Group charged other related parties for processing and therefore recognized processing income in amount of NT\$1,311 thousand and NT\$709 thousand, respectively, which were recorded under the caption of operating revenues.

(f) For the three-month periods ended March 31, 2020 and 2019, the Group charged other related parties for provided services and recognized service revenue in amount of NT\$0 and NT\$461 thousand, respectively, which were recorded under non-operating income and expenses-other income.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(g) Trade receivables from related parties

	As of		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Associates	\$10,858	\$14,242	\$12,441
Other related party-Northstar Precision (Vietnam) Company Limited	161,550	120,666	151,783
Total	\$172,408	\$134,908	\$164,224

(h) Other receivables - related parties

	As of		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Associates	\$-	\$183	\$240
Other related party	-	-	127
Total	\$-	\$183	\$367

(i) Contract liabilities - related parties

	As of		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Other related party	\$-	\$-	\$605

(j) Trade payables to related parties

	As of		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Associates	\$3,171	\$12,766	\$6,561
Other related party	516	321	176
Total	\$3,687	\$13,087	\$6,737



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(k) Operating lease

A. Right-of-use asset

Relationship	Property	As of		
		Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Other related party	Buildings	\$3,325	\$-	\$1,434

B. Lease liabilities

Relationship	Property	As of		
		Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Other related party	Buildings	\$3,330	\$-	\$1,436

C. Interest on lease liabilities

Relationship	Property	For the three month period ended March 31,	
		2020	2019
Other related party	Rent office	\$9	\$-

D. For the three-month periods ended March 31, 2020 and 2019, the Group paid other related parties for rent expense every month by cash.

E. Lease transactions with related parties

Lessee	Lease	Duration	Rental income
<u>For the three-month period ended March 31, 2020</u>			
Associate	Property and plant	Jan. 1, 2019~Dec. 31, 2021	\$2,697
Associate	Property and plant	Jan. 1, 2019~Dec. 31, 2021	2,167
Associate	Property and plant	May. 1, 2019~Apr. 30, 2021	512
Other related party	Property and plant	Aug. 1, 2018~Jul. 31, 2020	1,795
Total			<u>\$7,171</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

Lessee	Lease	Duration	Rental income
<u>For the three-month period ended March 31, 2019</u>			
Associate	Property and plant	Jan. 1, 2019~Dec. 31, 2021	\$2,849
Associate	Property and plant	Jan. 1, 2019~Dec. 31, 2021	2,256
Other related party	Property and plant	Aug. 1, 2018~Jul. 31, 2020	1,776
Total			<u>\$6,881</u>

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

	<u>For the three-month period ended March 31,</u>	
	2020	2019
Short-term employee benefits	\$5,137	\$5,164
Post-employment benefits	82	85
Share-based payment	815	770
Total	<u>\$6,034</u>	<u>\$6,019</u>

8.PLEDGED ASSETS

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

Item	Carrying Amount As of			Secured liabilities
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019	
Trade receivables	\$260,400	\$260,000	\$268,200	Short-term borrowings
Inventories	260,400	260,000	268,200	Short-term borrowings
Property, plant and equipment - land	52,420	52,420	52,420	Short-term borrowings
Property, plant and equipment - buildings	382	404	471	Short-term borrowings
Total	<u>\$573,602</u>	<u>\$572,824</u>	<u>\$589,291</u>	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

None.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Financial instruments

Categories of financial instruments

Financial assets

	As of		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Financial assets at fair value through other comprehensive income	\$19,431	\$19,431	\$19,431
Financial assets measured at amortized cost			
Cash and cash equivalents (exclude cash on hand)	1,068,796	1,126,128	700,814
Financial assets measured at amortized cost	389,581	355,817	85,824
Notes receivables	-	69	223
Trade receivables (includes related parties)	780,711	669,823	855,975
Other receivables (includes related parties)	14,171	14,334	12,949
Refundable deposits	336	336	27,917
Total	<u>\$2,273,026</u>	<u>\$2,185,938</u>	<u>\$1,703,133</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

Financial liabilities

	As of		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Financial liabilities at amortized cost:			
Short-term borrowings	\$866,680	\$850,362	\$236,890
Trade payables	876,043	621,879	582,311
Leased liabilities (includes related parties)	17,970	15,297	1,436
Refund liabilities	8,071	18,591	20,053
Total	\$1,768,764	\$1,506,129	\$840,690

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risks (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

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Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables; therefore natural hedge is received. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency USD. The information of the sensitivity analyses is as follows:

When NTD is strengthened/weakened against foreign currency USD by 1%, the profit for the three-month periods ended March 31, 2020 and 2019 decreased/increased by NT\$2,394 thousand and NT\$5,973 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the three-month periods ended March 31, 2020 and 2019 to increase/decrease by NT\$266 thousand and NT\$87 thousand, respectively.

### Equity price risk

The fair value of the Group's unlisted equity securities to market price risk arising from uncertainties about future values of the investment securities. The Group's unlisted equity securities measured at financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

Please refer to Note 12(8) for sensitivity analysis information of other equity instruments whose fair value measurement is categorized under Level 3.

### (4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for trade receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of March 31, 2020, December 31, 2019 and March 31, 2019, trade receivables from top ten customers represent 84.42%, 78.81% and 79.35% of the total trade receivables of the Group, respectively. The credit concentration risk of other trade receivable is insignificant.

Credit risk from balances with banks and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

The Group adopted IFRS 9 to assess the expected credit losses. Except for the loss allowance of trade receivables is measured at lifetime expected credit losses, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

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

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(5)Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings, etc. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as at the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	1 to 5 years	Total
<u>As of March 31, 2020</u>			
Short-term borrowings	\$872,035	\$-	\$872,035
Trade and other payables	876,043	-	876,043
Leased Liabilities (Note)	5,493	13,645	19,138
<u>As of December 31, 2019</u>			
Short-term borrowings	\$857,648	\$-	\$857,648
Trade and other payables	621,879	-	621,879
Leased Liabilities (Note)	3,483	13,077	16,560

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

	Less than 1 year	1 to 5 years	Total
<u>As of March 31, 2019</u>			
Short-term borrowings	\$239,035	\$-	\$239,035
Trade and other payables	582,311	-	582,311
Leased Liabilities (Note)	1,436	-	1,436

Note: Including cash flows resulted from short-term leases or leases of low-value assets.

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the three-month period ended March 31, 2020:

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Total liabilities from financing activities
As of Jan. 1, 2020	\$850,362	\$18,591	\$15,297	\$884,250
Cash flows	16,318	(10,520)	(1,374)	4,424
Non-cash changes	-	-	4,047	4,047
As of Mar. 31, 2020	<u>\$866,680</u>	<u>\$8,071</u>	<u>\$17,970</u>	<u>\$892,721</u>

Reconciliation of liabilities for the three-month period ended March 31, 2019:

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Total liabilities from financing activities
As of Jan. 1, 2019	\$256,507	\$18,097	\$1,912	\$276,516
Cash flows	(19,617)	1,956	(476)	(18,137)
Non-cash changes	-	-	-	-
As of Mar. 31, 2019	<u>\$236,890</u>	<u>\$20,053</u>	<u>\$1,436</u>	<u>\$258,379</u>



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

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(7) Fair values of financial instruments

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- i. The carrying amount of cash and cash equivalents, trade receivables, trade payable and other current liabilities approximate their fair value due to their short maturities.
- ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- iii. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- iv. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.).
- v. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

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(b) Fair value of financial instruments measured at amortized cost

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

(c) Fair value measurement hierarchy for financial instruments

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

(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement. Level 1, 2 and 3 inputs are described as follows:

Level 1– Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

As of March 31, 2020, December 31, 2019, and March 31, 2019, fair value measurement hierarchy of the Group's assets measured at fair value on a recurring basis is as follows:

As of March 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Equity instrument measured at fair value through other comprehensive income	<u>\$-</u>	<u>\$-</u>	<u>\$19,431</u>	<u>\$19,431</u>

As of December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Equity instrument measured at fair value through other comprehensive income	<u>\$-</u>	<u>\$-</u>	<u>\$19,431</u>	<u>\$19,431</u>

As of March 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Equity instrument measured at fair value through other comprehensive income	<u>\$-</u>	<u>\$-</u>	<u>\$19,431</u>	<u>\$19,431</u>

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

During the three-month period ended March 31, 2020, there was not movement of fair value measurements.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of March 31, 2020

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets measured at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	5%	The higher the discount for lack of marketability, the lower the fair value of the stocks.	Increase (decrease) in the discount for lack of marketability by 10% would result in increase (decrease) in the Group's other comprehensive income by NT\$1,943 thousand.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

As of December 31, 2019

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets measured at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	5%	The higher the discount for lack of marketability, the lower the fair value of the stocks.	Increase (decrease) in the discount for lack of marketability by 10% would result in increase (decrease) in the Group's other comprehensive income by NT\$1,943 thousand.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

As of March 31, 2019

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets measured at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	5%	The higher the discount for lack of marketability, the lower the fair value of the stocks.	Increase (decrease) in the discount for lack of marketability by 10% would result in increase (decrease) in the Group's other comprehensive income by NT\$1,943 thousand.

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's financial department is responsible for validating the fair value measurements and ensuring that the results of the valuation is in line with market conditions, based on independent and reliable inputs which are consistent with other information and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies at each reporting date.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(c) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed.

As of March 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (Note 6(9))	\$-	\$-	\$167,629	\$167,629

As of December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (Note 6(9))	\$-	\$-	\$167,629	\$167,629

(9) Significant assets and liabilities denominated in foreign currencies (in thousand dollars)

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of					
	<u>Mar. 31, 2020</u>			<u>Dec. 31, 2019</u>		
	<u>Foreign currencies</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currencies</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
Monetary items:						
USD	\$34,482	29.91	\$1,031,291	\$30,555	29.74	\$908,955
VND	\$963,918,455	0.001302	\$1,255,022	\$996,582,165	0.001300	\$1,295,557

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

	As of					
	Mar. 31, 2020			Dec. 31, 2019		
	Foreign currencies	Exchange rate	NTD	Foreign currencies	Exchange rate	NTD
<u>Investments accounted for under the equity method</u>						
Monetary items:						
VND	<u>\$115,172,223</u>	0.001302	<u>\$149,954</u>	<u>\$110,407,449</u>	0.001300	<u>\$143,530</u>
<u>Financial liabilities</u>						
Monetary items:						
USD	<u>\$26,069</u>	30.28	<u>\$789,467</u>	<u>\$25,475</u>	30.12	<u>\$767,312</u>
VND	<u>\$306,698,608</u>	0.001302	<u>\$399,322</u>	<u>\$362,664,368</u>	0.001300	<u>\$471,464</u>
As of						
Mar. 31, 2019						
	Foreign currencies	Exchange rate	NTD			
<u>Financial assets</u>						
Monetary items:						
USD	<u>\$28,610</u>	30.97	<u>\$885,943</u>			
VND	<u>\$556,822,151</u>	0.001341	<u>\$746,698</u>			
<u>Investments accounted for under the equity method</u>						
VND	<u>\$116,415,689</u>	0.001341	<u>\$156,113</u>			
<u>Financial liabilities</u>						
Monetary items:						
USD	<u>\$9,075</u>	31.15	<u>\$282,704</u>			
VND	<u>\$258,983,235</u>	0.001341	<u>\$347,297</u>			

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

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The Group's entities functional currency are various and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gains were NT\$5,813 thousand and NT\$2,974 thousand for the three-month periods ended March 31, 2020 and 2019, respectively.

(10)Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value. The Group manages its capital structure and adjusts to it, considering changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13.OTHER DISCLOSURES

(1)Information at significant transactions:

(a)Financing provided to others: None.

(b)Endorsement/Guarantee provided to others: Please refer to Attachment 1.

(c)Marketable securities held as of March 31, 2020 (excluding investments in subsidiaries, associates and joint ventures): None.

(d)Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2020: None.

(e)Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2020: None.

(f)Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2020: None.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

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- (g) Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2020: None.
- (h) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of March 31, 2020: None.
- (i) Derivative instrument transactions: None.
- (j) Intercompany relationships and significant intercompany transactions for the three-month period ended March 31, 2020: Please refer to Attachment 7.
- (2) Information on investees:
- (a) Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 3.
- (b) Investees over which the Company exercises control disclose information in Note 13(1):
- i. Financing provided to others: Please refer to Attachment 2.
  - ii. Endorsement/Guarantee provided to others: None.
  - iii. Marketable securities held as of March 31, 2020 (excluding investments in subsidiaries, associates and joint ventures): Please refer to Attachment 4.
  - iv. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital or for the three-month period ended March 31, 2020: None.
  - v. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital or for the three-month period ended March 31, 2020: None.
  - vi. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital or for the three-month period ended March 31, 2020: None.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

vii. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital or for the three-month period ended March 31, 2020: Please refer to Attachment 5.

viii. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of March 31, 2020: Please refer to Attachment 6.

ix. Derivative instrument transactions: None.

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

(4) Information of major shareholders:

Name	Shares	Number of shares (thousand)	Percentage of ownership
SEASHORE GROUP LIMITED		24,769	37.62%
New General Limited		13,833	21.01%
Fubon Life Insurance Company, Ltd.		5,153	7.82%

#### 14. OPERATING SEGMENT

The major operating revenues of the Group come from manufacturing and sales of motorcycle and auto equipment parts, medical equipment and machine parts. The chief operating decision maker reviewed the overall operating results to make a decision about resources to be allocated to and evaluated the overall performance. Therefore, the Group was aggregated as a segment.

ATTACHMENT 1 (Endorsement/Guarantee provided to others for the three-month period ended March 31, 2020)

(All the currencies are denominated in Thousands of New Taiwan Dollars, foreign currency)

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

No. (Note 1)	Endorser/Guarantor	Receiving party		Limit of guarantee/endorsement amount for receiving party (Note3)	Maximum balance for the period		Actual amount provided	Amount of collateral for guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/endorsement amount (Note3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Company name	Relationship (Note2)		Ending balance	Ending balance							
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd.	2	\$1,142,199	\$80,000	\$80,000	\$69,000	\$-	2.80%	\$1,427,749	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co.,Ltd. (B.V.I)	2	\$1,142,199	\$121,320 (USD 4,000)	\$121,016 (USD 4,000) (Note4)	\$-	\$-	4.24%	\$1,427,749	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	2	\$1,142,199	\$363,960 (USD 12,000)	\$363,048 (USD 12,000) (Note4)	\$221,006 (USD 7,305)	\$-	12.71%	\$1,427,749	Y	N	N

Note 1: Eurocharm Holdings Co., Ltd. is coded "0".

Note 2: The relationship between the guarantor of the endorsement and the object to be guaranteed is as follows:

- 1.The company with business contacts.
- 2.The company directly and indirectly holds more than 50% of the shares with voting rights.
- 3.Companies that directly and indirectly holds more than 50% of the shares of the company with voting rights.
- 4.The company directly and indirectly holds more than 90% of the shares with voting rights.
- 5.Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry.
- 6.A company whose co-investment relationship is endorsed by all shareholders in proportion to their shareholding ratio.
- 7.The performance guarantee of the preconstruction real estate contract between the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

Note 3: According to the Company's "Endorsement Procedures", the limitation of endorsement or guarantee for other subsidiaries shall not exceed 50% of the current net value of the Company.

The limitation of endorsement or guarantee for one of the subsidiaries shall not exceed 10% of the current net value of Company.

The limitation of endorsement or guarantee for companies that directly and indirectly holds 100% of the shares with voting rights of a single subsidiary not exceed 40% of the current net value of Company.

Note 4: Foreign currency were exchanged by exchange rate as at balance sheet date.

ATTACHMENT 2 (Financing provided to others for the three-month period ended March 31, 2020)

(All the currencies are denominated in Thousands of New Taiwan Dollars, foreign currency)

NO. (Note1)	Lender	Counter-party	Financial accounting account	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing	Amount of sales to (purchases from) counter-party	Reason for financing	Loss Allowance	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
												Item	Value		
1	Eurocharm Innovation Co., Ltd.	Eurocharm Holdings Co., Ltd.	Other receivables -related parties	\$30,000	\$21,000	\$21,000 (Note 4)	2.68%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$30,902 (Note 2) (Note 3)	\$61,804 (Note 2)

Note 1 : 1 A subsidiary under the company's control

Note 2 : For the Company or subsidiaries lending to other companies, the lending amount shall not exceed 40% of its net equity.

The amount for lending to a single organization shall not exceed 20% of the lender's net equity.

Note 3 : According to the Company's "Procedure to provide financing to others", a public offering company that meets the requirements of Article 3, paragraph 4

in the event of providing financing to directly/indirectly 100%-owned foreign subsidiaries, the lending amount to a single subsidiary shall not exceed 40% of the current net assets of the Company.

Note 4 : Transactions between consolidated entities are eliminated in the consolidated financial statements.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

Investor Company	Investee Company	Address	Main businesses and products	Original Investment Amount		Investments as of Mar. 31, 2020			Net income (loss) of investee company	Investment income (loss) recognized	Note
				As of Mar. 31, 2020	As of Dec. 31, 2019	Number of shares	Percentage of ownership (%)	Book Value			
Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I.)	British Virgin Islands	Investment holding	\$615,652	\$615,652	19,000,000	100.00%	3,682,039 (Note 7)	\$146,429	\$146,429 (Note 7)	Subsidiary
Eurocharm Holdings Co., Ltd.	Eurocharm America LLC.	America	Trading activities, warehouse and logistic service	USD 200	USD 200	200,000	100.00%	5,668 (Note 7)	(118)	(118) (Note 7)	Subsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation Co., Ltd.	Taiwan	Manufacturing and sales of motor parts and medical equipment	61,425	61,425	5,850,000	100.00%	143,880 (Note 7)	1,052	(1,121) (Note 1) (Note 7)	Sub-subsubsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam	Manufacturing and sales of motor parts and medical equipment	USD 8,700	USD 8,700	-	100.00%	3,208,339 (Note 5) (Note 7)	136,831	136,831 (Note 7)	Sub-subsubsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Apex Precision Industrial Ltd.	Samoa	Trading activities	-	USD 2,000	-	-% (Note 6)	- (Note 6)	1,130	8,563 (Note 2) (Note 7)	Sub-subsubsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Optimal Victory Ltd.	Samoa	Trading activities	-	USD 900	-	-% (Note 6)	- (Note 6)	1,513	1,810 (Note 3) (Note 7)	Sub-subsubsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation(HK) Co., Ltd.	Hong Kong	Trading activities	USD 1,500	USD 1,500	1,500,000	100.00%	47,923 (Note 7)	8,242	(748) (Note 4) (Note 7)	Sub-subsubsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Hsieh Yuan Technology Vietnam Co., Ltd.	Vietnam	Manufacturing and sales of motor parts and surface plating	USD 562	USD 562	-	45.00%	38,695	3,009	1,354	Investment accounted for under the equity method
Eurocharm Innovation Co., Ltd. (B.V.I.)	Lieh Kwan International Co., Ltd.	British Virgin Islands	Investment holding	USD 800	USD 800	8,000	40.00%	24,140	(680)	(272)	Investment accounted for under the equity method
Vietnam Precision Industrial No.1 Co., Ltd.	Exedy Vietnam Co., Ltd.	Vietnam	Manufacturing and sales of motor parts	VND 13,212,264	VND 13,212,264	-	20.00%	89,159	26,151	5,230	Investment accounted for under the equity method
Vietnam Precision Industrial No.1 Co., Ltd.	Shiang Yu Precision Co., Ltd.	Vietnam	Design, manufacturing and sales of molds	USD 800	USD 800	-	40.00%	22,105	(928)	(371)	Investment accounted for under the equity method

Note 1: Including investment gain recognized under equity method amounted to NT\$1,052 thousand and unrealized profit on transaction between subsidiaries amounted to NT\$2,173 thousand.

Note 2: Including investment gain recognized under equity method amounted to NT\$1,130 thousand and realized profit on transaction between subsidiaries amounted to NT\$7,433 thousand.

Note 3: Including investment gain recognized under equity method amounted to NT\$1,513 thousand and realized profit on transaction between subsidiaries amounted to NT\$1,810 thousand.

Note 4: Including investment gain recognized under equity method amounted to NT\$8,242 thousand and unrealized profit on transaction between subsidiaries amounted to NT\$8,990 thousand.

Note 5: The net equity of sub-subsubsidiary held at the end of the period amounted to NT\$3,329,449 thousand deduct unrealized profit on transaction between subsidiaries amounted to NT\$121,110 thousand.

Note 6: The company's board in a meeting held on December 24, 2019 has approved the liquidation of the company's subsidiaries- Apex Precision Industrial Ltd. and Optimal Victory Ltd.

for adjusting the Group's structure and integrating the Group's resources effectly.

Note 7: Transactions between consolidated entities are eliminated in the consolidated financial statements.

ATTACHMENT 4 (Securities held as of March 31, 2020) (Excluding subsidiaries, associates and joint ventures)

(All the currencies are denominated in Thousands of New Taiwan Dollars)

**EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES**

Company	Investee Company	Relationship	Financial statement account	Investments as of March 31, 2020				Note	Shares as collateral
				Number of shares	Book Value	Percentage of ownership (%)	Fair Value		
Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial Joint Stock Company	-	Financial assets measured at fair value through other comprehensive income	-	\$11,007	6.91%	\$11,007	-	None
Eurocharm Innovation Co., Ltd. (B.V.I.)	Northstar Precision (Vietnam) Company Limited	Other related party	Financial assets measured at fair value through other comprehensive income	-	8,424	19.90%	8,424	-	None
	Total				<u>\$19,431</u>		<u>\$19,431</u>		

ATTACHMENT 5 (Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2020)

(All the currencies are denominated in Thousands of New Taiwan Dollars)

**EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES**

Purchase (sales) company	Related party	Relationship	Purchases (Sales)	Transactions			Details of non-arm's length transaction		Notes and trade receivables (payable)		
				Amount	Percentage of total purchases (sales) (%)	Term	Unit Price	Term	Balance	Percentage of total balances (%)	Note
Vietnam Precision Industrial No.1 Co., Ltd.	Northstar Precision (Vietnam) Company Limited	Other related party	Sales	\$258,254	20.92%	60~90 days after monthly closing	By product type, cost, market price and other trading terms.	Non related parties are 60~90 days after monthly closing	Trade receivables \$161,477	21.04%	



ATTACHMENT 6 (Receivables from related of at least NT\$100 million or 20 percent of the paid-in capital as of March 31, 2020)

(All the currencies are denominated in Thousands of New Taiwan Dollars)

**EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES**

Company Name	Related Party	Relationships	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Periods	Loss Allowance
					Amount	Action Taken		
Vietnam Precision Industrial No.1 Co., Ltd.	Northstar Precision (Vietnam) Company Limited	Other related party	<u>\$161,477</u> (Note 1)	<u>7.33</u>	<u>\$-</u>	-	<u>\$68,879</u>	<u>\$-</u>

Note 1: Trade Receivable.

ATTACHMENT 7(Intercompany relationships and significant intercompany transactiontime for the three-month period ended March 31, 2020)

(All the currencies are denominated in Thousands of New Taiwan Dollars)

**EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES**

No (Note1)	Company name	Counter party	Nature of relationship (Note 2)	Intercompany transactions			
				Financial Statement Account	Amount	Terms	Percentage of consolidated total gross sales or total assets (Note3)
	<u>2020.01.01~2020.03.31</u>						
1	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	\$77,955	60~90 days after monthly closing	6.17%
1	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade receivables	31,968	60~90 days after monthly closing	0.66%
1	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Other receivables	4	60~90 days after monthly closing	-%
1	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Other revenue	9	-	-%
1	Eurocharm Innovation Co., Ltd.	Eurocharm Holdings Co., Ltd.	2	Interest income	154	-	0.01%
1	Eurocharm Innovation Co., Ltd.	Eurocharm Holdings Co., Ltd.	2	Other receivables	21,048	-	0.44%
2	Eurocharm Innovation(HK) Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	46,541	60~90 days after monthly closing	3.69%
2	Eurocharm Innovation(HK) Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade receivables	52,484	60~90 days after monthly closing	1.09%

Note 1: Eurocharm Holdings Co., Ltd. and subsidiaries are coded as follows:

1. Eurocharm Holdings Co., Ltd. is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows :

1. Investor to investee.
2. Investee to investor.
3. Investee to investee.

Note 3: The percentage base with respect to the total consolidated revenue-weighted average (about income statement accounts) or total assets (about balance sheet accounts).

Note 4: Foreign currencies were converted into New Taiwan dollars based on exchanged rate of balance sheet date.