

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 SEPTEMBER 30, 2020 AND 2019
AND FOR THE NINE-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

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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 September 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the consolidated statements of changes in equity and cash flows for the nine-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\$154,325 thousand and NT\$139,126 thousand as of September 30, 2020 and 2019, respectively. The related shares of profits from the associates and joint ventures under the equity method for the three-month periods then ended amounted to NT\$5,180 thousand and NT\$4,893 thousand, respectively, while for the nine-month periods then ended were NT\$10,968 thousand and NT\$13,894 thousand, respectively. The related shares of other comprehensive income from the associates and joint ventures under the equity method for the three-month periods then ended amounted to NT\$(611) thousand and NT\$(220) thousand, respectively, while for the nine-month periods then ended were NT\$(1,258) thousand and NT\$(168) thousand, 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 September 30, 2020 and 2019, and their consolidated financial performance for the three-month and nine-month periods then ended, as well as the consolidated cash flows for the nine-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 issued into effect by Financial Supervisory Commission of the Republic of China.

Cheng, Ching-Piao
Lo, Hsiao Chin
Ernst & Young, Taiwan
November 3rd, 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 September 30, 2020, December 31, 2019 and September 30, 2019 (September 30, 2020 and 2019 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets	Notes	As of		
Accounts		September 30, 2020	December 31, 2019	September 30, 2019
Current assets				
Cash and cash equivalents	6(1)	\$913,055	\$1,126,884	\$994,761
Financial assets measured at amortized cost	6(2)	548,060	195,917	311,303
Notes receivables	6(3)	-	69	168
Trade receivables	6(4), 6(19), 8	594,226	534,915	550,002
Trade receivables-related parties	6(4), 6(19), 7	247,148	134,908	205,530
Other receivables		7,986	14,151	7,060
Other receivables-related parties	7	774	183	-
Current tax assets		725	751	2,832
Inventories	6(5), 8	541,326	617,782	602,688
Prepayments		54,463	53,167	52,148
Other current assets		49,145	89,723	87,211
Total current assets		2,956,908	2,768,450	2,813,703
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 amoritized cost	6(2)	88,138	159,900	-
Investment accounted for under the equity method	6(7)	154,325	167,956	139,126
Property, plant and equipment	6(8), 8	1,175,945	1,206,178	1,164,581
Right-of-use assets	6(21), 7	317,720	338,124	350,235
Investment property	6(9)	37,982	41,119	42,994
Intangible assets	6(10)	7,181	10,583	10,691
Deferred tax assets	4, 6(23)	2,203	1,240	910
Other non-current assets	6(11)	1,451	25,787	74,481
Total non-current assets		1,804,376	1,970,318	1,802,449
Total assets		\$4,761,284	\$4,738,768	\$4,616,152

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 September 30, 2020, December 31, 2019 and September 30, 2019 (September 30, 2020 and 2019 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As of		
		September 30, 2020	December 31, 2019	September 30, 2019
Accounts				
Current liabilities				
Short-term borrowings	6(12), 8	\$1,039,882	\$850,362	\$854,126
Contract liabilities	6(17), 7	100,710	38,500	40,329
Notes payables		9	1	1
Trade payables		283,018	316,617	292,750
Trade payables-related parties	7	4,275	13,087	7,568
Other payables	6(13)	220,685	292,174	229,723
Current tax liabilities	4, 6(23)	134,505	87,944	114,760
Lease liabilities	6(21)	3,065	3,012	3,142
Lease liabilities-related parties	6(21), 7	1,905	-	480
Other current liabilities		1,975	889	1,062
Refund liabilities		24,213	9,935	10,241
Total current liabilities		1,814,242	1,612,521	1,554,182
Non-current liabilities				
Deferred tax liabilities	4, 6(23)	16,411	16,661	17,916
Lease liabilities	6(21)	9,552	12,285	13,471
Lease liabilities-related parties	6(21), 7	479	-	-
Other non-current liabilities	6(14)	13,228	26,466	27,499
Total non-current liabilities		39,670	55,412	58,886
Total liabilities		1,853,912	1,667,933	1,613,068
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		332,900	220,232	220,232
Accumulated profit or loss		1,533,528	1,688,459	1,522,982
Other components of equity		(454,100)	(332,900)	(235,174)
Total equity		2,907,372	3,070,835	3,003,084
Total liabilities and equity		\$4,761,284	\$4,738,768	\$4,616,152

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 For the three-month and nine-month periods ended September 30, 2020 and 2019 (Reviewed but unaudited)
 (Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

Description	Notes	For the three-month period ended September 30,		For the nine-month period ended September 30,	
		2020	2019	2020	2019
Operating revenues	6(17), 7	\$1,304,762	\$1,301,788	\$3,351,054	\$3,961,853
Operating costs	6(19), 7	(1,034,573)	(1,073,824)	(2,768,505)	(3,252,751)
Gross profit		270,189	227,964	582,549	709,102
Realized (Unrealized) sales profit		(10)	(7)	(2)	1
Gross profit, net		270,179	227,957	582,547	709,103
Operating expenses					
Sales and marketing	6(19)	(15,811)	(14,791)	(43,872)	(49,387)
General and administrative	7	(47,592)	(37,378)	(124,055)	(113,194)
Research and development		(14,263)	(14,593)	(42,785)	(38,046)
Expected credit gains (losses)	6(18)	46	-	(2,904)	-
Total operating expenses		(77,620)	(66,762)	(213,616)	(200,627)
Operating income		192,559	161,195	368,931	508,476
Non-operating incomes and expenses					
Other incomes	6(20), 7	19,286	19,481	55,159	53,342
Other gains and losses	6(20)	4,300	721	(4,786)	8,602
Finance costs	6(20)	(3,828)	(2,892)	(13,232)	(6,558)
Share of the profit or loss of associates and joint ventures accounted for under the equity method	6(7)	5,180	4,893	10,968	13,894
Non-operating incomes and expenses total		24,938	22,203	48,109	69,280
Income before income tax		217,497	183,398	417,040	577,756
Income tax expense	4, 6(23)	(51,042)	(36,593)	(97,260)	(117,204)
Net income		166,455	146,805	319,780	460,552
Other comprehensive income (loss)	6(22)				
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations		(60,517)	(18,721)	(119,942)	(14,774)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method		(611)	(220)	(1,258)	(168)
Total other comprehensive income, net of tax		(61,128)	(18,941)	(121,200)	(14,942)
Total comprehensive income		\$105,327	\$127,864	\$198,580	\$445,610
Earnings per share-basic (in NTD)	6(24)	\$2.53	\$2.23	\$4.86	\$7.00
Earnings per share-diluted (in NTD)	6(24)	\$2.52	\$2.23	\$4.84	\$6.98

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 nine-month periods ended September 30, 2020 and 2019 (Reviewed but unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollar)

Description	Equity Attributable to Shareholders of the Parent						
	Share capital		Retained Earnings		Other Components of equity	Total	Total Equity
	Common Stock	Capital surplus	Special Reserve	Accumulated profit or loss	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
Appropriation and distribution of 2018 earnings:							
Special reserve			(29,417)	29,417		-	-
Cash dividends-common shares				(329,131)		(329,131)	(329,131)
Net income for the nine-month period ended September 30, 2019				460,552		460,552	460,552
Other comprehensive income (loss) for the nine-month period ended September 30, 2019					(14,942)	(14,942)	(14,942)
Total comprehensive income (loss)	-	-	-	460,552	(14,942)	445,610	445,610
Balance as of September 30, 2019	<u>\$658,262</u>	<u>\$836,782</u>	<u>\$220,232</u>	<u>\$1,522,982</u>	<u>\$(235,174)</u>	<u>\$3,003,084</u>	<u>\$3,003,084</u>
Balance as of January 1, 2020	\$658,262	\$836,782	\$220,232	\$1,688,459	\$(332,900)	\$3,070,835	\$3,070,835
Appropriation and distribution of 2019 earnings:							
Special reserve			112,668	(112,668)		-	-
Cash dividends-common shares				(362,043)		(362,043)	(362,043)
Net income for the nine-month period ended September 30, 2020				319,780		319,780	319,780
Other comprehensive income (loss), for the nine-month period ended September 30, 2020					(121,200)	(121,200)	(121,200)
Total comprehensive income (loss)	-	-	-	319,780	(121,200)	198,580	198,580
Balance as of September 30, 2020	<u>\$658,262</u>	<u>\$836,782</u>	<u>\$332,900</u>	<u>\$1,533,528</u>	<u>\$(454,100)</u>	<u>\$2,907,372</u>	<u>\$2,907,372</u>

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 nine-month periods ended September 30, 2020 and 2019 (Reviewed but unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollars)

Items	For the nine-month period ended September 30,		Items	For the nine-month period ended September 30,	
	2020	2019		2020	2019
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$417,040	\$577,756	Decrease (Increase) in financial assets measured at amortized cost	(280,381)	10,391
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 (including investment property)	118,599	124,101	Acquisition of property, plant and equipment	(110,960)	(242,195)
Amortization	4,003	3,639	Disposal of property, plant and equipment	2,327	-
Expected credit losses	2,904	-	Increase (Decrease) in refundable deposits	-	27,679
Interest expense	13,232	6,558	Acquisition of intangible assets	(545)	(2,132)
Interest income	(30,900)	(22,229)	Acquisition of right-of-use assets	-	(55,111)
Share of profit or loss of associates and joint ventures accounted for under the equity method	(10,968)	(13,894)	Disposal of right-of-use assets	7,622	-
Loss on disposal of property, plant and equipment	1,876	264	Net cash provided by (used in) investing activities	(406,349)	(261,368)
Unrealized (Realized) sales profit	2	(1)			
Changes in operating assets and liabilities:			Cash flows from financing activities:		
Notes receivables	69	(134)	Increase in (Repayment of) short-term borrowings	189,520	597,619
Trade receivables	(61,707)	74,556	Increase (Decrease) in guarantee deposits	(12,904)	790
Trade receivables-related parties	(112,240)	(84,998)	Repayment of lease liabilities principal	(4,082)	(1,749)
Other receivables	(2,554)	1,544	Cash dividends	(362,043)	(329,131)
Other receivables-related parties	(591)	125	Net cash provided by (used in) financing activities	(189,509)	267,529
Inventories	76,456	66,142			
Prepayments	(1,296)	12,117	Effect of exchange rate changes	(63,833)	(8,553)
Other current assets	40,578	(18,560)			
Contract liabilities	62,210	(19,409)	Net increase (decrease) in cash and cash equivalents	(213,829)	319,820
Notes payables	8	(2)	Cash and cash equivalents at beginning of period	1,126,884	674,941
Trade payables	(33,599)	(278,399)	Cash and cash equivalents at end of period	\$913,055	\$994,761
Trade payables-related parties	(8,812)	(1,504)			
Other payables	(38,782)	(23,764)			
Other current liabilities	1,086	202			
Net defined benefit liabilities	(334)	(307)			
Refund liabilities	14,278	209			
Cash generated from (used in) operations	450,558	404,012			
Interest received	39,472	34,876			
Dividends received	19,355	24,672			
Interest paid	(13,118)	(6,874)			
Income tax paid	(50,405)	(134,474)			
Net cash provided by (used in) operating activities	445,862	322,212			

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 September 30, 2020 and 2019 and for the nine-month periods then ended

(REVIEWED BUT UNAUDITED)

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

1. HISTORY AND ORGANIZATION

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

The Company’s common shares were publicly listed on the Taiwan Stock Exchange (TWSE) on September 23, 2014 and started trading on September 25, 2014. The Company’s registered office is at PO 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 nine-month periods ended September 30, 2020 and 2019 were authorized for issue by the Board of Directors on November 3, 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 recognized 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, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current — Amendments to IAS 1	January 1, 2023
d	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022
e	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(b) IFRS 17 “*Insurance Contracts*”

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

A. estimates of future cash flows;

B. 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

C. 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.

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

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

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

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

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

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

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

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

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

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

Amendment to IFRS 9 *Financial Instruments*

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

Amendment to Illustrative Examples Accompanying IFRS 16 *Leases*

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

Amendment to IAS 41

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

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)

(e) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements:

- A. A company will not have to derecognise or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- B. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- C. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

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 nine-month periods ended September 30, 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.

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)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.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			As of		
			Sep. 30, 2020	Dec. 31, 2019	Sep 30, 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%	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 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)

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			As of		
			Sep. 30, 2020	Dec. 31, 2019	Sep 30, 2019
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%	-%

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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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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 the assumption and estimate 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 nine-month periods ended September 30, 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.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of		
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Cash on hand	\$868	\$756	\$842
Checking and saving	279,863	376,938	295,215
Time deposits matured within three months	632,324	749,190	698,704
Total	<u>\$913,055</u>	<u>\$1,126,884</u>	<u>\$994,761</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)

(2) Financial assets measured at amortized cost

	As of		
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Time deposits	\$636,198	\$355,817	\$311,303
Current	\$548,060	\$195,917	\$311,303
Non-current	88,138	159,900	-
Total	\$636,198	\$355,817	\$311,303

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		
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Notes receivables arising from operating activities	\$-	\$69	\$168
Less: loss allowance	-	-	-
Total	\$-	\$69	\$168

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.

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)

(4) Trade receivables and Trade receivables-related parties

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

	As of		
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Trade receivables	\$610,648	\$548,941	\$561,365
Less: loss allowance	(16,422)	(14,026)	(11,363)
Subtotal	594,226	534,915	550,002
Trade receivables from related parties	247,148	134,908	205,530
Less: loss allowance	-	-	-
Subtotal	247,148	134,908	205,530
Total	\$841,374	\$669,823	\$755,532

(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\$857,796 thousand, NT\$683,849 thousand and NT\$766,895 thousand as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively. Please refer to Note 6 (18) for more details on loss allowance of trade receivables for the nine-month periods ended September 30, 2020 and 2019, respectively. Please refer to Note 12 for more details on credit risk.

(5) Inventories

(a) Details of inventories are as below:

	As of		
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Raw materials and Supplies	\$233,163	\$242,401	\$240,963
Work in progress	237,024	239,337	283,903
Finished goods	69,459	134,574	75,038
Merchandises	1,680	1,470	2,784
Total	\$541,326	\$617,782	\$602,688

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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- (b)The cost of inventories recognized in expenses amounted to NT\$1,034,573 thousand, NT\$1,073,824 thousand, NT\$2,768,505 thousand and NT\$3,252,751 thousand for the three-month and nine-month periods ended September 30, 2020 and 2019, respectively.

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

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2020	2019	2020	2019
Loss from inventory market decline	\$26,562	\$-	\$33,952	\$-
Loss in inventory write-off obsolescence	4,312	4,691	19,038	13,881
Loss (gain) from physical	(12)	-	(14)	-
Total	<u>\$30,862</u>	<u>\$4,691</u>	<u>\$52,976</u>	<u>\$13,881</u>

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

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

	As of		
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Equity instruments investments measured at fair value through other comprehensive income - Non-current			
Unlisted companies stocks	<u>\$19,431</u>	<u>\$19,431</u>	<u>\$19,431</u>

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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(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					
	Sep. 30, 2020		Dec. 31, 2019		Sep. 30, 2019	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in associates:						
Exedy Vietnam Co., Ltd.	\$74,030	20.00%	\$83,817	20.00%	\$79,389	20.00%
Hsieh Yuan Technology Vietnam Co., Ltd.	34,563	45.00%	37,286	45.00%	36,715	45.00%
Shiang Yu Precision Co., Ltd.	22,457	40.00%	22,441	40.00%	23,022	40.00%
Lieh Kwan International Co., Ltd.	23,275	40.00%	24,412	40.00%	-	-%
Total	<u>\$154,325</u>		<u>\$167,956</u>		<u>\$139,126</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\$154,325 thousand, NT\$167,956 thousand and NT\$139,126 thousand as of September 30, 2020, December 31, 2019, and September 30, 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:

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(REVIEWED BUT UNAUDITED)

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

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2020	2019	2020	2019
Profit or loss from continuing operations	\$5,180	\$4,893	\$10,968	\$13,894
Other comprehensive income (post-tax)	(611)	(220)	(1,258)	(168)
Total	<u>\$4,569</u>	<u>\$4,673</u>	<u>\$9,710</u>	<u>\$13,726</u>

The associates had no contingent liabilities or capital commitments and were not under pledge as of September 30, 2020, December 31, 2019, and September 30, 2019.

As of September 30, 2020 and 2019, the balances of investments accounted for under the equity method were NT\$154,325 thousand and NT\$139,126 thousand, respectively. For the three-month periods then ended, shares of investment income from these associates and joint ventures amounted to NT\$5,180 thousand and NT\$4,893 thousand, respectively, while for the nine-month periods then ended were NT\$10,968 thousand and NT\$13,894 thousand, respectively. For the three-month periods then ended, the share of other comprehensive income from these associates and joint ventures amounted to NT\$(611) thousand and NT\$(220) thousand, respectively, while for the nine-months periods then ended were NT\$(1,258) thousand and NT\$(168) thousand, respectively. These amounts were recognized based on unreviewed 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 September 30, 2020, the Group has remitted the investment amount of US\$800 thousand.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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(8)Property, plant and equipment

	As of		
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Owner occupied property, plant and equipment	\$1,175,816	\$1,200,359	\$1,157,564
Property, plant and equipment leased out under operating leases	129	5,819	7,017
Total	<u>\$1,175,945</u>	<u>\$1,206,178</u>	<u>\$1,164,581</u>

(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	-	2,031	12,874	2,625	873	32,805	76,151	127,359
Disposals	-	-	(9,236)	(1,629)	(586)	(16,091)	-	(27,542)
Transfers	-	-	77,806	-	-	-	(78,136)	(330)
Exchange differences	-	(11,791)	(72,237)	(3,531)	(567)	(3,934)	(725)	(92,785)
As of Sep. 30, 2020	<u>\$52,420</u>	<u>\$338,081</u>	<u>\$1,877,835</u>	<u>\$106,356</u>	<u>\$18,690</u>	<u>\$145,260</u>	<u>\$14,927</u>	<u>\$2,553,569</u>

	Land	Buildings	Machinery and equipment	Transportation	Office Equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of Jan. 1, 2019	\$52,420	\$395,952	\$1,623,187	\$90,485	\$15,200	\$129,377	\$110,577	\$2,417,198
Additions	-	7,083	10,084	7,281	2,168	5,064	142,063	173,743
Disposals	-	(67)	(6,840)	(957)	(103)	(99)	-	(8,066)
Transfers	-	(49,578)	189,841	7,013	-	228	(202,185)	(54,681)
Exchange differences	-	(1,489)	(7,883)	(372)	(59)	(509)	(570)	(10,882)
As of Sep. 30, 2019	<u>\$52,420</u>	<u>\$351,901</u>	<u>\$1,808,389</u>	<u>\$103,450</u>	<u>\$17,206</u>	<u>\$134,061</u>	<u>\$49,885</u>	<u>\$2,517,312</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

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(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	\$-	\$116,580	\$1,024,759	\$66,458	\$13,962	\$124,749	\$-	\$1,346,508
Depreciation	-	14,485	80,297	5,150	2,713	7,476	-	110,121
Disposals	-	-	(8,881)	(1,629)	(586)	(16,091)	-	(27,187)
Transfers	-	-	-	-	-	-	-	-
Exchange differences	-	(4,125)	(40,937)	(2,340)	(484)	(3,803)	-	(51,689)
As of Sep. 30, 2020	<u>\$-</u>	<u>\$126,940</u>	<u>\$1,055,238</u>	<u>\$67,639</u>	<u>\$15,605</u>	<u>\$112,331</u>	<u>\$-</u>	<u>\$1,377,753</u>
As of Jan. 1, 2019	\$-	\$110,819	\$968,878	\$63,845	\$10,732	\$113,143	\$-	\$1,267,417
Depreciation	-	14,367	82,648	4,270	1,970	13,041	-	116,296
Disposals	-	(38)	(6,605)	(957)	(103)	(99)	-	(7,802)
Transfers	-	(9,657)	-	-	-	-	-	(9,657)
Exchange differences	-	(506)	(5,145)	(300)	(54)	(501)	-	(6,506)
As of Sep. 30, 2019	<u>\$-</u>	<u>\$114,985</u>	<u>\$1,039,776</u>	<u>\$66,858</u>	<u>\$12,545</u>	<u>\$125,584</u>	<u>\$-</u>	<u>\$1,359,748</u>
Net carrying amount as of:								
Sep. 30, 2020	<u>\$52,420</u>	<u>\$211,141</u>	<u>\$822,597</u>	<u>\$38,717</u>	<u>\$3,805</u>	<u>\$32,929</u>	<u>\$14,927</u>	<u>\$1,175,816</u>
Dec. 31, 2019	<u>\$52,420</u>	<u>\$231,261</u>	<u>\$843,869</u>	<u>\$42,433</u>	<u>\$5,008</u>	<u>\$7,731</u>	<u>\$17,637</u>	<u>\$1,200,359</u>
Sep. 30, 2019	<u>\$52,420</u>	<u>\$236,916</u>	<u>\$768,613</u>	<u>\$36,592</u>	<u>\$4,661</u>	<u>\$8,477</u>	<u>\$49,885</u>	<u>\$1,157,564</u>

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(b)Property, plant and equipment for operating leases

	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	(37,704)	-	-	-	-	(37,704)
Transfers	-	-	-	-	-	-
Exchange differences	(1,664)	-	-	-	-	(1,664)
As of Sep. 30, 2020	<u>\$33,285</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$33,285</u>
As of Jan. 1, 2019	\$75,224	\$-	\$-	\$-	\$-	\$75,224
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Exchange differences	(336)	-	-	-	-	(336)
As of Sep. 30, 2019	<u>\$74,888</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$74,888</u>
As of Jan. 1, 2020	\$66,834	\$-	\$-	\$-	\$-	\$66,834
Depreciation	1,767	-	-	-	-	1,767
Disposals	(33,856)	-	-	-	-	(33,856)
Transfers	-	-	-	-	-	-
Exchange differences	(1,589)	-	-	-	-	(1,589)
As of Sep. 30, 2020	<u>\$33,156</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$33,156</u>

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	Machinery and equipment	Transportation	Office Equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
As of Jan. 1, 2019	\$65,092	\$-	\$-	\$-	\$-	\$65,092
Depreciation	3,087	-	-	-	-	3,087
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Exchange differences	(308)	-	-	-	-	(308)
As of Sep. 30, 2019	\$67,871	\$-	\$-	\$-	\$-	\$67,871

Net carrying amount as of:

Sep. 30, 2020	\$129	\$-	\$-	\$-	\$-	\$129
Dec. 31, 2019	\$5,819	\$-	\$-	\$-	\$-	\$5,819
Sep. 30, 2019	\$7,017	\$-	\$-	\$-	\$-	\$7,017

(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.

(9) Investment property

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

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	<u>Buildings</u>
Cost:	
As of Jan. 1, 2020	\$52,813
Exchange differences	(1,829)
As of Sep. 30, 2020	<u>\$50,984</u>
As of Jan. 1, 2019	\$-
Transfers from property, plant and equipment	54,681
Exchange differences	(243)
As of Sep. 30, 2019	<u>\$54,438</u>
Depreciation and impairment:	
As of Jan. 1, 2020	\$11,694
Depreciation	1,753
Exchange differences	(445)
As of Sep. 30, 2020	<u>\$13,002</u>
As of Jan. 1, 2019	\$-
Depreciation	1,841
Transfers from property, plant and equipment	9,657
Exchange differences	(54)
As of Sep. 30, 2019	<u>\$11,444</u>
Net carrying amount as of:	
Sep. 30, 2020	<u>\$37,982</u>
Dec. 31, 2019	<u>\$41,119</u>
Sep. 30, 2019	<u>\$42,994</u>

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	For the three-month period ended Sep 30,		For the nine-month period ended Sep 30,	
	2020	2019	2020	2019
Rental income from investment property	\$6,736	\$7,446	\$20,918	\$21,786
Less : Direct operating expenses from investment property generating rental income	(1,066)	(614)	(3,734)	(1,841)
Total	\$5,670	\$6,832	\$17,184	\$19,945

(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		
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 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 September 30, 2019.

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(10)Intangible assets

	Computer software	Patent	Total
Cost:			
As of Jan. 1, 2020	\$36,714	\$-	\$36,714
Additions-acquired separately	545	-	545
Transfers from property, plant and equipment	330	-	330
Deduction	(45)	-	(45)
Exchange differences	(1,246)	-	(1,246)
As of Sep. 30, 2020	<u>\$36,298</u>	<u>\$-</u>	<u>\$36,298</u>
As of Jan. 1, 2019	\$34,295	\$228	\$34,523
Additions-acquired separately	2,132	-	2,132
Deduction	-	(228)	(228)
Exchange differences	(150)	-	(150)
As of Sep. 30, 2019	<u>\$36,277</u>	<u>\$-</u>	<u>\$36,277</u>
Amortization:			
As of Jan. 1, 2020	\$26,131	\$-	\$26,131
Amortization	4,003	-	4,003
Deduction	(45)	-	(45)
Exchange differences	(972)	-	(972)
As of Sep. 30, 2020	<u>\$29,117</u>	<u>\$-</u>	<u>\$29,117</u>
As of Jan. 1, 2019	\$22,065	\$228	\$22,293
Amortization	3,639	-	3,639
Deduction	-	(228)	(228)
Exchange differences	(118)	-	(118)
As of Sep. 30, 2019	<u>\$25,586</u>	<u>\$-</u>	<u>\$25,586</u>
Net carrying amount as of:			
Sep. 30, 2020	<u>\$7,181</u>	<u>\$-</u>	<u>\$7,181</u>
Dec. 31, 2019	<u>\$10,583</u>	<u>\$-</u>	<u>\$10,583</u>
Sep. 30, 2019	<u>\$10,691</u>	<u>\$-</u>	<u>\$10,691</u>

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Amortization of intangible assets is as follows:

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2020	2019	2020	2019
Operating costs	\$8	\$1	\$23	\$2
Sales and marketing expenses	2	1	6	2
General and administrative expenses	1,241	1,236	3,849	3,525
Research and development expenses	42	37	125	110
Total	<u>\$1,293</u>	<u>\$1,275</u>	<u>\$4,003</u>	<u>\$3,639</u>

(11) Other non-current assets

	As of		
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Advance payments in equipment	\$1,115	\$25,451	\$74,145
Refundable deposits	336	336	336
Total	<u>\$1,451</u>	<u>\$25,787</u>	<u>\$74,481</u>

(12) Short-term borrowings

	Interest Rate (%)	As of		
		Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Secured bank loans	0.9% ~ 4.5%	\$241,567	\$265,148	\$246,071
Unsecured bank loans	0.846% ~ 5.85%	798,315	585,214	608,055
Total		<u>\$1,039,882</u>	<u>\$850,362</u>	<u>\$854,126</u>

The Group's unused short-term lines of credits amount to NT\$489,040 thousand, NT \$605,215 thousand and NT\$548,605 thousand as of September 30, 2020, December 31, 2019 and September 30, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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(13)Other payables

	As of		
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Accrued expense	\$209,715	\$248,497	\$219,800
Accrued interest	108	466	-
Payables on equipment	10,862	18,799	9,923
Payables for investments	-	24,412	-
Total	\$220,685	\$292,174	\$229,723

(14)Other non-current liabilities

	As of		
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Net defined benefit liability	\$2,541	\$2,875	\$3,612
Guarantee deposits received	5,687	18,591	18,887
Other non-current liabilities	5,000	5,000	5,000
Total	\$13,228	\$26,466	\$27,499

(15)Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended September 30, 2020 and 2019 were NT\$403 thousand and NT\$428 thousand, respectively, while for the nine-month periods ended September 30, 2020 and 2019 were NT\$1,212 thousand and NT\$1,333 thousand, respectively.

Defined benefits plan

Expenses under the defined benefit plan for the three-month periods ended September 30, 2020 and 2019 were NT\$64 thousand and NT\$78 thousand, respectively, while for the nine-month periods ended September 30, 2020 and 2019 were NT\$190 thousand and NT\$233 thousand, respectively.

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(REVIEWED BUT UNAUDITED)

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(16)Equities

(a)Common stock

The Company's authorized capital was both NT\$900,000 thousand as of September 30, 2020, December 31, 2019 and September 30, 2019, divided into both 65,826 thousand shares, each at a par value of NT\$10, respectively. Total issued stock capital was both NT\$658,262 thousand. Each share has one voting right and a right to receive dividends.

(b)Capital surplus

	As of		
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Additional paid-in capital	\$836,062	\$836,062	\$836,062
Other	720	720	720
Total	<u>\$836,782</u>	<u>\$836,782</u>	<u>\$836,782</u>

According to the Company Act, the 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.

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(c) Retained earnings and dividend policies

(1) Retained earnings and dividend policies

According to the Company's shareholders' meeting held on May 29, 2020 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 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 proposal as follows:

- i. If there is any profit (after tax) of the current fiscal year under the final annual 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;

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- iii. If there is any profit, it shall be set aside no more than 2% of the balance as a bonus to directors and no less than 2% of the balance as compensation to employees of the Company, which may be distributed under an incentive program approved pursuant to Article 11.1 above. The board of directors shall adopt the exact percentages to be distributed as 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 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
- 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.

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(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.

- (3) The appropriations of earnings for the Year 2019 and 2018 were approved through the Shareholders' meeting held on May 29, 2020 and May 31, 2019, respectively. The details of the distributions are as follows:

	<u>Appropriation of earnings</u>		<u>Dividend per share (in NT\$)</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Special reserve	\$112,668	\$(29,417)		
Common stock – cash dividend	362,043	329,131	\$5.5	\$5
Total	<u>\$474,711</u>	<u>\$299,714</u>		

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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(17) Operating revenue

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2020	2019	2020	2019
Revenue from contracts with customer				
Sale of goods	\$1,303,357	\$1,300,073	\$3,348,312	\$3,958,012
Revenue arising from the rendering of services	1,405	1,715	2,742	3,841
Total	<u>\$1,304,762</u>	<u>\$1,301,788</u>	<u>\$3,351,054</u>	<u>\$3,961,853</u>

Analysis of revenue from contracts with customers during the three-month periods ended and the nine-month periods then ended September 30, 2020 and 2019, respectively, is as follows:

(a) Disaggregation of revenue

	Single Segment			
	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2020	2019	2020	2019
Revenue from contracts with customer				
Sale of goods	\$1,303,357	\$1,300,073	\$3,348,312	\$3,958,012
Revenue arising from the rendering of services	1,405	1,715	2,742	3,841
Total	<u>\$1,304,762</u>	<u>\$1,301,788</u>	<u>\$3,351,054</u>	<u>\$3,961,853</u>
Timing of revenue recognition:				
At a point in time	<u>\$1,304,762</u>	<u>\$1,301,788</u>	<u>\$3,351,054</u>	<u>\$3,961,853</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

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(b)Contract balances

Contract liabilities - current

	As of			
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019	Jan.1, 2019
Sales of goods	\$100,710	\$38,500	\$40,329	\$59,738

As of September 30, 2020, contract liabilities increased because part of the consideration was received from customers and the underlying obligations/services should be provided afterwards.

As of September 30, 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 September 30, 2020, December 31, 2019 and September 30, 2019 there was no information about unsatisfied performance obligations provided in the consolidated financial statements because the duration of the Group's revenue contracts were all less than one year.

(d)Assets recognized from costs to fulfill a contract

None.

(18)Expected credit losses/(gains)

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2020	2019	2020	2019
Operating expenses – Expected credit losses/(gains)				
Trade receivables	\$(46)	\$-	\$2,904	\$-

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

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 September 30, 2020, December 31, 2019 and September 30, 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 September 30, 2020

Group 1

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$459,079	\$41,150	\$24,524	\$791	\$371	\$525,915
Loss ratio	0.89%	4.08%	11.58%	34.72%	100.00%	
Lifetime expected credit losses	(4,093)	(1,679)	(2,840)	(274)	(371)	(9,257)
Carrying amount of trade receivables	\$454,986	\$39,471	\$21,684	\$517	\$-	\$516,658

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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	\$289,465	\$42,410	\$6	\$-	\$-	\$331,881
Loss ratio	1.07%	9.62%	32.53%	100%	100%	
Lifetime expected credit losses	(3,085)	(4,078)	(2)	-	-	(7,165)
Carrying amount of trade receivables	\$286,380	\$38,332	\$4	\$-	\$-	\$324,716

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

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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	<u>\$455,166</u>	<u>\$24,347</u>	<u>\$5,929</u>	<u>\$-</u>	<u>\$-</u>	<u>\$485,442</u>

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

As of September 30, 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	\$156,699	\$40,443	\$21,616	\$7,597	\$2,569	\$228,924
Loss ratio	2.67%	3.67%	5.85%	24.51%	100%	
Lifetime expected credit losses	(4,186)	(1,483)	(1,263)	(1,862)	(2,569)	(11,363)
Carrying amount of trade receivables	<u>\$152,513</u>	<u>\$38,960</u>	<u>\$20,353</u>	<u>\$5,735</u>	<u>\$-</u>	<u>\$217,561</u>

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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	\$498,135	\$39,782	\$222	\$-	\$-	\$538,139
Loss ratio	-%	-%	-%	10.80%	100%	
Lifetime expected credit losses	-	-	-	-	-	-
Carrying amount of trade receivables	\$498,135	\$39,782	\$222	\$-	\$-	\$538,139

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 nine-month periods ended September 30, 2020 and 2019, respectively, is as follows:

	Notes receivables	Trade receivables
As of Jan. 1, 2020	\$-	\$14,026
Addition for the current period	-	2,904
Exchange rate impact	-	(508)
As of Sep. 30, 2020	\$-	\$16,422
As of Jan. 1, 2019	\$-	\$11,413
Addition for the current period	-	-
Exchange rate impact	-	(50)
As of Sep. 30, 2019	\$-	\$11,363

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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(19) Summary statement of employee benefits, depreciation and amortization by function during the three-month periods ended and nine-month periods ended September 30, 2020 and 2019:

Function Nature	For the three-month period ended Sep. 30,					
	2020			2019		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$223,772	\$44,591	\$268,363	\$236,729	\$32,367	\$269,096
Labor and health insurance	364	747	1,111	631	549	1,180
Pension	139	328	467	236	270	506
Other employee benefits expense	2,300	1,114	3,414	2,545	1,210	3,755
Depreciation	35,296	4,728	40,024	36,917	5,011	41,928
Amortization	8	1,285	1,293	1	1,274	1,275

Function Nature	For the nine-month period ended Sep. 30,					
	2020			2019		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$614,100	\$110,606	\$724,706	\$666,157	\$96,368	\$762,525
Labor and health insurance	1,177	2,228	3,405	1,928	1,759	3,687
Pension	435	967	1,402	714	852	1,566
Other employee benefits expense	6,655	3,470	10,125	7,541	3,679	11,220
Depreciation	105,080	13,519	118,599	110,597	13,504	124,101
Amortization	23	3,980	4,003	2	3,637	3,639

According to the Articles of Incorporation, no less than 2% of the profit of the current year is distributable as employees' compensation and no more than 2% of profit of the current year is distributable as remuneration to directors. The Company may have the profit distributable as employees' compensation in the form of shares or cash, 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.

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For the three-month period ended September 30, 2020, the Company recorded the compensations to employees and directors in the amount of NT\$8,935 thousand and NT\$4,621 thousand, respectively, and, for the nine-month period ended September 30, 2020, NT\$15,322 thousand and NT\$8,824 thousand, respectively. While employees' compensation and remuneration to directors for the three-month period ended September 30, 2019 amounted of NT\$4,784 thousand and NT\$3,323 thousand, respectively, and for the nine-month period ended September 30, 2019, NT\$16,695 thousand and NT\$10,997 thousand, respectively. The aforementioned employees' compensation and remuneration were estimated based on the post-tax net income of the period and recognized as salary expenses.

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 period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2020	2019	2020	2019
Interest income				
Financial assets measured at amortized cost	\$13,378	\$10,548	\$30,900	\$22,229
Rental income	6,736	7,446	20,918	21,786
Others	(828)	1,487	3,341	9,327
Total	\$19,286	\$19,481	\$55,159	\$53,342

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(b) Other gains and losses

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2020	2019	2020	2019
Gains/(losses) on disposal of property, plant and equipment	\$72	\$-	\$(1,876)	\$(264)
Foreign exchange gains/(losses)	3,943	1,645	6,203	13,453
Others	285	(924)	(9,113)	(4,587)
Total	<u>\$4,300</u>	<u>\$721</u>	<u>\$(4,786)</u>	<u>\$8,602</u>

(c) Finance costs

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2020	2019	2020	2019
Interest on borrowings from bank	\$3,711	\$2,865	\$12,766	\$6,525
Interest on lease liabilities	117	27	466	33
Total	<u>\$3,828</u>	<u>\$2,892</u>	<u>\$13,232</u>	<u>\$6,558</u>

(21) Operating 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 the consent from the lessors.

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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 assets

	As of		
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Land	\$302,951	\$322,827	\$333,145
Buildings	14,769	15,297	17,090
Total	\$317,720	\$338,124	\$350,235

(ii)Lease liabilities

	As of		
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Lease liabilities	\$15,001	\$15,297	\$17,093
Current	\$4,970	\$3,012	\$3,622
Non-current	\$10,031	\$12,285	\$13,471

Please refer to Note 6 (20)(c) for the interest on lease liability recognized during the three-month periods ended and nine-month period ended September 30, 2020 and 2019, and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as of September 30, 2020 and 2019.

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B. Amounts recognized in the statement of profit or loss

The depreciation charge for right-of-use assets

	For the three-month period		For the nine-month period	
	ended Sep. 30,		ended Sep. 30,	
	2020	2019	2020	2019
Buildings (Includes land use right)	\$1,635	\$1,148	\$4,958	\$2,877

C. Income and costs relating to leasing activities

	For the three-month period		For the nine-month period	
	ended Sep. 30,		ended Sep. 30,	
	2020	2019	2020	2019
Short-term leased expense (rental expense)	\$14	\$217	\$43	\$241

As of September 30, 2020, December 31, 2019 and September 30, 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.

D. Cash outflow relating to leasing activities

During the nine-month period ended September 30, 2020 and 2019 the Group's total cash outflow for leases are both amounting to NT\$1,440 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.

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The Group has entered into leases on certain plants. The leases have average lives between one and two years. These leases are classified as operating leases as they transfer all the risks and rewards incidental to ownership of underlying assets substantially.

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2020	2019	2020	2019
Leased income recognized by operating leased				
Fixed leased payment related income	\$6,736	\$7,446	\$20,918	\$21,786

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 September 30, 2020, December 31, 2019 and September 30, 2019, respectively, are as follow:

	As of		
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Not later than one year	\$6,364	\$22,370	\$25,184
More than one year but less than two years	-	626	4,850
Total	\$6,364	\$22,996	\$30,034

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(22)Components of other comprehensive income

For the three-month period ended Sep. 30, 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	\$(60,517)	\$-	\$(60,517)	\$-	\$(60,517)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	(611)	-	(611)	-	(611)
Total of other comprehensive income	\$(61,128)	\$-	\$(61,128)	\$-	\$(61,128)

For the three-month period ended Sep. 30, 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	\$(18,721)	\$-	\$(18,721)	\$-	\$(18,721)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	(220)	-	(220)	-	(220)
Total of other comprehensive income	\$(18,941)	\$-	\$(18,941)	\$-	\$(18,941)

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For the nine-month period ended Sep. 30, 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	\$(119,942)	\$-	\$(119,942)	\$-	\$(119,942)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	(1,258)	-	(1,258)	-	(1,258)
Total of other comprehensive income	\$(121,200)	\$-	\$(121,200)	\$-	\$(121,200)

For the nine-month period ended Sep. 30, 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	\$(14,774)	\$-	\$(14,774)	\$-	\$(14,774)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	(168)	-	(168)	-	(168)
Total of other comprehensive income	\$(14,942)	\$-	\$(14,942)	\$-	\$(14,942)

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(23)Income tax

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

Income tax expense (income) recognized in profit or loss

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2020	2019	2020	2019
Current income tax expense (income):				
Current income tax charge	\$51,732	\$36,735	\$97,377	\$116,033
Adjustments in respect of current income tax of prior periods	(9)	-	1,096	1,130
Deferred tax expense (income):				
Deferred tax expense relating to origination and reversal of temporary differences	(681)	(142)	(1,213)	41
Total income tax expense	<u>\$51,042</u>	<u>\$36,593</u>	<u>\$97,260</u>	<u>\$117,204</u>

(b)The assessment of income tax returns

As of September 30, 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.

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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 Sep. 30,		For the nine-month period ended Sep. 30,	
	2020	2019	2020	2019
(a) Basic earnings per share				
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$166,455	\$146,805	\$319,780	\$460,552
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,826	65,826	65,826	65,826
Basic earnings per share (NT\$)	\$2.53	\$2.23	\$4.86	\$7.00
(b) Diluted earnings per share				
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$166,455	\$146,805	\$319,780	\$460,552
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,826	65,826	65,826	65,826
Effect of dilution:				
Employee bonus – stock (in thousands)	159	132	196	163
Weighted average number of ordinary shares outstanding after dilution (in thousands)	65,985	65,958	66,022	65,989
Diluted earnings per share (NT\$)	\$2.52	\$2.23	\$4.84	\$6.98

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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.

7. RELATED PARTY TRANSACTIONS

(1) The related parties who have transactions with the Group within the reporting periods

Related parties and relation

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

(2) Significant transactions with related parties

(a) Sales

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2020	2019	2020	2019
Associates	\$27,313	\$34,078	\$75,784	\$94,917
Other related party	-	-	4	-
Other related party — Northstar Precision (Vietnam) Company	338,398	269,703	736,286	748,821
Total	\$365,711	\$303,781	\$812,074	\$843,738

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

(b)Purchases

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2020	2019	2020	2019
Associates	\$9,487	\$11,814	\$27,956	\$37,103
Other related parties	321	925	1,687	3,114
Total	<u>\$9,808</u>	<u>\$12,739</u>	<u>\$29,643</u>	<u>\$40,217</u>

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

(c)For the nine-month periods ended September 30, 2020 and 2019, the Group was charged by associates for processing and therefore recognized processing expense in the amount of NT\$33,625 thousand and NT\$38,731 thousand, respectively.

(d)For the nine-month periods ended September 30, 2020 and 2019, the Group charged associates for processing and therefore recognized processing income in the amount of NT\$0 thousand and NT\$93 thousand, respectively, which were recorded under the caption of operating revenues.

(e)For the nine-month periods ended September 30, 2020 and 2019, the Group charged other related parties for processing and therefore recognized processing income in the amount of NT\$2,742 thousand and NT\$3,748 thousand, respectively, which were recorded under the caption of operating revenues.

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(f) For the nine-month periods ended September 30, 2020 and 2019, the Group charged other related parties for provided services and recognized service revenue in the amount of NT\$0 and NT\$725 thousand, respectively, which were recorded under non-operating income and expenses-other income.

(g) For the nine-month periods ended September 30, 2020 and 2019, the Group was charged by associates due to product defect and therefore recognized compensation in the amount of NT\$0 and NT\$2 thousand, respectively, which were recorded under non-operating income and expenses-other gain or loss.

(h) For the nine-month periods ended September 30, 2020 and 2019, the Group sale of machine and equipment to other related parties and therefore recognized gains on disposal of property, plant and equipment were in the amount of NT\$0 and NT\$612 thousand, respectively, which were recorded under non-operating income and expenses-other income.

(i) Trade receivables from related parties

	As of		
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Associates	\$8,165	\$14,242	\$12,890
Other related party-Northstar Precision (Vietnam) Company Limited	238,983	120,666	192,640
Total	\$247,148	\$134,908	\$205,530

(j) Other receivables - related parties

	As of		
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Associates	\$774	\$183	\$-

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(k) Trade payables to related parties

	As of		
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Associates	\$4,011	\$12,766	\$7,346
Other related parties	264	321	222
Total	\$4,275	\$13,087	\$7,568

(l) Operating lease

A. Right-of-use asset

Relationship	Property	As of		
		Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Other related party	Buildings	\$2,375	\$-	\$478

B. Lease liabilities

Relationship	As of		
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Other related party	\$2,384	\$-	\$480

C. Interest on lease liabilities

Relationship	Property	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
		2020	2019	2020	2019
Other related party	Rent office	\$7	\$7	\$25	\$7

D. For the nine-month periods ended September 30, 2020 and 2019, the Group paid other related parties for rent expense every month by cash.

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E. Lease transactions with related parties

Lessee	Lease	Duration	Rental income
<u>For the nine-month period ended Sep. 30, 2020</u>			
Associate	Property and plant	Jan. 1, 2019~Dec. 31, 2021	\$7,794
Associate	Property and plant	Jan. 1, 2019~Dec. 31, 2021	6,340
Associate	Property and plant	May 1, 2019~Nov. 30, 2021	1,531
Other related party	Property and plant	Aug. 1, 2020~Dec. 31, 2020	5,253
Total			<u>\$20,918</u>
<u>For the nine-month period ended Sep. 30, 2019</u>			
Associate	Property and plant	Jan. 1, 2019~Dec. 31, 2021	\$8,545
Associate	Property and plant	Jan. 1, 2019~Dec. 31, 2021	6,796
Associate	Property and plant	May 1, 2019~Apr. 30, 2021	1,041
Other related party	Property and plant	Aug. 1, 2010~Jul. 31, 2020	5,404
Total			<u>\$21,786</u>

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

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2020	2019	2020	2019
Short-term employee benefits	\$4,782	\$4,711	\$14,719	\$14,586
Post-employment benefits	82	85	246	255
Share-based payment	9,127	9,313	10,334	10,470
Total	<u>\$13,991</u>	<u>\$14,109</u>	<u>\$25,299</u>	<u>\$25,311</u>

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8. PLEDGED ASSETS

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

Item	Carrying Amount As of			Secured liabilities
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019	
Trade receivables	\$251,000	\$260,000	\$268,000	Short-term borrowings
Inventories	251,000	260,000	268,000	Short-term borrowings
Property, plant and equipment – land	52,420	52,420	52,420	Short-term borrowings
Property, plant and equipment – buildings	338	404	427	Short-term borrowings
Total	<u>\$554,758</u>	<u>\$572,824</u>	<u>\$588,847</u>	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

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12. OTHERS

(1) Financial instruments

Categories of financial instruments

Financial assets

	As of		
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 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)	912,187	1,126,128	993,919
Financial assets measured at amortized cost	636,198	355,817	311,303
Notes receivables	-	69	168
Trade receivables (includes related parties)	841,374	669,823	755,532
Other receivables (includes related parties)	8,760	14,334	7,060
Refundable deposits	336	336	336
Total	<u>\$2,418,286</u>	<u>\$2,185,938</u>	<u>\$2,087,749</u>

Financial liabilities

	As of		
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Financial liabilities at amortized cost:			
Short-term borrowings	\$1,039,882	\$850,362	\$854,126
Trade payables (includes related parties)	507,987	621,879	530,042
Leased liabilities (includes related parties)	15,001	15,297	17,093
Refund liabilities	5,687	18,591	18,887
Total	<u>\$1,568,557</u>	<u>\$1,506,129</u>	<u>\$1,420,148</u>

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(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activate. The Group identifies measures and manages the 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 is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense 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.

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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 and VND. The information of the sensitivity analyses is as follows:

When NTD is strengthened/weakened against foreign currency USD by 1%, the profit for the nine-month periods ended September 30, 2020 and 2019 is decreased/increased by NT\$7,767 thousand and NT\$2,005 thousand, respectively.

When VND is strengthened/weakened against foreign currency USD by 1%, the profit for the nine-month periods ended September 30, 2020 and 2019 is decreased/increased by VND\$1,520,586 thousand and VND\$500,945 thousand, respectively.

Interest rate risk

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the nine-month periods ended September 30, 2020 and 2019 to decrease/increase by NT\$356 thousand and increase/decrease NT\$317 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.

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

(4) Credit risk management

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

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

As of September 30, 2020, December 31, 2019 and September 30, 2019, trade receivables from top ten customers represent 84.95%, 78.81% and 80.01% of the total trade receivables of the Group, respectively. The credit concentration risk of other trade receivable is relatively not significant.

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

The Group adopted IFRS 9 to assess the expected credit losses. Except for the loss allowance of trade receivables is measured at lifetime expected credit losses, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

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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

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Total</u>
<u>As of Sep. 30, 2020</u>			
Short-term borrowings	\$1,043,519	\$-	\$1,043,519
Trade and other payables	507,987	-	507,987
Leased Liabilities (Note)	5,363	10,522	15,885
<u>As of Dec. 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
<u>As of Sep. 30, 2019</u>			
Short-term borrowings	\$863,652	\$-	\$863,652
Trade and other payables	530,042	-	530,042
Leased Liabilities (Note)	4,138	14,404	18,542

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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 nine-month period ended September 30, 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	189,520	(12,904)	(4,082)	172,534
Non-cash changes	-	-	3,786	3,786
As of Sep. 30, 2020	<u>\$1,039,882</u>	<u>\$5,687</u>	<u>\$15,001</u>	<u>\$1,060,570</u>

Reconciliation of liabilities for the nine-month period ended September 30, 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	597,619	790	(1,749)	596,660
Non-cash changes	-	-	16,930	16,930
As of Sep. 30, 2019	<u>\$854,126</u>	<u>\$18,887</u>	<u>\$17,093</u>	<u>\$890,106</u>

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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.).

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)

- v. The fair value of derivatives, which are not options and without market quotations is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation methods (for example, Monte Carlo Simulation).

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

The carrying amount of the Group's financial assets and liabilities measured 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 as a whole. Level 1, 2 and 3 inputs are described as follows:

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

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

Level 3 – Unobservable inputs for the asset or liability

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

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

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

As of September 30, 2020, December 31, 2019, and September 30, 2019, fair value measurement hierarchy of the Group's assets measured at fair value on a recurring basis is as follows:

As of Sep. 30, 2020

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

As of Dec. 31, 2019

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

As of Sep. 30, 2019

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

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

During the nine-month period ended September 30, 2020, there was no the movement of fair value measurements.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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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 September 30, 2020

	Valuation	Significant	Quantitative	Relationship	Sensitivity of the input
	techniques	unobservable	information	between inputs	to fair value
		inputs		and fair value	
Financial assets:					
Financial assets					
measured at fair					
value through					
other					
comprehensive					
income					
Stocks	Market	Discount for lack	5%	The higher the	Increase (decrease) in
	approach	of marketability		extent of	the extent for lack of
				lacking	marketability by 10%
				marketability,	would result in increase
				the lower the	(decrease) in the
				fair value of	Group's other
				the stocks.	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	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 September 30, 2019

	Valuation	Significant		Relationship	
	techniques	unobservable	Quantitative	between inputs	Sensitivity of the input
		inputs	information	and fair value	to fair value
Financial assets:					
Financial assets					
measured at fair					
value through					
other					
comprehensive					
income					
Stocks	Market	Discount for lack	5%	The higher the	Increase (decrease) in
	approach	of marketability		extent of	the extent for lack of
				lacking	marketability by 10%
				marketability,	would result in increase
				the lower the	(decrease) in the
				fair value of	Group's other
				the stocks.	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 are in line with market conditions, based on independent and reliable inputs which are consistent with other information and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies at each reporting date.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(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 Sep. 30, 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))	<u>\$-</u>	<u>\$-</u>	<u>\$167,629</u>	<u>\$167,629</u>

As of Dec. 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))	<u>\$-</u>	<u>\$-</u>	<u>\$167,629</u>	<u>\$167,629</u>

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

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

	<u>As of</u>					
	<u>Sep. 30, 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	<u>\$34,460</u>	29.01	<u>\$999,598</u>	<u>\$30,555</u>	29.74	<u>\$908,955</u>
VND	<u>\$1,129,490,879</u>	0.001254	<u>\$1,416,570</u>	<u>\$996,582,165</u>	0.001300	<u>\$1,295,557</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)

	As of					
	Sep. 30 , 2020			Dec.31, 2019		
	Foreign currencies	Exchange rate	NTD	Foreign currencies	Exchange rate	NTD
<u>Investments accounted for under the equity method</u>						
VND	<u>\$104,413,561</u>	0.001277	<u>\$133,336</u>	<u>\$110,407,449</u>	0.001300	<u>\$143,530</u>

Financial liabilities

Monetary items:

USD	<u>\$34,249</u>	29.16	<u>\$998,834</u>	<u>\$25,475</u>	30.12	<u>\$767,312</u>
VND	<u>\$366,219,708</u>	0.001255	<u>\$459,606</u>	<u>\$362,664,368</u>	0.001300	<u>\$471,464</u>

	As of		
	Sep. 30 , 2019		
	Foreign currencies	Exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	<u>\$31,389</u>	31.02	<u>\$973,619</u>
VND	<u>\$852,665,554</u>	0.001340	<u>\$1,142,572</u>

Investments accounted for under the equity method

VND	<u>\$103,823,482</u>	0.001340	<u>\$139,123</u>
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Financial liabilities

Monetary items:

USD	<u>\$24,742</u>	31.17	<u>\$771,089</u>
VND	<u>\$323,581,389</u>	0.001340	<u>\$433,599</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)

The Group's entities functional currency are various, and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gain/(loss) were NT\$3,943 thousand and NT\$1,645 thousand for the three-month periods ended September 30, 2020 and 2019, respectively. The foreign exchange gains were NT\$6,203 thousand and NT\$13,453 thousand for the nine-month periods ended September 30, 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 in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13.OTHER DISCLOSURES

(1)Information at significant transactions:

(a)Financing provided to others: None.

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

(c)Marketable securities held as of September 30, 2020 (excluding investments in subsidiaries, associates and joint ventures): None.

(d)Individual securities acquired or disposed of with accumulated amount of at least NT\$ 100 million or 20 percent of the paid-in capital for the nine-month period ended September 30, 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 nine-month period ended September 30, 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)

(f) Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the nine-month period ended September 30, 2020: None.

(g) Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the nine-month period ended September 30, 2020: None.

(h) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of September 30, 2020: None.

(i) Derivative instrument transactions: None.

(j) Intercompany relationships and significant intercompany transactions for the nine-month period ended September 30, 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 September 30, 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\$100 million or 20 percent of the paid-in capital or for the nine-month period ended September 30, 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 nine-month period ended September 30, 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)

- 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 nine-month period ended September 30, 2020: None.
- 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 nine-month period ended September 30, 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 September 30, 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	Percentage of ownership
	Number of shares	
SEASHORE GROUP LIMITED	24,769,059	37.62%
New General Limited	13,833,217	21.01%
Fubon Life Insurance Company, Ltd.	5,217,000	7.92%

14. OPERATING SEGMENT

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 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 nine-month period ended September 30, 2020)

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

		Receiving party		Limit of				Amount of	Percentage of accumulated	Limit of total			
No.			Relationship	guarantee/endorsement	Maximum			collateral for	guarantee amount to net assets	guarantee/endorsement	Guarantee	Guarantee	Guarantee Provided
(Note 1)	Endorser/Guarantor	Company name	(Note2)	amount for receiving party	balance for	Actual amount		guarantee/	value from the latest financial	amount	Provided by	Provided by	to Subsidiaries in
				(Note3)	the period	Ending balance	provided	endorsement	statement	(Note3)	Parent Company	A Subsidiary	Mainland China
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd.	2	\$1,162,949	\$80,000	\$80,000	\$69,000	\$-	2.75%	\$1,453,686	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innoviation Co.,Ltd. (B.V.I)	2	\$1,162,949	\$206,682 (USD 7,000)	\$203,882 (USD 7,000)	\$-	\$-	7.01%	\$1,453,686	Y	N	N
						(Note4)							
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	2	\$1,162,949	\$413,364 (USD 14,000)	\$407,764 (USD 14,000)	\$186,610 (USD 6,407)	\$-	14.03%	\$1,453,686	Y	N	N
						(Note4)							

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 nine-month period ended September 30, 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	\$-	\$-	2.68%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$30,845 (Note 2) (Note 3)	\$61,690 (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.

ATTACHMENT 3 (If an investor has the ability to exercise significant influence on investee or has material controlling power on investee for the nine-month period ended September 30, 2020) (Excluding investment in Mainland China)
(All the currencies are denominated in Thousands of New Taiwan Dollars, foreign currency)

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

Investor Company	Investee Company	Address	Main businesses and products	Original Investment Amount		Investments as of Sep. 30, 2020			Net income (loss) of investee company	Investment income (loss) recognized	Note
				As of Sep. 30, 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%	3,559,787 (Note 8)	\$345,396	345,396 (Note 8)	Subsidiary
Eurocharm Holdings Co., Ltd.	Eurocharm America LLC.	America	Trading activities, warehouse and logistic service	USD 200	USD 200	200,000	100.00%	3,846 (Note 8)	(1,766)	(1,766) (Note 8)	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%	140,713 (Note 8)	767	(4,288) (Note 1) (Note 8)	Sub-sub-sidiary
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%	3,290,457 (Note 5) (Note 8)	326,528	341,371 (Note 6) (Note 8)	Sub-sub-sidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Apex Precision Industrial Ltd.	Samoa	Trading activities	-	USD 2,000	-	-% (Note 7)	- (Note 7)	1,130	8,563 (Note 2) (Note 8)	Sub-sub-sidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Optimal Victory Ltd.	Samoa	Trading activities	-	USD 900	-	-% (Note 7)	- (Note 7)	1,513	1,810 (Note 3) (Note 8)	Sub-sub-sidiary
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%	48,090 (Note 8)	15,548	1,741 (Note 4) (Note 8)	Sub-sub-sidiary
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%	34,563	(3,256)	(1,465)	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%	23,275	(2,843)	(1,137)	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%	74,030	63,794	12,759	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%	22,457	2,028	811	Investment accounted for under the equity method

Note 1: Including investment gain recognized under equity method amounted to NT\$767 thousand and unrealized profit on transaction between subsidiaries amounted to NT\$5,055 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\$297 thousand.

Note 4: Including investment gain recognized under equity method amounted to NT\$15,548 thousand and unrealized profit on transaction between subsidiaries amounted to NT\$13,807 thousand.

Note 5: The net equity of sub-subsidiary held at the end of the period amounted to NT\$3,396,725 thousand deduct unrealized profit on transaction between subsidiaries amounted to NT\$106,268 thousand.

Note 6: Including investment gain recognized under equity method amounted to NT\$326,528 thousand and realized profit on transaction between subsidiaries amounted to NT\$14,843thousand.

Note 7: 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 8: Transactions between consolidated entities are eliminated in the consolidated financial statements.

ATTACHMENT 4 (Securities held as of September 30, 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 September 30, 2020					
				Number of shares	Book Value	Percentage of ownership (%)	Fair Value	Note	Shares as collateral
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 nine-month period ended September 30, 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)		
				Percentage of total purchases			Unit Price	Term	Balance	Percentage of total balances (%)	Note
				Amount	(sales) (%)	Term					
Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	Also a subsidiary under the company's control	Sales	\$266,410	74.57%	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 \$27,165	44.66%	1
Vietnam Precision Industrial No.1 Co., Ltd.	Northstar Precision (Vietnam) Company Limited	Other related party	Sales	\$735,428	22.56%	60~90 days after monthly closing	By product type, cost, market price and other trading terms.	Non related parties are 15~90 days after monthly closing	Trade receivables \$238,541	28.94%	

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

ATTACHMENT 6 (Receivables from related of at least NT\$100 million or 20 percent of the paid-in capital as of September 30, 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>\$238,541</u> (Note1)	<u>5.46</u>	<u>\$-</u>	-	<u>\$88,208</u>	<u>\$-</u>

Note 1: Trade Receivables.

ATTACHMENT 7 (Intercompany relationships and significant intercompany transactiontime for the nine-month peroid ended September 30, 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>2020.01.01~2020.09.30</u>						
1	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	\$266,410	60~90 days after monthly closing	7.95%
1	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade receivables	27,165	60~90 days after monthly closing	0.57%
1	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Other receivables	67	60~90 days after monthly closing	-%
1	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Other revenue	24	-	-%
1	Eurocharm Innovation Co., Ltd.	Eurocharm Holdings Co., Ltd.	2	Interest Income	383	-	0.01%
2	Eurocharm Innovation(HK) Co.,Ltd	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	88,585	60~90 days after monthly closing	2.64%
2	Eurocharm Innovation(HK) Co.,Ltd	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade receivables	26,126	60~90 days after monthly closing	0.55%
3	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm Innovation Co., Ltd.	3	Sales	189	60~90 days after monthly closing	0.01%

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

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

Note 2: Transactions are categorized as follows :

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

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

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